

The Description of Fast Food Employees' Compensation

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Abstract

The purpose of this descriptive research is to investigate the factors that describes fast food employee compensation. Employee compensation comprises of four factors namely external competitiveness, compensation based on performance, incentive-based mix, and openness and participation. The research question for this study is "What are the factors that describe fast food employee compensation?" A quantitative method was employed and 688 employees completed the questionnaires distributed at Federal Territories of Kuala Lumpur and Selangor, Malaysia by using stratified random sampling. It was discovered that the factor that has the highest mean is compensation based on performance followed by external competitiveness, then openness and participation and lastly is the incentive-based mix. Moreover, Pearson Correlation shows all compensation variables are significant and positively correlated each other. This indicates that the fast food employees agree that all the four factors are the substance of their compensation and moderately satisfy with the compensation packages that provided by the companies.

Keywords: Compensation; fast food employees; Malaysia.

1. Introduction

The main goal of businesses is to hire competent and talented employees to earn profit as much as possible for the organisation (Shipley & Kleiner, 2005). Once these employees have been hired and well trained, managers need to find a way to motivate, keep their employees happy, increase productivity as well as improve the firm performance. Hence, one of the best way to do so is by offering competitive compensation packages to their employees (Burke & Hsieh, 2006). Employee compensation is the most vital element for the employee to continue their life (Shipley & Kleiner, 2005). In this regards, compensation that offered to the employee will determine their performance, productivity and retaining to the company. According to Feng, Wang and Saini (2015) most of the literature on compensation has primarily focussed on executive compensation and its implication on firm performance but paid little attention to non-executive compensation. Study that focuses on non-executive of fast food employee in Malaysia is still limited and therefore more information is needed about the factors that affect employees' compensation. Thus, this empirical quantitative study identifies the factors that significantly affect fast food employee compensation particularly in fast food restaurant at Federal Territories of Kuala Lumpur and Selangor, Malaysia.

Fast food restaurant is one of the famous and profitable restaurants in Malaysia. The increasing number of fast food restaurant in Malaysia has contributed the highest profit towards

Malaysia economy (Basnayake, Arunachalam & Hassan, 2015). The increasing number of working housewives has change Malaysian lifestyle. Eating out and take away of fast food such as fried chicken, burger and pizza as offered by KFC, McDonald's and Pizza Hut becomes the practice of Malaysians which leads to the significance of fast food businesses (Ryan, Ghazali & Mohsin, 2010). Thus, study about the fast food employee is vital to boost more profit and revenue of the company as well as national GDP.

Consequently, this study aims to identify factors that describe employee compensation in the fast food restaurant. The findings of this study add information regarding employee compensation pertaining fast food employee in Malaysia and it can serve as a useful guide for the restaurant operators and managers to retain and improve their employees job satisfaction and performance as well as the firm's performance.

2. Literature review

The root word for compensation is compensate, which means to reward or to pay (Chepchumba & Kimutai, 2017). Compensation can be defined as the combination of pay and rewards to employees (Ahmad, 2013; Candra, Hana, & Wulandar, 2018). In other words, compensation consists of direct financial payments such as salaries and indirect payment or fringe benefits (Candra *et al.*, 2018; Chepchumba & Kimutai, 2017). Studies frequently relates employees' compensation with employees' attraction, motivation, retention, incentive, goals and performance (Ahmad, 2013). There is a consensus that compensation is one of the strongest determinants of attitude and behaviour of the employees (Ibrahim & Boerhaneoddin, 2010; Kusluvan, Kusluvan, Ilhan, & Buyruk, 2010). Moreover, compensation influences positive attitude and behaviour such as motivation, job satisfaction and organisational commitment, and these behaviours reduce employee turnover and enhances business profitability (Kusluvan *et al.*, 2010; Chepchumba & Kimutai, 2017).

Motivating employees in the private and public sectors can be a difficult task. Fortunately, the private sector has the ability to offer employees attractive incentives (Shipley & Kleiner, 2005). Before offering incentives to their employees, companies need to decide which is the most suitable and manageable for them. Compensation plans can become too costly for companies. Companies also need to be able to manage the compensation of commissioned employees in a way that it will maximise profit and motivate employees to produce. Companies main goal is to increase productivity and profit, while reducing costs and making employees happy. In fast food restaurants, most of the employees are paid a base salary or hourly wage, which is easily to manage (Shipley & Kleiner, 2005).

