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Compensation: Policies & Practices And Its Impact On Employee Commitment In The Hospitality Industry

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ABSTRACT: *Wage and salary administration is one of the most important areas of H.R.M. Wage and salaries represent a substantial part of total costs in most of the organization. Today's H.R management is caught between the conflicting interests or the employees and the employers. A good compensation plan is to motivate employees; job satisfaction controls compensation costs and ensures equity.*
Wage is compensation to the employees for services rendered to the organization. In case the quant urn of services rendered is difficult to measure, then the payment is called salary. Normally, the wage period is shorter than the salary period. Some experts argue that wages are the compensation of the wage earners, the numerous employees who use the tools and equipment's for their employers to produce goods and services that are sold by their employers.
There is a need to examine the significant relationship between compensation and employees' commitment and determines compensation packages in an organization in the hotel industry. This paper examines and tries to compare the views of employees working in different hotels of Kolkata. This research is empirical in nature and is based on primary data collected directly from the concerned employees by means of interview and questionnaire to rate various criterion. The data so collected has been subjected to reliability tests and analyzed using SPSS 16.0. This study will help employers to understand employee needs and plan welfare and development activities more in line with employee requirements in order to increase efficiency and decrease attrition rates.
KEYWORDS: *Wage and salary, HRM, HR management, Compensation, Job satisfaction,*

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I INTRODUCTION

Compensation planning is wage is a price or compensation for the services rendered by a worker. The firm requires there services and it must pay a price that will bring forth the supply which is controlled by the individual worker or by a group of workers acting through their unions. But when a compensation plan, hospitality organizations must make sure their total compensation package is competitive not only within the industry but also with other industries that hospitality companies satisfied on compensation at five stars hotels in West Bengal. (Hazra & Ghosh, 2012)

Human relations approach, policies, practices and strategies are concerned with motivating people in an organization to develop teamwork which effectively fulfils their objectives and achieves organization objectives and plans. The field of human relation is relevant not only for management or employees but also for workers.

As goals for sales volume, profits, innovation and quality are raised, employment growth is often controlled and in many cases, substantial, cuts in employment have been made. One of the most important and persistent, demand, of Labour in the slogan 'equal pay for equal work.' Thus the employee compensation system, the focus of this paper, plays a major role in efforts to manage HR better. Employee compensation plays a key role became it is the heart of the employment relationship. Employees mainly depend on wages, salaries and to provide a large share of their income.

Employee compensation practices differ across employment units that is an organization, business units and facilities in several areas. (Gerhart and Milkovich 1990, 1992; Gerhart Milkovich and Murray, 1992)

1.1 Consequences of Pay Decision: Theories

The type of pay system, the worker is paid for the amount of time spent on the job. This is the oldest and most common system and the wages are based on a certain period of time during the course of work. The period of time may be an hour, a day, a week, a fortnight or a month and the wages rate will depend upon the period of time. It must be remembered here that wages are paid after the time fixed for work is completed irrespective of output or completion of the work. Thus it is a non-variable of a method of wage payment under which wages are paid on the basis of time worked.

1.1.1 Reinforcement and Expectancy: Theories

Reinforcement theory states that a response followed by a reward to recur in the future (Thorndike's Law of effect)

Compensation refers to a wide range of financial and non-financial rewards to employees for their services rendered to the organization. It is paid in the form of wages, salaries and employee benefits such as paid vacation, insurance, maternity leave, free travel facility, retirement benefits, etc. Monetary payments are a direct form of compensating the employees and have a great impact on motivating employees. The theory emphasizes the importance of a person actually experience the reward.

Like reinforcement theory, expectancy theory (Vroom, 1964) for cusses on the link between rewards and behaviour, although it emphasizes expected rewards.

