

# The Relationship between Job Motivation, Compensation Satisfaction and Job Satisfaction in Employees of Tax Administration – A Case Study in Tehran

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## Abstract

The purpose of this paper is to assess the relationship between job motivation, compensation satisfaction and employees' job satisfaction in tax organization. In this study, survey research method has been used to collect required data. For the purpose of this case study, a 210 people sample has been selected from research population using simple random sampling method. In order to measure employees' job satisfaction, Susan J Linz (2002) questionnaire and in order to measure compensation satisfaction Ogenyi Ejye Omar's model (2006) has been used. This model includes four factors; Payment Justice, Organizational designed procedures, supervisor and performance-based pay. Also Herzberg and Kitchener model has been used to measure employees' motivation. Data analysis with Pearson correlation coefficient shows a positive relation between job motivation and compensation satisfaction. Qualitative approach implies that organizational justice in payments in important and employees who feel financially discriminated, their job satisfaction is lower compared to other employees.

**Keywords:** job motivation, compensation satisfaction, job satisfaction, tax administration.

## 1. Introduction

Human resource is a crucial element of every organization. Employees are powerful arms of an organization who have a magnificent role in evolvment and progression of organizational affairs (Bacha, 2014). Providing employees with necessary motivation and paying attention to employees' motivational factors are among the most important and complicated tasks of managers. Motivation is an internal state and drive which directs one to a specific activity. What is considered a motivation for a person or a group of people may not be motivational for another person or group. In other words, the person himself and the context he is living and working in are amongst important factors which affect motivational forces. If managers succeed in motivating their employees, they will be capable of implementing their managerial job. Paying attention to motivational factors in governmental organizations, particularly organizations in which employees have to do insufferable, demanding jobs with low payments is an important managerial skill (Gandalf, 2005). There is dominant perception among managers which states (Nur'aini et al., 2015): Among motivational techniques none of them are more effective than or even close to the effect of payment on employees. There is dominant attitude in management literature which states financial payments in incentive systems has a positive effect on employees' performance. Indeed, some authors believe that the main purpose of incentives is increasing external motivation via satisfying employee's indirect needs and using compensation and rewarding (Anthony & Govindarajan, 2007). The relation between payment for better performance and creating external motivation has been stated explicitly and clearly in various theories (Kunz & Pfaff, 2002). In fact, the importance of external motivations are in items such as rewards and promotion or payment cut or dismissal threat (Van Harpen et al., 2005). In agent theory, contracts are designed in a way that creates external motivation for employees (Osterloh et al., 2002).

Similarly, expectation theory argues that associating reward expectation and employees' performance in a motivational factor which can increase or decrease employees' effort and performance (Vroom, 1964; Marilena Bertolino Donald M. Truxillo Franco Fraccaroli, 2013).

On the other hand, Gillespie (1999) believes that the majority of goofing off on the job, demotivation, job dissatisfaction, malingering and similar items are a product of ignoring financial incentives and inequality of

payments or lack of organized, fair and reasonable payment rules and regulations. Most of current payment and salary systems, are not able to internally motivate employees and only goes on its own conditions.

Regarding the fact that people who work in an organization have a significant role in its performance and output, it seems that employees' positive feeling and attitude towards their organization and their job can address most of the issues in that organization.

Also when somebody is highly satisfied of his job it means he feels proud of his job and appreciates it. The results of studies show that employees with higher levels of job satisfaction are physically and mentally in a better condition. A person's job satisfaction which is determined based on his adaptability and social and psychological characteristics, is a criterion to measure career performance (Moghimi, 2014). Job satisfaction is someone's emotional orientation to his job (Price, 2001) and employees who feel the possibility of getting promoted in future are much more satisfied of their job (Kosteas, 2009). In spite of this fact, interpretation of this relationship is important because dissatisfying jobs usually include environmental pressures. Also, dissatisfied employees usually leave their job before they get to the emotional incompatibility and psychic imbalance phase (Faragher, 2005). The relation between motivation and job satisfaction is not necessarily a direct and linear relation. Also some studies stated that this relation is a direct relation but some studies do not believe that being active at workplace necessarily means being job satisfied and a lot of studies believe that job satisfaction is a result of general satisfaction of life which is a multi-factorial phenomenon but in general, researches state a strong relation between job satisfaction and performance (Buciuniene, 2005).

In every organization, employees are typically given three types of opportunity: compensation (salary and reward), promotion, challenging career.

These three opportunities profoundly affect employees' motivation and job satisfaction (Takahashi, 2006). In Iran, promotions are generally not based on merit and there is not a considerable salary difference between different people in one organizational level. Getting qualified without being qualified enough and similar salaries in an organizational level, is in complete contradiction with dominant system in western countries and it is not very common in other developed countries.

