

## Pay Practices and Employee Satisfaction: A Study of Defence PSUs in India.

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**Abstract:** The purpose of this study is to analyse the impact of Pay practices on the Employee Attrition in Defence PSUs in India. Pay Practices are most important aspect of employee attrition in government or private organisation. Private Sector participation in the Defence Industry of India is the major reason behind this research issue of employee attrition. This entry of the private companies to Defence Sector has become a kind of a challenge for Public Sector Undertakings (PSUs) and the DPSUs are very much concerned about retaining the employees and minimising attrition. The present research focused on the pay practices and its impact on employee attrition rate and employees satisfaction. This research issue has been addressed from two perspectives of Junior / Middle Level Executives and Senior Level Executives. A comparative research on the pay practices and its association with attrition in DPSUs was conducted. Chi square analysis was performed to ascertain the association and check the hypotheses.

**Keywords:** Pay practices, Attrition, Employee Satisfaction, DPSUs.

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### I. Introduction

#### 1.1. Overview

The Department of Defence Production in India was established in 1962, to create a self-reliant and self-sufficient native defence production base. Presently, 39 Ordnance Factories and 8 Defence Public Sector Undertakings (DPSUs) are engaged in the task of manufacture of equipment and stores for Defence Services. India maintains an extensive defence industrial base principally owned by the government. India's defence industrial capacity lies in three main classes of enterprises:

- The Ordnance Factories (OF),
- The Defence Public Sector Undertakings (DPSUs), and,
- The Civilian Public and Private Sector manufacturing establishments.

The main organizations under the Department of Defence Production are as follows:

- Ordnance Factory Board (OFB)
- Hindustan Aeronautics Limited (HAL)
- Bharat Electronics Limited (BEL)
- Bharat Dynamics Limited (BDL)
- BEML Limited (BEML)
- Mishra Dhatu Nigam Limited (MIDHANI)
- Mazagaon Dock Shipbuilders Limited (MDL)
- Garden Reach Shipbuilders & Engineers Limited (GRSE)
- Goa Shipyard Limited (GSL)
- Hindustan Shipyard Limited (HSL)
- Directorate General of Quality Assurance (DGQA)
- Directorate General of Aeronautical Quality Assurance (DGAQA)
- Directorate of Standardisation (DOS)
- Directorate of Planning & Coordination (Dte. of P&C)
- Defence Exhibition Organisation (DEO), and
- National Institute for Research & Development in Defence Shipbuilding (NIRDESH).

(Source: Dobhal R., et al, 2017)

The government is also trying to promote greater Civil Sector participation in the armament process. The Government has recently allowed Private Sector participation in the defence industry up to 100 per cent and with Foreign Direct Investment permissible upto 49 per cent both subject to licensing, for manufacture of all

types of defence equipment within the country. The FDI beyond 49 per cent will be allowed in state of art defence equipment manufacturing, with technology transfer under Indian control and management. Technically, this means 100% FDI is allowed. This is expected to add to the investment already made in the Public Sector.

The human capital base for defence industrial segment to expand in the proportion desired and anticipated requires severe augmentation. Traditionally, the sources of engineering talent for Defence and Aerospace in India were few and the skills imparted to students were far from required. Over the past few years, there has been a sudden increase in the number of institutions offering specialised engineering degree programmes, however the demand continues to far outstrip the supply. Apart from volume, the quality of Defence and Aerospace engineering talent from institutions has to be upgraded significantly, which is not happening unfortunately.

The entry of private companies will end PSU monopoly and bring in both positive and not some negative impacts. This besides increasing competition will force to go commercial and response to market discipline. Integration of World Trade Organisations will bring in transparency, reduce procedural difficulties and more disciplined work force. Galloping costs of Govt. intervention will be mitigated by disinvestment. The HR concern is that the sudden turmoil has created a great disturbance in Human resource capital in defence industrial segment and worst hit are defense PSUs. (Source: Dobhal R., et al, 2017)

### **1.2. Justifications and Significance of the Research**

There are limited studies related to this phenomenon of attrition in DPSUs in India. Pay practices are presumed to be the future problem related to the employee attrition. Pay practices in DPSUs have become a major concern for the DPSUs. If this problem is not properly addressed and researched upon right now, government sector will witness switch over of its employees to the private players. There is a need to study more about the perception of the employees regarding the pay practices and expectations of the Junior & Middle Executive Level as well as of Senior Executive Level. This research is useful in understanding perception of Junior & Middle Executive Level and Senior Executive Level towards the ongoing pay practices. Concerned stakeholders may use the findings and the results of this research to further research upon on this topic or modify their present employee retention strategies in order to reduce the rate of attrition. There is a need to study more about the various factors of pay practices in government and private sector. This research is useful in understanding impact of present pay practices on the employee satisfaction and employee retention.

### **1.3. Research Objective & Null Hypotheses**

Following research hypotheses & research objectives are developed to address the research problem.

**Research Objective-1:** To study the association between Designation Level (Junior / Middle Level Executives and Senior Level Executives) (**dependent variable**) and **Pay Practices** (independent variable) in DPSUs in India.

#### **Null Hypotheses:**

**Null Hypothesis-1 (H<sub>0</sub>):** There is no association between Designation Level-(Junior & Middle Level Executive and Senior Level Executive) (dependent variable) and ‘The incentives such as bonus/profit sharing are an important part of Compensation strategy (independent variable)’.

**Null Hypothesis-2 (H<sub>0</sub>):** There is no association between Designation Level-(Junior & Middle Level Executive and Senior Level Executive) (dependent variable) and ‘Employees seniority and directly linked with salary (independent variable)’.

**Null Hypothesis-3 (H<sub>0</sub>):** There is no association between Designation Level-(Junior & Middle Level Executive and Senior Level Executive) (dependent variable) and ‘Employee attention on long-term (4 or more years) goals with futuristic orientation (independent variable)’.

**Null Hypothesis-4 (H<sub>0</sub>):** There is no association between Designation Level-(Junior & Middle Level Executive and Senior Level Executive) (dependent variable) and ‘To have high performing employees (independent variable)’.

**Null Hypothesis-5 (H<sub>0</sub>):** There is no association between Designation Level-(Junior & Middle Level Executive and Senior Level Executive) (dependent variable) and ‘To have employees who are satisfied with their jobs (independent variable)’.

