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23 March 2007

Online at <https://mpra.ub.uni-muenchen.de/54431/>  
MPRA Paper No. 54431, posted 16 Mar 2014 11:17 UTC

## **A Study Measuring the Effect of Pay, Promotion and Training on Job Satisfaction in Pakistani Service Industry**

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### **Abstract**

Job satisfaction has long been an important and interesting area in organizational research. More recently, considerable attention has been focused on the concept of job satisfaction and factors that affect it. A major reason for the tremendous interest in this work attitude is that it has been consistently found to be related to important employee behaviors, such as turnover, absenteeism, and job performance. The objective of this study is to analyze the effect of human resource practices such as pay, promotion and training on job satisfaction. The sample of this study consisted of 150 employees of both private and public sector service organizations in the vicinity of twin cities of Rawalpindi and Islamabad. A questionnaire was used to gather data regarding above mentioned variables and demographic characteristics of the respondents. Data then analyzed with the help of SPSS using regression analysis and Independent Sample T Test. A positive and significant relationship was found between job satisfaction and factors like compensation, training and promotion. The study can be helpful for the employers to design their human resource strategies according to the changing socio-economic environment in the country.

**Keywords:** Job Satisfaction, Work Attitude, Turnover and Job Performance Introduction

### **Introduction**

Job satisfaction has always been a concern in the literature of organizational behaviour. A vast range of research on the subject of job satisfaction is available, while researchers agree that job satisfaction reduces turnover rates and absenteeism, it does not have definitive positive impact on work effort and organizational commitment. It is also evident from literature that researchers and practitioners are agree on various determinants of job satisfaction like pay, promotion, training, organizational commitment, nature of work and supervisory behaviour, but they are not very conclusive about the impact of each determinant especially in different environments. There is extensive research available in conventional professions to find out the relationship between job satisfaction and work effort in the

advanced and stable environments. However, we need further investigation on job satisfaction and its determinants in unstable and uncertain environment.

Ivancevich et al. (1997) pointed out that job satisfaction of an employee is his feelings and perception about his work and how he finds himself fit in with the organization. Davis and Newstrom (1999) define job satisfaction as a phenomenon, which comprised of different factors and among the most important and significant are those, which relate to nature of work and concerned with the working conditions. Shein (1978) argued that career development programs aid employees to enhance their productivity, ingenuity and organizational effectiveness and help them to find out new opportunities according to their own potential, leading to personal satisfaction and job satisfaction. Leavitt (1996) identified that job satisfaction can be raised by introducing appropriate career development programs, even without offering high salaries to employees.

Gupta and Singhal (1993) described that in research and development based organizations human resource management strategies are mainly focused in four dimensions i.e. human resource planning, performance appraisal, reward systems and career management to encourage innovative and creative abilities. Garrido et al (2005) studied the determinants of sales manager job satisfaction; they analyzed the effect of different human resource management practices like compensation, promotion, training and job design on job satisfaction, they used an empirically tested model on Spanish industrial firms' sample that used data from a postal survey. According to their findings the fundamental determinants of sales manager job satisfaction are human resource practices based on compensation level and type as well as on the job design in terms of resources and autonomy.

The increasing complexity and instability in business environment accompanied by rapid change in technology and hostile competition demands firms to use all their resources to achieve competitive edge in the industry and most reliable and significant source of competitiveness is skilled employees. Business success is also dependent on loyal and committed employees and we know that job satisfaction is an important source of these work attitudes. From the last decade or so Pakistan service industry is experiencing a tremendous growth in different sectors like education, banking, consultancy and telecommunication. The firms of these sectors not only facing increased competition from new entrants they also under pressure due to express turnover. The retention of key and skilled labour force is becoming major issue for service industry. On the one side they have to enhance their service quality where as on the other hand they have to lower their prices to remain in competition. They are doing their best by utilizing different tactics to retain their one of the important source of competitive advantage i.e. workforce.

