

# Satisfaction of Compensation and Employees Productivity of LGU Cateel, Davao Oriental

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**Abstract:** This study examined the relationship between compensation satisfaction and productivity among Job Order employees at LGU Cateel, Davao Oriental, using a quantitative descriptive-correlational design. The complete enumeration sampling technique surveyed 196 Job Order employees, revealing moderate satisfaction with compensation and moderate productivity levels. Key findings include a strong positive correlation between fixed pay and rewards and moderate correlations with managerial skills and overall productivity, but no significant relation to the work environment. Flexible pay showed moderate positive correlations with rewards, managerial skills, overall productivity, and minimal relation to the work environment. Benefits were highly correlated with rewards and moderately with the work environment, managerial skills, and overall productivity. Overall satisfaction was highly related to rewards, moderately related to managerial skills and overall productivity, but weakly related to the work environment. The study underscores the critical role of compensation satisfaction in enhancing employee performance. Recommendations include aligning fixed pay with market standards, increasing flexible pay options, improving benefits, enhancing the work environment, providing managerial training, implementing a comprehensive reward system, and regularly gathering employee feedback to boost satisfaction and productivity.

**Keywords:** satisfaction, job orders, productivity, effectiveness, compensation, equity theory.

## 1. Introduction

Studying how happy employees are with their pay and how it affects their productivity is crucial in organizational behavior (Zayed et al., 2022). As workplaces continue to change and grow, it is crucial to ensure that employee needs align with company goals (Bello et al., 2024). This study explores the relationship between how employees feel about their pay and how well they perform at work. By looking into aspects such as fair wages, benefits, recognition, and career growth opportunities, the study aims to find ways to create a high workforce that performs at its best. Extensive research underscores the widespread impact of employee dissatisfaction with compensation on overall productivity, as demonstrated in studies conducted in the United States (Smith & Johnson, 2020; Chen et al., 2018).

In the global setting, organizations worldwide grapple with the multifaceted challenge of maintaining employee productivity amidst compensation-related issues. This

challenge is not confined to specific regions or sectors but permeates across diverse industries and geographies (Smith & Johnson, 2020; Chen et al., 2018). Similar issues arise in local government units (LGUs) worldwide due to various factors. Budget constraints prevalent in many LGUs restrict their ability to offer competitive compensation packages, leading to dissatisfaction among employees who feel undervalued compared to counterparts in other sectors or neighboring jurisdictions (Johnson, 2019). Moreover, disparities in salary within LGUs, influenced by factors such as tenure or departmental budgets, can breed resentment and diminish employee morale (Smith & Brown, 2020).

These challenges not only affect the well-being of employees but also directly impact service delivery, with reduced motivation and morale among staff members leading to delays, errors, or lapses in service provision (Garcia & Martinez, 2019). Furthermore, the inability of LGUs to offer competitive compensation packages hampers recruitment efforts and contributes to difficulties in retaining top talent, exacerbating productivity challenges and creating instability within the workforce (Brown & Wilson, 2020). Addressing these issues requires proactive measures from local government leaders, including regular salary reviews, transparent compensation policies, opportunities for professional development, and a supportive work environment that values employee contributions (Taylor et al., 2021). Failure to address compensation-related concerns not only undermines employee productivity and morale within LGUs but also has broader implications for the delivery of essential services and the overall well-being of the communities they serve, echoing challenges faced by organizations globally.

In the context of local government units (LGUs) in the Philippines, a significant and localized issue revolves around the impact of employee dissatisfaction with compensation on overall productivity (Rodriguez & Cruz, 2022). Research conducted within the Philippine setting underscores that when employees perceive their compensation as inadequate, it triggers a cascade of challenges, including diminished motivation, reduced job satisfaction, and, ultimately, a decline in overall productivity (Tan & Gomez, 2018). This concern is particularly pronounced within the unique landscape of the Philippine job market, where competition for skilled professionals is fierce, and LGUs strive to attract and retain top

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talent (Rodriguez & Cruz, 2022). Compensation dissatisfaction within LGUs can lead to heightened turnover rates, complexities in recruitment and talent retention, and an overall erosion of the morale and commitment of the workforce (Tan & Gomez, 2018).

Zooming into the provincial setting of Davao Oriental, organizations face a distinct yet impactful challenge associated with employee dissatisfaction with compensation, adversely affecting overall productivity. Research specific to this provincial context highlights that when employees in Davao Oriental perceive their compensation as inadequate, it triggers localized consequences, including diminished motivation, lowered job satisfaction, and subsequent declines in productivity (Magno & Santos, 2023; Del Rosario et al., 2020).

Collectively, these problem settings highlight the urgent need for organizations operating globally, nationally, or within specific provinces to address compensation-related concerns strategically. Failure to do so jeopardizes employee satisfaction and carries broader implications for organizational effectiveness, talent management, and attaining business objectives. As organizations navigate these diverse problem settings, understanding the nuances of compensation dynamics becomes paramount to fostering a motivated and productive workforce.

Moreover, many studies have been conducted to determine the relationship between the level of satisfaction with compensation and the level of employees' productivity. However, studies in the chosen local setting have yet to be conducted. The urgency to conduct this study stems from the critical role that LGU Cateel plays in the lives of its residents. The municipality's ability to deliver effective and responsive public services is inherently tied to the commitment and productivity of its workforce. As societal expectations evolve and demands on local governance intensify, the need for evidence-based insights into the factors influencing employee satisfaction, especially compensation, becomes increasingly urgent. This study seeks to address this urgency by exploring the relationship between compensation satisfaction and employee productivity within LGU Cateel, Davao Oriental.

#### A. Statement of the Problem

This research study aimed to determine the relationship between the level of satisfaction with compensation and the employee's productivity at LGU Cateel, Davao Oriental. Specifically, this sought to answer the following questions:

- 1) What is the level of satisfaction with compensation among the employees of LGU Cateel, Davao Oriental, in terms of:
  - 1.1 fixed pay;
  - 1.2 flexible pay; and
  - 1.3 benefits?
- 2) What is the level of employees' productivity at LGU Cateel, Davao Oriental, in terms of:
  - 2.1 rewards;
  - 2.2 work environment; and
  - 2.3 managerial styles?
- 3) Is there a significant relationship between the level

of satisfaction with compensation and employees' productivity at LGU Cateel, Davao Oriental?

#### B. Objectives of the Study

This research study aimed to determine the relationship between compensation satisfaction and employee productivity at LGU Cateel, Davao Oriental. Thus, this study aimed to accomplish the following:

- 1) Determine the level of satisfaction with compensation among the employees of LGU Cateel, Davao Oriental, in terms of fixed pay, flexible pay, and benefits.
- 2) Determine the level of employees' productivity at LGU Cateel, Davao Oriental, in terms of rewards, work environment, rank status, and managerial skills.
- 3) Determine the significant relationship between the satisfaction of compensation and the level of employees' productivity at LGU Cateel, Davao Oriental.

#### C. Significance of the Study

The researchers identify the following in which this research can be beneficial. The result of this study can be of great help to the following:

##### 1) Employees

The study's results may improve and support employees' becoming more productive by helping them understand the concept and value of compensation in their work.

##### 2) Local Government Unit

The study may help the agency provide the proper compensation and recognition for employees' hard work. A sense of satisfaction compensation will improve productivity among employees because their needs are met, and they may enjoy a comfortable and decent living. Furthermore, the potential impact of the study's findings on the local community underscores the significance of Cateel as a representative case with broader implications for similar provincial settings in the Philippines. Overall, Cateel, Davao Oriental, strategically aligns with the research goals, offering a comprehensive and applicable exploration of the factors influencing employee productivity in a provincial context.

##### 3) Future Researchers

This study can also benefit future researchers. This study can inspire future researchers to explore the topic further and expand their knowledge on the satisfaction of compensation and the level of employees' productivity. Future researchers can use the findings to support their studies and develop behavioral components that may enhance employees' productivity.

