

Final Project 2

PMG 497

Project Template

Midocean University
Faculty of Management
Department/ Specialization



Salary Restructuring to Enhance Efficiency and Compliance

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Final Project - 2
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Dedication

I would like to express my deepest gratitude to my supervisor, Dr. Mona Mostafa Al-Ashry, for her continuous support and guidance throughout this research. I am also grateful to my family, friends, and colleagues who provided encouragement and assistance during the research process. This project is for my family and mentors who supported my academic and professional journey.

Abstract

Purpose:

This research investigates the impact of salary restructuring on enhancing operational efficiency and ensuring compliance with GOSI regulations in Saudi Arabia. The study focuses on optimizing salary components to achieve both legal compliance and employee satisfaction.

Design/Methodology/Approach:

A mixed-methods approach was adopted, combining structured surveys, interviews with HR and finance managers, and analysis of organizational financial data. Statistical analysis, including descriptive statistics, T-tests, and regression analysis, was conducted using SPSS.

Findings:

The results reveal that organizations implementing structured salary models experienced a 5–10% reduction in GOSI contribution costs, a 20% increase in regulatory compliance scores, and a 15% improvement in employee satisfaction levels due to enhanced salary transparency.

Research Limitations/Implications:

The study was limited to engineering and construction firms in Saudi Arabia and constrained by a short research timeline. Future research could explore different industries and conduct longitudinal studies to assess long-term effects.

Practical Implications:

Organizations are encouraged to restructure salary components by clearly defining basic salary, housing allowance, and transportation allowance to enhance compliance and employee retention while optimizing financial performance.

Originality/Value:

This study bridges the gap between theoretical compensation models and practical applications in compliance-driven environments, offering a structured framework for salary restructuring in Saudi organizations.

Keywords: Salary restructuring, GOSI compliance, financial efficiency, employee satisfaction, labor law adherence.

Table of Contents

Dedication.....	2
Abstract	2
1. Chapter 1: Introduction	5
1.1. Research Background	5
1.2. Research Problem.....	6
1.2.1. Theoretical Gaps	6
1.2.2. Practical Gaps.....	6
1.3. Research Significance.....	7
1.3.1. At the theoretical level	7
1.3.2. At the practical level	7
1.4. Research Questions	7
1.5. Research Objectives	8
1.6. Research Hypotheses.....	8
1.7. Research Model	8
1.8. Scope of The Study	8
1.9. The Project Structure.....	8
2. Chapter 2: Literature Review.....	9
2.1. Introduction	9
2.2. The independent variable	9
2.3. The dependent variable.....	9
2.4. The relationship between the independent and the dependent variables.....	9
2.5. Conclusion	10
3. Chapter 3: Research Methodology.....	10
3.1. Introduction	10
3.2. Operational definitions for research variables	10
3.3. Research design (research onion).....	10
3.4. Research population & Sampling methods and technique	10

3.5.	Data collection method	11
3.6.	Types of data	11
3.7.	Statistical analysis procedures.....	11
3.8.	Conclusion	12
4.	Chapter 4: Statistical Analysis & Findings discussion	12
4.1.	Introduction	12
4.2.	Sample profile (descriptive statistics for research sample).....	12
4.3.	Validity & reliability tests for the questionnaires.....	12
4.4.	Descriptive statistics for research variables (answer research questions).....	13
4.5.	Testing Hypotheses & Findings Discussion.....	14
4.6.	Conclusion	15
5.	Chapter five: Research limitations, Recommendations & Conclusion	15
5.1.	Research Limitations & Future Research.....	15
5.2.	Research Recommendations	15
	Appendix.....	16

List of Figures:

- Figure 1: Conceptual Framework of Salary Restructuring
- Figure 2: Salary Distribution Before and After Restructuring
- Figure 3: Compliance Improvement After Implementation
- Figure 4: Employee Satisfaction Levels Before and After Restructuring
- Figure 5: Financial Efficiency Gains from Salary Restructuring

List of Tables:

- Table 1: Summary of Salary Components Before and After Restructuring
- Table 2: GOSI Contribution Rates Comparison
- Table 3: Employee Satisfaction Survey Results
- Table 4: Descriptive Statistics for Research Variables
- Table 5: Hypothesis Testing Results

1. Chapter 1: Introduction

Salary restructuring is a key strategic approach for organizations seeking to optimize payroll costs while maintaining regulatory compliance and improving employee satisfaction. In the context of Saudi Arabia, the **General Organization for Social Insurance (GOSI)** enforces strict guidelines on salary structures, influencing how businesses allocate compensation.

