A Study on Compensation and Benefits Offered to Service Sector Employees in Chennai

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Abstract

The study investigates the impact of compensation and benefits on job productivity and satisfaction among employees in the service sector in Chennai. The study targeted to analyze the socio-economic profile, effect of compensation and benefits on job productivity, and the different components of compensation offered. Data is collected from 400 employees using a structured questionnaire and analyzed using statistical methods such as simple percentage analysis, factor analysis, and the Friedman test. The findings reveal a varied socio-economic profile of employees, with the majority being male, married, and earning lesser salary every month. Factor analysis identified seven key components of compensation and benefits, such as remuneration benefits, incentives and allowances, employee development and support, recognition and work-life balance, financial security, flexible work and stock ownership, and wellness initiatives. The results showed that compensation and benefits significantly influence job productivity, with the base salary package, merit-based rewards, and medical insurance plans having the highest impact on job satisfaction.

Key Words: Compensation and Benefits, Service Sector, Employees, Productivity, Satisfaction.

1. Introduction

In today's highly competitive business environment, the prominence of compensation and benefits cannot be exaggerated, mainly within the service sector. As the fastest-growing sectors in the global economy, the service sector includes a wide range of industries such as finance, healthcare, education, hospitality, and information technology, all of which contribute significantly to economic development. In Chennai, a major commercial hub in India, the service sector has witnessed remarkable expansion, with companies focusing increasingly on human capital to drive growth. As such, compensation and benefits packages have become essential in attracting, motivating, and retaining talented employees who are integral to an organization's success. Compensation is the direct financial rewards employees receive for their work, comprising salaries, wages, bonuses, and incentives. Benefits, on the other hand, cover the indirect forms of compensation, such as health insurance, retirement plans, paid time off, and employee wellness programs. Together, these elements form a comprehensive compensation package that influences employee satisfaction, productivity, and overall job performance. For service sector employees, an appropriate mix of compensation and benefits is highly required for maintaining high morale, developing loyalty, and reducing turnover rates.

The service sector is unique in its reliance on human resources to provide intangible services that meet customer expectations. The confidence places significant pressure on organizations to maintain a satisfied and productive workforce. Employees in service sector, like in other urban areas, are becoming more aware of their worth in the labor market. As competition for talent intensifies, especially in sectors such as IT, finance, and healthcare, employees are demanding more from their employers in terms of both financial and non-financial rewards. A well-structured compensation and benefits package, which includes both salary and non-salary

components such as health benefits, bonuses, career development opportunities, and work-life balance programs, is increasingly seen as a reflection of an organization's commitment to employee welfare. Moreover, compensation and benefits trends are not static. The dynamics of employee expectations, industry standards, and regulatory frameworks evolve, requiring organizations to periodically reassess and adapt their compensation strategies. In Chennai, factors such as inflation, cost of living, and changing labor laws play a significant role in shaping compensation trends. The emergence of new benefits such as flexible working arrangements, mental health support, and performance-based incentives have gained prominence as more service sector companies recognize the need to cater to employees' evolving needs. The present study aimed to investigate the compensation and benefits practices in the city's service industry, it also examines how these factors impact employee satisfaction and productivity.

Compensation and Benefits: It is the essential component of an employee's remuneration package, delivers main task in attracting, motivating, and retaining talent within organizations. Compensation refers to the direct financial rewards employees receive in exchange for their work, such as base salaries, bonuses, commissions, and incentives. These monetary rewards serve as a key driver for employees' commitment and performance, ensuring that they are fairly compensated for their contributions. Benefits, on the other hand, include non-monetary rewards, like health insurance, retirement plans, paid time off, childcare support, and other perks that contribute to an employee's well-being and work-life balance. Together, compensation and benefits create a holistic package that influences job satisfaction, employee morale, and organizational loyalty. A competitive and well-rounded compensation package is vital in a competitive job market. Provision of a mix of financial rewards and comprehensive benefits, employers can enhance employee retention, reduce turnover, and develop a culture of engagement and commitment.

