

## Employees' Perception on Compensation and Benefits: The Case of Bangladesh Gas Fields Company Limited

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### ABSTRACT

*Employee compensation plays a major role in efforts to manage human resources better. Its practices differ across employment units (e.g., organizations, business units, and facilities) on several dimensions. The present descriptive study aims at measuring the Bangladesh Gas Field Company Limited (BGFCL) employees' perception on their financial compensation and other benefits. The study also evaluates the impact of compensation and benefits on employee productivity. To achieve the objectives, 152 employees of BGFCL were selected as sample and the required data from them were amassed through mail questionnaire and interview schedule. The results of the study testify that BGFCL employees' perception towards basic salary structure, festival bonus structure, incentive bonus structure, leave passage, and share of workers' profit participation fund facility are positive but their perception on different allowances including lunch, washing and transport allowances are negative. It is also observed from the study that BGFCL's current compensation and benefit package has a positive impact on employees' productivity but is not capable of attracting and retaining competent employees.*

**Keywords:** Benefits, BGFCL, Compensation, Employees' Perception.

### 1. INTRODUCTION

Employees are the key resources of any organization. The success or failure of the organization depends on the employers' ability to attract, retain, and reward appropriately talented and competent employees. Employees' willingness to stay on the job largely depends on compensation packages of the organization. Armstrong (2005) regarded compensation management as an integral part of human resource management approach to productivity improvement in the organization. It deals with the design, implementation and maintenance of compensation system that are general to the improvement of organizational, team and individuals' performance. Compensation management as the name suggests, implies having a compensation structure in which the employees who perform better are paid more than the average performing employees (Hewitt, 2009).

According to the American Compensation Association (ACA), "Compensation is the cash and non-cash remuneration provided by an employer for services rendered". Compensation is the totality of all rewards provided by employers to their employees in return for their services. In the language of Holt (1993) compensation is the reward employees receive in exchange for their performance. Employees' compensation often consists of financial and non-financial rewards for individuals and teams who contribute to total quality management (TQM) efforts (Blackburn, & Rosen, 1993). It is a major instrument used by an enterprise to attract the employees needed to get the work done, as well to motivate them for more effective performance.

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Employees' compensation refers to all forms of pay or rewards going to employees and arising from their employment. It has two main components. One is direct financial payments i.e. wages, salaries, incentives, commissions, bonus etc. and the other is indirect nonfinancial payments like employer-paid insurance, leaves, medical facility etc. (Dessler, 2012).

Monday, and Noe (1990) defined compensation as an expense in the sense that it reflects the cost of labor. The compensation is basically two types, financial compensation and non-financial compensation. They defined financial compensation as direct compensations, which is paid to employees in the form of wages, salaries, bonuses, and commission in exchange for their performance and indirect compensation in the form of life insurance plans, health insurance plans, retirement benefits, educational assistance, employee services, and paid absence for vacation, holidays, sick leave, etc. On the other hand, they defined non-financial compensation as any satisfaction that employees get from the job, such as the need for recognition, responsibility, personal growth, comfortable working condition, competent supervision, pleasant work companion and other related physical and social needs of employees. Randal (1998) also defined the same factors.

Employee benefits are optional, non-wage compensation provided to employees beyond their normal wages or salaries. These types of benefits include disability income protection, retirement benefits, daycare, tuition reimbursement, sick leave, funding of education, group insurance, as well as flexible and alternative work arrangements (Glueck, 1978). He also said, some employers provide these programs for labor market reasons i.e. to keep the enterprise competitive in recruiting and retaining employees in relation to other employers. Another reason for providing these programs is to increase employee performance. Nonmonetary incentive programs that are received by employees may vary depending on employees' perceptions related to internal and external pay equity, organizational justice, perceived managerial discretion and perceived organizational hardship.

In most cases employees' decision to stay or leave an organization to work effectively and accept additional responsibility is affected by compensation and benefits (Bratton, & Gold, 1995). To increase employee satisfaction, effective compensation & administration is desirable. Satisfaction with pay is important because many researchers found that job satisfaction is lower with lower pay satisfaction. Consequently, absenteeism and turnover will be higher and costly. If pay is tied to performance the employees perform a higher quality and quantity of work. In setting pay rates, compensation managers must take into consideration the employees' perception on fair & equitable compensation, regardless of its being one of the most critical factor for which an individual joins an organization. There is a need to examine the employees' perceptions on the compensation and benefit policy of their organization and how employees differ in their perceptions (Dulebohn, & Martocchio, 1998).

Schiffmann (1990) defined perception as "The process by which people select, organize, interpret, retrieve and respond to information from the environment that surrounds them." It is the real interpretation of each person, because perceptions across individuals differ so much. The same workplace events, problems and challenges will naturally be perceived differently among members within the organization. Perception of employees on the compensation and benefits is associated with their job satisfaction, as it is correlated to job performance, positive work values, high levels of employee motivation & lower rates of absenteeism, and turnover & burnout (Begley, & Czajka, 1993).

