

# Impact of Compensation Policy on the Motivation Level of Employees: Empirical Evidence from the University Teachers of Pakistan

Ahmad Timsal and Abeera Qaiser Malik\*  
Institute of Banking and Finance  
Bahauddin Zakariya University, Multan, Pakistan  
\*School of Business, University of Gujrat, Sialkot Sub Campus  
Corresponding Author Email Address: ahmad.timsal@bzu.edu.pk

## Abstract

**Purpose** – Motivation is one of the most widely researched issues in personnel and human resource management. This study focuses on the university teachers of Pakistan only. It is often said that the being a teacher requires mental commitment and loyalty rather than physical presence, and in order to develop this commitment in a country like Pakistan, the teachers must be satisfied with various organizational variables, compensation being the most importance one. In this study, the researchers have investigated the present level of motivation amongst the faculty members of both public and private sector universities of Pakistan.

**Design / Methodology / Approach** – The data is based upon a survey questionnaire which attempts to gain insights into the various components of compensation that can motivate university teachers.

**Findings** – The results show that compensation policy does have a significant impact on the motivation level, with salary package being the most significant variable. The working conditions and other benefits also impact the motivation level, however, these trends are independent of the university sector i.e. both public and private sector teachers exhibit similar behaviors, when it comes to compensation.

**Practical Implications** – The study discusses some of the issues related to compensation and monetary benefits faced by the academicians working in Pakistani universities. The data has been collected from the employees of various universities across Pakistan and thus the results will reflect the practical opinions present in the Pakistani society.

**Originality Value** – Recent research studies have tried to establish a direct relationship between motivation levels and compensation policies; however, limited research is available in the Pakistani context. Researchers in Pakistan have tried to explore the relationship of overall HR policies with Job Satisfaction and Job Performance and most of the work has focused on the Banking Sector.

**Keywords** Motivation, Compensation, Compensation Package, Monetary, Non-Monetary, Benefits, Allowances

**Research type** Research Paper



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## 1.0 INTRODUCTION

In the past few years, majority of the research conducted in the field of Management Sciences has claimed that 'Human Resources' are the most important asset, which an organization owns (Dessler, 2004; Decenzo, David and Robbins, 1999). Many modern organizations have witnessed a drastic change in their strategic policies, as 'retention' of efficient and experienced workforce has not become a core strategic agenda item. Consequently, the retention strategies are generally backed up by factors which motivate the employees and compensation is one of them. Motivated employees can help make an organization competitively more value added and profitable and vice versa (Dahlqvist and Mattson, 2013). It is generally up to the organization and its development policies that convert its human resources into assets, or liabilities. Amongst the various policies, the compensation policy holds prime importance as several researchers (Hameed, Ramzan, Zubair, Ali, Arslan, 2014; Jamil and Raja, 2011) have claimed it to be one of the most vital factors that determine the motivation level of employees.

In the past decade, several studies have been conducted to find out factors which impact employee motivation and the role of compensation policy on it. However, one can scarcely find any study on the established link between the compensation packages and its subsequent effects on their job performances in developing countries like Pakistan. It is rather unfortunate that most human resource management research in Pakistan has focused primarily on sectors like Banking, Telecommunication, Technology Services (Ahmad, Farrukh, Nazir, 2014; Bodla, Hussain, Chen, 2014; Hameed et al., 2014; Khan, Shahid, Nawab, Wali, 2013), and have somehow neglected the higher education sector. And those which have focused on the educational sectors (Rehman, Gujjar, Khan, Iqbal, 2009; Sial, Jilani, Imran, Zaheer, 2011; Mumtaz, Khan, Aslam, Ahmad, 2011; Nazir, Shah, Zaman, 2013) have not managed to capture the details in a comprehensive manner.

The educational sector of a country holds prime importance in terms of knowledge creation. The success of this sector is majorly dependent upon the presence of dedicated employees, who are motivated enough to work for the achievement of organizational goals. According to Kalleberg (1977), perceived organizational practice and financial adequacy are the best predictors of job satisfaction. As the world moves into a dynamic era, attracting and retaining competent workforce in the academic sector, especially in developing countries like Pakistan has become a strategic human resource management issue (Sial et al., 2011).