Montemayor (1996) and Ahmad, Scott and Solnet, (2010) stated that compensation comprises of four elements and these are external competitiveness (EC); compensation-base on performance (CBP); incentive-base mix (IBM); and openness and participation (OP). External competitiveness is the policy area that refers to the level of pay an organization offers relative to that of its competitors. It has a critical impact on employees' attraction, retention and labor cost objectives. The higher the pay level, the better is the organization's ability to acquire a competent workforce. Clearly, increasing the pay level raises total labor costs. However, raising the pay level may lead to improved labor costs per unit. An emerging view in labor economics, known as efficiency wage theory, contends that paying above market levels can promote employees' motivation that would offset any increment in labor costs (Holzer, 1990).

Compensation-base on performance is defined as direct and indirect financial payments awarded to the employee based on their performance (Perry, Engbers & So, 2009). In other words,

it is compensation given to the employee based on their contribution to the company (Ahmad, 2013). It is crucial to compensate employee based on their performance. As postulated by the theory of social exchange most employees expect pay and rewards to be distributed according to individual contribution (Kline & Yu-Chin, 2007).

Incentive-base mix is the mixture of incentive (known as variable pay) and base pay (known as fixed pay). Increasing the portion of pay that is variable has been advocated as an effective mechanism for linking employee rewards and business performance (Mitchell, Lewin & Lawler, 1991). Besides a clear fit with motivation objectives, a high incentive-to-base pay ratio makes some labor costs variable, and it may also help to attract and retain hard-working and risk-taking employees.

Openness and participation refers to “openness” in providing the employees with information regarding their compensation received and let the employees to participate and question on matters related to their pay decision (Gomez-Mejia, 1992). According to Montemayor (1996) it is crucial for companies to provide adequate information to the employees on matters related to their pay because it will affect their job satisfaction and decision to stay with the company. As reported by Ahmad *et al.* (2010), many employees leave because their managers avoid answering questions related to their compensation. The lack of transparency is one of the reasons high employee turnover occurs in the hospitality industry.

3. Research framework

Based on the literature above, the research framework is developed to understand the nature of employee compensation.

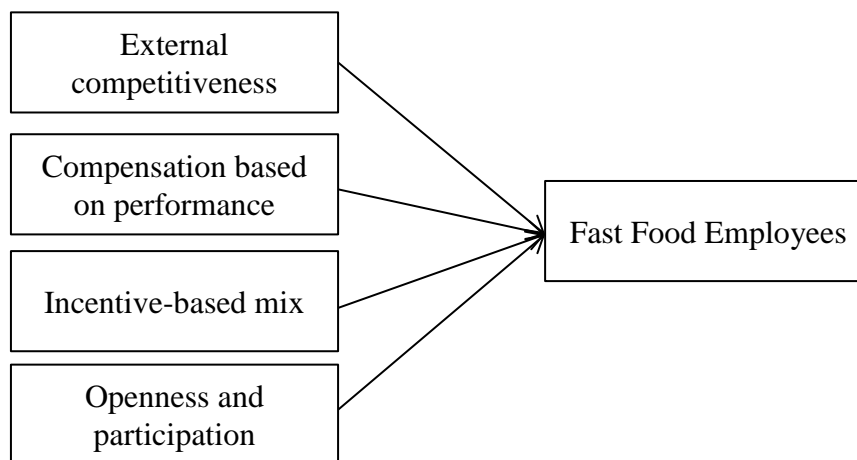


Figure 1: Research framework

4. Methodology

Data is obtained by distributing questionnaires to the fast food restaurant employees at Federal Territories of Kuala Lumpur and Selangor, Malaysia by using stratified random sampling. According to Sekaran and Bougie (2013) the stratified random sampling is involving the process of stratification or segregation; follow by random selection of subjects from each spectrum. The selection of subjects involved a number of processes. First, the fast food organization in Federal Territories of Kuala Lumpur and Selangor is segregated into four types of group based on their company names, namely Brand A, Brand B, Brand C and Brand D. The segregation of the

population into four unrelated groups is considered as suitable, relevant and significant in the context of this current study. Then, the outlets from each group are selected based on the highest sales and highest number of employee from each of the organization. Finally, the questionnaires distributed to the non-managerial employees in the selected restaurant outlets with the help of their restaurant's manager. Due to company's policy and regulations, their companies' name is keep as confidential.

