

DEMOGRAPHICAL IMPACT OF PAY FOR PERFORMANCE ON ACCOUNTABILITY REINFORCEMENT : A TOOL FOR EMPLOYEE RETENTION

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ABSTRACT

This study is not only significant in the banking sector but also matter of focal point in other industries. To battle in current environment private sector banks, are making changes in their work systems. They are changing their organization structure in order to turn into more prompt in response to the shifting environment which includes competitors also. Employees become a very imperative source of competitive advantage for an association. To attract and to keep hold of employees, an organization needs to have resonance compensation strategy supported by other HR functions. This study observed the impact of demographical factors on PBP as an accountability reinforcement means for attaining organisational concert for employee retention using the condition in selected private sector banks of Haryana. The major rationale of the study was to determine the force of PRP on the accountability reinforcement of workforce and consequently, on the accomplishment of organisational goals. Here also employee's aspiration regarding Performance Related Pay has been measured. In each and every one, 475 respondents got part in the assessment. The sample included 100 executive staff and 375 operational level staff. The key research mechanism was the survey for which questionnaire has been used. Further one-way ANOVA table was exercised to test the core hypotheses. The consequence of the research given away that the outcome of performance-based pay on employee performance is nominal and the motivational cause of merit pay is regularly rounded by influenced performance appraisal. The main inadequacy of the study is that it could not cover up all banks, due to time and economic constraints. In this high opinion, the explanation of the results of the research should not be over-simplified.

Keywords : Accountability Reinforcement, Performance Appraisal, Performance Related Pay

INTRODUCTION

Twenty years past, almost all public servants in the central administration of OECD affiliate countries were rewarded according to service-incremental income scales. This is not to speak that public servants in the past be deficient in performance inducement. Endorsements and chiefly those into higher-ranking management were thoroughly forced, supplying partly as an enticement but somewhat also as a means of

making certain the autonomy of the community service with view to the managerial and therefore its capability to provide administrations of diverse political influences. On the other hand, socio-economic forces have directed to necessitate for sorts of incentives erstwhile than "promotion" to make stronger performance management. Payment has been seen as an option or a complementary incentive to promotion. By the bend of the millennium, imperative numbers of

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civil servants were enclosed by PRP systems of one or another OECD countries, principally superior managers, but more and more also non-managerial workforce. The opening of performance reimburse plans happened in the perspective of the monetary and budgetary complexities visaged by OECD countries from the mid-1970s. Underlying principle for bringing in performance related pay are several, but centre fundamentally on getting better the human being inspiration and accountability of public servants as a way to appear up performance. PRP is seen as a symbol of alter for civil servants and as a way of representing to inhabitants that performance is commonly assessed in public organization. The phrases "PRP" and "performance pay" are used in place of one and another to demote to a multiplicity of schemes linking reimburse to performance. PRP schemes are supported on the subsequent suppositions: i) organisations can specifically determine person, team or administration outputs; ii) individual and unit outputs add to organisational performance; iii) pay can be administered in a way which capitalises on its probable encouragement value for prospective recipients. The receipt of performance-related pay in the civic sector reflects the control of the private sector civilization of inducements and human being accountability on public government. Civil services have more and more sought to deal with service production tasks on connected positions to those in the private segment. In the private division, pay for performance is the criterion for the most part companies: managers on a regular basis obtain currency incentives and ESOP chances that communicate prizes to the achievement of the business as well as entity performance, and subordinate employees be given individual or grouping pay complements for good performance. The introduction of PRP in OECD public regions is only one surface of a movement towards blown up pay litness and individualisation. One more significant alteration particularly at professional level – is the exertion to base individual earnings on the accurate problems of the post or the level of

accountabilities. On the whole in many countries, the salary strategy for employees now consists of three key parts: base pay, payment associated to the duties of a post, and PRP constituents. The two elements of variable salary should not be perplexed. The primary relies on an *earlier ante* judgment of "predictable" or "probable" performance based on job demands (e.g. by measuring the merits needed for the challenging duties coupled with the position) while the previous relies on an *ex job*. The main idea of the study is to gauge the force of PRP on the liability reinforcement of employees and afterwards, on the completion of organisational objectives. The study seeks to consider the PBP scheme introduced in a private banking sector in Haryana. It is also likely that the results will sway supplementary awareness in the theme which will serve as an underpinning for additional explore. Furthermore, the information produces would help plan makers to look upon as the likelihood of performance based pay as determine in the community and private zone.

