Impact of Compensation, Performance Evaluation and Promotion Practices on Government Employees Performance VS Private Employees Performance

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Abstract
This study investigated the impact of three HRM practices namely compensation, performance evaluation and promotion practices on employee performance of both public and private sector organizations of Pakistan. Three hypotheses were formulated with respect to previously discussed variables. Result indicated that compensation and performance evaluation practices were significantly and positively associated with employee performance of both public and private sector organizations of Pakistan. On the other hand promotion practices were found to be insignificantly associated with employee performance of both public and private sector organizations.

Keywords: Compensation Practices, Performance Evaluation Practices, Promotion Practices, Public and Private Sector Organizations; Pakistan.

1 Introduction
Human Resource Management (HRM, HR) is the management of an organization's employees (wikipedia.org). Providing and maintaining necessary balance of human resource for smooth operations of organization is a primary function of HRM. Now HR work is not only concerned with traditional activities of recruitment and selection, training and development but its scope has been widened to many new and distinguished areas. Organizations having qualified and experienced manpower gives competitive edge and it is said to be most sustainable source of competitive advantage.

Nature and mechanism of performing various operations have been changing with rapid pace. World is now a global village where globalization is a major entity. Countries with proactive approaches have identified globalization as a major element in business world and business world is now more dynamic. Previously it was considered that allocating resources to HR activities like training and development, organization development and human resource devolvement is a major expense but now people call it as an investment. One of the common emerging beliefs is that “employees are capital” and are considered most valuable assets.

Pakistan is a country where human resource management needs special attention and care. Although actions have been taken to point out and address the issues concerning manpower. Nature of HRM practices and their implementation and utilization in organizations of Pakistan are yet to be standardized. I intend pinpointing issue of HRM practices and their impact on employee performance of private and public sectors organizations.

Rewards are direct and indirect (zigonperf.com). Providing respectable compensation to persons working in organization have soothing effect on both employee and organizational performance. People get paid but living from hand to mouth. How anyone can expect that such an employee will give his/her hundred percent, how can government or private sector will promote the idea of organizational citizenship behavior, how you can believe there will be presence of organizational or employee commitment? Performance evaluation and promotion practices are normally based on standard criteria, procedures, and policies and
performed by qualified and experienced persons of organization. Employee belief and perception about the fairness of such practices matters a lot. For conducting performance evaluation employees must know what is expected from them and what they can do? Promotion is the recognition of employee efforts and his commitment to work. Getting higher and higher promotion is the ultimate desire of each person working in any sort of organization.

Pakistan is under research country (Aycan et al 2000). There is very much need to make an environment where people take initiative to make HRM practices and procedures more clear. Different HR practices have different dimensions and vary in importance but the ultimate goal of all practices should be improvement in performance of both employees and organization.

1.1 Problem statement
This study is an attempt to explore the influence of three hr practices namely compensation, performance evaluation and promotion practice on employees performance of both public and private sector employees and to identify any existing difference.

1.2 Originality of study
Intensive efforts are needed in Pakistan for research. Very limited research work has been done in Pakistan with respect to HR practices. Particularly there is no study which has explored the impact of compensation, performance evaluation and promotion practices on government employees performance VS private employees performance.

1.3 Objective of the study
The objective of the study is to investigate the impact of compensation, performance evaluation and promotion practices on employee performance of both public and private sector employees and to make a comparison.

2 Literature Review
Sohrab Ahmad and Khurram Shezad (2011) did a study on the impact of compensation, promotion and performance evaluation practices on the performance of university teachers of Azad Jammu and Kashmir. Authors concluded that compensation has strong and positive impact on performance of university teachers of AJK. Compensation is the major element to influence teachers. The more teachers are compensated fairly the more they will perform better. On the other hand the performance evaluation and promotion practices were insignificant with the performance of university teachers of AJK. The reason for this is most promotion and performance evaluation procedures are vague and not properly practiced.