**Null Hypothesis-6 (H<sub>0</sub>):** There is no association between Designation Level-(Junior & Middle Level Executive and Senior Level Executive) (dependent variable) and ‘Positive contribution for overall organisational

effectiveness (independent variable)'.

## **II. Literature Review**

### **2.1. Attrition**

A reduction in the number of employees through retirement, resignation or death refers to attrition. In the perfect environment of the corporate world, employees are highly motivated to do their jobs, have good relations with others in the organisation, work hard to achieve the organisational goals, get paid well for their work, have great chances for the career growth, and the flexible schedules so they could attend to personal or family needs, as and when, necessary. But then there's the real world in which employees do leave the jobs due to several reasons, that may be justified or may not be. Attrition results in the loss of revenue, unhealthy organisational environment, and it may also encourage others to leave the job for the similar or the other reasons.

Attrition is a phenomenon affecting any business organization in the industry. Over the past few years, organizations have taken an increased interest in aligning their HR practices to their business goals. Managing a highly discerning and independent workforce has thrown up exciting challenges. Attrition is a dynamic that impacts business performance in more ways than the usually perceived Human Resource Development angle. It is an issue which gives rise to questions like organizational health, morale and motivation and leads up to very tangible aspects such as shareholder return and value. Low perceived value stands out as the most significant factor for attrition. Increased dissatisfaction leads to reduced motivation, which in turn results in lowered efficiency. When the efficiency is lowered, employees are not able to deliver their expected output which results in their leaving the job. When employees quit, the perceived value is further lowered.

### **Assessment of reward practices and Effectiveness of pay practices**

**Brown, D., Peter R. (2009)**, in their research project found that there is lack of assessment on the part of organisations and very few organisations have the understanding of the effectiveness of their reward policies, such as:

- Is organisation's pay market positioning right?
- What would happen if organisation moved up to an upper quartile pay line, would it affect organisation's ability to attract and retain?
- Do organisations have the right job evaluation system and number of pay grades?
- What's the return on the cost of organisation's incentive plans?
- What would happen to performance if organisation halved or doubled the incentive opportunities?
- Are the organisations getting any measurable return on the cost of benefits plans?
- How do rewards affect the levels of engagement and performance of employees?

According to **Milsome (2006)**, 'when implementing new reward practices (such as merit pay), organisations often disregard facts and act on ideology and casual benchmarking'. **Martin (2008)** is scathing of 'the big idea' of employer branding, which he claims is based on some highly 'questionable assumptions about human capital and woolly thinking'. Many employers still seem to be pursuing an unmeasured and undifferentiated, low performance/low impact, 'follow-the-herd' reward strategy, engaged in a constant and fruitless search for supposed universal 'best' practice.

### **According to Brown, D., Peter R. (2009), the Barriers to assessment reward practices and effectiveness of Pay Practices are:**

- Barrage of statistics
- Hr manager who may have doubts about some of their reward practices, but lacks the will and resource to investigate them.
- Lack of training and skills in statistics, finance, quantitative and research methods amongst the hr community
- The academic/practitioner divide in hr, which means that many useful studies are hidden away in lengthy, impenetrable academic papers (this one excluded, obviously)
- Sheer laziness if we are not being pushed by others to do it (though hr functions are undoubtedly coming under more pressure to justify their existence).

A study for the UK Department of Health (**Corby et al., 2003**) looked at seven organisations which had introduced new pay structures. The researchers found a complete lack of evidence to indicate whether the stated objectives for the changes had been achieved, but also scepticism amongst the HR managers involved. The researchers believed such was the managers' psychological investment in the changes that they would have had difficulty admitting their goals had not been achieved. A local authority in our IES research also illustrates the importance of a strong and united political consensus in explaining a long term move to more performance-

related and more flexible rewards, although in this case in combination with more attention to the assessment of outcomes, it has resulted in a better evidential base to indicate the beneficial effects for employer and employees of this shift.

**Figure 1: Measures used to evaluate the effectiveness of reward practices (% of respondents)**

Measures used	All	Manufacturing & production	Private sector services	Voluntary sector	Public sector
Turnover rate	82	84	80	81	85
Staff satisfaction	53	54	57	35	52
Appraisal & performance management	47	54	47	51	41
Profit	34	41	47	7	6
Length-of-service distribution	33	33	31	30	39
Vacancy rate	32	24	23	44	57
Workforce composition	32	23	23	40	58
Time taken to fill vacancies	31	30	30	40	32
Customer satisfaction	30	26	38	30	19
Reward budget costs	30	35	33	23	21
Competency / skill level of staff	26	28	31	35	13
Job offer refusal rate	23	20	27	26	17
Measures of staff commitment	21	20	21	23	18
Sales growth	19	23	27	5	4
Productivity per employee	19	27	20	14	9
Economic value added	15	16	20	7	5

*Source: CIPD. n=534*

**Brown, D., Peter R. (2009)**, in their IES research project concluded that it is undoubtedly difficult to assess pay and reward practices in many settings. A wide range of variables and factors, many of them intangible, are generally involved. For example, if you close a Defined Benefit pension scheme you can easily calculate the financial savings. But how do you assess this relative to the demotivation of existing staff and loss of attraction of potential new recruits? Another problem is that you can rarely carry out controlled research studies and ‘experiment’ with different approaches to pay and rewards when people’s livelihood and standards of living may be at stake. It is also difficult to isolate pay practices to assess their effects. The introduction of performance-related pay for example, is generally accompanied by changes in the performance appraisal and measurement process, so defining positive outcomes and what is bringing them about is very difficult. Given these barriers, it is important therefore to define just why the effort of measurement and assessment is worthwhile.

**Brown, D., Peter R. (2009)**, also concluded that there is evidence that measuring and improving the effectiveness of reward practices has major potential benefits for employers in our ever-more knowledge and service-based economy. **Combs et al.’s (2006)** meta-analysis includes 92 studies showing a link between HR practices and organisation performance.

They identify three sets of influential HR practices: those that increase skills; empower employees and improve motivation, and pay and rewards can impact on all three of these areas.

**Thompson (2000)** found that practices that build skills, motivation and ability, including share ownership schemes, broad-bands, competence-based pay, and team rewards were associated with higher organisational performance in the aerospace sector.

In a study of 25 customer service organisations, **Brown and West (2005)** reported links between employee engagement and customer service performance, with employees influenced by reward practices such as variable pay and recognition awards.

