



The Impact of Pay Satisfaction & Satisfaction with Own Supervisor on Organizational Commitment

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ABSTRACT

Now-a-days employees become the most important assets of the organizations. Organizations spend millions of rupees for their employee's trainings and developments. But after certain time they quit because of many factors. In present study, we focus on two factors that contribute in this problem i.e. pay and supervisor. This study investigates the relationship of employee's satisfaction of supervisor and pay with organizational commitment. Data was collected from 157 employees of banking sector. The results show that if employees are satisfied with their pay as well as their supervisor then their commitment towards their organization is strong.

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Introduction

The purpose of this research is to investigate the relationship between employee's perception of their pay satisfaction i.e. whether they are satisfied with their pay or not (because pay is the most important predictor of turnover), supervisory satisfaction i.e. whether they are satisfied with their supervisor or not and overall organizational commitment. Because if an employee is satisfied with his pay level as well as supervisor then this will increase his commitment towards organization. Satisfied employees are less likely to turnover, show more commitment towards their work and have greater outcomes as compared to unsatisfied ones

Organizations wisely monitor the satisfaction of their employees because satisfied employees have directly influence on organization's success. Pay satisfaction and supervisor satisfaction plays very important role in organizational commitment because dissatisfaction with both or one leads to very bad consequences i.e. turnover, absenteeism, job stress, unethical behavior etc.

Most of the employees quit or switch their jobs because of meager pay i.e. dissatisfaction with pay level or dissatisfaction of supervisor, which will have directly impact on their organizational commitment. Organizations spend millions of rupees on the training and development of their employee but after some time due to these factors employees quit or switch from their respected jobs. So this research finds the causes of their dissatisfaction and impact of these two factors on the organizational commitment. Early research on the topic of pay satisfaction mainly focus on the antecedents of pay satisfaction. (e.g. Lawler, 1971). But with the development of pay satisfaction questionnaire (PSQ) by Heneman and Schwab (1979, 1985) led to considerable interest in the measurement of pay satisfaction. In modern times, people give much and more attention to their life style and the money. They earn more from the work than their ancestors. Employee expect that their compensation plan are fair and equitable, that it provides them

with tangible rewards commensurate with their skills and further that it provides recognition and a livelihood.

Supervisory satisfaction also has direct impact on the work outcomes of the employees. Output level of satisfied employees is much more than the unsatisfied ones. They are more likely to meet or exceed job expectations, look for ways to improve work effectiveness, and help other employees in ways that go beyond their job requirements. By performing at higher levels and going above and beyond their job requirements, employees also are increasing organizational productivity, effectiveness, and profitability.

Psychological attachment of an employee's is called organizational commitment. Myer and Allen's (1991) identified three component model of commitment. These are as follows:

Affective Commitment: If an employee is emotionally attach with an organization and this attachment is positive then this is called Affective Commitment. Due to this commitment employee desires to remain part of the organization.

Continuance Commitment: If an employee perceives high costs of losing organizational membership then this is called continuance commitment. These costs include economic costs such as pension accruals or social costs such as friendship ties with co-workers.

Normative Commitment: The normative commitment of an employee is that when individual commits to and remains with an organization because of feelings of obligation.

Literature Review

The literature review demonstrates several point of views about pay satisfaction, supervisor satisfaction and organizational commitment. There are many reasons to study pay satisfaction, e.g. through the pay satisfaction of an employee we can predict about his intention about turnover, commitment to his/her work as well as organization. Now-a-days money become the most important source to find commitment of an employee. Individuals who have high love with money have high turnout rate as compared to those who have less. "Tang, Luna-Arocas, Sutarso and Tang (2004) have found that love of the money is a

moderator as well as mediator of the income-pay satisfaction relationship". Hom and Griffeth (1995) argues that pay Satisfaction can predict about turnover or intention of turnover and is an emotional/affective response to pay.