1.1.2 Equity theory

The equity theory laid down that the workers are paid to enable them to subsist and perpetual race without increase or diminution. If the workers were paid more than subsistence wages, their numbers would increase as they would procreate more, and this would bring down the rate of wages. If the wages fall, the number of workers would decrease as many would die of malnutrition, disease, cold etc. (Adams, 1963)

1.1.3 Agency Theory

This theory was developed by Adam Smith and further expounded by J.S. Mill. The basic assumption is that wages are paid out of a predetermined fund of wealth which lay surplus with wealthy persons- as a result of saving, and the ways that employee compensation can be used to align their interest and goals. (Eisen Hardt, 1989) ownership and management are separate in the modern organization, unlike the days when the owner and manager was often the same person.

Agency theory suggests that group and organization incentives can also contribute to greater overall levels of performance. Making each employee a principle that monitors another employee (Levine and Tysen, 1990). Agency theory is also of value in the analysis and design of non-managers compensation.

Agency theory says that the principle must choose a contracting scheme that helps align the interest of the agent with the principle's own interest (i.e. reduces agency costs). An individual-level theory, life cycle suggests that pay strategies should fit with corporate strategies.

Gomez-Mejia and Balkin (Gomez- Mejia's Balkin, 1992; Gomez- Mejia, 1992) have summarized much of the research on their questions and provided some of the first tests of whether firms that choose pay strategies consistent with the above frameworks actually perform better.

Reinforcement, expectancy and agency theories declare that behaviour reward which can shape behaviour. Agency theory is the value of variable pay because of its emphasis on the risk-reward tradeoff, an issue that needs variable pay plans, which can carry great risk. Equity theory is also very relevant because it can be applied to just about any pay decision because fairness is always a key concern.

Many behavioural scientists – psychologists and sociologists- like March and Simon have presented their views on wages and salaries on the basis of research studies and action programmes. Wages are determined by size and prestige of the company, a strength of the union, the employer's concern to maintain the workers, contribution by different kinds of workers etc.

According to expectancy theory, the larger the number of employees covered by a payment plan, the weaker the link they see between their own performance and pay (Schwab, 1973) and thus the weaker is their motivation. Similarly a theme from the shirking. Social looking, and free rider literature is that individual effort decreases as the size of the group increases. (Kidwell and Bennett, 1993)

Labour welfare is a dynamic concept as new welfare means are added to the existing ones along with social change through compensation to retain employees to work.

The system of compensation should be so designed that it achieves the following objectives:

[1]. Capable employees are attracted towards the organization.
[2]. The employees are motivated for better performance.
[3]. The employees do not leave the employer frequently. (Simamora, 1997)

Dissatisfaction to compensation may lead to performance degradation, increasing a degree of absenteeism, and employee turnover By Ghazamfar et al (2011) showed the research result that satisfaction with compensation has the strong and significant effect on motivation work. Pay as incentives, overtime, bonuses affect the worker's motivation. Research by Vecchio at al (2010) found that pay effects on motivation.

Nawab and Bhatti (2011) found that employee compensation positively and significant effects on organization commitment.

Javed et al (2010) examine the relationship between compensation and performance. Research by siswanto (2001) examines the effect of compensation on motivation and lecturer performance at economics faculty at some private colleges in Kediri. Study results show:

[1]. Financial and non-financial compensation effect on work of motivation.

[2]. Financial and non-financial compensation effect on performance (Tubbs and Danl, 1991)

Robbins and judge (2007) define that commitment as a situation in the organization. By Smith (1993) defines that commitment is an active and positive orientation to an organization. Tubbs & forehead (1991) explains commitment effect on performance that committed workers to an organizational goal.

Table 1- Components of a compensation system

Financial	**Non-financial**
• Direct Payments(salaries) • Indirect Payments(benefits) • ***(bonuses)*** • ***(incentives)*** • ***(allowances)***	• Employee Involvement in decision-making • Recognition • Training Opportunities • Health Care • Holidays • Supportive Organizational culture

(*Managing Human Resources)*

1.2 Components of Compensation

Components of international compensation comprise the base salary, incentives, benefits, allowances, foreign service inducement/hardship premium, long-term benefits and taxes etc.

a) Base Salary:

It is the amount of money that receives in the home country. In the USA, this was around $175,000 for upper middle managers in the late 1990s, and this rate was similar to that paid to managers in both Japan and Germany.

