

Salary Satisfaction as an Antecedent of Job Satisfaction: Development of a Regression Model to Determine the Linearity between Salary Satisfaction and Job Satisfaction in a Public and a Private Organization

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Abstract

Despite an increasing number of studies on salary satisfaction, no unifying work is focused on the measurement of degree of difference in salary satisfaction in a public sector organization and a private sector organization in Indian context. Salary satisfaction decreases job satisfaction, motivation, performance, and increases absenteeism, turnover intentions. We hypothesized that there is a significant difference in the degree of salary satisfaction in public sector and private sector organization. Data were collected from 250 employees consisting of managerial and non-managerial staff from both public sector and private sector organizations. The results showed that employees in public sector organization have greater degree of salary satisfaction in comparison to private sector employees. In addition job satisfaction increases or decreases with increase or decrease in salary satisfaction. The purpose of this study is to invoke salary satisfaction in private sector organization. Obtained results were in the line of the hypotheses. In terms of salary satisfaction; a significant difference is noticed between public sector and private sector organization. As expected, public sector employees have exhibited higher degree of salary satisfaction as compared to private sector employees. Most importantly, salary satisfaction is being proven as the catalyst for enhancing job satisfaction level of employees.

Keywords: Job Satisfaction, Turnover Intentions, Motivation, Job Security, Team-work and Co-operation

1. Introduction

Salary is a form of periodic payment from an employer to an employee, which is specified in an employment contract. It is contrasted with piece wages, where each job, hour or other unit is paid separately, rather than on a periodic basis. From the point of view of running a business, salary Satisfaction can also be viewed as the cost of acquiring human resources for running operations, and is then termed personnel expense or salary expense. In accounting, salaries are recorded in payroll

accounts. Pay has been considered an important reward to motivate the behavior of employees (Taylor and Vest, 1992). All other behavioral factors are important for enhancing job satisfaction of employees but satisfaction from pay is must. Katzell (1964) stated that pay satisfaction depends on the difference between perceived pay and the amount of pay a person feels should be received.

Salary satisfaction is a much narrower construct than job satisfaction. However, pay satisfaction is also an important variable that is linked to some rather significant organizational outcomes. For example, some evidence suggests that dissatisfaction with pay may lead to decreased job satisfaction, decreased motivation and performance, increased absenteeism and turnover intentions, and more pay-related grievances and lawsuits. Pay satisfaction has been shown to influence overall job satisfaction, motivation and performance, absenteeism and turnover intentions, and may be related to pay-related grievances and lawsuits (Cable and Judge, 1994).

Positive impact of income satisfaction on job satisfaction can be viewed in every walk of life. Sweet et al., (2005) stated that the Job satisfaction has little relationship to income and is comparable across most variables e.g., work setting, professional identity, amount of forensic activity, whereas income satisfaction has a stronger relationship to actual income, at least at the higher income levels. They also found that the correlation between job satisfaction and income satisfaction is high, whereas job satisfaction is not correlated with years in practice.

2. Literature Review

The traditional thinking of not relating money with the happiness is diminishing. In fact, these days materialism is an important factor of motivating individuals. Cummins (2000) has argued that despite the conventional wisdom that “money has little relevance to happiness,” data support a different position—wealth provides external resources that buffer individuals against the effects of negative events. With a different, but not necessarily incompatible perspective, Diener and Seligman (2004) reviewed the relevant literature and concluded that as a society gathers wealth, “differences in well being are less frequently due to income, and are more frequently due to factors such as social relationships and enjoyment at work.”

It has been observed that stability in income in terms of getting monthly income is much desired by the employees as compared to incentive based pay packages which are variable in nature. Diener and Seligman (2004) also stated that with the much lower income, job satisfaction and income satisfaction are actually slightly higher. During the exploration stage, salespeople compensated via mostly fixed salary display higher levels of job satisfaction and lower turnover intentions than their counterparts who are paid via mostly incentive pay. During the establishment stage, salespeople compensated via mostly incentive pay display higher levels of job satisfaction and lower turnover intentions than their counterparts who are paid via mostly fixed salary.

