Competency Driven Remuneration and Performance among IT Professionals - A Study in Urban Segment

R. Nalini*, R. Alamelu, R. Amudha, R. Gowri and S. Sai Sujana
School of Management, SASTRA University, Thanjavur - 613401, Tamil Nadu, India; nalini@mba.sastra.edu, alamelu@mba.sastra.edu, amudha@mba.sastra.edu, gowriakila@gmail.com, saisujana09@gmail.com

Abstract

Objectives: Each corporation has to retain competent employees and their survival is essential in the present scenario of competition nationally and internationally. This study aimed to identify the impact of various competency driven factors towards the satisfaction level of IT professionals. Methods/Analysis: The present study was conducted with the 100 employees of leading IT service providers. The primary data were collected from IT professionals through the distribution of a pre-tested research questionnaire. The data collection was undertaken between March 2015 and April 2015. Findings: The findings pointed out that level of pay satisfaction among employees may be improved by evaluating performances based on various performance rating measures. It is expected that employee performance level, motivation level and level of satisfaction may increase when the factors of competency pay expected by the employee are satisfied. Applications/Improvement: The present study enhances the understanding of connection between pay variable system and the satisfaction level of employees which in turn determines the employee performance on the job.

Keywords: Competency Pay, Employee Performance, IT Professionals, Pay Structure Variable Pay

1. Introduction

Competent employees play an important role in any organization in acquiring a competitive advantage. Employees can be provided with variable pay or competency pay based on the performance of an organization. The major problem of the organizations are facing today is difference in variable pay or competency pay which may not create motivation among the employees. One of the main challenges for an organization is to maintain and improve the performance of the employees and to create a satisfaction among employees with the variable or competency pay system. Each corporation has to retain competent employees and their survival is essential in the present scenario of competition nationally and internationally. The success of any organisation is mainly because of the strategy of an organization in developing competencies and inculcating the commitment among employees toward organization. Competency based practices have gained much of a consideration from the contemporary organization in the present business environment. The face of the industry is changing due to globalization, individualization, and digitalization which increase competition. They aim at developing their skills and competencies of the employees for achieving an optimum performance in the long term. Employee's performance can be mea-
sured through competence pay schemes which are linked on trait- based and output based system. These systems are usually incorporated with refined review methods and are based on thorough work to progress capability frameworks. They have observed that compensation is a discretionary concept and the determinants of compensation may not necessarily be the same in all organizations. There are various factors that may contribute to the discrepancy in determining employee compensation within an organization. The research suggests that the most important determinants of market worth of a job have been found to be in the functional area in which the work is performed, for example, accounting, computer systems, sales management and quality control. They have identified that under three types of pay system namely, hourly pay, incentive pay (i.e., piece-rate pay), and profit share pay, the performance-based systems increased employee productivity and that cooperative behaviours were more likely to occur under profit share system. The results indicated that goal rigor is positively and significantly related to increases in performance. Variable pay plans represent compensation systems where employees can earn financial incentives based upon their recent performance. Results indicated that attitude and subjective norm positively predicted employee's intentions towards variable pay system. They studied the organisation which attracts the applicants based on competency and task based job descriptions. They studied the attitude of school principals regarding a performance based compensation system. His study identified the attitudes towards specific factors that should be considered in the implementation of a system of performance based compensation. The researcher concluded that there is not a strong general acceptance of performance based compensation systems. They examined that the magnitude of the shock matters such that the larger the shock, the larger the resulting performance impact. They studied that irrespective of the sector which is public or private employee's opinion towards competency pay was same. They found that the managers stimulate and encourage the employees in positive attitudes. This study is taken to understand the level of employee performance towards the job and employee satisfaction inside organization with different variable pay and level of competency based pay and related hypotheses were framed.

Hypothesis 1: There is no association between the demographic characteristics of the respondents with their perception towards competency driven remuneration.

Hypothesis 2: There is no significant variation among the selected demographic variables and with the factors of competency driven remuneration.

Hypothesis 3: There is no significant relationship between the qualifications of the respondents with the incentive programmes offered by the company.

