The Relationship between Employees’ Income Level and Employee Job Satisfaction: An Empirical Study

Prof. Dr. Ismail Bakan
Faculty of Economics and Administrative Sciences
Kahramanmaras Sutcu Imam University
Kahramanmaras
Turkey

Assist. Prof. Dr. Tuba Buyukbese
Faculty of Economics, Administrative and Social Sciences
Hasan Kalyoncu University
Gaziantep
Turkey

Abstract

The aim of this paper is to investigate the relationship between employees’ income level and employees’ job satisfaction. For this purpose, an empirical study was conducted in a British company. The results of the empirical study show that there is a significant relationship between employees’ income level and employees’ job satisfaction. Although the study found the possibility that job satisfaction and employees’ income levels are related to each other, it did not analyze the direction of the causality.

Key Words: Income level, job satisfaction.

1. Introduction

Improving employee satisfaction has become one of the main corporate objectives in recent years (Garcia-Bernal et al., 2005). It is realized that organizations cannot achieve competitive levels of quality, either at a product level or a customer service level, if their employees do not feel satisfied or do not identify with the company (Stewart, 1996; Garcia-Bernal et al., 2005).

The topic of job satisfaction is an crucial one because of its relevance to the physical and mental well-being of employees, and its implications for job related behaviours such as productivity, absenteeism or turnover. Work is an important aspect of people’s lives and most employees spend a large part of their working life at work. An understanding of the factors affecting job satisfaction is relevant to improving the well being of a huge number of people (Oshagbemi, 1999). Improving job satisfaction has become an important subject in both the professional world and the academic world (Garcia-Bernal et al., 2005). Therefore, job satisfaction is perhaps one of the single most frequently researched variable in the field of organizational behaviour or organizational psychology.

Job satisfaction is a main variable in both research and theory of organizational phenomenon ranging from job design to supervision. Really thousands of job satisfaction studies can be found in the literature of the organizational behaviour and related fields. Locke (1976) estimated that, as of 1976, nearly 3,350 articles and dissertations had been written on the topic. According to Oshagbemi (1996), this estimate would most probably be doubled if a count of relevant articles and dissertations were made today. These researches are based on the implicit assumptions that job satisfaction is a potential determinant of absenteeism, turnover, productivity, in-role job performance and extra-role behaviour. For instance, numerous studies have established job satisfaction as a significant predictor of employee turnover (Griffeth et al., 2000; Hom et al., 1992). Poon (2004) hypothesized that job satisfaction will be negatively related to turnover intention and by conducting an empirical study he found that reduced job satisfaction led to greater intentions to quit their jobs. Some researchers have reported a negative relationship between job satisfaction and absenteeism (Porters and Steers, 1973; Scott and Taylor, 1985). In his study Oshagbemi (2000) analyzed the assumption that the less satisfied workers tend to resign while the more satisfied ones tend to remain in a job.
He found that the overall job satisfaction of university teachers is significantly correlated with length of service in present university but not with length of service in higher education. A number of studies concentrated on the relationship between organizational commitment and job satisfaction. While some of them (Williams and Hazer, 1986; Liou, 1995; Wong et al., 1995; Fletcher and Williams, 1996; Bhuian et al., 1996) found a relationship between job satisfaction and organizational commitment, others (such as Curry et al., 1986) did not find any association between the two variables.

Researchers have shown that various demographic characteristics of employees (such as age, gender, tenure, income) have relevance to their level of job satisfaction (Finlay et al., 1995; Clark et al., 1996; Howard and Frink, 1996; Miles et al., 1996; Ganzach, 1998; Robie et al., 1998; Gaertner, 1999; Groot and Maasen van den Brink, 1999; Sousa-Poza and Sousa-Poza, 2000; Eskildsen et al., 2003). These studies report different and sometimes contradictory findings with respect to the effect that employee characteristics such as gender, age and educational level have on work motivation and job satisfaction. Although many studies have focused on job satisfaction, there are still many unanswered questions about its nature (Lam et al., 2001). Therefore, the relationship between employees’ demographic characteristics and their job satisfaction occurs as an important subject to be studied. In this paper the relationship between income and employee satisfaction is investigated.