Baloch et al. (2010) did a study about the HRM practices in order to examine their relationship with the perceived performance of employees in private and public sector banks of NWFP. Compensation, promotion and performance evaluation practices were significantly found to be correlated with employee performance. Banks are encouraged to pay proper attention to these three practices.

Tahir Masood Qureshi et al. (2010) did an empirical study on the impact of HRM practices on financial performance of banks which were selection, training, performance appraisal system, compensation system, career planning system and employee participation. All the practices were positively related to financial performance. But selection training, compensation and employee participation have stronger influence on financial performance of banks.

Muhammad Asif Khan (2010) empirically investigated the effects of HRM practices on organizational performance in oil and gas industry in Pakistan. He observed that recruitment and selection, training and development, performance appraisal, compensation and employee relations, all were associated with organizational performance and they do impact on organizational performance in oil and gas industry in Pakistan.
Md Zohural Islam and Sununta Siengthai (2010) investigated the impact of recruitment and selection, performance appraisal, unionization, training and development and compensation on firm performance in Dhaka export processing zone. Authors concluded that training and development, compensation and performance appraisal all are positively correlated with firm performance where as unionization was found to be insignificantly correlated with firm performance.

Shezad et al.(2008) did a study on impact HRM practices on perceived performance of university teachers of Pakistan. It was hypothesized that compensation, promotion and performance evaluation practices are significantly and positively related to perceived performance of university teachers of Pakistan. Compensation and promotion practices were found to be significantly correlated with perceived performance of university teachers of Pakistan. Performance evaluation practice was found to be insignificantly correlated with the performance of university teachers of Pakistan.

Mark A Huslid (1995) did a study on the impact of HRM practices on turnover, productivity and corporate financial performance. He found by investing in HR practices there will be enormous decrease in turnover. Definite increment will be observed in productivity. Also financial performance will be positively affected.

3. Hypotheses
After literature review analysis some hypotheses are formulated for the study which are as under.

H1: Compensation practices are positively and significantly associated with the performance of public and private sector employees.

H2: Performance evaluation practices are positively and significantly associated with the performance of public and private sector employees.

H3: Promotion practices are positively and significantly associated with the performance of public and private sector employees.

4. Theoretical Framework

study, because it explores the impact of compensation, promotion and performance evaluation practices on employee performance. A questionnaire has been adapted for this study from the research article of Shezad et al(2008). They have adapted this questionnaire from another study done by Teeseema & Soeters (2006).

Data was collected through personally administered questionnaires. A total of 125 questionnaires were distributed among public organizations out of which 113 questionnaires were returned. Total 111 questionnaires were selected finally for data analysis because 2 questionnaires were incomplete. Second time 125 questionnaires were distributed among private sector organizations out of which 97 questionnaires were returned. Seven questionnaires were incomplete and wrongly filled. Due to which 90 questionnaires were used for data analysis. SPSS version 19 has been used for data analysis. Regression Coefficients are used to test the hypotheses.
6. Reliability

Table 1

<table>
<thead>
<tr>
<th>Compensation Practices</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comp. Practices</td>
<td>.84</td>
</tr>
<tr>
<td>Promotion Practices</td>
<td>.79</td>
</tr>
<tr>
<td>Performance Evaluation</td>
<td>.73</td>
</tr>
<tr>
<td>Practices</td>
<td></td>
</tr>
<tr>
<td>Employee Performance</td>
<td>.74</td>
</tr>
</tbody>
</table>

7. Findings

7.1 Regression Coefficients for Government sector organizations

Table 2

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficients¹</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unstandardized</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>7.814</td>
<td>1.203</td>
<td>6.498</td>
</tr>
<tr>
<td></td>
<td>Compensation Practices</td>
<td>.062</td>
<td>.035</td>
<td>.173</td>
</tr>
<tr>
<td></td>
<td>Performance Evaluation Practices</td>
<td>.143</td>
<td>.061</td>
<td>.227</td>
</tr>
<tr>
<td></td>
<td>Promotion practices</td>
<td>.057</td>
<td>.104</td>
<td>.051</td>
</tr>
</tbody>
</table>

H1: It can be deduced from the table 2 that the value of beta for compensation practices is (.173) significant at .004 level. It shows that that compensation practices are positively and significantly associated with employee performance of public sector organizations. Findings are supported by the studies done by Shezad et al. (2008) and Baloch et al. (2010). The basic objective of any public organization is that to compensate employees in every possible way. Infact public organizations are launched to create jobs. Pakistan is a country where people come to work to fulfill basic needs not due to their interest. People having degree or expertise in one field and may be working in other field due to different reasons. Therefore compensation is the major entity which affects employee performance.