Hypothesis 4: There is no significant impact of factors related to competency driven remuneration on satisfaction level of an employee with the competency driven remuneration.

2. Methodology

The study has been focused on the employees of leading IT service provider in Chennai. 100 respondents from various departments have been considered as representative samples and randomly selected for the collection of primary data. The primary data were collected from IT professionals through the distribution of a pre-tested research questionnaire. The data collection was undertaken between March 2015 and April 2015. The present study is based on descriptive analysis. Primary data is used to study the objectives and for testing the hypotheses. The primary data were analysed with the help of statistical tools namely, percentage analysis, Chi-square, ANOVA, correlation and multiple regression.

3. Analysis and Discussion

In order to identify the impact of various components of competency driven remuneration on overall satisfaction level towards the pay structure, multiple regression and Chi-square analysis was performed. The multiple regression lines were estimated to analyze the impact of components of competency driven remuneration on level of satisfaction of the employee.

The table revealed the demographic profile of the respondents. Age is an important influencing factor in operating financial transactions, similarly the factors viz., education, occupation to some extent, decides the usage of financial services. 52% of the respondents were below the age of 30 years. 16% of the respondents were of the age
above 30 years. Of the total respondents 69% were male and 31% were female. 25% of the respondents were graduates and only 65% possess the professionally qualified. 10% of the respondents were diploma level education (Table 1).

A Chi-square analysis was carried out to find out the relationship between the demographic characteristics of the respondents and their perception towards competency driven remuneration. The result identified that employees age and gender is not influencing their percep-

Table 1. Demographic profile of the respondents

| Demographic variables | Classification | Age in years | Gender | Educational qualification | Experience | Monthly income in Rs. |
|-----------------------|----------------|--------------|--------|----------------------------|-------------|-----------------------|
|                       |                | Less than 25 | 25-30  | 31-35 | Above 35 | Male | Female | Diploma | Engineering-UG | Post Graduate | Others | Below one year | 1-3 years | 4-6 years | Above 6 years |
|                       |                |              |        |        |         | 32%  | 52%    | 16%   | 0%           |              |        | 10%        | 65%        | 25%       | 0%          |
|                       |                |              |        |        |         | 10%  | 65%     | 25%   | 0%           |              |        | 10%        | 28%        | 47%       | 15%         |
|                       |                |              |        |        |         |      |         |        |              |              |        | 15%        | 55%        | 30%       |             |

Source: Primary Data

Table 2. Demographic variables and competency driven remuneration-chi-square analysis

| Demographic variables | chi-square value | significance | Df | result |
|-----------------------|------------------|--------------|----|--------|
| Age                   | 5.3374           | .254         | 4  | accepted |
| Gender                | 3.537            | .171         | 2  | accepted |
| Educational Qualification | 41.201        | .000         | 14 | rejected |
| Experience            | 21.852           | .001         | 6  | rejected |

Source: Primary Data
tion towards competency driven remuneration plans and alternatively when employees get in to the career ladder by experience and their necessary qualification, their perception towards the competency pat gets differ (Table 2).

After identifying the factors involved in the competency driven remuneration, One-Way ANOVA was used to find out the variations in their opinion. Based on the analysis, it was found that there is no significant variation in opinion found with working environment, incentive program, and evaluation pattern and rewards schemes by both male and female employees. But they vary in their opinion with the existing pay structure offered in the organization (Table 3).

The table shows that the correlation between qualification of an employee and incentive program are positive. It clearly indicates that when employees are qualified more and more, their expectation regarding incentive program is also more (Table 4). In order to identify the impact of various components of competency driven remuneration on overall satisfaction level towards the pay structure, multiple regression analysis has been used. The multiple regression lines were estimated to analyse the impact of components of competency driven remuneration on level of satisfaction of the employee. The general form of the regression model for the present study is given below.

\[ Y = a + a_1x_1 + a_2x_2 + a_3x_3 + a_4x_4 + a_5x_5. \]

\[ Y = \text{satisfaction with the competency driven remuneration.} \]
\[ A_1 = \text{Working Environment.} \]
\[ A_2 = \text{Pay Structure.} \]
\[ A_3 = \text{Incentive Program.} \]
\[ A_4 = \text{Evaluation.} \]
\[ A_5 = \text{Rewards.} \]

H0 = There is no significant relationship between competency driven remuneration and the components as working environment, pay structure, incentive program, evaluation and rewards.

