

A Study on Performance-Based Pay - A Motivator to Work Rather a Stress Inducer, Remarkably in Chennai City

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A Study on Performance-Based Pay - A Motivator to Work Rather a Stress Inducer, Remarkably in Chennai City

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Abstract:

In this study, I, the author predominantly concentrated on the impact of performance-based wage system on the workers, both in a beneficial aspect and an adverse aspect. The study idea was mooted by the ambient situations of financial difficulties influenced by the wage system in the employer organisations. The study has been conducted in such a diversified manner under which the two crucial financial sides have been covered namely, the job productivity and the home life. Interestingly, the study also focuses on the opinion of students, self-employed and unemployed individuals, in this regard. This study is pioneering in focusing on the problem of study in Chennai, Tamil Nadu.

Keywords: Performance base Pay, Fixed Pay, Wages.

INTRODUCTION

Performance Pay

Performance pay or Variable pay or Performance based wage system is the number of bonuses, incentives, compensations, or cash compensations given to an employee based on the performance and on the accomplishment of specified criteria. Since it is offered to the employees based on their performance, it is also known as performance pay. Performance pay is included as a part of the Cost to Company (CTC) structure and is taxable. It can be made easily understandable with few practical instances.

Reasons behind variable pay offered to the employees: Variable pay is offered to the employees for the following prominent reasons:

- **Retention of Employee-** Employees expect to be recognized for their hard work and dedication. However, since the companies cannot make the changes in the basic pay of the

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employees, they offer variable compensation based on performance. This enables the employers to retain the employees and prevent them from moving their jobs quickly.

- **Appreciation of Employee-** There are situations where the employee exceeds the expectations of the employees. Thus, appreciating the employees for their performance is also necessary. Variable compensation is enabled to appreciate the employees. This also improves the motivation of the employees to meet the organizational goals.
- **Employee morale-** The compensation can boost the employee's morale to meet their financial needs. In addition, by giving incentives/ performance pay, the employees tend to be more productive and enthusiastic about achieving their goals and targets.
- **Encouraging the employees.** - Employees are offered incentives in the form of variable compensation for performing better. It improves the chances of employee retention and encourages them to be dedicated to their organizational goals.

OBJECTIVES

1. To evaluate whether Performance-based wage system (Performance pay system), practically or expectantly, motivates the worker or pressurizes stress, in respect of the job productivity, financially.

2. To evaluate whether Performance-based wage system (Performance pay system), practically or expectantly, motivates the worker or pressurizes stress, in respect of the homelife, financially.

3. To analyse, in what way, the Job productivity is adversely and beneficially affected by the performance pay system.

4. To analyse, in what way, the Homelife is adversely and beneficially affected by the performance pay system.

REVIEW OF LITERATURE

1. **Charles Nwoko & Khashayar Yazdani (2022):** The authors noted that following the **outbreak of the COVID-19 pandemic, governments around the world took several safety measures**, including enforced confinement to check the spread of the disease. These measures had economic, health, and psychosocial implications. On the other hand, the pandemic accelerated remote working and the deployment of technology to support this new way of working as businesses needed to continue functioning. Empirical research on the implication of these measures on the mental health, engagement, and motivation of employees abound in other jurisdictions, whereas it is limited in Nigeria. From a self-determination perspective, this study examines the mediating roles of organizational factors and employee's individual situation (ES) on employee motivation during the pandemic. The study employed a survey research design while descriptive statistics, exploratory factor analysis, and structural equation modelling were used to analyse the data. Remote working intensity (RW) during the pandemic had a significant positive impact on organizational factors. Employee's Individual Situation had a significant positive impact on Employee Motivation (EM). The study concludes that as good as remote working may seem, the enforced confinement led to increased stress levels, more mental health challenges, and lower motivation. The moderation role of basic psychological needs satisfaction was confirmed. The findings showed that employees who could influence their work schedule were more motivated. Higher levels of support from employers that enabled individuals to achieve desired results amidst the uncertainties created by the pandemic were also associated with better levels of motivation. Employees in organizations that found

innovative ways for social connection and had regular check-ins by managers were more engaged and motivated because employers' support was found to be empowering, produced better psychological health, and helped employees feel self-determined. Even though the study shows the association between remote working, basic psychological needs satisfaction, and employee motivation, how motivation level changes after some point or the degree to which it would change in the post-pandemic era remains unclear and should be an area for further study since motivation is not a unitary phenomenon.

