Evaluation of Employee Compensation System and Its Relationship with Organizational Commitment and Job Satisfaction (Case Study: Iranian Gas Transmission Operation Zone 2)

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ABSTRACT

This is a descriptive - survey study. Data collection tool is Allen and Meyer's Commitment Questionnaire and researcher developed Organizational Compensation questionnaire; Cronbach’s alpha coefficient obtained in the questionnaire is 81% and Lisrel software was used in order to examine the research model. The study population included all direct and contract employees of the company consisted of 386 subjects using Cochran formula. Research hypothesis were examined as the null hypothesis and a one statistical hypothesis inferences using regression testing and variables prioritization using Friedman test.

INTRODUCTION

Payments systems include Pay Parity (public sector) i.e., the health care system and non-coordinate system (private sector) i.e., social security system. Maintaining and organizing the organizational system is of the important duties and responsibilities of the Director, so this daunting task means the increasing organizational commitment and sense of responsibility by employees. The manager in charge of an organization is responsible for employee commitment values and types. Recent research in this area is emphasizes on the leading role of administrative and organizational foundation in the development of the employee responsibility (Orpen, 1995). Compensation is a general term includes salary system, payment system and remuneration system meaning the compensation of employee’s services in the organization. According to law, fair labor standards generally compensate tax-exempt employees, such as managers, specialists and professionals in the annual salary or and taxed employees based on hourly wage.

Appropriate compensation system considers measures of quality of work life as well as personal life quality indicators in order to win human resources competitive advantages in the organizational realm for productivity gain. Compensation system in the past was focused on the importance of jobs and characteristics of worker was not considered.

However, with the advent of competitive conditions, organizations skills and capabilities gained momentum and became effective in determining the financial benefits. Compensation management is the most critical issue in today's organizations and the allocation of financial and non-financial benefits to the individuals is very important. In other words, the financial and non-financial benefits are a game that how to distribute them will determine the winner. A manager is the winner that can gain the most staff satisfaction by using those cards (financial - nonfinancial).

Many Iranian Gas Transmission Operation Zone 2 employees desire to leave the organization, and low efficiency as well as low staff motivation and the reluctance are among the problems that has caused reduced employee productivity and prevented development in the region. Therefore, recognizing the way out of this problem can be an advantage in terms of productivity and career development. In this study, each of the 12 hypothetical aspects of compensation (salary satisfaction, fringe benefit satisfaction, salary payment system satisfaction) on the three dimensions of OC (continuous, affective and normative commitment) examined separately, and then four compensation system dimensions on organizational commitment of Iranian Gas Transmission Operation Zone 2 in all hypotheses were confirmed.
Research hypotheses:
Hypotheses include:
- Salary increases satisfaction affects on Gas Transmission Operation Zone 2 employee’s affective commitment.
- Salary increases satisfaction affects on Gas Transmission Operation Zone 2 employee’s continuance commitment.
- Salary increases satisfaction affects on Gas Transmission Operation Zone 2 employee’s normative commitment.
- Salary payment system satisfaction affects on Gas Transmission Operation Zone 2 employee’s affective commitment.
- Salary payment system satisfaction affects on Gas Transmission Operation Zone 2 employee’s continuance commitment.
- Salary payment system satisfaction affects on Gas Transmission Operation Zone 2 employee’s normative commitment.

Spatial domain of research:
Iranian Gas Transmission Operation Zone 2 includes Isfahan, Chahar Mahal va Bakhtiyari, Kohgiluyeh, and Boyer-Ahmad Provinces.

Definition of Key Terms:
Compensation:
There should be a clear understanding of equality or perceived fairness in an organization's compensation system design of the compensation system for employees. All employees should feel fairly compensated for their services done. The fairness makes sense in relation to peers and people in similar jobs in other organizations. Internal equity refers to the perceived fairness of pay differences among different jobs in an organization. Employees must feel that payment differences between different jobs are fair and this is reflected in job responsibilities. Exterior equality includes employees' perceptions of fairness in compensation paid out in conjunction with other agencies. Individual equality shows employees' perceptions of payments among people with similar jobs in similar organizations [5].

