

Effect of Manager's Role in Performance Based Pay on Employee Outcomes

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Abstract

According to the recent literature pertaining on Islamic based organizational compensation, performance based pay consists of two essential features: communication and performance appraisal. Recent studies in this field highlights that the ability of managers to appropriately communicate pay information and appraise employee performance may have a significant impact on employee outcomes, especially job satisfaction and organizational commitment. Therefore, this study was undertaken to assess the relationship between manager's role in performance based pay and employee outcomes using self-administered questionnaires collected from employees at a district council in Peninsular Malaysia. The outcomes of the SmartPLS path model analysis showed that pay communication does not act as an important determinant of

job satisfaction, but performance appraisal does act as an important determinant of job satisfaction. Conversely, pay communication and performance appraisal act as important determinants of organizational commitment. In addition, this study provides discussion, implications and conclusion.

Keywords: Compensation; Pay Communication; Performance Appraisal; Job Satisfaction; Organizational Commitment

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