Henemand and Judge (2000, p.85) found that if an employee is dissatisfied then this will have several undesirable consequences such as low commitment, turnover and unethical behavior, e.g. some evidence suggests that if an individual dissatisfied with pay, it may decrease his motivation, performance and job satisfaction and as well as increase turnover and absenteeism (Cable & Judge, 1994; Gerhart & Milkovich, 1990; Huber & Crandall, 1994; Huselid, 1995; Milkovich & Newman, 2002).

There are two theories that guide the causes of pay level satisfaction over the past 35 years, i.e. equity theory that was given by Adams in 1965 and discrepancy theory that was proposed by Lawler (1971, 1981). According to equity model "pay satisfaction depends on the comparison of the person's outcome-input ratio to the outcome-input ratio of a comparison other". If results of those ratios are more similar then this shows the greater pay satisfaction. On the other hand discrepancy model suggests the difference between individual's perceptions of the amounts of pay that they should receive and is received. A meager discrepancy will result to greater pay satisfaction or vice versa. So we hypothesize that Pay satisfaction has positive impact on organizational commitment.

H1: Pay satisfaction is positively correlated with organizational commitment.

Heneman and Schwab (1979) found following four dimensions of satisfaction with pay i.e. levels, benefits, raises and structure and administration. First dimension pay level is the current package of income that employees get. Second dimension which are benefits refer to indirect pay. Third dimension raises described as changes in pay level e.g. increments. And last one structure refers to structure of pay within the organization and worth of jobs relating to similar ones and their packages, policies and other structural issues of pay.

Another purpose of the current research is to assess the role of supervisor's satisfaction in relation to organizational commitment. Supervisors play an important role in structuring the work environment and providing information and feedback to employees. If an employee is satisfied with his/her supervisor, then this will positively effect on his outcomes. Training director, HR managers and corporate executive are in agreement that supervisors play a very important role in the management of organizations (Bittel & Ramsey, 1983; Walker & Gutteridge, 1979). Durgam et al., (1997) argue that the behavior of supervisor has an impact on the affective reactions of team members. Graen and Scandura, (1987) found that in traditional work structure, supervisors have long been recognized to play an important part in developing roles and expectations of employees. Research on behaviors in labor relationships also found that along with pay, fringe benefits and job security, dissatisfaction with supervisor is major cause of unionization (Getman, Goldberg & Herman, 1976; LeLouarn, 1980; Schriesheim, 1978; Warner, Chisholm, & Munzenrider, 1978). Hamner and Smith (1978) conducted research on near about 88,000 clerical, sales and technical employees of sears & Roebuck and found that "dissatisfaction with supervisor is strongest predictor in attempts of unionization".

Decker (1987) suggests that Supervisor's perceived senses of humor are positively correlated with people's job satisfaction. Walker & Gutteridge, (1979) proposed that involvement of supervisor in subordinate career planning and development is an important factor in effectiveness of organizational career planning and development programs. Labor relations experts find that a positive supervisor-subordinate relationship is important element for an effective union-management relationship (Elkouri & Elkouri, 1983; Stepp, Baker, & Barrett, 1982). Supervisor have lot of influence on organizational commitment of an employee because an employee who is satisfied with his supervisor is less likely to turnover, absenteeism and more committed to his work. As a result his output is much more than less satisfied employees. So supervisor satisfaction and organization commitment have a positive relation.

H2: The association between satisfaction with supervisor and organizational commitment is positive.

Organizational commitment can be defined and measured in different ways. It has direct relation with the performance of employees. Commitment means the willingness of an employee to work positively in an organization and his continuance to work for it (Mowday, Steers & Porter, 1982). Organizational commitment has a strong relationship with turnover intentions than job satisfaction (Peters, Bhagat and O'Connor 1981). Angle & Perry (1981) discover a relationship between commitment and turnover. Three tools are used to measure commitment; i.e. affective, continuance and normative commitment (Meyer and Allen, 1990; Dunham, Grube & Castaneda, 1994).

