COMPENSATION AND EMPLOYEES COMMITMENT: EXPLORING THEIR THEORETICAL AND EMPIRICAL NEXUS

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ABSTRACT:
This study examined the theoretical and empirical relationship between compensation and the level of employee’s commitment. Using a sample of two hundred respondents (200), the study established that compensation is a strong predictor of employee’s commitment. Based on this finding, some implications were drawn for managerial attention.

Key words: Compensation, employee commitment.

INTRODUCTION
Human Resource Management (HRM) is topical in every discourse which aims at understanding how best to motivate and secure employees’ commitment. This is because effective human resource management practices are indispensable to the growth and continuity of any organization. They could also lead to the achievement of employees’ commitment in carrying out assigned tasks, retention of committed and talented employees, and the provocation of organizational citizenship behavior (Bernard 1934, Katz and Kahn 1978). Ajuogu (1995) describes human resource management practices as the embodiment of many components such as realistic job information, job analysis, career development, supervisor-support compensation etc. As rightly stated by Hodgett (1982) anytime, everywhere, employees are the most important resources of business. In fact, the success or failure of business is determined largely by how well employees do their work and how well their work is coordinated with other jobs. One of the main tasks of many business operators and company owners is to help their workers to be committed to their work (Babura, 2003).

An important goal of HRM is to motivate employees and enhance commitment as a means of improving performance and retaining talented people in an organisation, thereby enhancing employee’s discretionary behaviour (Purcell et al. 2003). Discretionary behaviour refers to the choices that people often make about the way they do the job and the amount of effort, care, innovation and productive behaviour they display. Employees who show positive discretionary behaviour are usually highly valued by their organisations. It is, therefore, the responsibility of management to encourage and retain such employees through motivation. This is necessary because when an employee quits an organisation, he leaves with some valuable organisations’ business portfolios. Besides, organisations incur extra cost in recruiting, training and maintaining a new staff.

For organisations to survive in very competitive business environments, they need to design effective human resource management (HRM) practices that encourage a high performance from employees. Researchers have linked various human resource management practices to employee commitment (Batt and Valcour, 2003; Pfeffer and Veiga 1999; Mowday, 1998; Dessler, 1999; Benkhoff, 1997). But, there seems to be a gap on the empirical knowledge available on the link between HRM practices and employees’ commitment in Nigeria, especially in Akwa Ibom State (AKS) Civil Service. This study was designed to investigate that gap.

Statement of the Problem:
Human Resource Management (HRM) practices are viewed as investments in human capital development that could enhance the employees’ commitment. Shahnawaz and Juyal, (2006), regard commitment as an immediate and, perhaps, the most critical outcome of human resource strategy. In their model, employees’
commitment is seen as the key factor in achieving competitive performance. For Hendry, (1995), commitment means the enhancement of the individual and his/her skills, and not just what it can deliver to the organization. Thus, researchers and scholars have maintained that in order to achieve the above orientations, management must pay attention to employees’ commitment, because it is the foundation of organisational behaviour (Mowday, 1998; Organ and Ryan 1995; and Meyer and Allen, 1984).

Studies have found positive associations between facets of organisational commitment and different discretionary and extra role behaviour (Meyer and Herscoviteh, 2001), including organisational citizenship behaviour (Organ and Ryan, 1995). Work-family policies, for example, have been identified as having a positive association with organisational commitment of employees (Cappelh and Rogovsky, 1998; Allen and Push 1998; Tremblay et al 1998). Compensation has been found to be positively correlated with organisational citizenship behaviour and commitment (Park et al, 1994; Abassi and Hollman, 2000; Trevor et al, 1997). The problem of this study is therefore to how compensation relates with the employees commitment

Objectives of the Study:
The main objective of this study is to examine the extents of relationship between compensation and employees commitment while the specific objectives are as follows:
1. To find out the relationship between guaranteed pay- compensation and organizational commitment of employees.
2. To access the relationship between variable pay- compensation and organizational commitment of the employees.
3. To make appropriate recommendations that will help improve upon the employees’ commitment in work place.

Research Questions:
This study sought answers to the following research questions:
1. Does guaranteed pay-compensation correlate with organizational of the employees?
2. To what extent does variable pay-compensation correlate with organizational commitment of the employees?