The salaries usually are paid in Home Currency. Local Currency or a combination of the two.

b) Benefits:

1. Indirect compensation is known as an alternative.
2. Benefits constitute a substantial portion of international compensation.
3. Benefits include entertainment, festival celebration, gifts, employee welfare, use of health club etc.
4. Vacation along with holidays and breaks help employee’s energy.

c) Allowance:

It is a feature of International Compensation. The most common allowance relates to the cost of living between the home country and foreign country.

d) Incentives:

Incentives wages relate earnings to productivity and may use premiums, bonuses or a variety of rates to compensate for superior performance. Thus, the incentives plans offer an attraction of extra payment for efficiency or more production.

Incentives wage plans are popular all over the world and are used extensively for raising productivity. In the process, a growing number of firms have dropped the ongoing premium for overseas assignments and replaced it with a one time, lump-sum premium.

Incentives can be of a different kind by the different viewpoints. They can be classified as under:

a) Individual and organizational incentives.

b) Financial and non-financial incentives.

c) Positive and negative incentives.

e) Long-term Benefits:

Incentive compensation, also called 'payment by assault', is essentially a managerial device for increasing workers’ productivity. The advantages of incentive plans are as under:

[1]. The work study which is done before introducing a wage incentive plan brings about improvements in methods, workflow, and non-machine relationship and so on.

[2]. Employees promptly share all such problems with management which retard their earnings.

[3]. Employees are encouraged to become innovative in the same that they are induced to find new methods to increase their productivity.

[4]. Employees used lesser supervision as they are disciplined and responsible.

Some of the commonly used stock option schemes are:

a. **Employee Stock Option Plan (ESOP):** A certain nos. of shares are reserved for purchase and issuance to key employees. Such shares serve as the incentive for employees to build long-term value for the company.

b. **Restricted Stock Unit (RSU):** This is a plan set up by a company, wherein units of stocks are provided with restrictions on when they can be exercised. It is usually issued as partial compensation for employees.

c. **Employees Stock Purchase Plan (ESPP):** This is a plan wherein the company sells shares to its employees usually, at a discount. The company deducts the purchase price of their shares every month from the employee's salary.

f) Taxes:

Remuneration relates to taxes. MNCs generally select one of the following approaches to handle international taxes:

i) Tax equalization, ii) Tax protection.

1.3 Globalization and Compensation

The continued change of markets for Globalization means that the effect of different pay strategies is to differ from country to country, or basically depend between the cultures within a country. Hofstede's (1993) work on cultural differences in dimensions such as power distance (i-e., individualism, masculinity, avoidance has been used by Hodgets and Luthans (1993).

On the other hand, US companies have attempted to expert practices overseas have often encountered difficulties. Lincoln Electric famous for its history of success using variable pay has thus far not been successful in implementing variable pay in its overseas acquisitions. Our own experience with gain sharing plans in Western Europe has not been successful (Chilton, 1993).

Indeed. Japanese (e.g., Honda. Nissan) and German (e.g., BMW, Mercedes Benz) automobile plants opened in the USA have often been in Greenfield sites, where the company has choosing employees who will fit well with their corporate culture, HRM.

1.4 Objectives of the Study

The main thrust of this paper is to determine the effectiveness of compensation plan on workers performance with the aim of improving the overall organizational performance.

Specifically, the paper will provide answers to the following questions:

A. To identify the factors those determine compensation packages in an organization.

B. To study the effect of compensation on organizational commitment in the hospitality industry in Kolkata

1.5 Research Hypothesis

H1 – There is a significant effect of compensation on organizational commitment in the hospitality industry in Kolkata

II REVIEW OF LITERATURE

It is true that the wage systems affect performance positively (Osterman, 2006). According to Lunenburg, (2011), the Vroom ex-patency theory has some important implications for motivating employees as it identifies several important things that can be done to motivate employees by alternating the person's effort to performance expectancy, performance-to-reward expectancy and reward valences.