H2: Table 2 shows that the value of beta for performance evaluation practices is (.227) and significant at .001 level. So the H2 for public sector organizations is true. Findings are supported by Baloch at el (2010). People work for satisfying their needs but also desire that their efforts must be recognized and weighted properly.

Cronbach’s Alpha

Compensation Practices .84
Promotion Practices .79
Performance Evaluation Practices .73
Employee Performance .74

a. Dependent Variable: Employee Performance
H3: The value of beta for promotion practices is (.051) insignificant at .284 level as indicated by the table 2. So the H3 for public sector organization is not supported. These findings are not supported by Shezad et al. (2008) and Baloch et al. (2010). Public sector organizations have formal procedure for promotion practices but certainly followed. Rules, criteria and policies are overlooked. Moreover most appointments and promotions are done politically.

7.2 Regression Coefficients for Private sector

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficientsa</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Unstandardized Coefficients</td>
</tr>
<tr>
<td></td>
<td>B</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>8.422</td>
</tr>
<tr>
<td>Compensation Practices</td>
<td>.500</td>
</tr>
<tr>
<td>Performance Evaluation Practices</td>
<td>.117</td>
</tr>
<tr>
<td>Promotion Practices</td>
<td>-.517</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Employee Performance

H1: Coefficients table indicate that value of beta for compensation practices is (.539) significant at (.000). So the H1 for private sector is also true. Findings are also supported by Shezad et al. (2008), Baloch et al. (2010) and Teseema and Soeters (2006). Population of Pakistan is 18 billion approximately. There is enormous supply of labor both skilled and unskilled in market. Most of the population is living under poverty line. Government jobs and entrepreneurial opportunities are less than required figures. On the other hand, private sector to some extent is bearing the burden of un-employed nation.

H2: Table 3 shows that value of beta for performance evaluation practices is (.089) significant at .003 level. So the H2 for private sector is also true. Findings are supported by Baloch et al. (2010).

H3: The value of beta for promotion practices is (-.175) insignificant at .105 level. So the H3 is also not supported for private sector. These findings are not supported by Shezad et al. (2008) and Baloch et al. (2010). Promotion practices needs special consideration so that this dilemma must be resolved. Not believing on promotion decisions and procedures means employees are not committed to their work and may quit anytime if they get better opportunity.

8. Conclusion and Recommendations
Current situation of Pakistan is very strange. The pace of economic growth is very slow. Recession hampered the economy a lot. In this scenario compensation packages should be revised, so that employees may fulfill their basic needs. Compensation doesn’t only mean salary but there may be different ways to compensate employees. Performance evaluation practices helps to recognize the level of performance performed by employees. Performance appraisals should be devised in such a format that it must have all the elements and aspects. These activities must be done in systematic and synchronized way. Employees should have a
belief that their efforts will be recognized. Criteria and procedures should be made clear to all.

Promotion practices were found to be insignificantly associated with employee performance of both public and private sector organizations. There are certain reasons for it. Mostly promotions are done without following any criteria and merit. Promotional activities are unclear and vague. Results of such type of activities are often kept hidden.

It is in better interest of Pakistan that these three HRM practices must be applied in every section. Employee performance is directly proportional to organizational performance which in turn leads to economic growth. Secondly it’s an ethical and legal duty of employers to compensate employees maximally, to practically evaluate performance and promote the suitable and deserving candidates.

9. Limitations

There are some limitations of the study which are

1. Very little sample size.
2. Lack of sufficient resources so that study could have been done on larger scale.
References

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