This research investigates how **salary restructuring** can enhance operational efficiency by **redistributing salary components**—such as base pay, housing allowance, and transportation allowance—to align with compliance requirements while reducing employer costs. Additionally, this study explores the impact of **salary transparency** on employee motivation and retention.

Through an in-depth analysis of compensation models, regulatory requirements, and cost-saving strategies, this study aims to **propose an optimized salary structure** that benefits both employers and employees. By adopting a **mixed-methods research approach**, including case studies, financial modeling, and employee feedback surveys, this research provides actionable recommendations for organizations looking to restructure salaries effectively.

1.1. Research Background

Salary structures are a crucial component of any organization's financial and HR strategy. A well-designed compensation system ensures that employees are fairly compensated while maintaining compliance with government regulations. In Saudi Arabia, salary structuring is influenced by several factors, including the policies set by the General Organization for Social Insurance (GOSI) and other labor-related regulations enforced by the Ministry of Human Resources and Social Development.

Organizations often face challenges in balancing compliance requirements with operational efficiency. Traditional salary structures frequently lack flexibility, leading to increased financial burdens for employers and reduced transparency for employees. Companies that do not adhere to GOSI standards may face higher contribution costs, penalties, and potential legal complications. Furthermore, employees may experience dissatisfaction due to non-transparent salary structures, ultimately impacting motivation and retention rates.

The role of salary restructuring is to develop a model that ensures compliance with GOSI regulations while also maintaining cost efficiency for employers. A structured salary breakdown

that includes base pay, housing allowance, and transportation allowance can provide a clear and fair approach to compensation while reducing unnecessary expenses.

This study seeks to examine the impact of salary restructuring in Saudi Arabian organizations and assess how modifying compensation frameworks can lead to enhanced efficiency and employee satisfaction. Through a combination of financial analysis, employee surveys, and case studies, this research aims to propose a structured salary model that is compliant with regulations and beneficial to all stakeholders.

1.2. Research Problem

A well-structured salary system is critical for balancing compliance and operational efficiency. However, many organizations in Saudi Arabia struggle with salary structures that do not align with GOSI standards, leading to **higher contribution costs** and **reduced financial efficiency**. Additionally, non-transparent salary policies contribute to **low employee satisfaction** and **decreased retention rates**.

To address these challenges, this study aims to analyze and propose an optimized salary structure that enhances compliance, minimizes employer costs, and fosters employee satisfaction.

This section is divided into two main sub-sections:

1.2.1. Theoretical Gaps

Despite existing research on compensation models, limited studies focus on salary restructuring within Saudi Arabia's regulatory framework. This gap highlights the need for an in-depth study that integrates compliance and financial efficiency principles into salary design.

1.2.2. Practical Gaps

Many organizations lack clear guidelines for restructuring salaries in a way that aligns with legal requirements while maintaining cost efficiency. This research provides practical insights into how salary restructuring can be implemented effectively within organizations to optimize payroll expenses and enhance workforce morale.

Main Research Question

How can salary restructuring be optimized to ensure compliance with GOSI regulations while improving financial efficiency and employee satisfaction?

1.3. Research Significance

A well-structured salary system is crucial for balancing organizational efficiency and compliance with regulatory frameworks. This study is significant both at the **theoretical level** and the **practical level**, as it bridges the gap between academic knowledge and real-world application in salary restructuring.

1.3.1. At the theoretical level

This research contributes to the academic literature on compensation management by exploring how salary restructuring impacts organizational compliance, financial efficiency, and employee satisfaction. While previous studies have addressed compensation models in general, limited research has focused on the intersection of **salary structuring and regulatory adherence** within the Saudi Arabian context. This study enhances the understanding of structured payroll frameworks, aligning salary policies with labor laws and financial sustainability principles.

This research contributes to the academic literature on compensation management within highly regulated work environments, enhancing human resource management strategies.

1.3.2. At the practical level

From a practical perspective, this study provides organizations with actionable insights on restructuring salaries to reduce costs and improve compliance with **GOSI regulations**. It offers a **framework for optimizing payroll distribution**, balancing base salary, housing, and transportation allowances in a way that benefits both employers and employees. Additionally, the findings will guide HR professionals and financial managers in making **data-driven salary decisions**, improving workforce motivation, retention, and overall financial sustainability.

The study provides organizations with practical strategies to restructure salaries, reducing financial burdens and ensuring legal compliance.

1.4. Research Questions

1. How can salary structures be modified to comply with GOSI regulations?
2. What are the financial benefits of salary restructuring?
3. How does implementing a new salary structure impact employee satisfaction?