**Attrition: Financial Costs and Repercussion**

According to **Yiu L., Saner R. (2014)**, high labour turnover is of particular importance as there are hidden or not so hidden costs involved. The financial impact of attrition is often misinterpreted and under presented. Contrary to the common belief that company’s turnover costs are only incurred through recruiting, selection and training, in reality, other direct and indirect costs are also incurred due to staff turnover. Costs

incurred include expenses due to the employee's departure, expenses due to the replacement, and expenses due to the loss of productive and other related management and administrative expenses. According to **Phillips (2012)**, there are 12 categories of costs related to turnover that need to be taken into account. These include costs for: exit, recruiting, employment, orientation, training, wages and salaries paid while training, lost productivity, quality problems, customer dissatisfaction, loss of expertise/knowledge, management time for turnover and temporary replacement costs. According to one calculation, the costs related to turnover could easily run into 75% of the annual salary of the employee leaving the company in the USA (**Darcy Jacobsen, 2012**). Comparable figure might exist in India when calculating the real costs of the persistent high level attrition rate amongst India's, younger generation employees who are impatient in seeking fast track learning experience and seniority.

## **2.2. Review of the Previous Researches: Reasons of Attrition**

Despite several studies carried out on employee attrition and employee retention, the researchers in the field of strategic human resource management are still investigating the causal mechanisms between HR practices and employee attrition rate and employee retention.

According to **Boswell, Boudreau and Tichy (2005)**, 'the decision of leaving the Organization is not easy for an individual employee as well as significant energy is spent on finding new jobs, adjusting to new situations, giving up known routines and interpersonal connection and is so stressful.' Therefore if timely and proper measures are taken by the Organizations, some of the voluntary turnover in the Organization can be prevented.

The reasons for employee turnover may vary from external environmental factors such as economy that influence the business that in turn affects the employment levels (**Pettman 1975; Mobley, 1982, Schervish, 1983; Terborg and Lee, 1984**) to Organizational variables which are described by **Mobley, 1982; Arthur, (2001)** are as following-

- Type of industry,
- Occupational category,
- Organization size,
- Payment,
- Supervisory level,
- Location,
- Selection process,
- Work environment,
- Work assignments,
- Benefits,
- Promotions

The other factors as explained by **Pettman, (1975); Mobley (1982); Arthur (2001)**, that influence employee turnover in Organizations are the individual work variables such as demographic variables, Integrative variables like-

- Job satisfaction,
- Pay,
- Promotion and
- Working condition

And the individual non-working variables such as family related variables (**Pettman, 1975; Mobley, 1982**).

**Trevor, (2001)**, in his research found that employees who perform better and are intelligent enough have more external employment opportunities available compared to average or poor performance employees and thus they are more likely to leave.

High rates of voluntary turnover of such employees are often found to be harmful or disruptive to firm's performance (**Glebbeck & Bax, 2004**).

When poor performers, choose to leave the Organization, it is good for the Organization (**Abelson & Baysinger, 1984**).

Further voluntary turnover of critical work force is to be differentiated into avoidable and unavoidable turnover (**Barrick & Zimmerman, 2005**).

**Hinkin & Tracey, (2000)**, Estimates of the losses for each employee vary from a few thousand dollars to more than two times the person's salary depending on the industry, the content of the job, the availability of replacements and other factors. In some industries chronic shortage of qualified employees has driven up the

costs of turnover. Therefore the acquisition, development and retention of talent form the basis for developing competitive advantage in many industries and countries (Pfeffer, 1994, 2005).

According to Rappaport, Bancroft, & Okum, (2003), organizations failing to retain high performers will be left with an under staffed, less qualified workforce that ultimately hinders their ability to remain competitive.

Three studies incorporated attitudinal and/or behavioural changes over time to better predict turnover. Sturman and Trevor (2001) found that quitters' performance over time did not significantly change while stays' performance slope was positive. Demographic factors cannot be ignored as age, tenure, level of education, level of income, job category, gender have influenced employee retention and have been found to have stable relationship with turnover intention. Of the above demographic factors, age, tenure and income level was found to be negatively related to turnover intention (Arnold & Feldman, 1982; Cotton & Tuttle, 1986; Gerhart, 1990; Mobley et. al, 1979; Price & Mueller, 1986; Wai & Robinson, 1998; Weil & Kimball, 1995); level of education is positively associated with turnover, the more educated the employees there is a tendency to quit (Berg, 1991; Cotton & Tuttle, 1986); With respect to job category, Wai & Robinson, 1998 and Price and Mueller, 1986 found that non-managerial employees are more likely to quit than managerial employees. Relationship between gender and turnover showed mixed result. Cotton and Tuttle (1986) and Weisberg and Kirshenbaum (1993) found females more likely to leave than males. Miller and Wheeler (1992) and Wai and Robinson (1998) reported no relationship between gender and turnover. However the reasons for employee turnover vary from one Organization to the other and from one person to another as they are not getting what they expect from the Organization (Ongori, 2007). Mobley (1982) and Dickter, Roznowski and Harrison (1996) also called for more research and theory pertaining to how the turnover process occurs over time. (Source: Dobhal R., et al, 2017)

### III. Research Design

This chapter defines the research design, population samples, data collection procedures and the techniques of data analysis for examining the factors of **Pay Practices** that affect the rate of employee attrition and satisfaction level of the employee working in **Defence PSUs in India**. This research is exploratory in nature. A survey was designed to measure the perceptions of employees for **Pay Practices** of **Defence PSUs in India**. **A survey was done** with the help of the questionnaires and schedules using five point Likert scale such as strongly agree-1, agree-2, neutral-3, disagree-4, and strongly disagree-5.

To collect information / data for the research purpose, *quota sampling* was used. The target population, to which researcher would like to draw inferences, comprises the **Junior & Middle Level Executives and Senior Level Executives** working in **Defence PSUs in India**; which can be said as the **universe** of the study. We know that the population is heterogeneous in nature which is an advantage for the sampling, as it reduced the biasness of the data. This research study is comparative in nature, so the data of **Junior & Middle Level Executives and Senior Level Executives**, both were used. The survey was conducted of the employees to collect the data. The total Sample size was of 600 employees out of which 472 employees were **Junior & Middle Level Executives** and 128 employees were **Senior Level Executives** working in **Defence PSUs in India**. For the analysis of the data, IBM SPSS STATISTICS 21 version software was used to perform **Frequency Analysis and Chi Square Analysis**. This study aimed to examine the association between designation level and the factors that affect **Pay Practices** of **Defence PSUs in India**.