#### D. Scope and Delimitation

The researchers used the quantitative descriptive-correlation method to find a significant relationship between the level of satisfaction with compensation and the level of employees' productivity at LGU Cateel, Davao Oriental. The respondents were from different LGU Cateel offices. Data were gathered using two adapted survey questionnaires. This research focused solely on studying the relationship between the level of satisfaction with compensation and the level of employees' productivity at LGU Cateel, Davao Oriental. For the level of satisfaction with compensation, fixed pay, flexible pay, and

benefits were included. For the level of employees' productivity, the factors included were rewards, work environment, rank or status, and managerial styles.

### E. Theoretical Framework

Grounded in the Equity Theory of motivation, as developed by John Stacy Adams in 2012, this study seeks to understand the dynamics of employee motivation within the local government unit (LGU). According to this theory, employees' motivation hinges on their perception of the fairness of compensation and treatment for their work input (Adams, 2012). This study aims to apply the principles of Equity Theory specifically to the context of the selected locale, where resources may be limited and bureaucratic structures are prevalent.

In the selected locale, equity in compensation is crucial for fostering employee commitment and productivity. Employees evaluate their contributions (inputs) and outcomes (such as pay, recognition, and benefits) and compare them with their peers to determine fairness. This comparison affects their motivation and productivity levels.

Compensation, including salary, wages, allowances, and benefits, plays a pivotal role in the Equity Theory framework within LGU. Fair compensation ensures that employees feel their contributions are appropriately acknowledged, fostering a balance between productivity and rewards. This study examines whether employees at LGU Cateel perceive their compensation as fair and how this perception impacts their productivity.

The research explores how fixed pay, flexible pay, and benefits influence employees' satisfaction with their compensation. Additionally, it investigates how rewards, work environment, rank or status, and managerial styles affect employees' productivity. By doing so, the study aims to uncover whether a perceived balance between contributions and rewards exists, as suggested by Equity Theory, and how this balance influences employee motivation and performance. Understanding the equitable nature of compensation is essential for LGU administrators in Cateel to manage employee motivation and performance effectively. Through the lens of Equity Theory, this research aims to provide insights into strategies for enhancing employee satisfaction and productivity within LGU Cateel. Ultimately, the study offers practical recommendations for administrators to ensure fair compensation practices, promoting organizational effectiveness and employee well-being in the local government.

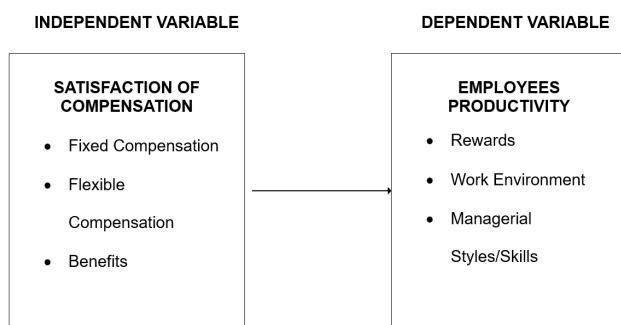


Fig. 1. Conceptual diagram of the study

### F. Definition of Terms

The following terms are defined generationally:

#### 1) *Benefits*

These are payments provided to protect against health and accident-related problems and ensure income at the end of one's work life. These include social security, health care, life and disability insurance, and retirement income through pension and savings plans (Randal, 2013).

#### 2) *Compensation*

It includes all forms of payment given to employees, whether direct (in the form of money) or indirect (in the form of benefits and incentives) (Riani, 2013).

#### 3) *Employees' Productivity*

It is the ability of employees to complete a job effectively and efficiently that has been determined by the company to achieve the goals of the company (Putra et al., 2022).

#### 4) *Fixed Pay*

It is the fixed amount of money an employer pays its employees in exchange for services received. It is also known as non-discretionary base pay (Madhani, 2010).

#### 5) *Flexible Pay*

These refer to any financial reward paid in cash as a bonus or added to the base rate and linked to an employee's performance, skills, competence, and contributions to the organization (Armstrong & Murrllins, 2011).

#### 6) *Managerial Skills*

These are the organizational resources that can deal with upcoming challenges, develop organizational planning, and lead the firm's operations by utilizing the organizational resources (Mehralian et al., 2020).

#### 7) *Rewards*

These are monetary and non-monetary, generally including cash awards, commissions, bonuses, flexible timing, childcare, mentoring programs, medical or education assistance, and the like, enhancing employees' behavior and performance (Willson, 2020).

#### 8) *Satisfaction with Compensation*

It is an employee's general feelings about their pay or more specific aspects (Rubenstein et al., 2017).

#### 9) *Work Environment*

It is the entire tooling faced, the environment in which a person works, the work method, and the influence of his work as individuals and groups (Akob et al., 2020).

## 2. Review of Related Literature

This section summarizes studies and related literature, highlighting the discussion of the two variables: satisfaction with compensation and employees' productivity. Compensation satisfaction is discussed in terms of fixed pay, flexible pay, and benefits (Workneh, 2017). On the other hand, employees' productivity is elucidated in terms of rewards, work environment, and managerial skills (Prasetyo et al., 2019).

### A. *Compensation Satisfaction or Pay Satisfaction*

Compensation satisfaction is about an employee's feelings about their pay, in general, or more specific aspects (Rubenstein et al., 2017). Pay satisfaction depends on the difference between

the perceived pay and the amount of pay a person receives. Pay refers to all forms of compensation, such as salary and benefits, including the administration of the pay system. Moreover, it is considered sporadic employee payment due to the relationship between the employee and employer (Rubenstein *et al.*, 2017). Pay satisfaction is essential because it can impact important work outcomes such as job satisfaction, intention to leave, job performance, employees' productivity, organizational performance, and competitiveness (Jana & Petr, 2013). Pay satisfaction has a narrow scope, but it is the most important factor affecting organizational outcomes. Dissatisfaction with pay may lead to reduced motivation, low performance of employees, and increased absenteeism and turnover. During many years of observations, it was noticed that employees' monthly pay was favored in contrast to incentive pay, which varied in context.

### *B. Factors of Pay Satisfaction*

The Equity Theory and Discrepancy Model are the most common and well-known models that help determine pay satisfaction. These models elucidate employees' drawing out satisfaction from their compensation plans. Equity theory's roots lie in social comparison, where an employee comparison of input/output ratio can be done with employees in the same organization and other organizations. If the ratio is smaller or smaller than that of another employee, it results in inequity and dissatisfaction, and employees are motivated to lessen the inequity. These perceptual comparisons can be done with pay, time off, benefits, and recognition. The theoretical basis of the discrepancy theory, proposed by Lawler, advocates the concept of social comparison, just the same as equity theory (Vroom, 2013). In addition, Vroom's expectancy theory is utilized to formulate the discrepancy theory.

According to Asri Laksmi Riani (2013), compensation encompasses all forms of payment provided to employees, including direct payments in the form of money and indirect payments in the form of benefits and incentives. Gupta and Shaw (2014) emphasize that the design and implementation of compensation systems impact employee motivation and enhance safety, quality, creativity, innovation, and other critical outcomes in a successful workplace. In line with this perspective, Osibanjo, Adeniji, Falola, and Heirsmac (2014) suggest that a properly designed compensation system benefits employees and motivates them to perform effectively. They argue that employees who feel adequately compensated are likelier to give their best effort, contributing to the organization's overall success. Additionally, it is essential to note that individuals seek jobs that align with their creativity and talents and offer appropriate compensation for salary and other benefits (Osibanjo *et al.*, 2014).

An ideal compensation strategy, therefore, should encourage employees to work harder with more determination and dedication to their duties (Khan *et al.*, 2013). It is a systematic approach to providing monetary value to employees in exchange for work performed. Additionally, compensation serves multiple purposes, including assisting in recruitment, enhancing job performance, and fostering job satisfaction

(Yamoah, 2013). As Aslam *et al.* (2015) explain, compensation is a broad term encompassing payments and rewards to persuade workers to continue working for a company. It extends beyond salary to include benefits and other incentives. Furthermore, Sastrohadiwiryo in Ririvega Kasenda (2014) describes compensation as the remuneration provided by the company to the workforce for their contributions to the company's progress in achieving both short and long-term goals. From these perspectives, compensation is the acknowledgment and reward for the services rendered by employees to companies.

