Pay satisfaction and Financial Stress: A study of the school Teachers in the Northern Province, Sri Lanka

Sivarajah, K [1] Achchuthan, S [2] Umanakenan, R [3]

1. Department of Marketing Management, Faculty of Management Studies and Commerce, University of Jaffna , Sri Lanka,
2. Department of Marketing Management, Faculty of Management Studies, Sabaragamuwa University of Sri Lanka, PO box 02, Belihuloya 70140, Sri Lanka.
3. Commerce Graduate, University of Jaffna, Sri Lanka
* E-mail of the corresponding author: achchu2009@gmail.com

Abstract

The primary aim of the study is to find out the impact or influence of pay satisfaction on financial stress among the school teachers in Northern Province, Sri Lanka. Further, secondary objective is to suggest the government authoritative bodies to reduce the financial stress through the better level of pay satisfaction, which will give the long term value to the Northern Province, Sri Lanka in terms of social, economical and political development. The study employs Multiple Regression Analysis to test the operational hypotheses. The survey method used in this study is a questionnaire and a total of 360 usable responses were obtained using simple random sampling technique. Findings revealed that, pay satisfaction has the influence or impact on the financial stress. Especially in the pay satisfaction dimensions, financial stress is negatively influenced by pay level and benefits as expected. In contrast, financial stress is positively influenced by the pay raises. Further, dependent variable as financial stress is not influenced significantly by the pay structure and administration. Researchers suggested that, Ministry of Education should come up with proper policy draft regarding to the pay structure and administration. Meantime, Government should conduct the continuous survey among school teachers in terms of financial, occupational stress, work related satisfaction and also performance evaluation. This study would hopefully benefit to the policy makers, and practitioners of Sri Lanka as well as other countries.

Key Words: Financial Stress, Pay satisfaction, Northern Province, Sri Lanka and School Teachers

Background of the Study

Pay satisfaction is viewed as core component of job satisfaction (Aloysius, 2011). Heneman and Schwab (1979, 1985) were the first to explicitly hypothesize that pay satisfaction is multidimensional in nature. They initially developed the Pay Satisfaction Questionnaire (PSQ), which includes the five dimensions of Pay satisfaction as pay level, pay raises, benefits, structure, and administration. Researchers pointed that, dimensions of pay satisfaction are not independent, and in fact several are highly related. However, this does not necessarily undermine the validity of the PSQ. Milkovich and Newman (1990) have noted that, considerable ambiguity remains regarding the antecedents of pay satisfaction. A potential path out of this confusion lies in considering pay satisfaction as a multidimensional construct. In this context, Williams, McDaniel and Ford (2007) have jointly investigated the multiple dimensions of compensation structure through the Meta – analyses. Researchers examined the relationships among four dimensions of compensation satisfaction as pay level, pay raises, benefit level, pay structure and administration satisfaction. Findings revealed that, each dimension has the significant association with another. Further, they also analyzed antecedents, correlates, and consequences of the four compensation satisfaction dimensions. The antecedents of pay raise satisfaction have received the most attention. They suggested the future researchers or scholars to focus the research works on the pay satisfaction in the multi dimensional way for getting general conclusion which will give the valuable contribution in the field of management. In this way, financial stress is related with pay satisfaction through this study, which will give the insights to the human resource management in the private, public and government oriented organizations.

Northern Province is considered as the emerging province among other provinces in Sri Lanka. Especially in the post war context, the Northern Province has been already focused by the government for the renovation and development perspective. In this context, education should be viewed as the fundamental need of the community, which will give the value in the long run to get the better society in terms of well organized culture, social status, better income level & standard of living etc. In the world of education, Teaching is a profession that lies at the heart of both the learning of children and young people and their social, cultural and economic development. It is crucial to transmitting and implanting social values, such as democracy equality, tolerance cultural understanding, and respect for each person's fundamental freedoms (MacBeath, 2012).

Teachers come into the profession for differing reasons in different country contexts, in differing economic circumstances and with varying expectations of the rewards and challenges of the role. Further, the place of these within a hierarchy of needs varies country by country depending on an essential infrastructure of safety, security, working conditions, resourcing and adequate remuneration (MacBeath, 2012). Therefore, we need to empirically analyze the impact or influence of pay satisfaction on financial stress among school teachers in Northern Province, Sri Lanka. The main objective of the study is to find out the impact or influence of pay satisfaction on financial stress among school teachers in Northern Province, Sri Lanka. Further, secondary objective is to suggest the government authoritative bodies to reduce the financial stress through the better level of pay satisfaction, which will give the long term value to the Northern Province, Sri Lanka in terms of social, economical and political development.