Job satisfaction is defined as an “employee’s state of emotion and affective responses to specific aspects of the job (Williams and Hazer, 1986). Locke (1976) defined the job satisfaction as “a pleasurable or positive emotional state resulting from the appraisal of one’s job or job experiences” or as “a function of the perceived relationship between what one wants from one’s job and what one perceives it as offering” (Locke, 1969). According to Lam and his friends (2001) job satisfaction is the discrepancy between what an employee values and what the situation provides. Job satisfaction is conceptualized as a general attitude toward an object, the job (Oshagbemi, 1999). Linz (2003) stated that “job satisfaction generally implies a positive evaluation of work and a positive effect deriving from it”. Price and Muller (1986) define job satisfaction by the degree to which individuals like their job. Churchill et al., (1974) define job satisfaction by taking into account both all the characteristics of the job itself and of the work environment in which employees may find rewards, fulfillment and satisfaction, or conversely, sentiments of frustration and/or dissatisfaction (Garcia-Bernal et al., 2005).

In the literature, some empirical studies investigated the relationship between income and job satisfaction. Ward and Sloane (2000) concluded that males, who consider themselves underpaid, to be less satisfied in the Scottish academic labour market. By using the data from 5,000 British workers Clark and Oswald (1996) tested the hypothesis that satisfaction depends on income relative to a comparison or reference level. They used a comparison income variable measured as the difference between actual income and income predicted using an earnings equation. They found that the higher an individual’s income relative to the predicted income, the higher the job satisfaction. In their study Mekkelholt and Hartog (1989) found that quasi rents or temporary wage differentials have a positive but small effect on job satisfaction (Groot et al., 1999).

2. The Evaluation of the Empirical Study

2.1. The Aim, Design, Sample and the Analytic Procedure of the Survey

**Aim of the Study:** The aim of the study is to investigate the relationship between employees’ income level and employee job satisfaction. This is a quantitative study where the data were gathered by using the questionnaire method. The unit of analysis is the individuals who responded to the questionnaire, and the study is cross sectional.

**Sample:** The population for the study consisted of employees in a British consultant company. 1,000 questionnaires were mailed and a total of 934 returns were received – a response rate of 93.4 percent. Of these returns, 921 were usable for further analysis. Thirteen had to be discarded because too many of the questions were left unresponded.

**Measures of the Study Variables:** Employees’ job satisfaction: In order to measure the essence of employee satisfaction, five specific aspects of satisfaction were measured in the study: satisfaction with compensation, social satisfaction, satisfaction with the work itself, with promotion, and with supervisor. For each specific aspects of satisfaction, the multiple item scale was used. The items were taken from the Long’s (1978) and Graen’s (1966) studies.
In the questionnaire respondents were presented with a series of statements and asked to mention their personal opinions about each one. On the research questionnaire, the respondents were given 7-point Likert scale, ranging from 1 (“strongly disagree”) to 7 (“strongly agree”) to record their answers. For comparison of satisfaction level of employees with high performance and employees with low performance, a scale for each aspects of satisfaction was constructed by averaging the responses across relevant items by using COMPUTE MEAN option of SPSS for Windows programme.

**Analytic Procedure (Statistical Analysis):** Prior to statistical analysis, all questionnaire data were computer-coded for use with the Statistical Package for the Social Sciences (SPSS) for Windows. Frequency analysis was used to indicate the respondents’ opinions for each questionnaire items. Then, as the main aim of the study is to find out the relationship between employees’ income level and employee job satisfaction correlation analysis and the t statistic were used. With t statistic the study compares the levels of satisfaction as perceived by employees’ with high income and employees’ with low income level.