Compensation refers to all forms of financial returns and tangible benefits that an employee receives as a part of an employment contract. A body of literature also argues that compensation, as a human resource management function, deals with every type of reward employees receive in exchange for performing a job (Dessler, 2004; John, 2003; Jensen and Murphy 1990; Campbell, 1970) Employees take recognition as their feelings of value and appreciation and as a result it boosts up morale of employee which ultimately increases productivity of organizations (Danish and Ali, 2010). In this way motivated employees are retained with the organizations thus reducing extra costs of hiring.

The research studies conducted earlier in this domain have focused on the relationship between HRM policies and overall job satisfaction. Some research studies have been conducted to find the impact of compensation policy on the employees working in the banking sector (Ahmad et al., 2014; Hameed et al., 2014), however it is difficult to generalize these results onto other sectors of the country. Subsequently, this research study aims at specifically finding the impact of Compensation Policy on the overall motivation level of teaching staff working in various universities (both public and private sector) of Pakistan. In order to present a comprehensive picture, effort has been made to collect data from universities present in different parts of the country.

## **2.0 LITERATURE REVIEW**

In order to develop a proper context for this research, the literature review has been divided into the following categories:

1. Understanding the Concept of 'Motivation' and how motivated employees contribute towards the achievement of organizational goals.
2. Understand the concept of 'Compensation Policy' and 'Compensation Package'? What are some of the components included in the compensation policy?
3. Analyzing the changing trends in the Higher Education sector of Pakistan, especially in the last decade, including the change in the compensation policies of many public and private universities.

Motivation has been defined as the driving force which guides the human actions. According to Baron (1983), motivation is a combination of various processes that influence the human behavior, in order to achieve specific goals. Cascio (2003) assumes that motivation contains "those psychological processes that cause the arousal, direction and persistence of voluntary actions that are goal directed." Motivation depends on certain intrinsic, as well as, extrinsic

factors which in collaboration results in fully committed employees. According to Dalal (2005), tangible incentives are effective in increasing performance for task not done before, to encourage “thinking smarter” and to support both quality and quantity to achieve goals. Incentives, rewards and recognitions are the prime factors that impact on employee motivation.

Motivated employees are generally considered as a competitive advantage for any organization, as their performance enables an organization to achieve its goals in an effective and efficient manner. In the past few years, several researchers have argued that amongst the various ‘resources’ available to the organization, Human Resources are more vital as they can provide a company with a competitive edge over others. Armstrong and Brown (2001) commented that the commitment level of all employees working in an organization is dependent upon the business strategy of the organization, which should include a balanced reward and recognition system. Heathfield (2004) has also presented the same argument i.e. the motivation and productivity level of employees can be enhanced by providing them with effective recognition system. Subsequently, the success of a modern organization is based upon how an organization maintains the motivation level of its employees and how effective is the performance evaluation system.

Amongst the various challenges faced by modern organizations, meeting the goals and obligations take prime importance, hence the performance of employees has a crucial impact on overall organizational achievement. Demotivated staff members are unable to practice their skills, abilities, innovation and full commitment to the organization needs (Rizwan and Ali, 2010). Apart from monetary gains, employees consider recognition and appreciation as a valuable feeling that boosts up their morale, ultimately increasing their productivity and commitment towards the organization. Subsequently, it becomes easier for organizations to retain motivated employees, thereby reducing extra costs associated with hiring. According to Colvin (1998), reward and recognition programs is an effective mechanism that keeps high spirits among employees, boosts up their morale and establishes a relationship between performance and motivation.

Reward and Recognition systems, if transparent can induce feelings of ownership in the employees towards their organization, in general and their tasks/responsibilities in particular. An established fact present in many research studies is that rewards are linked to performance which ultimately leads to job satisfaction. Employees feel motivated, when their needs are met. Level of motivation amongst employees increased, when employees get increase in recognition, appreciation and pay (Stajkovic and Luthans, 2003).