Job Productivity: It refers to the efficiency and effectiveness with which an employee performs tasks and meets the goals and expectations set by the organization. It influences organizational success, as high productivity leads to greater output, higher profitability, and improved competitiveness. In the service sector, productivity is often tied to the quality of service provided to customers, employee responsiveness, and the ability to innovate or solve problems efficiently. Factors influencing job productivity include skills and experience, work environment, tools and resources available, motivation, and compensation. Employees who feel fairly compensated and supported with comprehensive benefits are more likely to be motivated and perform at higher levels. Additionally, recognition, career development opportunities, and a positive work culture also contribute to improving productivity. Organizations invest in employee development, training programs, and performance-based incentives to boost productivity.

Job Satisfaction: It refers to the level of contentment and happiness employees feel about their job roles, responsibilities, and overall work experience. It is influenced by various factors, including compensation, work environment, career development opportunities, relationships with colleagues and supervisors, and the match between personal and organizational values. High job satisfaction is closely associated with increased motivation, lower turnover rates, and enhanced organizational loyalty. For employees in the service sector, job satisfaction is often linked to the quality of service they can provide, the recognition they receive for their efforts, and the benefits they enjoy from their employers. Compensation and benefits forms job satisfaction, as employees who feel they are fairly compensated are more likely to have positive attitudes towards their job. Organizations

that prioritize employee satisfaction by offering competitive compensation, developing a positive work culture, and providing opportunities for personal and professional growth can expect higher levels of job satisfaction, which eventually led improved performance and organizational success.

2. Statement of the Problem

Compensation and benefits influence employee satisfaction, productivity, and retention in any organization. In the service sector, particularly in Chennai, where diverse industries such as finance, healthcare, and education play the main role in the economy, the design and implementation of compensation and benefits packages are integral to attracting and retaining skilled employees. However, the growing competition among service sector organizations in the city has led to disparities in compensation structures, causing dissatisfaction among employees. Employees often perceive their compensation as insufficient relative to their contributions and market expectations, which can negatively impact their job productivity and engagement. Despite the importance of compensation and benefits in driving organizational success, many organizations continue to adopt outdated or one-size-fits-all compensation models that fail to meet the diverse needs of their workforce. Furthermore, service sector organizations may not fully understand the specific components of compensation that most effectively impact job satisfaction and productivity. Factors such as salary, bonuses, health benefits, retirement plans, and work-life balance policies require thorough evaluation to ensure they align with employees' expectations and industry standards.

3. Need for the Study

The service sector in Chennai has witnessed rapid growth in recent years, contributing significantly to the economy. Organizations are increasingly focusing on human resources as a main driver of organizational success. As a result, compensation and benefits have become central to employee retention, job satisfaction, and productivity. However, there is limited research focusing specifically on the trends of compensation and benefits within the service sector in Chennai. Therefore, the present study is necessary to explore how various compensation components impact employee motivation and performance in this region. The service sector is facing the challenge of offering attractive and competitive compensation packages to retain skilled employees, particularly in sectors like finance, healthcare, and education, where employee turnover is often high. Employees' expectations regarding compensation have evolved, with many seeking more than just base salary, benefits such as medical insurance, retirement plans, bonuses, and work-life balance are becoming essential to attracting and retaining top talent. The dynamic shift calls for a comprehensive study that delves into the preferences and expectations of service sector employees regarding compensation and benefits. The study aimed to provide visions that can help service sector organizations design more effective and tailored compensation strategies.

4. Review of Literature

Compensation and benefits are quite often influencing employee satisfaction, motivation, and retention in any organization, particularly in the service sector. Compensation includes direct financial rewards, such as base salaries and bonuses, while benefits refer to non-monetary rewards like health insurance, retirement plans, paid time off, and other perks (Aliku et al., 2020). Both elements are integral to employee engagement and organizational success. A competitive compensation package is essential in attracting top talent, especially in the service sector, where employee performance is vital to maintaining customer satisfaction (Agarwal et al., 2019). Salary

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and bonuses are among the most significant motivators for employees, driving job performance and overall job satisfaction. However, the rise of non-monetary benefits has gained attention in recent years (Kimani et al., 2017). Flexible work schedules, wellness programs, and skill development support are increasingly seen as the main benefits that contribute to employee well-being and work-life balance, which are essential for job satisfaction and productivity (Jamaludin et al., 2024). In service sectors, where work-life balance and employee health have become top priorities, companies are investing more in benefits like healthcare, wellness programs, and professional development (Bhavani Shree et al., 2016).