Salary increases satisfaction:
Payment rate and the progress in the ranks and pay grade structures is not necessarily determined by the performance rating.

Salary payment system satisfaction:
Payment structure is a model of intrinsic differences between levels of payment for different jobs, which is often expressed as a group promotion and ranks [2].

Organizational Commitment:
Organizational concept definition was first studied by White and then was developed by many researchers, including Porter, Mody, Steers, Meyer & Allen, and Baker. Commitment empowers individuals and stabilizes behavior in different conditions so it can cause a psychological and social dependence to certain objects or persons in social life [3,4] defined commitment as the acceptance of the organizational values and involvement in the organization. According to them, the criteria for measuring organizational commitment include high motivation to accept and embrace the goals of the organization, the preparation for the great efforts and enthusiasm to maintain membership in the organization. [4] Richers as one of the first researchers on the focus of commitment, believes that the general concepts of organizational commitment may be better understood when considered a set of commitments. He believes that employees cannot experience much commitment to the goals and values of different groups within the organization. Thus, it is not only important to understanding organizational commitment in the organization, but given the foci of commitment is also required. Richers sees employee commitment as commitment to top management, supervisors, team work, co-workers and customers and believes that employees can show different commitment according to the degree of compliance with the goals and values. Types of organizational commitment include:

Affective commitment:
Affective commitment reflects employees' emotional integrity of his identification with the values and goals of the organization and the extent of his involvement with the organization. Employees with a strong affective commitment maintain their membership in the organization and continue to work on. First view, considers organizational commitment an emotional or attitude factor that the affective commitment can be put into this
class. In this view, people identify with the organization and therefore maintain their membership in the organization to gain goals [14].

**Continuance commitment:**

Continuance commitment is to remain in the organization because of a desire to stay for the costs of leaving the organization or rewards from staying in the organization. Finally, normative commitment reflects to stay in an organization. Clearly there is an overlap between the way Porter has conceptualized and subsequent works by Ariel, Chetman and Meyer and Allen. Porter's approach is very similar to the Ariel commitment and Chetman internalization and the affective commitment by Meyer and Allen. In fact, according to Meyer and Allen, Porter's Organizational Commitment Questionnaire can be interpreted as affective commitment (Moody, 1998: 390).

**Normative commitment:**

The third dimension of organizational commitment, less common but questionable is normative commitment, which represents a sense of duty to continue working with the organization. Those with high levels of normative commitment feel obliged to remain in the current organization [17].

**The population, study sample and sampling:**

In the scope of the research, given that the impact of the variables is measured in Gas Transmission Operation Zone, the spatial domain includes Isfahan, Chahar Mahal va Bakhtiari, Kohgiluyeh and Boyer-Ahmad Provinces, and of the study area population consists of 896 employees.

**Literature review:**

**Research literature in the country:**

Ghalavandi and Soltanzadeh [7] conducted a research work aimed to explain the relationship between job and organizational commitment among faculty teacher’s members in Uremia University. The research method was descriptive, correlational; 70 university faculty members were randomly selected using stratified sampling proportional. The results indicate that there is a significant positive relationship between technical- functional competencies and general management competencies and total components of organizational commitment. Also components of technical - functional competencies, and general management competencies, autonomy - dependency, pure challenge and lifestyle are predictors of organizational commitment significance.

Kameli et al conducted a study aimed at evaluating the effectiveness of the management system and salary levels of employees from the Naja headquarters staff view. The study is a descriptive – survey and correlation. Findings indicate that there is more significant positive relationship between the salaries and benefits, facilities and staff welfare and rewards and overtime with Naja staff performance. Therefore the main and sub hypotheses were accepted with error rates less than 5%.

Maliheh Sadat Kazemi et al conducted a research on the relationship between organizational commitment and employee’s organization's value system in a state organization. In this study, 158 state agencies employees were randomly selected and the data were analyzed using correlation and regression analysis. The results showed that the Schwartz ten types of universal value can predict the three dimensions of organizational commitment that is exchange commitment, identification commitment, and continuance commitment.

