

# The Influence of Compensation and Benefits and Employees' Involvement on Employees' Outcomes- Evidence from PTCL

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## ABSTRACT

This study aims to explore the effects of compensation and benefits and employees' involvement on employees' outcomes. There is limited research devoted to the compensation and benefits, employees' involvement, and employees' outcomes within the Pakistan Telecommunication Company Limited (PTCL). The main objective of this study is to analyse the influence of compensation and benefits and employees' involvement on employees' outcomes. This is a quantitative research study; sample size of the study was 272. The data was analysed using SPSS. The descriptive statistical analysis, correlation and regression were employed for evaluation. The results show that compensation and benefits and employees' involvement was positively associated with employees' outcomes.

**Keywords:** Compensation and benefits, employees' involvement, employees' outcomes

## INTRODUCTION

PTCL was incorporated in 1995 and it is the backbone for the country's telecommunication system despite the arrival of other telecommunication companies, like Mobilink, Telenor, China mobile. PTCL provides telephonic and internet survives nationwide. Currently 17000 employees are working in PTCL and they manage and operate 2000 telephone exchange in different areas of Pakistan, providing the largest fixed-line network. During the era of 17th prime minister of Pakistan' Shaukat Aziz, shareholding of PTCL in 2006 was reduced to 62%, When 12% shares and control were sold to general public while remaining 26% to Etisalat Telecommunications. After the privatization of PTCL 32000 employees left the job and

this effect the employees outcomes in term of motivation and as well as retention [1]. However research authors [2] also conducted a study in PTCL and they concluded that employees' outcomes are low due to low rewards as compared to other telecommunication companies in Pakistan. Others problem of PTCL has a role culture which effects motivation and employees involvement in decision formulation and it increase the communication gap between top and lower level employees [3]. This study attempts to check the influence of compensation and benefits and employees' involvement on employees' outcomes. [4] emphasized that employee's high moral and work targets demanded by the management will be achieved if employees are effectively supervised and properly

managed, facilitated with healthy and safety standards and compensated fairly and equally. [5] revealed that rewards to employees have positive impact on employee's performance. If the compensation structure is proportionate based, this would motivate employees to perform at their optimal level to earn maximum. [6] Where a firm has extreme reward structure, would render mobility of high performers, as they are earning rewards equal to or more than, what is required to restrict them from leaving the firm. [7,8] conducted a research study, they find out the evidence that employee's involvement was directly related to employee job outcomes in a several areas such as profitability, productivity and customer satisfaction. [8] also find positive correlation between employee's involvement and employee's outcomes. Expectancy theory also suggest that desired rewards leads employees' effort in the expected direction and elicit employee's behavioural changes toward creativity when the given rewards are dependent on creative employee's performance in the organization [9]

## LITERATURE REVIEW

The subsequent section explains theoretical background that leads to the generation of hypothesis of this study.

### **Compensation and benefits and employees' outcomes**

Compensation and benefits can be define as direct cash payments or indirect payments in the form of employee benefits and incentives to motivate employees to strive for higher levels of productivity is a critical component of the employment relationship. [10] Research study conducted by [11] describes that compensation and benefits influence employees' outcomes. [11] also find out positive relations between compensation and benefits and employee's outcomes. According to [12] the compensation and benefits influence employees productivity in terms of expertise and experience. They concluded that overall compensation and benefits of employees of

all levels expertise and experiences have a positive impact on employee outcomes. [13] also suggests while they conduct a research study in Indonesia, also give the same results that compensation influence employee outcome. [14] emphasized in his research study, compensation and benefits have positive impact on employee Outcomes. [15] rewarding employees justly and fairly, provided with reasonable working condition, brings best mental and physical results from the employees. Today employee's turnover, low performances of employees are a serious problem for any organization. It can be best handled by using tools like compensation, job design (job enrichment , job enlargement, job rotation) will versed with promotional structure. [16] According to them those two elements needs to be considered; Pay level and pay structure. Pay level refers to the number of employees; that will be paid for their jobs and pay structure refers to the difference in pay among employees in an organization; the difference in pay is due to hierarchal structure of an organization. On the other hand difference in pay; at the same hierarchal level is called horizontal pay dispersion. [17,18] suggested that when a firm implements any of the above structures (vertical & horizontal pay dispersion) or both. Such compensation structure resultantly shows higher differences in pay, and major position of wages vests in the hands of few individuals and this has direct impact on the employee's abilities; in distribution of firms output. [19]

Research authors [20] conducted a research study in Nigeria. The findings of the study indicate that effective compensation administration has a positive bearing on employee productivity. [21] founded the positive association between compensation and benefits and employees outcomes and retention at Nigeria. [22] emphasized that compensation and benefits can be further divided into two groups, one is performance based pay and another is non-performance based pay. Standard hour plan, peace work plan, merit rise,

salespeople, commissions are included in performance based pay. All these developed a portion of workers performance based pay of workers. Flexible pay concerns are related with two devices itself, variable pays and postponed income. Variable pay relates to goal base pay, gain sharing, bonuses and commission etc. the distribution of variable pay is not certain, and it is given commonly to sales workers. Postponed income or differed income is long-term pay structures e.g. employees stock ownership, company savings plans and profit sharing. Lastly there are benefits; medical insurance benefits, severance pay, company house & car, sick leave and vacations etc. Based on above literature, the following hypothesis is proposed:

H1. Compensation and benefits have a positive effect on employees' outcomes.  
Employee's involvement and employees outcomes