In the broader sense it can be understood that pay satisfaction and job satisfaction are complementary to each other. Berkowitz et al., (1987) stated that some job satisfaction measures include pay satisfaction (usually pay level satisfaction) as a dimension, we control for job satisfaction using a global measure which taps the extent to which participants like their job and the organization. Berkowitz et al.'s (1987) also suggested that job satisfaction may influence pay satisfaction containing actual salary Satisfaction level and job satisfaction significantly increased explained variance for each dimension of pay satisfaction

Apart from affectivity (positive or negative) satisfaction related to pay can be better explained in the light of individual's thinking style. Way of thinking seems to be an important aspect of employee related to pay satisfaction. Patchen (1961) found that refinery workers who chose to compare themselves to others thought to be making more money than themselves were more dissatisfied with their salaries than the workers who compared themselves to others making the same or less money. Andrews and Henry (1963) found that people who expect higher monetary rewards in the future are less satisfied with their present pay. In addition, Lawler and Porter (1967) found that satisfaction with

pay seems to be more a function of where an individual currently slots himself on pay, relative to where he feels he should be, than of his absolute pay level.

Frey and Jegen, (2001), have, nonetheless, not been mirrored in the empirical evidence reported by economists. For example, Lazear (2000) shows significant positive effects of incentive pay on productivity (in the range of a 44-percent gain) in his unique dataset of a firm (Safelite Glass Co.) that underwent changes in its compensation practices. Nevertheless, it may be that economists have identified the short run benefits of incentives, and any long run negative effects on motivation and job satisfaction (JS) postulated by psychologists have yet to be witnessed in the data. Judge et al. (2001) found if job utility depends on both the level of pay and on pay relative to some reference point or aspiration level, it is clear that incentive pay could significantly affect job satisfaction through both of these routes. Attitudes about work are shaped from the rewards produced by performance, which are valued outcomes in themselves.

2.1. Salary Satisfaction: An Exploration through Literature

Following is the list of factors which ultimately determines pay satisfaction level of employees in organization:

Pay is important but the perception of individual about pay is more important. People with positive mind set seems to be much satisfied with pay as compared to people with negative affectivity. George (1992) argued that both positive affectivity and negative affectivity are primary determinants of job satisfaction. But people high on negative affectivity are anxious and nervous (feelings that may describe a neurotic personality), but that does not imply across-the-board dissatisfaction. High-negative affectivity individuals may be dissatisfied with aspects of their jobs, but that does not necessarily mean that they would be more dissatisfied with their pay.

Organization ownership is also an important factor in determining of pay satisfaction of employees. Solomon (1986) suggested that public sector managers experience lower levels of job and pay satisfaction. Low performance may be a result of low levels of satisfaction with pay.

A pay incentive scheme is a distinct dimension of pay satisfaction. In recent years, there has been an increasing trend for public and private organizations to implement more creative forms of pay incentive schemes such as group incentives, and profit sharing schemes. Lawler (1995) also reported that incentive plans that used different distribution rules would affect different dimensions of pay satisfaction. Thus, it is expected that distributive justice will affect satisfaction with incentive plans. Carraher's (1991) work on dimensionality of pay satisfaction suggests that pay incentives affect pay satisfaction.

For generating pay satisfaction organizations have to promote a policy of perception of pay-for-performance. Perception of pay-for-performance is a positive influence on pay satisfaction. Bordia and Blau (1998) observed, perceived relationships between pay and performance account for more variances in pay raise satisfaction than all the demographic variables put together. Thus, establishing a pay-for-performance compensation system may be the most effective way to promote pay level satisfaction. According to Clark and Oswald (1996), the receipt of performance-based rewards, including pay increases and bonuses, positively affected pay-system reactions. Consequently, they suggested that "establishing a pay-for-performance compensation system may be the most effective way to promote pay satisfaction". As predicted by Lawler (1971), monthly salary Satisfaction and pay satisfaction covary in a positive direction. The relationship between performance and pay satisfaction is also significant. Perceived performance, perceptions regarding supervision, advancement opportunity, and the company's benefit package, and both external and internal pay equity, were related to pay satisfaction in the direction predicted by Lawler's model.