In term of questionnaire design, the questionnaire is divided into two parts. Part A is demographic profile of the respondents that made up of gender, age, monthly income and marital status. Part B is questions related to employee compensation that is adapted from the study of Ahmad (2013). Ahmad (2013) stated that employee compensation consists of four dimensions: external competitiveness with three items, compensation based on performance with four items, incentive-base mix with four items and openness and participation with three items. The questionnaire uses a five-point Likert scale ranging from "1 = strongly disagree to 5 = strongly agree". The Statistical Package for the Social Sciences' (SPSS, version 22.0) is used for the statistical analysis. Descriptive statistics is used to determine factors that describe fast food employees' compensation.

5. Finding

Majority of the respondents are male employees (61.3%) while female respondents is comprised of 38.7% of the total of 688 respondents. In terms of age, majority of the respondents are in the range of 21 to 30 years old (55.5%), followed by 20 years old and below (27.9%), 31 - 40 years' old (16.4%) and 41 - 50 years' old (0.1%). The monthly income of majority (37.6%) of the respondents is between RM901 to RM1400. This is followed by 37.4% who earned between RM1401 to RM1900. The third group earned between RM1901 to RM2400 (11.9%) while the minority (1.0%) of the respondents earned RM2401 and above. In terms of marital status, 74.1% of the respondents are single while 24.0% of the respondents are married, and 1.9% is divorced. Table 1 shows the respondents' demographic profile.

Table 1: Respondents' demographic profile

No.	Demographic	Particular	Frequency	Per cent (%)
1.	Gender	Male	422	61.3
		Female	266	38.7
2.	Age	20 years old and below	192	27.9
		21 - 30 years' old	382	55.5
		31 - 40 years' old	113	16.4
		41 - 50 years' old	1	0.1
3.	Monthly income	Less than RM900	83	12.10
		RM901 to RM1400	259	37.60
		RM1401 to RM1900	257	37.40
		RM1901 to RM2400	82	11.90
		RM2401 and above	7	1.00
4.	Marital status	Single	510	74.10
		Married	165	24.00
		Divorced	13	1.90

Cronbach's coefficient alpha was used to check the reliability of the instruments. According to Sekaran and Bougie (2013) the coefficient of 0.70 and above indicates high-reliability. Table 2 shows the reliability coefficient for all the variables in this study which comprise of external competitiveness, compensation based on performance, incentive-based mix and openness and participation. In term of validity, this study employed six content experts to check the instruments. Three of them are from the academic field and another three experts are the restaurant managers. They checked and validated the items to ensure suitability and sufficiency to answer the research questions and research objectives.

Table 2: Reliability analysis result

Code	Variable	Cronbach's Alpha
EC	External competitiveness	0.784
CBP	Compensation based on performance	0.729
IBM	Incentive-based mix	0.728
OP	Openness and participation	0.750

Three items were analysed under external competitiveness. The item with the highest mean was "the benefits are among the best in the market". The second was "salary is among the best in the market" and lastly "employer adopts the best compensation system in the industry". Table 3 shows the descriptive statistic for all items under external competitiveness.

Table 3: Descriptive statistics of external competitiveness

Code	Item	Mean	Std. Dev.
EC1	My employer adopts the best compensation system in the industry.	3.28	.957
EC2	My salary is among the best in the market.	3.45	.818
EC3	My benefits are among the best in the market.	3.48	.818

Next, four items were analysed as compensation based on performance. The item with the highest mean was "salary increments are based on performance". The second was "bonuses are based on performance". The third was "rewards are distributed based on employees' contribution to organization" and the fourth was "There is a large pay spread between low performers and high performers in a given job". Table 4 shows the descriptive statistic for all items under compensation based on performance.

Table 4: Descriptive statistics of compensation based on performance

Code	Item	Mean	Std. Dev.
CBP1	Rewards are distributed based on employees' contribution to organization.	3.53	1.035
CBP2	My bonuses are based on my performance.	3.80	.877
CBP3	There is a large pay spread between low performers and high performers in a given job.	3.06	1.306
CBP4	My salary increments are based on my performance.	3.85	.848

There were 4 items under Incentive-Base Mix. The item with the highest mean was "given bonus when the business is profitable". The second was "A substantial portion of my compensation is

fluctuating”. The third was “given commission for selling the restaurants' product and services” and the last was “given service points which are based on the amount of the business”. Table 5 shows the descriptive statistic for all items under special incentive-base mix.