Randal (1998) defined the benefit programs as pay for time not worked like vacation, holidays, sick leaves and absence pay, breaks and wash up and clean up time and found that benefits provide firms the opportunity to attract and retain valued employees. He identified variety of reasons for paying much money into benefit programs. These are attracting good employees, increasing employees' morale, reducing employees' turnover, increasing job satisfaction,

motivating employees, enhancing the organizations image among employees and in the community, and making better use of compensation money. Providing benefit with flexibility is good because it meets the employees' requirement. It makes them aware of the benefit they are gaining and thus increase their morale as well as their commitment to the organization. If employees have no knowledge about their benefits, organizations benefit program objectives will not be attained. Communicating the benefit packages and providing the employees with benefit flexibility increase the positive impact of indirect compensation.

Warokka, Gallato, and Moorthy (2012) defined perception as a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment. Perception varies and differs person to person, because every person has different behavior and thought.

The demand for natural gas in Bangladesh is rapidly expanding both in the industries and residences. The gas production in the country is also increasing to meet the demand. In the fiscal year 2013-2014 the average gas production of BGFCL was 790 million cubic feet per day. In the fiscal year 2014-2015 that production increased to 820 million cubic feet per day and in the fiscal year 2015-2016 that production increased to 850 million cubic feet per day (Annual Report, 2013-2014, 2014-2015 and 2015-2016 of BGFCL). Like other organizations, Bangladesh Gas Field Company Limited (BGFCL) also expects its employees' long-term presence and satisfactory contribution towards productivity. And the company can meet its expectation if its employees are satisfied with their financial and non-financial compensation and benefits. But the compensation and benefit packages of BGFCL, particularly different occasional allowances, have failed to satisfy its employees as other organizations can. Numerous studies on employee compensation and benefits of different organizations were done at home and abroad. Very few of them are on gas distribution and transmission organizations and no specific study was carried out on the perception of employees on the compensation and benefit packages they enjoy from BGFCL. The present study has, therefore, been undertaken to bridge the gap.

This study was primarily designed to evaluate the employees' perception of the current compensation and benefit policy and practices of Bangladesh Gas Fields Company Limited (BGFCL). However, to achieve the primary objective, the study encompassed the following secondary objectives:

- (i) To measure the employees' perceptions on their financial compensation and benefits;
- (ii) To investigate how the employees, perceive on their non-financial benefits; and
- (iii) To identify the relationship between the employees' compensation and benefit package available at BGFCL and their perceptions;

## **2. REVIEW OF RELATED LITERATURES**

Several studies were conducted on compensation and benefits packages in many developing and developed countries, but the number of studies on employees' perception on compensation and benefits was minimal. Some of the notable works relating to present study are reviewed below:

Compensation and rewards affect the employee decision making to stay their organizations and accept the responsibility (Bratton, & Gold, 1995). The work contributes for emerging industry level perspective by investigating the relationship between the compensation and benefit package available, and employee's perception.

Pay is the most obvious reward employees get for work (Decenzo, & Robbins, 2009). The compensation and benefit package that employees get have an influence on human resources outcomes like performance, productivity, satisfaction, retention, attraction etc.

Prasetya, and Kato (2011) identified the general purposes of compensation as respect of employees' performance, maintaining a competitive labor market, employee performance, budget, reduction of employee turnover, etc. They also found that the motivated employees can achieve strategic goals for the organization. If the compensation scheme is based on positions or skills that are relevant to the job-classification, an organization will have a better chance to attract, motivate, and retain employees, they added.

Chen, & Fu (2011) discovered that employees perceive fairness according to characteristics specific to the organization and industry. They also found that rewards are distinctive to the characteristics of specific industries and organizations and perceptions of justice vary according to patterns in extrinsic rewards.

Tahir, Ahmed, Sahoo, Ullah, Azam, and Marwat (2011) stated that the employees are motivated by both the intrinsic and extrinsic factors of compensation, in such way that extrinsic factors are more causing motivation. They concluded that compensation management has a profound direct positive relationship with employee motivation level and intrinsic factors played important role in the motivation process. Aktar, Sachu, and Ali (2012) explored the relationship between rewards and employee performance as well as identified the factors of extrinsic and intrinsic rewards and their impact on employee performance and actions.

Nathani, and Kaur (2012) stated that satisfied employees of an organization help to run the organization successfully. A satisfied employee always tries to increase the quality of product or services that positively affects customer satisfaction and therefore significantly influences the firm's profitability. They made conclusions that there is no effect of employee perception towards compensation on employees' motivation. The reasons of this might be that employees give more importance to other factors like working condition, participation in decision making, recognition than the compensation.

Warokka, Gallato, and Moorthy (2012) aimed to extend the literature of the effect of performance appraisal on productivity and employees by connecting the employees' perception on fair performance appraisal and organizational justice-considered practices to job satisfaction and work performance. The factors that influence perceptions are attitudes, personality, interest, motives, past experiences, expectations, etc. Bowra, Sharif Saeed, and Niazi (2012) checked out the relationship and nature of relationship between the employee perceived performance and human resource practices i.e. compensation, performance evaluation, and promotion practices in the banking sector of Pakistan. They identified the employee perceived performance and HR practices have the positive and significant relationship.

Shukla, and Tiwari (2013) in their study identified the employees' satisfaction level with the current compensation management policy in State Bank of India (SBI). They found that overall employee satisfaction with the current compensation policy of the bank is low. Psychological and self-actualization needs of employees are not satisfied properly. It is found that most of the employees feel that there is no match between individual objectives and objectives of compensation of bank.