### IV. Data Analysis, Interpretation & Findings

#### 4.1. Demographic Analysis

Table-1: Age

Age		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-30	60	10.0	10.0	10.0
	31-40	304	50.7	50.7	60.7
	41-50	152	25.3	25.3	86.0
	51-60	84	14.0	14.0	100.0
	Total	600	100.0	100.0	

#### Interpretation & Findings

From the above table it can be seen that, out of total number of 600 respondents (Junior & Middle Level Executives and Senior Level Executives), 10% respondents belong to 20-30 age group, 50.7% respondents belong to 31-40 age group, 25.3% respondents belong to 41-50 age group and 14.0% respondents belong to 51-60 age group.

**Table-2: Gender**

<b>Gender</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	520	86.7	86.7	86.7
	Female	80	13.3	13.3	100.0
	Total	600	100.0	100.0	

**Interpretation & Findings**

From the above table it can be seen that, out of total number of 600 respondents (Junior & Middle Level Executives and Senior Level Executives), majority of 86.7% respondents were male and 13.3% respondents were females.

**Table-3: Marital Status**

<b>Marital Status</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	524	87.3	87.3	87.3
	Unmarried	76	12.7	12.7	100.0
	Total	600	100.0	100.0	

**Interpretation & Findings**

From the above table it can be seen that, out of total number of 600 respondents (Junior & Middle Level Executives and Senior Level Executives), majority of 87.3% respondents were married and 12.7% respondents were unmarried.

**Table-4: Educational Qualification**

<b>Educational Qualification</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	PhD	16	2.7	2.7	2.7
	Post-Graduation	224	37.3	37.3	40.0
	Graduation	272	45.3	45.3	85.3
	Other	88	14.7	14.7	100.0
	Total	600	100.0	100.0	

**Interpretation & Findings**

From the above table it can be seen that, out of total number of 600 (Junior & Middle Level Executives and Senior Level Executives), 2.7% respondents had PhD, 37.3% respondents were post graduates, 45.3% respondents were graduates and 14.7% respondents had other qualification.

**Table-5: Professional / Technical Qualification**

<b>Professional / Technical Qualification</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	28	4.7	4.7	4.7
	Yes	572	95.3	95.3	100.0
	Total	600	100.0	100.0	

From the above table it can be seen that, out of total number of 600 respondents (Junior & Middle Level Executives and Senior Level Executives), 4.7% respondents said that they don't have any professional or technical qualification and 95.3% respondents said that they have professional and technical qualification.

**Table-6: Salary**

<b>Salary</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	40000-60000	256	42.7	42.7	42.7
	61001-80000	224	37.3	37.3	80.0
	80001-100000	64	10.7	10.7	90.7
	More than 100000	56	9.3	9.3	100.0
	Total	600	100.0	100.0	

**Interpretation & Findings**

From the above table it can be seen that, out of total number of 600 respondents (Junior and Middle Level Executives & Senior Level Executives), 42.7% respondents belong to 40000-60000 income group, 37.3% respondents belong to 61001-80000 income group, 10.7% respondents belong to 80001-100000 income group and 9.3% respondents belong to more than 100000 income group.

Table-7: Designation Level

Designation Level		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Junior and Middle Executives Level	472	78.7	78.7	78.7
	Senior Executives Level	128	21.3	21.3	100.0
	Total	600	100.0	100.0	

**Interpretation & Findings**

From the above table it can be seen that, out of total number of 600 respondents (Junior & Middle Level Executives and Senior Level Executives), 78.7% respondents belong to Junior and Middle Executives Level and 21.3% respondents belong to Senior Executives Level.

**4.2. CHI SQUARE ANALYSIS: ANALYSIS OF THE ASSOCIATION BETWEEN DESIGNATION LEVEL-(JUNIOR & MIDDLE LEVEL EXECUTIVES AND SENIOR LEVEL EXECUTIVES) (DEPENDENT VARIABLE) AND FACTORS TO BE CONSIDERED FOR PAY PRACTICES (INDEPENDENT VARIABLES) IN DEFENCE PSUs IN INDIA.**

- ❖ **Analysis:** Association between **Designation Level-(Junior & Middle Level Executive and Senior Level Executive) (dependent variable)** and ‘The incentives such as bonus/profit sharing are an important part of Compensation strategy (**independent variable**)’.

Table: 8

Crosstab			The incentives such as bonus/profit sharing as an important part of Compensation strategy					Total
			Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree	
Designation Level	Junior and Middle Executive Level	Count	40	76	120	180	56	472
		% within	8.5%	16.1%	25.4%	38.1%	11.9%	100.0%
Designation Level	Senior Executive Level	Count	12	20	40	36	20	128
		% within	9.4%	15.6%	31.2%	28.1%	15.6%	100.0%
Total		Count	52	96	160	216	76	600
		% within	8.7%	16.0%	26.7%	36.0%	12.7%	100.0%

**Interpretation & Findings:** From the above crosstab, it can be said that out of total 600 respondents (junior, middle & senior level executives), 12.7% respondents strongly agreed, 36.0% respondents agreed, 26.7% respondents were neutral, 16.0% respondents disagreed and 8.7% respondents strongly disagreed that ‘The incentives such as bonus/profit sharing are the important part of Compensation strategy’ is a factor that is taken into consideration for pay practices.

As far as perception of junior & middle executives & senior level executives is concerned, it can be said that majority of the respondents have agreed and strongly agreed that this factor is taken into consideration for pay practices in the organisation.

