

EXPLORING THE LINK BETWEEN COMPENSATION AND JOB SATISFACTION

One of the most often debated and most widely researched HR questions is - does compensation satisfaction create job satisfaction? A newly released survey conducted by the Society for Human Resource Management (SHRM) and CNNfn has revealed some interesting findings on the matter. Six hundred individuals from a variety of industries participated in the survey. Almost two-thirds (63%) of participants described themselves as either "somewhat satisfied" or "very satisfied" with their total compensation package. An even higher percentage, 72%, indicated they were "somewhat satisfied" or "very satisfied" with their current job. While these may appear positive findings, one can assume that most incumbent employees must have at least some satisfaction with their compensation and their job – otherwise they would no longer be employees of that particular organization!

When asked about whether their compensation affects their overall job satisfaction, 64% indicated compensation affects satisfaction to "some extent" or "to a large extent". Additionally, when the results were analyzed by employee age, the findings were generally consistent. In other words, the relative importance of compensation to job satisfaction is pretty much the same, regardless of employee age. What may be the most surprising finding in the study is that compensation ranked number 5 in a list of the top six "very important" aspects of job satisfaction. Job security ranked as the most important aspect.

Perhaps the most helpful findings in this research for guiding decisions about compensation practices concern employees' perception of the fairness of their compensation. Fairness includes both the overall compensation policy and employees' perception that their base pay fairly represents their contributions compared to others' (known as internal pay equity). Less than half of employees reported a perception that their organization's pay policy was fair. Only slightly more than half of participants indicated they were satisfied with internal pay equity in their organizations. Both of these findings underscore the importance of communication about compensation policy and practices. While, clearly, several factors other than compensation are driving employees' job satisfaction, employees who feel undervalued and treated unfairly by compensation policy and practice are far more likely to become dissatisfied.

Many, if not most, organizations have logical, sound, compensation policies that are, unfortunately, understood by very few employees. By making an effort to explain these policies and to cite salary survey information or compensation comparisons between themselves and other employers within their industry, employers can clear up misunderstandings and prevent employee dissatisfaction.