Nagaraju, and Kumar (2013) identified that employees' perception analysis depends to a great extent on managers, who perform the functions of planning, organizing, staffing, leading and controlling. They determined the employees' perception on their own employment, work conditions and commitment, as well as verified the significance of differences about the chosen characteristics.

Adeniyi (2013) in a study found that compensation management system has impacts on employees' performance and also there are other factors like administration, leave, medical etc. apart from monetary factor that influence the performance of employees either positively or negatively.

Getnet, Jebena, and Tsegaye (2014) assessed the effect of employees' perceptions on their satisfaction towards performance appraisal practices in the University of Gondar, Ethiopia. To do this they assumed that employees' perceptions of distributive, procedural, informational and interpersonal fairness parameters are highly related to their satisfaction on the performance appraisal practices of their institution. They found that the employees of their institutions do not perceive the performance appraisal practices as fair and their overall satisfaction on the performance appraisal practices of the university is lower.

Ponduri, and Soudikar (2016) examined employees' perception on compensation management and benefit policy at selected commercial banks adopting descriptive research design by using quantitative and qualitative data interpretation. Their study revealed that employees perception towards current compensation and benefits are unfair, not distributed between supervisor and clerical employees. The study also testified the selected employees' non-participation in compensation and benefits decision and also the communication gap of compensation system to employees.

The research gap found through literature review is explained below in a matrix table:

<b>Author(s) with Year</b>	<b>Research Gap</b>
Bratton, and Gold (1995)	Failed to claim empirical evidence of any selected organization.
Decenzo, and Robbins (2009)	Did not disclose what the employees perceive about their existing compensation and benefit packages with field study.
Tahir <i>et al.</i> , (2011)	Did not find the relationship between compensation and benefit policy and employees' productivity.
Prasetya, and Kato (2011)	Did not identify the employees' perception on financial and non-financial compensation of any particular organization with supporting data.
Chen, and Fu (2011)	Did not find the employees' perception on financial and Non-financial compensation.
Aktar, Sachu, and Ali (2012)	Did not identify the employees' perception on compensation and benefit.
Nathani, and Kaur (2012)	Did not testify the empirical evidence on the perception of any particular organization's employees' perception on their compensation and benefit.
Warokka, Gallato, and Moorthy (2012)	Did not identify the employees' perception on financial compensation.
Bowra <i>et al.</i> , (2012)	Failed to identify the employees' perception on compensation in energy sector.
Shukla, and Tiwari (2013).	Did not identify the employees' perception on non-financial compensation and benefit of any gas generating and distribution organization.
Nagaraju, and Kumar (2013)	Did not analyze the effect of compensation and benefit packages on the employee perception.
Adeniyi (2013)	Did not assess the experience the employees gained from their compensation and benefits.
Getnet, Jebena, and Tsegaye (2014)	Did not identify the employees' perception regarding their financial and non-financial benefits.
Ponduri, and Soudikar (2016)	Highlighted a specific banking sector but failed to disclose the association of employees' perception on the basic salaries and other fringe benefits they enjoy in their job station.

## **2.1 Hypothesis**

Based on the literature review and main objective of the study the following hypothesis was formulated:

$H_0$  = There is no significant relationship between compensation and benefit package available in BGFCL and its employees' productivity.

$H_1$  = There is a significant positive/negative relationship between compensation and benefit package available in BGFCL and its employees' productivity.

## **3. RESEARCH METHODOLOGY**

Like most of other social studies, the design of the present study was descriptive using both qualitative and quantitative data interpretations. The methods followed in conducting the study are as follows:

### **3.1 Types and Sources of Data**

Both the primary and secondary data were used for the study. A sample of respondents consisting of all level officers and workers of BGFCL are the key informants in the process of collecting primary data of the study. The sources of secondary data were articles, magazines, newspapers, journals of home and abroad, related books, annual reports of BGFCL & Petrobangla, website, etc.

### **3.2 Sample Design**

The study covered the Head Office, Titas Gas Field, and Habigonj Gas Field of BGFCL among its eight offices at different locations. The Head Office and Titas Gas Field of the company are located at Brahmanbaria. The Habigonj Gas Field is located at Shajibazar, Habigonj. The employees who joined to BGFCL after December 31, 2014 were excluded in this study. The secondary data of BGFCL ranged between 2009 and 2016. Due to time and resource constraints, the Bakhrabad Gas Field, Narshingdi Gas Field, Meghna Gas Field, Kamta Gas Field, Sangu Production Facility (Sangu Plant), and Dhaka liaison office were out of the purview of the present study. However, more than 77 percent of the total employees including top management of BGFCL are working at the Head office, Titas Gas Field and Habigonj Gas Field who are the respondents of the study (BGFCL Manpower Report, January-2017).

For collecting primary data of the present study, 856 employees working in BGFCL constituted the sample population. Out of these employees a total number of 152 were selected as a sample size. The above sample is in line with Roscoe's (1975) rule of thumb that a sample size between 30 and 500 is adequate for this type of study. Proportionate stratified sampling technique was used for officers and simple random sampling techniques were used for workers in selecting sample. For using stratified random sampling technique, each stratum was developed according to the position of the selected respondents in BGFCL. The developed strata were general manager, deputy general manager, manager, deputy manager, assistant manager and assistant officer.