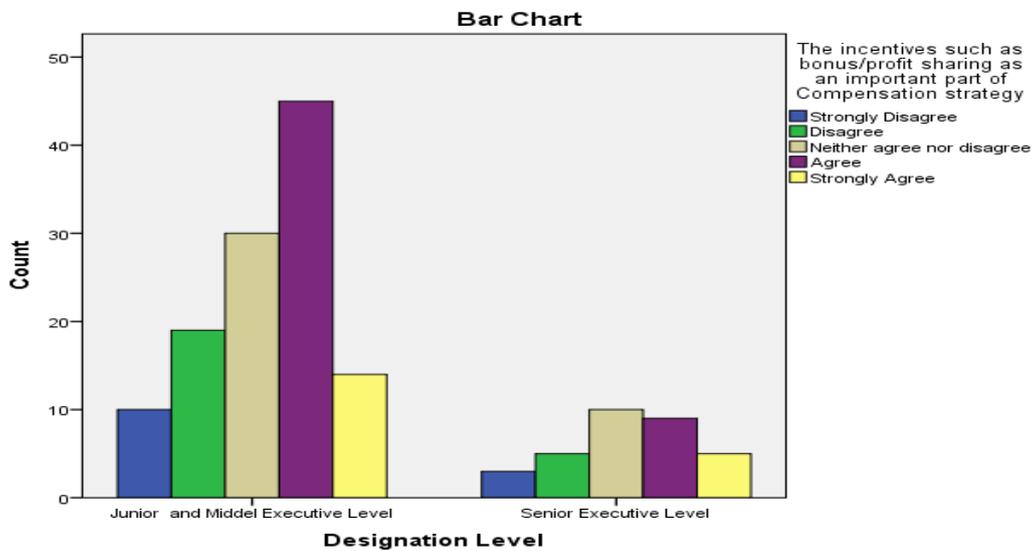
**H<sub>0</sub>:** The two factors are independent.  
**H<sub>1</sub>:** The two factors are not independent (associated).  
**Tool Used:** Chi Square Test (Analyze → Descriptive Statistics → Crosstabs)

Table: 9

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	5.317 <sup>a</sup>	4	.256
Likelihood Ratio	5.380	4	.250
Linear-by-Linear Association	.113	1	.737
N of Valid Cases	600		
a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 11.09.			
Symmetric Measures		Value	Approximate Significance

Nominal by Nominal	Phi	.094	.256
	Cramer's V	.094	.256
N of Valid Cases		600	
a. Not assuming the null hypothesis.			
b. Using the asymptotic standard error assuming the null hypothesis.			

**Interpretation & Findings:** From the table we find out that asymptotic significance for Pearson Chi Square comes out to be more than 0.05, so, we **accept** null hypothesis-1 at 5% level of significance. Hence it can be concluded that **two variables are not associated**.



❖ **Analysis:** Association between **Designation Level-(Junior & Middle Level Executive and Senior Level Executive)** (dependent variable) and 'Employees seniority is directly linked with salary (independent variable)'.

Table: 10

Crosstab		Employees seniority is directly linked with salary					Total	
		Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree		
Designation Level	Junior and Middle Executive Level	Count	40	56	112	192	72	472
		% within	8.5%	11.9%	23.7%	40.7%	15.3%	100.0%
	Senior Executive Level	Count	12	4	20	60	32	128
		% within	9.4%	3.1%	15.6%	46.9%	25.0%	100.0%
Total		Count	52	60	132	252	104	600
		% within	8.7%	10.0%	22.0%	42.0%	17.3%	100.0%

**Interpretation & Findings:** From the above crosstab, it can be said that out of total 600 respondents (junior, middle & senior level executives), 17.3% respondents strongly agreed, 42.0% respondents agreed, 22.0% respondents were neutral, 10.0% respondents disagreed and 8.7% respondents strongly disagreed that 'Employees seniority and directly linked with salary' is a factor that is taken into consideration for pay Practices.

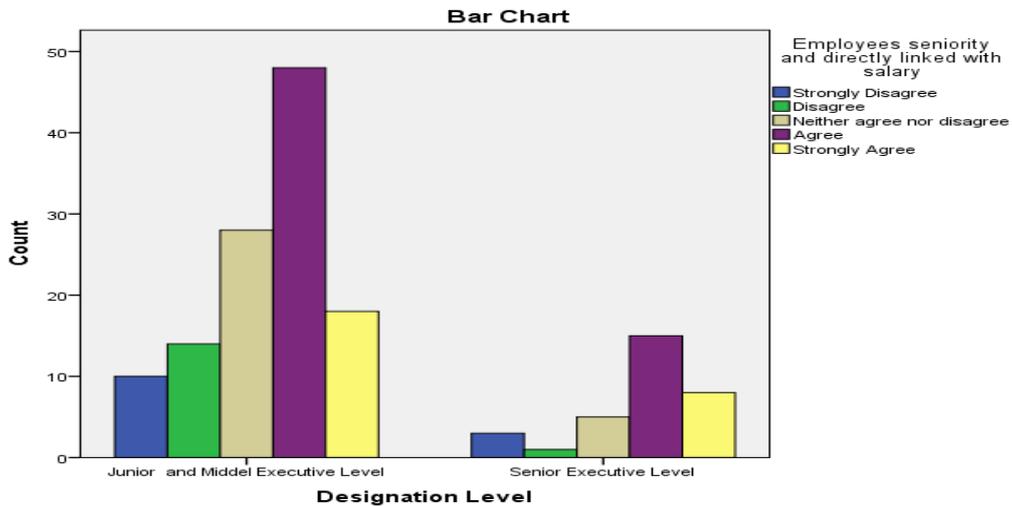
As far as perception of junior & middle executives & senior level executives is concerned, it can be said that majority of the respondents have agreed and strongly agreed that this factor is taken into consideration for pay practices in the organisation.

**H<sub>0</sub>:** The two factors are independent.  
**H<sub>1</sub>:** The two factors are not independent (associated).  
**Tool Used:** Chi Square Test (Analyze → Descriptive Statistics → Crosstabs)

Table: 11

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	17.229 <sup>a</sup>	4	.002
Likelihood Ratio	19.129	4	.001
Linear-by-Linear Association	8.128	1	.004
N of Valid Cases	600		
a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 11.09.			
Symmetric Measures			
	Value	Approximate Significance	
Nominal by Nominal	Phi	.169	.002
	Cramer's V	.169	.002
N of Valid Cases	600		
a. Not assuming the null hypothesis.			
b. Using the asymptotic standard error assuming the null hypothesis.			

**Interpretation & Findings:** From the table we find out that asymptotic significance for Pearson Chi Square comes out to be less than 0.05, so, we **reject** null hypothesis-2 at 5% level of significance. Hence it can be concluded that **two variables are associated**.



❖ **Analysis:** Association between **Designation Level-(Junior & Middle Level Executive and Senior Level Executive) (dependent variable)** and 'Employee attention on long-term (4 or more years) goals with futuristic orientation (independent variable)'.

