



Employee Salary and Job Satisfaction: a Tenuous Relationship as Evident in Selected Public and Private Organizations in Lagos State

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Abstract

This study was poised to measure the tenuous relationship between employee salary and job satisfaction in relation to what is obtainable in private and public organization. In view of this, relevant hypotheses were formulated and tested using Z-test and regression analysis through the use of 250 samples obtained from both public and private organizations through purposive sampling technique. As expected, public organization, exhibited higher degree of salary satisfaction as compared to private organization simply because private organizations are predominantly SMEs which cannot afford salary expectations of employees.

Keywords: *Salary, Job, Satisfaction, Private, Public and organization.*

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Background to the Study

Salary is a form of periodic payment from an employer to an employee, which is specified in an employment contract. It is contrasted with piece wages, where each job, hour or other unit is paid separately, rather than on a periodic basis. From the point of view of running a business, salary Satisfaction can also be viewed as the cost of acquiring human resources for running operations, and is then termed personnel expense or salary expense. In accounting, salaries are recorded in payroll accounts. Pay has been considered an important reward to motivate the behavior of employees (Trochim,2006). All other behavioral factors are important for enhancing job satisfaction of employees but satisfaction from pay is must. Trochim (2006) stated that pay satisfaction depends on the difference between perceived pay and the amount of pay a person feels should be received.

Salary satisfaction is a much narrower construct than job satisfaction. However, pay satisfaction is also an important variable that is linked to some rather significant organizational outcomes. For example, some evidence suggests that dissatisfaction with pay may lead to decreased job satisfaction, decreased motivation and performance, increased absenteeism and turnover intentions, and more pay related grievances and lawsuits. Pay satisfaction has been shown to influence overall job satisfaction, motivation and performance, absenteeism and turnover intentions, and may be related to pay-related grievances and lawsuits. Positive impact of income satisfaction on job satisfaction can be viewed in every walk of life.

Stated that the Job satisfaction has little relationship to income and is comparable cross most variables e.g., work setting, professional identity, amount of forensic activity, whereas income satisfaction has a stronger relationship to actual income, at least at the higher income levels. They also found that the correlation between job satisfaction and income satisfaction is high, whereas job satisfaction is not correlated with years in practice.

Statement of Problem

A dissatisfied employee usually experiences job dissatisfaction which in turn results in poor job performance. This is evident in most organisation, be it public or private. There are salient associated with salary dissatisfaction of employees at work. Every organisation could not last without their employees. Employees are the main reason an organisation could exist for a long time. Similarly, employees are the ones who play the major roles and make significant contributions to the organizations. Highly satisfied and committed employees will deliver high quality of job performance and vice versa. Undeniably, every company tries to retain and motivate its staff. In most organizations, there are some issues related to job satisfaction and performance which affect the employee satisfaction and performance in the organisation (HR Report 2009). Although the number is rather small but tackling poor performance is a challenge for all managers in the organisation which has a lot to do with salary.

Objectives of the Study

This research was meant to achieve the following specific objectives.

1. To measure the degree of salary satisfaction among employees in comparison of public and private organisation.
2. To determine the level of relationship that exist between job satisfaction and salary satisfaction.

3. To determine if salary satisfaction can significantly enhance job satisfaction in both public and private organisation.

Research Questions

In the light of existing literature, the following research questions are framed:

1. Is there a different degree of salary satisfaction in public and private sector organizations?
2. Does salary satisfaction enhance the job satisfaction level in both public and private sector organizations?

Hypothesis

H₀: There is no significant difference in the degree of salary satisfaction of employees in public sector and private sectors organization.

H₁: Salary satisfaction has no significant linear impact on job satisfaction of employees in public and private sectors.

Literature Review

The traditional thinking of not relating money with the happiness is diminishing. In fact, these days materialism is an important factor of motivating individuals. Cummins, (2000) has argued that despite the conventional wisdom that "money has little relevance to happiness," data support a different position—wealth provides external resources that buffer individuals against the effects of negative events. With a different, but not necessarily incompatible perspective. Diener, & Seligman, (2004) reviewed the relevant literature and concluded that as a society gathers wealth, "differences in wellbeing are less frequently due to income, and are more frequently due to factors such as social relationships and enjoyment at work." It has been observed that stability in income in terms of getting monthly income is much desired by the employees as compared to incentive based pay packages which are variable in nature.

