

Empirical Appraisal of Compensation and Organizational Commitment in Education Management

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Abstract

This study investigated the effects of compensation on organizational commitment in selected secondary schools in Nigeria. The survey method was adopted for the study and a total of one hundred and seventy two (172) teachers were sampled across four (4) secondary schools in Lagos State. Linear regression analysis and correlation were used to test the hypotheses. Results showed that compensation has a significant influence on organizational commitment. It is recommended that organizations should ensure the design of compensation packages that are adequate. This will contribute to increased employee commitment and positive performance outcomes.

Keywords: compensation, employee, organizational commitment, job satisfaction

1. Introduction

Access to quality education at all levels is fundamental to the overall growth and development of any nation. Hence, many nations make huge investments in education and ensure continuous appraisal of curricular, to make it relevant to the society at large. Education in Nigeria has evolved through a series of historical developments. A high point of this evolution was the introduction of the National Policy on Education in 1977. The initiative was targeted at self-growth and national development. It was also intended to attain technological advancement, socio-economic and political development (Amagionyeodiwe and Osinubi, 2006). Secondary level education in Nigeria is old, as it was developed alongside western education by Christian missionaries in 1842 (Ige, 2012). Since the attainment of the country's independence status in 1960, secondary education has continued to grow in number and enrolment (Jekayinfa, 2007). However, education at this level is faced with a myriad of challenges (Odia and Omofonmwan, 2007). According to Ahmed (2003) many secondary schools in Nigeria have their teaching and learning conducted in environments that are deemed to be uncondusive. Also, many public school teachers lack basic teaching aids; have to contend with poor infrastructure and uncondusive work environments. As a result, they find it challenging to perform their duties optimally.

The public education sector in Nigeria derives its major funding from the annual budgetary allocation from the federal government. Unfortunately, allocation to Nigeria's education sector has been consistently low, in spite of its strategic position in developing capacity at diverse levels. Statistics according to Central Bank of Nigeria (2010) revealed that between the years of 2000 and 2010, allocation to the education sector by the Federal Government of Nigeria was not more than 14% of the annual budget, which is relatively low, in comparison to the allocation of other African countries like Kenya, Botswana, Angola, Sierra Leone and South Africa (United Nations Development Programme, 2011). In terms of human resources, many secondary school teachers' possess low qualifications and display poor commitment to teaching. This has consequently led to indiscipline and poor academic performance of secondary school students (Adeyemi and Ige, 2002).

The subject and practice of compensation is crucial to organizational life. Chahbra (2001) states that compensation refers to both monetary and non-monetary benefits provided to employees in return for, rendering mental and physical services to the organization. The sensitive and important role of teachers in nation building necessitates that they are compensated accordingly. However, the economic state of the country, amongst many other factors, appears to impact negatively on the adequate compensation of secondary school teachers. In the light of this, there is a need to investigate the relationship between compensation and organizational commitment, and proffer interventions to promote the

commitment of teachers to their tasks and employing organization.

Specifically, the objectives of this study are to, ascertain the relationship between compensation and organizational commitment; to investigate the impact of benefits on employees' normative commitment; to examine if employees' pay level affects their level of affective commitment; and to determine the role of incentives in increasing employees' continued commitment.

2. Literature Review

Compensation is defined as the different types of financial incomes and benefits that employees receive based on the employment relationship (Bernadin, 2007). Direct compensation includes the basic pay that the employee is entitled for his or her job. It includes all forms of salary, wages, overtime pay, and bonuses. Indirect compensation includes protection programs, insurance plans, insurance plans, educational assistance and pay for time not worked, feeling of advancement, achievement opportunity, opportunities for recognition and other forms of benefits (Adeniji and Osibanjo, 2012).