Table: 12

Crosstab			Employee attention on long-term ( 4 or more years) goals with futuristic orientation					Total
			Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree	
Designation Level	Junior and Middle Executive Level	Count	24	80	220	144	4	472
		% within	5.1%	16.9%	46.6%	30.5%	0.8%	100.0%
	Senior Executive Level	Count	20	28	56	24	0	128
		% within	15.6%	21.9%	43.8%	18.8%	0.0%	100.0%
Total		Count	44	108	276	168	4	600
		% within	7.3%	18.0%	46.0%	28.0%	0.7%	100.0%

**Interpretation & Findings:** From the above crosstab, it can be said that out of total 600 respondents (junior, middle & senior level executives), 0.7% respondents strongly agreed, 28.0% respondents agreed, 46.0% respondents were neutral, 18.0% respondents disagreed and 7.3% respondents strongly disagreed that 'Employee attention on long-term (4 or more years) goals with futuristic orientation' is a factor that is taken into consideration for Pay Practices.

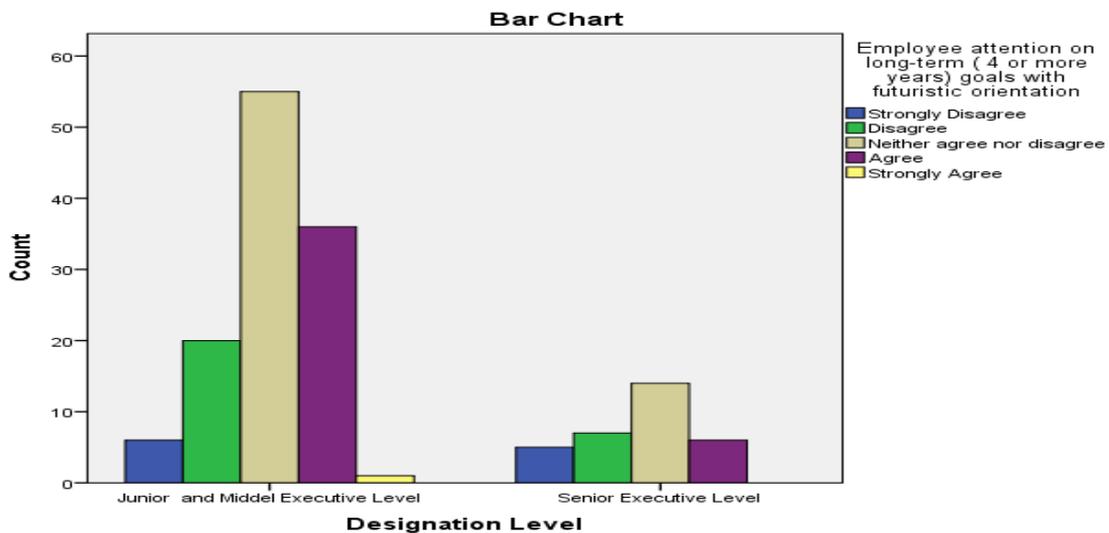
As far as perception of junior & middle executives & senior level executives is concerned, it can be said that majority of the respondents have agreed and strongly agreed that this factor is taken into consideration for pay practices.

$H_0$ : The two factors are independent.  
 $H_1$ : The two factors are not independent (associated).  
**Tool Used:** Chi Square Test (Analyze → Descriptive Statistics → Crosstabs)

Table: 13

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	22.848 <sup>a</sup>	4	.000
Likelihood Ratio	21.537	4	.000
Linear-by-Linear Association	20.096	1	.000
N of Valid Cases	600		
a. 2 cells (20.0%) have expected count less than 5. The minimum expected count is .85.			
Symmetric Measures			
	Value	Approximate Significance	
Nominal by Nominal	Phi	.195	.000
	Cramer's V	.195	.000
N of Valid Cases	600		
a. Not assuming the null hypothesis.			
b. Using the asymptotic standard error assuming the null hypothesis.			

**Interpretation & Findings:** From the table we find out that asymptotic significance for Pearson Chi Square comes out to be less than 0.05, so, we **reject** null hypothesis-3 at 5% level of significance. Hence it can be concluded that **two variables are associated**.



❖ **Analysis:** Association between **Designation Level-(Junior & Middle Level Executive and Senior Level Executive)** (dependent variable) and **'To have high performing employees (independent variable)'**.

Table: 14

Crosstab			To have high performing employees					Total
			Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree	
Designation Level	Junior and Middle Executive Level	Count	44	104	148	144	32	472
		% within	9.3%	22.0%	31.4%	30.5%	6.8%	100.0%
Senior Executive Level	Count	24	20	44	36	4	128	
	% within	18.8%	15.6%	34.4%	28.1%	3.1%	100.0%	
Total	Count	68	124	192	180	36	600	
	% within	11.3%	20.7%	32.0%	30.0%	6.0%	100.0%	

**Interpretation & Findings:** From the above crosstab, it can be said that out of total 600 respondents (junior, middle & senior level executives), 6.0% respondents strongly agreed, 30.0% respondents agreed, 32.0% respondents were neutral, 20.7% respondents disagreed and 11.3% respondents strongly disagreed that ‘To have high performing employees’ is a factor that is taken into consideration for pay practices.

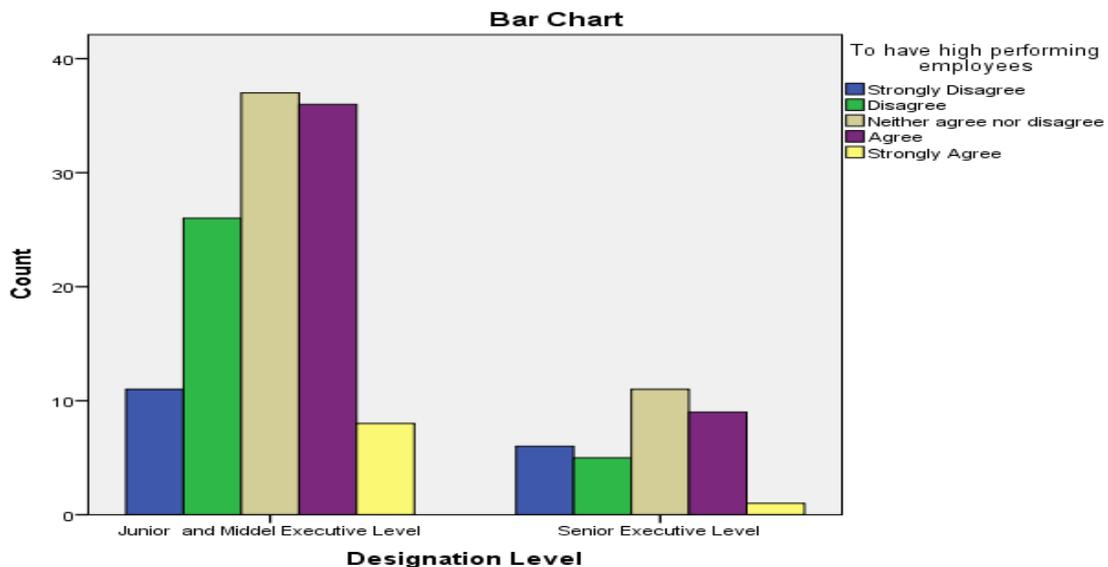
As far as perception of junior & middle executives & senior level executives is concerned, it can be said that majority of the respondents have agreed and strongly agreed that this factor is taken into consideration for pay practices.

