

## Compensation practices toward employee satisfaction among selected BPO's

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### **Abstract**

The study aimed to determine the relationship between compensation practices and employee satisfaction among selected BPO's. The independent variable of the study is compensation practices with indicators of compensation and benefits. On the other hand, the dependent variable of the study is employee satisfaction with indicators of organization, retirement benefits, and compensation management. The researcher used the descriptive correlation method and convenience sampling in determining the number of respondents and the statistical tools were Mean and Pearson-r. The result of the computation using the R-value is 0.849 which is associated with the significant value of (0.000) of p-value which is less than the alpha of 0.05. Moreover,  $H_0$  is rejected since the p-value is less than 0.05. It means that there is a significant relationship between the two variables. It implies that compensation practices in terms of compensation and benefits have an impact on employee satisfaction in terms of organization, retirement benefits, and compensation management. In other words, compensation practices can affect employee satisfaction among selected BPO's.

**Keywords:** compensation practices, employee satisfaction, BPO's

## Compensation practices toward employee satisfaction among selected BPO's

### 1. Introduction

Employee satisfaction is one of the key factors that caught the attention of the organization's managers as well as academics. Different studies have been carried out to figure out the variables that decide employee satisfaction and how it affects corporate compensation. Employee satisfaction is the mental feeling of favourability a person has towards his work. Satisfaction plays a vital role since most people spend a large part of their lives in their places of work. In addition, employee satisfaction also affects the employees' general life, because a satisfied employee is a contented and happy human being. Some organizations in Nigeria have been unable to draw in qualified and productive employees due to low degrees of employee satisfaction. The organization has difficulties in elevating employee satisfaction because of very high competitive management factors to attain organizational effectiveness, positive behavior, and employee productivity. Performance and retention in an organization are affected if the organization has a low level of employee satisfaction (Bustamam et al., 2014).

In the Philippines, the employment satisfaction index dropped from 5.25 in 2016 to its current rating of 4.97 on a 10-point scale. Employee satisfaction index, the main factors associated with employee unhappiness are lack of professional growth and training incentives, as well as the management style of the leadership team of an organization. When respondents were asked what would make them happy over the next six months, 33 percent said a wage raise would help, but 23 percent decided to leave to find a new career (JobStreet.com, 2017). Comparably, most of the BPO's encountered problems regarding employee satisfaction. As per interview with the BPO employee, happiness is hard to attain due to the compensation program in the company. It was also manifested that the BPO employee wants to find a new BPO company that can provide better compensation that could satisfy his needs. For that reason, the researchers would like to research compensation practices and employee satisfaction among selected BPO's.

### 2. Method

**Research Design** - The researchers used the descriptive-correlation method (Manisha & Archana, 2015). This study used the descriptive method was designed to describe the level of the two variables and the correlation method because it represented the relationship between compensation practices and employee satisfaction among selected BPO's. The correlational research design can collect data on two or more variables, test dependability, and determine how large a sample size is required.

**Research Subject** – The respondents of this study were the selected employees among the selected BPO's in Panabo City and Davao City. There are only 3 BPO's establishments who responded to our request. The researchers used convenient sampling technique because there was some (management) BPO's that would not accommodate research-related activities. There were 40 employees who responded the said endeavor.

**Research Instrument** – The researchers adapted the questionnaire of Nawab and Bhatti's (2011). The instrument was used in determining the respondent's response in the independent variable and the dependent variable was the standardized questionnaire. The standardized survey questionnaire consists of three parts, namely: part one which pertains to the profile of respondents, part two relates to the independent variable (compensation practices) and part three that refers to the dependent variable (employee satisfaction) which was be validated by the panel of examiners for validity. The respondent was asked to check each question on the given instrument with the choices that range from 1 to 5 for the part two and part three. The researchers distributed the questionnaires through face to face before the occurrence of the COVID-19 pandemic.

### 3. Results or finding

#### 3.1 Level of compensation practices among selected BPO's

Presented in Table 1 is the level of compensation practices is measured. The evaluation is based on a 10-item questionnaire between selected BPO's related to compensation practices. The level of compensation practices indicated by compensation practices among selected BPO's with a significant overall mean of 4.47 described as very high is shown in Table 1. This means that compensation practices are always practiced. It implies that compensation practices are still practiced by BPO's as part of their strategies to satisfy employees.

Compensation practices cited by Khan, Aslam and Lodhi (2011) are the remunerations earned by an employee in exchange for their contribution to the organization. Compensation management are a structured practice that is essential by offering financial and non-monetary compensation to staff to balance the work and worker relationship. Compensation involves all forms of payment that emerge from job providers to the team. Compensation management are one of the organizations' strapping features, and they used it to attract and maintain the most significant and most worthy assets. Compensation management are regarded to be a complicated practice requiring accuracy and, if not correctly carried out, may lead to discontent among staff.