Compensation is highly significant for both employees and employers or organizations. It constitutes one of the major financial expenditures for an organization and plays a crucial role in motivating employees. Consequently, extensive research has been conducted on this topic. Deluca and Rajkumar (2014) state that compensation encompasses pay, rewards, remuneration, or salary and wage management. It includes direct and indirect payments, monetary and non-monetary rewards, and cash and non-cash payments. Monetary compensation is often perceived as a measure of justice. It is primarily observed in financial returns and tangible services, serving as a significant source of financial security for employees. Compensation structures typically have two core elements: fixed pay and variable pay.

### *C. Fixed Pay kind of Employment*

Fixed pay, also called base pay, is non-discretionary and does not change with performance or accomplishment of achievements. It enhances employees' loyalty, steadiness, and long-term orientation by providing motivation that is not based on short-term targets or revenues. People compensated through fixed salaries showed higher job satisfaction and decreased turnover rate than their counterparts who were remunerated through incentive pay showed dissatisfaction with their pay (Khattak *et al.*, 2017).

Further, seniority can also be used as a predictor to determine the actual pay. Age and seniority lead to increased performance; as an employee seeks experience, his or her ability to perform a job increases, leading to a better organizational outcome. According to Sharma and Bajpai (2018), the correlation between pay and seniority depicts that organizations are compensating for merit. Seniority bonuses are also a component of fixed salary, usually given to employees after serving the organization for a certain period (experience). Merit increments are also added to base pay after evaluating an employee's past performance. These are not earned again as in the incentives case, in which incentives are re-earned because they are given to achieve specific objectives.

### *D. Flexible Pay Kind of Employment*

Flexible/variable pay, also called pay at risk, changes directly with the level of performance or results achieved. Variable compensation is a one-time earning that must be re-established and re-earned each performance period. It can be short-term or long-term. To meet one's needs, a certain amount of pay is crucial for people. However, beyond that level, flexible pay

schemes significantly affect pay satisfaction. Flaherty and Pappas (2019) found that employees have lower satisfaction and higher turnover intention with a fixed salary, unlike salespeople with higher satisfaction and lower turnover intention when given incentives.

A flexible pay system could be achieved by increasing the variable pay and short—or medium-term deferred income in the employee's compensation package. Variable pay distribution is uncertain and consists of bonuses, incentives, goal-based pay, overtime, and gain sharing. In contrast, deferred income is a sum blocked for a certain period before becoming available, including employee stock ownership plans, company saving schemes, and profit sharing.

Researchers discovered that flexible pay schemes can result in a positive relationship and increased employee satisfaction. However, flexible pay scheme approaches differ considerably from one organization to another. Based on the expectancy motivation theory, a flexible benefits system is significant in the expectancy of motivation as flexible benefits provide staff with the freedom to adopt or mold their reward package according to their circumstances (Raza *et al.*, 2017).

Compensation alone cannot direct an employee's performance to a certain level unless employee benefits accompany it. Benefits are crucial for organizations because they attract and retain excellent and talented workers. On the other hand, benefits are more important for employees because they rely on benefits such as medical subsidies, vacations, and retirement to secure their financial well-being. Benefits vary concerning the seniority of the organization's employees, making them reluctant to change jobs.

#### *E. Benefits in the Employment*

Benefits are made up of three major components. Firstly, benefits consist of the allowances, mainly housing, food, and transportation allowances. The second part of benefits includes employee welfare programs and recreational opportunities, such as tickets for various entertainment events, family assistance, and scholarships. Flexible work timings (telecommuting, nonpaid time off), drug counseling, jury duty, vacations, child and elder care, and a fulfilling work environment are included. Lastly, it includes pension plans, disabled workers' allowance, medical insurance, retirement plans, life insurance, and savings plans. For high employee satisfaction, managers who provide benefits must collaborate with employees to identify their personal needs based on which they can benefit them (Chaudhry *et al.*, 2013). The 'Reasoned Action' theory claims employees believe in the value benefits that provide and develop a positive attitude of employees toward these benefits, which in turn determines the satisfaction level. This satisfaction leads to their commitment to the organization based primarily on their pay satisfaction. Therefore, benefits create an economic exchange with organizations because employers get better quality work, and employees want higher pay packages and are willing to put time and effort into it (Hutchinson, 2012).

#### *F. Employees' Productivity*

Employees' Productivity is the ability of employees to complete a job effectively and efficiently, which has been determined by the company to achieve the goals of the company (Putra *et al.*, 2022). A means for a group of people to achieve their goals is through an organization or company. According to Stephen P. Robbins (2014), organizations are social entities that are consciously coordinated, with a relatively identifiable boundary, which works on a relatively continuous basis to achieve a common goal or group of goals. A good organization is an organization that can achieve its goals. Organizational goals can be achieved if supported by productive human resources. One crucial aspect of improving capacity and utilizing relatively limited resources is to use these resources as efficiently as possible.

According to Malay S.P. Hasibuan (2016), productivity is a comparison between output (yield) and input (input). Increased productivity is only possible through increased efficiency (time-material-energy), work systems, production techniques, and workforce skills.

#### *G. Rewards*

Wages are part of the rewards for the work of an employee. It is also one of the main motivating and stimulating factors. If the wage system is managed well, it can raise employee motivation, productivity, and satisfaction. The employees of the company need more satisfaction with the current salary. This could mean that the wages must meet the workers' expectations, and they might want a higher salary. Managers should consider this factor because when it is improved, it can raise the motivation and productivity of the employees (Hassan *et al.*, 2020). The relationship between wages and employee productivity has been widely researched in labor economics (Coviello *et al.*, 2019). Maslow's motivational theory recommended that a wage rise should lead to better employee motivation. A motivated employee works harder and more devotedly; thus, the productivity rate will be higher. The relationship between higher wages and a positive effect on employee productivity has been established. A similar study by Kim and Choi (2018) established that an enhancement in wages leads to improved worker productivity. Gunawan and Amalia (2015) assumed that the effects of wages on employee productivity are constant.

#### *H. Work Environment*

The work environment in a company is essential for management to pay attention. Although the work environment does not carry out the production process in a company, the work environment directly influences the employees who carry out the production process. The work environment is an atmosphere where employees carry out activities every day. A conducive work environment provides security and allows employees to work optimally. If the employee likes the work environment, the employee will feel at home at work, carrying out his activities to effectively work time. On the other hand, an inadequate work environment will reduce employee performance.

Some experts define the work environment as follows: According to Akob *et al.* (2020) and Mohsen *et al.* (2014), the work environment is everything around employees and can affect the performance of the tasks assigned to them, for example, with air conditioner (AC), adequate lighting. The work environment in the workers' setting can affect their carrying out tasks such as temperature, humidity, ventilation, lighting, noise, workplace cleanliness, and whether or not work equipment is adequate (Arianto, 2013). According to Akob *et al.* (2020), the work environment can be interpreted as the entire tooling faced, the surrounding environment in which a person works, the work method, and the influence of his work as individuals and groups. From some of the definitions above, it can be concluded that environmental work is everything around the workers/employees that can affect employee job satisfaction in carrying out their work so that maximum work results will be obtained.

The work environment is the entire tool kit, the close environment in which methods, works, and arrangements of a person both as individuals or as a group (Sedarmayanti, 2011). The work environment is also defined by noise, tools, materials, space, physical layout, co-worker relationships, and the quality of all those that impact the high quality of work (Raziq & Maulabakhsh, 2015).

Safe, comfortable, and attractive working conditions are created if the environment around the workplace is healthy (Raziq & Maulabakhsh, 2015). A healthy work environment includes regulation of noise, workplace lighting, humidity and air temperature, service needs of employees, use of color, maintenance of environmental cleanliness, and the provision of various facilities needed by employees, such as toilets, changing rooms, and places of worship (Amiroso & Mulyanto, 2015).