Diener and Seligman (2004) also stated that with the much lower income, job satisfaction and income satisfaction are actually slightly higher. During the exploration stage, salespeople compensated via mostly fixed salary display higher levels of job satisfaction and lower turnover intentions than their counter parts who are paid via mostly incentive pay. During the establishment stage, sales people compensated via mostly incentive pay display higher levels of job satisfaction and lower turnover intentions than their counterparts who are paid via mostly fixed salary.

Salary Satisfaction: An Exploration through Literature

Pay is important but the perception of individual about pay is more important. People with positive mind set seems to be much satisfied with pay as compared to people with negative affectivity.

Stordeur, (2001) argued that both positive affectivity and negative affectivity are primary determinants of job satisfaction. But people high on negative affectivity are anxious and nervous (feelings that may describe a neurotic personality), but that does not imply across-the-board dissatisfaction. High negative affectivity individuals may be dissatisfied with aspects of their jobs, but that does not necessarily mean that they would be more dissatisfied with their pay.

Organization ownership is also an important factor in determining pay satisfaction of employees. Torchon, (2006) suggested that public sector managers experience lower levels of job and pay satisfaction. Low performance may be a result of low levels of satisfaction with pay. For generating pay satisfaction organizations have to promote a policy of perception of pay-for-performance.

Perception of pay-for-performance is a positive influence on pay satisfaction. Relevant studies observed, perceived relationships between pay and performance account for more variances in pay raise satisfaction than all the demographic variables put together. Thus, establishing a pay-for-performance compensation system may be the most effective way to promote pay level satisfaction. According to William and Keith (2000), the receipt of performance-based rewards, including pay increases and bonuses, positively affected pay-system reactions. Consequently, they suggested that “establishing a pay-for-performance compensation system may be the most effective way to promote pay satisfaction”. As predicted by Lazear, (2000), monthly salary Satisfaction and pay satisfaction covary in a positive direction. The relationship between performance and pay satisfaction is also significant. Perceived performance, perceptions regarding supervision, advancement opportunity, and the company's benefit package, and both external and internal pay equity, were related to pay satisfaction in the direction predicted by Lawler's model.

A good compensation package seems to be worst if working condition are not hygienic. So, with pay a firm has to provide healthy working conditions. Bockerman and Pekka (2006) found that adverse working conditions have a very minor role in the determination of individual wages. In contrast, adverse working conditions substantially decrease the level of job satisfaction and the perception of fairness of pay at the workplace. This evidence speaks against the existence of compensating wage differentials, but is consistent with the view that the Finnish labour market functions in a non-competitive fashion.

Salary Satisfaction as an Antecedent of Job Satisfaction

Link of education with pay satisfaction is explored by many scholars. Relevant studies pointed out the dynamics involved in the relationship between education and salary satisfaction are probably at work in many other areas of satisfaction. Satisfaction with pay may bear a lawful relationship to demographic data and as such can be predicted from, and perhaps determined by, organization policy.

Higher paid managers and higher level managers appear to be better satisfied with their pay. Recent empirical studies for instance, have found that higher education seems to be associated with lower satisfaction with pay. It has also been shown that management level and amount of pay are correlated with managers' satisfaction with their pay.

Empirical studies found that the college educated employee will indicate more negative feelings about his salary satisfaction than the non-college educated employee. Their rationale is based on the notion that having a college education enhances one's self-evaluation and thereby leads to higher expectations with regard to salary satisfaction opportunities. This, in turn, would lead to greater salary satisfaction dissatisfaction".

Milkovich & Newmen, (2002) found that while the predicted job satisfaction of workers receiving performance related pay is lower on average compared to those on other pay schemes, performance correlated pay exerts a positive effect on the mean job satisfaction of (very) high-paid workers. A potential explanation for this pattern could be that for lower-paid employee's performance related pay is perceived to be controlling, whereas higher-paid workers derive a utility benefit from what they view as supportive reward schemes. Pouliakas & Stordeur. (2001) who show that a significant difference in the job satisfaction of performance related pay and non- performance related pay workers exists, once one corrects for the simultaneous relationship between job satisfaction, incentives and wages.

Pay Structure

A company's pay structure is the method of administering its pay philosophy. The two leading types of pay structures are the internal equity method, which uses a tightly constructed grid to ensure that each job is compensated according to the jobs above and below it in a hierarchy, and market pricing, where each job in an organization is tied to the prevailing market rate.

Pay structure is often defined as the range of pay rates that are provided for the various types of jobs, skills and/or performance in one organization (Milkovich & Newmen, 2002). Pay structure policies consist of three major characteristics: the number of levels, differentials and criteria (Lazear,2000; Milkovich and Newmen, 2002). A company's pay structure is also defined as the method of administering its pay philosophy. The two leading types of pay structures are the internal equity method, which uses a tightly constructed grid to ensure that each job is compensated according to the jobs above and below it in a hierarchy, and market pricing, where each job in an organization is tied to the prevailing market rate.