In the light of current scenario the purpose of this study is to analyze the impact of different human resource strategies like pay, promotion and training on job satisfaction. The focus of this study is the workforce of service sector in Pakistan. The objective is to find out main determinants of job satisfaction in service industry and what human resource practices are the most significant for job satisfaction.

## **Literature Review**

Organizational behaviour and economic researchers have been trying to find out the relationship between job satisfaction and different human resource practices for last many years. They have analyzed the effect of various determinants like compensation, training, promotion, career goals, job design and nature of work on job satisfaction. They have find out varying degree of impact of these human resource practices on job satisfaction. The literature on job satisfaction reveals that researchers have analyzed the impact of different variables on job satisfaction like some of the authors link job satisfaction with the demographic characteristics of employees, some of them relate it with nature of work while other examine job satisfaction with respect to working conditions offered by the organization. Morgan et al (1995) examined the relationship between the demographic characteristics

such as age, gender, time period of service etc. and overall job satisfaction of marketing managers with their work keeping in view the factors like promotion, compensation and work itself.

Different researchers have tried to analyze the relationship between pay and job satisfaction. Igalens and Roussel (1999) have found that increase in pay positively raise the level of job satisfaction among employees however they have also pointed out that flexible pay and benefits do not influence job satisfaction. They also analyze how different pay packages influence job satisfaction. Claver et al. (2001) have defined compensation “the economic compensation directly received by employees for the position they hold, the work carried out and their continuity in the post, whatever the factors taken into account, the systems followed or the method of payment used”. Oshagbemi (2003) analyzed the relationship between job satisfaction and age, gender, rank and length of service of employees. The data was collected from UK Universities. It was found that job satisfaction was significantly negatively correlated with length of service in higher education where as rank of an individual within the organization is positively and very strongly correlated with job satisfaction and it was a significant predictor of job satisfaction. Moreover, age and gender also not significantly related with overall job satisfaction.

Literature is also available examining the relationship between gender and job satisfaction. But results of many studies are different from each other and they have shown different relationship between gender and job satisfaction. Some studies concluded that men are more satisfied with their jobs and some other studies have found that women are more satisfied than men with their jobs (Clark, 1997, Ward and Sloane, 1998, Forgionne and Peters, 1982, Weaver, 1974, Shaprio and Stern, 1975). Cambell et al. (1976) explained that women have different expectations to their jobs, which might be the reason of different level of job satisfaction between men and women. Forgionne and Peters (1982) proposed that number of dependants in a family and rank held in the organization are the factors that can be included in determining the relationship between gender and job satisfaction. Nicholson and Miljus (1972) found that turnover issues are very much related with promotion, salary and administrative practices. Lam et al. (2001) studied the work motivation and job satisfaction among Chinese restaurant managers in Hong Kong. They found that to determine the job satisfaction in this industry work environment, job itself and rewards are important factors. They found a significant relationship between job satisfaction and turnover intentions.

Hackman and Oldham (1980) argued that job satisfaction is a multidimensional phenomenon which includes factors like work itself, supervision at work, pay and benefits, promotion practices, appraisal and coworkers. People are very sensitive to their pay as it is very essential for their life and a symbol of social status. Tanke (1990) found that people tend to leave the organization due to dissatisfaction with pay, unpleasant supervisor’s behaviour and disagreement with human resource practices. Baruch (1996) pointed out that people differ in their needs, career stage, status in the organization and some other factors so; career development systems should be build in such a way that they fulfill the needs of the individuals in the organization. Galaz-Fontes (2002) analyzed the overall job satisfaction level of faculty working at a Mexican State University and different factors that can best predict job satisfaction. They also evaluated factors like research activities, administrative leadership, appraisal and pay and compensation. Sokoya (2000) studied the personal predictors of job satisfaction of public sector managers; the sample consisted of 350 public sector managers from different rank in the organization. The results showed that employee income was a major source of job satisfaction. Nguyen et al. (2003) examined the determinants of job satisfaction using data from the National Educational Longitudinal Study. They included many personal characteristics, job autonomy, hours of work, actual pay and relative pay to investigate their relationship with job satisfaction. They found that relative pay has statistically significant with job satisfaction but relatively small effect.