In every society men are more demanding for pay as compared to their women colleagues. A significant relationship between sex and pay satisfaction is examined by many behavioral scientist. Even after controlling for salary Satisfaction and other important variables, females tended to display greater pay satisfaction than their male counterparts. This is consistent with the review of sex

differences in job satisfaction presented by Sauser and York (1978). Dreher (1981) suggested that without the inclusion of a variety of employee perceptions, only a small proportion of pay satisfaction can be accounted for, with salary Satisfaction and sex representing the primary objective predictors.

Perceived distributive justice is positively related to satisfaction with incentive schemes. Distributive justice is one of the perceptual variables that have been found to be a strong predictor of pay satisfaction (Fong and Shaffer, 2001). Perceived procedural justice is a positive dimension of pay satisfaction. Distributive justice and procedural justice were also found to be determinants of pay raise/administration satisfaction. Again, this is also in line with other research findings (Munro and Sugden, 2003). McFarlin and Sweeney (1992) found that distributive justice was a more important predictor of pay level satisfaction than procedural justice. Scarpello and Jones (1996) found that perceived fairness of pay determination procedures was the strongest predictor of pay satisfaction among four sets of pay procedures (pay determination, performance appraisal, communication and appeal). Perceived interactional justice is a positive influence on pay satisfaction and satisfaction with incentive schemes.

Flaherty and Pappas (2002) found that employees in exploration report higher satisfaction and lower turnover intentions when paid a fixed salary Satisfaction, whereas salespeople in establishment report higher satisfaction and lower turnover intentions when given incentives. Further, during the establishment stage, salespeople employed by firms pursuing a prospector or analyzer strategy indicate higher satisfaction and lower turnover intentions than those employed by defender firms. Flaherty and Pappas (2002) also explained that during the exploration stage, salespeople compensated via mostly fixed salary Satisfaction display higher levels of job satisfaction and lower turnover intentions than their counterparts who are paid via mostly incentive pay.

Pay satisfaction also depends on employee's feeling about job security. Security seekers are more satisfied from job than pay increase seekers. Kathawala et al., (1990) showed a preference for increased salary satisfaction over increase in job security. Respondents who preferred a salary satisfaction increase demonstrated a less satisfied attitude with current salary Satisfaction and overall satisfaction with the job. Those preferring increased security ranked security higher than salary satisfaction as a satisfier, but not as a motivator. Those preferring a salary increase ranked compensation higher than job security as a motivator and a satisfier.

A good compensation packages seems to be worst if working condition are not hygienic. So, with pay a firm has to provide healthy working conditions. Bockerman and Ilmakunnas (2006) found that adverse working conditions have a very minor role in the determination of individual wages. In contrast, adverse working conditions substantially decrease the level of job satisfaction and the perception of fairness of pay at the workplace. This evidence speaks against the existence of compensating wage differentials, but is consistent with the view that the Finnish labour market functions in a non-competitive fashion.

2.2. Salary Satisfaction as an Antecedent of Job Satisfaction

Link of education with pay satisfaction is explored by many scholars. According to Ganguli (1957) the dynamics involved in the relationship between education and salary satisfaction are probably at work in many other areas of satisfaction. Satisfaction with pay may bear a lawful relationship to demographic data and as such can be predicted from, and perhaps determined by, organization policy. Higher paid managers and higher level managers appear to be better satisfied with their pay. Andrews and Henry (1963), for instance, have found that higher education seems to be associated with lower satisfaction with pay. It has also been shown that management level and amount of pay are correlated with managers' satisfaction with their pay (Andrews and Henry, 1963). Klein and Maher (1966) state, "The first-level managers in the study who have had higher education are less satisfied with their pay. Klein and Maher (1966) found that the college educated employee will indicate more negative feelings about his salary satisfaction than the non-college educated employee. Their rationale is based on the notion that having a college education enhances one's self-evaluation and thereby leads to higher

expectations with regard to salary satisfaction opportunities. This, in turn, would lead to greater salary satisfaction dissatisfaction".

