

## Impact of Compensation Discrimination on Employees Performance in Hotel Industry of Pakistan

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### ABSTRACT

The aim of this study was to examine the impact of employee's compensation discrimination on the performance of employees of hotel industry in Punjab Pakistan and how different factors affect their performance. This research explicated the factors which increase employee's performance. These factors are equal compensation, work load and environment, bonuses, social relationship with colleagues and stress and organizational policies. Most of the primary data used in the study was collected through questionnaire. Data was collected from the employees of hotel industry in Punjab Pakistan. A 200 sample size was selected to conduct this research. Correlation and multiple regressions have been used to analyze the data with SPSS.

The result of the study shows that compensation has critical role in the recruitment and retention of employees. This study has revealed that in some hotels, there is a gap or discrimination on the basis of designation.

Moreover, the study will enable the practitioners and employers of hotel industry to reduce job turnovers and increase the level of employees' performance. Because retaining experienced employees is better and cheaper than hiring new ones and train them.

**KEY WORDS:** Employees performance, Compensation, Work load environment, Management relationship, Organizational policies.

### 1. INTRODUCTION

Compensation means all forms of financial incentives given by employers to their employees in exchange for their contribution in an organization. It plays vital role for employee's motivation towards their efforts. (Monday and Noe, 1993) has presented that there are two types of compensation like financial compensation and non-financial compensation. Financial compensation has also two types like direct and indirect financial compensation. Direct compensation consist bounce, good salary packages, profits & commission indirect financial compensation are all those benefits that are not part of direct financial compensation. Non-financial compensation includes opportunities, recognition, promotion, vacations, work place environment and fair policies etc. All these compensations affect the performances of the employees in different manners.

"Compensation is the extrinsic rewards that employees get due to their efforts. It is composed of the base wage or salary and incentives or bonuses and any benefits." (Byars and Rue)

Lack of Compensation can be case absenteeism, turnover, job dissatisfaction, low performance, strikes and grievances. Most of labor-management clashes also arise due to it. Compensation play a vital role in attracting and keeping hold on highly skilled and competitive employees in human intensive capital firms and ensuring that the firm has the competitive advantage. (Wright et al, 2003 cited in Ramay & bila) suggested that employees will exert maximum efforts towards their jobs, if there is proper performance management which is managed by compensation system. Compensation Management controls expenses and offer competitive and good salary package, and promotion benefits to employees.

The present study is quantitative in nature and researcher uses the survey method for data collection with instrument of questionnaire. For analysis of data researcher will use the Regression for independent variables and dependent variable with SPSS. The results will interpret with tables and conclusion drawn on the basis of results. Researchers will also provide the recommendations for better training of employees of hotel industry of Pakistan.

### **1.1 Background of the study**

We selected this topic as a research problem and will start research in next step. The question raised is that how we retain our employees? We can retain employees by giving those bonuses, incentives. These all comes under the compensation. It is directly linked with the employee's performance that we can improve the performance through compensation, retain them and make them loyal through compensation. Company must satisfy their employees as job satisfaction through compensation. Company compensates their employees for getting high output; if company takes care of the employees then employees also take care of the companies. It is the need of company to retain their competent employees for higher output. Other than salary, includes childcare services, home allowances, retirement plans, training, future education etc.

These all are giving benefit to the employees and attracting them towards the work. If company is loyal to the employees then, employees will also be loyal to the company. The problem in compensation is that the employees perform their duties but did not receive benefits or incentives according to their work. There should be the performance appraisals for the employees for encouragement. Different issues or variables that will be discussed in that problem is employees motivation, compensation of lower and top management like CEO compensation, bonuses, non cash benefits, long term allowances, insurance etc.

### **1.2 Problem Statement**

Based on the above discussion, the study aims to identify the impact of equal compensation, Work Load and environment, Social relationship with Colleagues and Stress, Organizational Policies and bonuses on employee's performance in hotel industry of Pakistan.