Research Question:
To what extent Pay satisfaction influences the Financial Stress among the School teachers of Northern Province, Sri Lanka?

Review of Literature and Development of Conceptual Framework
Compensation satisfaction is recognized as an important construct to organizations and to the field of Human Resource Management, because it serves as a critical mediator between an organization's compensation policy and relevant behavioral and attitudinal outcomes (Sturman & Short, 2000; Velnampy, 2008). Pay has long been considered as one of the most important organizational rewards because it allows employees to obtain other rewards (Heneman & Judge, 2000). Money remains the fundamental way that organizations reward employees.

Reinforcement theory and expectancy theory have been viewed as the earliest theories to give insights on how pay influences employee behavior. Reinforcement theory (Skinner, 1953) suggested that, pay acts as a general reinforce. People learn from life experiences that a primary need, such as food or shelter, can be satisfied if money is obtained. Vroom's (1964) expectancy theory stated that how pay influences future behavior. According to expectancy theory, three components determine motivation: judgment regarding to the likelihood that an effort leads to a certain level of performance (expectancy); Judgment regarding to the likelihood that this level of performance leads to a certain outcome (Instrumentality); the importance of the outcome to the individual (valence) (Faulk, 2002). Further, Important link between pay and pay satisfaction has been originated by Herzberg's (1968) two-factor motivational model, which suggested that, it is the individual's affective reaction to pay, pay satisfaction, which impacts motivation. Further, it suggested that, the pay is a hygiene, or contextual factor, that prevents an employee from being motivated by such things as the work itself.

The study on employee's satisfaction with compensation has been initiated and exhibited in the early 1960s, two index measurements as Job Descriptive Index (JDI) and the Minnesota Satisfaction Questionnaire (MSQ) have been utilized in the pay or compensation satisfaction dimension in the literature of the pay satisfaction (Smith, Kendall, & Hulin, 1969; Williams, McDaniel & Ford, 2007). Heneman and Schwab (1985) examined the compensation satisfaction with the help of the four dimensions as satisfaction with pay level, pay raises, benefit level, and pay structure and administration. In which, Pay levels denotes to the wage or salary level. Raises refer to the changes in the pay level. Benefits reflect the indirect payment like insurance. Finally,   Pay structure and administration refers to that how pay is structured and administrated in the organizational view. The study on Validity Evidence for Measures of Procedural/Distributive Justice and Pay/Benefit Satisfaction by Howard (1999) offered the evidence of reliability and validity for measures of four constructs: pay level satisfaction, benefits satisfaction, distributive justice, and procedural justice. Income level was more strongly associated with pay satisfaction than with distributive justice. Similarly, pay satisfaction was more strongly associated with distributive justice than with commitment. This finding suggested to increase the perceived fairness of rewards, which might be significant in increasing organizational commitment.

Most people experience financial difficulty at some point in their lives, and many have financial troubles on a consistent basis. Research shows that financial stress is associated with employees' health and sometimes absenteeism. There is limited research on financial stress and work outcome variables, although financial stress could be a more valid measure than income in predicting these work outcome variables (Kim and Garman, 2004).

Financial stress is conceptualized as the subjective perception of one's personal finances. The scales included satisfaction with present financial situation, income adequacy, debt, savings and investment. Kim and Garman (2004) identified the factors which influence the financial stress as time to handle personal financial matters; worrying about personal finances; money problems;   consolidating debts; discussing financial problems; overdue debts ; borrowing from retirement plan; Consulting with a credit counselor; past due payments ; obtaining a payroll advance and Consulting with a lawyer regarding money problems. Study on financial Stress, pay satisfaction and workplace performance has been conducted by Kim and Garman, 2004. The results of the study indicated that, those who are financially stressed are more likely to have lower levels of pay satisfaction, spend work time handling financial matters, and be absent from work. Financial stress is one of the key factors in pay satisfaction, work time use dealing with financial concerns, and absenteeism.