Nevertheless, regarding the importance of job satisfaction, job motivation and compensation satisfaction at all organizational levels, it is necessary to study the relation between these three factors so that by using its achievements managers can intelligently plan their behavior to increase their employees' job satisfaction. Now based on what has been explained, in this paper we have tried to assess the relation between employees' job motivation, compensation satisfaction and job satisfaction in Tehran tax administration.

## **2. Literature Review**

### *2.1 Job Motivation and Job Satisfaction*

Motivation is an internal drive which causes change in behavior and moving towards organizational goals. Organizational resources are categorized in two general groups: financial resources and human resources. Since financial resources gets utilized by human resources as well, efficient usage of financial resources without having motivated human resources is not possible (Karbani, 2010). And motivation (a moderator process or and internal state of a living creature which drives him to implement activities) can be defined (Schiestel, 2007)

Job satisfaction is someone's emotional orientation towards his job. In fact, a person's job satisfaction which is measured by knowing how compatible his psychic and social characteristics is with job conditions, is a metric to measure his career performance (Kosteas, 2009). In other words we can say that if job provides the person with desired conditions, he will be satisfied but if job does not provide him with desired satisfaction and joy, the person starts to blame his job and will leave the job if possible (Fisher and Hana). According to Brayfield (1984) Barnett and Karson (1987) and other experts, job is discussable from two point of views; attitudinal and motivational. For instance, Hellgrill, Slokam and Woodman define job satisfaction as a general feedback of person's to his job or career while some others define it as a positive and enjoyable emotional state which is caused by his job experience and his attitude towards work (Sbati, 2005).

There are different theories about factors which affect job satisfaction and people's motivation which can be categorized in two general groups; Content theories which deal with the content of creating job satisfaction and motivation (e. g. Maslow theory and Herzberg theory) and process theories which deal with its process (e. g. Adams theory and Victor Vroom) (Houman, 2002). The most applicable and the most common theory which is used as a reference in job satisfaction measurement and assessment is Herzberg theory. Herzberg believes that job motivation is affected by mental or internal factors (motivation driving factors) and external or hygiene factors (motivation maintain factors) and by studying these factors, the most important job satisfaction factors

can be identified and used for performance improvement programs in organization (Shafiabadi, 2011)

**First Theory:** There is a direct relation between job motivation and job satisfaction.

### *2.2 Job Satisfaction and Compensation Satisfaction*

Smith (2001) has emphasized on compensation and income as a highly influential factor on job satisfaction. Siegel et al. (2005) has given a higher importance to justice and treating employees without discrimination and job security and Keen (2001) and Wild (2006) has pointed to job independence. Keen (2001) and Plio (1998) have emphasized on the importance of constructive relationship between colleagues and team members and in Thompson's study the way supervisors and managers mentor the job has been identified as an influential factor. Flanagan (2002) has emphasized on hiring method as another influential factor. Disanits and Diverset (1996) have shown in their studies that seasoned employees are more capable to utilize their experience in their job and the older and the more experienced people get, the higher their job satisfaction (Williamson, 1996; Smith & Shields, 2013).

Linz (2003) demonstrated that organizational and occupational characteristics has a higher effect on job satisfaction of female employees compared to males and level of education can affect this relation.

Agent theory has focused on external rewards (Merchant et al., 2003). Base on this theory, employees' actions are replied by rewards or punishments and therefore these feedbacks helps that their effort and performance get identified and acknowledged. So compensation is a powerful level in order to increase employees' job satisfaction (Jensen & Murphy, 2004).

**Second Theory:** There is a direct relation between job satisfaction and compensation satisfaction.

### *2.3 Job Motivation, Jon Satisfaction and Compensation Satisfaction*

Base on expectancy theory which was stated by Porter and Lawler (1968), it is argued that performance and reward system affects employees' job satisfaction (Ferris, 1977; Igalens & Roussel, 1999). Approving this point of view, Powel (1997) assesses the relation between job motivation and job satisfaction and findings of this study demonstrate a positive correlation between these in a way that when job motivation goes up, job satisfaction increases accordingly. Also in regard of external motivation (reward payment system), we can say it has a positive correlation with job satisfaction (Moynihan & Pandey, 2007; Wright & Kim, 2004). Despite the studies which have been done on external motivation, so many studies have also been implemented on internal motivation as well. Based on individual fait determination theory, this theory suggests that supporting team work which encourages employees' internal motivation, also brings about a rise in employees' job satisfaction and performance (Gagne & Deci, 2005; Deci & Ryan, 2008). Based on this theory when employees are satisfied of their salary (reward payment against performance), employees realize what they are doing is valuable, so it leads to higher levels of job satisfaction and self-confidence in employees (Wright & Kim, 2004).