Research Hypotheses:
The following research hypotheses are formulated to guide the study:-
1. Guaranteed pay-compensation is not significantly correlated with organizational commitment.
2. Variable pay-compensation is not significantly correlated with organizational commitment.

Significance of the Study:
The outcome of this research would help to identify those human resource management practices that can enhance commitment among the employees in AKS Civil Service. It would also help Human Resource managers to effectively strategize for enhanced employee commitment in their different fields of endeavour. Moreover, the findings can help in creating curiosity among researchers for further inquiry into this aspect of management.

Literature review

The Concept of Human Resource Management (HRM) Practices:
The management of human capital in organisations has become a critical issue in maintaining and improving organisational performance (Bowen and Ostroff, 2004; Ostroff and Bowen, 2000). Research shows that people are important for an organisation’s competitive advantage, and that human resource management (HRM) plays a decisive role in organisational performance (Arthur, 1995; Becker and Gerhart, 1996; Boselie and Dietz, 2003; Boselie, Dietz and Boon, 2005; Boselie and Paauw, 2000; Guest et al. 2003; Wood, 1999: Youndt et al. 1996). Although a positive relationship is sometimes shown between human resource management and organisational performance, little is known about its underlying mechanisms (Baron and Kreps, 1999; Bowen and Ostroff, 2004; Klein and Kozlowski, 2000).

Human resource management is assumed to affect knowledge, skills, abilities (Schuler and Jackson, 1995), and attitudes and behaviours of employees (Guest, 1997) and therefore, affect organisational commitment
The alignment of Human Resource Management (HRM) practices with various organisational outcomes such as career opportunities, training and appraisal within the organisation are important factors in explaining the link between HRM and organisational performance and commitment (Baron and Kreps, 1999). When HRM is well aligned, the employees know what is expected of them and may, therefore, act similarly and have uniform expectations about work and behavior patterns (Baron and Kreps, 1999).

The basis of our theoretical reasoning is the “mutual investment” model (Tsui, et al, 1997). The maxim of the mutual investment model is that: when the employer looks after her employees, her employees will look after employer When the employer signals that she takes care of the well-being of her employees, employees will react with more goodwill, commitment and willingness to cooperate. Tsui et al (1997) added another level of explanation to existing effective wage models and argued that the employment relationship is not only made up of financial exchange, but that a further layer involving social exchange also exists. In that layer, employers and employees exchange goods that have not been previously agreed upon before. Employers offer employees “social” goods by giving them opportunities for career enhancement. Thus, in the context of the mutual-investment model (Tsui et al, 1997 and Tsui and Wang, 2002) the internal and strategic fits within an organisation are considered to be either job focused or organisational focused. When an organisation takes a job focused approach, the emphasis is on shared rewards and direct compensation. This results in a series of short-term economic exchanges between the employer and the employee. When the organisation takes a more organisation-focused approach, the focus of the exchange is more on the long term relationship. In that case, there is a greater emphasis on training and employees are given more job security. This results in a more stable exchange relationship between the employer and the employee. In this case, employees will show more cooperative behaviour in response to the investments of the employer. Long-term relationships are predicted to foster cooperation (Axelrod, 1984; Raub, 1997; Raub and Sanders, 1997). When employers are able to create such a long term reciprocal relationship, they develop a highly skilled, well motivated, loyal and dedicated workforce for their organisations. Recent researches have shown that employer investments in labour relationship cause employees to react with more willingness to cooperate (Lambooij, et al, 2006).

Survey by Tsui et al, (1997) has also revealed that when employers show intention of establishing long term, stable employment relationship, employees react with more cooperation. Employees in this case also cooperate with their co-workers and supervisors (Koster, 2005; Lambooij, 2005; Sanders and Van Emmauik, 2004). Cooperation with co-workers takes the form of helping out a co-worker in a problem, while cooperation with the supervisor consists of suggesting improvements in the production process, finishing inconvenient tasks or even helping when something goes wrong.

Determinants of Employee Commitment

There is a great deal of literature which seeks to define and identify the specific characteristics of commitment. Scholars have offered many differing views and theories regarding employee commitment. Even with these differing views it is possible to find some consistent themes. In general there is significant supporting research which indicates that commitment is made up of investments, reciprocity, social identity (identification), and lack of alternatives (Walton).

