Describing Companies’ Compensation Practices: A Case Study of Pagadian Manufacturing & Retailing Companies

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ABSTRACT

Purpose: The compensation practices in the case of retailing and manufacturing companies of Pagadian City. When a company fails to have a structure and transparency on how pay choices are made, it may be at a disadvantage when it comes to keeping employees motivated and preserving employee pay fairness. This explores the compensation practices implemented especially by the retailing and manufacturing companies and how these practices help improve the company’s employee performances.

Design/Methodology/Approach: The researcher used a qualitative approach to make the chosen participants able to describe their Compensation Practices. The researchers distributed a Consent for Participation letter to the chosen participants of the research study before proceeding to the interview proper.

Findings: The results show that the Compensation Practices of Manufacturing & Retailing companies in Pagadian City includes monetary benefits such as cash gifts, an increase in sales credit, and non-monetary benefits such as leave with pay, all-expense-paid services, and certificates and recognition.

Implications/Originality/Value: So, it is concluded that the Compensation Practices is essential in increasing work productivity within the organization, providing fair compensation to employees, improving their performance, and keeping them motivated, which is an excellent advantage for the business.

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Introduction
The firm's remuneration must be similar to the workload and employment dangers of the organization, as well as the relevance of the benefits and compensation to the worker's duties and the abilities associated with the position. These studies said the importance and effectiveness of compensation practices in enhancing employee performance. It is noted in these studies that the compensation practices are a strong positive influence on the motivation of the employee to do better with their tasks. It highlighted that the compensation practices used for the employees should be significant, based on the position held, and should recognize the needs of the employees so they would be satisfied with the reward for their contributions.

Literature Review
Compensation is an indirect strategy for providing employees with monetary value in exchange for work accomplished (Patnaik et al., 2017). The worker and the organization exchange financial and noncash compensation in exchange for the job performed by the worker for the organization. Employee remuneration encompasses all forms of salary employees receive due to their employment (Dessler, 2008). Compensation management is an important tool used by firms in recruiting and retaining their most valuable and respected employees. It's a combination of monetary and nonmonetary benefits. Workers today have to be paid for their basic needs, and various nonmonetary rewards and benefits are sometimes called fringe benefits. Bonuses, retirement, gratuities, and educational and medical facilities are fringe benefits (Khan, 2011).

Compensation is more than an employee's regular wages (Pradip et al., 2021). Compensation can help with various purposes, including recruiting, performance, and job satisfaction. An optimal compensation practices will significantly improve employee performance and generate a more engaged workforce prepared to go the additional mile for a company (Patnaik et al., 2017). It is worth emphasizing that the corporate world is suffering the effects of the prolonged global economic crisis, resulting in decreased employee wages and raises during the last two years. The worldwide workforce of the global supply chain poses issues, with many expatriates paying "hardship allowances" to lure them to work abroad in underdeveloped countries (Prachi, 2015).

Reimbursement is one of the frameworks used in business to attract, employ, and retain qualified personnel who will strategically key into the firm's vision, objectives, and goals (Andoeye, 2019). It is critical to properly create and execute an appropriate compensation practice (Ismael, 2023) and guarantee that the system is substantial and may be tied to the employees' roles (Ponta et al., 2020). Managers must address crucial employee retention and motivation components to enhance organizational effectiveness. Developing a thorough incentive program to guarantee consistency with corporate objectives, inspire individual, team, and business unit performance, and successfully compete with outside influences in the continual talent competition is a vital component (Terez, 2023).

On this note, reimbursement, hardship allowances, or compensation practices are essential to implement in the organization to motivate the employees to perform at their best (Lipuku et al., 2022). Furthermore, the native staff in these transnational businesses gets greater earnings than the typical worker in their respective nations, resulting in ethnic conflicts and a desire to include less skilled people. All of these considerations must be considered by corporate executives when deciding on compensation. Finally, the actual problem of attrition due to low pay continues to hound corporations, and the challenges of retaining quality personnel while retrenching bad performance remain critical imperatives for businesses. The global economy will swiftly recover, and the boom years when people and corporations are delighted working together will return to everyone's benefit (Prachi, 2015).

A reasonable compensation practices is one of the factors that motivate employees to work at their...
best; in that case, there is a research gap in identifying the different compensation practices of companies within Pagadian City, and that is what this study aims to explore.

**Research Objectives**
To describe the compensation practices of manufacturing and retailing companies of Pagadian City.
To identify the different compensation practices of different manufacturing and retailing companies.
To understand the basis of implementation of business practices of manufacturing and retailing companies.