Motivation levels are also dependent upon the organizational environment, culture and relationships between the employees and their supervisors. Employees' relation with employees and with supervisor is a key ingredient of the inner strength of the organization (Bandiera, Barankay, Rasul, 2007). Rewards enhance the motivation level of employees, whether they are given for the first time or are given on a regular basis. As far as organizations, with a long term perspective are concerned, they cannot afford to lower the morale of their employees, as it can have a direct negative impact on productivity levels. Jamil and Raja (2011) concluded in their study that intrinsic (internal) motivation generally leads to creativity and has a long term impact on the employee, whereas the extrinsic (external) motivation is often short lived.

In Management Sciences, the term 'Compensation' is one of the most comprehensively researched term. There are contrasting views about the term, due to which the researchers generally do not agree upon a uniform definition. According to Milkovich and Newman (1999), there are at least four different views about compensation i.e. society views compensation as a measure of justice and that it enables employees to understand that they are being rewarded for their efforts. Stockholders consider compensation as a tool that creates a sense of ownership amongst employees and they link high executive salaries with high return on investments. Managers, on the other hand view compensation as an expense, which can be used to 'influence' the behavior of employees. For employees, compensation is a major source of financial security and an entitlement for being an employee of the company. Thus, compensation can be referred to "...all forms of financial returns and tangible services and benefits employee receive as part of an employment relationship" (Dessler, 2004). According to Decenzo et al. (1999), compensation is related with every type of reward that employees receive in exchange of performing a job. Armstrong and Murlis (2005) argues that compensation is not a gift, but a 'pay' or a 'reward' that an employee receives during employment.

According to Belcher (1997), compensation influences the motivation level of employees. Performance based compensation systems are regarded as one of the effective tool, for achieving organizational goals and objectives (Andrews and Henry, 1963). In order to attract and retain the competent workforce, like other organizations, universities also offer competitive level of compensation to their faculty and recognize their achievements (Sial et al., 2011). Such employee friendly policies in universities enhance job satisfaction amongst faculty members and improve academic quality (Comm and Mathaisel, 2003). Armstrong and Brown (2001) have defined compensation as "*an adequate and equitable remuneration for employees due to their contributions in achieving organizational objectives*". Navita et al. (2004) has also focused on

establishing a linkage between compensation policies and employee motivation and that it helps in improving overall organizational effectiveness.

Compensation practices generally vary from organization to organization, depending upon a number of macro and micro environment factors. Organizations, including universities design their compensation packages based upon factors such as length of employment, employment type, research and academic contributions etc. Even the retirement benefits are dependent upon age and years of service in the institution. Several research studies in this domain (Heathfield, 2011; Zingheim and Schuster, 2008; Navita et al., 2010) have included bonuses, overtime payments, profit sharing, recognition and appreciation awards, commissions, health and medical benefits, company-paid cars, fuel cards, house rents and other non-monetary but taxable income items as part of a comprehensive compensation package.

In the university sector of Pakistan, the concept of having a proper compensation packages for faculty members and administrators has been adapted from the west i.e. in universities of the west (especially USA and Canada), the salaries and benefits paid to top academicians and administrators have been on the rise in the past few years. According to Petkov (2015), the total compensation of University of Alberta's Vice-Chancellor equaled around US \$ 1.1 million in 2013. Similarly Discovery Finance (2015) highlights that four leading universities of Canada i.e. University of Alberta, University of Calgary, University of Lethbridge and Athabasca University paid US \$ 12.5 million in total compensation to their Presidents and Vice-Presidents alone in the year 2013-14.

Although, compensation packages vary across organizations and also across sectors, yet majority of the researchers (Namasivayam et al., 2006; Sarmad, 2007) agree that a well-defined compensation package should comprise of both financial and non-financial benefits. The compensation packages are generally 'designed' by organizations to improve the job performance of employees and enhance their motivation levels (Cascio, 2003). According to Chaudhry, Sabir, Rafi and Kalyar (2011), the impact of compensation package on the motivation level of employee varies with the institution, and that a same kind of compensation package across different organizations can have varying impact on the motivation level of employees due to other factors such as Job Characteristics, Work Stress, Supervisor Relationship and overall Organizational Culture.