**Demographic Characteristics of Survey Respondents**

The administration of the questionnaire resulted in 921 usable returns, an overall response rate of 92.1%. Of all respondents, when asked to specify their job status, the following was reported: senior manager (above team managers) (3.6%), team manager (6.2%), senior/principal consultant (22.4%), consultant (29.2%), clerical or secretarial (11.9%), technical (e.g., scientific officer) (19.4%), and “other” (7.2%). When asked to specify their personal characteristics, 68% were male and 32% were female. Regarding their marital status, 61.8% were married, 29.5% were singe, and remaining 8.7% were others (widowed, divorced or separated). Regarding their age, 25.1% were less than 31 years old, 48.6% were the ages of between 31 and 46, and the remaining 26.3% were over 46 years old. When asked to specify their highest education level, the following was reported: completed secondary school (9.1%), some university or technical training beyond secondary school (29.15), bachelor’s degree (44.3%), master’s degree (10.2%), and doctoral degree (7.3%). 84.6% of respondents had been with the company for two years or longer, while remaining 15.4% had been with the company for less than two years.

### 2.2. The Relationship between Employees’ Income Level and Employees’ Satisfaction

As mentioned earlier in the paper, five specific aspects of satisfaction were measured in the study: satisfaction with compensation, social satisfaction, satisfaction with the work itself, with promotion, and with supervisor. In here, the relationship between employees’ income level and employees’ satisfaction is analysed by using the study data.

**Income level and satisfaction with compensation**

The respondents’ satisfaction with their compensation was measured by using 3 questionnaire items with seven-point Likert scale, from 1 “strongly disagree” to 7 “strongly agree” (see Table 1).

**Table 1: Satisfaction with Compensation**

<table>
<thead>
<tr>
<th></th>
<th>1* %</th>
<th>2 %</th>
<th>3 %</th>
<th>4 %</th>
<th>5 %</th>
<th>6 %</th>
<th>7 %</th>
<th>Total</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fringe benefits in the company are good</td>
<td>8,6</td>
<td>15,5</td>
<td>13,0</td>
<td>23,1</td>
<td>18,7</td>
<td>19,2</td>
<td>2,0</td>
<td>100</td>
<td>3,93</td>
<td>1,63</td>
</tr>
<tr>
<td>Considering my skills and the efforts I put into my work I am satisfied with my pay.</td>
<td>21,2</td>
<td>195</td>
<td>16,6</td>
<td>9,2</td>
<td>13,0</td>
<td>16,2</td>
<td>2,7</td>
<td>100</td>
<td>3,31</td>
<td>1,86</td>
</tr>
<tr>
<td>Compared to what others earn in the company, may pair is fair.</td>
<td>15,2</td>
<td>16,3</td>
<td>15,7</td>
<td>15,7</td>
<td>13,6</td>
<td>20,4</td>
<td>3,1</td>
<td>100</td>
<td>3,70</td>
<td>1,82</td>
</tr>
</tbody>
</table>

* 1= Strongly disagree 2=Disagree 3=Slightly disagree 4=Neither agree nor disagree 5=Agree 6=Strongly agree
To find out the employees satisfaction with fringe benefits, respondents were requested to rate the following comment “Fringe benefits in the company are good”. There were 906 applicable responses for this analysis. 24.1% of them had strongly disagreed (8.6%) or disagreed (15.5%) with the statement, 13.6% of them had slightly disagreed, on the other hand 21.2% had strongly agreed (2%) or agreed (19.2%) and 18.7% had slightly agreed with the statement. The remaining 23.1% of them had chosen “neither agree nor disagree” option. To the statement of “Considering my skills and the efforts I put into my work I am satisfied with my pay” 918 respondents were given their opinion. Slightly more than half of the respondents (58.9%) had disagreed with the comment, while 31.9% of the respondents had agreed with it. The remaining 9.2% of them had chosen the “neither agree nor disagree” option.