**Research Questions**
What are the compensations given by employers to the employees?
What are the basis in compensating their employees?
How do businesses implement their compensation practices?
How do business owners sustain their compensation practices?

**Methodology**

**Research Design**
A qualitative research design is focused with determining the whys and how’s of the phenomena under consideration. The researchers used a qualitative case study approach. A Merriam qualitative research case study helped researchers collect, summarize, and evaluate data relevant to describing the compensation practices of manufacturing & retailing businesses in Pagadian City. Miriam described her case study as an intensive, holistic description and analysis of a bounded phenomenon such as a program, an institution, a person, a process, or a social unit.

City describe their compensation practices for maintaining employee performance.

**Sampling**
A purposive sampling technique to select the target respondents required for the study. The researchers chose 5 participants from the companies in Pagadian City to interview to describe their compensation practices.

**Data Collection**
An interview guide for the qualitative gathering of data. Fieldnotes were also used as an instrument for this research to help the researchers keep track of the observations that the researchers generally tend to forget over time. The notes are the documents of events, conversations and behaviors observed in the field, and the researcher’s reflections on them. An interview session was conducted with employees and employers to collect data. The interview guide included questions reflecting the study's research aims and soliciting answers to the research questions.

**Data Analysis**
Qualitative analysis of the data gathered were supplemented with other sources of information to satisfy the principle of triangulation and increase trust in the validity of the study’s conclusions. Face-to-face interviews with the participants were conducted in this study. The researchers adopted the Merriam qualitative research, specifically a case study, to analyze the data gathered. Analyzing the gathered data involved coding which designated the various aspects of the data so that the researchers can easily sort and retrieved specific pieces of data that answers the queries of the study.

**Ethical Considerations**
Ethical approval was obtained to conduct the research, and informed consent was obtained from all participants. The participants' confidentiality was ensured by not disclosing their personal information in this research and being kept from others. The researchers ensured the participants
that the information gathered during the interview would be used exclusively for the purposes of the study.

**Findings and Discussion**

The researchers have produced a set of open-ended questions. The study participants were asked about ways to provide compensation to their employees. They were also asked about the basis for compensating their employees and compensation factors that boost their employees' work. The researchers group the participants' responses to various themes that may help the researchers formulate their conclusions and findings. The categories that emerged from the study are *Compensations given by Employers, Basis in Compensating the Employees, Description of Compensation Practices, Ways in Sustaining Compensation Practices.*

**Compensations given by Employers**

The business owners of companies in Pagadian City compensate their employees by following the mandatory wage requirement provided by the government and providing non-mandatory compensation to help boost employee performance. The sub-categories that emerged from this SOP are *Mandatory Compensation* and *Non-mandatory Compensation.*

*Mandatory Compensation.* Mandatory benefits are entitlements employers are legally obligated to provide to their employees. These benefits include the Social Security System (SSS), PhilHealth, Pag-IBIG Fund, 13th-month pay, vacation and sick leave, maternity, paternity, retirement, and special leave benefits. Based on the participants' responses, employers follow the minimum wage regulation provided by the government to fairly compensate their employees as part of their mandatory compensation. The participants who answered minimum wage as their mandatory compensation were ER1, ER3, ER4, and ER5. The following statements support this study:

[We compensate our employees by following the minimum wage regulation of the government that includes the mandatory incentives like SSS, PhilHealth.]  - ER1
[Our way of compensating our employees is by following the minimum wage policy or the DOLE rate.] - ER3
[We based the compensation of our employees on the minimum wage policy of the government, the DOLE rate as well as bonuses and mandatory incentives, etc.,] - ER4
[Here in our office, my employees are fairly compensated, the company follows the minimum wage rate implemented by the government as well as other mandatory incentives that should be given to the employees like SSS, PhilHealth they are all insured.] - ER5

The participants of this study give high importance to the compensating regulations implemented by the government to provide fair compensation to their employees. They provide their employees with all the mandatory incentives that an employee of their company should be insured with, such as SSS, PhilHealth, and other mandatory incentives required by the government. The participants implement a compensation practice in their organization, considering what their employees need and want to motivate them to perform well with their assigned tasks. The compensation practices are regarded to be the foundation of a productive workforce since it contains awards or financial benefits offered to employees in exchange for their excellent services and effort or in acknowledgment of excellence.