Compensation Management is one of the most complex and dynamic issues in the field of HRM. Compensation of employees for their services is an important responsibility of HRM. Every organization must offer good wages and fringe benefits to attract and retain talented employees with the organization. If at any time, the wages offered by a firm are not competitive as compare to other firms, the efficient workers may leave the firm. Therefore, workers must be remunerated adequately for their services.

Compensation to workers will vary depending upon the nature of the job, skills required, the risk involved, nature of working conditions, paying capacity of the employer, bargaining power of the trade union, wages and benefits offered by the other units in the region or industry, etc. Compensation Management refers to a wide range of financial and non-financial rewards to employees for their services rendered to the organization of HRS. It is also vital to both employees and the employer. It is paid in the form of wages, salaries and employee benefits such as paid vacations, insurance, maternity leave, free travel facility, retirement benefits, etc.

Compensation Management as the name suggests implies having a compensation structure in which the employees who perform better are paid more them average performing employees (Hewitt, 2009). This encourages employees to work harder in order to regain more management is an integral part of HRM approach to managing people and supports the achievement of business objective and it is strategic in the sense how people should be valued for what they want to achieve.

Armstrong (2005) was of the opinion that compensation management is all about developing a positive employment relationship and psychological contract that adopt a total compensation approach which recognizes that there are numbers of ways in which people can be compensated. One similar view, Bob (2001), Anyebe (2003) saw compensation management is being based on a well-articulated philosophy of beliefs and guiding principles that are consisted with the values of the organization.

Harrison and Liska (2008) in their study positioned that the reward is the Centrepiece of the employment contract. In a similar pattern, Brown (2003) saw compensation as a return in an exchange between the employees and themselves as an entitlement for being an employee of an organization. The amount paid according to differences in performance of the individual, group or whole organization as well differences in employees qualities such as security, education levels and skill (Gerhart and Milkonich 1992). Compensation can define as the total of all rewards provided to employees in return for their services and motivate employees.

However, direct compensation fully mediates the relationship between indirect compensation and performance. Hygienic factors include wages, fringe benefits, physical conditions, and overall company policies, administration etc. The presence of these factors at a satisfactory level prevents job dissatisfaction but does not provide motivation to the employees. So, they are not considered as motivational factors. Motivational Factors, on the other hand, are essential for increasing the productivity of the employees.

They are also known as satisfiers and include such factors as recognition feeling of accomplishment and achievement, an opportunity of advancement and potential for personal growth, responsibility and some of the job, new experience and challenging work. (Danish and Usman, 2010) (Chandan, 2005)

Financial Rewards:
Incentives:
Financial:
1) Wages and salaries.
2) Bonus.
3) Medical reimbursement.
4) Insurance.
5) Housing facility.
6) Retirement benefits.

Non-Financial:
1) Competition.
2) Group recognition.
3) Job security.
4) Praise.
5) Knowledge of results.
6) Workers participation.
7) Suggestion system.
8) Opportunity for growth.

Employers are offering compensation packages that are putting more of the employee's salary at risk. Traditionally, in non-hospitality industries, many businesses have borne the risk alone. The ramifications of this shift are not totally clear and many are expressing concerns that the results will have a negative impact on employee loyalty and commitment (Conlon and Parks, 1990).

Organizational commitment is defined as an individual's identification with an organization that is characterized by a strong belief and acceptance of the organization's goals (Mowday, Porter and Steers, 1982).

Employee commitment to organizations is a topic that has generated considerable research interest in other industries but has been given limited attention in the foodservice industry (Lam and Zhang, 2003). It is important to the future success of foodservice organizations to have a committed workforce. Therefore, it should be important for this industry to be aware of the ramifications of the use of tipping as a compensation method on the commitment of its employees.