In order to find out their opinion on the fairness of they pay, the respondents were given a statement of “compared to what others earn in the company, my pay is fair”, and 916 responses were received. 31.4% of them had strongly disagreed (15.2%) or disagreed (16.3%), and 15.7% had slightly disagreed with the statement, while 34% had agreed or slightly agreed and 3.1% had strongly agreed with the statement. The remaining 15.7% of them had chosen the “neither agree nor disagree” option.

In sum, as Table 1 shows, for none of the three items measuring satisfaction with compensation, more than half of the respondents had chosen the “agree” options (slightly agree, agree, strongly agree). It means, in general, the respondents are not satisfied with their compensation in this company. This result is proved by the mean values of the three items (see Table 1). The mean values for three items measuring satisfaction with compensation are below the average (4 point) which forms the “disagree” area of a 7-point Likert scale, ranging from 1 “strongly disagree” to 7 “strongly agree”.

Table 2: The Comparison of Employees Regarding their Satisfaction with Compensation

<table>
<thead>
<tr>
<th></th>
<th>High Income (more than 2000 Pound) N=290</th>
<th>Low Income (less than 2001 Pound) N=555</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>SD</td>
</tr>
<tr>
<td>Satisfaction with compensation</td>
<td>4.38</td>
<td>1.60</td>
</tr>
</tbody>
</table>

* p <.10, ** p <.05, *** p <.01, **** p <.001,

The correlation coefficient in Table 3 indicates that employees’ income level is significantly (p < .01) related to employees’ satisfaction with compensation. After finding statistically significant relationship between the two main variables, the comparison of mean differences in the satisfaction with compensation held by employees with high income level and employees with low income has been done. A score for satisfaction with compensation was obtained for each respondent by averaging across the three items. The t statistic was used to asses these differences and the result can be seen in Table 2. Employees with high income level reported significantly higher level of satisfaction with compensation (p < .001), than did employees with low income level.

Table 3: Correlation Matrix

<table>
<thead>
<tr>
<th></th>
<th>Satisfaction with compensation</th>
<th>Social satisfaction</th>
<th>Satisfaction with work</th>
<th>Satisfaction with supervisor</th>
<th>Satisfaction with promotion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees’ income level</td>
<td>.374**</td>
<td>.047</td>
<td>.283**</td>
<td>.076*</td>
<td>.118**</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level ** Correlation is significant at the 0.01 level

Income Level and Social Satisfaction

In order to measure employees’ social satisfaction, five items were asked. 914 respondents were given their opinions to the statement of “I look forward to being with members of my team/group”. 65.3% of the respondents had agreed with the statement, while only 10.8% of them had disagreed with the statement.
To the statement of “There are many opportunities for close and rewarding personal friendship in the company” 919 applicable responses were received. 38.6% of them had agreed with the statement, on the other hand nearly same number of respondents (34.6%) had disagreed with the statement. 26.8% of them had chosen the “neither agree nor disagree” option. In order to find out employees’ opinions on informal communication with other employees, respondents were requested to rate the following statement “I can communicate informally with other employees whilst working”. The majority of respondents (85.4%) had agreed with the statement, while only a small minority of the respondents (8.1%) had disagreed with it. Out of 914 responses, two-thirds (65.3%) had agreed with the statement of “I am very proud to work with my team/work group”, while only 11.9 of them had disagreed with it. The remaining 22.6% of the respondents had neither agreed nor disagreed with the statement.

Employees’ opinions on establishment and development of close friendship in their job were measured with the statement of “There is high opportunity to establish and develop close friendships in my job”. Nearly half of the respondents (45.6%) had agreed with the statement, while 36.25 of them had disagreed with it. The remaining 18.2% had neither agreed nor disagreed with the statement. In sum, for the three (to look forward to being with members of my team/group; to communicate informally with other employees; to be proud to work with my team/work group) out of five items measuring social satisfaction, the majority of the respondents had chosen the “agree” options. In addition, mean values for the four items are above the average (4 point) which forms the “agree” area of 7-point Likert scale. The mean values for the remaining one item is very close to the average. It means, in general, the respondents are satisfied with social relationships and opportunities for friendship within the company.