Based on the review of literature, we can construct the conceptual Model for this study.
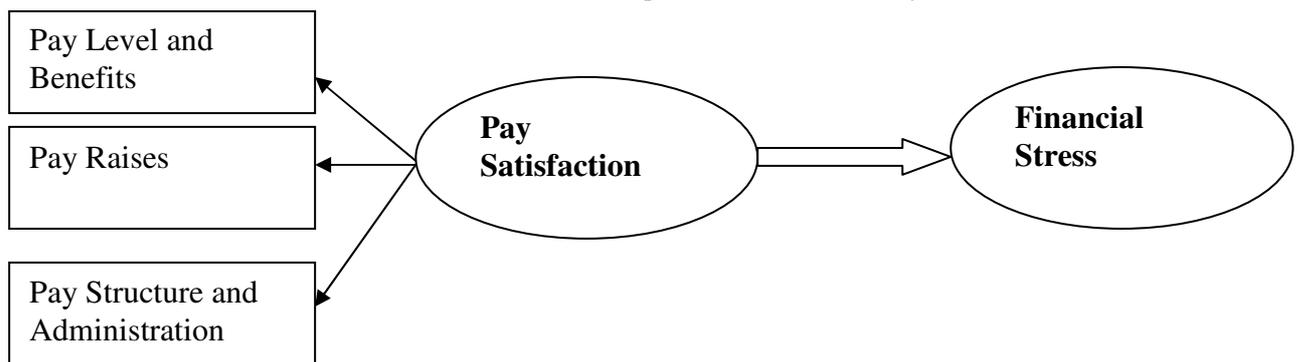

Figure No 01: Conceptual Framework

Source: Developed by Researchers

Hypotheses Development

The following hypotheses are developed for this study

H1: There is a significant impact of pay satisfaction on financial stress

H1a: There is a significant impact of pay level and benefits on financial stress

H1b: There is a significant impact of pay raises on financial stress

H1c: There is a significant impact of pay structure and administration on financial stress

Methodology

Data Sources

Primary and secondary data were used for this study. Primary data were collected through the questionnaire. Secondary data were collected from, texts, journals and magazines.

Research Design and Model

Quantitative method is utilized to answer the research question as "To what extent pay satisfaction influences the financial stress among the school teachers in the northern province, Sri Lanka. In which, pay satisfaction is considered as independent variable while financial stress is viewed as dependent variable.

$$Y_i = \beta_o + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \varepsilon_i$$

According to the above model, we can construct the new research model for the study.

$$FS = \beta_o + \beta_1 PL\&B + \beta_2 PR + \beta_3 PS\&A + \varepsilon_i$$

Where:

FS = Dependent Variable (Financial Stress)

βo = Intercept

β1 = Population slope

β2 = Population slope

β3 = Population slope

PL&B = Independent variable (Pay Level and Benefit)

PR = Independent variable (Pay Raise)

PS&A = Independent variable (Pay structure and administration)

εi = Random Error

Sampling frame work

In the quantitative approach, the survey instrument in the form of close-ended questionnaire was developed for the purpose of collecting the main data for the study. The study was limited to school teachers in the Northern Province, Sri Lanka. Therefore, Probability sampling method as simple random sampling has been adopted to select respondents (Zikmund, Babin, Carr and Griffin, 2012) . And researcher has taken the details of the school teachers in the Northern Province, Sri Lanka., with the help of the document which is uploaded in the URL of the Ministry of Education, Sri Lanka. In which, the document is named as Sri Lanka Education Information, 2012. According to the document, in the Northern Province, 944 school teachers who are graduate, trained, untrained, and trainee are practicing their profession as teaching. We have used 40 % to get the adequate sample size (944 * 40 % = 370) form the population as 944 school teachers. Further, Krejcie and Morgan (1970) pointed that, sample size as 274 is adequate for the population size as 950 through the table for determining sample size from a given population. In this study, researchers considered the sample size as 360. Due to that, sample size for this study is adequate.

 In addition, when researchers considered the sample respondents, personal characteristics as gender, age, family size, subjects for teaching, employment qualification, educational qualification, work place and work experience have been focused to get the sample size.

Researchers have issued Three hundred and eighty (380) questionnaires for selecting the respondents. Out of Three hundred and eighty (380) questionnaires, Three hundred and seventy (370) was returned; the response rate was 97%. Then, Out of Three hundred and seventy (370), Three hundred and sixty (360) was used for the study purpose.