LITERATURE REVIEW

Mayo (1933) For many years subsequent the teachings of Frederick Taylor there was research performing labeling pay practices as faddish, or at slightest reducing their meaning in motivating workers. In the 1920s, research studies started to think human relations factors as motivators of work endeavour. The Hawthorne experiments were mainly directed at analyzing the results of working conditions on worker production. What began as a essential stimulus-response test breed into a research on how employee efficiency is exaggerated by rest periods, condensed hours, altered occupation days, snacks and changeable compensation. Within 6 weeks, the subjects had their pay tied to their performance and the ensuing output went up right away.

Zingheim and Schuster (2000) recognized that, whether it is cash or non-cash, has an advantage over base pay and variable pay because it can be used at any time. The company can immediately reward and acknowledge

something of importance that was not necessarily planned, such as unexpected and outstanding achievements of individuals and teams. Non-cash recognition can be especially meaningful to the recipient since it can be customized or personalized. Non-cash recognition also gives the company a possibility to distinguish themselves from other employers due to the fact that this type of recognition cannot be imitated by other companies.

Kahn, De Silva, et al. (2001) examined that this incentive scheme resulted in a 75% increase in fines per inspection. At the same time, they also found substantial regional variation, with responses ranging from 19% to 145%. The authors do caution that diverse management techniques resulted in some regions targeting wealthier sources (such as corporations), more aggressively, which points to the potential negative effects of such high powered incentive schemes which may encourage extortion. Unfortunately, limited data prevented the authors from examining these social costs further.

Lawler (2003) discussed regarding the different theories questioning why people preferred certain careers, why they seek particular rewards and why they feel satisfied or dissatisfied with their work and rewards. These were some of the resonating questions that created so many assumptions and hypotheses to be researched. It is important to review the literature on motivation to clarify the issues. Finally, Expectancy theory predicted that individual workers will respond to financial incentives if they value the rewards are able to enhance their performance and believed management will then reward improved performance.

Bender (2004) said that the principal explanation with reference to the external conditions as legitimisation of the form of management in the firm and the practice in the branch that the firm is related to. The explanation for adoption of pay for performance for employees with craft-related work is related to the job tasks performed. Employees in production will often produce quantifiable output and this

makes pay for performance a more obvious choice of pay scheme.

Fehr and Schmidt (2004) conducted an experiment with university students to understand the effects of varying bonus schemes on effort provision on two distinct tasks, only one of which is contractible. They found that simple piece-rate contracts lead to a focusing on the contractible task, while bonus arrangements designed to be more encompassing and to explicitly address the multi-tasking problem also induce participants to spend time on the second task.

Armstrong (2005) said that total compensation may be divided into two major groups: intrinsic rewards and extrinsic rewards. Indirect rewards comprised protection programmes, pay for time not worked, like leave, absence due to illness and employee services and perquisites. Direct rewards comprised the basic wage, including cost of living adjustments and performance-based pay. Paying for performance is the process of providing a financial reward to an individual, which is linked directly to individual, group and organizational performance.

Perry, Mesch and Paarlberg (2006) said that in the case of performance based pay (PBP), employees will work harder if they value monetary rewards and believe that those awards will result from their increased efforts. Reinforcement theory posited a direct relationship between a desired target behaviour (e.g., performance) and its consequences (e.g., pay). It suggested that pay can be used to create consequences for desired behaviours, such as high performance that will reinforce the behaviours.

Jones and George (2007) have defined motivation as psychological forces that determined the direction of a person's behaviour in an organization, a person's level of effort and a person's level of persistence. The authors considered direction of behaviour, efforts and persistence as key components towards motivation. The behaviour that a person chooses is direction of behaviour. Effort measured how hard an employee works. Persistence occurred

when an employee continues in the face of difficulties, instead of giving up.