Table 4: The Comparison of Employees Regarding their Social Satisfaction

<table>
<thead>
<tr>
<th></th>
<th>High Income (more than 2000 Pound)</th>
<th>Low Income (less than 2001 Pound)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N=290</td>
<td>N=555</td>
</tr>
<tr>
<td>Social satisfaction</td>
<td>Mean 4.60 SD 1.04</td>
<td>Mean 4.45 SD 1.07</td>
</tr>
<tr>
<td></td>
<td>T 1.83*</td>
<td></td>
</tr>
</tbody>
</table>

As the correlation coefficient in Table 3 indicates, no statistically significant relationship was found between employees’ income level and employees’ social satisfaction. After that the comparison of mean differences in the social satisfaction held by employees with high income and employees with low income has been done by using t statistic. While there were no statistically significant correlation between employees’ income levels and employees’ social satisfaction, as can be seen from the Table 4 a significant difference between the mean values for social satisfaction reported by employees with high income levels and employees with low income levels was found. Employees with high income levels reported significantly higher levels of social satisfaction (p < .10), than did employees with low income levels.

Income Level and Satisfaction with Work (Itself)

Regarding employees’ satisfaction with work, respondents were presented with three items and asked to report their personal opinions or feeling about each one. Slightly more than half (53.1%) of the respondents had agreed with the statement of “In working for this company I get a lot of chances to do what I am best at”, while 30,1% of them had disagreed with it.

Employees’ interest in their job was measured with the statement of “I am really interested in my work”. 85.4% of the respondents had agreed with the statement, while only 7.2% of them had disagreed with it. 920 respondents were given their opinion to the statement of “Basically, I like my job”. 79.8% of the respondents had agreed with the statement, while only 10.5% of them had disagreed with it.

Overall, these results indicate that the employees are satisfied with work in this company. This result is supported by the mean values of each statement, as they are above the average (4 point) which forms the “agree” area of 7-point Likert scale.
### Table 5: The Comparison of Employees Regarding their Work Satisfaction

<table>
<thead>
<tr>
<th></th>
<th>High Income (more than 2000 Pound)</th>
<th>Low Income (less than 2001 Pound)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N=290</td>
<td>N=555</td>
</tr>
<tr>
<td>Satisfaction with work (itself)</td>
<td>Mean 5.60 SD 0.98</td>
<td>Mean 5.02 SD 1.27</td>
</tr>
<tr>
<td></td>
<td></td>
<td>** T 6.76**</td>
</tr>
</tbody>
</table>

* p < .10, ** p < .05, *** p < .01, **** p < .001,

The correlation analysis in Table 3 indicates that employees’ income level is significantly (p < .01) related to employees’ work satisfaction. After finding statistically significant correlation between the two main variables, the comparison of mean differences in the work satisfaction held by employees with high income levels and employees with low income levels has been done by using \( t \) statistic. Employees with high income levels reported significantly higher levels of satisfaction with work (p < .05), than did employees with low income levels (see Table 5).

### Income Level and Satisfaction with Promotion

Employees’ satisfactions with promotion were measured with two questionnaire items.

Two-thirds (69.7%) of the respondents disagreed with the statement of “There are good chances for getting ahead in this company”, while only 16% of them agreed with it. To the statement of “I expected promotion and received it”, 22.4% of the respondents disagreed with the statement, while 41.2% of them had agreed with it. The remaining 36.3% of the respondents had chosen the option of “neither agree nor disagree”. These results indicate that employees are not satisfied with promotion in this company.