Few behavioral scholars explored the relationship of age and seniority with pay satisfaction. It has been observed that age and seniority are significantly related with pay satisfaction. Lawler and Porter (1963) found that Line/staff type of position, seniority, time in position, organization size, and age bore low but statistically significant relationships to pay. Age and seniority are also good predictors of actual pay. Age and seniority do lead to better job performance, and thus the correlations found between age and pay and seniority and pay may be reflecting the fact that organizations are paying for merit. Actual pay was the only demographic variable that was found to be even modestly related to satisfaction with pay (Lawler and Porter, 1966).

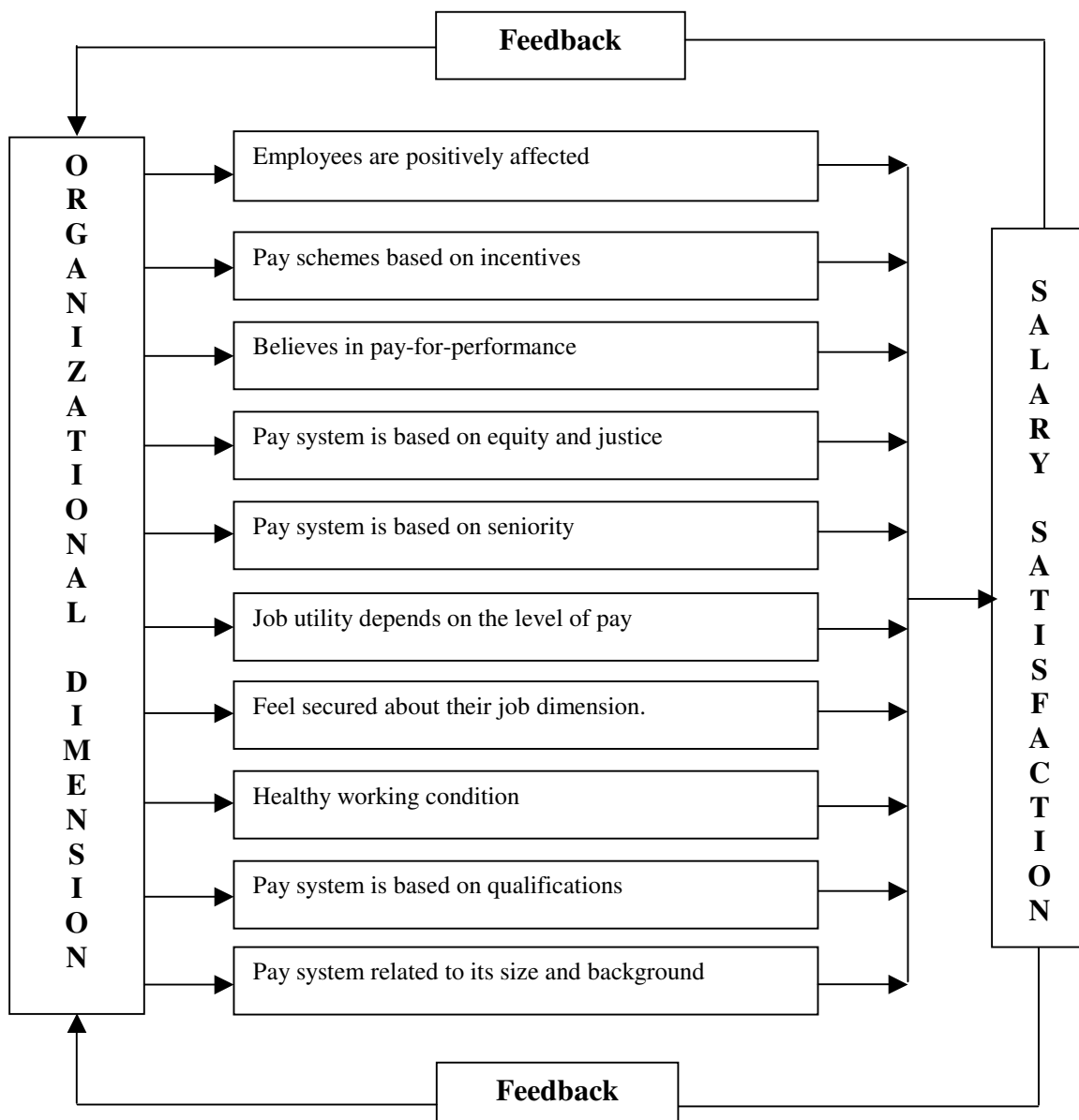
McCausland et al., (2005) found that while the predicted job satisfaction of workers receiving performance related pay is lower on average compared to those on other pay schemes, performance related pay exerts a positive effect on the mean job satisfaction of (very) high-paid workers. A potential explanation for this pattern could be that for lower-paid employee's performance related pay is perceived to be controlling, whereas higher-paid workers derive a utility benefit from what they view as supportive reward schemes. Holmstrom (1979) were among the first to demonstrate the theoretical dominance of performance-related pay (PRP) over alternative reward systems when monitoring effort is costly and imperfect. Pouliakas and Theodossiou (2004) who show that a significant difference in the job satisfaction of performance related pay and non- performance related pay workers exists, once one corrects for the simultaneous relationship between job satisfaction, incentives and wages.

