

**“Analysing the role of compensation system in determining the Employees’ Performance, Motivation and Absenteeism in the private sector of Islamabad and Rawalpindi, Pakistan.”**



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### ***Acknowledgement and Dedication***

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## **Abstract**

Human Resource is considered to be the backbone of the organization. Since inception of the industrial world, the factors of production, that are LAND, CAPITAL and LABOUR, expressed the importance of Human Resource since the inception. Now after the industrial revolution the Human Resource is said to be the backbone of the organization. An organization invests a lot of resource in hiring, retaining and developing her employees. With the advancement in technology and other tools and techniques, the Human Resource Management's horizon and boundaries were redefined, making it more complex for the organizations to check the performance and the motivation of the employees as well the employees are also exposed to the complicated evaluative and compensation systems.

The research describes the relation of the compensation package with the employee's performance, motivation and absenteeism. The compensation is the return given by the organization to the employee given services. Research has proven that there exists a positive relation between compensation and the employee's performance, motivation and absenteeism. If the employees are compensated well, they perform according to the expectations of the organization and may sometimes overcome expectations. The compensation system, alone cannot be blamed for the bad performance of the employee as there are several factors like working conditions, politics etc, but the compensation system can be termed as a major contributor in de-motivation of the employees.

In this study a descriptive approach was used to determine the role of the compensation system in determining the employee's performance, motivation and absenteeism. The data was collected by the help of the questionnaire, to quantify the contribution of compensation system. The research was carried in the vicinity of Islamabad and Rawalpindi and private organizations mostly sole-traderships were targeted to gather research data. 200 questionnaires were distributed out of which only 130 were returned back and 101 were usable. It was astonishing to find that more than 70% of the respondents preferred compensation in a form of monetary aspect. Out of this 70% of the employees 66% males preferred monetary compensation and 100% female respondents preferred monetary compensation from the company.

A positive correlation between the variables were found with the help of SPSS. The results were highly significant, explaining that the compensations system whether it is in monetary or non-monetary form, it holds a positive relation in determining the performance, motivation and absenteeism of the employee in consideration.

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