*Non-mandatory Compensation.* Non-mandatory benefits are entitlements given to employees by their employers for excelling in their tasks and being well-performing employees. These include financial incentives such as monetary gifts and non-financial incentives such as awards, privileges, and certifications. Based on the participants' responses, owners give financial and non-financial incentives to well-performing employees to compensate for their efforts in diligently fulfilling their tasks. The
participants who mentioned these incentives are ER1, ER2, ER4, and ER5. The following statements support this study:

[We compensate our employees by following the minimum wage regulation of the government that includes the mandatory incentives like SSS, PhilHealth.] - ER1

[Our way of compensating our employees is by following the minimum wage policy or the DOLE rate.] - ER3

[We based the compensation of our employees on the minimum wage policy of the government, the DOLE rate as well as bonuses and mandatory incentives, etc..] - ER4

[Here in our office, my employees are fairly compensated, the company follows the minimum wage rate implemented by the government as well as other mandatory incentives that should be given to the employees like SSS, PhilHealth they are all insured.] - ER5

In general, expectancy theory acknowledges that an employee's performance is influenced by individual factors like personality, skills, knowledge, experience, and abilities. This theory is concerned with how employees understand and interpret corporate remuneration, which results in behavioral changes in commitment, motivation, and dissatisfaction. The theory applies to the analysis which implies that the employees vary their degree of effort based on the value they place on the every effort exerted by the employees and their judgment of the strength of the linkages between effort and outcome.

**Basis in Compensating the Employees**

The employers of some of the companies in Pagadian City measure the performance of the employees based on their **Remittances** and **Quota Attainment** as one of their bases for compensation in their organization.

**Remittances.** It is the money remitted by the employee that is collected from the client in exchange for a service offered by the company. The participants who answered remittances as one of the compensation management policies in their organization are ER2 and ER3. The following statements support this study:

[One of the indicators is whether the agent's remittance of his items is on time or whether all the items have been sold. We can see from their sales contribution whether they have followed the monthly remittance that they need to reach.] - ER2

[One of the ways we can see how diligent they are as our collectors is if they are diligent in reaching their daily collections because they remit here at the office every end of the day so we can really know based on their record of remittance if they reach their daily quota.] - ER3

This study's participants use their employees' remittance records to measure their productivity, especially in daily sales-oriented companies. The participants supervised their employees' remittance records as an indicator of whether the employee is performing well or not to be able to receive or avail of their implemented compensation practices.

**Quota Attainment.** It is an important sales metric that shows how an employee performed against the quota given to them during a set time. The participants who answered quota attainment as one of the compensation management policies in their organization are ER1, ER4, and ER5. The following statements support this study:

[One of the tasks that I always supervise which is also one of our compensation management policies is the productivity of the employees because we have a daily quota of production in our factories so it is necessary that I implement a daily quota of production to maintain our supply so that's one of the things I always supervise is their daily production.] – ER1

[Since our way of business is more on manufacturing, one of the reports that we constantly monitor is the employee productivity report. One of the bases in choosing well-performed employees is whether they have reached the bracket in their daily production and whether they have delivered the products to their designated retailers, so that is one of our criteria.] – ER4

[In order to experience the privileges in the system, of course, they need to reach the same criteria for inclusion, right, one is if they reached their quota with their clients under them, if they always collect from their clients, and they are effective as employees if they have been for a long time the
client is theirs.] - ER5

The basis for compensating employees gives the employers better judgement on the excellent performing employees that are more deserving of the recognitions and all the non-mandatory compensation given by the employers. These were used by employers to see who among the employees are performing better. These categories give insights to the future employers when it comes to giving importance to the exerted effort by the employees.

**Description of Compensation Practices**

Compensation practices are an important component of every company's human resource strategy. These methods relate to the strategies and practices that a corporation use to determine and distribute salaries and other types of remuneration to its employees, therefore increasing employee loyalty and retention.

The required action or conduct prescribed by the company must be followed before implementing the compensation practices. The participants who answered that following the rules and regulations of the company is one of the processes in implementing the compensation practices are ER1 and ER4. The following statements support this study:

[Well, our process or implementation includes following the law or company rules, the implementation of any new policies must follow the company law.] - ER1

[Well, the process involved in our compensation is under DOLE minimum wage and following the rules regarding compensation like business regulations.] - ER4

The description of the compensation practices is used by the employers to be able to properly disseminate information to their employees so when it comes to the implementation of their compensation practices, the employees does not have problems understanding the purpose and ways of the implemented practices.