## **Hypothesis**

The objective of this study is to measure the relationship between job satisfaction and pay, promotion and training. The level of job satisfaction between male and female respondents will also be analyzed. Therefore, the following hypothesis can be developed:

### **Gender and Job Satisfaction Level**

As there is no conclusive evidence from literature regarding the relationship between job satisfaction and gender, because some studies argued that men are more satisfied than women while other pointed out that women are more satisfied than men with their jobs (Clark, 1997, Ward and Sloane, 1998, Forgionne and Peters, 1982, Weaver, 1974, Shaprio and Stern, 1975), so hypothesis will be:

H0: There is no significant difference between male and female job satisfaction level

H1: There is a significant difference between male and female job satisfaction level

### **Job Satisfaction and Pay, Promotion and Training**

As many studies have provided evidence that there is a positive and significant relationship between job satisfaction and human resource practices such as pay, promotion and training like Igalens and Roussel (1999) have found that increase in pay positively raise the level of job satisfaction among employees. Sokoya (2000) studied the personal predictors of job satisfaction of public sector managers; the results showed that employee income was a major source of job satisfaction. Garrido et al (2005) studied the determinants of sales manager job satisfaction; they analyzed the effect of different human resource management practices like compensation, promotion, training and job design on job satisfaction. According to their findings the fundamental determinants of sales manager job satisfaction are human resource practices based on compensation level and type as well as on the job design in terms of resources and autonomy. Therefore, the hypotheses for these variables will be

H2: Pay leads towards higher level of Job Satisfaction

H3: Employee Promotion leads towards higher level of job satisfaction

H4: Employee Training leads towards higher level of job satisfaction

## **Method**

This study measures the relationship between job satisfaction and human resource practices like pay, promotion and training. For this purpose, responses were collected from employees of different service sector organizations; the sample size consisted of 150 employees from different level of organizational hierarchy. The sample was divided in to two broad categories that are male and female. A questionnaire was used to collect the information from the respondents. This questionnaire was developed on the basis of instruments used by Lam et al. (2001) for studying the managerial job satisfaction in Hong Kong's Chinese restaurants, Garrido et al. (2005) to find the determinants of sales manager job satisfaction: an analysis of Spanish industrial firms and Oshagbemi (1997) to analyze the job satisfaction profiles of university teachers. The questionnaire was comprised of three sections. Section I consisted of different demographic attributes like age, gender, education and marital status etc. In the second section questions were related to job satisfaction and respondents were asked to indicate the job satisfaction level on a 5-point Likert scale ranging from "very dissatisfied" (1) to "very satisfied" (5). Where as third section of the questionnaire comprised of questions related to the importance of each variables like pay, promotion and training to job satisfaction and employees have to mention their responses again on five point Likert scale ranging from "very unimportant" (1) to "very important" (5). Reliability analysis demonstrated the Cronbach's Alpha coefficient for this questionnaire is .744, which considered to be relatively high and internally consistent (Hair et al., 1998).

The questionnaires were conveniently distributed among 220 employees of different service sector organizations in Pakistan, out of which 174 were received and 150 questionnaires completed in

all aspects were included in study for analysis. Before the questionnaire was filled by the respondent the purpose of the questionnaire was explained to each of the respondent. Proper instructions were written on the questionnaire but further instructions were given to the respondents in order to fill the questionnaire properly. In order to do analysis, regression and Independent Sample T-Test were performed and for this purpose SPSS was used.