Instrument development

The research instrument used in this study is composed of two parts .The part one included a number of demographic questions such as gender, age, family size, subjects for teaching, employment qualification, educational qualification, work place and work experience. The second part involved with the pay satisfaction and financial stress among school teachers. Pay satisfaction was measured by three dimensions from Judge (1993) namely (1) Pay level and Benefit (2) Pay Raises (3) Pay Structure and Administration. Financial Stress is measured by using ten questions from Kim and Garman (2004). All items were measured by responses on a seven -point Likert scale of agreement with statements.

Table 1: Demographic Breakdown of Respondents in the Study

Description	Frequency	Percentage
Gender:		
Male	175	48.6
Female	185	51.4
Total	360	100
Age:		
20 - 30	62	17.2
31- 40	163	45.3
41 – 50	90	25.0
51 and above	45	12.5
Total	360	100
Family Size		
1-2	51	14.2
3-5	266	73.9
6-8	43	11.9
Total	360	100
Educational qualifications:		
G.C.E. (A/L)s	105	26.7
Diploma	111	51.3
Bachelor Degree	104	13.3
Master Degree	40	8.7
Total	360	100
Subjects for Teaching :		
Social Studies	69	19.2

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Pure Science	38	10.6
Business Studies and Commerce	51	14.2
Fine Arts	43	11.9
Other Subjects	159	44.2
Total	360	100
Work Place:		
Jaffna	150	41.7
Vavuniya	60	16.7
Mannar	50	13.9
Kilinochchi	50	13.9
Mullaitivu	50	13.9
Total	360	100
Work Experience:		
1-5 Years	76	
6-10 Years	119	21.1
11-15 Years	77	33.1
16-20 Years	29	21.4
21 and above	59	8.1
Total	360	16.4
		100

Source: Study survey (2014).

Results and Analysis

Data analysis method

Statistical methods have been employed to compare the data collected from 360 respondents. These methods include inferential statistics, which involves in drawing conclusions about a population based only on sample data. It includes multiple regression analysis; it is used to find out the significant impact of pay satisfaction on financial stress.

Reliability

The internal consistency of the research instrument should be tested by reliability analysis (Ndubisi 2006). Nunnally (as cited in Ahsan et al., 2009) suggested that the minimum alpha of 0.6 sufficed for early stage of research. The cronbach's alpha in this study were all much higher than 0.6, the constructs were therefore deemed to have adequate reliability. (Overall Cronbach alpha value was 0.758.)

Normality of data

Normality data should be tested before conducting the inferential statistics (Ahsan et al., 2009).According to the "Test of Normality" all the variables in this research were in 0.05 level significant. Therefore the normality assumption is the valid one.

Multi-Co linearity

Two major methods have been used in order to determine the presence of multi-co linearity among independent variables in this study. These methodologies involved calculation of a Tolerance test and variance inflation factor (VIF) (Ahsan et al., 2009).The results of these analyses are presented in table 2. Test of Co linearity.

Table 2 Test of Co linearity

Variable	Tolerance	VIF
Pay Level and Benefit	.218	4.580
Pay Raises	.201	4.982
Pay Structure and Administration	.312	3.205

According to the table 2. Test of Co linearity, None of the tolerance level is < or equal to 1; and also VIF values are perfectly below 10.Thus the measures selected for assessing independent variable in this study do not reach levels indicate of multi-co linearity and also the acceptable Durbin Watson range is between 1.5 and 2.5 .In this analysis, Durbin Watson value of 1.790, which is between the acceptable ranges, Show that there were no auto correlation problems in the data used in this research (Velnampy and Achchuthan, 2013).

Regression analysis

The purpose of regression analysis is to find out the significant impact or influence of independent variable on dependent variable (Ndubisi, 2006).In this study, pay satisfaction is considered as independent variable or predictor variable, and the financial stress is considered as dependent variable.

Table 3 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.188[a]	.035	.027	1.21677	1.790

Table 4 ANOVA table in the Regression analysis

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	19.244	3	6.415	4.333	.005[a]
Residual	527.071	356	1.481		
Total	546.315	359			

Table 5 Coefficients table in the Regression analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Constant	4.195	.177		23.649	.000
Pay Level and Benefit	-.318	.105	-.336	-3.018	.003
Pay Raises	.369	.111	.387	3.333	.001
Pay Structure and Administration	-.008	.095	-.008	-.084	.933