Future anticipated salaries as a potentially positive referent that generalizes to an evaluation of their current pay. Andrews and Henry, (1963) found that those who perceive better opportunities to make more money in the future on their present job are also relatively satisfied with their present pay position both with internal comparisons and external comparisons. It appears that, with our population, satisfaction with pay is partially determined by future prospects on the same job even though the pay satisfaction items are phrased to tap current satisfactions.

Workers enjoying high wages are, instead, more likely to perceive incentive rewards as supportive. "In terms of Maslow's (1943) hierarchy of needs, excess income can aid in the satisfaction of esteem needs because high income implies high competence and overall personal worth. So, even when satisfaction of basic physiological and security needs is not an issue, some people will value high income as a marker of competence and personal worth" (Malka and Chatman, 2003). Performance pay is criticized because it is difficult to measure objectively, that it can encourage people to focus too narrowly, that it can undermine intrinsic interest, that financial rewards only work for some people, that it is detrimental to team-work and co-operation and that overall pay costs can increase faster if not strongly controlled (Armstrong and Murlis, 1991). Gomez -Mejia and Balkin (1992) asserted that performance pay can be an indispensable tool by management for improving performance, but they stress certain conditions must occur for success. These are the necessity to nurture the belief that performance makes a difference and the requirement to customize the pay scheme to the situation in each organization. Contrary to popular recommendations they also suggest that pay and performance should be coupled loosely, arguing that the tighter the linkage, the more problems are magnified.

The following model is proposed to measure the difference of salary satisfaction in public and private sector taken for present study.

Figure 1: Model of Salary Satisfaction to test the difference between public sector and private sector organization.



3. Methodology

Present study is conducted using a theoretical model to measure salary satisfaction. Methodology can be broadly explained by understanding theoretical model, framing hypotheses; sample and sample profile; tool and design of the study. A detailed description of all these are as follows:

3.1. Theoretical Model of Salary Satisfaction

For conducting any research it is very important to conceptualize the thought. For the present study, a model of salary satisfaction is developed. On the basis of extensive literature survey researchers have identified 10 variables which are having straight impact on salary satisfaction. Literature clearly reveals that these 10 variables are antecedents of salary satisfaction. Figure-1 exhibits this proposed model of measuring salary satisfaction. For measuring the salary satisfaction difference between public sector and private sector organization, z-test is applied.

3.2. Research Question and Hypotheses

In the light of existing literature, the following research questions are framed:

1. There exist a different degree of salary satisfaction in public and private sector organization.
2. Salary satisfaction enhances the job satisfaction level in both public and private sector organizations.

Difference in salary satisfaction is measured through measuring the summated difference in public and private sector organization. For measuring the statistical significant difference, main hypothesis is constructed. In addition to this, one hypothesis is constructed to measure the linear impact of salary satisfaction on job satisfaction level of public sector employees. Similarly, one hypothesis is also constructed to measure the linear impact of salary satisfaction on job satisfaction level of public sector employees. These three hypotheses are as follows:

- H₁: There is a significant difference in the degree of salary satisfaction of employees in public sector and private sector organization.
- H₂: Salary satisfaction has significant linear impact on job satisfaction of employees in public sector.
- H₃: Salary satisfaction has significant linear impact on job satisfaction of employees in private sector.