Several research studies have suggested a positive relationship between effective compensation policies and overall motivation level of employees (Osibanjo et al., 2014). Increase in economic rewards is one of the important tools for employee motivation, in any

modern organization. Salary should be sufficient to cope up with the social standing and culture and cover the living cost.

With reference to the academic sector, Ali and Akhtar (2009) conducted a research in Bangladeshi context to find out the factors which impact the motivation level of female teachers. It was concluded that low salaries significantly impact the performance level of teachers. It cannot raise the motivation level of employees, as it is not comparable with socio-economic conditions of a country. Even the studies conducted before 2000, suggested that one of the main reason for academicians quitting their jobs is curtailed salary scales and low payment rates (Judge and Hulin, 1993; Khaleque and Rahman, 1987). Chaudhry, Sabir, Rafi and Kalyar (2011) analyzed the status of teachers with regards to the work assigned to them and monetary benefits being provided to them. They concluded that teachers are generally dissatisfied with their jobs if work assignments do not match with salary amounts.

With reference to Pakistan, the government has taken various initiatives after the year 2000 to elevate the higher education sector. The establishment of Higher Education Commission (HEC) has led to the launch of various programs for the overall development of the students and the faculty members. Since its inception, HEC has believed that one of major factors influencing the quality of education is the provision of ample benefits and development opportunities for the faculty members (World Bank, 2005). According to a review paper by Nazir et al. (2013), launch of various economic incentive programs such as Best Teacher Award, Research and Publication allowances, Research Grants, Tenure Track Systems etc. have all enhanced the motivation level of employees, however disproportionate distribution of resources is a challenge.

According to Hoodbhoy (2010), "... a tidal wave of cash hit Pakistan's public universities after 2001". From 1999 to 2008, the budget allocation for universities rose by a factor of 12, which is comparable to any modern and developed state of West. Number of universities being established in public as well as private sector saw a sharp increase, likewise the number of PhD students registered at various universities exploded. As specified earlier, financial incentives were announced for faculty members for active contributions in research. Although salary and compensation packages for faculty members in universities of Pakistan saw a drastic increase but this led to a financial disparity with teachers of colleges and schools.

But, the question which arises here is that 'do these enhanced compensation packages have an impact on the overall motivation level of university teachers', or given the socio-economic environment of Pakistan, it has just made them greedier. As despite, the enhanced

compensation packages, only one or two universities of Pakistan have been able to make their way in top 500 universities of the world in the last decade.

Some of the research studies already conducted in this domain have focused on finding the relationship of HRM policies on job satisfaction of employees working in universities of Pakistan (Bodla et al., 2014; Bilal, 2012, Mumtaz et al., 2011, Rizwan and Ali, 2010). However, the data presented in these studies focused only on one particular geographical area i.e. either Federal Capital area or Punjab. Another study exploring the impact of compensation on employee motivation (Hameed et al. 2014) concluded that effective compensation policies yield a positive impact on motivation; however, these results were valid only for the banking sector of Pakistan only. Given the diversity in Pakistan, it is generally not possible to generalize these results to other sectors. A review paper has been written by (Nazir et al., 2013), to find the impact of remuneration on the job satisfaction of university teachers. Likewise, in order to explore the relationship between job satisfaction levels and levels of pay, a study was held in University of the Punjab in 2006 (Nisar and Zafar, 2006). A similar study was conducted by (Bilal, 2012) to understand the impact of Work Conditions and Compensation on Job Satisfaction of Teachers; however the data set was restricted to the universities of Rawalpindi and Islamabad only.

In the absence of any empirical study on the possible link between compensation packages and job performance, this study explores the possible link between compensation packages and job performance in the Higher Education sector of Pakistan. This study aims to identify the compensation packages available to personnel in the universities across Pakistan. It explores if compensation policies have any impact on the motivation level of the employees working in the university sector. In the presence of a positive relationship between compensation and motivation, this study will also explore the impact of various components of the compensation policy on the motivation level. Consequently, this study aims at covering the limitations of the previous research studies by widening the sample size and covering major universities from Federal Area, Punjab and Sindh.