Significance of Job Satisfaction

The importance of job satisfaction lies not in its relationship with performance and but with its stabilizing effects (reducing tardiness, absenteeism, and turnover) and through its effects on cohesion (increasing pay satisfaction). Modern managers recognize that an organization's performance should be measured in human dimensions, as well as in terms of return on investment, market share, and the like. Job satisfaction appears to mediate the effects of in-role performance, role conflict, and job-induced tension on intent to leave and extra-role performance. Recent studies and employee satisfaction demonstrated a positive relationship between job stress and withdrawal behaviors, which they suggested were mediated by job dissatisfaction. These relationships illustrate the centrality of job satisfaction in a network including many of the most important constructs in organizational behavior and marketing. They will also serve as a validating network establishing homological validity of the resulting job satisfaction scale.

Theoretical Framework

Affect Theory

Edwin A. Locke's Range of Affect Theory (1976) is arguably the most famous job satisfaction model. The main premise of this theory is that satisfaction is determined by a discrepancy between what one wants in a job and what one has in a job. Further, the theory states that how much one values a given facet of work (e.g. the degree of autonomy in a position) moderates how satisfied/dissatisfied one becomes when expectations are/aren't met. When a person

values a particular facet of a job, his satisfaction is more greatly impacted both positively (when expectations are met) and negatively (when expectations are not met), compared to one who doesn't value that facet. To illustrate, if Employee A values autonomy in the workplace and Employee B is indifferent about autonomy, then Employee A would be more satisfied in a position that offers a high degree of autonomy and less satisfied in a position with little or no autonomy compared to Employee B. This theory also states that too much of a particular facet will produce stronger feelings of dissatisfaction the more a worker values that facet.

Dispositional Theory

Another well-known job satisfaction theory is the Dispositional Theory. It is a very general theory that suggests that people have innate dispositions that cause them to have tendencies toward a certain level of satisfaction, regardless of one's job. This approach became a notable explanation of job satisfaction in light of evidence that job satisfaction tends to be stable over time and across careers and jobs. Research also indicates that identical twins have similar levels of job satisfaction. A significant model that narrowed the scope of the Dispositional Theory was the Core Self-evaluations Model, proposed by Timothy A. Judge in 1998. Judge argued that there are four Core Self-evaluations that determine one's disposition towards job satisfaction: self-esteem, general self-efficacy, locus of control, and neuroticism. This model states that higher levels of self-esteem (the value one places on his/her self) and general self-efficacy (the belief in one's own competence) lead to higher work satisfaction. Having an internal locus of control (believing one has control over her\his own life, as opposed to outside forces having control) leads to higher job satisfaction. Finally, lower levels of neuroticism lead to higher job satisfaction.

Research Method

250 Respondents of the present study were selected from managerial and non-managerial staff of one public sector and one private sector organization through purposive sampling. For measuring the difference between means of two organizations, z-test for two populations was employed. In addition, for measuring the linear impact of salary satisfaction on job satisfaction of employees in public and private sector, simple regression technique was used.

Data Analysis

Table 1: z-Test: for Comparing Two Means (Salary Satisfaction)

	Salary Satisfaction (Public Sector)	Salary Satisfaction (Private Sector)
Mean	28.7	21.69
Known Variance	18.29	9.70
Observations	250	250
Hypothesized Mean Difference	0	
Z	50.85	
PZ < - zi two tail	0	
Z Critical two-tail	1.96	

Table 2: Regression Results between Job Satisfaction (Public Sector) and Salary Satisfaction (Public Sector)

Table 2 (a): Regression Statistics for Job Satisfaction and Salary Satisfaction in Public Sector organization

Regressio Statistics	
Multiple R	0.956
R Square	0.915
Adjusted R. Square	0.915
Standard Error	0.464
Observation	250

Table 2 (b): ANOVA table for Job Satisfaction and Salary Satisfaction in Public Sector organization

	df	SS	MS	F	Significant F
Regression	1	580.68	580.68	2696.32	0.00
Residual	248	53.41	0.21		
Total	249	634.1			

Table 2 (c): *t* – value and *p* – value for the regression result between Job Satisfaction and Salary Satisfaction in Public Sector organization