The concept of organizational commitment has received attention particularly in the field of industrial and organizational psychology (Cohen, 2003). It is a feeling of identification with organization's values, contribution in the interest of the organization, and loyalty, expressed by employees (Steers, 1977). Organizational commitment is regarded as a dynamic construct comprising affective, continuance and normative commitment (Malik, Wahab and Naheem, 2010; Meyer and Allen, 1991). Commitment is also described as the psychological connection that binds employees to their employing organization. The concept of 'investments' defines membership and commitment is perceived as a force directing individual behaviour (Kiesler, 1971; Becker, 1960).

Bragg (2002) classified four (4) forms of employee commitment. First is the "want to" commitment. In this scenario, employees are dedicated to their employing organization and are willing to exceed expectations in tasks. The second form is the "have to" commitment. This refers to a situation where employees feel trapped. The "ought to" commitment implies that employees feel obligated to remain with an organization. The fourth category is the detached or uncommitted group of employees. These type of employees are not interested in remaining with the organization and are consistently searching for new career opportunities. According to Bragg (2002), 20-30% of the modern-day workforce is in this situation.

The expectancy theory is a popular theory of compensation. It was formulated by Vroom (1964) and it contains three elements. These are; valency, instrumentality, expectancy. According to Lunenberg (2011) an individual is motivated to the extent that he or she trusts that effort will lead to satisfactory performance outcome (expectancy), performance will be compensated (instrumentality), and the value of the compensation is very positive (valence). The expectancy theory predicts that employees will participate in behaviour that will eventually lead to desired or valued outcomes. In relation to organizational commitment, there is a perceived probability that maintenance of membership with an organization will lead to certain outcomes. Thus, if organizations continually meet the expectations of their employees, it may impact positively of employee retention (Scholl, 1981). Results of empirical studies indicate that organizational commitment is a major factor in the service industry and increased commitment can improve the quality of work, performance, service quality and organizational synergy (Ahmad, 2013; Ogunnaiké, 2011). There are also indications of a positive relationship amongst low level of organizational commitment and employee turnover, absenteeism and turnover intention (Sun, Aryee and Law, 2007).

Another related theory is the Equity Theory which was developed by Adams (1963). Equity can be defined as the equality and justice in payment received by employees, which may affect level of commitment employees experience in their job role. The Equity Theory underpins the notion that, if employees perceive that their pay is in proportion with their efforts and contribution, particularly when compared with that of their counterparts, they tend to experience a sense of equity and fairness. The opposite of this is a sense of inequity, which implies that employees' perceive that their reward is not in concord with their effort in the workplace. The implication of this feeling is that employees may begin to exhibit deviant behaviours, put less effort in tasks or quit their jobs.

Telly, French and Scott (1971) found that organizations where the perception of inequity was high, experienced high employee turnover, than in organizations where the perception of inequity was low. The Reinforcement Theory focuses on the process which behaviour is strengthened or weakened by the consequences that follows it. It states that a response followed by a reward is more like to reoccur in the future (Gerhart, Minkoff and Olsen, 1995). It implies that job behaviour can be modified through the appropriate use of rewards and punishments to reinforce desirable behaviour and discourage inappropriate behaviour. Hence, reinforcement can be deployed to stimulate and produce anticipated behaviours or outcomes.

3. Hypotheses

Compensation incorporates everything that an employee receives as reward for efforts. Relatively, compensation may determine an employee's standard of living and quality of life. Organizational commitment refers to the behaviour of employees regarding commitment to their employing organizations (Moorhead and Griffin, 1995).

H₀₁: There is no relationship between compensation and organizational commitment.

Employee benefits refer to any form of compensation that an employer uses to supplement monthly remuneration (Umoh, 2014). The goals of the benefit program are to ensure that the physical and mental needs of employees are met, so that they can perform assigned tasks optimally. The second goal is to achieve competitiveness with other organizations in the same industry or line of business. The last objective is to provide a platform for employee wellbeing in terms of welfare services (Amah, 2010). Normative commitment is the sense of commitment or obligation that employee feels towards his or her employing organization (Bolon, 1997).

