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**PAY SATISFACTION, PAY FOR PERFORMANCE AND JOB
PERFORMANCE**



**MASTER OF HUMAN RESOURCE MANAGEMENT
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PERCEPTION ON JOB PERFORMANCE AMONG
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ABSTRACT

The objective of this study is to examine the influence of pay for performance and pay satisfaction on job performance. This study was conducted among employees in manufacturing companies in the northern region of Peninsular Malaysia. A total of 250 questionnaires were distributed and only 140 questionnaires were returned and used for data analysis. The data was analyzed using the Statistical Packages for Social Science (SPSS ver. 20). Based on the regression analysis results, the findings reported that pay for performance is significantly related to job performance ($\beta = 0.237$, $P < 0.05$) while pay satisfaction is not significantly linked to job performance. ($\beta = 0.045$, $P < 0.05$). Drawing on the findings, discussions elaborated on the importance of pay for performance in predicting job performance of employees. Theoretical and practical implications as well as limitations and directions for future research are also highlighted.

Keywords: *Pay for performance, pay satisfaction, job performance*

ABSTRAK

Kajian ini adalah untuk mengenalpasti pengaruh gaji berdasarkan prestasi dan kepuasan gaji terhadap prestasi kerja. Kajian ini dijalankan dalam kalangan kakitangan organisasi industri pembuatan di Wilayah Utara Semenanjung Malaysia. Sebanyak 250 soal selidik telah diedarkan dan hanya 140 soal selidik telah dikembalikan dan digunakan untuk analisis data. Data yang dikumpul telah diproses secara kolektif menggunakan Pakej Statistik Untuk Sains Sosial (SPSS ver. 20). Berdasarkan keputusan analisis regresi, hasil kajian dilaporkan bahawa pengaruh gaji berdasarkan prestasi ialah signifikan dengan prestasi kerja ($\beta = 0.237$, $P < 0.05$) manakala kepuasan gaji terhadap prestasi kerja tidak dikaitkan dengan ketara kepada prestasi kerja. ($B = 0.045$, $P < 0.05$). Secara kesimpulannya, perbincangan ini telah menghuraikan kepentingan pengaruh gaji berdasarkan prestasi dalam meramalkan prestasi kerja pekerja. Implikasi secara teori dan praktikal serta halangan dan hala tuju telah diserlahkan untuk kajian pada masa hadapan.

Kata kunci: *Persepsi terhadap gaji berdasarkan prestasi, kepuasan gaji dan prestasi pekerja.*

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CHAPTER 1

INTRODUCTION

1.1 Introduction of Study

Malaysia is one of the countries that is undergoing a development process especially in terms of economic growth. The manufacturing sector is the most dynamic growth sector in Malaysia. The growth of this particular industry keeps increasing since the year of the 1990s (Rohana & Tajul, 2010). The increasing pace of the economic development in the manufacturing sector is evident through the increase in the Growth Domestic Product (GDP). According to Wan (2016), the increase of 7.3% in the second quarter in 2014 reported by Bank Negara has shown the fast pace of economic growth in the manufacturing sector. It shows that the manufacturing sector is as important as other sectors. The importance of the manufacturing sector can be seen through sales that are being conquered by the local industries which resulted in higher exports to other countries. Besides that, the manufacturing sector also contributed to real GDP through Foreign Direct Investment (FDI) by 17.7% in 2014 (Wan, 2016). This suggests that investors have invested the substantial amount of financial capital to our country especially in this sector. Moreover, the manufacturing sector has been recognized by the government as one of the crucial sectors in the country. Therefore, incentives have been funded to help the economic growth of the manufacturing sector as stated by Malaysian Investment Development Authority (MIDA) (Incentives in manufacturing sector, 2016).

The economic growth has expanded globally in the manufacturing industry that witnessed lots of companies produced the output that contributes to the sector.

Organization's maximum performance in manufacturing is vital in order to achieve their goals as well as the industry's goals. According to Memon, Ali, and Izah (2012), performance can be defined as the achievement or involvement of individual or team or organization that can be measured and having meaningful objectives. In this context, organizations need to show maximum performance to produce greater outputs efficiently that meet the organizational goals. Memon et al. (2012) also added that the efficiency of the work by the organization is related to each other. When organization incorporates efficiency in the workflow, the workers will show high performance that leads to the objective being achieved. In Pakistan, a few manufacturing companies compete in terms of performance which results in their sales. At the end of the day, the results either showed highest sales or lowest sales. Hence, organization performance is the key for a company to produce great output. It is clear that utilizing the organization performance is very important in the manufacturing sector.

Apart from that, with the growth in the Malaysian economy, the organization has to perform more efficiently in order to cope with the demand. The demand of the products requires more employees in order to achieve the goal as the industry depends on employees to yield products in an effective way. The needs of employees to perform effectively will give impact towards the production and how the organization accomplished their objectives in helping the economic development. For example, aerospace industry under manufacturing sector is depending on the demand from the customers. Getting more requests on airplanes will reflect in mass production of

the parts. It can be shown through the worldwide sales that have increased since the year 2010 till 2014 (Supply Chain Research Insight: Global Aerospace Industry Size & Growth, 2015). In order to cater all of these demands, the performance of employees is seen as important to the organization as each quality of the product made by the employees in contributing to the increase of GDP. Hence, to keep their performance on the track, the organization needs to enhance the performance by paying close attention to the important aspects especially in terms compensation and benefits.

Compensation and benefits are vital in enhancing the employees' job performance, either in terms of monetary or non-monetary, as it is not only able to enhance the employees but the benefits can attract new talent to the company as well as retain the skilled employees (Hameed, Ramzan, Zubair, Ali & Arslan., 2014). For example, benefits like the bonus and annual increment can boost up employees' performance. Compensation and benefits are also important, as it is able to recognize the employees' hard work in producing the output. When the rewards are being offered adequately, the employees will likely perform better as they know at the end of their hard works, they are able to gain something that can make their life more comfortable as well as their family (Hameed et al. 2014). A proper compensation package offers to pay satisfaction which will provide a positive impact on employees' job performance. Employees will be satisfied with their pay especially when they have been given a salary raise, good pay level, good benefits and good pay structure from the employer. Their performance will increase and this will help the organization in terms of their production. For example, in Netherlands, few firms had implemented more incentive schemes for

their employees and as a result, the employees' performance had risen up to 5% that contribute more in the firms' profits (Lucifora, 2013).

Besides that, labour mobility trends that witnessed most young generations move from one company to another shows that compensation and benefits are important for employees (Wan, 2016). Younger generations want more appreciation for them as they have been giving their best performance in which company should take note and repay it with good compensation and benefits. The good compensations and benefits plan will make them perform more effectively and become loyal to the organization. This helps reduce turnover intention among employees. Moreover, employees tend to perceive that by working effectively and it will improve their performance.

Therefore, it is evident that the employees are more satisfied if they are paid well either in terms of salary or benefits increment and their perception towards their pay will reflect well on their job performance. Hence, the positive relationship between pay satisfaction and pay for performance will be the independent variables in this study in which it is proposed that these factors would positively impact job performance among employees.

1.2 Statement of Problem

The manufacturing industry is getting competitive day by day in which employees are being pushed to perform better in order to achieve the company goals. For employees, pay has been one of the factors that drove them to give better job performance while for employers pay is what keeps employees from leaving the company (Singh & Loncar, 2010). It shows that pay have become their main concern. Sing and

Loncar (2010) resolved that when employees did not get the salary that they think they should get, they will become dissatisfied. This dissatisfaction will lead to many unwanted outcomes and one of them is employees' turnover. Singh and Loncar (2010) also found in his study that turnover intention is significantly related to pay satisfaction. For example, in Canada, nursing profession is experiencing high number of shortage. With tough surroundings, nurses often felt demoralized especially when they feel not being appreciated by the employers and eventually affect their performances. Due to that, the Canadian Healthcare had implemented a good compensation package in order to retain them as the demand for the nurses is highly needed (Singh & Loncar, 2010). The situation can be similar to the Equity Theory concept that mentioned about the equality in input and output. The equality can be achieved as employees allegedly comparing their task with the recognition or pay that they going to receive (Singh et al., 2010). When employees feel dissatisfied with their pay, they tend to look for other environment that could give them more than what they currently receive. When they have the opportunities, they will leave their companies and due to that, the turnover rate will increase. It also showed how committed the employees can be when they had been rewarded for their excellent performances.

Besides that, pay satisfaction also can be related to job satisfaction. Pay has to become the main factor and can affect the level of employees' job satisfaction (Alamdar & Muhammad, 2014). Most employees feel job satisfaction can be achieved when they are being paid accordingly especially for those with critical position like engineers and technician. Their task sometimes needs them to stay extra hours in organization, in order to satisfy them, employers need to give more pay like adding some

allowance and allow them to claim overtime. These acts will make them satisfied not only with their pay but with their job as well. It is hard to retain employees when they feel dissatisfied with their job (Alamdar & Muhammad, 2014). Alamdar and Muhammad (2014) also concluded a good surrounding not only comes from good colleagues and good bosses but also comes with a good pay and recognition. In Pakistan, doctors had launched strikes due to their dissatisfaction with pay and rewards. Most doctors were absent and it had affected the patients in the hospitals in Pakistan. The young doctors mostly demand their right in getting pay raise as well as promotion to the next grade. They also demand the equipment need to improve in order to treat their patient with more alternatives (Khan et al., 2014). This evidence showed that if more pay and recognition were given to employees, the higher job satisfaction will be achieved. Thus, this made the study become more significant to be tested in relation to pay satisfaction and pay for performance.

1.3 Research Questions

The research questions for this study are:

- 1.3.1 Does pay satisfaction influence employees' job performance?
- 1.3.2 Does pay for performance influence employees' job performance?

