

The Relationship Between Compensation and Job Satisfaction

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ABSTRACT

The intensifying economic competition makes every organization strive to increase its competitiveness in order to sustain in business environment. The success of an organization depends on the job satisfaction of the employees in the organization. However, job dissatisfaction occurs due to the salary received. Therefore, compensation is considered as something that can make employees satisfied with their jobs. This study aims to identify the level of compensation as well as the level of job satisfaction among manufacturing employees. In addition, this study also aims to identify the relationship between compensation and job satisfaction. Quantitative methods using questionnaires was used in this study. Primary data was distributed to a total sample of 375 employees in manufacturing companies in Johor Bahru. SPSS software was used to analyze the respondents' data. The results showed that the compensation that manufacturing employees received satisfied them. This study supports the hypothesis that there is a positive relationship between compensation and job satisfaction among manufacturing employees. This study benefits employees; if salaries are paid appropriately, employees will continue to meet the next level of need. This study can also help employers to improve compensation strategies in accordance with employee satisfaction. In addition, the government should plan a compensation package as employees play an important role in driving the Malaysian economy.

Keywords: Job satisfaction, Compensation, Manufacturing

INTRODUCTION

Manufacturing sector is one of the sectors that contribute to the development of the Malaysian economy. The manufacturing sector is associated with production that uses machinery, equipment, raw materials, and labor. This proves when Malaysia is heavily dependent on electronics, electrical machinery and appliances, chemicals and plastics, and petroleum products for production and export to Singapore, China, the EU, the United States, and Japan (Yusoff & Salleh, 2017). The rapid growth of this sector results in high employment opportunities (Samsi et al., 2018). The increasing rate of manufacturing sector employees causes employers to pay attention to employees' needs to make sure they are satisfied with their jobs (Varshney, 2020).

A recent survey found that 46% of Malaysian employees are dissatisfied with their jobs (Hays, 2020). This proves that Malaysia ranks highest in terms of

dissatisfaction among several Asian countries like China, Hong Kong, Japan, and Singapore due to the salaries received by Malaysian employees. Past studies have shown that dissatisfaction in work makes employees unable to perform their jobs well, and this makes employees withdraw from their jobs (Loh, Thorsteinsson, & Loi, 2021).

To date, there is less research related to the problem of compensation and job satisfaction in the manufacturing sector in Malaysia. Therefore, the researcher chose to conduct a study related to compensation and job satisfaction among manufacturing employees in Johor Bahru, Johor.

LITERATURE REVIEW

Previous Study

The relationship between compensation and job satisfaction has been discussed by a few researchers. Kumar (2016) found that compensation cannot satisfy teachers as poor compensation is a major factor of job dissatisfaction. The compensation received by teachers is not comparable to their job description.

Next, Ramli (2019) stated that high compensation gives job satisfaction in turn improving employee performance. Compensation should be given based on the performance that impacts the financial performance of the hospital, thus the provision of good compensation does not burden the hospital finances. This is supported by Sugiono and Efendi (2020) where high compensation leads to increased job satisfaction and employee performance. Organizations that value employees facilitate problems to be solved in turn involve employees in making decisions that bring benefits to the organization. But, Setyorini, Yuesti, and Landra (2018) stated that compensation may not necessarily improve employee performance. This is supported by Saputra, Sudiro, and Irawanto (2018) where compensation is proven to have no effect on job performance.

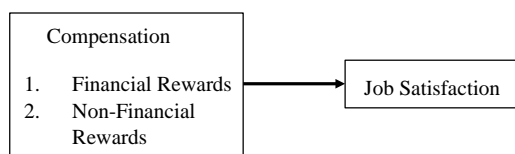
However, compensation have positive effect on other variables such as situational leadership (Setyorini et al., 2018) and environment and discipline (Saputra et al., 2018). Furthermore, Gelard and Rezaei (2016) stated that compensation is an effective factor in employees' job satisfaction and motivation. If the needs of employees are met, employees will behave effectively and be satisfied with their jobs. This is supported by Fajarto, Aima, and Karsono (2019) where motivated employees are more productive if the compensation received is equal with job satisfaction. Compensation towards job satisfaction is closely linked to job insecurity and turnover intention.