## Results and Discussion

The objective of this study is to find out the relationship between job satisfaction and various human resource strategies like pay, promotion and training. Moreover, the level of job satisfaction between male and female employees is also investigated. For this purpose various tests were performed and results are summarized below:

**Table 1:** Level of Job Satisfaction between Male and Female Employees (Independent Sample T-Test)

Level of Job Satisfaction	Group	Mean	Std Dev	P-Value
	Male		3.8397	.21522
Female		4.1159	.26110	

After ensuring the assumption of equality of variances ( $p > .05$ ), T-Test was applied to measure the difference between job satisfaction level of male and female employees. The result of T-Test is showing a significant difference between the responses of two groups ( $p < .05$ ). The mean value of female respondents is greater than male respondents i.e. 4.1159 which is closer to 5 “very satisfied”. It is indicating that female employees are more satisfied with their jobs as compared to male employees. Though the results of this study are different from some earlier studies to some extent but they are almost true predictors of our socioeconomic values prevailing in the Pakistan. Women get fewer opportunities than men first in education and then in jobs. Most of the families normally do not allow their daughters to work even they get education. The proportion of female employees is also smaller than male employees both in private and public sector organizations. Most of the job openings are male dominant. Any type of job opportunity is blessing for women and they feel contentment whatever they get. The job turnover due to pay, promotion and training in female employees is less than male employees. This situation supports the results of our study, which are showing that female employees are more satisfied than male employees with their jobs.

**Table 2:** Correlation Matrix of Job Satisfaction, Pay, Promotion and Training

		Correlations			
		Job Satisfaction (Min 1, Max 5)	Pay (Min=1, Max 5)	Training (Min=1, Max 5)	Promotion (Min 1, Max 5)
Job Satisfaction (Min 1, Max 5)	Pearson	1	.615**	.325**	.567**
	Sig. (2-tailed)		.000	.000	.000
	N	150	150	150	150
Pay (Min 1, Max 5)	Pearson	.615**	1	.312**	.475**
	Sig. (2-tailed)	.000		.000	.000
	N	150	150	150	150
Training (Min 1, Max 5)	Pearson	.325**	.312**	1	.193*
	Sig. (2-tailed)	.000	.000		.018
	N	150	150	150	150
Promotion (Min 1, Max 5)	Pearson	.567**	.475**	.193*	1
	Sig. (2-tailed)	.000	.000	.018	
	N	150	150	150	150

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

\*. Correlation is significant at the 0.05 level (2-tailed).

The results in Table 2 reveal the correlation among all variables; it summarizes the values of Pearson Coefficient of correlation and their significance. It is quite evident from the results that job satisfaction is strongly positively correlated with Pay as value of Pearson Correlation Coefficient .615 and the relation is significant at 95% confidence level ( $p < .05$ ). The relationship between job satisfaction and training is also positive and significant as Pearson Correlation Coefficient is .325 and p value is than .05. But it is not strong one as Pearson Correlation Coefficient is less than .5 and closer to 0. Job satisfaction and Promotion are strongly and positively correlated, as the value of Pearson Correlation Coefficient is .567. Their relationship is significant as well ( $p < .05$ ). So, all three independent variables are positively and significantly correlated with job satisfaction. The results of this study are not only consistent with previous studies they also show the growth and competition in our service industry. Employees are not only more cognizant; they have more opportunities for employment as a result of expansion in service sector. New firms are offering higher pays and more lucrative career development opportunities due to scarcity of competitive and resourceful employees. The job satisfaction is no more attached only to higher pay it is also accompanied by growth opportunities.

**Table 3:** Multiple Regression Coefficients, Standard Errors in parenthesis, t-values in brackets, p-values and F-statistics in italics.

<b>Dependent Variable</b>	<b>Constant</b>	<b>Pay</b>	<b>Promotion</b>	<b>Training</b>	<b>R-Square</b>	<b>F Statistic</b>
Job Satisfaction	.795 (.287) [2.769] .006	.402 (.068) [5.902] .000	.323 (.063) [5.171] .000	.147 (.070) [2.092] .038	.491	47.000       .000