**Foreign background:**

Ashraf Zeshan, Aboozar Mehdi Jaferi, Mohammad Tarigh Sharif, and Mohammad Asif Khan (2012), in a paper titled “enhance employee’s organizational commitment through goal setting, employee engagement, optimism into the workplace”, studied factors affect the organizational commitment. Data needed for research hypothesis model have been collected from individual different centers and organizations and the results of this research have provided new ways to improve and enhance the level of organizational commitment.

Shia research [13] studying the effects of large corporate compensation design on organizational performance stated that this study uses the relationship between the variables of the study to detect corporate compensation design (the independent variable), mental motivation (adjustment variable) and organizational performance (dependent variable). In addition, further psychological motives are examined in relationship between compensation and organizational design and organizational performance. Findings show that compensation design may have a positive influence on organizational performance. A compensation system includes a remuneration, performance remuneration and fringe benefits. The amount of compensation is certainly depends on performance. Organizational better performance will lead to a more remuneration offer. In this regard, there is a special relationship between organizational compensation design and corporate performance.
Data Analysis:
Test hypotheses based on regression analysis
First hypothesis: Salary increases satisfaction affects on affective commitment

Table 1: Regression Analysis of Hypothesis One

<table>
<thead>
<tr>
<th>model</th>
<th>Non-standardized coefficients</th>
<th>Standardized coefficients</th>
<th>t</th>
<th>Significant level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(constant)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td></td>
<td>.283</td>
<td>.075</td>
<td>3.756</td>
<td>.000</td>
</tr>
<tr>
<td>Salary increases</td>
<td>.871</td>
<td>.024</td>
<td>.871</td>
<td>38.704</td>
</tr>
</tbody>
</table>

Regression analysis results between the independent variable (Salary increases rate) and the dependent variable (affective commitment) indicate that there is significant positive correlation between these two variables. Significance level of less than 0.05 and Beta value obtained is equal to 0.87; thus H1 that Salary increases satisfaction affects on affective commitment is confirmed.

Second hypothesis: Salary increases satisfaction affects on continuance commitment.

Table 2: Regression Analysis of Hypothesis two.

<table>
<thead>
<tr>
<th>model</th>
<th>Non-standardized coefficients</th>
<th>Standardized coefficients</th>
<th>t</th>
<th>Significant level</th>
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<tbody>
<tr>
<td>1</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>B</td>
<td>Error</td>
<td>Beta</td>
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</tr>
<tr>
<td></td>
<td>.854</td>
<td>.122</td>
<td>7.002</td>
<td>.000</td>
</tr>
<tr>
<td>Salary increases</td>
<td>.725</td>
<td>.038</td>
<td>.739</td>
<td>19.060</td>
</tr>
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</table>

Regression analysis results between the independent variable (Salary increases rate) and the dependent variable (continuance commitment) indicate that there is significant positive correlation between these two variables. Significance level of less than 0.05 and Beta value obtained is equal to 0.73; thus H2 that Salary increases satisfaction affects on continuance commitment is confirmed.

Third hypothesis: Salary increases satisfaction affects normative commitment.

Table 3: Regression Analysis of Hypothesis three.

<table>
<thead>
<tr>
<th>model</th>
<th>Non-standardized coefficients</th>
<th>Standardized coefficients</th>
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<td></td>
<td>B</td>
<td>Error</td>
<td>Beta</td>
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<tr>
<td></td>
<td>.950</td>
<td>.128</td>
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<tr>
<td>Salary increases</td>
<td>.594</td>
<td>.040</td>
<td>.508</td>
<td>17.407</td>
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</table>

Regression analysis results between the independent variable (Salary increases rate) and the dependent variable (normative commitment) indicate that there is significant positive correlation between these two variables. Significance level of less than 0.05 and Beta value obtained is equal to 0.50; thus H3 that Salary increases satisfaction affects on normative commitment is confirmed.

Fourth hypothesis: Salary payment system satisfaction affects on affective commitment

Table 4: Regression Analysis of Hypothesis four.