RESEARCH METHODOLOGY

Scope of the study

The present research work proposes to study the Pay for Performance as Accountability Reinforcement: A Study of Selected Private Sector Banks. Under these undertakings different branches of private sector banks of Haryana has been surveyed.

Rationale of the Study

The previous chapter delineated the existing literature which stimulated the materialization of PRP. This chapter discovers the underlying belief behind PRP's introduction from accountability reinforcement viewpoints. These comprise PRP as a professional scheme and theoretical approach. Following an examination of the wider justification in introducing PRP, individual aims of its introduction, normally found in organisations are observed. This includes the extensively debated matters related to employee's aspiration regarding the PRP in organizations in context to accountability reinforcement. It has come into view that the traditional pay system is somewhat invalid in contemplation of the loss of the conservative anticipation of a 'work for life'. In fact, many organisations now create it obvious to employees that they do not anticipate personnel to keep on with the corporation for life, but to a certain extent, the company will propose them with abilities which will make easy them to be sufficiently adjustable and flexible in order to be enduring employable.

Research Objectives

To analyze the impact of various demographic factors on Accountability Reinforcement, parameter for pay for performance in the private banks.

Hypotheses of Study

H_0 : There is no significant impact of demographic factors (Gender, Nature of job,

Experience, Age group, Education and Qualification, Department and Salary) on Accountability Reinforcement, parameter for pay for performance in the private banks.

H_a : There is significant impact of demographic factors (Gender, Nature of job, Experience, Age group, Education and Qualification, Department and Salary) on Accountability Reinforcement, parameter for pay for performance in the private banks.

Sample Profile

The sample was selected by categorizing Haryana state in four zones i.e. zone-I (Ambala, Panchkula, Kurukshetra, Kaithal etc), zone-II (Sonapat, Panipat, Jind, Jhajjar, Rohtak etc), zone-III (Sirsa, Fatehabad, Hisar etc), zone-IV (Gurgaon, Bhiwani, Mahendargarh etc). Further the sample frame of the study consisted of 475 employees from two levels of the management (100 from middle /executive level and 375 from lower/supervisory/operative level) from all the four zones. The data for the study was collected from the four private sector banks (HDFC Bank, ICICI Bank, Axis Bank, Kotak Mahindra Bank).

Parameters for the study

Various demographic variables (gender, age, highest level of education, experience, level of management, salary etc) were included in the study. The study also included the impact of various demographical factors on Accountability Reinforcement. This Accountability Reinforcement parameter was studied from employee's context.

Data Collection

In order to have a complete view of the study survey was used for the collection of data with the help of designed structured questionnaire on five point scale.

Statistical Analysis

SPSS 19.0 version software package was used for the analysis of the data. Analysis was done by using statistical tools like chi square analysis, ranking method, percentage method.

Analysis of variances (ANOVA) was also applied to check the differences between various demographical factors and employee motivation.

Table 1a. Case Processing Summary

		N	%
Middle and Lower Level Cases			
Valid		475	100.0
Excluded ^a		0	.0
Total		475	100.0

Table 1.b. Cronbach's Alpha

Cronbach's Alpha	No of Items
Middle and Lower Level 640	47

The consistency of the scale was calculated

with the help of Cronbach's Alpha for every construct used in the study, thus measuring the internal consistency. It includes middle and lower level 475 employees. To call a scale as reliable, it has also been argued to have a scales' coefficient alpha above 0.7. It has also been argued that a value of coefficient alpha above 0.6 for new scale is acceptable (Nunnally, 1978). In the present study, the values of Cronbach's Alpha concerning to both the samples has been shown in above mentioned tables. It ranges to 0.640 to 0.905 for the employees. Thus the reliability test is showing a good consistency.