In the above Table, the result of regression analysis for job satisfaction showing that the value of R-Square is 0.491 and the F-value is 47.000. The results are showing that the model is significant at the 95% confidence level ( $p < 0.05$ ) and there is positive relationship between independent and dependent variables. The variables when compared on individual basis, all the variables are significant ( $p < .05$ ). The regression coefficient for pay is 0.402, which suggests that job satisfaction level is sensitive to pay. We can say that pay brings/contributes 40% change in job satisfaction. The regression coefficient of promotion is .323 in this model and significant, which means that promotion enhance job satisfaction by 32% or employee consider it 32% important for job satisfaction. The regression coefficient of training is 0.147 and significant as  $p < .05$ . So, employees consider training only 15% important for job satisfaction. Therefore the model is overall significant at 95% confidence level and all three independent variables are significantly important for job satisfaction, though with varying degree of importance. Again the results are revealing the change in attitude of employees of our service industry. They are getting more opportunities and reward due to recent development and expansion in this sector. Though pay is still the most important factor towards job satisfaction, employees are giving substantial weight to promotion and training as well.

From the above results it is evident that there is a significant difference between male and female employees' job satisfaction level as p value of Independent Sample T-Test is less than .05 and female employees are more satisfied than male employees. On the basis of these results we reject Null hypothesis ( $H_0$ ) and accept alternate hypothesis  $H_1$  (There is a significant difference between male and female job satisfaction level). The results of this hypothesis are consistent with the studies of Clark (1997) and Ward and Sloane (1998) who have concluded that women are more satisfied than men. The results of correlation and regression analysis pointed out that all three independent variables have positive and significant relationship with job satisfaction and people consider them important for increased level of job satisfaction as Pearson Correlation coefficients for Pay, Promotion and Training are near to .5 and p values are less .05 which show the significance of these variables to job satisfaction. On the basis of these results, all three hypotheses ( $H_2$ ,  $H_3$ , and  $H_4$ ) prove valid and it is

confirmed that pay, promotion and training lead toward higher level of job satisfaction. The results of this study are consistent with the studies conducted by Garrido et al (2005), according to their findings the fundamental determinants of sales manager job satisfaction are human resource practices based on compensation level and type as well as on the job design in terms of resources and autonomy, Igalens and Roussel (1999) have found that increase in pay positively raise the level of job satisfaction among employees and Lam et al. (2001) studied the work motivation and job satisfaction among Chinese restaurant managers in Hong Kong. They found that to determine the job satisfaction in this industry work environment, job itself and rewards are important factors.

## **Conclusion and Recommendations**

This study is carried out to measure the effect of human resource practices such as pay, promotion and training on job satisfaction. Attempt is made to find out the importance of each factor towards level of job satisfaction. Difference between male and female job satisfaction level is also examined. From the results it can be concluded that pay, promotion and training have positive and significant impact on job satisfaction. However, employees give more importance to pay and promotion than training. The results also suggest that there is a significant difference between male and female employees job satisfaction level.

The service industry is facing a tremendous change for last few years in Pakistan. Not only the number of new entrants increasing the competition among the firms, customer awareness and new regulatory environment are also pressing hard. As a result, not only the volume of their transaction is increasing, the range of their service is also expanding. Due to which different sectors of service industry like banks, education institutes and telecommunication firms are experiencing swift turnover. The results of this study are not only beneficial for the employers in private sector but they are also useful for public sector organizations as well. Since we have found that employees consider pay and promotion as important factors that enhance their job satisfaction, so it is recommended that employers not only offer attractive salaries to their employees, they should also provide them career growth prospects which will increase their job satisfaction and as a result absenteeism and turnover can be curtailed down. From above results it is also recommended that organizations should encourage the induction of female employees and must consider them while making human resource strategies because they have shown more satisfaction to their jobs as compared to male employees. Since in our country we are experiencing a positive trend in female education and proportion of women employment is also increasing, as more women are interested in jobs. Human resource managers must devise balance strategies that should provide appropriate career development opportunities both for male and female employees. As a result they will be able to hold down the current turnover rate, they can also increase the job satisfaction level among employees.

We studied the effect of factors like pay, promotion and training on job satisfaction. In future few other work related factors like, working conditions, employees safety and security etc. can be considered to measure the level of job satisfaction and some other statistical tools can be used to analyze it. Sample size can be increased which may yields different results.



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