1.4 Research Objectives

The objectives of this study are to:

- 1.4.1 Examine the influence of pay satisfaction on job performance.
- 1.4.2 Analyze the influence of pay for performance on job performance.

1.5 Significance of the Study

According to Judge and Robbins (2015), Equity Theory can be defined as theory in which the employees perceived the input and outcome to be equal. The input mentioned here would be the efforts while the outcome would be the pay or recognition. The theory also emphasized the fairness concept whereby the amount of their outcome should be equal to a number of efforts given to the organization. When the fairness is being perceived as unequal, employees would feel pressure. The pressure will make them feels demoralized and eventually affects their performance (Ramlall, 2004).

Theoretically, the Equity Theory can be related with distributive justice that mentioned about the fairness in giving out the allocations of pay among individuals (Judge et al. 2015). For example, when employer decides to give the raise, the employees expect they receive the raise equally among each other due to their hard work. This situation can make employees feel satisfied with their pay. Apart from that, the equity theory also related with procedural justice that mentioned about the fairness in determining the outcome (Judge et al. 2015). For example, when employer decides to give the raise based on performance, it indicates the process of the pay being distributed. In fact, the employees that are being evaluated will perceive the situation as fair because they believe they earned the pay due to their excellent performance. This situation is what employees perceived in term of pay for performance. Besides that, the theory also mentioned that employers need to face the challenge in creating reward system and pay that seen as fair to employees (Ramlall, 2004). Equality in distributing pay and rewards

will make the employees feel that they are valuable to the organization. This will enhance their job performance in order to achieve the company's goals.

In terms of practical significance, the study may help employers to improve their salary structures to be more reasonable according to the market. For example, the company could increase the salary slowly by following the market trend. Employees will not only feel satisfied, in fact, they will stay with the company for longer period. Moreover, with this study, employer will know whether the employees are satisfied with the pay structure that has been practiced in the organization. The current pay structure can be improved to a better payout plan in order to keep them satisfied, like the renewal of pay policy (Heneman, Greenberger & Strasser, 1988). This shows that the pay satisfaction can enhance the employees' job performance.

In terms of pay for performance perception, the study may help provide the employers some insights on employees' perception towards their pay. Employers can analyze whether they have complied with the procedure of distributing their pay to the employees especially when the employees are being paid for their performance (Heneman et al. 1988). For example, the evaluation needs to be done quarterly instead of once a year in order to ensure the employees' performance aligned with outcome that they going to receive in their paycheck. By giving these rewards, the employees are able to get the message that putting more efforts in maximizing their performance will gain them extra pay like bonus and pay raise. The study can also contribute in helping employees to understand that their performance is an important factor that can link them towards the rewards that will eventually give them the satisfaction in receiving their pay at the end of the month. At the end of the study, the result should be able to show the positive

relationship between pay for satisfaction and perceived pay for performance towards employees' job performance.

1.6 Definition of Key Terms

Below are the key terms used in this study:

| TERMS | DEFINITION |
|-------------------------------|---|
| Pay Satisfaction | According to Heneman et al. (1988), pay satisfaction is a function of the perceived amount of pay that should be received less than perceived amount that is received. |
| Perceived pay for performance | Based on Heneman et al. (1988), perceived pay for the performance is the performance that perceived by employees as being instrumental to the attainment of a valued outcome such as pay raise that relate to pay satisfaction to be increased. |
| Job Performance | According to Valaei et al. (2016), job performance can be defined a behavior that are related to the organizational goals and that are under control of individual employee. |

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter starts with literature review regarding job performance. It follows by defining the independent variables which are pay for satisfaction and perceived pay for performance. In addition, the hypotheses also have been proposed with the conclusion of this chapter.

2.2 Job Performance

According to Sonnentag, Volmer, and Spsychala (2008), performance can be seen as various concepts that include details of individual behaviors in creating the outputs for the companies. The actions of the employees that can be calculated are also called as performance. The authors mentioned that these behaviors are related to employee's actions. For example, most employees that having specific behavior like goal-oriented will portray through their actions in getting the job done as they know they will get benefits after their contribution to the company. Besides that, Sonnentag et al. (2008), added, job performance can be defined as performance shown by an individual when they have completed their job with the feeling of contentment and worthiness in an outstanding way. It means that high performance shown by the employees include the feelings or emotions that make them satisfy with their works and feel that their works have value to the company.

The concepts of job performance can be explained through several definitions given by previous scholars. There are few definitions that have been created by the scholars in order to interpret the meaning of job performance. According to Yang and Hwang (2014), job performance can be interpreted in three different meanings. Firstly, job performance can be defined as a measurement for a person to measure his or her outcome against his or her anticipated objective. It shows that the job performance is a condition in which the employees' performance is evaluated by their employers in order to know if their employees have achieved their target or not. For example, their immediate supervisor able to measure the employees through their performance appraisals throughout the year.

According to Yang and Hwang (2014), it can also be defined as the ability to interact with others to get the job done against time taken by employees in enhancing their performances. When employees are able to communicate with their employers in discussion or meeting and ensuring that their job to be finished on time, their performance will grow from time to time. Thirdly, it defines job performance as the successful condition performed by the employees that include best quality and quantity of tasks achieved. For example, in a manufacturing industry, when output being produced having zero defect and the quantity made meet the target, it means that the employees have improvement in their job.

Besides that, job performance can also be defined as the level of employee's efficiency in few outputs and task-related manners that relate to his or her colleagues (Gibbs & Ashill, 2013). It shows that the effective action is done by employees in producing the products and other tasks in a team are known as job performance. Their

performance can be judged by their peers and their work efficiency. For example, job performance in most instances is evident when their buddies or partners compliment their skills in getting the job done as well as rating them throughout the year.

Job performance also can be defined as a level of an employee executes their job-related tasks and the extent to which an employee is able to fulfill the expectancy given by his or her employer (Saraih, Ali, & Khalid, 2014). In other words, job performance is able to measure the ability of an employee to perform their job-related tasks and able to see whether the employees meet the job description given to them. For example, an engineer needs to fulfill his essential task which is inspecting all the products and making sure the products passed the quality inspection without any defect. Having the end products in good condition without any defect shows that his or her ability to completes the assigned duties given to him or her.

Job performance also can be divided into two categories which are task performance and contextual performance (Jankingthong & Rurkkhum, 2012). Task performance is defined as activities or work performed by the employees to achieve company's goals. As for contextual performance, it can be seen as employee's efforts in helping the company which is not directly related to their main job. Employees' job performance is being measured by these two categories. For task performance, when they able to complete their main task and followed their job description well, they are likely to perform better in which caught the employers' attention to evaluate them and giving them extra pay. For contextual performance, employees' efforts in handling extra tasks are being evaluated by employers. Their efforts to help their peers in achieving company's goals are being appreciated by the employers.

Overall, job performance is about the capability of employees to do their work in order to accomplish the objective of the organization. Job performance also witnessed the skills that employees possess that determine whether they can get the job done in period given. The definition that this study should adopt would be from Yang and Hwang (2014) interpretations of job performance. Briefly, Yang and Hwang (2014) emphasized on target achieved by the employees and how the employers evaluate them based on their completed task.

2.3 Pay satisfaction

Pay satisfaction is vital for employees as it can determine the employees' behavior in which this would either make them motivated or demotivated towards their job. Pay satisfaction occurs when an employee is pleased with the salary or pay that he or she received after they have contributed their efforts to the company. According to Chaudhry, Sabir, Rafi, and Kalyar (2011), salary or pay can be defined as a form of reward that is given to an employee which is included in the employment contracts. This reward is given to enhance employees' job performance. The author mentioned that the pleasure of getting paid would direct the employees' behavior that can lead to a desirable outcome for the company. For example, having dissatisfaction with salary can lead to demoralized employees and this would decrease their employees' performance.

Pay satisfaction can also be referred to as feelings that conclude overall emotions which can be both negative and positive emotions. This can affect the perception of an employee towards his or her salary (Cloutier, Morin & Renaud, 2013). Employees are dissatisfied when they feel that their salary received is not equitable to the amount of the

contribution they gave to the organization. This will eventually affect their performance level.

Similarly, Heneman et al. (1988) pointed out that pay satisfaction is the feeling of contentment with a salary that they think they should get against the amount of salary that they received. The overall concept of the pay satisfaction is about the employees' perception and their salary. Heneman et al. (1988) measured pay satisfaction in four dimensions which are pay level, pay raise, pay structure or administration and benefits. Pay satisfaction in term of pay level is about how the employees satisfied with the salaries that they received. In term of pay raise, it emphasized on the change of salaries that affect the level of pay in which either it can satisfy the employees or not. The pay structure witnessed the satisfaction that employees have with the way of their salaries being distributed. Lastly, pay satisfaction in term of benefits is about how employees get satisfied with their rewards or extra pay for their contribution to the company.

Salary increment resulted in this spending most of their budget to be invested in the employees. Pay raise happen mostly when an organization able to gain more profits from their business and they use the profits to pay back the employees for their hard works by giving the increments (Singh et al., 2010). When employees able to get the extra pay as their rewards, they will become satisfied and will perform even better in future. According to Heneman et al., (1988), pay raise can be referred to the perception of employees that feels content with the extra pay adding to their base pay. For instance, by giving employees salary increment of 6 per cent annually will ensure the employees' good performance towards achieving the company's goals. Getting the pay raise is seen

as rewards for the employees as they have put lots of efforts in completing their duties to achieve the company goals.