### **3.3 Data Collection Instruments and Procedure**

The primary data were collected through personal interview method, mailed questionnaire method and telephone interview method with all relevant indicators. The format of the questionnaire was semi-structured. The questionnaire consisted of three parts. Part I was concerned with demographic information of the respondents. Part II was consisted of twenty-

five statements with close-ended questions regarding the perception factors. The respondents were asked to indicate their feelings in terms of favorable or unfavorable about each factor using the five-point Likert type scale with 1 = most favorable; 2 = favorable; 3 = Neutral; 4 = unfavorable; and, 5 = most unfavorable by putting a tick mark for each factor. Part III was developed with some other questions including two open ended questions. The Titas Gas Field is located within 2 Kms distance from Head Office of BGFCL, whereas Habigonj Gas Field is located at around 40 Km from the Head Office. Generally, officers of BGFCL are well educated and workers are less educated. Therefore, data were collected from officers through mailed questionnaire method and from workers of Head Office and Titas Gas Field through personal interview method and from workers of Habigonj Gas Field through telephone interview method.

### 3.4 Data Processing and Analysis

With a view to easy analyses the collected primary data were processed by editing, coding, classifying, and tabulating. The steps of editing were checking legibility, completeness, and consistency. The values of the variables were coded by numerical figures, and the numerical coded numbers were given input for analyzing the data using a personal computer. The data were classified as per respondents' attributes i.e. employees' descriptive characteristics like age, sex, educational qualification, length of service in BGFCL, job category, etc. and classified according to numerical characteristics like monthly basic salary. Finally, the data were summarized and condensed in the tabulated form. To do these, the collected data were entered a database and analyzed using Statistical Package for Social Science (SPSS), Version 23.0 software. Both the number and percentage were used in describing the personal characteristics and perceptions towards compensation and benefit policy among the subjects. The mean rating score was also used to present the perception level towards compensation and benefit policy among the subjects. Factor analysis was performed to identify the leading smaller number of factors from the listed 25 factors that have great impact on employees' perception. As Likert Scale produces ordinal data only, the parametric test (e.g., t-test) could not be used.

## 4. RESULTS AND DISCUSSION

The results of the present study acquired from the field survey are discussed below with the help of both demographic characteristics and factor analysis.

### 4.1 Demographic Characteristics of the Respondents

Demographic characteristics can be used to describe the sample and to summarize the data, either numerically or graphically. In the present study, the numerical descriptors, the frequency distribution, percentage, and mean were used. Table 1 shows the demographic characteristics possessed by the sample employees of BGFCL.

**Table 1** Demographic characteristics of the sample employees

Characteristics	Respondent Employees (N = 152)	
	Frequency	Percentage
Gender		
Male	142	93.4
Female	10	6.6
Age		
Below 30 Years	5	3.3
30 to 40 Years	55	36.2
40 to 50 Years	49	32.2
Above 50 Years	43	28.3

Mean Age 43.89 Years		
<b>Educational Qualifications</b>		
Below SSC	17	11.2
SSC	11	7.2
Diploma/HSC	11	7.2
Bachelor Degree	46	30.3
<b>Master Degree</b>	67	44.1
<b>Length of Service in BGFCL</b>		
Below 10 years	54	35.5
10 to 20 Years	30	19.7
20 to 30 Years	62	40.8
Above 30 Years	6	4.0
Mean Length of Service in BGFCL 16.8 Years		
<b>Job Category</b>		
Technical	83	54.6
Administrative	40	26.3
Financial	29	19.1
<b>Monthly Basic Salary</b>		
Below Tk. 10,000	3	2.0
Tk. 10,000 to Tk. 20,000	60	39.5
Tk. 20,000 to Tk. 30,000	70	46.0
Above Tk. 30,000	19	12.5
Mean Monthly Basic Salary Tk. 20,642		

Source: Field Survey.

The demographic characteristics of the respondents as presented in Table 1 reveal that most the respondents (93.4 percent) were male and the remaining 6.6 percent were female, which indicates traditional male dominated sample in the offices of Bangladesh. In the present study, the reason for this obvious imbalance in the gender issue of the respondents is the representation of very few female employees in BGFCL. In terms of age, more than three-fifth of the respondents (60.5 percent) belong to the age group of over 40 years. The average age of the sample respondents were 43.89 years. Formal education has always been considered as an important capital of an individual in building his occupational career. A certain level of education is a must for any employee. Regarding the educational qualification of the sample employees, around three-fourth of the respondents (74.4 percent) completed the graduation level and among them 44.1 percent was master degree holder. Regarding length of service in BGFCL 55.2 percent of the respondents had been working for fewer than 20 years and the rest 44.8 percent between are above 20 years. The average experience of the respondents in BGFCL was 16.8 years. Though BGFCL is a technical organization, but it needed administrative and financial employees also. In terms of job category 54.6 percent of the respondents were technical, 26.3 percent were administrative, and the rest 19.1 percent were financial. Regarding monthly basic salary 58.5 percent of the respondents had monthly basic salary of above Tk. 20,000 and the rest 41.5 percent had below Tk. 20,000. The average monthly basic salaries of the respondents were Tk. 20,642. These basic salaries were based on Government's National Pay Scale, 2009.

#### 4.2 Factors Analysis

The present study adopted Exploratory Factor Analysis (EFA) to examine the factors that affect the employees' perceptions on compensation and benefits available in BGFCL. Cronbach's alpha is the most common internal consistency and reliability statistics.