Past studies have shown that if the compensation received is high, the turnover intention rate decreases (Brahmannanda & Dewi, 2020). This is supported by Vizano, Sutawidjaya, and Endri (2021) where employees tend to move to other organizations if employees do not get a clear picture of their careers. In order to maintain the quality of higher education, lecturers should be compensated in accordance with their job satisfaction. Lecturers can develop their careers with better quality if the compensation is well (Permana et al., 2021).

Theoretical Framework

Based on the review from past studies, this study hypothesized that:

H₁: There is a positive relationship between compensation and job satisfaction.



Conceptual framework aims to show independent variables and dependent variable in this study. Independent variable is compensation which consists of financial rewards and non-financial rewards as the components of compensation and dependent variable is job satisfaction in this study.

METHOD

Population and Sampling

The population of this study were manufacturing employees in Johor. To attain the objectives, the data was collected randomly by convenience sampling from manufacturing companies around Johor Bahru, Johor with population of 15,934 employees. Therefore, a minimum of 375 respondents as sample size is required (Krejcie & Morgan, 1970).

Research Instrument

The questionnaire was divided into three sections which are Section A, Section B, and Section C. Section A consists of the demographic of the respondents such as gender, age, ethnicity, working experience, and income level. Section B consists of compensation questions adopted from Gerald (2011). Section C consists of job satisfaction questions adopted from Macdonald & MacIntyre (1997). The questions will ask respondents to rate themselves using 5-point Likert-type scale ranging from 1 (strongly disagree) to 5 (strongly agree).

Data Collection

This study collects both primary and secondary data, which used to address the hypothesis and research questions. Primary data is data obtained directly from the respondents; data comes from the original and first source. Sources of information from the primary data were collected through

questionnaires. While secondary data is data that is already available. Secondary data is easy to find and obtain because it is already available in libraries, internet searchers, journals, articles, and so on. Secondary data is more in the form of notes that have been booked or in the form of reports.

RESULT AND DISCUSSION

There are 15,934 employees working in manufacturing companies around Johor Bahru. A total of 375 questionnaires were distributed. However, only 211 respondents provided feedback. Therefore, the reaction rate for this study is 56%. The data received were analyzed using SPSS software as shown in Table 1, Table 2, Table 3, and Table 4.

There are five demographic questions namely gender, age, ethnicity, working experience, and income level. Respondent demographics were analysed and discussed using frequency and percentage. Based on the result that shown in Table 1, there are 211 respondents who take part in this study. Most of the respondents are female (51.2%). Majority of the respondents are between 18 and 27 years old (44.1%) and ethnic Chinese had the highest percentage (37.9%). While for working experience shows that most of the respondents have working experience in between 0 and 5 years (41.7%). Income level shows that 40.3% of the respondents have an income level in the range of RM 1,001 to RM 3,000.

Table 1: Respondent Demographics

Items	Frequency	Percentage (%)
Gender	Male	48.8
	Female	51.2
Age	18 – 27 years	44.1
	28 – 37 years	33.2
	38 – 47 years	14.2
	48 years and above	8.5
Ethnicity	Malay	36.5
	Chinese	37.9
	Indian	20.4
	Iban	3.3
	Melanau	1.9
Working experience	0 – 5 years	41.7
	6 – 10 years	33.6
	11 – 15 years	15.6
	16 years and above	9.0
Income level	RM 1,000 and below	24.2
	RM 1,001 – RM 3,000	40.3
	RM 3,001 – RM 5,000	24.6
	RM 5,001 and above	10.9

Table 2 shows the mean and standard deviation for financial rewards. FR1 shows the highest mean value for financial rewards with a mean value of 3.85 while FR12 has the lowest mean value with a mean value of 2.62. For standard deviation, FR11 has the highest standard deviation value for financial rewards with a standard deviation value of 1.403 while FR2 has the lowest standard deviation value with a standard deviation value of 1.000.

Table 2: Mean and Standard Deviation for Financial Rewards

Label	Statement	Mean	Standard deviation
FR1	I get my salary on time.	3.85	1.153
FR2	I receive a good salary.	3.65	1.000
FR3	I receive a salary that tallies with my qualifications.	3.57	1.112
FR4	I am happy with the salary structure.	3.41	1.085
FR5	I get a pay increment every year.	3.36	1.173
FR6	I always receive bonus from the superior.	3.09	1.270
FR7	I share the profits generated from company projects.	2.90	1.125
FR8	I able to uplift my welfare through projects held in the workplace.	3.06	1.056
FR9	I am paid for extra time worked.	3.53	1.212
FR10	I get medical allowances from company whenever I am sick.	3.25	1.290
FR11	I receive transport allowances every month.	2.80	1.403
FR12	I am paid an accommodation allowance every month.	2.62	1.298
Total		3.26	0.829

Table 3 shows the mean and standard deviation for non-financial rewards. NFR2 shows the highest mean value for non-financial rewards with a mean value of 3.82 while NFR8 has the lowest mean value with a mean value of 2.68. For standard deviation, NFR10 has the highest standard deviation value for non-financial rewards with a standard deviation value of 1.271 while NFR2 has the lowest standard deviation value with a standard deviation value of 0.885.