### *I. Managerial Skills*

Managerial skills are the organizational resources that can deal with upcoming challenges, develop organizational planning, and lead the firm's operations by utilizing the organizational resources (Mehralian *et al.*, 2020). Firms with strong and multiple managerial skills can make efficient use of their capital by incurring minimal costs and helping to incentivize financial growth (Shaikh *et al.*, 2017). Thus, the consistent build-up of multiple resources and utilization results from sustainable growth and profitability (Shaikh *et al.*, 2017). Similarly, Helfat and Peteraf (2015) found that managerial skills with different dimensions significantly contributed to the firm's performance and productivity.

Good Human Resource Management is one of the important factors in the organization that determines the success of the organization in carrying out its strategy. Human resource management is obtaining, training, assessing, and compensating employees, paying attention to work relations, and recording health, safety, and justice issues (Dessler, 2013). Managing human resources involves making the right decisions and managing environmental changes (such as technology, business restructuring, competitors, social, political, and legal). Managers can be successful if they see human resources as

assets that must be managed according to business needs. Managers must be able to integrate their members' various knowledge and skills with other organizational resources.

### *J. Relationship of Compensation Satisfaction to Employees' Productivity*

The relationship between compensation and employee productivity has been extensively studied in various contexts. Researchers such as Syaifullah *et al.* (2016) and Kelechi *et al.* (2016) emphasize that appropriate compensation can significantly motivate employees, increasing productivity.

Numerous studies, including those by Santoni & Suana (2018), Saharuddin & Sulaiman (2016), Wardoyo (2016), Agustini & Dewi (2019), Putra & Suana (2018), and Yuliansyah & Marzoeki (2019), have consistently demonstrated a positive and significant relationship between compensation and employee productivity. These findings suggest that employees' motivation and productivity levels rise when they perceive their compensation as fair and satisfactory.

Furthermore, Sutriani (2017) highlights that financial and non-financial compensation play pivotal roles in positively influencing employee productivity. When employees feel adequately compensated, their satisfaction with their work increases, leading to higher productivity levels.

Osibanjo *et al.* (2014) suggest that compensation management fosters job satisfaction and contributes to organizational effectiveness. Greene (2014) and Dessler (2013) support this notion by indicating that compensation management influences employee behavior, productivity, and hiring and retention decisions, thus contributing to achieving organizational objectives.

However, contrasting perspectives, such as the research findings from Colombia and Mexico highlighted by Bell (1997), suggest a negative effect on employee performance in Colombia and no effect in Mexico following wage and benefit increases. Nonetheless, the overall body of research in labor economics, including studies by Coviello *et al.* (2019), indicates a positive correlation between higher wages and increased employee productivity.

Maslow's motivational theory further supports this relationship by suggesting that higher wages can enhance employee motivation, leading to greater productivity. Kim & Choi (2018) and Gunawan & Amalia (2015) provide empirical evidence in line with this theory, demonstrating that wage enhancements correspond to improvements in worker productivity.

In conclusion, while some studies may present conflicting findings, most research supports that appropriate compensation management positively impacts employee productivity, ultimately contributing to organizational success.

## **3. Research Methodology**

This section presents the research methodology that the researchers used in the study. This includes research design, locale and duration, sampling and sampling techniques, research instruments, data collection method, and statistical data treatment.



**A. Research Design**

In this study, the researchers employed a quantitative descriptive-correlational research design to explore the relationship between compensation satisfaction and employee productivity in LGU Cateel, Davao Oriental. Using measures like Pearson's r, correlation analysis determined the strength and direction of the relationship between these variables (Schober et al., 2018). This approach allowed the researchers to understand the current state of compensation satisfaction and productivity while identifying any significant associations between them. The combined use of descriptive and correlational methods provided valuable insights into the factors influencing employee productivity and informed potential strategies to enhance organizational effectiveness within LGU Cateel.

**B. Research Locale and Duration**

The study was conducted in Cateel, Davao Oriental, Philippines, and was chosen for its relevance to the topic and diverse economic and social landscape. Furthermore, the research study covered employees from different LGU Cateel offices. The data was gathered from April 2024 to May 2024. Figure 2 shows the map of Davao Oriental highlighting the Municipality of Cateel.

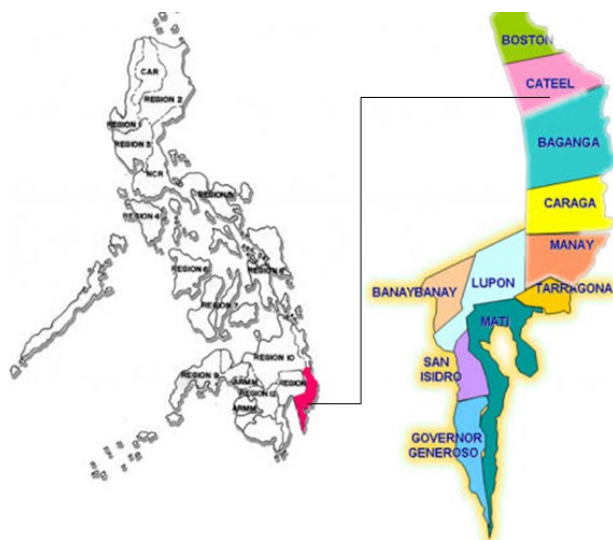


Fig. 2. The Philippines' geographical map highlights Davao oriental and the municipality of Cateel

**C. Respondents and Sampling Technique**

This study's respondents were the job order employees of LGU Cateel, Davao Oriental. They were selected through a

complete enumeration, also known as a census. Complete enumeration involved surveying every member of the population rather than selecting a subset for the study.

In this case, all 196 job order employees of LGU Cateel, Davao Oriental, were included in the study. Complete enumeration ensured that every member of the population had an equal chance of being included, thus providing a comprehensive understanding of the entire population rather than just a sample. This approach was appropriate when the population was manageable, and resources permitted surveying the entire population. Since the population size was known and the number of respondents was not exceedingly large, it was feasible to conduct a complete enumeration to gather data from all job order employees of LGU Cateel, Davao Oriental.

Table 1  
Distribution of number of respondents

Offices	No. of Respondents
Mun. Mayor's Office (MMO)	22
Human Resource Management Office	3
Mun. Planning & Dev't Coordinator	2
Mun. Engineering Office	18
Mun. Civil Registration Office	2
Mun. Accountant's Office (MAO)	11
Mun. Vice Mayor's Office (MVO)	9
Sec. to the Sangguniang Bayan Office	11
Mun. Assessor's Office (MASSO)	2
Mun. Budget Office	1
Mun. Social Welfare & Dev't Office	14
Mun. Treasurer's Office (MTO)	5
Mun. Health Office (MHO)	9
Mun. Agriculturist Office	8
Mun. Disaster Risk Reduction Mgt. (MDRRMO)	9
Mun. Environment and Resources Office (MENRO)	11
Mun. Economic and Enterprise Office (MEEEO)	60
<b>TOTAL</b>	<b>196</b>

**D. Research Instrument**

The two adapted survey questionnaires from Anduaem Shimelis Workneh 2017 on "Employees' Perception Towards Compensation and Benefit Schemes" and from Prasetio et al., 2019 on "Examining Employee's Compensation Satisfaction and Work Stress in a Retail Company and Its Effect to Increase Employee Productivity" were the main research instruments used in the study. The respondents answered the survey questionnaire by putting a circle on 5, 4, 3, 2, and number 1 presented. 5 refers to strongly agree, 4 refers to agree, 3 for moderate, 2 for disagree, and 1 for strongly disagree.

The following Likert Scale will be used to interpret the mean for the satisfaction of the compensation survey questionnaire.