It is important to identify the relationship of employees' commitment and their compensation for the following a few reasons. First, compensation is an important issue for both employers and employees. Wages are the cornerstone of what drives our economy and foodservice organizations should be concerned about the impact of the amount of compensation as well as the method used to compensate their employees.

Second, employee organizational commitment is regarded as a multi-dimensional construct (Mowday et al., 1982). In other words, there are many potential antecedents that can affect employee commitment. Many foodservice organizations focus their efforts on creating a competitive advantage through the service their employees provide. As foodservice products offered in the marketplace become more blurred between the competition it will be the people and the service that they provide that will set organizations apart in the marketplace. An examination of the relationship of compensation and organizational commitment will further our understanding of one of the possible factors that contribute to the construct.

Traditionally, foodservice employees are compensated through a base salary (non-tipped employees), a smaller base salary that is augmented by the customer in the form of gratuities (tipped employees), or are paid a combination of a base wage along with commissions or incentives that are based on either sales, performance, or both (non-exempt employees).

Compensation is a broad and complex issue. Compensation policies must be developed and administered by all organizations regardless of size. There are many current issues surrounding how workers get paid. Many of these issues are highlighted by the perceptions of the stakeholders. *Society* demands that pay be equitable (Milkovich and Newman, 2005). Firms must address inequities in pay decisions to ensure fairness to protected classes. *Consumers* seek high-quality goods and services at the lowest cost and do not consider high wages a benefit. *Employees* view pay as a return for hard work and as a reward for a job well done. *Managers* have a stake in compensation and view it from two perspectives. First, they view compensation as a major expense that must be controlled. Second, they recognize that pay has a potential influence on employee work attitudes and behaviours (Milkovich and Newman, 2005).

Organizational commitment is the relative strength of an individual's identification with an organization that is characterized by a strong belief and acceptance of the organization's goals and objectives, a willingness to exert considerable effort on behalf of the organization, and a strong desire to remain a member of the organization (Mowday et al, 1982).

Many organizational behaviour scientists have studied individual relationships of antecedents to organizational commitment, job satisfaction, and turnover (e.g. Mowday et al, 1982). Researchers have provided supporting evidence throughout the literature that the level of pay or pay method does not negatively affect the commitment of the employee within the organization (Mowday et al, 1982; Morris and Steers, 1980). However, these findings are in direct contradiction to the results obtained by Shamir (1980), who collected data from a hotel organization in Israel. Shamir reports that employees who were compensated by tips were less committed to their organization than their co-workers, who are compensated without the use of tips.

Organizational commitment is a multi-dimensional construct (Meyer, Allen and Smith, 1993). In 1991, Meyer and Allen hypothesized that there are three components of organizational commitment: affective, continuance, and normative. Each of these components has ramifications for the organization with respect to employee retention. First, affective commitment identifies employees who stay with the organization because they want to. For example, the best server in a restaurant in New York City that could work at any restaurant in town but chooses to stay with his current employer because he is treated fairly and agrees with values of the owner. Second, continuance commitment is found in employees who stay because they need to. For example, a single mother who is working for a foodservice organization that offers benefits continues working for the organization even though she is forced to work low volume shifts is exhibiting continuance commitment. Finally, normative commitment is indicated by employees who stay in an organization because they feel that they ought to (Meyer et al, 1993). Such as, the employee who was selected as the employee of the year continues working for the restaurant after graduating from college and has found a permanent job in their profession, the employee stays because they feel that they are indebted to the company for past rewards.