Impact of various Demographical factors on Accountability Reinforcement a PRP Parameter for Employee Perception

Table 2a. Impact of Gender on Accountability Reinforcement

Output/DV	Mean Value		Mean Value Total	ANOVA Results F (Sig.)
	Male	Female		
Performance Pay should help in to set work targets more clearly	4.02	4.06	4.04	0.215 (0.643)
Performance Pay should raise staff consciousness of the appraisal system's objectives	4.02	4.05	4.03	0.098 (0.754)
Performance Pay made no outcome on the superiority of work because it was already at the suitable benchmark	3.96	4.02	3.98	0.376 (0.54)
PRP should develop communications between staff and management	4.05	3.79	3.95	6.483 (.011*)
It should provide opportunities to exercise responsibilities	4.11	4.03	4.08	0.67 (0.414)
It is simply a tool to get more work to be done	3.89	4.09	3.97	4.085 (.044*)

Source: Field Survey, *Significant at 5% level (Tabulated value .05)

It has been concluded from the above table no. 2 (a) that gender has significant impact on accountability reinforcement. For accountability reinforcement it has been emerged from the study that regarding the impact of gender, male employees have shown their concern to the statement that 'PRP should develop communication between staff and management' as corresponding mean value is 4.05. The reason for it is that if the proper communication between

staff and management will be there then they will be able to receive higher output and only then they will able to get higher salary. On the other side females have given their positive view regarding the statement that 'PRP is a tool which motivate them to work more' as corresponding mean value is 4.09. It is because of the reason that females want to give their valuable time only when their extra effort will be rewarded with monetary benefits.

Table 2b. Impact of Experience on Accountability Reinforcement

Output/DV	Mean Value					Mean Value Total	ANOVA Res-ults F (Sig.)
	>5	5-10	11-15	16-20	21-25		
Performance Pay should help in to set work targets more clearly	4.12	4.00	4.01	4.35	4.50	4.04	.762 (.550)
Performance Pay should raise staff consciousness of the appraisal system's objectives	4.12	4.03	4.03	3.75	4.50	4.03	.644 (.631)
Performance Pay made no outcome on the superiority of work because it was already at the suitable benchmark	4.14	3.92	4.06	3.65	3.50	3.98	1.333 (.257)
PRP should develop communications between staff and management	4.06	3.94	3.91	4.25	3.00	3.95	1.338 (.255)
It should provide opportunities to exercise responsibilities	4.18	3.93	4.17	4.40	4.00	4.08	1.528 (.053*)
It is simply a tool to get more work to be done	4.14	3.88	4.03	4.15	3.00	3.97	1.896 (.012*)

Source: Field Survey, *Significant at 5% level (Tabulated value .05)

It has been depicted from the above table that experience has significant impact on accountability reinforcement. Here regarding the two statements in above table employees from

different categories in experience have shown their encouraging view. From the descriptive mean from the above table it has been viewed that employees having experience in the category

Table 2c. Impact of Age on Accountability Reinforcement

Output/DV	Mean Value					Mean Value Total	ANOVA Res-ults F (Sig.)
	Up to 20	21-30	31-40	41-50	< 50		
Performance Pay should help in to set work targets more clearly	4.50	4.05	3.99	4.12	4.00	4.04	.341 (.850)
Performance Pay should raise staff consciousness of the appraisal system's objectives	3.50	3.93	4.11	3.97	4.00	4.03	.845 (.497)
Performance Pay made no outcome on the superiority of work because it was already at the suitable benchmark	2.50	3.92	4.00	4.10	3.00	3.98	1.718 (.145)
PRP should develop communications between staff and management	4.50	3.93	3.89	4.11	3.50	3.95	.882 (.474)
It should provide opportunities to exercise responsibilities	4.50	3.85	4.15	4.22	4.00	4.08	2.493 (.042*)
It is simply a tool to get more work to be done	2.50	3.99	3.96	4.04	2.50	3.97	2.168 (.055*)

Source: Field Survey, *Significant at 5% level (Tabulated value .05)

in between 16-20 years more importance to the concerns that 'PRP should provide them opportunities to exercise responsibilities' and also 'it is a tool to get more work to be done' for the same mean value is 4.40 and 4.15 respectively. The reason for it is that the employees having experience in between 16-20 years will be having a designation in a particular organization of senior or departmental manager. So they want PRP to be implemented in such a way that it should made them to exercise more responsibilities and more work to be done.