Table 2  
Interpretation of level of compensation satisfaction

Interval	Response	Interpretation	Description
4.21 – 5.00	Strongly Agree	Very High	Compensation dramatically exceeds expectations, providing a strong sense of value, recognition, and financial security, leading to high loyalty to the organization.
3.41 – 4.20	Agree	High	Generally happy with their compensation, feeling it is fair and competitive, contributing to their overall job satisfaction.
2.61 – 3.40	Neither Agree nor Disagree	Moderate	Compensation is fair but not exceptional, meeting basic expectations without providing significant incentives or rewards.
1.81 – 2.60	Disagree	Low	Generally unhappy with their compensation, feeling it does not adequately reflect their efforts or market standards, potentially decreasing motivation.
1.00 – 1.80	Strongly Disagree	Very Low	Compensation is far below expectations, leading to significant frustration and a high likelihood of seeking other employment.

Table 3  
Interpretation of level of employee productivity

Interval	Response	Interpretation	Description
4.21 – 5.00	Strongly Agree	Very High Productivity	Employees significantly exceed expectations, demonstrating exceptional efficiency and output in their work.
3.41 – 4.20	Agree	High Productivity	Employees accomplish more than expected, consistently meeting or surpassing deadlines and performance goals.
2.61 – 3.40	Neither Agree nor Disagree	Moderate Productivity	Employees perform at an average level, meeting basic expectations but not exceeding them.
1.81 – 2.60	Disagree	Low Productivity	Employees achieve less than expected, often struggling to meet deadlines and performance goals.
1.00 – 1.80	Strongly Disagree	Very Low Productivity	Employees accomplish far less than expected, facing significant delays and inefficiencies in completing tasks.

Table 4  
Level of satisfaction in fixed pay compensation

No.	Description	Mean	Std. Deviation	Interpretation
1	Employees are getting minimum wages as per Philippine labor law.	2.22	1.03	Low
2	The salary is in accordance with my workload.	2.42	1.01	Low
3	The salary is in accordance with the work agreement.	2.48	1.08	Low
4	The agency provides me with regular annual increments.	2.48	1.04	Low
5	The current compensation is motivating and provides for better performance.	2.47	1.04	Low
6	The compensation matches the employee's work experience and education.	2.54	1.09	Low
7	The current compensation being offered by the agency is adequate to cope with the ongoing cost of life.	2.44	1.03	Low
8	The compensation is updated and communicated periodically.	2.59	1.14	Low
9	The salary and duties are balanced.	2.45	0.99	Low
10	The agency has fully implemented the compensation policy.	2.63	1.06	Moderate
Average		2.47	0.83	Low

An adapted questionnaire with the following indicators—rewards, work environment, and managerial styles/skills—will be used to measure employees' productivity levels. The following Likert Scale was used to interpret the mean for Employees' Productivity.

#### E. Data Gathering Procedure

In collecting the data, the following steps were followed:

- 1) Seeking ethical clearance. The researchers had a letter prepared to request permission to conduct the study from the Research Ethics Committee of Davao Oriental State University.
- 2) Informed consent form. The researchers provided the informed consent form to the respondents, allowing them to understand the purpose of the study, their rights as participants, and the confidentiality of the data.
- 3) Administration and distribution of questionnaires. Once the letter of permission was approved by the Research Ethics Committee of Davao Oriental State University, the researchers administered and distributed it to the selected respondents of the study. The respondents had the right to voluntary participation and confidentiality of data.
- 4) Retrieval of the survey questionnaire. After the respondents had finished answering the questionnaire, the researchers retrieved it. The questionnaire was tallied and submitted to the statistician to interpret the results.

#### F. Data Analysis

The following statistical tools were utilized:

##### 1) Mean

The statistical tool was utilized to determine the level of Satisfaction with Compensation and Employee Productivity among the Local Government Unit employees of Cateel, Davao Oriental. Furthermore, it was used to answer statements of problems one (1) and two (2).

##### 2) Pearson and Product Moment Coefficient

This statistical tool was employed to measure a significant relationship between the level of Satisfaction with Compensation and Employees' Productivity among the Local Government Unit employees of Cateel, Davao Oriental, addressing statement of problem number three (3).

## 4. Results and Discussion

This section shows the study's findings. The results were grouped under different subheadings. Each subheading focused on the answers from the participants. The subheadings are the level of satisfaction of compensation among the employees of LGU Cateel, Davao Oriental in terms of fixed pay, flexible pay, and benefits; the level of employees' productivity of LGU Cateel, Davao Oriental in terms of rewards, work environment, and managerial styles; and significant relationship between the level of satisfaction of compensation and the level of employees' productivity of LGU Cateel, Davao Oriental.

##### A. Level of Satisfaction with Compensation

This part elucidated the level of satisfaction with compensation among the employees of LGU Cateel, Davao Oriental, in terms of fixed pay, flexible pay, and benefits.

First, Table 4 shows that the level of satisfaction in terms of fixed pay compensation is Low, with an average mean of 2.47. This means the respondents are generally unhappy with their compensation, feeling it needs to adequately reflect their efforts or market standards, potentially decreasing motivation. This result supports the findings of Khattak et al. (2017), which indicated that individuals receiving fixed salaries tend to exhibit higher levels of job satisfaction and lower turnover rates compared to those compensated through variable incentives.

This result specified that the agency has fully implemented the compensation policy. However, employees are getting minimum wages as per Philippine labor law. As highlighted by



Table 5  
Level of satisfaction with flexible pay compensation

No.	Description	Mean	Std. Deviation	Interpretation
1	Employees receive overtime money twice as much as a regular working hour.	2.44	1.04	Low
2	Additional (Extra) pay for extra work hours is the best way to get more output from workers.	2.52	1.06	Low
3	Employees receive attractive incentives.	2.55	0.94	Low
4	Motor vehicle allowance activates workers' ability, skills, quality, and development	2.61	1.00	Moderate
5	The company has a profit-sharing policy.	2.50	0.98	Low
6	Employees get paid sick leave from their employers.	2.74	0.96	Moderate
7	Female employees are provided with Maternity Leaves.	2.86	0.99	Moderate
8	Employees receive other income that is separate from my salary.	2.61	0.94	Moderate
Average		2.60	0.75	Low

Table 6  
Level of satisfaction in benefits compensation

No.	Description	Mean	Std. Deviation	Interpretation
1	Varying benefit schemes effectively improve workers' morale and attitude to work.	2.86	0.91	Moderate
2	The agency provides me with 40% of the basic house rent, medical allowances, food allowances, transport allowances, and basic wages, as required by law.	2.62	0.90	Moderate
3	The agency provides employees gratuity, provident fund, insurance facility, and retirement benefits as per law	2.83	1.01	Moderate
4	The current benefit package is motivating and provides an incentive for better performance.	2.68	1.10	Moderate
5	The benefits distributed match my work experience and education.	2.88	1.05	Moderate
6	The agency's current Benefit Schemes are adequate to cope with the ongoing cost of life.	2.78	1.05	Moderate
7	The Benefit Schemes are updated and communicated periodically.	2.71	1.04	Moderate
8	Disability income protection exists in the agency.	2.73	1.00	Moderate
9	The agency provides adequate annual leave.	2.88	1.12	Moderate
10	The agency provides uniform	2.98	1.14	Moderate
11	The agency provides retirement benefits.	2.93	1.15	Moderate
12	Recreational opportunities are satisfactory.	2.89	1.09	Moderate
13	The agency has fully implemented the benefit policy.	2.74	1.20	Moderate
Average		2.81	0.78	Moderate

Bomm and Kaimann (2022), the equilibrium between fixed and variable pay holds significant importance in driving employee motivation. While emphasizing performance-based pay may undermine intrinsic motivation, studies by Garcia-Hernandez (2015) and Manthei and Mohnen (2013) suggest that a substantial fixed component can positively influence employee performance, albeit to a lesser and less predictable extent. These insights suggest that while fixed salaries should correlate with higher job satisfaction, the findings in LGU Cateel highlight a discrepancy, indicating a need to reassess the fixed pay structure to better align with employee expectations and market standards.

Second, Table 5 displays that the level of satisfaction in terms of flexible pay compensation is Low, with an average mean of 2.60, which means respondents are generally unhappy with their compensation, feeling it does not adequately reflect their efforts or market standards, potentially decreasing motivation.