The next dimension is pay level. Pay level can be defined as the direction of the salaries towards the employees (Heneman et al. 1988). For example, US grocery retailing put a limit on the pay whereby they give salary to the employee below their national average pay which means low pay put employees in toughest place and grown dissatisfaction towards the employers. In order to get the employees satisfy with the pay, the employers need to raise the pay level. The increase in pay level will enhance employees' job performance.

Pay structure is defined as a process of pay for employees that are in order according to a position that is perceived as a pleasure from the employees (Heneman et al. 1988). It means that the first level position gets high pay which makes them satisfy and the lower level position get paid in a small amount that causes them dissatisfy and their performance decreased. For example, the pay for the executive level is different with the non-executive level and to mention the position that often exposes with high risk often gets different pay from others.

Benefits in pay satisfaction can be defined as the perception of the employees towards the incentives given by employers (Heneman et al. 1988). More benefits are given towards employees, their performance will be increased. In fact, in the United Kingdom, the incentive schemes introduced have growing popularity among the employees including public sectors (McCausland, Pouliakas & Theodossiou, 2005). Having rewards is like appreciation towards employees due to their efforts for the company. Besides that, benefits can be defined as a form of remuneration that given by

the company to the employees for their contribution towards the company. The remunerations include the annual bonus, health care package, allowances and much more (Mirea. V, Naftanaila & Mirea. G, 2012). In addition, according to Takahashi (2006), the benefits given to employees make them recognized due to their excellent performance. Benefits are focusing more on the value of the benefits and the number of benefits can measure the pay satisfaction of the employees' job performance. Thus, in this study, these four dimensions play vital roles in measuring the pay satisfaction that affects the job performance.

2.4 Pay for performance

Another variable that affects job performance is paid for performance. According to Irs (2012), pay for performance can be referred to as one of remuneration process in which workers is being paid based on their performance. In other words, when employees excel in their performance or having extra skills that can enhance their performance, they will get extra pay from the company. For example, skill allowances are given to the production operators that acquires extra skills which contribute to their performance. Irs (2012) also mentioned that pay for performance can be seen as tools that increase not only performance but also motivation of the employees as well. Pay for performance also can be seen as one of the ways to monitor employees' behavior (Deckop, Mangel & Cirka, 1999). Employees behavior towards job performance can

change whether increase or decrease depend on what have been offered to them. When pay is linked towards performance, they will change their behavior in a positive manner towards achieving the pay at the end of the month.

Pay for performance is also known as performance-related pay (PRP), which can be defined as an instrument that is linked pay to employee's performance whereby it can increase the performance through higher incentive and modernization. In addition, PRP can also be seen as a measurement of the contribution on related payment to the outcome that can increase the profits of the company (Damiani, Pompei & Ricci, 2016). When performance links with pay, employees tend to do well in focusing their task rather than when they are doing the task without any extra pay included. It shows that the pay itself has become the motivation for employees to work hard towards their tasks. It can be supported with a study made by Ilhaamie, Zainal, and Yuserrie (2009). They had tested the competency-based pay with service quality in public sector and their finding showed that employees able to provide the best service towards the customers when they had been offered with rewards for their excellent performance. They become motivated to perform well in their workforce.

In the present study, pay for performance is defined as the perception of the performance that employees view as one of the main influential to the output that is precious in order to achieve company goals (Heneman et al. 1988). Basically, all the definitions above conclude the same concept which is paid for performance is based on the pay given to employees in term of their excellent contribution towards the company. Heneman et al. (1988) added that pay for performance can be related to the three dimensions of pay satisfaction. In terms of pay level, Heneman et al. (1988) believe that

pay for performance can be affected as the company increase their pay level from year to year. This means that the increase in salary will add up in more allocation like skills allowances for employees who have additional skills and not to mention, the annual bonus given to employees also will be increased and it would definitely enhance the job performance. Pay structure is related to pay for performance in terms of measurement of pay policies like salary grades that can be used to distribute the salary respectively. Lastly, satisfaction with benefits related to pay for performance in a way that employees may feel less in term of satisfaction as their salary on the performance basis is taking over. They might receive higher pay in term of their performance that makes them directly satisfied with their pay. Thus, it shows that pay for performance also gives impact towards the employee's job performance.

2.5 Equity Theory

In this study, the underlying theory is Equity Theory. The theory asserted that the contributions of employees need to be fairly returned with rewards that worth of the contribution given (Ramlall, 2004). The concept is simple whereby the employee gives their inputs and the outputs that bring profits to a company are fairly return with incentives for their performance. Pay satisfaction can be related to the Equity Theory when an employee refers to his colleagues regarding their pay equity distribution by employers (Till & Karren, 2011). If his colleagues' salaries are higher than him, he may perceive this situation as unfair due to the efforts he gave were same as his colleagues' contribution. This situation might lead to paying dissatisfaction as there is no fairness in salary level. In pay satisfaction, it is difficult to ensure their fairness is in place as pay

structure can affect the distribution of salaries. The organization might change by adding extra incentives for those critical positions in the company.

In relation to Equity Theory, pay for performance also applying the fairness concept whereby the performance of an employee is being evaluated by his employer in order to gain extra pay or rewards. Based on a study by Konovsky and Cropanzo (1991), when employees are being treated with greater fairness, the employees reply it with an increase in their performance to produce a great outcome to the company. The higher performance was shown, the higher the pay they will receive from employers. The theory also can show equity toward performance in relation to the pay. When layoff happened, the remaining staff would be affected as they need to support the work and be multitasking. The salary would be paid according to the extra work that supported by employees (Konovsky & Cropanzo, 1991). If they are not being treated equally, it created tension among employees and eventually, they leave the company.

The underlying theory for this study gives comprehensive understanding on the relationship between the variable in this study and their effects toward the job performance.

2.6 Hypotheses development

2.6.1 Relationship between pay satisfaction and job performance

According to Chaudhry et al., (2011), pay satisfaction connected to job performance. Specifically, when employees feel dissatisfied with the salary or pay they received, their job performance level will decrease because they have lost their motivation to work. The dissatisfaction might occur when the employer revoked few

incentives from the employees. For example, reducing their bonus from three-month pay to one month pay or worst case scenario or the bonus might be taken out. This unfair situation may affect employees' motivation and performance at work. According to McCausland et al. (2005), job performance can be enhanced when employees are being paid with rewards. He added that rewards in term of monetary can improve employees' focus in performing the job better. The reward can be seen as pay satisfaction involves salary and bonus increment. When employers decided to give the reward, they need to ensure that internal equity is in place. Moreover, pay satisfaction can be achieved when the employees understand is how their pay being distributed and from there they will decide on whether or not the pay is fair. According to Day (2011), a survey that had been done shown that there were many employees do not understand about how well their pay had been allocated. Dissatisfaction in pay will affect their emotions and behaviors at work. This will eventually deteriorate their level of performance. Drawing on these findings it is proposed that:

H₁: Pay satisfaction is significantly and positively influences job performance.

2.6.2 Relationship between pay for performance and job performance

Based on Irs (2012), pay for performance is one of the incentives tools that increase the motivation of employee as well as job performances. When employees know their performance is measured, they will put more efforts to increase their performance. All the details will become more specific especially when executing their tasks. Usually, pay for performance being measured by Performance Appraisal or Key Performance Indicator (KPI). Irs (2012) adopted Estonian general school as a reference

for the pay for performance. The results show to pay for performance play important roles in keeping the Estonian teachers motivated and perform well in schools. According to Heneman et al. (1988), employers evaluated employees based on their quality and quantity of works as their job performance in which they able to decide the pay for the employees.

According to Wei and Rowley (2009), managers' perception toward pay for performance was positive in China. Previously, China had been rigid in distributing pay to the employees. Employees had been paid using a grade-wage system whereby they were paid accordingly based on their industries and region. However, survey shown after pay for performance had been implemented, employees had been working hard. For managers, pay for performance had been perceived as a motivator in increasing employees' job performance.

Moreover, pay for performance can be perceived as enhancing creativity in employees' job performance (Zhang, Long & Zhang, 2015). Many employers were not aware that employees need to be creative in completing their task successfully. Their creativity leads to the improvement in the job performance. For employees, by having their performance being fairly evaluated and paid extra is given due to their excellent performance, their self-determination is enhanced and this is reflected in their job performance.

Based on the evidence, it is proposed that:

H₂: Pay for performance perception is significantly and positively influence job performance.

2.7 Theoretical Framework

The theoretical framework is a model that is based on the whole knowledge structures to make a research. In this study, the independent variables would be pay satisfaction and pay for performance underpinned by Equity Theory. In this theory, employees are tried to find the fairness in term of what they had given to the company to gain the outcome they deserve in return (Ramlall, 2004). In term of pay satisfaction, the theory can be seen when the feeling of content when they received their pay equally among the employees. While employees believe with skills and knowledge that they had, they deserved to get extra pay from the employers which equal to what they have contributed for perceived pay for performance. It is positive that these variables will promote a higher level of job performance among employees' relationship towards the dependent variable which is employees' job performance.