Table 5: Descriptive statistics of incentive-base mix

Code	Item	Mean	Std. Dev.
IBM1	I am given bonus when the business is profitable.	3.39	.862
IBM2	I am given service points which are based on the amount of the business.	3.06	.987
IBM3	A substantial portion of my compensation is fluctuating.	3.23	.811
IBM4	I am given commission for selling the restaurants' product and services.	3.18	.976

There was a total of three items under openness and participation. The item with the highest mean was “organization openly discloses the administrative procedures on how pay levels and pay raises are established”. The item with the second highest mean was “feelings and preferences for various compensation forms are taken seriously by top management”. The third was “no formal policies that discourage me from revealing my pay to co-workers”. Table 6 shows the descriptive statistic of all items under openness and participation.

Table 6: Descriptive statistics of openness and participation

Code	Item	Mean	Std. Dev.
OP1	There are formal policies that discourage me from revealing my pay to co-workers.	3.16	.994
OP2	My feelings and preferences for various compensation forms are taken seriously by top management.	3.19	1.052
OP4	My organization openly discloses the administrative procedures on how pay levels and pay raises are established.	3.34	.974

The mean of all the factors is moderate. The factor with the highest mean was compensation based on performance followed by external competitiveness, openness and participation, and incentive-based mix. Based on the findings, it can be concluded that more than half of the employees in Fast Food Restaurants are compensated based on their performance. Their compensation is moderately competitive. The practise of openness and encouraging participation on matters related to employee compensation is also moderate. Of all the factors, incentive-base mix has the lowest mean. Table 7 shows the descriptive statistics of all the factors.

Table 7: Descriptive statistics of variables

Code	Variable	Mean	Std. Dev.
EC	External competitiveness	3.37	.779
CBP	Compensation based on performance	3.44	.715
IBM	Incentive-base mix	3.19	.721
OP	Openness and participation	3.22	.801

Furthermore, based on Pearson Correlations analysis result reveals that all variables are related to each other. Moreover, it shows significant and positive relationship among the variables.

According to Tolmie, Muijs, and McAteer (2001) rule of thumb; all variables show moderate relationship with openness and participation ($r = .431$) is the highest moderation relationship and followed by compensation based on performance ($r = .318$). while, the lowest moderate relationship is external competitiveness ($r = .322$). This implies that the fast food employees moderately satisfy with the compensation packages that provided by their companies. Hence, it is suggested to the companies to improve their compensation packages for their employees to boost performance level, job satisfaction, job commitment and motivation level among the employees. Table 8 indicates a Pearson Correlations result of the study.

Table 8: Pearson correlations of study variables

	1	2	3	4
(1) Incentive-based mix	1			
(2) Compensation based on performance	.318**	1		
(3) Openness and participation	.431**	.227**	1	
(4) External competitiveness	.322**	.335**	.273**	1

** . Correlation is significant at the 0.01 level (2-tailed); n=688

6. Discussion

Descriptive statistics and Pearson correlations were used to explain the factor affecting employee compensation in fast food industry in Malaysia. Based on the result, compensation based on performance, although moderately practiced in fast food restaurant was found to be the most glaring description of employees' compensation followed by external competitiveness, openness and participation, and finally incentive-base mix. The practise of incentive-base mix is the lowest because the practise of giving service point is not as frequent as the practiced of increasing employees' salary based on their performance in the fast food restaurant. As in other businesses, employees in the industry are compensated based on their performance.

7. Conclusion and implications

This study contributes to the knowledge of employee compensation in fast food industry. This study has several limitations. First, the study only focused on the non-executive employee at fast food restaurant in Federal Territories of Kuala Lumpur and Selangor, Malaysia. Thus, is cannot be generalized to executive level as well as other location. Hence, replicating this study to executive level as well as to other location is recommended. Second, this study only focuses on fast food restaurant. The result might be different to other type of restaurant since different restaurants have its own distinct features. Therefore, future studies can assess factors that affect employee compensation in different type of restaurant.

As a conclusion, this has identify four factors which are external competitiveness, compensation based on performance, incentive-based mix, and openness and participation are the factors that affect fast food employee compensation particularly in Malaysia. Moreover, the study also figures out that compensation based on performance is the strongest indicator of fast food employee compensation.

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