As highlighted by Flaherty and Pappas (2019), employees tend to have lower satisfaction and higher turnover intentions when their compensation is fixed, while salespeople are more High and less likely to leave their jobs when provided with incentives.

A flexible pay system can be achieved by incorporating more variable pay and short- or medium-term deferred income into an employee's compensation package. Variable pay includes bonuses, incentives, goal-based pay, overtime, and gain sharing. In contrast, deferred income refers to sums held for a certain period before becoming available, such as employee stock ownership plans, company saving schemes, and profit-sharing. Research suggests that flexible pay schemes can foster a positive relationship and increase employee satisfaction,

although approaches to flexible pay can vary significantly across organizations. According to Raza *et al.* (2017), based on expectancy motivation theory, a flexible benefits system is significant as it allows employees to tailor their reward packages according to their circumstances.

This result indicated that female employees are provided maternity leave, yet they receive double the overtime money they receive during regular working hours. Agency theory suggests that performance-related pay, such as piece rates and bonuses, enhances productivity for two reasons. First, it can incentivize workers to exert more effort, and second, it may attract new workers with higher abilities. Empirical evidence, often drawn from single-firm personnel data, supports the effectiveness of performance-related pay. For instance, Lazear (2000), as cited by Tomas (2012), found a substantial increase in productivity when an auto glass company transitioned from a fixed pay structure to a piece-rate system. Similarly, Nickell and Quintini (2003) discovered that workers who received performance pay were less likely to experience pay freezes and more likely to receive pay increases than those on fixed pay.

However, Smith (2000), as cited by Bryson *et al.* (2017), using the British Household Panel Survey, reported no discernible difference in the likelihood of employees receiving nominal pay cuts between those receiving bonuses and those who did not. This indicates a complexity in the impact of performance pay on wage flexibility, suggesting that while it may enhance flexibility for some workers, it may not have the same effect for others.

Third, Table 6 outlines the level of satisfaction in terms of benefits compensation among LGU Cateel employees, resulting in an average of 2.81 or Moderate. This means that

Table 7  
Level of satisfaction with compensation

No.	Description	Mean	Std. Deviation	Interpretation
A	Fixed Pay Compensation	2.47	0.83	Low
B	Flexible Pay Compensation	2.60	0.75	Low
C	Benefits Compensation	2.81	0.78	Moderate
Compensation Satisfaction		2.63	0.68	Moderate

Table 8  
Level of productivity in terms of rewards

No.	Description	Mean	Std. Deviation	Interpretation
1	Most overtime payments motivate workers toward higher productivity.	2.67	1.22	Moderate Productivity
2	Educational schemes and programs assistance to staff and their children improve their morale.	2.64	1.22	Moderate Productivity
3	The work the employees do in this organization is appreciated.	2.71	1.14	Moderate Productivity
4	The nature of the employee's job allows me adequate opportunity to be recognized.	2.75	1.16	Moderate Productivity
5	Employees believe that all employees are equally rewarded.	2.64	1.08	Moderate Productivity
6	Employees think they are rewarded adequately below and above regular duties.	2.75	1.08	Moderate Productivity
7	Cash bonuses serve as the best incentive for enhanced productivity	3.07	1.21	Moderate Productivity
Average		2.75	0.93	Moderate Productivity

compensation is fair but not exceptional, meeting basic expectations without providing significant incentives or rewards. According to Chaudhry *et al.* (2013), achieving high employee satisfaction with benefits requires collaboration between managers and employees to identify individual needs, upon which tailored benefits can be provided. The 'Reasoned Action' theory posits that employee belief in the value of benefits influences their attitude towards these benefits, subsequently impacting their satisfaction levels. This satisfaction, in turn, fosters commitment to the organization, primarily rooted in satisfaction with their pay.

This study revealed that the agency provides uniforms. However, the agency provides me 40% of the primary house rent, medical allowances, food allowance, and transport allowance with basic wages as per law. Rubenstein *et al.* (2017) described that compensation satisfaction pertains to an employee's subjective pay assessment, encompassing general perceptions and specific aspects. It hinges on the perceived disparity between the received compensation and the anticipated or desired amount. In this context, compensation refers to all forms of remuneration, including salary, benefits, and the overall management of the pay system, viewed as periodic payments within the employer-employee relationship. Pay satisfaction is pivotal as it can significantly influence various critical work outcomes. According to Jana and Petr (2013), these outcomes encompass job satisfaction, intention to leave, job performance, employee productivity, organizational performance, and competitiveness. Despite its narrow focus, pay satisfaction emerges as a crucial factor with profound implications for organizational success. In summary, collaborative efforts between managers and employees to address personal needs through benefits provision contribute to positive attitudes toward benefits, satisfaction, and organizational commitment, as suggested by the theory of 'Reasoned Action.'

Lastly, Table 7 provides an overview of the level of satisfaction with compensation among LGU Cateel employees, broken down into three categories: Fixed Pay Compensation, Flexible Pay Compensation, and Benefits Compensation. When considering all aspects of compensation together, the average satisfaction level across Fixed Pay, Flexible Pay, and Benefits

Compensation is Moderate, with an average mean of 2.63. This indicates that compensation is fair but not exceptional, meeting basic expectations without providing significant incentives or rewards.

Employee compensation encompasses various components contributing to their sense of security and fulfillment within an organization, ultimately enhancing their job performance (Ashika *et al.*, 2020). Job satisfaction, a multifaceted perception, is influenced by several factors, including salary, benefits, perceptions of promotion fairness, quality of leadership, and social relations. It significantly impacts organizational growth and productivity, highlighting the importance of prioritizing employee job satisfaction (Gomathy *et al.*, 2022).

Compensation rewards an employee's commitment to the organization and enhances productivity. It is a significant determinant of employees' motivation and engagement in both organizational and non-organizational settings (Adari & Satyanarayana, 2018; Runtuwarouw, 2019). Fibriadi, Yusuf, and Abduh (2022) emphasize the positive correlation between employee productivity and effective compensation practices, asserting that reasonable compensation leads to increased productivity, while poor compensation results in decreased productivity.

Yamoah (2013) underscores the significant connection between compensation and organizational efficiency. Transparent reward systems that align with employees' expectations can directly impact productivity. Thus, meeting employee compensation needs reasonably is crucial for enhancing satisfaction and performance. If compensation fails to match employees' efforts and expectations, satisfaction levels will decline, impeding productivity. Conversely, aligning compensation with employees' needs and contributions fosters satisfaction and enhances performance, ultimately benefiting the organization.

### B. The Level of Employees' Productivity

This section analyzes LGU Cateel, Davao Oriental's employees' productivity level, focusing on rewards, work environment, and managerial styles.

To begin with, Table 8 illustrates that the level of

Table 9  
Level of productivity in the work environment

No.	Description	Mean	Std. Deviation	Interpretation
1	There are distractions and interruptions to employee's work.	3.42	1.02	High Productivity
2	The restlessness of the working environment causes problems.	3.43	0.97	High Productivity
3	The mental environment distresses me.	3.32	1.05	Moderate Productivity
4	Employees cannot express their differing opinions at work.	3.30	1.07	Moderate Productivity
5	If the employees express critical ideas, they are ignored or dismissed	3.37	1.06	Moderate Productivity
6	There is fair treatment at the workplace.	3.56	0.91	High Productivity
7	Communication Systems in the workplace promote trust and loyalty among employees.	3.48	1.06	High Productivity
8	The agency provides safe, healthy, and friendly working conditions.	3.54	1.05	High Productivity
9	Behavioral factors affect employee's productivity at the workplace.	3.61	1.05	High Productivity
10	Physical aspects influence employee performance in the workplace.	3.61	1.04	High Productivity
11	The physical layout of an office is essential to maximize productivity.	3.38	1.02	Moderate Productivity
Average		3.46	0.68	High Productivity

Table 10  
Level of productivity in managerial styles/skills

No.	Description	Mean	Std. Deviation	Interpretation
1	Recognition given to workers' input by employers makes employees put in more of their best.	3.25	0.95	Moderate Productivity
2	A supervisor's support is crucial for employees to complete the job. Relations with superiors at the workplace affect their production.	3.31	0.92	Moderate Productivity
3	The employer provides a more attractive benefits package to retain qualified employees.	3.19	0.95	Moderate Productivity
4	Employers who provide and ensure better living conditions for employees expect, in return, maximum productivity	3.06	1.09	Moderate Productivity
Average		3.20	0.77	Moderate Productivity

productivity in terms of rewards is moderate productivity, with an average mean of 2.75. This means that employees perform at an average level, meeting basic expectations but not exceeding them. Handoko (2016) highlights that when employees perceive awards as fair and adequate, their job satisfaction increases as they feel rewarded proportionately for their performance. Wages constitute a significant portion of employee rewards and are a primary motivator. Effective management of the wage system within a company can bolster employee motivation, productivity, and satisfaction. However, Hassan et al. (2020) notes that employees often express dissatisfaction with their current salaries, suggesting that wages may not align with their expectations. Improving the wage structure can enhance employee motivation and productivity, thereby warranting attention from managers.