### **1.3 Objective Study**

The following are the objectives:

- To determine the relationship of equal compensation with employees performance in hotel industry of Pakistan.
- To determine the relationship of work load and environment with employees performance in hotel industry of Pakistan.
- Recognize the need to connect compensation policies and practices with an organization's strategic business objectives.
- To determine the relationship of social relationship with colleagues and stress with employees performance in hotel industry of Pakistan.
- Clarify how to connect pay to performance.
- To determine the relationship of bonuses with employees of hotel industry of Pakistan.

## **2. LITERATURE REVIEW**

Compensation is a tool of attracting and retaining competent employees and also increasing their performance. Mostly knowledgeable and qualified employees are offered new jobs with high pay so the organizations should give compensations to their employees to retain high qualified and experienced employees. (William J. & Dennis, 2000) Compensation can be given through pension's plans, bonuses, medical facilities to families, and medical leave act also covers most workers. The workers are attracted when they are given such types of facilities and they are also loyal to their organization. (Richard J.B., 2000)

Because top management cannot make all the firm's operational decisions, it faces two important organizational design choices: (1) how much authority to delegate to lower-level employees, and (2) how to design incentive compensation to ensure that these employees do not misuse their discretion. A large organization of theoretical accounting research has formalized the joint nature of the firm's delegation and incentive compensation choices.

Organization can motivate CEO and lower level management by offering the non-cash benefits and makes them stay to help in organization progress.(Use Compensation Strategy,n.d.) In previous research the relationship between CEO and low level management team (LMT) member compensation, and explore the implications of LMT compensation for firm performance. Particularly, we recommend that firm performance may benefit due to agency and group behavioral issues when low management team member compensation are accordance to the CEO compensation.(Mason A. Carpenter and Wm. Gerard Sanders, 2002)

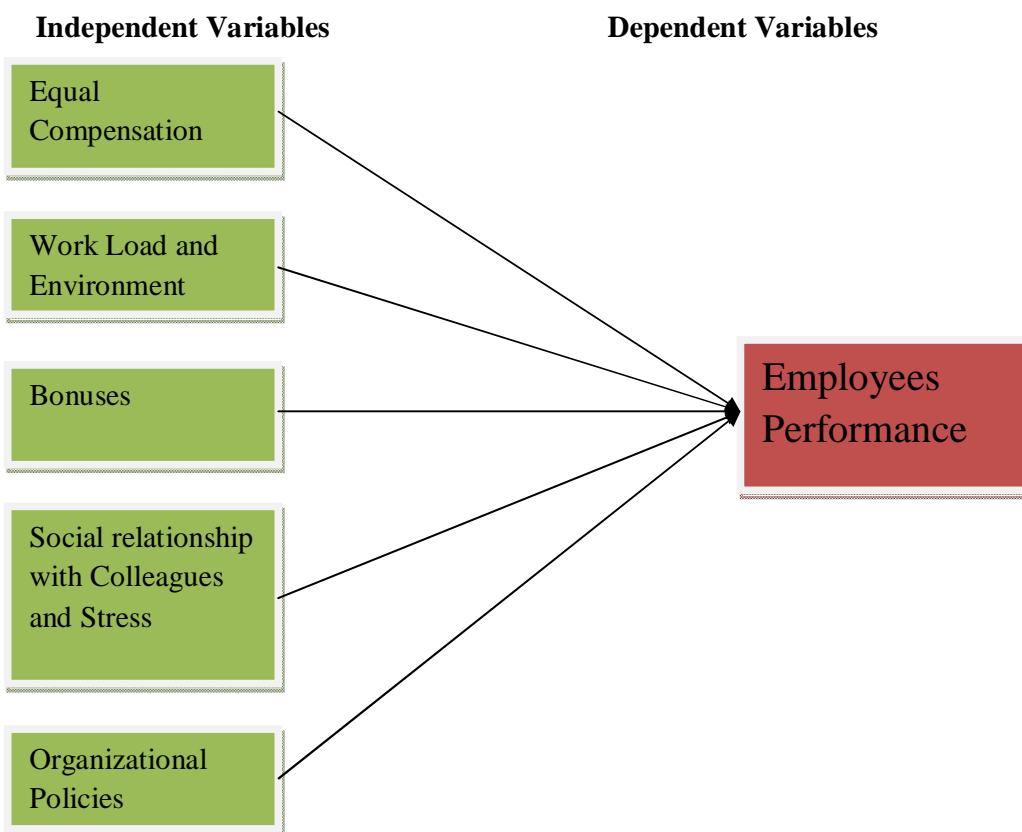
The Group does not tolerate any form of discrimination, in particular discrimination based on civilization, nationality, gender, sexual orientation, gender individuality, religion, age, marital or family status, disability or any other status that is protected by home law. The Group encourages a secure and healthy work atmosphere, free from discrimination, annoyance and retaliation.