H₀₂: Employees normative commitment are not affected by benefits.

Basic pay refers to pay in the form of wages and salaries which is usually fixed (Lamba and Choudhary, 2013). Salary is the altered or ensured month to month or yearly gross instalment paid to workers, whilst wage is a consistent, week after week or every day instalment paid for work (Adeniji and Osibanjo, 2012). Malik, Wahab and Naheem, (2010) state that affective commitment is the emotional connection and participation that an employee has with his or her organization. Meyer and Allen (1997) assert that employees who have affective commitment choose to remain with their organization because they genuinely desire to stay and not because they feel stuck and see it as a must to do so. According to Porter, Steers, Mowday and Bowlian (1974), affective commitment is characterized by three (3) factors. These are; acceptance of organization's objectives; readiness to concentrate effort on aiding the organization achieve its goals, and a need to continue organizational membership.

H₀₃: Employees level of pay does not affect their level of affective commitment.

Financial incentives includes all means of payment based on increased or improved productivity (Jadallah, 1997). Continuance commitment is the willingness to continue working in an organization because of the investments that the employee has with non-transferable investments (Reichers, 1985).

H₀₄: Incentives does not increase the level of continuance commitment of employees.

4. Methods

The survey method was adopted in conducting this study. The population of the study consists of teaching staff of public and private secondary schools in a local government area of Lagos state. Respondents were deemed qualified for the research survey based on the criterion that they have with at least three years' experience at current school of employment. A total of 172 respondents were sampled. The Cronbach alpha reliability test was found to be 0.754 for twenty-three (23) items analyzed together.

5. Data Analyses and Results

Table 1: Relationship between compensation and organizational commitment.

| | | Commitment | Compensation |
|--------------|---------------------|------------|--------------|
| Commitment | Pearson Correlation | 1 | .363(**) |
| | Sig. (2-tailed) | | .000 |
| | N | 172 | 172 |
| Compensation | Pearson Correlation | .363(**) | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 172 | 172 |

** Correlation is significant at the 0.01 level (2-tailed).

Interpretation: From the correlation table above, there is a medium positive correlation that exists between compensation and organizational commitment ($r = 0.363^{**}$, $n = 172$, $p < 0.01$). Since the correlation is significant at 0.01 level, this implies that there is a relationship between compensation and organizational commitment.

Table 2: Employees normative commitment are not affected by benefits.

| | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|---|-----------------------------|------------|---------------------------|--------|------------|
| | B | Std. Error | Beta | B | Std. Error |
| (Constant) | 2.464 | .213 | | 11.550 | .000 |
| My organization provides me with various types of benefits | .096 | .083 | .114 | 1.153 | .250 |
| Benefit packages offered by my organization are fair | .049 | .089 | .055 | .553 | .581 |
| I am happy with the various benefits I receive from my organization | .171 | .104 | .189 | 1.650 | .101 |
| R | | | .318 | | |
| R square | | | .301 | | |
| Adjusted. R square | | | .285 | | |
| F | | | 6.308 | | |
| Overall Sig. | | | .000 | | |

Source: Field Survey, 2015.

The above table summarizes the influence of benefits on employees' normative commitment. It shows that there is a significant relationship between benefits and employees' normative commitment. It yielded a co-efficient of regression $R=.318$ and adjusted $R\text{ square}=.285$ which implies that 28.5 percent of the variance on employee's normative commitment. The table also indicates that the analysis of variance of the regression analysis produces an F-ratio value of significant at 0.05 level ($F=6.308$; $p < 0.05$), which therefore holds that employees' normative commitment is affected by benefits.