Moreover, industry-specific trends suggest that compensation strategies are shifting to accommodate changing employee expectations. Employees who perceive their compensation as fair and comprehensive are more likely to report higher job satisfaction and stay with the company longer (Kaur and Kumar, 2019). Benefits like health insurance, retirement plans, and bonuses contribute not only to job satisfaction but also to organizational loyalty, leading to reduced turnover rates. In the service sector, where competition is intense, employers also leverage compensation packages to motivate employees to exceed performance expectations (Kadir et al., 2019). The use of performance-based incentives, such as commissions, profit-sharing plans, and recognition awards, is a strategy employed to boost motivation and improve service delivery (Omar, 2019). Companies in the service industry offer merit-based rewards, which are linked to performance metrics such as sales targets, customer feedback, and productivity levels (Sorn et al., 2023). The growing emphasis on flexibility and personalization in benefits packages has led to the rise of customizable benefits, where employees can choose the benefits that best suit their lifestyle and preferences. Organizations are increasingly relying on surveys and feedback from employees to assess the effectiveness of their compensation packages and to ensure they remain competitive in the market (Shashikala, 2016).

5. Research Objectives
The study is initiated with the following objectives.

1. To examine the socio-economic profile of employees working in service sector in Chennai.
2. To investigate the effect of compensation and benefits on job productivity of service sector employees.
3. To measure the different components of compensation and benefits offered to employees.

6. Research Methodology
The study is conducted with a sample of 400 employees from the service sector in Chennai, selected through simple random sampling. Data collection is carried out using a non-disguised and structured questionnaire, which is distributed among the respondents. The questionnaire is designed in three sections; the first part gathered information about the socio-economic profile of the employees, the second part focused on examining the impact of compensation and benefits on job productivity, and the third part detailed the various components of compensation and benefits offered to employees. To ensure the reliability and relevance of the questionnaire, it is pre-tested with a group of 20 employees. The pre-test aimed to assess aspects related to the influence of compensation and benefits on job productivity. The study adopted a descriptive research design and relied on primary data. For data analysis, statistical methods such as simple percentage

analysis, factor analysis, and Friedman test are employed, providing a comprehensive approach to recognizing the subject matter.

7. Results and Discussions
7.1. Examination of Socio-Economic Profile
The socio-economic profiles of employees are analyzed based on their gender, age, marital status, educational qualification, monthly income, and type of business. The results are presented in Table-1.

Table 1: Analysis of Socio-Economic Profile

Profile	Distribution	Number	Frequency
Gender	Male	317	79.25%
	Female	83	20.75%
Age	Less than 30 years	89	22.25%
	30 – 40 years	168	42.00%
	41 – 55 years	76	19.00%
	More than 55 years	67	16.75%
Marital Status	Married	289	72.25%
	Unmarried	111	27.75%
Education	Diploma	46	11.50%
	Degree	135	33.75%
	PG	151	37.75%
	Professional	68	17.00%
Monthly Salary	Less than Rs.25,000	183	45.75%
	Rs.25,000 – 50,000	129	32.25%
	Rs.50,001 – 1,00,000	49	12.25%
	More than Rs.1,00,000	39	9.75%
Experience	Less than 2 years	100	25.00%
	2 – 5 years	97	24.25%
	6 – 10 years	113	28.25%
	More than 10 years	90	22.50%
Employed Sector	Financial Sector	214	53.50%
	Healthcare Sector	53	13.25%
	Hospitality Sector	133	33.25%