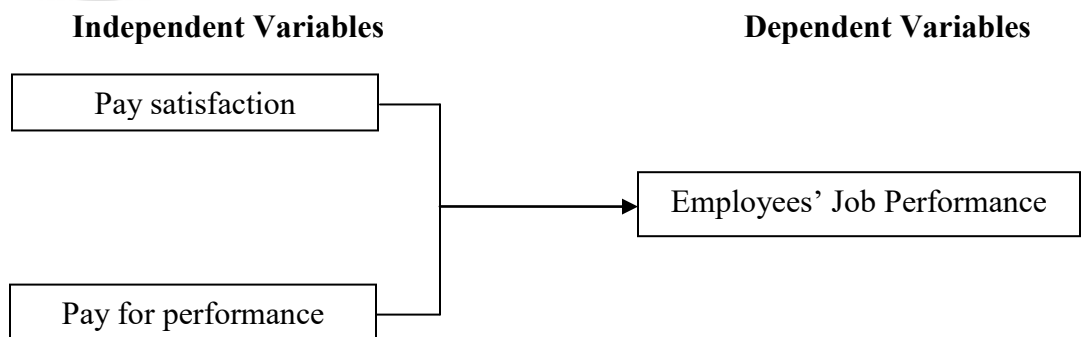
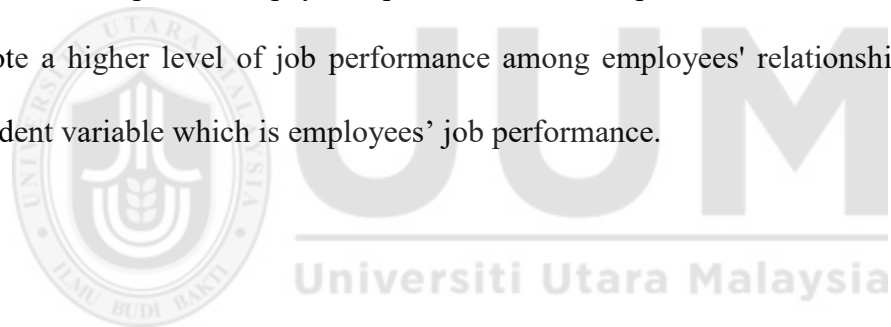


Figure 2.7.1 Theoretical framework shows the relationships between the independent and dependent variable of this study.

2.8 Conclusion

This chapter generally presented previous findings documented in the literature from previous scholars that have a connection with the two independent variables and one dependant variable. This chapter also presents the theoretical framework that gives clear view on what the research is all about. Next chapter will present the methodology of this study.



CHAPTER 3

METHODOLOGY

3.1 Introduction

This chapter explains about the methodology used in this study. It discusses the research design which includes the type of study, population and sampling, population frame and sampling technique. It also explains about questionnaires and measurement for each variable, data collection method, pre-testing of the instrument and pilot test and analysis technique used in this study.

3.2 Research Design

3.2.1 *Type of Study*

This study adopts a quantitative research design. According to Kothari (2004), an occurrence that can be conveyed in terms of quantity is called as quantitative research. Hence, the collection and analyzing data in this study used a quantitative method. The method involved descriptive and inferential statistical analysis. A cross-sectional study is a study in which the information is being gathered on exact time was given.

3.2.2 *Population and Sampling*

The population is the set of people or entities to which findings are to be generalized (Sekaran, 2006). In this study, the targeted population is the manufacturing employees in areas at Northern Region. There were three

companies selected and there is a total of 3, 500 employees. These companies had been given the approval to distribute the questionnaires at their premise. A total of 250 questionnaires had been distributed.

3.2.3 Sampling technique

The sampling technique used is the convenience sampling. It can be defined as sampling method that getting the participants selected because of their convenient accessibility and proximity to their researcher (Sekaran, 2006). Convenience sampling is chosen as this sampling is seen as the easiest way to get the information in short amount of time and effectively.

3.3 Measurement and Questionnaire Design

A total of 250 questionnaires had been distributed to three companies in the northern region in Malaysia and only 140 questionnaires were used in this study for data collection purpose. It consists of four sections which are A, B, C and D that represent independent variables, dependent variables and demographic section (refer to Table 3.1). Section A consists of 18 items that emphasize on pay satisfaction and items arranged according to pay satisfaction dimension which is pay level, pay raise, pay structure or administration and bonuses. This section used interval scale which means, it used a scale that can classify definite group of individual to measure the scale of the variances in individual preferences (Sekaran, 2006). Interval scale also indicates individual preferences from least to a greater magnitude. From Heneman et al. (1988), he used interval scale to measure pay satisfaction for in term of pay raise dimension (refer to Table 3.2)

Table 3.1

Questionnaire Design

| Part | Content |
|---------------|---------------------|
| Section One | Pay Satisfaction |
| Section Two | Pay for Performance |
| Section Three | Job Performance |
| Section Four | Demographic Profile |

Table 3.2

Measure Pay satisfaction using interval scale.

| No | | <i>Strongly disagree</i> | <i>Disagree</i> | <i>Moderate</i> | <i>Agree</i> | <i>Strongly agree</i> |
|----|---|--------------------------|-----------------|-----------------|--------------|-----------------------|
| 1. | I am satisfied with my most recent raise. | 1 | 2 | 3 | 4 | 5 |

Section B focuses on pay for performance in which consists of 4 items. This section also used interval scale to know the preferences' of employees when pay is being linked towards performance. As mentioned by Heneman et al. (1988), he used four-item scales that were taken from Perry and Pearce (1983) to measure the pay for performance perceptions. One of the items used is "If I perform especially well on my job, it is likely that I would get a pay raise". In section C, it consists of 12 items that concentrate on employees' job performance. This section also used the interval scale to measure the job performance. This scale is derived from Bacha (2014) that used 12 items to assess task performance which has been developed by William and Anderson (1991). One of the items is "adequately completes assigned duties".

Section D is the last section that represents the respondents' background such as gender, age, marital status, departments, the level of education, position and monthly income. In this section, the nominal scale had been used for the demographic profile. According to Sekaran (2006), the nominal scale is a scale that gives researcher ability to allocate subject to the categories or group intended. For example, categories for gender witnessed the option for respondents to choose either male or female.

The sources for both independent variables which are pay satisfaction and pay for performances were adapted from Heneman et al. (1998). The Cronbach's Alpha for pay satisfaction indicated the range from 0.81 to 0.95, measured by 18 items whereas Cronbach's Alpha for pay for performance indicated 0.81 measured by 4 items. As for dependent variable, job performance was adapted from Bacha (2014). The Cronbach's Alpha indicated 0.879 measured by 12 items.

3.3.1 *Employees' Job Performance*

The dependent variable, employees' job performance is measured using 12 items measurement with five-point Likert scale as shown in Table 3.3.

Table 3.3

Items for Employees' Job Performance

| Variable | Operational Definition | Items |
|-------------------------|---|---|
| Job Performance | It defines as a level of an employee executes their job-related task and the extent to which an employee is able to fulfill the expectancy given by his or her employer (Naiemah et al., 2014). | |
| Task Performance | The effectiveness of employees performs activities that contribute to the development of organization (Bacha, 2014). | <ol style="list-style-type: none"> 1. I adequately completed the assigned duties. 2. I fulfilled responsibilities specified in the job description. |

| | | |
|-------------------------------|---|--|
| Contextual Performance | It refers to behaviors that are not directly related to job tasks but having a significant impact on organizational, social and psychological contexts (Bacha, 2014). | <ol style="list-style-type: none"> 3. I performed tasks that are expected of me. 4. I fail to perform essential duties. 5. I help others who have absent. 6. I help others who have heavy workloads. 7. I take time to listen to co-workers' and worries. 8. I go out the way to help new employees. 9. I pass along information to co-workers. 10. I give advance notice when unable to come work. 11. I spent a great deal of time with personal phone conversations. 12. I complain about insignificant things at work. |
|-------------------------------|---|--|

3.3.2 Pay Satisfaction

The independent variable, pay satisfaction is measured using 18 items measurement with five-point Likert scale as shown in Table 3.4.

Table 3.4

Items constituting the Pay Satisfaction

| Variable | Operational Definition | Items |
|--|--|--|
| Pay Satisfaction | The feeling of contentment with salary that they think they should get it against the amount of salary that they received (Heneman et al., 1998). | |
| Pay Level | The direction of the salaries towards the employees (Heneman et al. 1998). | 1. I am satisfied with my take-home pay. 3. I am satisfied with my most recent raise. 5. I am satisfied with my current pay. 10. I am satisfied with my overall level of pay. 14. I am satisfied with size of my current salary. |
| Benefits | The perception of the employees towards the incentives given by the employers (Heneman et al. 1998). | 2. I am satisfied with my benefits package. 6. I am satisfied with amount the company pays toward my benefits. 11. I am satisfied with the value of my benefits. 15. I am satisfied with the number benefits I receive. |
| Pay Structure or Administration | The process of pay for employees that is in order according to position that being perceived as a pleasure from the employees (Heneman et al. 1998). | 8. I am satisfied with the company's pay structure. 9. I am satisfied with the information the company gives about pay issues of concern to me. 13. I am satisfied with the pay of other jobs in the company. |

| | | |
|------------------|--|---|
| | | 17. I am satisfied with consistency of the company's pay policies. |
| | | 18. I am satisfied with the differences in pay among jobs in the company. |
| Pay raise | The perceptions of employees that feels content with extra pay adding to their base pay (Heneman et al. 1998). | 4. I am satisfied with influence my supervisor has on my pay. |
| | | 7. I am satisfied with the raises I have typically received in the past. |
| | | 16. I am satisfied with how my raises are determined. |

3.3.3 Pay for Performance

The independent variable, pay for performance is measured using 4 items measurement with five-point Likert scale as shown in Table 3.5.

Table 3.5

Items constituting Pay for Performance

| Variable | Operational Definition | Items |
|--------------------------------------|---|--|
| Perceived Pay for performance | The perception of the performance that employees view as one of the main influential to the output that is precious in order to achieve company goals (Heneman et al., 1998). | |
| Pay raise | Extra pay that reflect the employees' effort in achieving company goals (Heneman et al., 1998). | <ol style="list-style-type: none"> 1. If I performance especially well on my job, it is likely that I would get a pay raise. 2. The pay raise that I receive on my job make me work harder. 3. The best workers in the company get the highest pay raises. 4. High performers and low performers seem to get the same pay raise. |

3.4 Pilot Test

A pilot test or pilot survey usually conducted as a preliminary investigation and to collect information in order to enhance the quality of the questionnaire (Kothari, 2004). It can be defined as a mock of the main survey whereby all the questions carried out is the same with the original questionnaire (Kothari, 2004). The pilot study has been carried out to identify any errors that could jeopardize the design or specific question. There were 50 respondents were selected as pilot study. The questionnaires were distributed and completely returned. The SPSS versions 20 are being used to run the reliability analysis. Table 3.6 shows the result of the reliability test for pilot study.