### **3.0 RESEARCH METHODOLOGY**

With reference to the reviewed literature and identification of important factors and variables, the following are the objectives of the research study:

1. To examine the relationship between Compensation Policy and employee motivation in the university teachers of Pakistan.

2. To determine which factor of compensation majorly impacts the employee motivation in the university teachers of Pakistan.
3. To determine if there is any difference in the motivation level of employee working in private or public sector universities of Pakistan.

Based upon the research objectives, the following hypotheses are being suggested:

**H1:** *Compensation Policy has a significant relationship with employee motivation.*

**H2:** *Pay Package has a positive relationship with employee motivation.*

**H3:** *Working Conditions have a positive relationship with employee motivation.*

**H4:** *Providing opportunities for Career Advancement has a positive relationship with employee motivation*

**H5:** *Work Recognition has a positive relationship with employee motivation.*

**H6:** *There is a difference in the motivation level of Public and Private sector university employee with respect to compensation policy.*

For analysis and in order to test the given hypotheses statements, quantitative form of data collection was used i.e. survey questionnaire was used to collect data and then determine the relationship between independent and dependent variables. The questionnaire was adapted from a previous research study conducted by Osibanjo et. al (2014) on a similar topic but in Nigeria's context, however some of the questions were revised and reorganized in order to relate them with the Pakistani higher education sector. The questionnaire consisted only of close ended questions. There were a total of 29 questions divided in six major categories namely, Pay Packages, Career Advancement and Development, Recognition and Work Motivation, Overall working conditions, Autonomy and Flexibility and Retirement Benefits.

Questions pertinent to the demographic data were included in the questionnaire, to build up demographic profiles of the respondents in order to identify the probable relationship between their demographic characteristics and impact of compensation on their motivation levels. All these factors play a vital role in determining the opinion of respondents on the issue of compensation, especially in a developing country like Pakistan.

In order to measure the respondents' perceptions, they were asked to express their attitudes on a 5-point Likert scale (1=strongly disagree to 5=strongly agree). Respondents were asked to cross (x) mark the box they considered most appropriate for each question. In some of

the questionnaires being administered over the phone and in-person, sufficient explanations for the questions were provided, where needed.

Although, convenience sampling was used to select the sample and distribute the questionnaire, it was ensured that it is filled only by the 'teaching faculty' of various higher education institutions of Pakistan. In an attempt to get diverse opinions, both public and private sector institutions were selected. These institutions are located in the Federal Capital territory (Islamabad), Punjab and Sindh region. Oral and Written questionnaire techniques were adopted for data collection from the teaching faculty of various universities. The questionnaire were administered in person, by email and over the telephone in some cases (in Sindh region), with restricted interference on the part of personnel analysis.

A total of 141 hard copy survey questionnaires were distributed, but after accounting for non-response or implicit and explicit refusals 86 valid questionnaires were collected. The response of six (06) senior faculty members was recorded on the phone. Following table presents the summary of the number of questionnaires distributed and collected during the research process:

**Table 1 Response Rate for Survey**

Region (within Pakistan)	Region	Sector	Questionnaires		Response Rate (%)
			Dropped	Collected	
National University of Sciences and Technology (NUST)	Islamabad	Public	20	12	60.00%
International Islamic University	Islamabad	Public	20	11	55.00%
National University of Emerging Sciences	Islamabad	Private	20	9	45.00%
University of Gujrat	Gujrat (Punjab)	Public	20	18	90.00%
UMT Sialkot Campus	Sialkot (Punjab)	Private	10	8	60.00%
University of Lahore – Gujrat Campus	Gujrat (Punjab)	Private	10	6	60.00%
University of Central Punjab	Lahore (Punjab)	Private	10	4	40.00%
Bahauddin Zakariya University	Multan (Punjab)	Public	20	16	60.00%
Govt. College University	Faisalabad (Punjab)	Public	5	2	40.00%
Shah Latif University	Khairpur (Sindh)	Public	3*	3	100.00%
Karachi University	Karachi (Sindh)	Public	3*	3	100.00%
<b>TOTAL</b>			141	92	65.25%