Source: Primary Data

Table-1 provides an overview of the socio-economic profile of employees working in various service sectors. Gender analysis reveals that 79.25% are male and 20.75% are female. The age distribution indicates that 22.25% are under 30 years, 42.00% fall between 30 and 40 years, 19.00% are in the 41–55 age range, and 16.75% are over 55 years. Marital status shows that 72.25% of employees are married, while 27.75% are unmarried. Educational qualifications highlight that 11.50% hold a diploma, 33.75% have a degree, 37.75% are postgraduates, and 17.00% have professional qualifications. Monthly income distribution shows that 45.75% earn less than Rs.25,000, 32.25% earn between Rs.25,000 and Rs.50,000, 12.25% earn between Rs.50,001 and Rs.1,00,000, and 9.75% earn over Rs.1,00,000. Work experience reveals that 25.00% have

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less than 2 years of experience, 24.25% have 2–5 years, 28.25% have 6–10 years, and 22.50% have over 10 years of experience. In terms of the sector of employment, 53.50% are in the financial sector, 13.25% in the healthcare sector, and 33.25% in the hospitality sector.

7.2. Effect of Compensation and Benefits on Job Productivity

The effect of compensation and benefits on job productivity is measured by throughfactor analysis. At first, Kaiser-Meyer-Olkin (KMO) test of sampling adequacy produced coefficient at 0.787 (78.7%) and Bartlett's test of sphericity showed a significance level of 0.00. Generally, a value higher than 0.5 (50%), is presumed to be a sound proof of sampling adequacy.

Table 2: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.802
Bartlett's Test of Sphericity	Approx. Chi-Square	5362.521
	df	300
	Sig.	.000

The twenty-five items towards the effect of compensation and benefits on job productivity are subjected to factor analysis. These factors accounted for 66.729 percentage of variance. For better understanding and interpretation of the results, the factors are rotated using the Varimax method.

Table 3: Communalities

	Initial	Extraction
Size of basic salary	1	0.603
Performance-based incentives	1	0.572
Health insurance coverage	1	0.612
Retirement plan benefits	1	0.556
Paid leave policies	1	0.588
Annual bonus schemes	1	0.714
Overtime payment structure	1	0.743
Flexible work arrangements	1	0.728
Employee recognition programs	1	0.601
Career advancement opportunities	1	0.618
Workplace wellness initiatives	1	0.580
Childcare support benefits	1	0.705
Travel allowance provision	1	0.603
Housing allowance inclusion	1	0.612
Tuition reimbursement programs	1	0.698
Stock ownership plans	1	0.670
Professional development funding	1	0.568
Shift allowance payment	1	0.591
Onsite health services	1	0.723

Commuter assistance benefits	1	0.678
Work-life balance support	1	0.598
Financial counseling availability	1	0.541
Gratuity and severance benefits	1	0.752
Job security assurance	1	0.678
Vacation policy flexibility	1	0.602

Extraction Method: Principal Component Analysis.

Table-3 presents the communality values, which represent the proportion of variance in each original variable captured by the extracted factors. The details of the derived components are summarized in the total variance explained in Table-4.

Table 4: Total Variance Explained

Compone	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.039	24.132	24.132	6.039	24.132	24.132	3.884	15.514	15.514
2	3.171	12.659	36.783	3.171	12.659	36.783	3.300	13.178	28.684
3	2.053	8.189	44.965	2.053	8.189	44.965	2.474	9.871	38.547
4	1.731	6.900	51.856	1.731	6.900	51.856	2.347	9.364	47.903
5	1.441	5.740	57.588	1.441	5.740	57.588	1.613	6.427	54.322
6	1.171	4.659	62.240	1.171	4.659	62.240	1.502	5.984	60.298
7	1.130	4.497	66.729	1.130	4.497	66.729	1.407	5.605	65.895
8	1.042	4.145	70.866						
9	0.861	3.421	74.279						
10	0.760	3.016	77.287						
11	0.720	2.855	80.134						
12	0.625	2.474	82.600						
13	0.590	2.335	84.928						
14	0.539	2.133	87.053						
15	0.472	1.863	88.908						
16	0.439	1.734	90.633						
17	0.424	1.673	92.298						
18	0.405	1.595	93.885						
19	0.347	1.364	95.241						
20	0.322	1.265	96.498						
21	0.265	1.037	97.528						
22	0.252	0.984	98.504						
23	0.201	0.781	99.276						
24	0.171	0.654	99.923						
25	0.028	0.077	100.000						

Extraction Method: Principal Component Analysis.