Table 3.6
Reliability Results of Each Variable

| Variable | Number of items | Cronbach's Alpha |
|--------------------------------------|-----------------|------------------|
| Dependent | | |
| Employees' Job Performance | 12 | 0.694 |
| Independent | | |
| Pay satisfaction | 18 | 0.976 |
| Perceived Pay for Performance | 4 | 0.702 |

3.5 Data Collection Method

The questionnaires that contain 34 items were distributed by using drop off and pick up method to manufacturing employees in the northern region from three companies. The questionnaires had been sent to the three companies with a timeline of

one week to give their feedback. After one week, the questionnaires had been collected. The questionnaire is bilingual which is in both Malay and English. In this study, questionnaire survey is used as the main tool to collect primary data from the respondents. According to Krejcie, V., Robert and Morgan W., Daryle (1970), they mentioned increase amount in population will affect the increase in sample size too. It shows that is good to have greater population in order to determine the sample size. In this study, from total of population of 3500 employees, approximately 250 sets of the questionnaires were distributed and only 140 set of questionnaires were returned.

3.6 Analysis Technique

The collected data is analyzed using the Statistical Package for Social Science Software (SPSS) version 20.0 in order to check the accuracy of the data. Then, descriptive statistic is used in order to get the sample and to measure it in which shows the data is all about (Trochim, 2006). It examines and presents the demographic profile of the respondents. Next, factor analysis was performed. Factor analysis is a convenient instrument that used to assess the validity of the measurements used in the study. It also simplifies a large number of variable into small set of factor that interprets the underlying factor. In factor analysis, the loading becomes easier to analyze when we suppress into small factor loading. After that, the reliability test was conducted by examining the value of the Cronbach's Alpha. According to Sekaran (2006), the reliabilities that are less than .70 are considered to be poor than those who results at .70 range in which a good one that surpasses the .80. Next, the variable of correlation coefficient was conducted to determine the relationship between the variables Correlation Coefficient would be used.

The symbol of correlation is range r and it ranges from -1.00 to $+1.00$. Correlation coefficient analysis presents the two outcomes on the relationship. It determines the directions of the relationship and it also determines the scale of the relationship between the variables. Then, the hypothesis of relationships between the independent and dependent variable is being assessed by using the multiple regression methods.

3.7 Conclusion

This chapter explained the research framework, hypotheses, research design, and location of the study, the instruments that are used and the selection of the respondents. The next chapter presents the finding of the study.



CHAPTER 4

FINDINGS

4.1 Introduction

This chapter represents the results of the study. The focus of the research is to examine the relationship between pay satisfactions (independent variable) on the job performance and pay for performance (independent variable) on the job performance. The chapter covers three areas. The first area represents the demographic features that reflected by the respondents' profile. The second area represents the validity of the study, reliability analysis of measurement and the correlation analysis. The last area emphasizes on analyzing the relationship between the independent variables and the dependent variable through regression analysis.

4.2 Response Rate

The questionnaires that had been distributed to three manufacturing companies in Northern Region were 250 sets. However, only 140 sets of questionnaires were returned which bring to the response rate of approximately 56%.

Table 4.1

Survey Response

| | Total | Percentage (%) |
|----------------------------|--------------|-----------------------|
| Distributed Questionnaires | 250 | 100 |
| Collected Questionnaires | 140 | 56% |
| Usable Questionnaires | 140 | 56% |

4.3 Respondent Demographic Profile

Table 4.2 showed the number of respondents who had answered the questionnaire. A total of 140 sets of questionnaires collected from three manufacturing companies in the northern region. The majority of respondents were male, which consist of 77 male respondents (55%). While female respondents were 63 that represented of total 45.0 % of total respondents.

The majority of the employees were in the age group of above 40 years old which was amounted to 30.0% (42 employees) of the respondents. The number of respondents in the age group of below 20 years old showed only 1.4% (2 employees) of the respondents. In term of the marital status of the respondents, about 89 respondents that represented 63.6% were married and only 7 respondents represented 5.0% were in separated or divorced or widowed group.

Next, is the department of the respondents in the company. The majority showed Operations department in which was 59 respondents that represented 42.1% of total

respondents. While Finance and Accounting department, shown only nine respondents represented 6.4% of total respondents.

In terms of a level of respondents' education, the majority of respondents indicated that 51 employees possess the Malaysian Certificate of Education that represented 36.4% of total respondents. While 6 respondents that represented 4.3% of total respondents were from Master Degree level and education level those were not listed in the question called other like Lower Certification of Education (PMR).

Most of the respondents are in the non - executive group which was 104 that represented 74.3% of total respondents. While only 25.7% of total respondents are in the executive group was amounted to 36 respondents.

Lastly, in terms of monthly income, most of the respondents earned RM1, 000 – RM1, 500 which are a total of 46 respondents. The other group amounted to 29 respondents that represented 20.7% of total respondents earned RM1, 501 – RM2, 000. The minority group that responded was from below RM1, 000 group that shown only 13 employees that represented 9.3% of total respondents.

Table 4.2

Profile of Respondents

| | Demographic | Frequency | Percentage (%) |
|---------------|--------------------|------------------|-----------------------|
| Gender | Male | 77 | 55.0 |
| | Female | 63 | 45.0 |
| Age | < 20 years old | 2 | 1.4 |
| | 20 - 25 years old | 20 | 14.3 |
| | 26 - 30 years old | 39 | 27.9 |
| | 31 - 35 years old | 19 | 13.6 |
| | 36 - 40 years old | 18 | 12.9 |
| | > 40 years old | 42 | 30.0 |

| | | | |
|---------------------------|-------------------------------------|-----|------|
| Marital Status | Single | 44 | 31.4 |
| | Married | 89 | 63.6 |
| | Separated/Divorced/Widowed | 7 | 5.0 |
| Department | Human Resource | 26 | 18.6 |
| | Finance and Accounting | 9 | 6.4 |
| | Operations | 59 | 42.1 |
| | Quality | 24 | 17.1 |
| | Others | 22 | 15.7 |
| Level of Education | Malaysian Certificate of Education | 51 | 36.4 |
| | Malaysian Higher School Certificate | | |
| | Diploma | 22 | 15.7 |
| | Bachelor Degree | | |
| | Master Degree | 31 | 22.1 |
| | Others | 24 | 17.1 |
| | | 6 | 4.3 |
| | 6 | 4.3 | |
| Position | Executive | 36 | 25.7 |
| | Non-Executive | 104 | 74.3 |
| Monthly Income | < RM1000 | 13 | 9.3 |
| | RM1000 - RM1500 | 46 | 32.9 |
| | RM1501 - RM2000 | 29 | 20.7 |
| | > RM4000 | 52 | 37.1 |

4.4 Exploratory Factor Analysis (EFA)

Exploratory Factor Analysis (EFA) can be defined as a tool that can help to reduce a massive number of variables. It can simplify a large number of variables into a small set of the factor that interprets the underlying factors (Rahn, 2016). In factor analysis, each item will experience factor loading shown that to which extent that the variables give impacts toward factors. For example, the higher factor loading, the better

of the dimensions to fit the variables. Furthermore, each item needs to be load at 0.50 and above. An item that has cross loading below 0.30 are deleted.

In this study, 18 items were used to measure pay satisfaction, 4 items were used to measure perceived pay for performance and 12 items were used to measure job performance. The principle components analysis and varimax rotation were used to identify the factor structure of all variables as well as to provide the initial evidence of validity. Factor analysis was conducted on 22 items to examine the factor structure of pay satisfaction items and pay for performance items. Table 4.3 showed the rotated component matrix for both independent variables. Table 4.4 represented the list of items being deleted due to low loading which is IVPS18 and IVPFP4.

Table 4.3
Summary of Factor Loading for Pay satisfaction and Pay for Performance

| | Factor Loading | |
|--------|----------------|-------|
| | F1 | F2 |
| IVPS1 | 0.851 | |
| IVPS2 | 0.792 | |
| IVPS3 | 0.742 | |
| IVPS4 | 0.667 | |
| IVPS5 | 0.875 | |
| IVPS6 | 0.826 | |
| IVPS7 | 0.742 | |
| IVPS8 | 0.322 | |
| IVPS9 | 0.774 | |
| IVPS10 | 0.849 | |
| IVPS11 | 0.822 | |
| IVPS12 | 0.781 | |
| IVPS13 | 0.799 | |
| IVPS14 | 0.840 | |
| IVPS15 | 0.811 | |
| IVPS16 | 0.704 | |
| IVPS17 | 0.725 | |
| IVPFP1 | | 0.852 |
| IVPFP2 | | 0.827 |
| IVPFP3 | | 0.864 |

***Note: IVPS= Pay Satisfaction, IVPFP= Pay for Performance**

Table 4.4

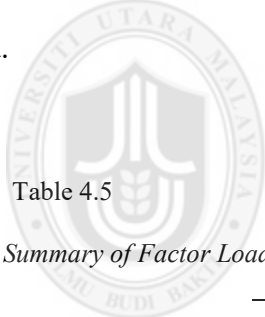

List of items being deleted

| | |
|--------|--|
| IVPS18 | I am satisfied with how the company administer pay |
| IVPFP4 | High performers and low performers seem to get the same pay raises |

Then, factor analysis was made of 12 items that measure employees' job performance. Table 4.5 showed the rotated component matrix for the dependent variable. While Table 4.6 represented list of items being deleted which were DVJP4 and DVJP10 as both cross load below 0.50. Besides that, DVJP5, DVJP11, and DVJP12 also being deleted due to the coefficient display format that has been suppressing to small coefficient at an absolute value below 0.3. These items had not appeared after being loaded.