Employee loyalty (typically synonymous with commitment) to the organization has sometimes been viewed as an attitude**.** However, it is not so much an attitude (or thought component) that is important in organizations, but rather it is the bottom-line action component (Meyer & Allen, 1991). Employee loyalty is the willingness to remain with the organization (Solomon, 1992). Employee loyalty can be defined as employees being committed to the success of the organization and believing that working for this organization is their best option. Not only do they plan to remain with the organization, but they do not actively search for alternative employment and are not responsive to offers (The Loyalty Research Center, 1990). Employee loyalty is an organizational citizenship behaviour that reflects the allegiance to the organization to the promotion of its interests and image to the outsiders. (Bentten Court, Gwinner and Meuter, 2001). Employee loyalty is a manifestation of organizational commitment, the relative strength of an individual's identification with and involvement in a particular organization (Mowday, Porter and Steers 1982), Based on internalization and identification (O'Reilly and Chatman 1986). This behaviour can be characterized by three related factors. They are strong belief and acceptance of the organizations' goals and values, a willingness to exert considerable effort on behalf of the organization and a strong desire to maintain membership in the organization. (Mowday, Porter and Steers 1979).

Motivation and commitment also have a bearing on turnover. It is believed that if employees experience a positive exchange in the organization, they tend to be more committed and motivated (Cohen, 2006), and a motivated and committed workforce is negatively related to turnover.

Biswakarma et.al. (2013) opines that these categories of hotels have a high potential for doing business but on they don't have effective HR policies. They are largely dependent on contractual employees in order to minimize labour costs. Hence, they should have policies to increase their job satisfaction which will be a catalyst to increase their organizational commitment.

Herzberg's (1966) Two Factor Theory has led to extensive research with respect to job satisfaction. The theory addresses hygiene factors (satisfiers or dissatisfaction preventers) and motivators. The hygiene factors relate to salary, working conditions, nature of supervision, etc. The presence of hygiene factors can lead to satisfaction, while their absence can lead to dissatisfaction. Hence, hygiene factors are also a maintenance factor, the presence of which is imperative for preventing dissatisfaction but does not guarantee motivation. Motivators, on the other hand, are factors such as autonomy, empowerment, reward, promotion, recognition, and opportunities for advancement that can keep employees interested and zealous in their work.

Satisfaction is strongly related to and can predict commitment (Lalopa, 1997). Karatepe and Uludag (2007) argued that the role of intrinsic motivation is important in determining job satisfaction and organizational commitment. Research reported a positive relationship between job satisfaction and organizational commitment (Fu, Bolander, & Jones, 2009), but it is difficult to determine which precedes the other.

III RESEARCH METHODOLOGY

This work is aimed to observe the impact of compensation on job satisfaction and organizational commitment in 5 stars and above category hotels of West Bengal.

Secondary data is reviewed from available literature and published works on the subject. Further feedback is obtained from employees of the budget hotels as well as the human resource practices (specifical compensation) are examined.

Their feedback was recorded on a questionnaire that was designed to gauge their compensation, job satisfaction in relation to organizational commitment. The data so obtained were scanned and analyzed using MS Excel and SPSS 16.0. Linear Regression was carried to get results.

Table 3.1 Population Size

Serial No	Hotels List	Employees	Employers
1	Hotel A	610	02
2	Hotel B	532	02
3	Hotel C	500	02
4	Hotel D	550	02
5	Hotel E	850	02
6	Hotel F	1145	02
Total Employees		**4187**	**12**

Source: Developed for Research

The total population of the hotels so selected was 4187. The employers comprised of Human Resource Managers and General Managers.

3.1 Population Size and Sample Size

Estimation of sample size in research using Krejcie and Morgan formula is a commonly employed method. (Krejciean, 1970) used the formula to determine sampling size and which is used by a lot of researchers more than any other formulas**.**

According to the formula, the total number of employees that have been considered for the present study is 120. The total number of employers selected was two from each of the selected hotels.

Table 3.2 Total Sample Size

S.No	**Budget Hotel List**	**Sample Size**	
		Employees	**Employers**
1	**Hotel A**	18	02
2	**Hotel B**	16	02
3	**Hotel C**	15	02
4	**Hotel D**	17	02
5	**Hotel E**	24	02
6	**Hotel F**	30	02
Total		**120**	**12**

Source: Developed for Research

3.2 Data Collection Methods

Data is considered as the information gathered from the respondents or through any other source that is useful and relevant to the research topic. In the present research, both primary and secondary data were used.

