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AN EMPIRICAL STUDY ON THE RELATIONSHIP BETWEEN COMPENSATION POLICY AND EMPLOYEE PERFORMANCE IN THE HEALTH CARE INDUSTRY

Isha Sukhwal

Research Scholar, School of Commerce and Management, Career Point University, Kota (Rajasthan)

Sandeep Kumar

Research Supervisor, School of Commerce and Management, Career Point University, Kota (Rajasthan)

ABSTRACT

This research paper examines the empirical relationship between compensation policy and employee performance in the health care industry. The study aims to identify the impact of financial and non-financial compensation components on employee motivation, productivity, and overall job performance. Primary data was collected through structured questionnaires administered to health care professionals, and secondary data was sourced from HR policy documents. Findings suggest a significant correlation between structured compensation strategies and improved employee outcomes, with implications for hospital administrators and policymakers.

Keywords: Empirical, administrators, HR Policy, Correlation, strategies

INTRODUCTION

The health care industry is labor-intensive and relies heavily on the performance of its employees to deliver quality services. Compensation policy, including salaries, benefits, bonuses, and non-monetary incentives, plays a pivotal role in attracting, motivating, and retaining skilled health care professionals. This study investigates the effect of compensation policy on employee performance, aiming to bridge the gap between human resource practices and health care delivery efficiency.

OBJECTIVES OF THE STUDY

1. To examine the components of compensation policies implemented in the health care sector.
2. To analyze the impact of compensation on employee motivation and job satisfaction.
3. To assess the relationship between compensation policy and employee performance.
4. To provide recommendations for improving compensation strategies to enhance productivity.

RESEARCH HYPOTHESIS

• H1: There is a significant relationship between compensation policy and employee productivity in the health care sector.

• H2: Incentive-based compensation positively influences employee motivation and performance.

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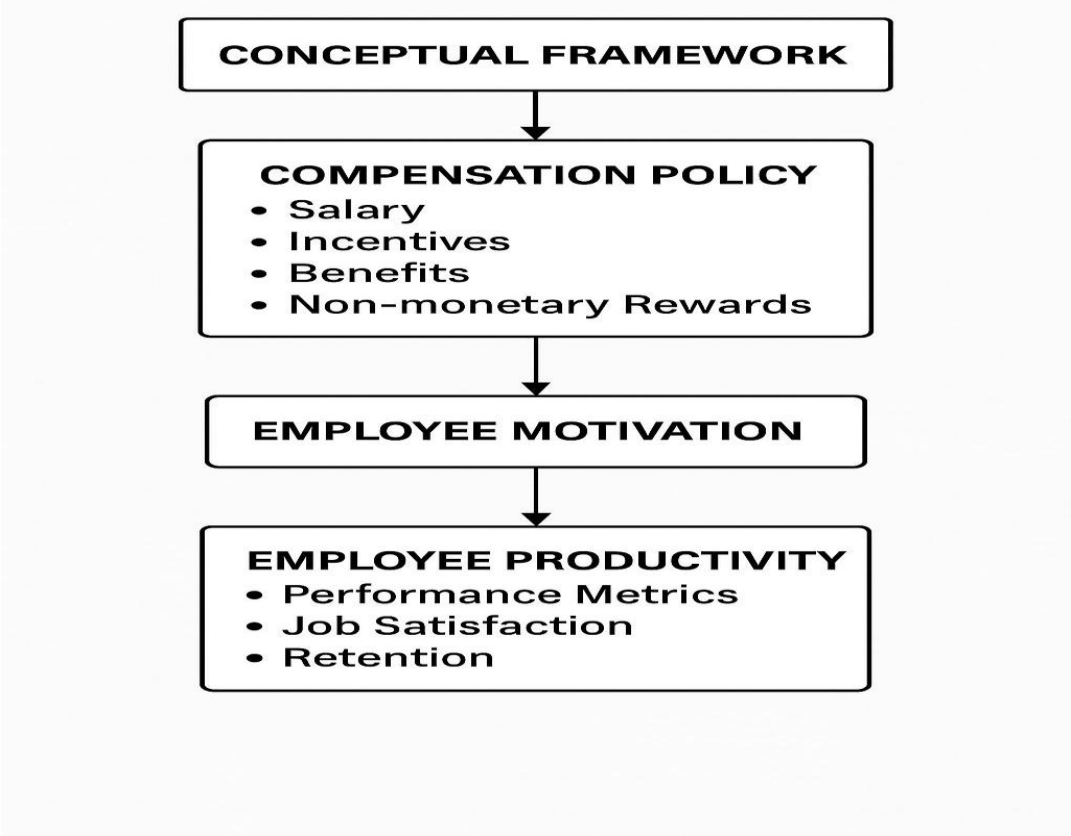
• H3: Non-monetary compensation has a positive impact on employee job satisfaction and productivity.



RESEARCH METHODOLOGY

This study employs a descriptive and empirical research design to explore the impact of compensation policies on employee productivity in the healthcare sector. The research combines both quantitative and qualitative approaches to provide a comprehensive understanding of the subject matter.

RESEARCH DESIGN

The descriptive design facilitates the identification and analysis of existing compensation practices and their perceived influence on employee productivity. The empirical aspect enables the collection and analysis of real-world data to validate the research hypotheses.