\* Questionnaire were administered orally over the phone

## 4.0 RESULTS AND DISCUSSION

The collected data was analyzed using Statistical Package for Social Sciences (SPSS). Percentage analysis has been used to highlight the various trends observed during the data analysis. Regress Analysis was used to determine a clear equation (relationship) between motivation level and various components of the compensation package. Demographic variables such as gender, age, length of university service and education level were also included.

### Gender of the Participants

Amongst the total number of respondents (92) of this survey, 58 respondents were male while 34 respondents were female. This trend is an indication of the presence of female teaching faculty at various higher education institutions of Pakistan.

**Table 2 Gender of the Participants**

GENDER	REPRESENTATION	PERCENTAGE
Male	58	63.04%
Female	34	36.96%

### Age of the Participants

Age was divided into five categories, considering the diversity in the age group of faculty members teaching in Pakistani universities, especially after the launch of interim placement program of Higher Education Commission for fresh PhD.

**Table 3 Age of the Participants**

AGE GROUP	REPRESENTATION	PERCENTAGE
20-30	32	34.78%
31-40	28	30.43%
41-50	08	8.69%
51-60	12	13.04%
Above 60	12	13.04%

### Length of University Service

This was considered an important factor when determining the weightage of the opinion of the respondents on issues such as salary, working conditions and retirement benefits. A major proportion of the participants had less than 03 years of university service. However, in order to balance the trend, 25% of the participants had more than 09 years of university experience.

**Table 4 Length of University Service for Participants**

LENGTH OF UNIVERSITY SERVICE	REPRESENTATION	PERCENTAGE
Less than 01 Year	13	14.13%
01 – 03 Years	36	39.13%
04 – 06 Years	10	10.87%
07 – 09 Years	10	10.87%
More than 09 Years	23	25.00%

### Education Level of the Participants

This variable was divided into three categories, depending upon the 'type' of education level generally acceptable in higher education institutions of Pakistan. As shown in the results below, the majority of participants in this survey (69.56%) had done their MS/M.Phil.

**Table 5 Education Level of the Participants**

EDUCATION LEVEL	REPRESENTATION	PERCENTAGE
BS (04 Years) or MA/MSc.	10	10.87%
MS/M.Phil.	64	69.56%
PhD or Above	18	19.56%

### Impact of Pay Packages on Motivation

Pay, being one of the essential and important components of the compensation policy was the first category of the survey questionnaire. Only 32.61% of the respondents believed that their salary is motivating them to work in the university sector, but 45.65% of the participants did not agree that given the circumstances, salary is a motivating factor for them. As far as the pay scale system is concerned, 47.83% of the respondents expressed their satisfaction that their organization has a fair basis of payment. In response to a generic question, 30.43% of the respondents believed that money is a motivating factor for them, while 28.26% did not consider money has a motivating factor. This trend is synchronous with the general belief that employees in Pakistan get motivated through both extrinsic and intrinsic rewards.

**Table 6 Impact of Pay Packages on Motivation**

PAY PACKAGES	Salary Satisfaction	Fair Basis of Payment in the Organization	Money is a Motivator
Strongly Agree	0.0%	8.69%	0.0%
Agree	32.61%	47.83%	30.43%
Neither Agree or Disagree	21.74%	19.57%	28.26%
Disagree	19.56%	23.91%	28.26%
Strongly Disagree	26.09%	0.00%	13.04%

## Career Development

With reference to the career development opportunities provided in the organizations, 45.65% of the respondents agreed that career advancement and development opportunities motivated them to work towards achievement of organizational goals. Similarly, 60.87% of the respondents believed that their experience in the university sector has enabled them to improve their skills and competencies. Some of the faculty members even noted that the opportunities provided by Higher Education Commission (Faculty Development Programs, Teacher Exchange Programs, Research Grants, Trainings) have played a vital role in retention of the teaching staff in Pakistani Universities. However, due to internal politics and clash of interest within the universities of Pakistan, 39.13% of the respondents believed that promotions are not linked with performance, while 17.39% did not comment on this question.