Table-4 outlines the labeled initial Eigen values, where each Eigen value represents the total variance attributed to a specific factor. From the extraction sum of squared loadings, it is observed that the first factor accounted for 24.132% of the variance with an Eigen value of 6.039. The second factor contributed 12.659% of the variance with an Eigen value of 3.171, while the

third factor explained 8.189% of the variance with an Eigen value of 2.053. The fourth factor accounted for 6.900% of the variance with an Eigen value of 1.731, followed by the fifth factor at 5.740% with an Eigen value of 1.441. The sixth and seventh factors contributed variances of 4.659% and 4.497% with Eigen values of 1.171 and 1.130, respectively for effect of compensation and benefits on job productivity. In this method, only factors with Eigen values exceeding 0.5 are retained, while others are excluded from the model. Consequently, among the 25 factors considered for the effect of compensation and benefits on job productivity in the factor analysis, only 7 factors with Eigen values greater than 0.5 are extracted.

Table 5: Component Matrix

	Components						
	1	**2**	**3**	**4**	**5**	**6**	**7**
Size of basic salary	0.579	-0.153	-0.378	-0.225	0.151	-0.117	-0.017
Performance-based incentives	0.539	-0.322	-0.293	0.012	0.041	0.203	0.190
Health insurance coverage	0.652	-0.350	-0.177	-0.037	0.082	0.062	0.042
Retirement plan benefits	0.643	-0.319	0.011	-0.081	0.125	-0.050	0.008
Paid leave policies	0.657	-0.231	-0.062	-0.066	-0.173	0.234	0.038
Annual bonus schemes	0.785	0.294	0.362	-0.150	0.203	0.374	0.222
Overtime payment structure	0.555	0.300	0.045	0.082	0.450	-0.137	0.390
Flexible work arrangements	0.764	-0.146	0.161	-0.268	-0.080	-0.181	0.020
Employee recognition programs	0.736	-0.216	0.294	-0.166	-0.057	-0.149	0.055
Career advancement opportunities	0.588	-0.085	0.207	0.040	0.014	-0.188	-0.230
Workplace wellness initiatives	0.698	-0.242	0.192	-0.060	-0.039	-0.070	-0.184
Childcare support benefits	0.615	-0.190	0.313	0.161	0.228	-0.106	0.046
Travel allowance provision	0.613	-0.251	0.347	-0.029	0.017	-0.079	0.220
Housing allowance inclusion	0.516	-0.319	0.324	0.003	0.150	0.009	-0.202
Tuition reimbursement programs	0.655	-0.229	0.107	0.019	0.111	-0.217	-0.151
Stock ownership plans	0.736	-0.085	-0.343	-0.032	-0.162	-0.028	0.027
Professional development funding	0.673	-0.166	-0.225	0.137	-0.022	0.182	-0.098
Shift allowance payment	0.584	-0.246	-0.175	0.074	-0.129	0.212	0.021
Onsite health services	0.628	-0.082	-0.266	0.422	0.234	0.018	-0.303
Commuter assistance benefits	0.550	-0.183	-0.090	0.383	-0.237	0.298	0.189
Work-life balance support	0.588	-0.066	0.141	0.274	0.333	0.340	0.081
Financial counseling availability	0.657	-0.226	0.012	-0.013	-0.193	0.050	0.244
Gratuity and severance benefits	0.554	0.397	-0.008	0.065	-0.166	0.067	-0.079
Job security assurance	0.652	0.299	0.229	0.343	0.016	0.228	-0.271
Vacation policy flexibility	0.540	0.149	0.184	0.316	-0.339	0.055	-0.021

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 7 iterations.

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Table-5 presents the rotated component matrix derived using the VARIMAX rotation procedure. The interpretation is made easier by pinpointing variables with significant loadings on the same factor. In view of that, factors with high loadings in each component, specifically values exceeding 0.5, are considered for selection.