Main hypothesis: there is a correlation between employees' job motivation, compensation satisfaction and job satisfaction in organization.

## **3. Methods**

This is a descriptive-analytical study which has been implemented in a period of time in 2015 in Tehran tax administration. Using Morgan table sample size is 210 and samples have been selected by simple random sampling method. In fact, this study has used survey method to collect its required data. Survey is a method to collect information about viewpoints, beliefs, ideas, behaviors or characteristics of a group of people in a statistical population. In other words, survey research is a method of data collection in which a specified group of people are asked to answer a number of questions (same for all respondents). These answers makes a data base for that study. Survey research is the most common type of social researches (Baker, 1986). In this study, In order to measure employees' job satisfaction, Susan J Linz (2002) questionnaire and in order to measure compensation satisfaction Ogenyi Ejye Omar's model (2006) has been used. . This model includes four factors; Payment Justice, Organizational designed procedures, supervisor and performance-based pay. Also Herzberg and Kitchener model has been used to measure employees' motivation.

Among 210 distributed questionnaires, 203 usable questionnaires were returned. For data analysis, SPSS software (version 18.0) was used which included descriptive tests (mean, standard deviation and frequency) and analytical tests (t-test, correlation and regression). Since a standard questionnaire was used for data collection, questionnaire's validity is assumed to be confirmed and questionnaire's reliability was calculated using Cronbach's alpha (90.2%).

Table 1. Questionnaire's reliability was calculated using Cronbach's

| FACTOR                    | CRONBACH'S ALPHA |
|---------------------------|------------------|
| job motivation            | 0.772            |
| compensation satisfaction | 0.820            |
| job satisfaction          | 0.876            |

#### 4. Results

Based on findings of this study, 57% of respondents are women and the rest who are 42% of respondents are men. Employees' average age is 34 while the 30-40 age group is the most populous age group. Regarding job experience, group 3 which represents employees who have been working in this organization for more than 10 years has the highest frequency. In this organization 42% of people are masters or PhD degree holders which indicates that education is a very crucial factor. 63% of people in our sample were married and the rest (35%) were single. Among employees of this organization 55% are official permanent employees while the rest (39%) are temporary or project employees. Table below includes all the information taken from descriptive analysis (see Table 1).

Table 2. Descriptive statistics

|                 | QUANTITY | MINIMUM | MAXIMUM | MEAN    | STANDARD DEVIATION |
|-----------------|----------|---------|---------|---------|--------------------|
| SEX             | 211      | 1.00    | 2.00    | 1.4265  | .49575             |
| AGE             | 198      | 2.00    | 72.00   | 34.6869 | 10.77989           |
| EXPERIENCE      | 211      | 1.00    | 4.00    | 2.1090  | .87421             |
| EDUCATION       | 210      | 1.00    | 4.00    | 3.1333  | .93897             |
| MARRIAGE STATUS | 210      | 1.00    | 2.00    | 1.6429  | .48030             |
| CONTRACT TYPE   | 207      | 1.00    | 5.00    | 1.6329  | .84214             |

As you see in Table 3, the minimum of job satisfaction is 2.18 and the maximum is 4.91 and the mean is 3.66. Regarding these results we can say the level of job satisfaction in this organization is satisfactory but about compensation satisfaction regarding this fact that choice 1 was selected by employees as well and also regarding the mean which is 3.22, it can be concluded the level of compensation satisfaction in this organization is low.

Table 3. Descriptive Statistics of job Satisfaction, Compensation, job motivation

|                           | QUANTITY | MINIMUM | MAXIMUM | MEAN   | STD. DEVIATION |
|---------------------------|----------|---------|---------|--------|----------------|
| JOB SATISFACTION          | 211      | 2.18    | 4.91    | 3.6695 | .54837         |
| COMPENSATION SATISFACTION | 211      | 1.00    | 5.00    | 3.2227 | .90990         |
| JOB MOTIVATION            | 208      | 2.14    | 4.93    | 3.5843 | .62563         |
| VALID N (LISTWISE)        | 208      |         |         |        |                |

Table below demonstrates correlations between variables (see Table 4).