**Table 2** Reliability statistics

<b>Cronbach's Alpha</b>	<b>Nos. of Items</b>
0.853	25

Generally, a lenient cut-off 0.60 is common in exploratory research; the value of alpha should be at least 0.70 to retain an item in an “adequate scale” (Graham, 2006). Chowdhury and Sultan (2005) considered the moderately reliable minimum value of Cronbach’s alpha is 0.6. The Table 2 displays the obtained a Cronbach’s alpha coefficient of 0.853 for these items. Therefore, the approach guided by a lenient cut-off 0.60 is appropriate here, and the Cronbach’s alpha coefficient claims moderate reliability.

The Kaiser–Meyer–Olkin (KMO) Measure of Sampling Adequacy and a Bartlett’s Test of Sphericity were applied as pretests of factor analysis. The Bartlett Test of Sphericity compares the correlation matrix with a matrix of zero correlations like identity matrix.

**Table 3** KMO and Bartlett’s test

Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy		0.746
Bartlett's Test of Sphericity	Approx. Chi-Square	1792.953
	df	300
	Sig.	0.000

Table 3 shows that the value of KMO statistic of the present study was 0.746. Kaiser (1974) recommends the value of KMO statistic greater than 0.5 as acceptable. Thus, the value of KMO statistic of the present study was desirable and the sample was considered to be adequate to proceed with factor analysis. Bartlett’s Test of Sphericity was used to test the null hypothesis that the variables are not correlated in the population. The Bartlett’s Test of Sphericity showed the significance level of 0.000 which is less than 0.05. This finding indicates the correlation matrix is significantly different from an identity matrix, in which correlations between variables are all zero. This finding also indicates that a strong relationship is existed among the variables, and thus supports the factor analysis.

**Table 4** Communalities for extraction

<b>Sl. No.</b>	<b>Variables</b>	<b>Initial</b>	<b>Extraction</b>
1.	Basic Salary Structure	1.000	0.734
2.	Festival Bonus Structure	1.000	0.861
3.	Incentive Bonus Structure	1.000	0.733
4.	Insurance Facility	1.000	0.439
5.	Medical Facility	1.000	0.633
6.	Transport Facility	1.000	0.608
7.	Telephone Facility	1.000	0.728
8.	Training Facility	1.000	0.541
9.	Lunch Allowance	1.000	0.608
10.	Washing Allowance	1.000	0.702
11.	TA & DA Allowance	1.000	0.583
12.	Casual Leave	1.000	0.718
13.	Annual Leave	1.000	0.698
14.	Sick Leave	1.000	0.697
15.	Leave Passage	1.000	0.833
16.	Summer & Winter Clothes	1.000	0.705
17.	Shares of Workers Profit & Participation	1.000	0.662
18.	Availability of Company Residence	1.000	0.728
19.	Furniture & Fittings in Residence Provided by BGFL	1.000	0.728

20.	Educational Allowance for Dependence	1.000	0.705
21.	Compensation & Benefit Package w. r. t. Comparable Organizations	1.000	0.684
22.	Compensation Package against Qualification & Experience	1.000	0.741
23.	Benefit Package against Performance	1.000	0.733
24.	Overall Compensation & Benefit Package	1.000	0.600
25.	Government's National Pay Scale, 2015	1.000	0.555

Extraction Method: Principal Component Analysis.

Table 4 displays the communalities of the variables, which express the percentage of variance of each variable that is explained by the extracted factors. For example, the highest (0.861 i.e. 86.1%) variance of Variable 2 i.e. Festival Bonus Structure is explained by the extracted factors. For factor extraction, the most widely used method, Principal Component Analysis (PCA), was applied in the present study. Factor extraction involved the determination of the smallest number of factors that could be used to determine which variables explained the greatest variations in evaluating the employees' perception towards the current compensation and benefit policy and practices in BGFCL.

Eigenvalue reflects the number of extracted factors whose sum should be equal to number of items which are subjected to factor analysis. The Eigenvalue table has been divided into three sub-sections, i.e. Initial Eigen Values, Extracted Sums of Squared Loadings and Rotation of Sums of Squared Loadings.

**Table 5** Total variance explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.763	23.052	23.052	5.763	23.052	23.052	4.353	17.411	17.411
2	3.827	15.309	38.361	3.827	15.309	38.361	3.065	12.259	29.670
3	2.084	8.337	46.698	2.084	8.337	46.698	3.002	12.009	41.679
4	1.763	7.054	53.751	1.763	7.054	53.751	2.468	9.871	51.550
5	1.308	5.231	58.982	1.308	5.231	58.982	1.631	6.526	58.076
6	1.156	4.626	63.608	1.156	4.626	63.608	1.235	4.941	63.017
7	1.055	4.221	67.830	1.055	4.221	67.830	1.203	4.812	67.830

Extraction method: Principal component analysis.