Table 4.5

Summary of Factor Loading for Job Performance

| Factor Loading | |
|----------------|-------|
| | F1 |
| DVJP1 | 0.778 |
| DVJP2 | 0.755 |
| DVJP3 | 0.672 |
| DVJP6 | 0.642 |
| DVJP7 | 0.592 |
| DVJP8 | 0.605 |
| DVJP9 | 0.725 |

***Note: DVJP = Job Performance**

Table 4.6

List of items being deleted

| | |
|--------|--|
| DVJP4 | I fail to perform essential duties |
| DVJP5 | I help others who have been absent |
| DVJP10 | I give advanced notice when unable to come work |
| DVJP11 | I spent a great deal of time with personal phone conversations |
| DVJP12 | I complain about the insignificant things at works. |

Based on the results, the KMO measure of sampling adequacy was 0.955 for job performance indicating that the items are interrelated. The approximate Chi Square is 2753.405 which were for 70.825 percent of total explained variance.

4.5 Reliability Analysis

Based on the result exploratory factor analysis, the remaining items in independent variables and dependent variable are used for the reliability analysis. The result of Cronbach's Alpha will determine the acceptability and reliability of the instruments.

The value of Cronbach's Alpha after the items deleted for dependent variable of this study is 0.805 which contain 7 items with mean of 3.96. Meanwhile, the independent variables, pay satisfaction shown value of 0.942 of 17 items and pay for performance shown value of 0.859 of 3 items (Refer Table 4.7). Besides that, the mean and standard deviation values were presented in this table. Based on result, independent variable, pay for performance has the highest mean among two independent variables which are 3.46 whereas pay satisfaction is 3.13. The mean for the dependent variable is 3.96. The analysis also showed that pay for performance has highest standard deviation among two independent variables (0.84) and pay satisfaction (0.81). As for job performance, the standard deviation is (0.43).

Table 4.7

Reliability Analysis Results

| Variables | Number of items | Cronbach's Alpha | Mean | Std Deviation |
|------------------------------|-----------------|------------------|------|---------------|
| Dependent Variable | | | | |
| Job Performance | 7 | 0.805 | 3.96 | 0.43 |
| Independent Variables | | | | |
| Pay satisfaction | 17 | 0.942 | 3.13 | 0.81 |
| Pay for Performance | 3 | 0.859 | 3.46 | 0.84 |

4.6 Correlation Analysis

Pearson Correlation Analysis was conducted to identify the relationship between the independent variables (pay satisfaction and pay for performance) and dependent variable, job performance. This section also reveals the hypothesis testing in this study. As presented in Table 4.8, there is significant and positive relationship between pay for performance with job performance. Pay for performance has the highest value that associates with job performance which is $r = 0.263$, $p < 0.05$. However, there is non-significant relationship towards pay satisfaction with job performance whereby the value is $r = 0.182$, $p < 0.05$. The correlation value shown by pay satisfaction with job performance is considered low and become non-significant relationship with each other.

Table 4.8

Correlation and Descriptive Statistics

| Variables | Mean | Std Deviation | 1 | 2 | 3 |
|----------------------------------|------|---------------|--------|--------|---|
| 1. Employees' Job Performance | 3.96 | 0.43 | 1 | | |
| 2. Perceived Pay for Performance | 3.46 | 0.84 | .263** | 1 | |
| 3. Pay satisfaction | 3.13 | 0.81 | .182** | .576** | 1 |

** $p < 0.001$ (1-tailed), $n = 140$

4.7 Regression Analysis

Regression analysis was conducted in order to understand the influence of pay satisfaction and pay for performance on job performance. The value of β for each hypothesized is observed and reported as shown in Table 4.9. The results showed only pay for performance are positively associated with job performance. The Beta value for perceived pay for performance is 0.237 whereas pay satisfaction only showed Beta value is 0.045, which was not significant with the job performance.

Table 4.9

Results of Multiple Regression Analysis

| Variable Entered | Unstandardized Coefficients | | Standardized Coefficients | | |
|----------------------------|-----------------------------|------------|---------------------------|--------|------|
| | B | Std. Error | Beta | T | Sig. |
| (Constant) | 3.460 | .165 | | 20.972 | .000 |
| Pay Satisfaction | .024 | .054 | .045 | .449 | .654 |
| Pay for performance | .123 | .052 | .237* | 2.354 | .020 |
| R square = 0.71 | | | | | |
| F = 5.208 | | | | | |
| R = 0.266 | | | | | |

*p < 0.05

Table 5.0 shows the summary of the hypothesis testing in this study. The hypotheses were proposed earlier in Chapter 2. After the results were obtained, it reveals pay for performance was significantly and positively influences job performance. However, pay satisfaction shown low significant and was not positively influence job performance.

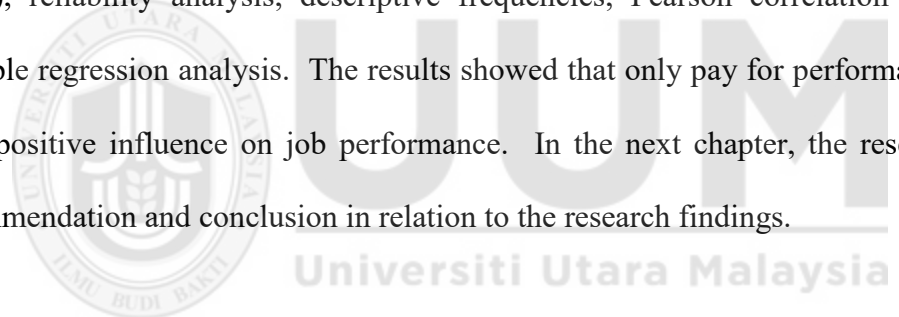
Table 5.0

Summary of Hypothesis Testing

| Hypothesis Statements | Finding |
|--|----------------|
| H1: Pay satisfaction is non- significant and not positively influence job performance | Rejected |
| H2: Pay for performance is significantly and positively influence job performance | Accepted |

4.8 Summary

As for conclusion, chapter four displayed the analysis results of the study. Five types of statistical analysis were conducted in this study which is exploratory analysis (EFA), reliability analysis, descriptive frequencies, Pearson correlation analysis and multiple regression analysis. The results showed that only pay for performance found to have positive influence on job performance. In the next chapter, the researcher made recommendation and conclusion in relation to the research findings.



CHAPTER 5

DISCUSSION, RECOMMENDATIONS, AND CONCLUSION

5.1 Introduction

This chapter consists of the discussion for the result of this study. It also deliberates about the limitation in this study and suggestion to improve for future research. Finally, at the end of the chapter, it shows the conclusion of this study. This research was carried out to study the influence of pay for performance perception and pay satisfaction towards job performance among manufacturing employees in the northern region. The objectives are (i) to examine the influence of pay for performance perception on job performance and (ii) to analyze the influence of pay satisfaction on job performance. Next, the following section will discuss the findings in this study.

5.2 Relationship between pay satisfaction and job performance

One of the objectives of this study is to analyze the influence of pay satisfaction on job performance. The result mentioned that there is a non-significant relationship between pay satisfaction and job performance. This result is in contrast to the findings reported in a study by Chaudhry et al. (2011) that mentioned a significant relationship between pay satisfaction and job performance. The non-significant relationship may be attributed to the fact that most of the respondents are operational level employees, who are very much complacent with their performance level in the company. Hence, if they are satisfied with their pay, this would not have a bearing on their level of performance.

In fact, they will still be performing at a mediocre level although they are satisfied with the pay they received from the employers. This result also not consistent with previous study by Cloutier et al. (2013) that mentioned pay satisfaction can affect job performance when employees satisfied or not satisfied with their pay. Another possible explanation this study showed the non-significant result is may be due to demographic profile finding that showed most respondents were from the age group of above 40 years. At this age, employees are satisfied with pay and recognition that company gave to them. They also may just want to work in the calm surrounding in which employers might not be able to push their performance to the maximum level. This plausibly explains the non-significant relationship between pay satisfaction and job performance.

5.3 Relationship between pay for performance and job performance

Another objective is to examine the influence of pay for performance towards job performance. The finding showed that there are positive influence and significant relationship between pay for performance perception and job performance. This finding is consistent with previous study by Heneman et al. (1988) that reported a positive relationship between the pay for performance and job performance. This suggests that when employees perceived that their pay is related to their performance, they are more likely to perform better and vice versa. Furthermore, when pay is being linked toward their performance employees may able to perform in their best behavior which may reduce cases like absenteeism and tardiness. The result also is in line with the assertion by Wei et al. (2009) that getting extra money makes employees will work harder. This occurs especially when they are able to earn extra money based on their performance.

Most employees need the extra money to fulfill their economic needs towards their family and themselves. This can be the plausible explanation as most respondents come from middle-class income that ranges about RM1, 000 to RM1, 500. With today's standards, high living that required more money to be invested makes them become motivated to perform better in the organization.

5.4 Implications and limitation of study

This study provides both practical and theoretical implications. In terms of theoretical implications, this study contributes more evidence to the body of knowledge in understanding the relationship of pay and job performance. Through Equity Theory, this study able to certify in understanding the relationship between variables. As mentioned previously, the theory articulated on the fairness in pay satisfaction and job performance whereby equality in term of satisfaction lies when employees are being paid at equally when they exert the same efforts to the outcome. This study also supported Equity Theory towards pay for performance and job performance in which fairness was emphasized when employees had been paid after being fairly evaluated for their performance.