It is clearly indicated from the above table that age has significant impact on accountability

reinforcement. It has been cleared from the descriptive mean analysis that employees having age group between 41-50 years and less than 20 years has given their constructive views regarding the concerns that 'PRP is a tool to get more work to be done' and 'should provide them opportunities to exercise responsibilities' as mean value for it is 4.04 and 4.50 respectively. The reason for it is that the employees at higher age just want more monetary benefits for their each extra effort and employees at their earlier age think that only more monetary can help them to exercise the extra responsibilities.

Table 2d. : Impact of Education and Qualification on Accountability Reinforcement

Output/DV	Mean Value					Mean Value Total	ANOVA Results F (Sig.)
	12 th	Under Graduate	Graduate	Post Graduate	Others		
Performance Pay should help in to set work targets more clearly	4.33	4.17	4.02	4.05	3.96	4.04	.307 (.873)
Performance Pay should raise staff consciousness of the appraisal system's objectives	4.33	4.00	4.09	4.04	3.87	4.03	.693 (.597)
Performance Pay made no outcome on the superiority of work because it was already at the suitable benchmark	4.17	4.21	4.08	3.83	4.05	3.98	1.622 (.167)
PRP should develop communications between staff and management	4.83	3.96	3.98	3.94	3.82	3.95	1.312 (.265)
It should provide opportunities to exercise responsibilities	4.33	4.25	4.02	4.04	4.21	4.08	.728 (.573)
It is simply a tool to get more work to be done	3.50	4.33	3.78	4.07	4.06	3.97	3.085 (.016*)

Source: Field Survey, *Significant at 5% level (Tabulated value .05)

It has been portrayed from the above table that education and qualification has significant impact on accountability reinforcement. Further it has been cleared from the descriptive mean analysis which conveyed that employees who are undergraduates gave more weight to the

statement that 'PRP is a tool to get more work to be done' as mean value is 4.33. The reason for it is that the less qualified employees have a perception that PRP acts as tool for them to work harder.

Table 2(e). Impact of Department on Accountability Reinforcement

Output/DV	Mean Value					Mean Value Total	ANOVA Results F (Sig.)
	Mark-eting	Finance	Human Resource	Admini-stration	Any Other		
Performance Pay should help in to set work targets more clearly	3.96	4.01	4.16	4.07	4.25	4.04	.890 (.470)
Performance Pay should raise staff consciousness of the appraisal system's objectives	3.89	4.08	4.09	4.26	4.19	4.03	1.407 (.231)
Performance Pay made no outcome on the superiority of work because it was already at the suitable benchmark	4.05	4.01	3.93	3.78	3.81	3.98	.669 (.614)
PRP should develop communications between staff and management	4.07	3.92	3.87	4.00	3.53	3.95	1.932 (.104)
It should provide opportunities to exercise responsibilities	4.07	4.22	4.01	3.78	3.84	4.08	1.741 (.140)
It is simply a tool to get more work to be done	3.79	4.13	4.06	4.04	3.94	3.97	2.315 (.057*)

Source: Field Survey, *Significant at 5% level (Tabulated value .05)

It has been analyzed from the above table that department has significant on accountability reinforcement. It has been cleared from the descriptive mean analysis which suggested that employees from finance department have shown their positive concern that 'PRP is a tool to get

more work to be done' as equivalent mean value is 4.13. The reason for it is that work done by this department required more committedness towards organization. So if with their extra work some monetary benefits will be attached they will be prompted to work more.