This result signified that cash bonuses are the best incentive for enhanced productivity. However, employees believe that all employees are equally rewarded, and educational schemes and programs assist staff and their children in improving their morale. Research in labor economics, as indicated by Coviello et al. (2019), extensively explores the relationship between wages and employee productivity. According to Maslow's motivational theory, higher wages should elevate employee motivation, leading to increased productivity. This notion supports studies like that of Kim and Choi (2018), which found that wage enhancements correlate with improved worker productivity. Gunawan and Amalia (2015) propose that the effects of wages on employee productivity remain consistent over time, suggesting a stable relationship between the two variables. Overall, the evidence suggests that adjusting wages in line with employee expectations can positively impact an organization's motivation, satisfaction, and productivity levels.

Next, Table 9 presents the productivity levels concerning the work environment among LGU Cateel employees with high productivity with an average mean of 3.46. This indicates that employees accomplish more than expected, consistently

meeting or surpassing deadlines and performance goals. The work environment encompasses various factors that can influence employees' task performance, including air conditioning, lighting, temperature, ventilation, noise levels, cleanliness, and adequacy of equipment (Akob et al., 2020; Mohsen et al., 2014; Arianto, 2013). Akob et al. (2020) define the work environment as the tools, surroundings, work methods, and their impact on individual and group work. Creating safe, comfortable, and appealing working conditions requires attention to various aspects of the work environment, as Raziq and Maulabakhsh (2015) emphasized. A healthy work environment entails regulating noise levels, workplace lighting, humidity, air temperature, employee service needs, use of color, environmental cleanliness, and provision of restrooms, changing rooms, and prayer areas (Amiroso & Mulyanto, 2015).

This study reflected those physical aspects influence employees' performance at the workplace, and behavioral factors affect employees' productivity at the workplace; however, employees cannot express their differing opinions at work. According to Castro-Martinez and Díaz-Morillas (2020), effective internal communication management in the workplace can significantly impact employee happiness, well-being, motivation, performance, productivity, and brand identification. Proper communication allows workers to recognize the organization's efforts, while the organization can uphold ethical principles in its decision-making processes, thereby avoiding perceptions of unfairness or irresponsibility (Carter et al., 2020; Crossan et al., 2013). Therefore, the work environment significantly affects employee job satisfaction and performance. Ensuring a healthy and supportive work environment maximizes work results and fosters employee well-being.

Also, the data presented in Table 10 sheds light on the productivity levels associated with managerial styles/skills among LGU Cateel employees, which is moderate productivity

Table 11  
Level of productivity

No.	Description	Mean	Std. Deviation	Interpretation
A	Rewards	2.75	0.93	Moderate Productivity
B	Work environment	3.46	0.68	High Productivity
C	Managerial Styles/Skills	3.20	0.77	Moderate Productivity
	Employee's Productivity	3.13	0.60	Moderate Productivity

Table 12  
Correlation between the level of satisfaction with compensation and employees' productivity

Factors	Measures	Rewards	Interpretation	Work Environment	Interpretation	Managerial Skills	Interpretation	Productivity	Interpretation
Fixed Pay	Correlation Sig. (2-tailed)	0.617 0.000	Highly related but significant	0.055 0.443	Almost not related and not significant	0.370 0.000	Moderately related but significant	0.497 0.000	Moderately related but significant
Flexible Pay	Correlation Sig. (2-tailed)	0.467 0.000	Moderately related but significant	0.032 0.653	Almost not related and not significant	0.367 0.000	Moderately related but significant	0.410 0.000	Moderately related but significant
Benefits	Correlation Sig. (2-tailed)	0.640 0.000	Highly related and significant	0.216 0.002	Moderately related but significant	0.356 0.000	Moderately related but significant	0.563 0.000	Moderately related but significant
Satisfaction	Correlation Sig. (2-tailed)	0.665 0.000	Highly related and significant	0.116 0.106	Moderately related but not significant	0.420 0.000	Moderately related but significant	0.565 0.000	Moderately related but significant

with an average mean of 3.20, which means employees perform at an average level, meeting basic expectations but not exceeding them. Managerial skills are essential organizational assets that enable firms to navigate challenges, develop strategic plans, and oversee operations, optimizing resource utilization (Mehralian *et al.*, 2020). Firms with robust managerial skills can effectively manage their capital, minimizing costs and fostering financial growth (Shaikh *et al.*, 2017). This consistent development and utilization of resources are fundamental to sustainable growth and profitability (Shaikh *et al.*, 2017). Helfat and Peteraf (2015) also underscore the significant contribution of managerial skills, encompassing various dimensions, to firm performance and productivity.

This study postulated that recognition given to workers' input by employers makes employees put in more of their best, but employers who provide and ensure better living conditions expect maximum productivity in return. Effective Human Resource Management (HRM) is critical to organizational success in strategy execution. HRM involves recruitment, training, performance evaluation, and compensation while addressing concerns about work relations, health, safety, and fairness (Dessler, 2013). Successful HRM entails making informed decisions and adapting to environmental changes, including technological advancements, business restructuring, competitive dynamics, and socio-political and legal factors.

Lastly, Table 11 shows the provided data, which outlines various factors influencing employee productivity, including rewards, work environment, and managerial styles/skills, alongside an overall measure of productivity. It results in moderate productivity with an average mean of 3.13. This indicates that employees perform at an average level, meeting basic expectations but not exceeding them. High job satisfaction among employees increases their overall happiness and is an investment for companies, potentially enhancing their performance (Sutanto *et al.*, 2022). Employee productivity, a measure of labor efficiency, reflects the output or production achieved by individuals or teams within a specific timeframe.

Productive employees can accomplish tasks efficiently and deliver high-quality results (Abdelwahed & Al Doghan, 2023).

When employees are productive, they can complete tasks more swiftly and effectively, contributing to cost savings for the organization. Conversely, low productivity prolongs task completion and incurs additional expenses (Singh & Chaudhary, 2022). For organizations heavily reliant on labor factors, employee productivity is crucial. Consequently, many organizations prioritize fostering employee job satisfaction as it ensures the organization's sustainability and has the potential to enhance productivity with proper management (Purwanti & Sitorus, 2018). Organizations serve as platforms for groups of individuals to pursue common goals. According to Robbins (2014), organizations are social entities characterized by conscious coordination and a defined boundary, operating continuously to achieve shared objectives.

### C. Significant Relationship between the Level of Satisfaction of Compensation and the Level of Employees' Productivity

Table 12 illustrates the correlations between different compensation factors (Fixed Pay, Flexible Pay, Benefits, and Overall Satisfaction) and critical aspects of employee productivity (Rewards, Work Environment, Managerial Skills, and Overall Productivity) at LGU Cateel, Davao Oriental. Fixed Pay shows a strong positive correlation with Rewards (0.617) and moderate correlations with Managerial Skills (0.370) and Overall Productivity (0.497) but is almost unrelated to the Work Environment (0.055). Flexible Pay exhibits moderate positive correlations with Rewards (0.467), Managerial Skills (0.367), and Overall Productivity (0.410) while showing almost no relation to the Work Environment (0.032). Benefits are highly related to Rewards (0.640) and moderately related to the Work Environment (0.216), Managerial Skills (0.356), and Overall Productivity (0.563). Overall satisfaction is highly related to rewards (0.665) and moderately related to managerial skills (0.420) and overall productivity (0.565), but it shows a weak, non-significant relationship with the work environment (0.116). These findings

highlight that compensation factors are generally more strongly associated with rewards and overall productivity than the work environment.