3.2.1 Primary Data

Most of the study is based on primary data collected from various respondents in the chosen reference frame. For collecting primary data, the researcher has administered a questionnaire to both employers and employees of the selected hotels.
A total of 150 questionnaires were distributed to the employees of the selected hotels and 120 were found to be usable.

3.2.2 Secondary Data

Secondary data is collected from various sources like Journals and Publications, textbooks on Human Resources, articles and research papers of other researchers in the relevant field of study.

Table 3.3: Coding of Variables

Item	Coding
Hotel	1= Hotel A, 2= Hotel B, 3= Hotel C, 4 = Hotel D, 5= Hotel E
Employment Type	1= Permanent Employees; 2= Contractual Employees
Gender	1= Male ; 2= Female
Designation	1= Frontline ; 2= Supervisor; 3= Manager
Age	1= 18-22 years ; 2= 23-28 years 3= 29-33 years ; 4= 34-38 years 5= 39-43 years ; 6= Above 44 years
Qualification	1= Diploma; 2= Graduate 3= Masters ; 4= Others

Source: Developed for Research

IV DATA ANALYSIS AND INTERPRETATION

The data so gathered has been analyzed using MS Excel and SPSS Version 16.0. The data were first subjected to reliability and validity tests.

4.1 Reliability and Validity of the Instrument

In order to test the reliability of the instrument, the Cronbach's Alpha was applied for the study. Reliability refers to the consistency or dependability of the measuring instrument. This is used to measure the internal consistency of the tools employed to get necessary data from respondents.

Reliability Statistics

Cronbach's Alpha	N of Items
.940	7

The result of the reliability test shows that the reliability of the instrument which employed is 0.940. This implies that the reliability of the instrument is more than the acceptable standard in social science research.
Validity refers to the degree to which the measurement measures what is intended to measure. The instrument was designed by taking into consideration the basic questions and all items included in the questionnaires are directly derived from it and consistent with the objective of the study.

4.2 Pearson Correlation Coefficient

Pearson Correlation Coefficient is a measure of the strength of the linear relationship between two variables. If the relationship between the variables is not linear, then the correlation coefficient does not effectively represent the strength of the relationship between the variables.
The following tables correspond to the Pearson Correlation Coefficient value, which indicates the strength of the linear relationship between the variables.
The value 0.882, shows a strong relationship between organizational commitment and compensation (where a value of r is between -0.5 to -1.0 or +0.5 to +1.0). Further, we can see that the Sig. (2-tailed), shows a figure of 0.000.

Correlations

		COMPENSATION	ORGCMMITT
COMPENSATION	Pearson Correlation	1	.882**
	Sig. (2-tailed)		.000
	N	120	120
ORGCMMITT	Pearson Correlation	.882**	1
	Sig. (2-tailed)	.000	
	N	120	120

**. Correlation is significant at the 0.01 level (2-tailed).

4.3 Simple Linear Regression Analysis

The researcher has used simple linear regression to test the hypotheses for the study**.** Before testing the hypothesis, the mean values and standard deviation of predictor and outcome variable are specified. Further, the mean values and standard deviation of each factor of both dependent and independent variables are given in the following tables.

Descriptive Statistics

	Mean	Std. Deviation	N
COMPENSATION	1.53	.501	120
ORGCMMITT	3.1107	1.09902	120

Simple Linear Regression has been used to test the first hypothesis and the following tables have been explained.

To Test the Hypothesis: *H1 – There is a significant effect of compensation on organizational commitment in the hospitality industry in Kolkata*

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	ORGCMMITT[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: COMPENSATION

The above Table depicts the regression analysis of the compensation as an outcome variable (dependent variable) and organizational commitment as a predictor variable (independent variables). Here, we can see that the predictor variable (organization commitment) was entered into the model.