Table 3: Employees' level of pay on their level of affective commitment.

| | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|---|-----------------------------|------------|---------------------------|-------|------------|
| | B | Std. Error | Beta | B | Std. Error |
| (Constant) | 2.112 | .320 | | 6.595 | .000 |
| My basic pay is adequate to meet my basic needs | .022 | .055 | .035 | .399 | .690 |
| Salaries are paid as at when due | .104 | .069 | .117 | 1.517 | .131 |
| I am being paid based on my performance | .090 | .057 | .141 | 1.588 | .114 |
| R | | | .208 | | |
| R square | | | .243 | | |
| Adjusted R square | | | .226 | | |
| F | | | 2.538 | | |
| Overall Sig. | | | 0.58 | | |

Source: Field survey, 2015.

The above table summarizes the influence of employees' level of pay on affective commitment. It shows that there is slightly no significant relationship between employees' level of pay and affective commitment. It yielded a co-efficient of regression $R=.208$ and adjusted $R\text{ square}=.226$, which implies that 22.6 percent of the variance on employee's affective commitment. The table also indicates that the analysis of variance of the regression analysis produces an F-ratio value of significant at 0.05 level ($F=2.538$; $p < 0.05$) which means that employees level of pay do not affect their level of affective commitment.

Table 4: Effects of incentives will increase the level of continuance commitment of employees.

| | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|--|-----------------------------|------------|---------------------------|--------|------------|
| | B | Std. Error | Beta | B | Std. Error |
| (Constant) | 2.936 | .209 | | 14.039 | .000 |
| Incentives provided help to boost my morale on the job | -.158 | .081 | -.221 | -1.943 | .054 |
| Incentives make me want to perform better | .007 | .071 | .010 | .104 | .917 |
| I am satisfied with the various types of incentives I receive from my organization | .250 | .081 | .319 | 3.093 | .002 |
| R | .236 | | | | |
| R square | .076 | | | | |
| Adjusted R square | .059 | | | | |
| F | 3.312 | | | | |
| Overall Sig | 0.021 | | | | |

Source: Field Survey, 2015.

The above table summarizes the impact of incentives on employees' level of continuance commitment. It shows that there is a significant relationship between incentives and employees' level of continuance commitment. It yielded a coefficient of regression $R=.236$ and adjusted $R\text{ square}=.059$, which implies that 5.9 percent of the variance on employee's continuance commitment. The table also indicates that the analysis of variance of the regression analysis produces an F-ratio value of significant at 0.05 level ($F=3.312$; $p < 0.05$) which shows that incentives will increase the level of continuance commitment of employees.

The method of data analysis used to test the hypotheses is the Pearson correlation method and regression method. Based on the analyses, the empirical findings are summarized below:

- The first hypothesis states that "there is a relationship between compensation and organizational commitment". Results show a significant relationship between compensation and organizational commitment at level of significance of 0.000.
- The second hypothesis states that "Employees normative commitment is affected by benefits". Results revealed that Employees normative commitment are affected by benefits at a level of significance of 0.000.
- Results for the third hypothesis revealed that employees level of pay slightly do not affect their level of affective commitment at a significance level of 0.058.
- The fourth hypothesis stated that "Incentives will increase the level of continuance commitment of employees". Results show that incentives will increase the level of continuance commitment of employees at a significant level of 0.021.

6. Conclusion and Recommendations

From the findings of this study, it can be concluded that adequate compensation enhances employee commitment. When employees are adequately compensated, performance will be enhanced and intention to leave the organization will be drastically reduced. This study found that compensation has a significant relationship with organizational commitment. It is therefore recommended that appropriate and timely compensation be deployed to facilitate increased organizational commitment. The subject of compensation poses a critical challenge for the Nigerian workforce. Particularly within the public sector, employees have to constantly resort to industrial actions to receive commensurate compensation for their effort (Oyewunmi and Oyewunmi, 2014). There is a critical need for all relevant stakeholders to jointly resolve issues relating to compensation and design strategies, to ensure appropriate and timely compensation of teaching staff, as well as other support personnel. This will have a positive impact on performance outcomes and enhance the commitment levels of employees.

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