

Compensation and Employee Commitment in Kenyan Public Universities

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Abstract

Global competition has forced organizations to ensure increased employee commitment in order to enable them have high levels of excellence and competitiveness in their processes. One of the critical challenges facing today's organizations is little employee commitment toward their organization which is occasioned by lack of attention to employees' compensation. To help achieve this purpose, the study determined the effect of compensation on employee commitment in Kenyan Public Universities. The study was carried out in four selected Kenyan public universities namely; Masinde Muliro University of Science and Technology, Maseno University, Jaramogi Oginga Odinga University of Science and Technology and Kibabii University. The study targeted a total population of 2930 comprising of teaching and non-teaching staff. The study employed descriptive research design where stratified random sampling was used to group the Universities and purposive sampling used to identify the respondents with the required information. To avoid biasness, random sampling was used to identify the sample. A sample of 285 was obtained using Yamane's formula as used in the analysis. Pilot study was carried out in University of Eldoret and Moi University where a valid measure of 0.5 spearman correlation coefficient was acceptable as a valid measure and 0.7 Cronbach's alpha value was accepted as reliable value. Questionnaires were the main instruments of data collection. The data was analyzed using SPSS where descriptive statistics of frequencies, charts, percentages, means and inferential statistics of regression analysis where the null hypothesis was tested at 5% level of significance. The analysis showed that at 5% level of significance the null hypothesis was rejected and the study concluded that there is no significant relationship between compensation and employee commitment ($p\text{-value} < 0.05$). Organization who wishes to gain their employees commitment should invest much of their resource in compensation packages.

Keywords: Compensation, competitiveness, employees' commitment and public university

1.1 Research objective

To examine the effect of compensation on employee commitment in Kenyan Public Universities

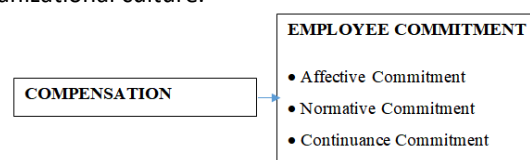
1.2 Research hypothesis

H_0 . There is no significant relationship between compensation on employee commitment in Kenyan Public Universities.

1.3 The Scope of the study

The study was limited to the field of human resource maintenance practices on employee commitment in Kenyan Public Universities: MMUST, JOOUST, Maseno University and Kibabii Universities. The choice of these universities as study scope was used to form a

representative of all public universities in Kenya since public universities have similar organizational structure, leadership and philosophy, especially in the appointment of Council members, Chancellors, Vice Chancellors, Deputy Vice Chancellors and funding. The respondents were employees from the named four universities employed on permanent and pensionable terms. It is possible that employee management among public and private universities is not similar, and that studies of private universities can have different results. The study assessed the effect of training and development, safety and health, compensation, employee commitment and organizational culture.



Source: Researcher (2018)

Figure 1: Conceptual Framework

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2.1 Theoretical framework

2.1.1 Adams Equity theory

The theory was advanced by John Stacey Adams in 1963. The theory states that fairness and equity are key components of a motivated individual. The theory suggests that employees seek to maintain equity between the input and output. Redmond (2010) argues that Adams equity theory states that a person's motivation is based on what he considers to be fair when compared to others. Armstrong (2009) on equity theory stated that people will be motivated well if they are treated equitably and de-motivated if they are treated inequitably. It is the top management's role to treat workers fairly if they expect to maintain them. For compensation to be fair, it must be felt to match the level of work and the capacity of the individual to do the work.

When employees leave the organization, the company loses its productive talent and the capacity to gain competitive advantage since majority of those who leave join competitors (Chiboiwa, Samuel & Chipunza, 2010). Failing to find equity among staff may make them behave in ways that harm the organization for example, they may quit. The major strength of this theory is that, it recognizes that individual input such as education, experience and effort should be recognized in such a way that equity is achieved. This theory therefore guides in understanding what may influence employees to leave the organization in that they keep on comparing what employees earn in other universities and other comparable organizations in order to realize equilibrium between the inputs-outcome ratios. The theory did not come out with strategies of measuring fairness among employees. Adams (1965) suggested that individual expectations about equity correlation between inputs and outputs are learned during the process of socialization and through the comparison with inputs and outcomes of others.