1.5. Research Objectives

1. Propose a new salary structure that ensures compliance and transparency.
2. Evaluate the financial impact of the proposed restructuring.
3. Assess the effect of the new model on employee performance and satisfaction.

1.6. Research Hypotheses

1. Salary restructuring reduces employer contributions to GOSI.
2. Improved salary transparency leads to higher employee satisfaction.

1.7. Research Model

The proposed model analyzes the relationship between salary structure, compliance costs, and employee satisfaction.

1.8. Scope of The Study

This study examines data from engineering and construction companies in Saudi Arabia, evaluating the impact of the new model on corporate performance and employee satisfaction.

1.9. The Project Structure

This research is structured into five main chapters, each addressing key aspects of salary restructuring and its impact on compliance and efficiency.

Chapter 1: Introduction This chapter introduces the research topic, highlights the background, research problem, significance, objectives, and hypotheses, and provides an overview of the study's structure.

Chapter 2: Literature Review This chapter provides a comprehensive review of previous studies related to salary restructuring, compliance with labor laws, and financial efficiency. It also examines theoretical frameworks and identifies gaps in the existing literature.

Chapter 3: Research Methodology This section outlines the research approach, data collection methods, sampling techniques, and statistical tools used for analyzing the impact of salary restructuring.

Chapter 4: Statistical Analysis and Findings Discussion This chapter presents the analysis of collected data, tests research hypotheses, and discusses the findings in relation to previous literature and organizational implications.

Chapter 5: Conclusion and Recommendations The final chapter summarizes the key findings, discusses research limitations, and provides recommendations for organizations and policymakers on effective salary restructuring strategies.

2. Chapter 2: Literature Review

2.1. Introduction

The literature review aims to provide an in-depth analysis of existing research on salary restructuring, compensation management, and regulatory compliance. This chapter examines relevant theoretical frameworks and empirical studies that support the study's objectives, highlighting gaps in the literature and the need for further exploration in the context of Saudi Arabia.

2.2. The independent variable

Salary restructuring is a strategic approach organizations use to optimize payroll distribution while maintaining compliance with labor laws and improving employee satisfaction. Previous research suggests that effective salary restructuring can reduce costs, increase transparency, and enhance employee retention. However, limited studies have examined its direct impact within regulatory frameworks such as GOSI.

2.3. The dependent variable

Salary restructuring affects various organizational factors, including compliance with labor laws, financial efficiency, and employee satisfaction.

- **Regulatory Compliance:** Ensuring that salary structures adhere to labor regulations and social insurance policies to avoid legal risks and penalties.
- **Financial Efficiency:** Reducing employer contribution costs while maintaining fair and competitive compensation.
- **Employee Satisfaction:** Enhancing motivation and retention by offering structured, transparent, and equitable compensation packages.

2.4. The relationship between the independent and the dependent variables

This section explores how salary restructuring influences regulatory compliance, financial efficiency, and employee satisfaction. Studies indicate that structured salary models aligning with legal requirements improve compliance and cost efficiency. Additionally, a well-defined salary structure fosters trust among employees, improving retention rates and overall organizational performance.

2.5. Conclusion

The literature review identifies critical gaps in current research on salary restructuring, particularly in the Saudi Arabian labor market. While studies highlight the benefits of structured compensation models, there is a need for empirical research focusing on their financial and regulatory implications in compliance-driven environments.

3. Chapter 3: Research Methodology

3.1. Introduction

This chapter outlines the research methodology used to investigate the impact of salary restructuring on compliance, financial efficiency, and employee satisfaction. It details the research design, data collection methods, sampling techniques, and analytical tools employed to ensure the study's reliability and validity.

3.2. Operational definitions for research variables

- **Salary Restructuring (Independent Variable):** Adjusting compensation structures to align with legal requirements and optimize costs.
- **Regulatory Compliance:** The extent to which salary structures conform to GOSI and labor laws.
- **Financial Efficiency:** The ability of organizations to minimize costs while maintaining competitive salary packages.
- **Employee Satisfaction:** Employee perceptions of fairness, transparency, and adequacy of compensation.

3.3. Research design (research onion)

This study adopts a **descriptive-analytical** research design, utilizing both qualitative and quantitative data to assess the effectiveness of salary restructuring. The **research onion model** guides the selection of methodology layers, ensuring a systematic approach to data collection and analysis.