Table 6: Rotated Component Matrix

Factor	Va. No.	Variables	Components						
			1	2	3	4	5	6	7
F1	1	Size of basic salary	0.734	0.298	0.191	0.170	0.140	0.139	-0.131
	3	Health insurance coverage	0.694	0.123	0.209	0.175	0.206	-0.084	0.132
	4	Retirement plan benefits	0.670	0.325	0.105	0.220	0.173	-0.045	0.068
	5	Paid leave policies	0.642	0.172	0.177	-0.006	0.167	0.256	0.236
	12	Childcare support benefits	0.642	0.274	0.115	-0.003	0.162	0.311	-0.076
F2	6	Annual bonus schemes	0.433	0.613	0.138	0.084	-0.063	0.042	0.148
	13	Travel allowance provision	0.347	0.623	0.055	0.230	0.173	0.070	-0.023
	14	Housing allowance inclusion	0.276	0.656	0.404	0.189	0.087	-0.108	0.009
	15	Tuition reimbursement programs	0.277	0.613	0.181	0.194	0.163	-0.032	0.268
	18	Shift allowance payment	0.249	0.638	0.072	0.119	0.164	0.011	0.099
F3	17	Professional development funding	-0.058	0.460	0.655	0.296	0.067	0.032	-0.034
	19	Onsite health services	0.155	-0.019	0.645	0.066	0.344	0.217	0.036
	20	Commuter assistance benefits	0.245	0.365	0.637	0.339	-0.005	-0.082	-0.043
	25	Vacation policy flexibility	0.243	0.142	0.657	0.060	0.185	-0.005	0.130
F4	9	Employee recognition programs	0.105	0.190	0.418	0.710	0.372	0.040	0.023
	10	Career advancement opportunities	0.346	0.192	0.414	0.613	-0.184	0.185	-0.020
	21	Work-life balance support	0.203	0.143	0.165	0.728	0.146	0.219	-0.088
F5	22	Financial counseling availability	0.213	0.171	0.213	0.557	0.583	-0.061	-0.044
	23	Gratuity and severance benefits	0.285	0.063	0.356	0.137	0.568	0.045	-0.123
	24	Job security assurance	0.163	0.032	0.157	0.345	0.538	0.105	0.372
F6	2	Performance-based incentives	0.217	0.224	0.229	0.113	0.125	0.636	0.004
	8	Flexible work arrangements	0.060	0.046	0.088	0.280	0.093	0.798	-0.106
	16	Stock ownership plans	0.223	0.059	0.593	0.050	-0.067	0.529	0.200
F7	7	Overtime payment structure	0.254	0.299	0.033	0.116	0.184	0.221	0.629
	11	Workplace wellness initiatives	0.140	0.191	0.215	0.004	-0.035	-0.086	0.778

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 7 iterations.

Table-6 presents the outcomes of factor analysis, which effectively groups the 25 variables into seven distinct factors, simplifies the dataset and explains a significant portion of the variance. The first factor, 'remuneration benefits', includes variables such as the size of basic salary, health insurance coverage, retirement plan benefits, paid leave policies, and childcare support benefits. This factor accounts for 24.132% of the total variance, it shows its significance in employee satisfaction and retention. The second factor, 'incentives and allowances', includes annual bonus schemes, travel allowance provision, housing allowance inclusion, tuition reimbursement programs, and shift allowance payment. The factor explains 12.659% of the total variance and reflects the organization's commitment to providing both monetary and non-monetary incentives to employees. The third factor, 'employee development and support', comprises variables like professional development funding, onsite health services, commuter assistance benefits, and vacation policy flexibility. Accounts for 8.189% of the variance, the factor emphasizes the organization's investment in employee growth and welfare. The fourth factor, 'recognition and work-life balance', groups variables related to employee recognition programs, career advancement opportunities, and work-life balance support. It explains 6.900% of the total variance, reveals the importance of recognizing employee efforts and promoting a healthy work-life balance.