Job satisfaction is a type of response to a specific job or job related issues, whereas, commitment is a more global response to an organization. Therefore, commitment should be more consistent than job satisfaction over time and takes longer after one is satisfied with his/her job (Feinstein and Vondrase, 2001, p.6). Wiener & Vardi (1980) found positive correlations between commitment and job performance. Jermier & Berkes (1979) found that if employees are allowed to participate in decision making then they show higher levels of commitment to the organization. Decotiis & Summers, (1987) suggested that when employees were treated with consideration, they displayed greater levels of commitment.

Methodology

Research setting and participants:

This study was conducted in one of the major sector or services i.e. banking sectors of Pakistan. Participants were professional-level employees, such as operation managers, general banking officer, customer telling officers etc. whose work has directly impact on success or failure to a particular organization. We use a paper and pencil technique to gather data.

This study is conducted in the Banking Sector, various kinds of banks and other financial institutions were involved to the purpose for the collection of data. All the responders were conveniently involved by whole – hearted. All our targeted population was free and frank to us in the process to the collection of data. The financial institutions were basic target and we found a lot of experiences and dynamic results from this sector.

We used the Paper – and – Pencil Technique to collect the data for the study and their analysis. We distribute 175 questionnaires in various financial institutions in our target audience, but the 163 questionnaires were returned back and 6

questionnaires were unsatisfactory for the analysis. We got the effective response rate as 89.71%. This study is based on the 157 questionnaires. We have used 7 different demographics and 66 questions as measuring scale to understand the behavior of our respondents.

In our study, we have 59.90% Males and 40.10% Females. The 17.20% data gathered from Public Institutions and 82.80% from Private Financial Institutions because in Pakistan there are very few Public Banks. We know that the trend of Contract Jobs is very dominated in Pakistan, that's why we have collected just 36.3% data from Permanent Employees of various banks and remaining from others.

Most of our respondents were married as 61.8% and remaining were unmarried. According to the trend in Pakistan, most of our respondents were from the age intervals of 30 – 40 Years. And due the phenomena of Internships in our country, we have 30.60% respondents from the age of 20 – 30 Years. And just 10.20% data collection from the executives.

Demographics

Table: 1

Gender:	Responders	
	Male	94
Institutional Status:	Female	63
	Public	27
	Private	130
Marital Status:	Semi – Government	32
	Single	60
	Married	97
Average Age:	20 – 30 Years	48
	30 – 40 Years	65
	40 – 50 Years	28
	50 Years – More	16
Employee As:	Contract	100
	Permanent	57

Measure

Research Variables. We used various instruments to interpret the behaviors of our study towards our responders. We have three constructed as, Organizational Commitment (OC), Pay Satisfaction (PS), and Supervisor's Satisfaction (SS). All the variables were measured by participant responses to questions on a 5-point and 7-point Likert scale ranging from "strongly disagree" to "strongly agree". The specific measures are described below, along with the results of calculation of Cronbach alpha coefficients for the various measures.

The independent variables of the research were pay satisfaction and satisfaction with supervisor. Satisfaction with supervisor measure has 18-items to identify employee's satisfaction and pay satisfaction measure has 17-items to find the satisfaction of an employee. These scales were measured on a 5-point Likert scale. The values showed that the relative importance to each factor by each employees. The sources of these variables as well as their cronbach's alpha values are as follows:

For the measure of Pay Satisfaction (PS), we used the instrument of Judge (1990) from the study of "Validity of the Dimensions of the Pay Satisfaction Questionnaires: Evidence of the Differential Production". This instrument was based on eighteen questions anchored by Strongly Disagree to Strongly

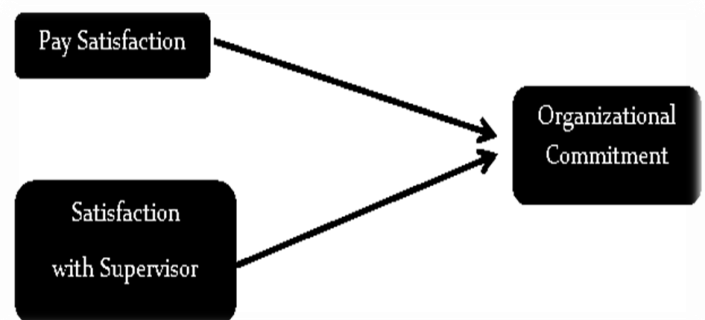
Agree. The overall reliability scale for this measuring scale is 0.89.