DATA COLLECTION METHODS

Primary data was collected using a structured questionnaire, which was administered to 150 healthcare workers employed in both public and private hospitals. The questionnaire was designed to capture relevant information related to compensation structures, employee satisfaction, and productivity levels.

In addition to the survey, semi-structured interviews were conducted with Human Resource (HR) managers from selected hospitals. These interviews provided valuable qualitative insights into existing compensation strategies and organizational policies.

SAMPLING TECHNIQUE

A purposive sampling method was adopted to select respondents who have direct experience and understanding of compensation systems within their respective healthcare institutions.

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STATISTICAL TOOLS AND DATA ANALYSIS

The collected data was coded and analyzed using statistical tools such as correlation analysis to examine relationships between compensation and productivity, and regression analysis to determine the extent of influence compensation policies have on employee productivity.

ETHICAL CONSIDERATIONS

Respondents were assured of the confidentiality of their responses. Participation in the study was voluntary, and informed consent was obtained from all participants.

STATISTICAL TOOLS AND DATA ANALYSIS

The data collected through structured questionnaires were first coded and entered into statistical software (such as SPSS/MS Excel) to ensure systematic analysis. Various descriptive and inferential statistical techniques were employed to interpret the data and test the hypotheses.

1. Descriptive Statistics:

Descriptive statistics, including mean, median, standard deviation, frequency, and percentage, were used to summarize and present the demographic profile of the respondents and key variables related to compensation components (e.g., salary, incentives, allowances, and benefits) and employee productivity indicators (e.g., work performance, efficiency, and goal achievement).

2. Correlation Analysis:

Pearson's correlation coefficient was employed to examine the strength and direction of the relationship between compensation practices and employee productivity. This helped identify whether a significant association exists between different components of compensation (monetary and non-monetary) and productivity levels among healthcare workers.

3. Regression Analysis:

To understand the extent of influence of compensation policies on employee productivity, multiple linear regression analysis was applied. In this analysis:

Compensation elements (independent variables) such as basic pay, performance bonuses, non-financial rewards, and fringe benefits were considered.

Employee productivity (dependent variable) was measured through self-reported productivity scores and performance indicators.

Regression analysis allowed the researcher to quantify how much variation in employee productivity could be explained by the compensation policies in place and identify the most impactful components of compensation.

4. Reliability and Validity:

To ensure the consistency of the data collection instrument, Cronbach's Alpha was calculated to assess the internal reliability of the questionnaire. A value above 0.7 was considered acceptable. Content validity was established through expert reviews and pilot testing of the instrument.

5. Qualitative Data Analysis:

The data from semi-structured interviews with HR managers were thematically analyzed. Common patterns, themes, and insights were extracted to support and complement the

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quantitative findings, providing a contextual understanding of current compensation policies and their perceived effectiveness.

DISCUSSION AND FINDINGS

The study aimed to investigate the impact of compensation policies on employee productivity in the healthcare sector, using both quantitative data from 150 healthcare workers and qualitative insights from interviews with HR managers in public and private hospitals.

1. Demographic Profile of Respondents

The majority of respondents were between the age group of 25–45 years, with a fairly even distribution between public and private healthcare settings. Most had more than three years of work experience, ensuring they had adequate exposure to existing compensation structures.

2. Compensation Components

Respondents rated fixed salary as the most influential component of their compensation package, followed by performance bonuses and non-monetary benefits such as recognition and flexible working hours. Private hospital employees reported slightly better variable compensation (e.g., bonuses, incentives), while public hospital employees relied more on fixed allowances and government-mandated benefits.

3. Correlation Analysis

Pearson correlation analysis revealed a moderate to strong positive correlation between compensation practices and employee productivity ($r = 0.62$, $p < 0.01$). This suggests that improvements in compensation policies are likely to be associated with better employee performance and higher levels of motivation.

4. Regression Analysis

Multiple regression analysis showed that compensation policies significantly influence employee productivity ($R^2 = 0.49$, $F = 17.83$, $p < 0.01$). Among the independent variables, performance bonuses and non-monetary incentives (such as recognition and work-life balance support) emerged as the most significant predictors of productivity. This indicates that while salary is foundational, performance-linked and motivational benefits play a crucial role in driving productivity.

5. HR Manager Insights

Interviews with HR managers confirmed the survey findings. Many highlighted the challenges in offering competitive financial incentives in public hospitals due to budget constraints, while private hospitals were more flexible in offering performance-based pay. HR professionals emphasized the importance of aligning compensation strategies with employee expectations, workload, and the emotional demands of healthcare work.

CONCLUSION

This study concludes that compensation policies have a significant and positive impact on employee productivity in the healthcare sector. Both monetary (e.g., salary, bonuses) and non-monetary (e.g., recognition, work-life balance) components are critical in influencing employee motivation and performance.

Healthcare institutions, particularly in the public sector, should re-evaluate their compensation strategies to include more performance-based and non-financial incentives to enhance productivity. Regular reviews, employee feedback mechanisms, and benchmarking

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against industry standards are recommended to ensure compensation policies remain competitive and equitable.

The study provides valuable insights for HR practitioners and hospital administrators to develop employee-centric compensation structures that contribute to better healthcare service delivery through a more motivated and productive workforce.

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