According to the table 3 Model Summary, Adjusted R square is **0.027**. It means that there is 2 % of the impact of the independent variable (Pay satisfaction) on the dependent variable (Financial stress). From the table 4. ANOVA table in the regression analysis, Significant P value is 0.005. It is less than the significant level 0.05. Therefore, we can conclude that 2% of the impact is in the significant level. Further, 2% of the influence is considered as the lowest level. Even though, model is in the significant level. In addition, impact of influence level as 2% is nearest to the negative impact. As expected, pay satisfaction has the negative association with financial stress. It means that, better level of perception towards pay satisfaction reflects the satisfaction in the financial matters, which reduce the financial stress among employees. In contrast, worse level of perception towards pay satisfaction denotes the dissatisfaction in the financial aspects, which create the financial stress.

Therefore, H1 as " There is a significant impact of pay satisfaction on financial stress" is accepted .

From the Table. 5. Coefficients table in the Regression analysis, Beta value between financial stress and pay level & benefits is **(- 0.336)**. This is significant at 0.05 levels (P < 0.05).further, value reflects the negative impact. It denotes that, pay level and benefit has the negative association with financial stress. In other words, financial stress can be controlled by the better level of perception towards pay level and benefit.

Hence, H1a is also accepted. It means that, there is a significant impact of pay level and benefits on financial stress.

In contrast, we found that, there is a positive association between pay raises and financial stress. Beta value between financial stress and pay raise is **0.387**. This is significant at 0.05 levels (P < 0.05). It reflects that, financial stress is not controlled by the pay raises among teachers. In contrast, financial stress is induced by the pay raises.

Hence, H1b is accepted, it denotes that, there is a significant impact of pay raises on financial stress

Finally, we found that, financial stress is not influenced by pay structure and administration in the pay satisfaction, which is not in the significant level. In addition, Beta value between financial stress and pay structure & administration is -**.008,** which is in the negative trend. It pertains that, financial stress is negatively associated with pay structure and administration in the pay satisfaction. Even though, the model is not in the significant level.

Therefore, *H1c is rejected; it reflects that, there is no significant impact of pay structure and administration on financial stress*. *Further, financial stress is not influenced by the pay structure and administration.*

Conclusion and Recommendation

Overall study findings revealed that, pay satisfaction has the influence or impact on the financial stress. Especially in the pay satisfaction dimensions, financial stress is negatively influenced by pay level and benefits as expected. In contrast, financial stress is positively influenced by the pay raises. Further, dependent variable as financial stress is not influenced significantly by the pay structure and administration.

Pay level and benefits are measured by the terms as basic salary, net salary, allowances and bonus, which are basically recognized as the base for the salary. In the human beings, basic or net salary is generally viewed by the back bone of the standard of living. School teachers in the Northern Province have the favorable perception towards the pay level and benefits. In contrast, financial stress is influenced positively by the pay raises. It reflects that, financial stress is induced by the pay raises. In the general way, financial stress should be controlled by the pay raises. But, in this study, we found different facts. People in Sri Lanka have to face the high rocket speed inflation in terms of Colombo price index. Further, Sri Lankan economy has been influenced by the recent financial troubles in the developed countries like United Kingdom, United States, and German. Due to the mentioned financial issues, financial stress is positively influenced by pay raises. It means that, implementation of the pay raises by the Governmental body does not have impact on the control of financial stress among the school teachers. In this context, velnampy (2013) pointed some important facts that, in northern part of the Sri Lanka, especially in Jaffna district, after the thirty year ethnic war, commercial banks, financial institutions, multinational companies are highly penetrated to the market through the opening of branches in several places of Jaffna district. In contrast, recent days in Jaffna, people experience the business failures in the view of suicides, corruption, murders, unethical issues in the business, fraud activities in the business etc. Due to that, Governmental bodies should have the responsibility to control the financial instability in the Northern Province and as well as all island through the better policy drafts in monetary and fiscal aspects.

 School teachers' perception towards pay structure and administration as the tool for controlling financial stress are in the crucial level. In this study, we also found that, financial stress is not controlled by pay structure and administration. Therefore, Ministry of Education should come up with proper policy draft regarding to the pay structure and administration. Meantime, Government should conduct the continuous survey among school teachers in terms of financial, occupational stress, work related satisfaction and also performance evaluation. Teachers in the community should be recognized as the most valuable assets. Social or Community is generally shaped by the Profession like teaching to get the developments which will give the prosperity to the country in terms of social, educational, political, economical and also technological developments.

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