All aspects of the Group's Equal Employment Opportunity and Dignity at Work Policy (GP-00024), apply equally to the compensation-setting process. All employment-related decisions, including decisions on compensation, are based on an individual's ability, performance and behavior, or other legal business

considerations. Legitimate business considerations may include (though need not be restricted to) the profitability of the Group, the Division and department of the individual, the strategic needs of the Group as well as any other considerations that the Group deems legitimate to its business interests.

Little empirical evidence on how top management balances the delegation of authority and the extent of motivation compensation awarded to lower level employees. It examines incentive compensation for divisional managers, but they do not control for the power delegated to these managers. Baiman et al. (1995) integrate both delegation and compensation choices in their study, but examine these two choices individually as two different functions of firm characteristics.

### 3. THEORITICAL FRAMEWORK AND HYPOTHESIS



(Figure: 1, theoretical framework)

Figure: 1 shows that the independent variables including equal compensation, work load and environment, bonuses, social relationship with colleagues and organizational policies may affect the dependent variable employee performance in hotel industry of Pakistan

#### 3.1 Hypothesis

##### **Equal Compensation and Employees Performance**

**H1:** There is positive association between the equal compensation and employees' performance in hotel industry of Pakistan.

##### **Work Load, Environment and Employees Performance**

**H2:** There is positive association between the Work Load, Environment and employees' performance in hotel industry of Pakistan.

##### **Bonuses and Employees Performance**

**H3:** There is positive association between the bonuses and employees' performance in hotel industry of Pakistan.

##### **Social relationship with Colleagues and Stress with Job Performance**

**H4:** There is positive association between the Social relationship with Colleagues and Stress with employees' performance in hotel industry of Pakistan.

### **Organizational Policies and Employees Performance**

**H5:** There is positive association between the Organizational Policies and employees' performance in hotel industry of Pakistan.

#### **4. METHODOLOGY**

We have five independent variables and one dependent variable. Independent variables are Equal Compensation, Organizational Policies, Bonuses, Social relationship with Colleagues and Stress, Work Load and Environment, while employee's performance is dependent variable. The primary and the secondary data used for the purpose of this research. Secondary data was collected from available books, publications, research studies, articles and websites.

A closed-ended questionnaire used to collect primary data from employees of hotel industry of Pakistan. A 200 sample size is selected to conduct this research. Correlation and multiple regressions would be used to analyze the data. To analyze the performance level of employees, a 5 point Likert scale questionnaire will be used.

### **5. FINDINGS OF THE STUDY**

#### **5.1. Reliability**

**Table-1 Reliability coefficients**

Scale	Chronbach's alpha coefficient	Items
Equal Compensation	0.899	3
Work load and Environment	0.822	3
Bonuses	0.828	3
Social relationship with colleagues and stress	0.816	3
Organizational Policies	0.820	3

Table-1 shows that instrument used in this study was reliable with cronbach's alpha value of 1<sup>st</sup> independent variable (Equal Compensation) 0.899, with cronbach's alpha value of 2nd independent variable (Work load and Environment) 0.822, with cronbach's alpha value of 3rd independent variable (Bonuses) 0.828, with cronbach's alpha value of 4th independent variable (Organization Social relationship with colleagues and stress) 0.816 and with cronbach's alpha value of 5th independent variable (Organizational Policies) 0.820.