The fifth factor, 'financial security', includes variables such as financial counseling availability, gratuity and severance benefits, and job security assurance. The factor accounts for 5.740% of the variance, highlighting the role of financial stability in employee well-being. The sixth factor, 'flexible work and stock ownership', includes performance-based incentives, flexible work arrangements, and stock ownership plans. It contributes 4.659% of the variance, it reflects organizational initiatives promoting flexibility and employee ownership. The seventh factor, 'wellness initiatives', includes overtime payment structure and workplace wellness initiatives. The factor explains 4.497% of the total variance, focuses on employee health and well-being. To sum up, the factor analysis condensed the 25 variables into seven factors, accounts for 66.729% of the total variance. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was calculated at 0.810, demonstrating the dataset's suitability for factor analysis. Bartlett's test of sphericity yielded a chi-square value of 5362.521 with a significance level of 0.000 ($p < 0.05$), validating the efficiency and justifiability of the factor analysis. These results confirm the strong correlations among the variables, making this analysis an effective method for data reduction and explanation.

7.3. Components of Compensation and Benefits

The different type of compensation and benefits offered to the employees are analyzed using mean rank and chi-square test. The factors such as, base salary package, merit-based rewards, medical insurance plans, pension scheme options, leave entitlement policies, year-end bonuses, commuting allowance benefits, childcare assistance programs, skill development support, and employee wellness programs are considered. The null hypothesis declares that the components of compensation and benefits have no effect of job satisfaction. However, the alternate hypothesis declares that the components of compensation and benefits have effect of job satisfaction. Friedman test with 5% level of significance is assumed for the data analysis. The results are presented in table-7.

Table 7: Mean Rank Analysis

Components of Compensation and Benefits	Mean Rank	Test Statistics
Base salary package	9.55	Chi-square 146.954, Df=9, Sig.=0.000
Merit-based rewards	9.12	
Medical insurance plans	8.93	
Pension scheme options	8.08	
Leave entitlement policies	7.72	
Year-end bonuses	7.15	
Commuting allowance benefits	6.22	
Childcare assistance programs	5.98	
Skill development support	4.42	
Employee wellness programs	3.64	

Source: Primary data

Table-7 reveals the compensation and benefits offered to employees, it is analyzed using mean rank and Chi-square test. It reveals that these components significantly impact job satisfaction. The study considered various factors, it includes base salary package, merit-based rewards, medical insurance plans, pension scheme options, leave entitlement policies, year-end bonuses, commuting allowance benefits, childcare assistance programs, skill development support, and employee wellness programs. The null hypothesis, which posits that these components have no effect on job satisfaction, is rejected based on the results of the Friedman test. With a Chi-square value of 146.954 and a significance level of 0.000 ($p < 0.05$), the results show a significant difference in the impact of different compensation and benefits components on job satisfaction. The mean rank indicates that the base salary package (mean rank = 9.55) has the most substantial influence on job satisfaction, followed by merit-based rewards (9.12) and medical insurance plans (8.93). These factors are viewed as highly significant by employees in contributing to their job satisfaction. In contrast, employee wellness programs (3.64) and skill development support (4.42) received the lowest ranks, it indicates that these components have a lesser impact on job satisfaction compared to other benefits. The results confirm that compensation and benefits components do affect job satisfaction, with varying degrees of influence.

8. Conclusion

The present study provided effective view into the socio-economic profile of employees working in the service sector in Chennai. The findings showed that employees are predominantly male, married, and in the age group of 30–40 years. The majority of employees earn less than Rs. 25,000 per month, and a large portion has 2–5 years of work experience. Factor analysis identified seven distinct components of compensation and benefits, including remuneration benefits, incentives, employee development, and wellness initiatives. These components collectively explain nearly 67% of the variance in job satisfaction. The impact of compensation and benefits on job productivity is statistically validated through the Friedman test, which showed significant differences among various compensation components. The results indicated that base salary packages, merit-based rewards, and medical insurance plans are the most influential factors on job satisfaction, highlighting their importance in employee retention and motivation. On the other hand, wellness programs and skill development support were ranked lower, suggesting that while they contribute to employee well-being, their direct impact on job satisfaction is comparatively

less significant. Findings showed the need for organizations in the service sector to prioritize competitive base salaries, incentives, and health-related benefits to enhance job productivity. Furthermore, while factors like work-life balance and employee development programs are important, they may need further attention to be recognized as core drivers of job satisfaction. The study stressed the importance of comprehensive compensation strategies that suit employee needs and expectations for improving organizational performance.

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