**Ways in Sustaining Compensation Practices**

Maintaining a compensation practices policy ensures the company can respond to any sudden change in the demand and needs of the employees. Maintaining the compensation practices of the company includes *performance and effectiveness monitoring*, and *feedbacking* to have solid information on how the system affects or impacts the performance of the employees.

*Performance and Effectiveness Monitoring.* It is a systematic and periodic observation of the performance of the employees upon implementing the compensation practices. It helps identify and formulate ways to improve employee performance. This addresses the question of how successful is the implementation of the compensation practices in the company. The participants answered that performance and effectivity monitoring is one of the ways to maintain the compensation practices.

The participants who answered performance monitoring as one of the processes in maintaining the compensation practices are ER1, ER2, ER3 and ER4. The following statements support this study:

[Aside from that, we see through their records also whether their performance is enhancing since we implemented the policies for the system or not because if their performance is enhancing, that means they are motivated in the system, which means they are eager to complete their tasks because of it.] - ER1

[Our method to see the effectiveness of the system first is the change in the performance of the employee.] - ER2

[Well, if we maintain our compensation, we see the effectiveness.] - ER2

[In maintaining a single system in the company, especially the compensation, we look at the effectiveness because with the effectiveness, you can see what things to improve.] - ER3

[In maintaining a single system in the company, especially the compensation, we look at the effectiveness because with the effectiveness, you can see what things to improve.] - ER3
Our way of maintaining our compensation is seeing the changes in the employee's performance and whether they improve or not.] - ER4

The organization's existing compensation and performance management processes determine the effect of compensation and benefits on employee performance and organizational success. Employees often respond positively to raises in pay and incentives (Reddy, 2020). Effective monitoring needs resourceful and general information exchange to promote transparency in the implementation process (Schrama, 2019).

Feedbacking. It is used to hear the employees' comments, suggestions, and opinions about the implemented system and use that information to adjust and improve the ways of the system to better fit the needs of the employees. The participants who answered feedback as one of the processes in maintaining the compensation practices are ER1, ER4, and ER5. The following statements support this study:

[So we do it through a survey. We survey our employees now and then to have clear feedback on whether our implemented system provides the effect on employees that we expect.] - ER1

[That includes asking them or considering their wants and needs in maintaining our compensation.] - ER4

[Well, when it comes to our system, we have what we call monthly evaluation, where we can see if we have an effect on the employees.] - ER5

Maintaining the compensation practices gives the employer the opportunity to see the effectiveness of the implemented compensation practices to the performance of their employees and gives them the knowledge on whether these practices are still beneficial for both the employee and the employers in any way possible.

Conclusion

The researchers have concluded that compensation relates to the tangible and intangible benefits businesses offer employees to improve employment, job performance, and job satisfaction. Appropriate incentives and benefits, including fair financial and non-financial awards for their achievements, are crucial for employees. Offering long-term employment opportunities for competent and high-quality employees, including health benefits and mutual entertainment, could boost employee happiness, improve performance, and develop loyalty in companies in Pagadian City.

A happy employee is a good and high performing employee. This would support the arguments that company's most valuable asset are employees known as human capital. Financial capital has no value without human capital. Keeping employees happy and fulfilled matters a lot to manage a profitable company.

Recommendations

Based on the findings, the researcher endorses the following recommendations:

Methods for Catering Employee Suggestion

The researcher recommends more ways to make employee suggestions easier to gather. Since the purpose of the compensation practices of the companies is to address the employee's needs and wants, the researchers suggest that the company should have suggestion boxes and freedom walls in consideration of giving much more importance to the employee's opinions, which could also provide the employers with thoughts of what other things the company could offer and include in their compensation practices.

Consider Attitude as Compensation Management Policy

Aside from evaluating the remittances and quota attainment of the employees, the researchers suggest that companies should also consider the employee's moral influence on their peers as compensation management policy, giving attention to how employees treat their co-workers and...
rewarding them for those non-mandatory incentives mentioned above. This promotes a good working environment and mental health conditions, which makes the employees perform well.

Consider Employee's Career Development in the Compensation Practices
The researchers recommend seminars, training, and promotions to be included in the company's compensation practices to enhance employee performance.

Further Research
It is recommended that future researchers explore the other perspectives affected by the compensation practices, such as employees, staff, etc., to gain a more comprehensive understanding of the purpose and importance of a compensation practices in a company. This will contribute to a broader knowledge of the factors affected by the compensation practices.

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