And, for the measure of Supervisor's Satisfaction, we used the instrument of Scarpello and Vandenberg (1987) from the study of "The Satisfaction with My Supervisor Scale, Its Utility for Research and Practical Applications". This instrument was based on eighteen questions anchored by Strongly Disagree to Strongly Agree. The overall reliability scale for this measuring scale is 0.955.

The dependent variable of the research was organizational commitment. Organizational commitment has 30-items in its scale. This was measured on a 7-point Likert scale. The values showed that the relative importance to each factor by each employees. The sources of this variable with cronbach's alpha value are as follows:

For the measure of Organization Commitment (OC), we used the instrument of Allen and Meyer (1990) from the study of "The Measurement and Antecedents of Affective, Continuous, and Normative Commitment to the Organization". This instrument was based on thirty questions anchored by Strongly Disagree to Strongly Agree. The overall reliability for this measuring scale is 0.803.

Theoretical Framework



Results

Different test like reliability test, correlation and linear regression were applied to the gathered data and results of these data are given below.

Table 2: Reliability Analysis

According to data gathered, the values of Cronbach's Alpha are given below:

Construct	Cronbach's Alpha
Organizational Commitment (OC)	0.6945
Pay Satisfaction (PS)	0.7167
Supervisor's Satisfaction (SS)	0.7345

The above values show that reliability of the variables with respect to their original values were significant and have positively related with one another. The results show that employees give most importance to these variables as these variables have directly impact on their respective organization's commitment.

Table 3: Correlation

Variables	Correlation
OC ← → PS	0.610**
PS ← → SS	0.299**
OC ← → SS	0.213**

* Organization Commitment (OC)

* Pay Satisfaction (PS)

* Supervisor Support (SS)

** Correlation is significant at the 0.01 level (2-tailed)

According to the SPSS 17.00, we analyze our collect data in very careful & efficient way. The correlation factor b/w OC (as independent variable) & PS (as dependent variable) is 0.610 with the significance of 0.001. This shows the positive direction among variables. And, the correlation factor b/w OC (as independent variable) & SS (as dependent variable) is 0.213 with the 0.001 significance level. This relation also shows the positive direction.

Table 4:

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.611(a)	0.373	0.356	0.57466

a) Predictors: (Constant), SS, PS.

The PS (as independent variable) & OC (as dependent variable) have 0.610 correlation factor among variables with the significance level of 0.001. This relation shows the positive direction. And, the correlation factor b/w PS (as independent variable) & SS (as dependent variable) have 0.299 with the 0.001 level of significance. Also positive direction is present b/w variables.

Table 5:

	Beta	Standard Error
Constant	1.264	0.352
PS	0.541	0.088
SS	0.128	0.081

Limitations

The main problem with this research analysis was the non-cooperative & discouraging behavior. This increases the time, cost and effort for the study. Another problem is that we check the organizational commitment of an employee with two factors (i.e. pay satisfaction and supervisory satisfaction) in one sector only (i.e. banking sector). This research could not accept generalizability because this has done on a specific sector of services i.e. banking sector. In order to generalize it, more research work should be done.

Conclusion:

In present study, we mainly focus on two factors that contribute in organizational commitment. The organizations need to recognize that employees are valuable asset for them. So in order to retain them, it is necessary to check their satisfaction that whether their employees are satisfied or not. Many tools are used to check the satisfaction on employees, however in this paper our mainly focus on satisfaction with pay and supervisor.

Results indicate that these two factors have directly impact on the employee's commitment towards organization. Pay satisfaction is directly proportional to Organizational commitment with the significant relation and if pay satisfaction increases then ultimately organizational commitment would also be increased and vice versa. On the other hand, same results are sought that if satisfaction with supervisor increased then organizational commitment will also increase and vice versa.

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