Table 5 reveals the actual extracted components or factors. The section headed "Extraction Sums of Squared Loadings" shows only those factors that met the cut-off criterion (extraction method). In this Table, it is found that seven factors had been extracted whose eigenvalues was greater than 1 (default option). The eigenvalues associated with these factors are again displayed (and the percentage of variance explained) in the columns headed *Extraction Sums of Squared Loadings*. The values in this part of the table are the same as the values before extraction, except that the values for the discarded factors are ignored. In the final part of the table labeled *Rotation Sums of Squared Loadings*, the eigenvalues of the factors after rotation are displayed. Rotation has the effect of optimizing the factor structure and one consequence for these data is that the relative importance of the seven factors is equalized. Before rotation, factor 1 and factor 2 accounted for considerably more variance than the remaining five (23.052 percent and 15.309 percent compared to 8.337 percent, 7.054 percent, 5.231 percent, 4.626 percent, and 4.221 percent). After rotation, it accounts for 17.411 percent and 12.259 percent of

variance compared to 12.009 percent, 9.871 percent, 6.526 percent, 4.941 percent, and 4.812 percent respectively.

The scree plot is a graph of the eigenvalues against all the factors. The graph is useful for determining how many factors to retain.

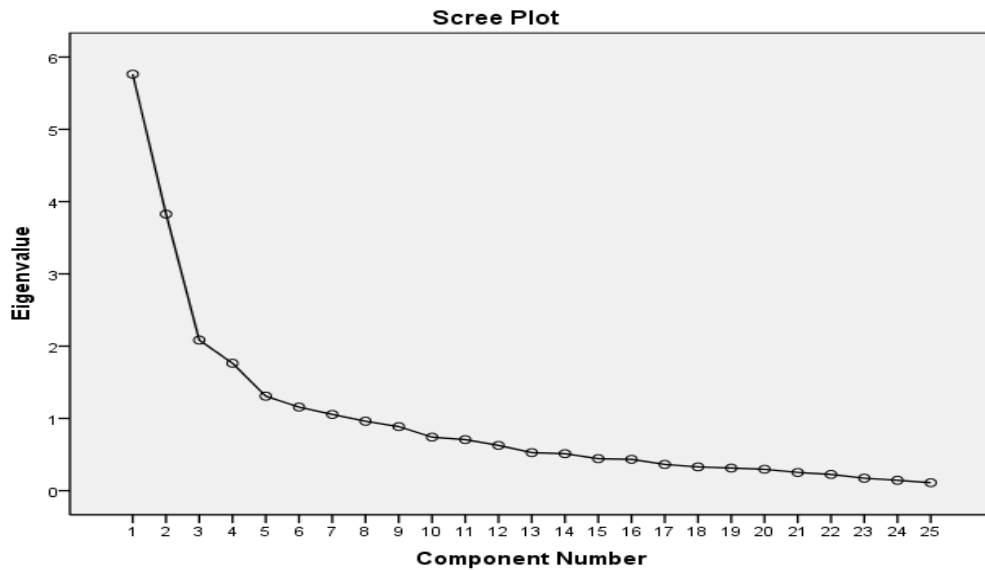


Figure 1. Scree plot.

It can be seen from the scree plot (Figure 1) that the curve begins to flatten between factors 7 and 8. It is also seen that factor 8 and onwards have an eigenvalue of less than 1, so only seven factors have been retained. The scree plot shows that seven components with eigenvalues greater than 1 of the twenty-five variables were extractable for factor analysis. The first component explains a high variance of 5.763, which is 23.052 percent of the total variance. This is the prime leading factor of employees' perception towards the current compensation and benefit policy and practices in BGFCL. The second component explains a variance of 3.827, which is 15.309 percent of the total variance. Likewise, the seventh component explains a variance of 1.055, which is 4.221 percent of the total variance. The first seven components together explain 67.83 percent of the total variance (Table 5).

The factors were rotated using the most commonly used method, the "Varimax with Kaiser Normalization" to reduce the number of factors and to enhance the interpretability. The idea of rotated component matrix is to reduce the number factors on which the variables under investigation have high loadings. Rotation does not actually change anything but makes the interpretation of the analysis easier. These factors can be used as variables for further analysis. Table 6 shows the rotated component matrix, which contains the coefficients or factor loadings for each variable. These coefficients, the factor loadings, represent the correlations between the factors and the variables. A coefficient with a large absolute value indicates that the factor and the variable are closely related. The factors can be interpreted in terms of the variables that have large loadings on them. The results of varimax rotation, as shown in Table 6, illustrate that seven factors constituting the variables with factor loadings of more than 0.5 were identified for interpretation.