**H<sub>0</sub>:** The two factors are independent.  
**H<sub>1</sub>:** The two factors are not independent (associated).  
**Tool Used:** Chi Square Test (Analyze → Descriptive Statistics → Crosstabs)

Table: 15

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	12.618 <sup>a</sup>	4	.013
Likelihood Ratio	12.187	4	.016
Linear-by-Linear Association	4.107	1	.043
N of Valid Cases	600		
a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 7.68.			
Symmetric Measures			
		Value	Approximate Significance
Nominal by Nominal	Phi	.145	.013
	Cramer's V	.145	.013
N of Valid Cases		600	
a. Not assuming the null hypothesis.			
b. Using the asymptotic standard error assuming the null hypothesis.			

**Interpretation & Findings:** From the table we find out that asymptotic significance for Pearson Chi Square comes out to be less than 0.05, so, we **reject null hypothesis-4** at 5% level of significance. Hence, it can be concluded that **two variables are associated**.



❖ **Analysis:** Association between **Designation Level-(Junior & Middle Level Executive and Senior Level Executive)** (dependent variable) and ‘**To have employees who are satisfied with their jobs**’ (independent variable)’.

Table: 16

Crosstab			To have employees who are satisfied with their jobs					Total
			Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree	
Designation Level	Junior and Middle Executive Level	Count	28	80	204	140	20	472
		% within	5.9%	16.9%	43.2%	29.7%	4.2%	100.0%
	Senior Executive Level	Count	16	28	32	48	4	128
		% within	12.5%	21.9%	25.0%	37.5%	3.1%	100.0%
Total		Count	44	108	236	188	24	600
		% within	7.3%	18.0%	39.3%	31.3%	4.0%	100.0%

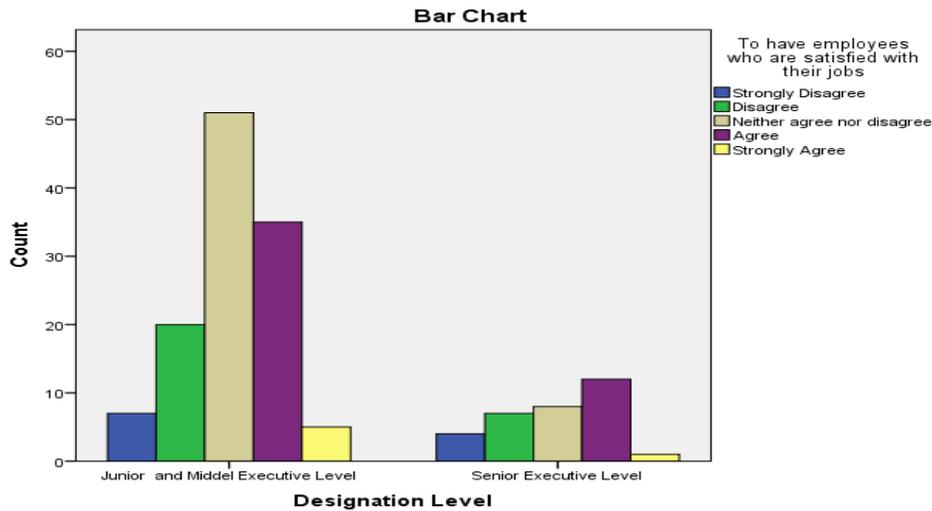
**Interpretation & Findings:** From the above crosstab, it can be said that out of total 600 respondents (junior, middle & senior level executives), 4.0% respondents strongly agreed, 31.3% respondents agreed, 39.3% respondents were neutral, 18.0% respondents disagreed and 7.3% respondents strongly disagreed that ‘To have employees who are satisfied with their jobs’ is a factor that is taken into consideration for pay practices. As far as perception of junior & middle executives & senior level executives is concerned, it can be said that majority of the respondents have agreed and strongly agreed that this factor is taken into consideration for pay practices.

**H<sub>0</sub>:** The two factors are independent.  
**H<sub>1</sub>:** The two factors are not independent (associated).  
**Tool Used:** Chi Square Test (Analyze → Descriptive Statistics → Crosstabs)

Table: 17

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	18.065 <sup>a</sup>	4	.001
Likelihood Ratio	18.150	4	.001
Linear-by-Linear Association	1.653	1	.199
N of Valid Cases	600		
a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.12.			
Symmetric Measures			
		Value	Approximate Significance
Nominal by Nominal	Phi	.174	.001
	Cramer's V	.174	.001
N of Valid Cases		600	
a. Not assuming the null hypothesis.			
b. Using the asymptotic standard error assuming the null hypothesis.			

**Interpretation & Findings:** From the table we find out that asymptotic significance for Pearson Chi Square comes out to be less than 0.05, so, we **reject null hypothesis-4** at 5% level of significance. Hence, it can be concluded that **two variables are associated**.



❖ **Analysis:** Association between **Designation Level-(Junior & Middle Level Executive and Senior Level Executive) (dependent variable)** and ‘Positive contribution for overall organisational effectiveness (independent variable)’.