The consequences of employees perceiving they are not being treated fairly create a variety of options for the employees (Champagne, 1989). These options include the employees reducing their input through directly restricting their work output, attempting to increase their output by seeking salary increases or seeking a more enjoyable assignment. Other possibilities are to decrease the outcomes of a comparison other until the ratio of that person's outcomes to inputs is relatively equal or increasing the other's inputs. In addition, the employee could simply withdraw from the situation entirely, that is, quit the job and seek employment elsewhere. This theory is linked to this study in that it advocates for employee motivation and the realization that employees should be well equitably rewarded by ensuring there is balance of rewards in the organization. The theory calls for fair treatment among employees in terms of rewards and creating a fair and equal working environment which leads to employee commitment and having a motivated

workforce that will work for the organization for a long period.

2.2 Empirical literature

2.2.1 Compensation

It is important for organizations to recognize, appreciate, as well as reciprocate the efforts, contribution and achievements of an employee in the course of carrying out his or her duties and responsibilities (Newman & Sheikh, 2012). The employer may reward an employee as a way of acknowledging the employee's efforts, and in return the employee decide to become more committed in the organization (Smith, 2014). Milgo et al (2014) mentioned in his research that all aspects of reward and compensation show a significant relationship with commitment and it's quite clear that rewards in this regard will have an effect on organizational commitment. The higher the reward received by the employee, the higher the commitment of the employee. This is because by giving high rewards, employees feel appreciated by the organization.

For better retention of employees in the organizations, employer must improve compensation and benefits and also factors in good working conditions, flexible work timings, cooperative teams, good bosses, culture and values of the organization (Devi, 2009). One of the main reasons of staff turnover is compensation (Nawab & Bhatti, 2011). Poor salary is mentioned as one of the reasons for high rate of attrition. Pay is mostly ranked at no five or six when employees rank the factors or retention (Sohail *et.al.*, 2011) compensation is mentioned in literature as a significant factor of retention in knowledge worker of Malaysia (Ahsan *et.al.*, 2014).

Compensation makes other employees develop a mind-set that the way to get a pay hike is by frightening to leave and secondly, when an employee is at the top of his/her salary scale and is offered more money for performing the same duties, it will affect organization-wide differentials (David Pollitt, 2007). Therefore, it is important to retain them because of high training and recruitment costs so organizations use rewards to retain employees (Simon, 2011). Organizations in this dynamic globalized world are continuously trying to develop and motivate their employees to help achieve enhanced performance with various Human Resource Management practices. Reward management system is the highly used practice for the organization to achieve the desired goals (Güngör, 2011).

Reward management system consists of both extrinsic and intrinsic rewards; where former involves financial rewards and the later includes non-financial rewards like recognition, security, title, promotion,, appreciation, praise, decision making involvement, flexible working hours, workplace comfort ability, feedback, work design, social rights (Yang, 2008). Employees desire compensation system that they perceive as being fair and

commensurate with their skills and expectations. Pay therefore is a major consideration in an organization because it provides employees with a tangible reward for their services as well as source of recognition and livelihood (Thwala *et al.*, 2012; Abdullah *et al.*, 2012).

Evidently in a study conducted on Southwest Airlines by Aric (2008) on managing compensation and rewards through organizational pay, he emphasized that the human resources department can use a compensation strategy to strengthen the strategic and business strategy of the organization by enhancing individual performance. Although this may in turn negate turnover, but however, also provide the opportunity for the organization to explore and consider other non-conventional areas for implementation in the future in ensuring job satisfaction for the employees such as flexi time, shorter working hours and even providing child care services for the woman employees with children as part of the compensation package. In a research study by Shahzad *et al.*, (2008) revealed a positive relationship of reward practices with the performance of public universities. This is important especially when countering the other factor of turnover intentions in the long run. It is a known fact that employees desire a compensation system that they perceive as being fair and commensurate with their skills, experiences and knowledge.