2. **Deddy Hardiyanto and Hidajat Hendarsjah (2021):** In this study, the author examined the effect of pay level satisfaction on individual work performance moderated by person–environment fits, namely person–job fit, person–organisation fit, and person–group fit. This study used a survey questionnaire of 297 conductors of PT Kereta Api Indonesia Persero. The study results show that pay level satisfaction has a positive and significant association with individual work performance. In contrast, person–environment fit does not affect individual work performance, as the unsupported analysis results evidence. This article concludes with directions for future research on the relationships among pay level satisfaction, person–environment fit, and individual work performance and their various implications for management practice.
3. **Methodology:** In the study, primary data was collected through online questionnaire from 100 respondents of various classes in Chennai city, Tamil Nadu, the data collected was analysed through the statistical tools namely Chi-square test, Annova, Correlation for fulfilment of the objective of the study.

PROBLEM OF THE STUDY

Performance based pay systems can encourage employees and increase productivity, but utilising performance as the foundation for pay also have its drawbacks. They include focusing an employee's efforts on tasks that are evaluated and rewarded, encouraging quantity over quality, unhealthful competition, and a decline in motivation for those classified as middle or low achievers. A PRP system can also discriminate against members of disadvantaged groups, raising the possibility of pay disparities between men and women. The Problem of the study is how the working-class people preferring their remuneration system would be, and the how the present and future job seekers, opine on the concern system of remuneration, whether fixed pay or on the basis of performance. The study is conducted by undertaking the problems primarily in Chennai, Tamil Nadu. As the research been undertaken on a diversified class of people (Employed, Self-employed, Unemployed and Students (on preference basis)), the study also focuses on what are all the adversities sufferable and benefits enjoyable by such people.

ANALYSIS AND INTERPRETATION

People having PBP and preferring PBP	17
People having FP and preferring FP	32
People having PBP and preferring FP	4
People having FP and preferring PBP	6
Total employed people	59

ANOVA 1

- ❖ Alternative hypothesis H1: The mean value of all the individuals, in respect of their pay system, experiencing the same adversities.
- ❖ Null hypothesis H0: The mean value of all the individuals, in respect of their pay system, not experiencing the same adversities.

In what way below, you think, performance-based pay system adversely affects (or would affect) your job productivity?		Sum of Squares	df	Mean Square	F	Sig.
Even efficient performance earns less.	Between Groups	10.153	2	5.077	7.128	.001
	Within Groups	72.647	102	.712		
	Total	82.800	104			
Productivity consumes long duration, thereby cannot perform to earn sufficiently.	Between Groups	.856	2	.428	.542	.583
	Within Groups	80.535	102	.790		
	Total	81.390	104			
No income on holidays, hits finance badly.	Between Groups	1.881	2	.941	1.169	.315
	Within Groups	82.081	102	.805		
	Total	83.962	104			
No work life benefits (retirement benefits) such as PF, GF, ESI, etc. provided.	Between Groups	.879	2	.440	.431	.651
	Within Groups	104.111	102	1.021		
	Total	104.990	104			
Salaried staffs only given priority.	Between Groups	1.434	2	.717	.589	.557
	Within Groups	124.128	102	1.217		
	Total	125.562	104			
Need to be employed for life long.	Between Groups	.440	2	.220	.182	.834
	Within Groups	122.951	102	1.205		
	Total	123.390	104			

Interpretation

- There is significant difference among individuals experiencing the adversity that even efficient performance earns less income.
- There is no significant difference among individuals experiencing the adversity that productivity consumes long duration, thereby cannot perform to earn sufficiently.
- There is no significant difference among individuals experiencing the adversity that no income on holidays, hits finance badly.
- There is no significant difference among individuals experiencing the adversity that no work life benefits (retirement benefits) such as PF, GF, ESI, etc. provided.
- There is no significant difference among individuals experiencing the adversity that salaried staffs only given priority.

- There is no significant difference among individuals experiencing the adversity that need to be employed for life long.

Karl Pearson's Correlation

- ❖ Alternative hypothesis H1: There is significant relationship between the adversities faced by the individuals and their preferred remuneration system.
- ❖ Null hypothesis H0: There is no significant relationship between the adversities faced by the individuals and their preferred remuneration system.