3.3. Sample

Subject of the present study are selected from managerial and non-managerial staff of one public sector and one private sector organization. For sampling, simple random sampling is used. Managerial and non managerial staffs are taken as probable respondents. More specifically, workers are not included in the sample. Samples are selected from all the departments of the respective organizations like production, finance, personnel etc. In nutshell, for sampling a particular department is avoided, rather it is a representation of all the departments.

3.4. Sample Profile

Subjects of the present study are selected from the category of managers and official staff of the organizations, taken for the present study. Total 250 subjects are randomly selected from each organization and were given same questionnaire, in which, respondents indicated their opinion about organizational dimensions (questions related to salary satisfaction) in both the organizations (i.e. public sector organization and private sector organization).

3.5. Tool

It has already been discussed that the present study is focused on the measurement of degree of difference in salary satisfaction of a public sector organization and a private sector organization. Salary satisfaction is measured through ten independent variables. These ten variables are collected through literature. Each variable is measured using a five point rating scale ranging from 'strongly disagree' to 'strongly agree' with 'neither agree nor disagree' as the middle point. Internal consistency of the scale is checked and Cronbach's alpha is found to be 0.81. Based on the literature, each question in the questionnaire is constructed (see Appendix).

For checking validity of the scale we applied content validity technique. We systematically evaluated how well the content of a scale represents the measurement test at hand. Due to the subjective nature of this technique we also used a more sophisticated technique referred to as criterion validity.

3.6. Design

For measuring the difference between means of two organizations, z-test for two populations is

employed. In addition, for measuring the linear impact of salary satisfaction on job satisfaction of employees in public and private sector, simple regression technique is employed.

4. Analysis and Results

Data analysis is done using MS Excel software. Analysis is done using three steps: z-test for comparing means; measuring linear impact of salary satisfaction on job satisfaction for public sector organization and measuring linear impact of salary satisfaction on job satisfaction for private sector organization. Z-test result and regression results are presented from table-1 to table-3. Following section focuses on these 3 tables and their statistical interpretation:

Table 1: z-Test: for comparing two means (Salary Satisfaction)

	<i>Salary Satisfaction (Public sector)</i>	<i>Salary Satisfaction (Private sector)</i>
Mean	38.7	21.69
Known Variance	18.29	9.70
Observations	250	250
Hypothesized Mean Difference	0	
z	50.83	
P(Z<=z) two-tail	0	
z Critical two-tail	1.96	

For comparing means of salary satisfaction in public sector and private sector organization z-test is applied. Calculated z value is coming as **50.83** which lies in the rejection region (at 5% level of significance). This is an indication of rejection of null hypothesis and acceptance of alternative hypothesis. Hence, null hypothesis of no difference is rejected and alternative hypothesis of significant difference is accepted. Hence, it can be concluded that there is a significant difference between salary satisfaction of employees in public sector and private sector organization (at 95% confidence level). Sample result and corresponding *p – value* as exhibited in table 1 clearly explains that in public sector organization employees are much satisfied from their salary (mean=38.7) as compared to private sector organization (mean=21.69).

Table 2: Regression Results between Job Satisfaction (Public Sector) and Salary Satisfaction (Public Sector)

Table 2 (a): Regression Statistics for Job Satisfaction and Salary Satisfaction in Public Sector organization

<i>Regression Statistics</i>	
Multiple R	0.956
R Square	0.915
Adjusted R Square	0.915
Standard Error	0.464
Observations	250

Table 2 (b): ANOVA table for Job Satisfaction and Salary Satisfaction in Public Sector organization

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	580.68	580.68	2696.32	0.00
Residual	248	53.41	0.21		
Total	249	634.1			

Table 2 (c): *t – value* and *p – value* for the regression result between Job Satisfaction and Salary Satisfaction in Public Sector organization

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	-10.97	0.29	-36.73	0.0000
Salary Satisfaction	0.40	0.0077	51.93	0.0000

Table 2 (a) shows regression statistics for job satisfaction level and salary satisfaction in public sector organization. R^2 value is coming as 91.5% which is an indication of strong predictor model. Standard error is relatively low. Table 2 (b) shows that F-value is significant which exhibits overall significance of regression model. Table 2 (c) exhibits *t – value* and *p – value* for testing the slope of the regression model. Significant *p – value* corresponding to *t – value* is an indication of linear relationship between dependent (job satisfaction) and independent variable (salary satisfaction).