	Coefficients	Standard Error	tStat	P – Value
Intercept	-10.97	0.29	-36.73	0.0000
Salary Satisfaction	0.40	0.0077	51.93	0.0000

Table 3: Regression Results between Job Satisfaction (Private Sector) and Salary Satisfaction (Private Sector)

Table 3 (a): Regression Statistics for Job Satisfaction and Salary Satisfaction in Private Sector organization

Regression Statistics	
Multiple R	0.960
R Square	0.923
Adjusted R. Square	0.923
Standard Error	0.373
Observation	250

Table 3 (b): ANOVA table for Job Satisfaction and Salary Satisfaction in Private Sector organization

	df	SS	MS	F	Significant F
Regression	1	417.22	417.22	2988.062	0.0000
Residual	248	34.62	0.13		
Total	249	451.85			

Table 3 (c): *t* – value and *p* – value for the regression result between Job Satisfaction and Salary Satisfaction in Private Sector organization

	Coefficients	Standard Error	tStat	P-value
Intercept	-8.16	0.2060	-39.63	0.0000
Salary Satisfaction	0.49	0.0089	54.67	0.0000

Discussion of Findings

Analysis was done using three steps: z-test for comparing means; measuring linear impact of salary satisfaction on job satisfaction for public sector organization and measuring linear impact of salary satisfaction on job satisfaction for private sector organization. Z-test result and regression results were presented from table-1 to table-3. Following section focuses on these 3 tables and their statistical interpretation.

For comparing means of salary satisfaction in public sector and private sector organization z-test is applied. Calculated z value is coming as **50.85** which lies in the rejection region (at 5% level of significance). This is an indication of rejection of null hypothesis and acceptance of alternative hypothesis. Hence, it can be concluded that there is a significant difference between salary satisfaction of employees in public sector and private sector organization (at 95% confidence level).

Sample result and corresponding *p* – value as exhibited in table 1 clearly explains that in public sector organization employees are much satisfied from their salary (mean=38.7) as compared to private sector organization (mean=21.69). Table 2 (a) shows regression statistics for job satisfaction level and salary satisfaction in public sector organization. R² value is coming as 91.5% which is an indication of strong predictor model.

Standard error is relatively low. Table 2 (b) shows that F-value is significant which exhibits overall significance of regression model. Table 2 (c) exhibits *t* – value and *p* – value for testing the slope of the regression model. Significant *p* – value corresponding to *t* – value is an indication of linear relationship between dependent (job satisfaction) and independent variable (salary satisfaction).

Table 3 (a) exhibits regression statistics for job satisfaction level and Salary Satisfaction in private sector organization. R² value is coming as 92.3% which is an indication of strong predictor model. Standard error is relatively low. Table 3 (b) shows that F-value is significant which exhibits overall significance of regression model. Table 3 (c) exhibits *t* – value and *p* – value for testing the slope of the regression model. Significant *p* – value corresponding to *t* – value is an indication of linear relationship between dependent (job satisfaction) and independent variable (salary satisfaction).

Conclusion

It is clearly evident from Table 1 that salary satisfaction score is high for public sector organization as compared to private sector organization. As a matter of surprise, salary satisfaction is found to be significant higher among the employees of private sector organization. This issue is little debatable. It seems that employees unknowingly link salary satisfaction with job security. The reason again can be explained by the conventional thinking

of Nigerian employees. In Nigerian mythology 'satisfaction' is considered as highest source of happiness. Similar result is observed in the present study. Though 'salary structure' was higher in private sector organization but it was perceived lower due to the factors like un-stability and insecurity of job. Relatively secured status of job (perceived) has provided much 'salary satisfaction' to employees of public sector organization irrespective of the fact that their salary is lower than the salary of private sector organization employees. Previous studies indicated that private sector managers place greater value on economic rewards than public sector managers, while public sector managers are more job security oriented. Recent studies also concluded that managers in public organizations value job security more than their counterparts employed by the private industries. Both studies clearly indicate that public sector employees give much weight to job security. So, higher score for public sector employees is not a role indicator of 'satisfaction from salary' rather it uncovers a psychological feeling of employees which is directly related to job security feeling of employees. After liberalization, privatization and globalization environment, this traditional thinking of job security seems to be limiting but presently not completely eliminated from the minds of employees.

Recommendation

The study recommends that Regression result to examine the significant linear impact of 'salary satisfaction' on job satisfaction is found to be significant for both public and private sector organization. No doubt, employees of both organizations give equal importance to 'salary satisfaction'. Hence, like other factors taken in the study, 'salary satisfaction' is an important prerequisite of providing job satisfaction.

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