<table>
<thead>
<tr>
<th>Model</th>
<th>Non-standardized coefficients</th>
<th>Standardized coefficients</th>
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<td></td>
<td>B</td>
<td>Error</td>
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<td></td>
<td>1.027</td>
<td>.139</td>
<td>7.377</td>
<td>.000</td>
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<tr>
<td>Payment</td>
<td>.669</td>
<td>.043</td>
<td>.665</td>
<td>15.466</td>
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</table>

Regression analysis results between the independent variable (Salary payment system satisfaction) and the dependent variable (affective commitment) indicate that there is significant positive correlation between these two variables. Significance level of less than 0.05 and Beta value obtained is equal to 0.66; thus H4 that Salary payment system satisfaction affects on normative commitment is confirmed.

Fifth hypothesis: Salary payment system satisfaction affects on continuance commitment

Regression analysis results between the independent variable (Salary payment system satisfaction) and the dependent variable (continuance commitment) indicate that there is significant positive correlation between these two variables. Significance level of less than 0.05 and Beta value obtained is equal to 0.49; thus H5 that Salary payment system satisfaction affects on continuance commitment is confirmed.

Sixth hypothesis: Salary payment system satisfaction affects on normative commitment
Table 5: Regression Analysis of Hypothesis five.

<table>
<thead>
<tr>
<th>Model</th>
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</thead>
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<tr>
<td></td>
<td>B Error Beta</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(constant) 1.590 .159 .159</td>
<td></td>
<td>9.971</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>payment .487 .050 .492</td>
<td></td>
<td>9.821</td>
<td>.000</td>
</tr>
</tbody>
</table>

Regression analysis results between the independent variable (Salary payment system satisfaction) and the dependent variable (normative commitment) indicate that there is significant positive correlation between these two variables. Significance level of less than 0.05 and Beta value obtained is equal to 0.47; thus H6 that Salary payment system satisfaction affects on normative commitment is confirmed.

Table 6: Regression Analysis of Hypothesis six.

<table>
<thead>
<tr>
<th>Model</th>
<th>Non-standardized coefficients</th>
<th>Standardized coefficients</th>
<th>t</th>
<th>Significant level</th>
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<tbody>
<tr>
<td></td>
<td>B Error Beta</td>
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<td></td>
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</tr>
<tr>
<td>1</td>
<td>(Constant) 1.690 .163 .163</td>
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<td>10.393</td>
<td>.000</td>
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<tr>
<td></td>
<td>Payment .454 .051 .460</td>
<td></td>
<td>8.996</td>
<td>.000</td>
</tr>
</tbody>
</table>

Conclusions:

Hypothesis one: Salary increases satisfaction effects on affective commitment.

Regression analysis results between the independent variable (Salary increases rate) and the dependent variable (affective commitment) indicate that there is significant positive correlation between these two variables. Significance level of less than 0.05 and Beta value obtained is equal to 0.87; thus H1 that Salary increases satisfaction affects on affective commitment is confirmed.

Borjali lu [9] studying the impact of perceived organizational justice on compensation satisfaction show that salary increases effect of procedural justice that affects on the compensation satisfaction that is consistent with research hypothesis.

Kameli et al examined the role of the payroll management system on the effectiveness of Naja police staff. The findings indicate there are stronger significant positive relationship between remuneration and benefits, facilities and staff welfare and bonus and overtime with police staff performance; thus primary and secondary research hypotheses were accepted by error rate less than 5%, that is consistent with research hypothesis.

Kalatiniasay conducted a research into occupational stress and organizational commitment in public organizations. Studies show that high levels of stress can lead to less organizational commitment. There is a negative significant correlation between occupational stress and affective commitment that is consistent with research hypothesis.

Hypothesis 2: Salary increases satisfaction effects on continuance commitment.

Regression analysis results between the independent variable (Salary increases rate) and the dependent variable (continuance commitment) indicate that there is significant positive correlation between these two variables. Significance level of less than 0.05 and Beta value obtained is equal to 0.73; thus H2 that Salary increases satisfaction affects on continuance commitment is confirmed.

Borjali lu [9] studying the impact of perceived organizational justice on compensation satisfaction show that salary increases effect of procedural justice that affects on the compensation satisfaction that is consistent with research hypothesis.

Khoshnod [8] conducted a study on the effect of occupational core dimensions on organizational commitment of social security organization. The results show that the task importance is the most effective and staff responsibility diversity shows the least impact on the level of organizational commitment that is consistent with research hypothesis.