### Table 6: The Comparison of Employees Regarding their Satisfaction with Promotion

<table>
<thead>
<tr>
<th></th>
<th>High Income (more than 2000 Pound)</th>
<th>Low Income (less than 2001 Pound)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N=290</td>
<td>N=555</td>
</tr>
<tr>
<td>Satisfaction with promotion</td>
<td>Mean 3.01 SD 1.53</td>
<td>Mean 2.61 SD 1.46</td>
</tr>
<tr>
<td></td>
<td></td>
<td>** T 3.69****</td>
</tr>
</tbody>
</table>

The correlation coefficient in Table 3 indicates that employees’ income level is significantly (p < .01) related to employees’ satisfaction with promotion. After finding statistically significant relationship between the two main variables, the comparison of mean differences in the satisfaction with promotion held by employees with high income levels and employees with low income levels has been done by using \( t \) statistic. Employees with high income levels reported significantly higher levels of satisfaction with promotion (p < .001), than did employees with low income levels (see Table 6).

### Income Level and Satisfaction with Supervisor

Employees’ satisfaction with their supervisors was measured with three questionnaire items. Two-thirds (69.4%) of the respondents had agreed with the statement of “I am generally satisfied with my line manager”, while 18.8% of them had disagreed with it. When respondents were asked to mention their opinion on the statement of “my line manager is willing to listen to my suggestions”, 79.9% of them had agreed with the statement, while only a small minority (9.6%) had disagreed with it.

When respondents were presented the statement of “I am satisfied with the amount of respect and fair treatment I receive from my line management”, 73.6% of them had agreed with the statement, only 17% of them had disagreed with it. Overall, these results indicate that employees are satisfied with their supervisors in this company. The mean values for each statements measuring satisfaction with supervisor support this result, as they are above the average (4 point) which forms the “agree” area of 7-point Likert scale.
Table 7: The Comparison of Employees Regarding their Satisfaction with Supervisor

<table>
<thead>
<tr>
<th></th>
<th>High Income (more than 2000 Pound)</th>
<th>Low Income (less than 2001 Pound)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N=290</td>
<td>N=555</td>
</tr>
<tr>
<td>Mean</td>
<td>5.44</td>
<td>5.24</td>
</tr>
<tr>
<td>SD</td>
<td>1.24</td>
<td>1.47</td>
</tr>
<tr>
<td>T</td>
<td></td>
<td>1.90*</td>
</tr>
</tbody>
</table>

* p < .10, ** p < .05, *** p < .01, **** p < .001,

The correlation analysis indicated that employees’ income level is significantly (p < .05) related to employees’ satisfaction with supervisor (see Table 3). After finding statistically significant relationship between the two main variables, mean values for two groups (employees with high income and employees with low income) were compared. As can be seen from the Table 7 employees with high income levels reported significantly higher levels of satisfaction with supervisor (p < .10) than did employees with low income levels.

3. Conclusions

This paper investigates the relationship between employees’ income levels and employees’ job satisfaction. The relationships between the study variables (income and job satisfaction) were analyzed by conducting an empirical study. The data for the study was collected by using the questionnaire as the method for data collection. As it is suggested in the literature, for this study five specific aspects of satisfaction were measured: satisfaction with compensation, social satisfaction, satisfaction with the work itself, with promotion, and with supervisor. After analyzing the empirical data, statistically significant relationships between employees’ income level and the five specific aspects of job satisfaction (namely, satisfaction with compensation, social satisfaction, work satisfaction, satisfaction with supervisor and satisfaction with promotion) were found. For all five aspects of job satisfaction, employees with high income levels have reported significantly higher levels of satisfaction than did employees with low income levels.

The results of the study show that there is a significant relationship between employees’ income level and employees’ job satisfaction. But, they do not give any idea on the direction of the causality. Employees may have reported higher levels of satisfaction perhaps because they are motivated by receiving high income for their job effort. On the other hand, it is quite possible for employees to get high income by spending more effort in the job, because they are attracted by a high level of satisfaction with compensation, social satisfaction, work satisfaction, satisfaction with supervisor, and satisfaction with promotion. In the future, more studies need to be conducted for finding the direction of the causality between the employees’ income levels and employees’ job satisfaction.

The findings of this study suggest that organisations need to understand the factors affecting job satisfaction in order to increase their employees’ job satisfaction, and to manage turnover, intention to quit and absenteeism as the correlates of dissatisfaction.

References


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