Employee's involvement in the field of management is a popular research theme. [23-26] A study is conducted by [27] effect of employee involvement on employees' outcomes in the medical research industry in Kenya. The findings revealed that the supervisors kept employees updated about the future direction of the organization. Representative participation was found to be an important means to involve employees for employees' outcomes. Several research studies have focused on role of employee's involvement and it can increase outcomes. [28-31] From a research study of multinational companies of 437 Chinese employees by [32] calculated that auxiliary support to employees in their field of work has positive impact on employee's outcomes. To achieve the desired results from individuals in any organization requires giving chances to employees to take involvement in decision making. [33] Management should be responsible for the rights of employees, and employees should be accepting the rules and regulation of the organization. [33] To be result oriented, employer should build up relationship with employees which involve personal touch. [34,35] conducted a survey

base research in a large New Zealand organization. They founded that high involvement work process influence employees outcomes through the mediating role of intrinsic motivation and skill utilization.

Basically, employee's involvement can be further classified into two main kinds: financial related involvement and work related involvement. [36] Financial related involvement premise that segment ownership inspires positive arrogance and social reactions. Work related involvements which aim for more reasonable authority sharing throughout all organization, and 'new' forms of involvement. There are various rationales that have been introduced to ensure greater involvement of employees. [37] indemnified four approaches towards greater employee involvement focusing on organizational efficiency, redistribution of results rationales, embracing humanistic and power-sharing. These can be grouped under three main operational rationales such as social governmental, social and economic. [38] in the conventionally owned and run firms can be task-oriented (i.e. work station) or strategic (i.e. board or corporate level). In these spheres, involvement can be communicative or consultative. [39] estimated that unleashing extended benefits for employees stimulate greater worker involvement. Based on above literature, the following hypothesis is proposed:  
H1. Employees' involvement has a positive effect on employees' outcomes

## **METHODS**

### **Data presentation and statistical analysis**

It is a self-administered survey. All responses were measures on 5 Likert Scale, 1= strongly disagree to 5=strongly agree. The sample of the study was employees who are working at different offices of PTCL. The size of the sample was 272. The data set was transfer to social sciences SPSS software version 20. This study employed correlation and regression to examine the effect of compensation and benefits and employees' involvement on employees'

outcomes. The further relationship between dependent and independent variables was analysed by using Pearson's Correlation.

## RESULTS

The results of the descriptive statistic are shown in Table 1. Correlation analysis of the study shows that compensation and benefits, employees' involvement and employees' outcomes are statistically significant relation with each other's. The correlation value of compensation and benefits and employees involvement was  $r = .496^{**}$  and  $p < .005$ . The correlation value of compensation and benefits and employees' outcomes was  $r = .689^{**}$  and  $p < .005$ . This significant value shows that compensation and benefits is most important factor in PTCL. The correlation value of employees involvement and employee outcomes was  $r = .563^{**}$  and  $p < .005$ , which show significant positive relationship between employees' involvement and employees' outcomes in PTCL as shown in Table 2.

**Table 1 Descriptive statistic and Cronbach's  $\alpha$**

Constructs	Mean	Std.Deviation.	Cronbach's $\alpha$
CB	3.721	.416	.721
EI	3.814	.460	.738
EO	3.901	.890	.780

Compensation and benefits (CB); Employees involvement (EI); Employees' outcomes (EO)

**Table 2 Correlations analysis**

Constructs	CB	EI	EO
CB	1		
EI	.496 <sup>**</sup>	1	
EO	.689 <sup>**</sup>	.563 <sup>**</sup>	1

\*\*Correlation is significant at the 0.01 level (2-tailed). Compensation and benefits (CB); Employees involvement (EI); Employees' outcomes (EO)

The regression tools were applied. The  $P < 0.05$  which is 0.000 the significance was founded. The coefficient of determination for compensation and benefits and employees' outcomes was  $\beta = 0.586$  show that one unit increase in compensation and benefits the overall employee outcomes will be increases by 0.586. Hence the hypothesis H1 was supported and the null hypothesis was rejected as shown in Table3. The  $P < 0.05$ , which is 0.000 the significance was founded. This shows that the relationship between employee's involvement and

employee outcomes is statistically significant and positive. The coefficient of determination for employee's involvement and employee outcomes was  $\beta = 0.423$  show that when 1 unit of employees' involvement is increase, the overall employees' outcomes will be increases by 0.423 units. Hence the hypothesis H2 was supported and null hypothesis was rejected as shown in Table 3.

**Table 3 Regression analysis**

Constructs	$\beta$	t	p	r	$r^2$
CB	.586	15.704	.000	.691	.744
EI	.423	11.189	.000	.569	.598

Dependent variable, Employees' outcomes EO; Predictors, Compensation and benefits (CB); Employees involvement (EI);

## CONCLUSION AND RECOMMENDATION

This study suggested that the compensation and benefits and employees involvement practices can produce employee's motivation which eventually results in increasing outcomes of the employees. This study recommended that compensation and benefits and employees' involvement influence employees' outcomes at PTCL. For future competitive environment it is necessary to give importance to role of compensation and benefits and employees involvement. This study focused on the personally administered questionnaire and choose only two most important HR practices. The recommendation for future improvements are as follows; compensation and benefits system should conduct in such a manner to increase the level of employee outcomes. Furthermore, new effective methods of compensation and benefits system must be introduced to evaluate the effectiveness of compensation and benefits. Employee outcomes will be increase positively when administration provides environments for employee's involvement in decision making process.

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