Table: 18

Crosstab			Positive contribution for overall organisational effectiveness					Total
			Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree	
Designation Level	Junior and Middle Executive Level	Count	32	56	148	188	48	472
		% within	6.8%	11.9%	31.4%	39.8%	10.2%	100.0%
	Senior Executive Level	Count	16	20	20	60	12	128
		% within	12.5%	15.6%	15.6%	46.9%	9.4%	100.0%
Total		Count	48	76	168	248	60	600
		% within	8.0%	12.7%	28.0%	41.3%	10.0%	100.0%

**Interpretation & Findings:** From the above crosstab, it can be said that out of total 600 respondents (junior, middle & senior level executives), 10.0% respondents strongly agreed, 41.3% respondents agreed, 28.0% respondents were neutral, 12.7% respondents disagreed and 8.0% respondents strongly disagreed that ‘Positive contribution for overall organisational effectiveness’ is a factor that is taken into consideration for pay practices.

As far as perception of junior & middle executives & senior level executives is concerned, it can be said that majority of the respondents have agreed and strongly agreed that this factor is taken into consideration for pay practices.

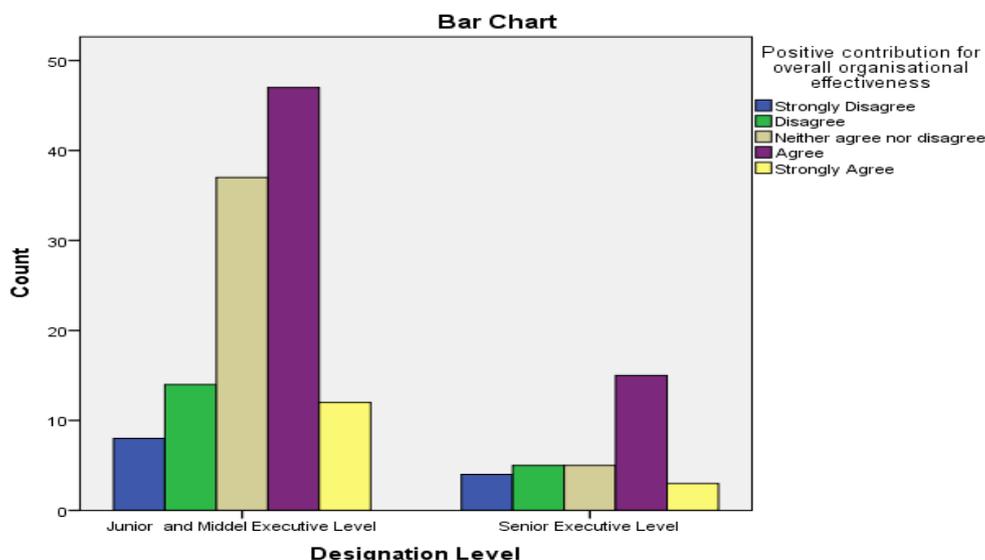
**H<sub>0</sub>:** The two factors are independent.  
**H<sub>1</sub>:** The two factors are not independent (associated).  
**Tool Used:** Chi Square Test (Analyze → Descriptive Statistics → Crosstabs)

Table: 19

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	15.415 <sup>a</sup>	4	.004
Likelihood Ratio	16.166	4	.003
Linear-by-Linear Association	.828	1	.363
N of Valid Cases	600		
a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 10.24.			
Symmetric Measures			
		Value	Approximate Significance
Nominal by Nominal	Phi	.160	.004
	Cramer's V	.160	.004

N of Valid Cases	600
a. Not assuming the null hypothesis.	
b. Using the asymptotic standard error assuming the null hypothesis.	

**Interpretation & Findings:** From the table we find out that asymptotic significance for Pearson Chi Square comes out to be more than 0.05, so, we **accept null hypothesis** at 5% level of significance. Hence it can be concluded that **two variables are not associated**.



Hence, we can say that **our Research Objective-1** is fulfilled.

### V. Conclusion & Managerial Implications

In case of DPSUs in India, the major findings of this research is that out of six null hypothesis related to Pay practices, five were are **rejected and only one hypothesis was accepted**. Hence it can be concluded that there was an association between the Junior / Middle Level & Senior Level executives and the factors of pay practices. When Junior / Middle Level & Senior Level executives were asked for their opinion about the factors to be considered for Pay practices in Defence PSUs in India, both showed the gap in the perception for following these independent variables-

- An employee’s seniority does enter into Pay Practices.
- The Pay System in this organization has a futuristic orientation. It focuses employee’s attention on long-term (4 or more years) goals.
- The Pay Practices help our company to have High-Performing employees.
- The Pay Practices help our company to have employees who are satisfied with their jobs.
- The Pay Practices make a positive contribution to the Overall Effectiveness of the organization.

And only one hypothesis was accepted regarding Pay Incentives such as Bonus or Profit Sharing is an important part of the Compensation Strategy in this organization. In Defence PSUs in India, employees have job security, but their job related benefits, pay increments and promotions are related to their seniority. After the entry of private companies, scenario has completely changed; employees who are effective and efficient and are ambitious also, now they have opportunities to switch to other companies for immediate growth. if DPSUs wants to retain its employess especially high performing employees, they will have to offer higher salary and other perks. If are higher packages are not offered, there will be a possibility to lose high performers; and then witness them switching to the private players. Employees do not prefer to change their job unless they are forced to do so; if their performance is acknowledged and rewarded they will remain loyal.

As the doors for FDI were opened for Private and foreign companies, there comes a threat too for DPSUs, as these private companies will prefer trained and talented manpower from DPSUs and will try their best to allure employees with higher salary packages. It is forecasted by the researchers and analysts that high performers of DPSUs are most vulnerable as far as retention of Human Resource is concerned. Therefore, this study was conducted to know the perception of Junior and Middle Executive Level and Senior Executive Level about the present pay practices and the satisfaction level of the employees.

The companies should use pay practices as the employee retention strategies to control the attrition rate.

Companies may consider following strategies related to pay practices-

- Higher salary packages
- Additional incentives
- Performance based incentives
- Pay Incentives such as Bonus or Profit Sharing can be considered
- Performance based promotions
- Recognition should be given to achievers
- Employees should have a say in the organisation
- Regular training to upgrade the knowledge of employees
- Comfortable work environment
- Flexible work policies
- Reward long term service
- Taking care of employee's family's needs
- Employee Relationship building activities
- DPSUs should have a clear understanding of their employee turnover rate.
- Focus must be directed towards HR and Pay practices.
- The right job evaluation system

Companies should adopt remedial measures and must calculate attrition rate on regular basis to understand the cost associated with it.

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