In what way below, you think, performance-based pay system adversely affects (or would affect) your homelife?		How do you prefer your remuneration system would be?	Income not available for savings.	Income not available for purchasing home appliances, etc.	Frequent blockage of income.	Need for seeking another or additional job.
How do you prefer your remuneration system would be?	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	105				
Income not available for savings.	Pearson Correlation	.048	1			
	Sig. (2-tailed)	.629				
	N	105	105			
Income not available for purchasing home appliances, etc.	Pearson Correlation	.047	.428**	1		
	Sig. (2-tailed)	.634	.121			
	N	105	105	105		
Frequent blockage of income.	Pearson Correlation	-.001	.355**	.343**	1	
	Sig. (2-tailed)	.993	.001	.241		
	N	105	105	105	105	
Need for seeking another or additional job.	Pearson Correlation	.106	.321**	.357**	.532**	1
	Sig. (2-tailed)	.281	.001	<.001	.601	
	N	105	105	105	105	105
**. Correlation is significant at the 0.01 level (2-tailed).						

Interpretation

- There is significant relationship among the individuals between their preferred system of pay and the adversity that income not available for savings.
- There is significant relationship among the individuals between their preferred system of pay and the adversity that income not available for purchasing home appliances, etc.
- There is significant relationship among the individuals between their preferred system of pay and the adversity that frequent blockage of income.
- There is significant relationship among the individuals between their preferred system of pay and the adversity that need for seeking another or additional job.

Crosstabs

- ❖ Alternative hypothesis H1: The educational qualification is associated with the inducement of stress by the adversities due to performance-based pay system.
- ❖ Null hypothesis H0: The educational qualification is not associated with the inducement of stress by the adversities due to performance-based pay system.

Case Processing Summary						
Your Education Qualification * How far the adversity of performance-pay (if any), you think, induces (or would induce) stress in you?	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
	105	100.0%	0	0.0%	105	100.0%

Your Education Qualification * How far the adversity of performance-pay (if any), you think, induces (or would induce) stress in you? Crosstabulation

Count		How far the adversity of performance-pay (if any), you think, induces (or would induce) stress in you?					Total
		1	2	3	4	5	
Your Education Qualification	1	18	26	13	2	1	60
	2	0	5	5	1	0	11
	3	0	1	0	0	0	1
	4	5	6	6	1	0	18
	5	0	1	0	0	0	1
	6	2	2	1	0	0	5
	7	0	2	1	1	0	4
	8	0	2	2	1	0	5
Total		25	45	28	6	1	105

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	18.493 ^a	28	.913
Likelihood Ratio	22.360	28	.764
Linear-by-Linear Association	2.429	1	.119
N of Valid Cases	105		
a. 36 cells (90.0%) have expected count less than 5. The minimum expected count is .01.			

Interpretation

The educational qualification is associated with the inducement of stress by the adversities due to performance-based pay system

FINDINGS

- Majority of the people are preferring to have fixed remuneration to have remuneration based on performance. The voting given in this respect is almost 64% of the total and the preferential voting towards the remuneration based on performance, also significantly higher, which is remaining 36%.
- Majority of the people who are employed are having fixed remuneration to have remuneration based on performance, which is almost 64% of the total. This implies that they are enjoying the fixed incomes such as salary, Provident Fund, Gratuity Fund, Employee State Insurance, allowances, and perquisites. On the other hand, the remaining 36% of the individuals are get paid for the performance the done or the productivity the employer acquired.
- People having fixed pay (FP) system and preferring fixed pay (FP) system are substantially higher compared to other categories, nevertheless the people having performance-based pay (PBP) system and preferring performance based (PBP) system are also considerably high, however, people having FP system and preferring PBP system are of 10% and people having PBP system and preferring FP system are of 7% which are also significantly considerable.
- There is, in overall, all the individuals are suffering same level adversities prevailing in PBP and the enjoying same level benefits prevailing in PBP

SUGGESTIONS

As the research is substantially conducted in Chennai City, Tamil Nadu, the study is substantially confined geographically. As the study has been conducted for the academic purpose by the students pursuing undergraduate, at the time of conducting the research, the scope of the research has been paved way for conducting the research more systematically and objectively.

CONCLUSION

The educational qualification is associated with the inducement of stress by the adversities due to performance-based pay system. In an overall basis, there is significant relationship among the individuals considering that, in homelife there are adversities or benefits in performance pay system, financially. In an overall basis, there is significant relationship among the individuals considering that, in job productivity there are adversities or benefits in performance pay system, financially.

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