Table 4. Correlations between job satisfaction, compensation satisfaction, job motivation

|                              |                        | JOB<br>SATISFACTION | COMPENSATION<br>SATISFACTION | JOB MOTIVATION |
|------------------------------|------------------------|---------------------|------------------------------|----------------|
| JOB<br>SATISFACTION          | Pearson<br>Correlation | 1                   | .435**                       | .649**         |
|                              | Sig. (1-tailed)        |                     | .000                         | .000           |
|                              | N                      | 211                 | 211                          | 208            |
| COMPENSATION<br>SATISFACTION | Pearson<br>Correlation | .435**              | 1                            | .533**         |
|                              | Sig. (1-tailed)        | .000                |                              | .000           |
|                              | N                      | 211                 | 211                          | 208            |
| JOB<br>MOTIVATION            | Pearson<br>Correlation | .649**              | .533**                       | 1              |
|                              | Sig. (1-tailed)        | .000                | .000                         |                |
|                              | N                      | 208                 | 208                          | 208            |

\*\* . CORRELATION IS SIGNIFICANT AT THE 0.01 LEVEL (1-TAILED).

In above table we tested first and second hypotheses and as it is shown is above table first and second hypotheses (First hypothesis: There is a direct relation between employees' job motivation and job satisfaction and Second Hypothesis: There is a direct relation between employees' compensation satisfaction and job satisfaction.) are true. Now for testing the third hypothesis we need to use regression table. Results are given in table below (Table 5).

Main Hypothesis: There is a correlation between employees' compensation satisfaction and job satisfaction

Table 5. Correlation between employees' compensation satisfaction and job satisfaction

| MODEL                        | UNSTANDARDIZED<br>COEFFICIENTS |            | STANDARDIZED<br>COEFFICIENTS | T     | SIG. |
|------------------------------|--------------------------------|------------|------------------------------|-------|------|
|                              | B                              | Std. Error | Beta                         |       |      |
| CONSTANT                     | 1.590                          | .168       |                              | 9.445 | .000 |
| COMPENSATION<br>SATISFACTION | .083                           | .038       | .137                         | 2.209 | .028 |
| JOB MOTIVATION               | .505                           | .054       | .576                         | 9.290 | .000 |

A. DEPENDENT VARIABLE: SATISFACTION

Job satisfaction is someone's attitude towards his job. A person who is highly satisfied of his job, looks positively at his job and a person who is dissatisfied of his job will get demotivated.

Job satisfaction guides human resource's internal movements hence assessment of factors which affect job satisfaction in an organization is essential and employees tend to have a fair compensation and promotion system which considers level of employee's responsibility and performance. If this happens, people feel more satisfied. So many studies in or out of country have been done on the effect of motivational (subjective) and hygiene factors on job satisfaction and employees' motivation which in most cases they confirmed the superiority of internal factors over external factors which is what Herzberg states and in some cases they talked about the importance of external factors. This point is worth attention that job satisfaction outcomes can also affect society, when people are satisfied with their job; they enjoy it and make more effort towards society's well-being, because through job satisfaction, joy and happiness in is brought to families and society.

In this study, we discussed and analyzed effects of a properly designed compensation system on employees' job motivation and job satisfaction. Findings of this study indicate that there is positive relation between payment

and employees' job motivation and satisfaction. Compensation satisfaction is the most effective factor on job motivation (As it can be observed in table, correlation between these two variables is 0.533). Results of this study match the results of others (Frey, 1997; Kreps, 1997; Merchant et al., 2003) who reach to similar results. One of the interesting findings of this study is that more than half of the organization's employees despite being dissatisfied of their income are still motivated and satisfied with their job. This supports findings of other studies (Dermer, 1975; Kunz & Pfaff, 2002; Kominis & Emmanuel, 2007). Also findings of this study is in contradiction with autonomy theory in which growth and healthy performance amplifiers are indicated and illustrated with primary psychological needs which are inborn, public and fundamental for health and welfare. This means psychological primary needs is a natural aspect of human being which is applicable to everyone regardless of sex, race or culture. The more these needs are met, the more effective people behave and healthier they grow. But the more these needs are suppressed, the more signs of unhealthiness and undesired performance will be observed from people. Darker sides of human's behavior and experience are known as suppressed needs (Stringer, Didham, & Theivananthpillai, 2011).

## 5. Conclusion

Based on this study, in order to achieve organization's strategic goals we suggest managers get a comprehensive picture of their employees' job satisfaction through assessment of effective factors so that they can prioritize factors which affect job motivation in their organization. Knowing these factors and their importance, they should help creative employees' talents flourish and by providing job security and paying attention to economic and living issues, set the context for realization of organizational goals and employees' satisfaction and better performance.

## 6. Suggestions

According to the above-mentioned and results of this study which was explained in previous section, our suggestions to Tehran Tax Administration is what follows:

1. Develop procedures to identify and compensate hidden efforts of employees and to create privacy about employees' income.
2. Reward employees' extraordinary efforts by tangible and measurable rewards to motivate and encourage them.
3. Do similar studies in other organizations and in other provinces.

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