**Table 7 Impact of Career Development Initiatives on Motivation**

<b>CAREER DEVELOPMENT</b>	<b>Career Advancement is Motivating?</b>	<b>Fairness in Promotion ?</b>	<b>Job improves skills and competencies?</b>	<b>Promotion is motivating?</b>	<b>Promotions are Performance Based?</b>
Strongly Agree	10.87%	2.17%	21.74%	43.48%	4.35%
Agree	45.65%	45.65%	60.87%	10.87%	39.13%
Neither Agree or Disagree	19.57%	13.04%	10.87%	21.74%	17.39%
Disagree	19.57%	28.26%	6.52%	21.74%	34.78%
Strongly Disagree	4.35%	10.87%	0.00%	2.17%	4.35%

## Recognition and Work Motivation

The results below show that 41.30% of the respondents are satisfied that their performance is appreciated by their seniors, however, 32.61% did not provide a definite answer to this question. In another question, only 19.57% respondents believed that they get their due rewards in terms of recognition and appreciation. 52.17% respondents stated that they are given feedback on regular basis by their senior, while 58.70% people also believed that their organization is providing them various types of professional development opportunities. However, the results of this particular category showed significant variation between private and public sector organizations.

**Table 8 Impact of Recognition and Appreciation on Motivation**

RECOGNITION AND WORK MOTIVATION	Performance is recognized and Appreciated?	Due Appreciation is given?	Org. focuses on Professional Development?	Extra efforts are given credit?	Feedback is provided on regular basis?
Strongly Agree	10.87%	6.52%	4.35%	8.70%	4.35%
Agree	41.30%	19.57%	58.70%	36.96%	52.17%
Neither Agree or Disagree	32.61%	34.78%	21.74%	34.78%	23.91%
Disagree	10.87%	36.96%	15.22%	17.39%	13.04%
Strongly Disagree	4.35%	2.17%	0.00%	2.17%	6.52%

### Working Conditions and Motivation

This question is aimed at understand the impact of the working conditions and organizational environment on the motivation of employees. 32.61% of the respondents believed that the environment provided in their respective universities is supportive; however 41.3% of the respondents disagreed with this notion. Similarly, 21.74% respondents stated their organizational culture is based upon 'participative management', whereas a significant 39.13% did not agree with his, while 28.26% were unaware about the concept of 'Participative Management'. With reference to organizational autonomy, 32.61% respondents felt that they enjoyed autonomy in decision making, but 41.3% believed that organizational autonomy does not exist in their respective organizations.

Overall, the table below presents a picture which shows that the majority of the respondents are not satisfied with the environment or culture of their organization (university). This is an alarming situation, as unstable environment and demotivated staff in an educational institute can have many negative repercussions for all the stakeholders including the students.

**Table 9 Impact of Working Conditions on Motivation**

WORKING CONDITIONS AND MOTIVATION	Is Organizational Environment supportive?	Org. Culture is based on Participative Management?	Communication Channels are effective?	Autonomy in Decision Making?	Flexible working hours and conditions?
Strongly Agree	4.35%	10.87%	6.52%	0.00%	6.52%
Agree	28.26%	21.74%	47.83%	32.61%	41.30%
Neither Agree or Disagree	26.09%	28.26%	28.26%	26.09%	28.26%
Disagree	28.26%	30.43%	17.39%	30.43%	21.74%
Strongly Disagree	13.04%	8.70%	0.00%	10.87%	2.17%

### Retirement Benefits and Allowances

The results in the table below show that approximately 58.69% of the respondents do not get motivated by the 'medical allowance' being provided to them. Similarly, 56.52% are not

motivated by the 'House Rent or House Allowance', and 58.7% are not satisfied with the 'Recreational/Entertainment allowance'. As far as the Retirement Benefits are concerned, 32.61% of the respondents are motivated by them mainly due to the provision of Pension and Gratuity. However, 67.44% of the participants are either unaware of these benefits or are not motivated by them.