Roberto (2007) opined that salary strategies and job enrichment strategies were positively related to job satisfaction and thus has an effect negatively on turnover intentions. This was mediated by positive employee commitment. As turnover continues to be very serious problems in many organizations including the public universities related to this study, the research had suggested specific practices to develop strategies as an immediate step to lower turnover. Survey revealed that beside fairness and growth opportunities as job satisfaction for workers, rewards was also cited as an important criterion for job satisfaction and negate turnover intentions (Lobburu, 2012).

Various reasons cited for employee attrition are dissatisfaction with internal job postings, work profile, personal causes and finally dissatisfaction with compensation/salary (Bhatnagar, 2007). So for better retention of talent organizations must improve pay/compensation and benefits and also factors like good working conditions, flexible work timings, cooperative teams, good bosses, culture and values of the organization (Devi, 2009). Other ways to improve employee retention and commitment include- providing flexible work hours, on the job training opportunities, providing adequate resources for the staff, health and insurance benefits, perks like gyms, health centers, rewarding best employees for not only getting the task done on time but also doing it efficiently (Deery, 2008).

Naeem (2009) indicated that Pharmaceutical sales force rated pay and fringe benefits as the most important retention factor which is supported by the findings of past studies In addition, it indicate that pay and fringe benefits

is highly valued by the sales force of all demographic Backgrounds. Its possible explanation could be that pays and fringe benefits enable salespersons to fulfill their physiological as well as esteem needs. Thus, critical review of the current incentive schemes is required to make them more effective to cater to needs of the sales in both multinational and local pharmaceutical companies to retain their talent workers. The annual survey of Watson Wyatt on worker attitudes toward employers and workplace, work USA 2002, show the opinions of 12,750 employees at all levels of job in all large companies, on different issues of workplace including rewards. The Watson Wyatt study finds that recognition is important for workers and they want to listen that their work is recognized and they are appreciated.

Reward and compensation are the forms of tangible benefits and financial returns that an employee receives, however with the emerging economy and the present work environment the rewards and recognition takes in different forms. These include performance based rewards, employee recognition, non-monetary incentives, extrinsic rewards, and intrinsic rewards. Performance based pay improves employee performance in addition to motivating and engaging employees (Nazir, *et al.*, 2013) causing to improve employee retention. In employee recognition process, employees are praised which is a key essential as employees seek the need to be valued and respected. This process increases individual productivity, loyalty, retention and high employee satisfaction (Danish & Usman, 2010). Nonmonetary incentives attract, motivate and retain competent human resource in the organization (Fogleman & McCorkle, 2013; Ahmed & Ahmed, 2014). Extrinsic rewards increases the level of employee performance and satisfaction also found as a strong factor for employee motivation (Saeed *et al.*, 2013). Intrinsic rewards were found to be a sustainable source of motivation for employees. However, according to (Edirisooriya, 2014) studies of extrinsic rewards are more positive and stronger in relation to intrinsic rewards in retaining employees.

Fair compensation must be felt to match the level of work and the capacity of the individual to do work. It should be noted that workers have feelings of discomfort and guilt resulting from inequitably higher pay. And this in turn causes them to act in a manner that reduces dissonance. Thus, if the law of natural justice is followed, then staff turnover will not be a priority as employees will be willing to continue working at the public universities. Human Resource Maintenance practices backed up by compensation helps enhance additional commitment level of employees as there is recognition and it becomes harder for the employees to leave the organization (McElroy, Morrow, Liu & Weng, 2010).