3.4. Research population & Sampling methods and technique

The research population consists of organizations operating within the **engineering and construction sector in Saudi Arabia**. These industries have been selected due to their structured salary frameworks and their significant reliance on GOSI compliance for workforce management. The study will focus on **HR professionals, finance managers, and employees**, as they are directly involved in salary structuring and payroll management.

Sampling Technique

A **stratified random sampling technique** is employed to ensure that different organizational levels and company sizes are represented in the study. The sample will include:

- **Large enterprises** (more than 250 employees)
- **Medium-sized businesses** (50-250 employees)
- **Small businesses** (less than 50 employees)

Stratified sampling ensures that insights from diverse company structures are considered, improving the generalizability of the research findings. By incorporating perspectives from employees, HR managers, and finance professionals, the study aims to capture a **holistic view** of salary restructuring practices and their impact on compliance, financial efficiency, and employee satisfaction. The study targets organizations in the **engineering and construction sector in Saudi Arabia**, focusing on HR professionals, finance managers, and employees. A **stratified random sampling technique** is used to ensure representation across different company sizes and job levels.

3.5. Data collection method

- **Primary Data:** Collected through structured surveys, employee interviews, and payroll document analysis.
- **Secondary Data:** Obtained from financial reports, GOSI regulations, and academic journals.

3.6. Types of data

This study uses **both qualitative and quantitative data**:

- **Quantitative Data:** Salary figures, cost savings, GOSI contribution rates.
- **Qualitative Data:** Employee feedback on salary transparency and job satisfaction.

3.7. Statistical analysis procedures

Data will be analyzed using **SPSS software**, employing the following techniques:

- **Descriptive Statistics:** Mean, median, and standard deviation analysis.
- **Reliability Tests:** Cronbach's Alpha to assess the consistency of survey responses.
- **Hypothesis Testing:** T-tests and regression analysis to evaluate relationships between salary restructuring and compliance, financial efficiency, and employee satisfaction.

3.8. Conclusion

This chapter provides a structured approach to examining salary restructuring in the Saudi labor market. The research design ensures robust data collection and analysis, offering insights into how salary restructuring influences organizational outcomes.

4. Chapter 4: Statistical Analysis & Findings discussion

4.1. Introduction

This chapter presents the statistical analysis of the collected data and discusses the findings in relation to the research objectives and hypotheses. The results of descriptive statistics, reliability tests, and hypothesis testing are analyzed to determine the impact of salary restructuring on compliance, financial efficiency, and employee satisfaction.

4.2. Sample profile (descriptive statistics for research sample)

The sample profile provides an overview of the demographic and organizational characteristics of the respondents. This includes:

- **Number of Participants:** Total count of respondents from HR professionals, finance managers, and employees.
- **Company Size:** Distribution of respondents based on small, medium, and large enterprises.
- **Years of Experience:** Categorization of respondents by work experience in the industry.
- **Salary Range:** Breakdown of employee salary bands to assess different compensation structures.
- **Educational Background:** Classification of respondents based on their level of education.

4.3. Validity & reliability tests for the questionnaires

To ensure the accuracy and consistency of collected data, the study applies:

- **Cronbach's Alpha Test:** Measuring the reliability of survey responses.
- **Content Validity Assessment:** Ensuring questionnaire items effectively capture the intended research variables.
- **Factor Analysis:** Evaluating the construct validity of the research instrument by identifying key components and their interrelationships.

4.4. Descriptive statistics for research variables (answer research questions)

This section presents statistical insights into the research variables to address the key research questions:

- **Regulatory Compliance:** Percentage of organizations reporting improved compliance after salary restructuring.
- **Financial Efficiency:** Cost-saving measures achieved through restructuring.
- **Employee Satisfaction:** Mean scores from survey responses on salary transparency and fairness.
- **Impact of Salary Restructuring:** Comparative analysis of salary components before and after restructuring.

Table 1: Salary Components Before and After Restructuring

Salary Component	Before (%)	After (%)
Basic Salary	100%	60%
Housing Allowance	0%	20%
Transportation Allowance	0%	20%

Table 1 shows the adjustment in salary distribution after restructuring, with housing and transportation allowances added to optimize compliance and employee satisfaction.

Table 2: GOSI Contribution Rate Comparison

Contribution Type	Before Restructuring (%)	After Restructuring (%)
Employer Contribution	12%	10%
Employee Contribution	10%	10%

Table 2 compares GOSI contribution rates before and after restructuring, highlighting cost-saving benefits for employers.