**Table 10 Impact of Retirement Benefits on Motivation**

RETIREMENT BENEFITS AND ALLOWANCES	Retirement Benefits are motivating?	Medical Allowance is a Motivator?	House Allowance is a Motivator?	Recreational Allowance is a Motivator?
Strongly Agree	0	2.17%	2.17%	0.00%
Agree	32.61%	13.04%	15.22%	2.17%
Neither Agree or Disagree	21.74%	26.09%	26.09%	39.13%
Disagree	19.57%	34.78%	41.30%	39.13%
Strongly Disagree	26.09%	23.91%	15.22%	19.57%

## REGRESSION MODEL

Using the SPSS package, the estimated regression model is as follows:

$$MOTIVATION = -1.217 + 1.042Pay\_Package + 0.112Working\_Conditions + 0.082Career\_Advancement + 0.078Work\_Recognition - 0.448Uni\_Sector$$

**Table 11 Regression Model**

### Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-1.217	.878		-1.385	.170
work_Recognition	.112	.035	.125	3.225	.002
career_advancement	.082	.042	.072	1.935	.056
Pay_Package	1.042	.052	.907	20.028	.000
Working_Conditions	.078	.041	.086	1.920	.058
UNI_SECTOR	-.443	.212	-.085	-2.088	.040

a. Dependent Variable: Motivation

Work Recognition, Career Advancement, Pay Package, Working Conditions and University Sector are significant factors for the employee motivation. Among the entire factors university sector negatively affect the motivation factor. Private sector universities with the close correlation of the compensation policies such as Work recognition, career advancement pay

package, working conditions have greater impact than the public sector universities. Salary package is the most important factor among all the factors to motivate employee.

Results generated by the regression model can be used to test the hypothesis statements:

**Table 12 Evaluation of the Hypotheses Statements**

Hypothesis	Statement	Result
01	Compensation Policy has a significant relationship with employee motivation	VALID
02	Pay Package has a positive relationship with employee motivation	VALID
03	Working Conditions have a positive relationship with employee motivation.	VALID
04	Providing opportunities for Career Advancement has a positive relationship with employee motivation	VALID
05	Work Recognition has a positive relationship with employee motivation.	VALID
06	There is a difference in the motivation level of Public and Private sector university employee with respect to compensation policy.	VALID to some extent

## FITNESS OF THE MODEL

The value of adjusted R square shows that the above model explained 88% variation in employee motivation due to Work recognition, career advancement pay package, working conditions and university sector which is a supportive evidence of good fit.

**Table 13 Model Summary (Fitness)**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.941 <sup>a</sup>	.886	.880	.90557

a. Predictors: (Constant), UNI\_SECTOR, career\_advancement, working\_conditions, work\_recognition, pay\_package

## 5.0 CONCLUSION

This study explored one of the vital aspects which alter the motivation level of employees working in an organization i.e. the compensation policies. Purpose of this research was to explore this area, with reference to the higher education (university) sector of Pakistan. Much has been said and written by researchers and critics about the revamped and renovated structure of the human resource initiatives in the universities of Pakistan, especially after 2001. However, it is necessary to validate these claims, from the point of the view of the actual 'employees' that work in these universities.

The results show that, the fluctuating economic conditions of the country are somehow responsible for 'pay packages' to be the most important component of the compensation policy. For the university teachers in Pakistan, the salary amount is the primary determinant of the motivation level as the allowances and benefits being offered to them are disproportionate. There is a significant difference between the salary packages being offered in the public and private sector universities, which somehow lead to lower employee morale. Career Development opportunities are motivating but to a limited extent, likewise the results also show that organizational environment and work recognition also impact the motivation levels in a limited way.

This study is a foundation level research, which can be further enhanced by integrating various theories of motivation and enhancing the dataset. A detailed comparison of the public and private sector benefits can also be conducted.

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