Table 3: Regression Results between Job Satisfaction (Private Sector) and Salary Satisfaction (Private Sector)

Table 3 (a): Regression Statistics for Job Satisfaction and Salary Satisfaction in Private Sector organization

<i>Regression Statistics</i>	
Multiple R	0.960
R Square	0.923
Adjusted R Square	0.923
Standard Error	0.373
Observations	250

Table 3 (b): ANOVA table for Job Satisfaction and Salary Satisfaction in Private Sector organization

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	417.22	417.22	2988.062	0.0000
Residual	248	34.62	0.13		
Total	249	451.85			

Table 3 (c): *t – value* and *p – value* for the regression result between Job Satisfaction and Salary Satisfaction in Private Sector organization

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	-8.16	0.2060	-39.63	0.0000
Salary Satisfaction	0.49	0.0089	54.67	0.0000

Table 3 (a) exhibits regression statistics for job satisfaction level and Salary Satisfaction in private sector organization. R^2 value is coming as 92.3% which is an indication of strong predictor model. Standard error is relatively low. Table 3 (b) shows that F-value is significant which exhibits overall significance of regression model. Table 3 (c) exhibits *t – value* and *p – value* for testing the slope of the regression model. Significant *p – value* corresponding to *t – value* is an indication of linear relationship between dependent (job satisfaction) and independent variable (salary satisfaction).

5. Discussion and Conclusion

It is clearly evident from Table 1 that salary satisfaction score is high for public sector organization as compared to private sector organization. As a matter of surprise, salary satisfaction is found to be significant higher among the employees of private sector organization. This issue is little debatable. It

seems that employees unknowingly link salary satisfaction with job security. The reason again can be explained by the conventional thinking of Indian employees. In Indian mythology ‘satisfaction’ is considered as highest source of happiness. Similar result is observed in the present study. Though ‘salary structure’ was higher in private sector organization but it was perceived lower due to the factors like un-stability and insecurity of job. Relatively secured status of job (perceived) has provided much ‘salary satisfaction’ to employees of public sector organization irrespective of the fact that their salary is lower than the salary of private sector organization employees. Cacioppe and Mock (1984) indicated that private sector managers place greater value on economic rewards than public sector managers, while public sector managers are more job security oriented. Schuster (1974); Barton, Waldron and Winter (1978) also concluded in their studies that managers in public organizations value job security more than their counterparts employed by the private industries. Both the studies clearly indicate that public sector employees give much weightage to job security. So, higher score for public sector employees is not a role indication of ‘satisfaction from salary’ rather this uncovers a psychological feeling of Indian employees which is straightly related to job security feeling of employees. After liberalization, privatization and globalization environment, this traditional thinking of job security seems to be limiting but presently not completely eliminated from the minds of Indian employees.

Table 2 (a), 2 (b), 2 (c) and Table 3 (a), 3 (b), 3 (c) exhibits the result of regression (linear) between job satisfaction and salary satisfaction for public sector organization and private sector organization respectively. Regression result to examine the significant linear impact of ‘salary satisfaction’ on job satisfaction is found to be significant for both public and private sector organization. No doubt, employees of both the organization give equal importance to ‘salary satisfaction’. Hence, like other factors taken in the study, ‘salary satisfaction’ is an important prerequisite of providing job satisfaction.

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Appendix

Salary Satisfaction- (i) In my organization, employees are positively affected; (ii) In my organization, employees generally get pay schemes based on incentives; (iii) In my organization, employees and management believes in pay-for-performance system; (iv) In my organization, pay system is based on equity and justice; (v) In my organization, pay system is based on seniority; (vi) In my organization, job utility depends on the level of pay; (vii) In my organization, employees generally feel secured about their job dimension; (viii) My organization provides a healthy working condition; (ix) In my organization, pay system is based on qualifications and (x) Company provides a pay system related to its size and background.