Peyvand zani compared the financial and non-financial compensation to attract and retain specialists in municipality. Results indicate that managers and experts agree on non-financial factors prioritization. Both groups give priority to financial compensation and non-compensation is the next priority. This is consistent with research hypothesis.

Kameli et al examined the role of the payroll management system on the effectiveness of Naja police staff. The findings indicate there is stronger significant positive relationship between remuneration and staff welfare and police staff performance that is consistent with research hypothesis.

Hypothesis 3: Salary increases satisfaction affects normative commitment.

Borjali lu [9] studying the impact of perceived organizational justice on compensation satisfaction show that salary increases effect of procedural justice that affects on the compensation satisfaction that is consistent with research hypothesis.
Brown et al examined the relationship between compensation decision making at the organizational level and occupational performance as well as pay structure and pay levels of productivity. They state that when payment is determined by two elements, it is required to discuss the way each element acts in relation to organizational outcomes at the same time. This is consistent with research hypothesis.

Hypothesis 4: Salary payment system satisfaction affects on affective commitment.

Borjali lu [9] studying the impact of perceived organizational justice on compensation satisfaction show that salary payment system satisfaction effect of procedural justice that affects on the compensation satisfaction that is consistent with research hypothesis.

Elhami . Yousel studied the relationship between job satisfaction, organizational commitment and financial turnover. Results show that job satisfaction has a positive impact on affective commitment and negative impact on financial turnover. This is consistent with research hypothesis.

Katalinasisay [14] conducted a research into occupational stress and organizational commitment in public organizations. Studies show that high levels of stress can lead to less organizational commitment that will aid in employees volunteer financial turnover that in turns causes less performance. There is a negative significant correlation between occupational stress and affective commitment that is consistent with research hypothesis.

Mikovich [17] in a study titled “Organizational differences in managerial compensation and financial performance” showed that organizations tend to make distinctions through decisions on possible payment or diversity not through decisions on the level of base salary. Pay levels are not aligned with organizational performance and on the other hand most likely long term remuneration is associated with better financial performance. This is consistent with research hypothesis.

Brown et al examined the relationship between compensation decision making at the organizational level and occupational performance as well as pay structure and pay levels of productivity. They state pay level and payment structure for each organizational level is important to understand the payment policy. When payment is determined by two elements, it is required to discuss the way each element acts in relation to organizational outcomes at the same time. This is consistent with research hypothesis.

Hypothesis 5: Salary payment system satisfaction affects on continuance commitment.

Borjali lu (2012) studying the impact of perceived organizational justice on compensation satisfaction show that salary payment system satisfaction effect of procedural justice that affects on the compensation satisfaction that is consistent with research hypothesis.

Mikovich [17] studied the organizational differences in managerial compensation and financial performance. Results show that organizations tend to make distinctions through decisions on possible payment or diversity not through decisions on the level of base salary. Pay levels are not aligned with organizational performance and on the other hand most likely long term remuneration is associated with better financial performance. This is consistent with research hypothesis.

Hypothesis 6: Salary payment system satisfaction affects on normative commitment.

Borjali lu [9] studying the impact of perceived organizational justice on compensation satisfaction show that salary payment system satisfaction effect of procedural justice that affects on the compensation satisfaction that is consistent with research hypothesis.

Brown et al examined the relationship between compensation decision making at the organizational level and occupational performance as well as pay structure and pay levels of productivity. They state pay level and payment structure for each organizational level is important to understand the payment policy. When payment is determined by two elements, it is required to discuss the way each element acts in relation to organizational outcomes at the same time. This is consistent with research hypothesis.

Recommendations based on research findings:

Hypothesis 1 suggests that staff salaries increases based on inflation rate.

Hypothesis 2 suggests that annual staff salaries increases proportional to education, qualification and experience.

Hypothesis 3 suggests that staff salaries increases that reduce stress and pressures of work inside and outside the company.

Hypothesis 4 suggests company pay structure satisfaction and factors reducing the rate of employees leaving the company.

Hypothesis 5 suggests studying company’s pay structure satisfaction and factors prevent employees from visiting a second job.

Hypothesis 6 suggests studying company’s pay structure satisfaction and factors proportional to education, qualification and experience.

REFERENCES