**Table 6** Rotated component matrix<sup>a</sup>

Variables	Component						
	1	2	3	4	5	6	7
Compensation Package against Qualification & Experience	0.825	0.135	-	-	-	0.169	-
Productivity against Compensation & Benefit	0.816	0.232	-	-	-	0.104	-
Casual Leave	0.780	-	-	-	0.220	-0.189	-
Washing Allowance	0.765	0.115	-0.121	-	0.139	-	0.258
Lunch Allowance	0.622	0.385	-	-	-0.236	-	0.118
Overall Compensation & Benefit Package	0.593	-	0.311	0.179	-	0.295	-0.170
Educational Allowance for Dependence	0.516	0.429	-	-	-0.305	0.209	-0.336
Telephone Facility	0.164	0.805	-	-0.166	-	-	-0.142
Transport Facility	0.155	0.729	-	-	0.216	-	-
Training Facility	0.134	0.719	-	-	-	-	-
Insurance Facility	0.266	0.510	-	0.180	-0.227	-0.131	-
Medical Facility	-	0.501	0.296	0.107	0.213	0.134	0.408
Leave Passage	-	-	0.881	-	-	0.213	-
Summer & Winter Clothes	0.203	-	0.779	0.116	-	-0.129	0.146
Shares of Workers Profit & Participation	-	-	0.776	0.170	-	-	-
Festival Bonus Structure	-	-	-	0.896	0.110	-	0.164
Basic Salary Structure	-	-	-	0.841	-	-	-
Incentive Bonus Structure	-	-	0.207	0.790	0.200	0.107	-
Government's National Pay Scale, 2015	-	0.189	-0.117	0.151	0.670	0.168	-
Sick Leave	-	-	0.505	0.115	0.613	-0.152	-0.150
Annual Leave	-	-0.180	0.501	0.291	0.531	0.141	0.139
Compensation & Benefit Package w. r. t. Comparable Organizations	0.314	0.137	-	0.109	0.186	0.718	-
Availability of Company Residence	0.517	0.296	0.199	-	-	-0.552	--0.163
Furniture & Fittings in Residence Provided by BGFCL	0.158	0.482	0.241	-	0.236	-	--0.594
TA & DA Allowance	0.444	0.139	0.207	0.188	-	-	0.534

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.<sup>a</sup>

a. Rotation converged in 6 iterations.

As evident in Table 6, factor 1 has high coefficients for 7 variables (compensation package against qualification & experience, productivity against compensation & benefit, casual leave, washing allowance, lunch allowance, overall compensation & benefit package, and educational allowance for dependence). Therefore, this factor is labeled as the *performance factor* and is the dominant factor explaining the highest percentage (23.052 percent) of the total variance. The variables telephone facility, transport facility, training facility, insurance facility, and medical facility constitute the second factor, which is marked as the *non-financial factor* and explains the second highest percentage (15.309 percent) of the total variance. Factor 3 is composed of the variables leave passage, summer & winter clothes, and shares of workers profit & participation. Thus, this factor may be termed as the *workers' profit & participation* that explains 8.337 percent of the total variance. Another factor named the *financial factor* is composed of three

prime financial variables consisting of festival bonus structure, basic salary structure, and incentive bonus structure. This factor explains 7.054 percent of the total variance. The factor 5 may be conceptualized as *national pay scale factor* which is composed of three variables-government's national pay scale 2015, sick leave, and annual leave explaining 5.231 percent of the total variance. The variables compensation & benefit package with respect to comparable other organizations and availability of company residence constitute the factor 6, which may be called *competition factor* and explains 4.626 percent of the total variance. Finally, the variables furniture & fittings in residence provided by BGFCL and TA & DA allowance constitute the factor 7 explaining 4.221 percent of the total variance, which may be termed as *residential facility factor*. Therefore, the factor analysis in the study convincingly suggests that the employees' perception towards the current compensation and benefit policy and practices and the associated problems in BGFCL depends on seven leading factors: performance factor, leave factor, non-financial factor, financial factor, national pay scale factor, comparison factor, and medical factor.

Table 7 shows the component score coefficient matrix, which contains the coefficients or factor loadings for each variable. These coefficients, the factor loadings, represent the correlations between the factors and the variables. A coefficient with a large absolute value indicates that the factor and the variable are closely related.

**Table 7** Component score coefficient matrix

<b>Component</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
Basic Salary Structure	-0.031	0.029	-0.067	0.433	-0.114	-0.108	-0.184
Festival Bonus Structure	-0.021	0.025	-0.083	0.404	-0.049	-0.009	0.029
Incentive Bonus Structure	-0.003	-0.041	-0.029	0.333	0.015	0.019	-0.037
Insurance Facility	-0.008	0.177	0.020	0.113	-0.190	-0.124	0.025
Medical Facility	-0.105	0.226	0.115	-0.080	0.077	0.091	0.388
Transport Facility	-0.067	0.285	-0.056	-0.012	0.142	-0.055	0.100
Telephone Facility	-0.076	0.305	-0.024	-0.063	-0.007	0.046	-0.047
Training Facility	-0.078	0.283	-0.029	0.023	-0.001	0.016	0.050
Lunch Allowance	0.118	0.078	-0.011	0.015	-0.162	-0.010	0.124
Washing Allowance	0.210	-0.052	-0.072	-0.045	0.122	-0.073	0.226
TA & DA Allowance	0.098	0.020	0.058	-0.021	-0.015	0.007	0.457
Casual Leave	0.231	-0.099	-0.067	-0.048	0.197	-0.190	-0.066
Annual Leave	-0.008	-0.076	0.114	-0.005	0.277	0.072	0.081
Sick Leave	0.035	-0.055	0.114	-0.049	0.374	-0.172	-0.140
Leave Passage	-0.048	0.005	0.348	-0.100	-0.128	0.180	-0.006
Summer & Winter Clothes	0.051	-0.041	0.305	-0.039	-0.144	-0.119	0.129
Shares of Workers Profit & Participation	-0.033	0.006	0.275	0.004	-0.043	-0.095	-0.075
Availability of Company Residence	0.123	0.029	0.056	0.014	0.053	-0.484	-0.120
Furniture & Fittings in Residence Provided by BGFCL	-0.026	0.125	0.044	0.000	0.138	0.021	-0.482
Educational Allowance for Dependence	0.076	0.076	0.035	0.024	-0.226	0.176	-0.261
Compensation & Benefit Package w. r. t. Comparable Organizations	0.048	-0.005	-0.022	-0.031	0.077	0.574	-0.038
Compensation Package against Qualification & Experience	0.215	-0.081	0.001	0.007	-0.043	0.113	-0.064
Productivity against Compensation & Benefits	0.200	-0.031	0.000	-0.038	-0.002	0.060	0.044
Overall Compensation & Benefit Package	0.167	-0.141	0.097	0.040	-0.074	0.218	-0.175

Government's National Pay Scale, 2015	-0.007	0.061	-0.147	-0.009	0.460	0.089	-0.004
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Extraction Method: Principal Component Analysis.  
 Rotation Method: Quartimax with Kaiser Normalization.  
 Component Scores.