In terms of practical implications, this study is able to benefit employers in the manufacturing industries to adopt effective practices related to pay. By understanding the concept and relationship of how to pay satisfaction and pay for performance were able to influence job performance would give a better view for employers to restructure their salary procedure in order to enhance job performance among employees. Besides that, with this study, employers able to train themselves to be more efficient in handling

employees like retaining young generations that have potential to contribute more to the company. Nevertheless, this study also give benefits to employees once they understanding the importance of pay in keeping their performance aligned with company's goals.

There are several limitations in this study. Firstly is the time constraint. The feedbacks from respondents took longer than expected. This has delayed in process of collecting the data. Besides that, the respondents consist of only manufacturing employees in the northern region. Thus, this limits the generalizability of the result. Another limitation is in term of the framework as they are only two predictors examined in this study. There may be other more significant factors in predicting job performance.

5.5 Recommendation for future research

From the results and discussions, there are several recommendations that can be used for future research. Firstly, future study can be conducted on a large scale of the population by comparing with different industries. Nowadays, other industries also faced hardships due to the instable economy in this country. By maximizing the population, other industries will able to improve their situation by surviving the economic downturn for a longer period.

Secondly, the study can also be extending to not only private sector employees but public sectors as well. By replicating this study in another sector, the data collected will be more vary and the results can be compared with both sectors. By comparing both results, it might able contribute to both sectors.

5.6 Conclusion

It can be concluded that the purpose of this study aligned with the finding that reported a positive influence by pay for performance perception. However, pay satisfaction indicated non-significant result towards employees' job performance.

Hence, this study able to provide a theoretical contribution in the field of pay satisfaction, pay for performance and job performance.



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Appendix A: Questionnaire



A STUDY ON EMPLOYEES' BEHAVIOURS

Dear Participant,

Thank you for agreeing to participate in this research.

I am a Master student of the Universiti Utara Malaysia, Kedah. I am currently conducting a study on behaviours among employees in the manufacturing industry. Therefore, I would appreciate if you could answer **all of the questions** in the survey as the information you provide will influence the accuracy and success of the research. It will take less than 15 minutes to complete the questionnaire. Please note that responses gathered will be treated with the strictest confidence and will be used of academic purpose only.

If you have any questions regarding this research, you may forward them to me at the details below.

Thank you for your time and cooperation in answering this questionnaire.

Sincerely,

Nabila Ahmad Nasir
Post Graduate Student
Master of Human Resource Management
Universiti Utara Malaysia (UUM)
Email: nabilanasir90@gmail.com



KAJIAN TERHADAP TINGKAH LAKU PEKERJA

Tuan/Puan,

Terima kasih kerana sudi menyertai kajian ini.

Saya merupakan pelajar Ijazah Sarjana di Universiti Utara Malaysia, Kedah. Saya sedang menjalankan kajian tentang gelagat dalam kalangan pekerja dalam industri pembuatan. Sehubungan itu, saya amat menghargai jika tuan/puan dapat **menjawab semua soalan** dalam kajian ini memandangkan maklumat yang diberi oleh tuan/puan akan mempengaruhi kepada ketepatan dan kejayaan kajian ini. Tuan/Puan hanya perlu meluangkan masa dalam 15 minit untuk menyiapkan selidik ini. Semua jawapan tuan/puan adalah dianggap sulit dan maklumbalas yang diperolehi akan digunakan untuk tujuan akademik sahaja.

Jika terdapat sebarang pertanyaan berkenaan kajian ini, tuan/puan boleh menghubungi saya melalui maklumat yang tertera di bawah. Terima kasih atas masa dan kerjasama dari pihak tuan/puan di atas penglibatan dalam menjayakan kajian ini.

Yang benar,

Nabila Ahmad Nasir

Pelajar Pasca Siswazah

Ijazah Sarjana Pengurusan Sumber Manusia

Universiti Utara Malaysia (UUM)

Email: nabilanasir90@gmail.com

INSTRUCTION: With reference to yourself, please indicate the level of agreement to the following statement by circling the appropriate number in the scale given.

ARAHAN: Merujuk kepada keadaan anda sekarang, sila nyatakan tahap persetujuan anda terhadap kenyataan di bawah dengan membulatkan nombor yang sesuai dalam skala yang diberikan.

| SECTION A | | | | | | |
|------------------|--|---|---------------------------------|------------------------------|------------------------|--|
| No. | | <i>Strongly disagree</i> Sangat Tidak Setuju | <i>Disagree</i> Tidak Setuju | <i>Moderate</i> Sederhana | <i>Agree</i> Setuju | <i>Strongly agree</i> Sangat Setuju |
| 1. | I am satisfied with my take-home pay. <i>Saya berpuas hati dengan gaji bersih saya.</i> | 1 | 2 | 3 | 4 | 5 |
| 2. | I am satisfied with my benefit package. <i>Saya berpuas hati dengan pakej faedah saya.</i> | 1 | 2 | 3 | 4 | 5 |
| 3. | I am satisfied with my most recent raise. <i>Saya berpuas hati dengan kenaikan gaji saya yang terkini.</i> | 1 | 2 | 3 | 4 | 5 |
| 4. | I am satisfied with my supervisor's influence on my pay. <i>Saya berpuas hati dengan pengaruh penyelia terhadap gaji saya.</i> | 1 | 2 | 3 | 4 | 5 |
| 5. | I am satisfied with my current pay. <i>Saya berpuas hati dengan gaji semasa saya.</i> | 1 | 2 | 3 | 4 | 5 |
| 6. | I am satisfied with amount the company pays towards my benefits. <i>Saya berpuas hati dengan jumlah yang dibayar oleh organisasi untuk faedah saya.</i> | 1 | 2 | 3 | 4 | 5 |
| 7. | I am satisfied with raises I have typically received in the past. <i>Saya berpuas hati dengan kenaikan gaji yang biasa saya terima sebelum ini.</i> | 1 | 2 | 3 | 4 | 5 |
| 8. | I am satisfied with the company's pay structure. <i>Saya berpuas hati dengan struktur gaji organisasi ini</i> | 1 | 2 | 3 | 4 | 5 |

| | | | | | | |
|-----|--|---|---|---|---|---|
| 9. | I am satisfied with the information the company gives about pay issues of concern to me. <i>Saya berpuas hati dengan maklumat yang diberikan oleh organisasi tentang isu gaji yang berkaitan dengan saya.</i> | 1 | 2 | 3 | 4 | 5 |
| 10. | I am satisfied with my overall level of pay. <i>Saya berpuas hati dengan keseluruhan tangga gaji saya.</i> | 1 | 2 | 3 | 4 | 5 |
| 11. | I am satisfied with the value of my benefits. <i>Saya berpuas hati dengan nilai faedah saya.</i> | 1 | 2 | 3 | 4 | 5 |
| 12. | I am satisfied with pay of other jobs in the company <i>Saya berpuas hati dengan gaji untuk pekerjaan-pekerjaan lain dalam organisasi ini.</i> | 1 | 2 | 3 | 4 | 5 |
| 13. | I am satisfied with consistency of the company's pay policies. <i>Saya berpuas hati dengan dasar gaji organisasi ini yang konsisten.</i> | 1 | 2 | 3 | 4 | 5 |
| 14. | I am satisfied with size of my current salary. <i>Saya berpuas hati dengan saiz gaji semasa saya.</i> | 1 | 2 | 3 | 4 | 5 |
| 15. | I am satisfied with the number of benefits I received. <i>Saya berpuas hati dengan bilangan faedah yang saya terima.</i> | 1 | 2 | 3 | 4 | 5 |
| 16. | I am satisfied with how my raises are determined. <i>Saya berpuas hati dengan cara penentuan kenaikan gaji saya.</i> | 1 | 2 | 3 | 4 | 5 |
| 17. | I am satisfied with the differences in pay among jobs in the company. <i>Saya berpuas hati dengan perbezaan gaji antara pekerjaan-pekerjaan dalam organisasi ini.</i> | 1 | 2 | 3 | 4 | 5 |
| 18. | I am satisfied with how the company administers pay. <i>Saya berpuas hati cara organisasi menguruskan gaji.</i> | 1 | 2 | 3 | 4 | 5 |

SECTION B

| No. | | <i>Strongly disagree</i> <i>Sangat Tidak Setuju</i> | <i>Disagree</i> <i>Tidak Setuju</i> | <i>Moderate</i> <i>Sederhana</i> | <i>Agree</i> <i>Setuju</i> | <i>Strongly agree</i> <i>Sangat Setuju</i> |
|-----|--|--|--|-------------------------------------|-------------------------------|---|
| 1. | If I perform especially well on my job, it is likely that I would get a pay raise. <i>Jika saya melaksanakan tugas saya dengan baik, saya berkemungkinan akan mendapat kenaikan gaji.</i> | 1 | 2 | 3 | 4 | 5 |
| 2. | The pay raises that I receive on my job make me work harder. <i>Kenaikan gaji yang saya terima dalam pekerjaan saya membuatkan saya bekerja dengan lebih kuat.</i> | 1 | 2 | 3 | 4 | 5 |
| 3. | The best workers in the company get the highest pay raises. <i>Pekerja yang terbaik dalam organisasi ini mendapat kenaikan gaji yang tertinggi.</i> | 1 | 2 | 3 | 4 | 5 |
| 4. | High performers and low performers seem to get the same pay raises. <i>Pekerja cemerlang dan pekerja tidak cemerlang akan mendapat kenaikan gaji yang sama.</i> | 1 | 2 | 3 | 4 | 5 |