Investment states that it is an employee’s “investment” and anticipation of a future “pay off” that serves to tie them closer to the company. Reciprocity, in contrast, indicates that it is the employee’s obligation to “pay off” their debt to the company that will lead to greater commitment. Identification specifies that commitment can grow as a result of an employee’s social identity becoming increasingly embedded in his employment. Finally, the lack of alternatives element states that the more specific an employee’s skills become to a particular organisation the less likely they will leave (Sholl, 1981).

HRM Practices and Work Commitment:

A review of the literature on HRM practices as it effects work commitment reveals that there are two types of studies. Earlier studies dealing with this issue focused on testing the direct impact of HRM practices on work commitment (Gaertner and Nollen, 1989; Konovsky and Croppanzano, 1991; Ogilvie, 1986). For instance, Ogilvie, (1986) found that employees perceptions of two bundles of HRM practices (namely; merit system accuracy and the fairness of promotions), had direct influences on employees’ commitment to the organisation. In a similar vein, Gaertner and Nollen (1989) showed a clear connection between employees’ perceptions of employment practices and psychological commitment in a Fortune 100
It is also known in the UK as “total reward” and as employee compensation and benefits (abbreviated “C&B”) is a sub-discipline of human resources, focused on employee compensation and benefits policy-making. It is also known in the UK as “total reward” and as “remuneration” in Australia and New Zealand (Wikipedia, 2012).

Employee compensation and benefits are basically divided into four categories:

1. **Guaranteed pay** – monetary (cash) reward paid by an employer to an employee based on employee/employer relations. The most common form of guaranteed pay is the basic salary paid based on an hourly, daily, weekly, bi-weekly or a monthly rate. The base salary is typically used by employees for ongoing consumption. Many countries dictate the minimum base salary defining a minimum wage. Individual skills and level of experience of employees leave room for differentiation of income-levels within the job-based pay structure. In addition to base salary, there are other pay elements which are paid based solely on employee/employer relations, such salary and seniority allowance, (Barett, A. and O’Connell, P. J. 2001).

2. **Variable pay** – monetary (cash) reward paid by an employer to an employee that is contingent on discretion, performance or results achieved. The most common forms are bonuses and sales incentives, performance or results achieved. There are different types of variable pay plans, such as bonus schemes, sales incentives (commission), overtime pay, and more. An example where this type of compensation plan is prevalent is the real estate industry and real estate agents. A common variable pay plan might be the sales person receives 50% of every dollar they bring in up to a level of revenue at which they then bump up to 85% for every dollar they bring in going forward. Typically, this type of plan is based on an annual period of time requiring a “resetting” each year back to the starting point of 50%. Sometimes this type of plan is administered so that the sales person never resets and never falls down to a lower level. It also includes Performance Linked Incentive which is variable and may range from 130% to 0% as per performance of the individual as per his KRA, (Barney, J. B. 1991).
3. Benefits—programs an employer uses to supplement employees’ compensation, such as paid time off, medical insurance, company car, medical/dental insurance, and work disability insurance, pension plan, company car, and more. A benefit plan is designed to address a specific need and is often provided not in the form of cash. Many countries dictate different minimum benefits, such as minimum paid time-off, employer’s pension contribution, sick pay, and more, (Bentler, P. M., 1990).

4. Equity-based compensation—a plan using an employer compensation plan using the employer’s shares as employee compensation. The most common form is stock options, yet employers use additional vehicles such as restricted stock, restricted stock units (RSU), employee stock purchase plan (ESPP), and stock appreciation rights (SAR). The classic objectives of equity based compensation plans are retention, attraction of new hires and aligning employees’ and shareholders’ interests, (Johnson, M. K., 2010).

METHODOLOGY
Research design
The study adopted cross sectional survey and Expost-Facto research design and used questionnaire for data collection.

Study area
The research area for this study is Akwa Ibom State, being one of the 36 states in Nigeria.

Population of the study
The target population for the study comprised all the employees working in organized public and private organizations in Akwa Ibom State. They are estimated to be 56, 510 employees.

Sample and sampling technique
A sample size of 350 people was used. This was obtained through a stratified sampling technique.