**Table 1**

*Level of Compensation Practices among Selected BPO's*

	Mean	Descriptive Equivalent
1. The BPO company gives an employee the minimum wage.	4.48	Very high
2. The BPO company's basic salary range in employee's position is more than what other BPO's are offering.	4.40	Very high
3. The BPO company annual performance appraisal is quite standard and effective.	4.50	Very high
4. Employee's annual increment is directly associated with the employee's last performance and merit.	4.48	Very high
5. The BPO company, Promotion is directly related to performance and merit.	4.50	Very high
6. The BPO company number of Medical allowances and insurance benefits should be the same for all.	4.58	Very High
7. The BPO company house rent and other allowances and incentives are satisfactory compared to other BPO's	4.38	Very High
8. The BPO company leave policy is very well designed.	4.58	Very High
9. The employee is motivated to do more than what is required in the job.	4.40	Very High
10. Even if an employee were offered a comparable position at another BPO, an employee would stay here.	4.40	Very High
Over-all Mean	4.47	Very High

*Legend:* 4.21- 5.00: Very High, 3.41- 4.20: High, 2.61- 3.40: Neutral, 1.81- 2.60: Low, 1.00- 1.80: Very Low.

Furthermore, item 6 the BPO company number of medical allowances and insurance benefits should be the same for all and item 8 the BPO company leave policy is very well designed to obtain the highest mean of 4.58 with the descriptive equivalent of very high indicates that the BPO company medical allowances and insurance benefits are the same for all, and the BPO company leave policy are always practiced. Subsequently, the lowest item is 7 the BPO company house rent and other allowances and incentives are satisfactory compared to other BPO's having the lowest average of 4.38 described as very high, which implies that the above-mentioned item is always practiced.

The remaining items are numbers 1, 2, 3, 4, 5, 9 and 10 with an average of 4.48, 4.40, 4.50, 4.48 4.50, 4.40 and 4.40 described as being very high respectively in the BPO company gives an employee the minimum wage; the BPO company's basic salary range in employee's position is more than what other BPO's are offering; the BPO company annual performance appraisal is quite standard and effective; employee's annual increment is directly associated with the employee's last performance and merit; the BPO company, Promotion is directly related to

performance and merit; the employee is motivated to do more than what is required in the job; and even if an employee were offered a comparable position at another BPO, an employee would stay here. It means that compensation practices are always practiced.

### 3.2 Level of Employee Satisfaction among selected BPO's

The level of employee satisfaction between selected BPO's is shown in Table 2. The calculation revealed that employee satisfaction in the study-based BPO had an overall average of 4.43 with a very high descriptive value, meaning that the employee satisfaction level is very satisfactory.

**Table 2**

*Level of Employee Satisfaction among Selected BPO's*

Organization	Mean	Descriptive Equivalent
1. Work environment	4.65	Very High
2. Organization Policy and Administration	4.48	Very High
3. Peer Groups	4.48	Very High
4. Job security	4.55	Very High
5. Formal Communication	4.48	Very High
6. Leadership	4.45	Very High
7. Performance appraisal policy	4.38	Very High
8. Promotion policy	4.50	Very High
9. Physical job security	4.50	Very High
10. Training and development	4.53	Very High
11. Working hour	4.33	Very High
12. Job location	4.35	Very High
<b>Over-all Mean</b>	<b>4.47</b>	<b>Very High</b>
<b>Retirement Benefits</b>	<b>Mean</b>	<b>Descriptive Equivalent</b>
1. Provident Funds	4.30	Very High
2. Gratuity	4.23	Very High
3. Leave Encashment	4.25	Very High
4. Post-Retirement Medical Benefits	4.35	Very High
5. Pension	4.08	High
<b>Over-all Mean</b>	<b>4.24</b>	<b>Very High</b>
<b>Compensation Management</b>	<b>Mean</b>	<b>Descriptive Equivalent</b>
1. Perceived fairness of salary structure	4.50	Very High
2. Compensation commensurate with responsibility	4.45	Very High
3. Salary is fair in terms of work done and experience	4.55	Very High
4. Company's benefits are commensurate with industry norms	4.53	Very High
5. Reasonableness and Fairness in pay raises	4.55	Very High
6. Appropriateness of benefits with employees'	4.24	Very High
7. The efficiency of the compensation system	4.40	Very High
<b>Over-all Mean</b>	<b>4.60</b>	<b>Very High</b>
<b>Grand Mean</b>	<b>4.43</b>	<b>Very High</b>

*Legend: 4.21- 5.00: Very High, 3.41- 4.20: High, 2.61- 3.40: Neutral, 1.81- 2.60: Low, 1.00- 1.80: Very Low.*

Employee satisfaction cited by Bhatti and Quereshi (2007) is one of the main variables influencing the efficiency of the organization. Environmental change complexity forces companies to search for their development process for more effective operational exploration. This implies that growing effectiveness will play a significant role in accelerating organizational development. The first indicator, as reflected in Table 2, is an organization with a mean of 4.47 described as very high, which means employees are satisfied with the factors of organizational management. It implies that the organization on employee satisfaction is very satisfactory. Anchor (2009) added that with more satisfied employees, organization learning to concentrate on what works, and helping staff strive for the positive would be more effective. She suggests that the purposeful cultivation of happiness and workplace positivity generates possibilities for enhanced satisfaction for people, teams, and organizations. In the examination of organizational culture and emotion in the workplace, attitude and joy were acknowledged by communication academics.