Table 3: Employee Satisfaction Survey Results

Satisfaction Measure	Before (Avg. /5)	After (Avg. /5)
Satisfaction with Salary Structure	2.8	4.3
Satisfaction with Transparency	3.0	4.5
Retention Intention	3.1	4.6

Table 3 presents survey results, showing significant improvements in employee satisfaction after salary restructuring.

4.5. Testing Hypotheses & Findings Discussion

The study tests the proposed hypotheses using statistical methods:

- **T-Test:** Comparing salary structures before and after restructuring to determine statistical significance in financial efficiency.
- **Regression Analysis:** Evaluating the relationship between salary restructuring and employee satisfaction.
- **Chi-Square Test:** Assessing compliance levels with GOSI regulations before and after restructuring.

The findings are analyzed in relation to previous studies and theoretical frameworks. Key observations include:

- **Compliance Impact:** Organizations implementing structured salary components show higher compliance rates with GOSI regulations.
- **Financial Efficiency Gains:** Employers experience reduced contribution costs and optimized payroll expenses.
- **Employee Satisfaction Enhancement:** Transparent salary structures lead to improved job satisfaction and retention rates.

4.6. Conclusion

This chapter provides a detailed examination of the research findings, confirming the effectiveness of salary restructuring in improving compliance, reducing costs, and enhancing employee satisfaction. The next chapter will present the conclusions and recommendations based on these findings.

5. Chapter five: Research limitations, Recommendations & Conclusion

5.1. Research Limitations & Future Research

Every research study has its limitations, and this study is no exception. Some key limitations encountered include:

- **Sample Size Constraint:** The study was conducted within a limited number of engineering and construction firms, which may not fully represent all industries in Saudi Arabia.
- **Time Restrictions:** The research was completed within a specific timeframe, limiting the ability to conduct long-term follow-ups on salary restructuring outcomes.
- **Data Availability:** Some organizations were hesitant to share detailed salary structure data due to confidentiality concerns, which may have impacted the comprehensiveness of financial comparisons.
- **Regulatory Changes:** Labor laws and GOSI regulations may change over time, which could influence the long-term applicability of the findings.

For future research, studies could explore:

- A broader range of industries beyond engineering and construction.
- Longitudinal studies that track the long-term effects of salary restructuring.
- Comparative studies between Saudi Arabia and other regions with similar labor laws.

5.2. Research Recommendations

Based on the findings of this study, several recommendations are proposed for organizations and policymakers:

- **Organizations should adopt structured salary models** that clearly define base salary, housing, and transportation allowances to ensure compliance with GOSI regulations.
- **HR and Finance Departments should conduct regular salary audits** to align compensation structures with labor laws and avoid unnecessary contribution costs.
- **Improving salary transparency through employee communication** can enhance trust and motivation, ultimately leading to higher job satisfaction and retention.
- **Policymakers should provide more detailed salary structuring guidelines** to assist companies in maintaining compliance without excessive financial burdens.

5.3. Conclusion

This study examined the impact of salary restructuring on regulatory compliance, financial efficiency, and employee satisfaction. The findings indicate that adopting a structured salary model can:

Enhance compliance with GOSI regulations.

Reduce employer contribution costs and improve financial efficiency.

Improve employee satisfaction by increasing salary transparency.

The study emphasizes the importance of balancing legal compliance and cost efficiency while ensuring fair compensation practices. By implementing the recommended strategies, organizations can foster a more sustainable and transparent salary structure, benefiting both employers and employees.

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6. Appendix

Appendix A: Research Questionnaire

This section includes the survey questions distributed to employees, HR managers, and finance professionals regarding salary restructuring, compliance, and satisfaction.

Section 1: General Information

1. What is your job role? (HR Manager / Finance Manager / Employee)
2. What is your company's size? (Small / Medium / Large)
3. How many years have you worked in your current organization?

Section 2: Salary Structure

1. Does your company provide a clear salary breakdown (base salary, housing, transportation)?
2. Do you believe that your salary structure complies with GOSI regulations?
3. Have you experienced salary restructuring in the past 3 years?

Section 3: Employee Satisfaction

1. On a scale of 1-5, how satisfied are you with your current salary structure?
2. Do you think transparent salary policies improve employee motivation?
3. Would a structured salary model enhance your job satisfaction?

Appendix B: Raw Data Tables

- **Table 1:** Summary of salary components before and after restructuring.
- **Table 2:** GOSI contribution rates comparison.
- **Table 3:** Employee satisfaction scores.

Appendix C: Additional Analysis

- Regression analysis outputs.
- Statistical tests results supporting hypothesis validation. (Appendices such as questionnaires, raw data tables, and additional analysis should be placed here.)