Table 2f. : Impact of Salary on Accountability Reinforcement

Output/DV	Mean Value				Mean Value Total	ANOVA Results F (Sig.)
	> 20000	20000-60000	61000-100000	< 100000		
Performance Pay should help in to set work targets more clearly	4.01	4.17	3.25	4.28	4.04	9.893 (.000*)
Performance Pay should raise staff consciousness of the appraisal system's objectives	4.08	4.08	3.48	4.17	4.03	4.566 (.004*)
Performance Pay made no outcome on the superiority	4.06	4.00	3.59	4.00	3.98	2.265 (.053*)

of work because it was already at the suitable benchmark						
PRP should develop communications between staff and management	4.01	4.05	3.52	3.00	3.95	8.110 (.000*)
It should provide opportunities to exercise responsibilities	4.19	4.08	3.82	3.67	4.08	2.497 (.052*)
It is simply a tool to get more work to be done	3.96	3.94	4.34	3.50	3.97	3.134 (.025*)

Source: Field Survey, *Significant at 5% level (Tabulated value .05)

It has cleared from the above table no. 2(f) that salary has significant on accountability reinforcement. It is also indicated from the above table in which descriptive mean analysis put forward that employees who are having salary more than 100000 gave more importance to the concerns that 'PRP should help them to set work targets more clearly' and 'should raise staff consciousness of the appraisal system's objectives' as subsequent mean value is 4.28 and 4.17. The reason for it is that employees having this salary belong to the higher designation. So they want that PRP should help them to set their work target more clearly. And in this way they can communicate the things to other employee's even. It has also been cleared from the analysis that employees having salary less than 20000 gave more importance to the statements that 'PRP Performance Pay made no outcome on the excellence of work because it was already at the suitable standard' and 'it should supply opportunities to implement responsibilities' as equivalent mean value is 4.06 and 4.19. The reason for it is that in banks already targets for individuals, groups, departments and particulars are provided to them and also rewards associated with achievable targets are communicated. So if with their extra work some monetary benefits will be attached they will be prompted to work

more. The employees having salary in between 20000-60000 gave importance to the statement that 'PRP should develop communications between staff and management' as corresponding value for it is 4.05. It is because of that because PRP implementation helps to communicate the things to each employee and this builds a good relationship between them also. In it also cleared from the study that the employees having salary in between 61000-100000 gave more importance to the statement that 'PRP is simply a tool to get more work to be done' as corresponding value for it is 4.34. It is be because of the reason that monetary benefits always motivate the employees at high level.

CONCLUSION

As interpreted from the above analysis, the given below table shows that the demographical factors (Gender, Experience, Age, Education & Qualification, Department and Salary) have significant on Accountability reinforcement.

It has also been concluded that for the six statements regarding accountability reinforcement, demographical factor salary has been significant to all the statements. This is not the case with other demographical factors. It means salary made the persons more accountable to employees in the organization. And other

Table 3 :

Factor	Gender	Experience	Age	Education & Qualification	Department	Salary
Accountability Reinforcement	S	S	S	S	S	S

factors are not significant to that extent. This is highest among all the other demographical factors that are significant for less number of statements of accountability reinforcement.

MANAGERIAL IMPLICATIONS

The study will help the manager to know the impact of demographical factors on accountability reinforcement factor for PRP in the private banks. This study will help the managers in designing of an effective PRP system. As the study summarized that which demographical factor they should consider more. This will help the managers to design a sound policy regarding PRP for future. Thus managers should give importance to this study of PRP in context to demographical factors that whether these factors reinforce employees or not. Because this is the major factor for any organization in current scenarios. This factor is important to such an extent that proper designing lead to retention of employees in the organizations also.

LIMITATIONS AND FUTURE RESEARCH

The most important weak point in this research is that it was imperfect in extent. This signifies that the conclusions cannot be over comprehensive. Also the study is limited to four private sector banks of Haryana only and not covered the other parts of India and sectors. Future investigate should focal point on other parts of India as well as sectors and organisations. A relative study amongst organisations in the same sectors should be conducted in order to establish whether the use of PRP improves employee inspiration and organisational

performance. Some other factors also affect the PRP which are not taken in the study. Only accountability reinforcement factor has been taken for the study. The measurements found in this study should be looked upon as initial. Although they come into view to be steady and quantifiable, they are not essentially comprehensive and should be viewed as a early point for supplementary research.

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