Table 8 is component transformation matrix which is used to convert the initial factor matrix into the rotated factor matrix.

**Table 8** Component transformation matrix

Component	1	2	3	4	5	6	7
1	0.768	0.533	0.264	0.200	0.104	0.073	-0.017
2	-0.293	-0.186	0.670	0.544	0.337	0.083	0.116
3	-0.423	0.583	0.418	-0.459	-0.009	-0.119	-0.285
4	-0.370	0.559	-0.513	0.479	0.164	0.140	0.106
5	0.070	-0.116	-0.166	-0.312	0.838	0.310	-0.240
6	0.051	0.022	-0.090	0.017	0.372	-0.905	0.176
7	0.029	-0.118	-0.085	0.356	-0.088	-0.196	-0.897

Extraction Method: Principal Component Analysis.  
 Rotation Method: Quartimax with Kaiser Normalization.

### 4.3 Testing of Research Hypothesis

**Table 9** ANOVA - Compensation & benefit package and employees' productivity

Model	Sum of Squares	Degree of Freedom	Mean Squares	Computed F Value	Table F Value
Due to Regression	156.731	24	6.530	17.704	1.63 (at 5%)
Residual	46.848	127	0.369		
Total	203.579	151			

- a. Predictors: (Constant), Government's National Pay Scale, 2015, Compensation Package against Qualification & Experience, Leave Passage, Festival Bonus Structure, Transport Facility, Insurance Facility, TA & DA Allowance, Compensation & Benefit Package w. r. t. Comparable Organizations, Training Facility, Availability of Company Residence, Medical Facility, Sick Leave, Furniture & Fittings in Residence Provided by BGFCL, Lunch Allowance, Overall Compensation & Benefit Package, Educational Allowance for Dependence, Washing Allowance, Shares of Workers Profit & Participation, Basic Salary Structure, Annual Leave, Summer & Winter Clothes, Telephone Facility, Incentive Bonus Structure, Casual Leave.
- b. Dependent Variable: Employees' Productivity

Since the computed F value is greater than the table F value at 5% level of significance, hence  $H_0$  is rejected and  $H_1$  is accepted, which implies that there is a significant relationship between compensation and benefit package available in BGFCL and its employees' productivity.

## 5. CONCLUSIONS

Employees' perception is affected by different factors including employees' demographic characteristics, age of the employees, job, educational qualification, experience, job category, base salary etc. It depends not only on the financial compensation and benefits but also on the non-financial benefits like leave, insurance, medical facility etc. Compensation practices can be intellectually and emotionally charged.

Based on the overall findings of the present study, it can be concluded that among the financial compensation and benefits available in Bangladesh Gas Fields Company Limited (BGFCL), the perception of the respondents on basic salary structure, festival bonus structure, incentive bonus structure, leave passage, and share of workers' profit participation fund facility as positive. On the other hand, their perception on lunch allowance, washing allowance, transport allowance and daily allowance when outside working area, and facility of educational allowance for dependence as negative.

Similarly, among the non-financial compensation and benefits available in BGFCL the perception of the respondents on insurance facility, medical facility, annual leave, sick leave, and summer and winter liveries, uniform facility as positive. On the other hand, their perception on transport facility, telephone / mobile facility, training facility, casual leave, availability of company residence, and facility of furniture and fittings in residence provided by BGFCL as negative.

It was also observed that the best favored benefit item was medical facility followed by summer and winter liveries and uniform facility and incentive bonus structure respectively. On the contrary, the best disfavored benefit item was lunch allowance followed by transport facility and facility of furniture and fittings in residence provided by BGFCL respectively. The current compensation and benefit package available in BGFCL has positive effect on employees' productivity but not capable of attracting and retaining competent employees.

The employees in BGFCL perceive the current compensation and benefit package available in BGFCL is not equivalent to the comparable organization, is not based on the employees' performance, do not consider the qualification and experience of the employees. Thus, they think that there is a need to review and rationalize the compensation and benefits package in BGFCL.

Compensation is strategic to the organization's goals and thus should be able to ensure employee satisfaction, employee retention, employee development and better organizational performance. From the result of the study, the findings showed that there are positive significant relationships among salary, bonus, incentives, allowances and fringe benefits. It is concluded that organizations that have better compensation systems cum policies in place put a very positive impact on their employees' productivity thereby committing them to the organization and such will be less likely to leave it.

Because of the strong relationship between the components of compensations packages, performances are affected positively which is a strong predictor of employee retention. Developing policies and strategies to attract, satisfy, retain and motivate employees encourages top performers to work harder and helps build a competitive atmosphere in the organization as it supports the achievement of business objectives.

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