Model Summary

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	**.882**	**.777**	**.776**	**.237**

a. *Predictors: (Constant),OrgCommitt*

The model summary reports the strength of the relationship between the model and the outcome variable. R Square tells how much of the variance of the outcome variable can be explained by the predictor variable. Basically, it compares the model with the independent variables to a model without the independent variables. In this case, 88% of the variance is explained by it.

The Adjusted R Square attempts to produce a more straightforward value to estimate R Square for the population. Here, the difference between R Square and Adjusted R Square is minimal. Thus, from the table, it is evident that the R-value is .882, the R square (coefficient of determination) is 0.777 and the adjusted R square is very close to the R square at 0.776.

The difference between R Square and adjusted R Square is 0.777 – 0.776= 0.001 or about 0.1%. This indicates that if the model was derived from the population rather than the sample it would account for approximately 0.1% less variance from the outcome.

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.220	1	23.220	412.261	.000[a]
	Residual	6.646	118	.056		
	Total	29.867	119			

a. Predictors: (Constant), ORGCMMITT

b. Dependent Variable: COMPENSATION

The ANOVA table above shows test the acceptability of the model from a statistical perspective. The F value (412.261) indicates that the proposed model is fit and significant (p<0.000).

The significance value of the F is less than 0.05, which means that the variation explained by the model is not due to chance. Thus, the F value clearly signifies that there is zero probability for such a large F ratio to occur.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.283	.065		4.336	.000
	ORGCMMITT	.402	.020	.882	20.304	.000

a. Dependent Variable: COMPENSATION

According to (Field, 2009) the larger the‘t’ value with the lesser level of significance the higher the contribution of the predictor to the model. The‘t’ value of compensation from the table 20.304 (p= .000), thus we see that compensation has a significant positive effect on organizational commitment

V RESULTS AND CONCLUSION

The study examined the Policies & practices relating to compensation and its impact on employee commitment in the hospitality industry and sought to answer the following research objectives:

A. To identify the factors that determine compensation packages in an organization.
B. To study the effect of compensation on organizational commitment in the hospitality industry in Kolkata

- There is a positive effect of compensation on organizational commitment in the hotel industry
- Correlation tests of the data hotel wise confirmed the results that were arrived at initially.
- Employees believe that satisfaction levels can be increased only by having effective and fair policies and practices on compensation
- The compensation policies for permanent and contractual employees needs to be relooked as most of the employees in the selected hotels have a higher percentage of contractual employees who do most of the menial jobs.
- The selected hotels have a very low percentage of female employees which leaves a question on the employment conditions.
- Meals were free/ complimentary for permanent employees while contractual were charged a subsidized amount.
- The graduate-level employees were few in number and were Departmental Heads or General Managers of the hotel
- Tips/ Service Charges were also not shared with the contractual employees.
- Organizational commitment levels of Contractual Employees were quite low as compared with permanent employees.

VI SUGGESTION AND RECOMMENDATION

Based on the responses received by the employees of the six hotels the following suggestions and recommendations can be made:

- The findings suggest that the compensation practices adopted by hotels have a great impact on employees’ commitment which impacts the productivity and employee turnover in the hotels. Organizations should design employee-friendly practices that should result in employees' commitment when it is evident that the hotel industry has poor policies as compared to other industries.
- The hotels should devise a means to link the commitment of its employees to their overall compensation package as this will an excellent motivator for the employees to be more productive.
- Human resource managers should strive to look for newer and innovative compensation policies to retain good employee because it appears employees are keen on them.

VII CONCLUSION

This study is conducted to find the relationship between compensation and employees’ commitment and compensation packages in the selected hotels of Kolkata. It has been discovered that compensation is important determinant of employee commitment.

They are supported by most of the previous studies. Also from the analysis, we can see that compensation has the greatest influence on employees’ commitment. Thus, hotels can improve their employees’ commitment and retention effectiveness by providing a competitive package that will ensure that they are loyal to the organization.

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