Furthermore, the item 1 working environment obtained the highest mean of 4.65 with the descriptive equivalent of very high means that the working environment on employee satisfaction is very satisfactory.

Subsequently, the lowest item is 11 working hours, having the lowest average of 4.33 described, as very high, which implies that the working hours on employee satisfaction is very satisfactory. The remaining items are numbers 2, 3, 4, 5, 6, 7, 8, 9, 10, and 12 with an average of 4.48, 4.48, 4.55, 4.48, 4.45, 4.38, 4.50, 4.50, 4.53, and 4.35 described as being very high respectively in Organization Policy and Administration; Peer Groups; Job security; Formal Communication; Leadership; Performance appraisal policy; Promotion policy; Physical job security; Training and development; and Job location. It means that the employees are delighted with the items mentioned above.

The second indicator is retirement benefits described as very high, with a mean of 4.24. It implies that retirement benefits are on employee satisfaction and are very satisfactory. Karatepe et al. (2006), Enhancing retirement plans for companies to increase employee satisfaction will impact workers differently in age and gender. Developing company pension schemes to improve job satisfaction can affect the productive capacity, employment effectiveness, and competitiveness of an organization. Furthermore, item 4 post-retirement medical benefits obtain the highest mean of 4.35 with the descriptive equivalent of very high implies that the post-retirement medical benefits on employee satisfaction are very satisfactory. Subsequently, the lowest item is 5 pensions having the lowest average of 4.08 described as high, which implies that post-retirement medical benefits on employee satisfaction are satisfactory.

The remaining items are 1, 2, and 3, with an average of 4.30, 4.23, and 4.25 described as being very high, respectively, in provident funds, gratuity, and leave encashment. It means that provident funds, gifts, and leave encashment on employee satisfaction are very satisfactory. The third and last indicator is compensation management, described as very high with a mean of 4.60. It implies that compensation management on employee satisfaction is very satisfactory. Bustamam et al. (2014) stated that compensation management is a helpful tool in management's hand that leads to organizational efficiency and can have a positive effect on workers' conduct and productivity. The impact of efficient compensation management is a useful tool to achieve the goals and objectives of an organization. This will create a positive impact on the effectiveness of the employee's performance.

The highest item is 3 and 5, which are salary is fair in terms of work done and experience, and reasonableness and fairness in pay raise with a mean of 4.55, which is described as very high, implies that the items as mentioned earlier are very satisfactory. At the same time, the lowest thing is 6 appropriateness of benefits with employees with a mean of 4.24 described as very high, which implies that the relevance of benefits with employees is very satisfactory. The remaining items 1, 2, 4, and 7 with an average of 4.50, 4.45, 4.53, and 4.40 described as very high respectively in perceived fairness of salary structure, compensation commensurate with responsibility, company's benefits are comparable with industry norms, the efficiency of the compensation system. It means that the perceived fairness of salary structure, compensation commensurate with responsibility, and the company's benefits are comparable with industry norms. The efficiency of the compensation system on employee satisfaction is very satisfactory.

### *3.3 Significant Relationship between compensation practices and employee satisfaction among selected BPO's*

Table 3 presents the significant relationship between compensation practices and employee satisfaction between selected BPO's. The result of the Pearson-r calculation is 0.849, with a P-value of 0.000. Thus, the null hypothesis rejected. Therefore, it can be stated that there is a significant relationship between compensation practices and employee satisfaction among selected BPO's. This study is anchored on Nawab and Bhatti's (2011) theory that effective compensation practices affect employee satisfaction and organizational commitment. This is supported by Kabiraj and Meraj (2011) argument that compensation practices are profoundly related to the firm's employee satisfaction.

**Table 3**

*Significant Relationship between Compensation Practices and Employee Satisfaction among Selected BPO's*

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Correlation Coefficient	
Compensation practices	Employee Satisfaction
P-value (0.000)<0.05	0.849 Significant

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#### 4. Conclusion

The level of compensation practices is very high. It is believed that the Business Process Outsourcing (BPO's) has established compensation practices towards their employees. It is implied that employees' satisfaction is very high and they need to sustain considering other factors that may elevate employee morale. Moreover, BPO management should provide time and proper shifting schedule to promote work life balance among employees. Lastly, BPO management should give importance to the statutory and regulatory requirements appropriate benefits with employees so that they feel they are compensated relatively with their experiences and credentials. To the future researchers who will conduct the same study, they need to utilize other variables or indicators to set on other factors that correlate to the employee's satisfaction.

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