Grounded in the Equity Theory of Motivation, developed by John Stacy Adams in 1965, this study examines the dynamics of employee motivation within the local government unit (LGU) of Cateel, Davao Oriental. According to Equity Theory, employees' motivation is influenced by their perception of the fairness of compensation and treatment relative to their work input (Adams, 1965). In this context, equity in compensation is vital for fostering employee commitment and productivity. Employees assess their contributions (inputs) and the outcomes they receive (such as pay, recognition, and benefits) and compare these with their peers to determine fairness, which in turn affects their motivation and productivity levels (Osborne & Hammoud, 2017). In LGU Cateel, the role of compensation, including salary, wages, allowances, and benefits, is crucial within the Equity Theory framework. Fair compensation ensures employees feel their contributions are adequately acknowledged, fostering a balance between productivity and rewards (Noorazem *et al.*, 2021). This study focuses on whether employees perceive their compensation as fair and how this perception impacts their productivity.

Understanding the equitable nature of compensation is essential for LGU administrators in Cateel to manage employee motivation and performance effectively. Through the lens of Equity Theory, this research provides insights into strategies for enhancing employee satisfaction and productivity within LGU Cateel. Ultimately, the study offers practical recommendations for administrators to ensure fair compensation practices, thereby promoting organizational effectiveness and employee well-being in the local government context (Fulmer *et al.*, 2023)

In addition, some studies support the correlation between the level of satisfaction with compensation and productivity. Firstly, effective compensation management can enhance motivation and productivity among employees. Scholars like Syaifulah *et al.* (2016) and Kelechi *et al.* (2016) have emphasized the motivational aspect of compensation, suggesting that when employees perceive their compensation as appropriate and fair, it can serve as a significant driver for increased productivity. Moreover, studies by Santoni & Suana (2018), Saharuddin & Sulaiman (2016), Wardoyo (2016), Agustini & Dewi (2019), Putra & Suana (2018), and Yuliansyah & Marzoeke (2019) have consistently shown a positive correlation between compensation satisfaction and employee productivity. These findings indicate that employees' motivation and productivity increase when they feel adequately compensated.

Secondly, as Sutriani (2017) highlighted, financial and non-financial compensation play pivotal roles in positively influencing employee productivity. Beyond monetary rewards, non-financial benefits like recognition, flexible work arrangements, or opportunities for skill development can also contribute significantly to job satisfaction and productivity.

Furthermore, effective compensation management does not just stop at motivating employees; it also contributes to organizational effectiveness. Greene (2014) and Dessler (2013)

suggest that compensation practices influence employee behavior, productivity levels, and decisions regarding hiring and retention. Companies can enhance their performance and competitiveness by aligning compensation strategies with organizational objectives. The broader body of labor economics research, including Coviello *et al.* (2019), indicates a positive correlation between higher wages and increased productivity.

In conclusion, effective compensation management is crucial for organizations to foster motivation, enhance productivity, and achieve strategic objectives. It is a multifaceted aspect of employee management that requires careful consideration of financial and non-financial incentives and alignment with organizational goals.

## 5. Summary, Conclusion, and Recommendation

This section summarizes the study's main findings, conclusions drawn from these findings, and resulting recommendations. The investigation uncovers the following pivotal insights:

### A. Summary

This study highlighted the relationship between the satisfaction level with compensation and employees' productivity at LGU Cateel, Davao Oriental. The objectives of the study were: (1) To determine the level of satisfaction with compensation among the employees of LGU Cateel in terms of fixed pay, flexible pay, and benefits; (2) To determine the level of employees' productivity in terms of rewards, work environment, rank status, and managerial skills; and (3) To determine the significant relationship between the level of satisfaction with compensation and the level of employees' productivity. The research focused solely on this relationship within the context of LGU Cateel, providing insights specific to this locale.

A quantitative descriptive-correlational research design explored the relationship between compensation satisfaction and employee productivity in LGU Cateel. The respondents, comprising 196 job order employees from different offices of LGU Cateel, were surveyed through complete enumeration, ensuring every member of the population was included. This comprehensive approach provided thorough insights into factors influencing productivity and guided potential interventions for organizational enhancement.

The results revealed that the data from LGU Cateel indicates a moderate level of satisfaction in compensation among employees, with an average mean of 2.63 across Fixed Pay, Flexible Pay, and Benefits Compensation. This Moderate satisfaction level suggests that compensation is fair but not exceptional, meeting basic expectations without providing significant incentives or rewards. Employee productivity showed moderate levels with an average mean of 3.13, indicating employees perform at an average level, meeting basic expectations but not exceeding them. Correlations between compensation factors and critical aspects of employee productivity showed that Fixed Pay has a strong positive correlation with Rewards (0.617) and moderate correlations with Managerial Skills (0.370) and Overall Productivity (0.497)

but is almost unrelated to the Work Environment (0.055). Flexible Pay exhibits moderate positive correlations with Rewards (0.467), Managerial Skills (0.367), and Overall Productivity (0.410) while showing almost no relation to the Work Environment (0.032). Benefits are highly related to Rewards (0.640) and moderately related to the Work Environment (0.216), Managerial Skills (0.356), and Overall Productivity (0.563). Overall satisfaction is highly related to rewards (0.665) and moderately related to managerial skills (0.420) and overall productivity (0.565), but it shows a weak, non-significant relationship with the work environment (0.116). These findings highlight that compensation factors are generally more strongly associated with rewards and overall productivity than the work environment.

### B. Conclusions

The research leads to the following conclusion:

- 1) The level of compensation satisfaction among the employees of LGU Cateel, Davao Oriental, in terms of fixed pay, flexible pay, and benefits is Moderate. This indicates that compensation is fair but not exceptional, meeting basic expectations without providing significant incentives or rewards.
- 2) LGU Cateel, Davao Oriental's employees' productivity is moderate regarding rewards, work environment, rank status, and managerial skills. This means that employees perform at an average level, meeting basic expectations but not exceeding them.
- 3) The findings highlight that compensation factors are generally more strongly associated with rewards and overall productivity than the work environment. This suggests that improving compensation structures could significantly enhance employee rewards and productivity at LGU Cateel, Davao Oriental.

### C. Recommendations

Based on the results of the study, several recommendations can be made to address the identified issues and enhance both compensation satisfaction and employee productivity at LGU

Cateel, Davao Oriental:

- 1) Since the current level of satisfaction with compensation is Moderate, indicating that it meets basic expectations but lacks significant incentives, LGU Cateel can consider revising its compensation packages. This can include increasing fixed pay to match market standards better, introducing more flexible pay options such as performance-based bonuses, and enhancing benefits to make them more attractive. Competitive compensation can be a strong motivator, encouraging employees to exceed basic expectations.
- 2) The study indicates that rewards are strongly associated with employee productivity. LGU Cateel can develop a comprehensive rewards system that recognizes and incentivizes high performance. This could include monetary bonuses, recognition programs, career advancement opportunities, and non-monetary rewards such as additional leave days or professional development opportunities. A well-structured rewards system can boost morale and drive higher productivity among employees.
- 3) While compensation is a significant factor, the work environment and managerial skills also impact employee productivity. LGU Cateel can invest in training programs to enhance managerial skills, ensuring managers can effectively motivate and support their teams. Additionally, improving the work environment by promoting a positive workplace culture, ensuring adequate resources, and fostering open communication can create a more conducive environment for productivity. Although compensation is vital, a supportive work environment and skilled management are crucial for sustained employee engagement and performance.

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