The analysis is performed for five factors of competency driven remuneration. The computed F value (8.480) indicates that the regression model fitted for analysing the satisfaction towards components of competency driven remuneration was significant. The R square value (0.589)

### Table 3. Gender and components of competency driven remuneration - ANOVA

| components of competency driven remuneration | p value | result |
|---------------------------------------------|---------|--------|
| Working Environment                         | 0.092   | Accepted |
| Pay Structure                               | 0.000   | Rejected |
| Incentive Program                           | 0.055   | Accepted |
| Evaluation                                  | 0.066   | Accepted |
| Rewards                                     | 0.065   | Accepted |

Source: Primary Data

### Table 4. Qualification and incentive program -correlation

| Variable                                  | r-value | Result      |
|-------------------------------------------|---------|-------------|
| Qualification and incentive program       | 0.467   | Positively correlated |

Source: Primary Data
explains 58.9% variation on level of satisfaction with the competency pay structure (Table 5). The regression coefficient reveals that out of five factors of competency driven remuneration, working environment and incentive program has significant impact on employee's satisfaction level. The remaining three factors i.e., pay structure, evaluation and rewards have no significant impact on level of satisfaction with the pay structure.

When designing variable pay system and competency pay system, all employees must be participants in this process. If an employee does not understand or support this process, the variable pay system or competency based pay system can serve as a demotivation which causes negative performance results in the organization. Although company provides variable pay to its employees, the company must set performance standards to evaluate performance of an employee. And these performance standards should actually be clearly communicated to employees in order to avoid conflicts and misunderstandings and also to maintain the professional rapport between the employer and employee. Frequent feedback and survey regarding the pay system should be carried out by the company and based on the report an analysis of the motivation of the existing employees should be studied and benchmark be evolved to improve the quality of the staff and that of the organization. With the present pay system, almost the company is matching with the needs and requirements of employees. But to improve the level of satisfaction and the performances, the management can provide effective technical training to employees which would leads to achieve the target of the organization within a given period of time. Apart from monetary variable pay, the management can provide good resources and training communicate effectively and with clarity, creates sense of ownership among employees, increase sense of responsibilities among employees, increase huge opportunities for personnel growth and it would also help to increase the performance of an employee. Apart from technical training, few employees feel that they require communication skills, leadership skills, negotiation skills. The employer can provide training mainly on these skills in order to improve the performance of an employee which would help them to complete the project on time.

4. Conclusion

The present study enhances the understanding of connection between pay variable system and the satisfaction level of employees which in turn determines the employee performance on the job. The vision and mission statement of the organization needs to be carefully ingrained in the employee so that their contribution to the organization gears the organization to success. Hence we see that organizations become responsible in analyzing the standards of pay variable system that prevails along with other non financial factors that impel employees to be motivated and improve on their performance. This study is focused on the relationship between variable pay system and its level of satisfaction of the employee with employee performance. Companies usually provide remuneration to their employees based on the strategy of variable pay method. Company provides competency pay based on their competency level but the difference exists in the variable pay or competency based pay even if the employees doing the same work with same experience. Thus it is one of the challenges for management to maintain or

Table 5. Satisfaction level of an employee and components of competency driven remuneration—regression

| Categories                          | Size | Constant | Regression coefficient | R square value | F   |
|------------------------------------|------|----------|------------------------|----------------|-----|
| Satisfaction level of an employee  | 100  | 0.471 (0.724) | 0.000 * (4.015) 0.596 (0.532) 0.003* (2.995) 0.067 (1.854) 0.051 (1.227) | 0.589 | 8.480* |

*Indicates 5 % level of significance
Figures in the parenthesis are "t" values
increase the employee performance. It is expected that employee performance level, motivation level and level of satisfaction may increase when the factors of competency pay expected by the employee are satisfied.

5. References

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