Research instrument validity and reliability
The research instrument was titled ‘Career development and supervisors support on Employees commitment Questionnaire (CDSSECQ). The instrument consisted of two sections (sections A and B). The first section consisted of items that measured the demographic of the respondents while section B measured Career development, supervisors support and Employees commitment.

The methods used in validating the instrument were face, content and construct validities. For face validation, the experts determined at face value the appropriateness of the instrument in measuring up with what was studied, to ascertain if the instrument contained the appropriate items that could actually elicit the intended responses on the variables. Experts’ judgments were used in determining the content validity. The experts checked the extent to which the items were representative of the content and the behaviours specified by the theoretical concept being measured. This was done on a four-point scale of strongly agree (SA)(4), Agree (A)(3), Disagree (D)(2) and strongly Disagree (SD)(1) for all positive items, but in case of the negative items the reverse coding was the case.

(CDSSECQ) was put through trial test on 30 respondents who did not form part of the main work. Reliability coefficient was computed with the use of test retest reliability technique to determine its reliability and the value obtained were 0.782, 0.943 and 0.678 for career development, supervisors support and employees commitment respectively. The data collected will be analyzed with the use of Pearson Product Correlation analysis. The result was considered significant if the calculated value was equal to or greater than the critical values at 0.05 level and non significant if the reverse was the case.

RESULTS AND DISCUSSIONS
Hypothesis One
The null hypotheses state that there is no significant relationship between career development and employees commitment.

In order to test the hypothesis, two variables were identified as follows:-
1. Career development as the independent variable
2. Employees commitment as the dependent variable. (See table 1)

Table 1

Pearson Product Moment Correlation Analysis of the relationship between career development and employees commitment
The above table 1 presents the obtained r-values as (0.83). This value was tested for significance by comparing it with the critical r-value (0.038) at 0.05 level with 248 degree of freedom. The obtained r-value (0.83) was greater than the critical r-value (0.038). Hence, the result was significant; the result therefore means that there is significant relationship between career development and employees commitment. The significance of the result caused the null hypothesis to be rejected while the alternative one was accepted.

**Hypothesis Two**

The null hypotheses state that there is no significant relationship between supervisors support and employees commitment.

In order to test the hypothesis, two variables were identified as follows:—
1. Supervisors support as the independent variable
2. Employees commitment as the dependent variable. (See table 2)

**Table 2**

<table>
<thead>
<tr>
<th>Variables</th>
<th>ΣX</th>
<th>ΣX²</th>
<th>ΣXY</th>
<th>r</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supervisors support (X)</td>
<td>3518</td>
<td>50616</td>
<td></td>
<td>54126</td>
</tr>
<tr>
<td>Employees commitment (y)</td>
<td>3898</td>
<td>61458</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Significant at 0.05 level; N=250; df =248; Critical r – value =0.038*

The above table 2 presents the obtained r-values as (0.84). This value was tested for significance by comparing it with the critical r-value (0.038) at 0.05 levels with 248 degree of freedom. The obtained r-value (0.84) was greater than the critical r-value (0.038). Hence, the result is significant. The result therefore means that there is significant relationship between supervisors support and employees commitment. The significance of the result caused the null hypothesis to be rejected while the alternative one was accepted.

**Conclusion**

The following conclusions are deemed necessary:

(a) Human resource management practices or otherwise, do significantly encourage or discourage employees’ commitment.

(b) Adequate career development opportunity will enhance both commitment and subsequently, productivity;

(c) Supervisor-support will greatly enhance employees’ commitment and their citizenship behaviours.
Recommendations

Based on the findings and conclusions drawn from this study, the following recommendations were made:

(i) Management should always provide a job preview to employees, particularly at the point of interview, so that employees will know what is expected of them and how best they can cope with the job. Adequate job information is a necessary step towards commitment in the organization.

(ii) Career development should be seen as a veritable platform for employees to crystallize their potentials. Therefore, adequate opportunity for career development should be put in place.

(iii) Cooperation between employees and their supervisors should be encouraged as much as possible. Therefore, machinery should be put in place by which employees and their supervisors can always dialogue together. This will serve as a platform where issues of mutual interest can always be addressed.

REFERENCES