SECTION C

| No. | | <i>Strongly disagree</i> <i>Sangat Tidak Setuju</i> | <i>Disagree</i> <i>Tidak Setuju</i> | <i>Moderate</i> <i>Sederhana</i> | <i>Agree</i> <i>Setuju</i> | <i>Strongly agree</i> <i>Sangat Setuju</i> |
|-----|---|--|--|-------------------------------------|-------------------------------|---|
| 1. | I adequately completed the assigned duties. <i>Saya melengkapkan tugas yang diberi dengan secukupnya.</i> | 1 | 2 | 3 | 4 | 5 |
| 2. | I fulfilled responsibilities specified in job description. <i>Saya memenuhi tanggungjawab yang dijelaskan dalam deskripsi kerja.</i> | 1 | 2 | 3 | 4 | 5 |

| No. | | Strongly disagree Sangat Tidak Setuju | Disagree Tidak Setuju | Moderate Sederhana | Agree Setuju | Strongly agree Sangat Setuju |
|-----|---|--|--------------------------|-----------------------|-----------------|---------------------------------|
| 3. | I performed tasks that are expected of me. <i>Saya melaksanakan tugas yang dipertanggungjawabkan ke atas saya.</i> | 1 | 2 | 3 | 4 | 5 |
| 4. | I fail to perform essential duties. <i>Saya gagal dalam melaksanakan tugas-tugas asas.</i> | 1 | 2 | 3 | 4 | 5 |
| 5. | I help others who have been absent. <i>Saya menolong rakan sekerja yang tidak hadir.</i> | 1 | 2 | 3 | 4 | 5 |
| 6. | I help others who have heavy work loads <i>Saya menolong rakan sekerja yang mempunyai beban kerja yang banyak.</i> | 1 | 2 | 3 | 4 | 5 |
| 7. | I take time to listen to co-workers' problems and worries. <i>Saya meluangkan masa untuk mendengar permasalahan dan perkara-perkara yang merisaukan rakan sekerja.</i> | 1 | 2 | 3 | 4 | 5 |
| 8. | I go out the way to help new employees. <i>Saya mencari jalan untuk menolong pekerja-pekerja baharu.</i> | 1 | 2 | 3 | 4 | 5 |
| 9. | I pass along information to co-workers. <i>Saya menyampaikan maklumat kepada rakan sekerja.</i> | 1 | 2 | 3 | 4 | 5 |
| 10. | I give advanced notice when unable to come work. <i>Saya memberi notis awal apabila tidak dapat hadir ke tempat kerja.</i> | 1 | 2 | 3 | 4 | 5 |
| 11. | I spent a great deal of time with personal phone conversations. <i>Saya menghabiskan banyak masa dengan perbualan peribadi melalui telefon.</i> | 1 | 2 | 3 | 4 | 5 |
| 12. | I complain about insignificant things at works. <i>Saya merungut tentang perkara-perkara remeh di tempat kerja.</i> | 1 | 2 | 3 | 4 | 5 |

SECTION D

This part contains a few demographic information pertaining to yourself. Please tick (✓) the appropriate responses for all questions or write your response in the space provided.

Bahagian ini mengandungi maklumat demografik berkenaan dengan diri anda. Sila tandakan (✓) pada maklum balas untuk semua soalan atau tuliskan maklum balas dalam ruangan yang disediakan.

1) Gender / Jantina:

- Male
- Lelaki*
- Female
- Perempuan*

2) Age / Umur :

- < 20 tahun / *years old*
- 20 - 25 tahun / *years old*
- 26 – 30 tahun / *years old*
- 31 - 35 tahun / *years old*
- 36 - 40 tahun / *years old*
- > 40 tahun / *years old*

3) Marital Status :

Status Perkahwinan:

- Single / *Bujang*
- Married / *Berkahwin*
- Separated/Divorced/Widowed
Berpisah/Janda/Duda/Balu

4) Department/ Jabatan :

- () Human Resource / *Sumber Manusia*
- () Finance and Accounting / *Kewangan dan Akaun*
- () Operations / *Operasi*
- () Quality / *Kualiti*
- () Others, please indicate _____
Lain-lain, sila nyatakan _____

5) Level of Education/ *Tahap pendidikan:*

- () Malaysian Certificate of Education / *Sijil Pelajaran Malaysia*
- () Malaysia Higher School Certificate / *Sijil Tinggi Pelajaran Malaysia*
- () Diploma
- () Bachelor Degree / *Ijazah Sarjana Muda*
- () Master Degree / *Ijazah Sarjana*
- () Others, please indicate _____
Lain-lain, sila nyatakan _____

6) Position / *Jawatan:*

- () Executive / *Eksekutif*
- () Non-Executive / *Bukan Eksekutif*

7) Monthly Income / *Pendapatan Bulanan:*

- () < RM1, 000
- () RM1, 000 – RM1, 500
- () RM1, 501 – RM2, 000
- () > RM2, 000

**THANK YOU FOR SPARING YOUR VALUABLE TIME TO COMPLETE
THIS SURVEY**

**TERIMA KASIH KERANA SUDI MELUANGKAN MASA UNTUK
MELENGKAPKAN SELIDIK INI**

APPENDIX B: SPSS OUTPUT
RELIABILITY ANALYSIS

Pay satisfaction

Reliability Statistics

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|------------------|--|------------|
| .942 | .969 | 17 |

Perceived pay for performance

Reliability Statistics

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|------------------|--|------------|
| .859 | .862 | 3 |

Job Performance

Reliability Statistics

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|------------------|--|------------|
| .805 | .809 | 7 |

EXPLORATORY FACTOR ANALYSIS (EFA)

Independent Variables

Rotated Component Matrix^a

| | Component | |
|--------|-----------|------|
| | 1 | 2 |
| IVPS1 | .851 | |
| IVPS2 | .792 | .382 |
| IVPS3 | .742 | .392 |
| IVPS4 | .667 | |
| IVPS5 | .875 | |
| IVPS6 | .826 | |
| IVPS7 | .742 | .307 |
| IVPS8 | .322 | |
| IVPS9 | .774 | .357 |
| IVPS10 | .849 | |
| IVPS11 | .822 | .329 |
| IVPS12 | .781 | .324 |
| IVPS13 | .799 | .353 |
| IVPS14 | .840 | |
| IVPS15 | .811 | |
| IVPS16 | .704 | .520 |
| IVPS17 | .725 | .416 |
| IVPFP1 | | .852 |
| IVPFP2 | .310 | .827 |
| IVPFP3 | | .864 |

Extraction Method: Principal

Component Analysis.

Rotation Method: Varimax with

Kaiser Normalization.

a. Rotation converged in 3

iterations.

Dependent Variable

Component Matrix^a

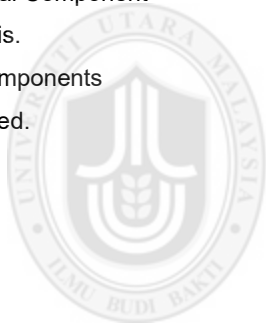
| | Component |
|-------|-----------|
| | 1 |
| DVJP1 | .778 |
| DVJP2 | .755 |
| DVJP3 | .672 |
| DVJP6 | .642 |
| DVJP7 | .592 |
| DVJP8 | .605 |
| DVJP9 | .725 |

Extraction Method:

Principal Component

Analysis.

a. 1 components
extracted.



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Correlation and descriptive analysis

Descriptive Statistics

| | Mean | Std. Deviation | N |
|--------------------|--------|----------------|-----|
| Jobperformance1 | 3.9612 | .43346 | 140 |
| PaySatisfaction1 | 3.1332 | .81216 | 140 |
| Payforperformance1 | 3.4643 | .83747 | 140 |

PEARSON CORRELATION

Correlations

| | | Jobperformance | PaySatisfaction | Payforperforma nce1 |
|--------------------|---------------------|----------------|-----------------|------------------------|
| | | 1 | 1 | |
| Jobperformance1 | Pearson Correlation | 1 | .182* | .263** |
| | Sig. (1-tailed) | | .016 | .001 |
| | N | 140 | 140 | 140 |
| PaySatisfaction1 | Pearson Correlation | .182* | 1 | .576** |
| | Sig. (1-tailed) | .016 | | .000 |
| | N | 140 | 140 | 140 |
| Payforperformance1 | Pearson Correlation | .263** | .576** | 1 |
| | Sig. (1-tailed) | .001 | .000 | |
| | N | 140 | 140 | 140 |

*. Correlation is significant at the 0.05 level (1-tailed).

**. Correlation is significant at the 0.01 level (1-tailed).

REGRESSION ANALYSIS

Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|-----------------------------|------------|---------------------------|--------|------|
| | B | Std. Error | Beta | | |
| 1 | (Constant) | 3.460 | .165 | 20.972 | .000 |
| | PaySatisfaction1 | .024 | .054 | .449 | .654 |
| | Payforperformance1 | .123 | .052 | 2.354 | .020 |

a. Dependent Variable: Jobperformance1

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | |
|-------|-------------------|----------|-------------------|----------------------------|-------------------|----------|-----|-----|---------------|
| | | | | | R Square Change | F Change | df1 | df2 | Sig. F Change |
| 1 | .266 ^a | .071 | .057 | .42090 | .071 | 5.208 | 2 | 137 | .007 |

a. Predictors: (Constant), Payforperformance1, PaySatisfaction1

ANOVA^a

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|-----|-------------|-------|-------------------|
| 1 | Regression | 1.845 | 2 | .923 | 5.208 | .007 ^b |
| | Residual | 24.271 | 137 | .177 | | |
| | Total | 26.116 | 139 | | | |

a. Dependent Variable: Jobperformance1

b. Predictors: (Constant), Payforperformance1, PaySatisfaction1



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