Table 3: Mean and Standard Deviation for Non-Financial Rewards

Label	Statement	Mean	Standard deviation
NFR1	I am always praised for any good work I do at the workplace.	3.66	1.036
NFR2	I work in good physical working conditions at the workplace.	3.82	0.885
NFR3	I get superior's recognition for the good work I do.	3.67	0.938
NFR4	I receive appropriate gifts from the superior for the good work I do.	3.33	1.084
NFR5	I have been recognised by the superior.	3.65	0.976
NFR6	I expect a promotion anytime this year.	3.16	1.146
NFR7	I get an appreciation for the extra responsibilities I hold at the workplace.	3.53	0.967
NFR8	I have been provided with accommodation by the company.	2.68	1.230
NFR9	I have been provided with means of transport to and from the workplace every day by the company.	2.79	1.259

NFR10	I have been provided with medical treatment by the company.	2.94	1.271
NFR11	I get leave whenever I have a serious problem.	3.76	1.048
NFR12	My superior attends to my social and professional problems.	3.31	1.003
Total		3.39	0.651

Table 4 shows the mean and standard deviation for job satisfaction. JS1 shows the highest mean value for job satisfaction with a mean value of 4.05 while JS9 has the lowest mean value with a mean value of 3.52. For standard deviation, JS9 has the highest standard deviation value for job satisfaction with a standard deviation value of 0.958 while JS6 has the lowest standard deviation value with a standard deviation value of 0.709.

Table 4: Mean and Standard Deviation for Job Satisfaction

Label	Statement	Mean	Standard deviation
JS1	I receive recognition for a job well done.	4.05	0.767
JS2	I feel close to the people at work.	3.94	0.793
JS3	I feel good about working at the company.	3.89	0.785
JS4	I feel secure about my job.	3.83	0.749
JS5	I feel good about my job.	3.92	0.755
JS6	I believe superior is concerned about me.	3.73	0.709
JS7	I get along with my superior.	3.85	0.760
JS8	I believe work is good for my physical health.	3.80	0.868
JS9	My salaries are good.	3.52	0.958
JS10	All my talents and skills are used at work.	3.77	0.854
Total		3.82	0.469

Based on the Table 5, financial rewards are 0.430 correlated with job satisfaction. It indicates that the relationship between financial rewards and job satisfaction are interrelated with positive value of the correlation coefficient. According to Pearson correlation, it considered as moderate strength of correlation coefficient since 0.430 is fall under the range of 0.40 to 0.59. Hence, there is a moderate relationship between financial rewards and job satisfaction. While non-financial rewards are 0.487 correlated with job satisfaction. It indicates that the relationship between non-financial rewards and job satisfaction are interrelated with positive value of the correlation coefficient. According to Pearson correlation, it considered as moderate strength of correlation coefficient since 0.487 is fall under the range of 0.40 to 0.59. Hence, there is a moderate relationship between non-financial rewards and job satisfaction.

Table 5: Correlation between Independent Variables with Job Satisfaction

Job Satisfaction	Financial Rewards	Non-Financial Rewards
Pearson Correlation	0.430	0.487
P-value	0.000	0.000
N	211	211

CONCLUSION AND RECOMMENDATION

Based on the overall findings of this study, it is possible to conclude that non-financial rewards have become key rewards, and in fact, are one of the reasons why employees are satisfied with their jobs. Furthermore, the results of this study clearly suggest that there is a relationship between compensation and job satisfaction. This demonstrates that, despite the fact that the relationship appears straightforward, it has an impact on job satisfaction among manufacturing employees. The researcher suggests that future researcher to conduct advanced studies that combine quantitative and qualitative research methods such as conducting interviews with respondents or observation methods in the workplace. This study can be used in future with same and some other combinations of variables to have more accurate and specific results.

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