#### **5.2. Correlation**

**Table-2  
Pearson's coefficient of correlation matrix for key variables in the study**

Variables	EP	EC	WLE	BON	SRC	OP
EP	1.000					
EC	0.032	1.000				
WLE	0.527		0.049			
BON	0.477		0.019	0.646	1.000	
SRC	0.081	0.060		-0.006	0.091	1.000
OP	0.951		0.040	0.543	0.491	0.080
						1.000

Correlation is significant at the 0.01 level (2-tailed), N = 200, EP=Employee Performance, EC= Equal Compensation, WLE= Work load and Environment, BON=Bonuses, SRC= Social relationship with colleagues and stress, OP= Organizational Policies

Table-2 shows that association between all variables is positive. Significant relationship is also found among many variables. Equal Compensation has a positive and strong correlation with Work load and Environment, Bonuses, Social relationship with colleagues and stress Organizational Policies and Employee Performance at 0.01 significant levels. Work load and Environment has a positive and strong correlation with Bonuses, Social relationship with colleagues and stress Organizational Policies and Employee Performance at 0.01 significant levels. Bonuses have a positive and strong correlation with Social relationship with colleagues and stress Organizational Policies and Employee Performance at 0.01 significant levels. Social relationship with colleagues and stress has a positive and strong correlation with Organizational Policies and Employee Performance.

#### **5.3 Regression**

Regression table measures the amount of total variation in dependent variable due to independent variable. Table-3 shows the value of Adjusted R<sup>2</sup> is 0.835. This value indicates that there is almost 83% variation in dependent variable (Employees Performance) due to one unit change in independent variables.

The F value is 201.823 at 0.000 significant levels which show that the model is good as its value is less than 0.05.

**Table-3****Multiple-regression of independent variables on job performance**

Independent variables	Standard error	Beta-value	t-value	P
Equal Compensation	0.011	-0.007	-0.228	0.820
Work load and Environment	0.020	0.032	0.793	0.429
Bonuses	0.047	0.020	0.5230.601	Relationship with colleagues and stress
		0.040	0.008	0.275 0.783
Organizational Policies	0.038	0.887	25.1360.000	

N=200, Adjusted R Square = 0.835, F = 201.823, overall model significance=0.000 level

Moving on the beta value of independent variable (Equal Compensation) is -0.007 with t value -0.228 and significant level of 0.820. The beta value of independent variable (Work load and Environment) is 0.032 with t value 0.793 and significant level of 0.429. The beta value of independent variable (Bonuses) is 0.020 with t value 0.523 and significant level of 0.601. The beta value of independent variable (Social relationship with colleagues and stress) is 0.008 with t value 0.275 and significant level of 0.783. The beta value of independent variable (Organizational Policies) is 0.887 with t value 25.136 and significant level of 0.000. This beta value indicates the amount of change in the dependent variable (Employee Performance) due to changes in independent variables (Equal Compensation, Work load and Environment, Bonuses, Social relationship with colleagues and stress and Organizational Policies)

## 6. CONCLUSION

Compensation plays crucial role in the recruitment as well as retention of workers and enhances motivation. This study has revealed that in some hotels, there is a gap or discrimination on the basis of designation. Policy makers should review this concept and check this discrimination in hotel industry of Pakistan. If the gap is removed it would lead to improve employees' performance. Owners should pay competitive compensation to their employees and If feel themselves unable to do so, they should be ready to bear huge cost of turnover. So, it is economical to pay a good reward for retention and productive performance of employees instead of bearing huge cost after they leave.

The higher management should introduce in motion strategies to address especial benefit packages available; as well as creating a work environment that is appreciative of its employees and conducive to professional growth. The concept of work life balance (Switzer, 2004) which is valued by today's hotel employees should be understood and embraced by hotels human resource managers.

We recommend that workload on the employees should be according to their capacity so that they can satisfy the employers' expectations by their performance and feel less stress upon them. It would consequently lead to significant progress. Equal compensation concept creates a significant change in performance of employees. Performance appraisals should be given so that they work hard and make the company competitive amongst others.

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