3. Research Methodology

3.1 Research design

The researcher adopted, a descriptive survey design, to examine the influence of human resource maintenance

practices on employee commitment in public universities in Kenya. Descriptive research involves, gathering data that describes events and prevailing conditions, then organize, tabulates, depicts and describe the data collection. Orodho (2003) concurs with others that, this method allowed the researcher to gather information, summarize, presents and interpret data, for the purpose of clarification.

3.2 Target population

The target population of this study was the employees working in public universities in western Kenya. Therefore, with regard to this study, the target population comprised of employees both teaching and non-teaching in MMUST, JOOUST, Maseno and Kibabii University. Two level categories of staff formed the population. These categories are teaching and non-teaching staff. The target population of the research was 1025 for teaching staff and 1905 non-teaching staff.

Table 3.1: Target population

University	Staff category	Total population
MMUST	Teaching	331
	Non-teaching	732
MASENO	Teaching	412
	Non-teaching	623
JOOUST	Teaching	180
	Non-teaching	300
KIBABII	Teaching	102
	Non-teaching	250
Total		2930

Source: University Registry (2018)

3.3 Sampling design and sample size

The study used stratified sampling to identify sub-groups in the target population, the sub-groups will be teaching staff and non-teaching staff. Purposive sampling is a method used to select the subjects who had the required information. Simple random sampling techniques was used to come up with the required number of teaching and non-teaching staff, the sample included both sexes to avoid gender bias and to accord each member of the population equal chance. This research drew a sample size using Yamane’s formula. Sample size for non-teaching staff members and management staff were determined using Yamane’s formula (Yamane, 1967).

Table 3.2: Sample population

University	Staff category	Total population	Sample size
MMUST	Teaching	331	40
	Non-teaching	732	88
MASENO	Teaching	412	49
	Non-teaching	623	75
JOOUST	Teaching	180	22
	Non-teaching	300	36
KIBABII	Teaching	102	12
	Non-teaching	250	30
Total		2930	352

Source: University Registry (2018)

3.4 Data collection tools

In order to answer research hypothesis, data was collected by use of questionnaires, document analysis and interview schedules that was developed by the researcher.

3.5 Pilot study

Piloting was carried out in two universities that is, University of Eldoret and Moi University which were randomly selected before the actual collection of data for the study. The two universities were not among the selected university for the study. Twenty teaching staff and 35 non-teaching staff was used for pilot study. The pilot study assisted the researcher to discover weaknesses in the research instruments, check the clarity of the questions and also make comments that helped in the improvement of the instruments.

3.8 Data analysis and presentation

Descriptive statistics and inferential statistics were used in this study to analyse quantitative data, which was obtained from the closed ended questions. Descriptive statistics that was used in this study include mean, standard deviation, percentages and frequencies. Further, correlation analysis will be used to establish the relationship between the dependent and the independent variables. A Linear regression analysis was also be used to assess for statistical significance. Statistical Package for Social Sciences (SPSS version 22) was used to analyze data.

4. Results and Discussions

4.1 Return rate of questionnaire

The study used questionnaires to collect data from teaching and non-teaching staff. A total of 285 (81%) questionnaires out of 352 questionnaires issued to teaching and non-teaching staff from selected four public universities were returned. According to Kothari, C (1993) over 60.4% return rate was acceptable return for survey study such as this.

Table 4.1: Rate of return

	Frequency	Percent
Valid	Male	172 60.4%
	Female	113 39.6%
Total	285	100.0%

Source: Field data (2018)

The results in Table 4.1 shows that the 172 (60.4%) of the respondents were male while 113 (39.6%) were female.

4.2 Compensation and employee commitment

Using a likert type scale the researcher sought to find out the respondents response on the effect of compensation on employee commitment in Kenyan public universities

Table 4.2: Compensation and employee commitment

Statement	SD		D		FA		A		SA	
	N	%	N	%	N	%	N	%	N	%
	The salary I earn is adequate to meet my desired needs and aspirations	100	35.1	85	29.8	70	24.6	29	10.2	1
The remuneration in this university is competitive	113	39.6	67	23.5	41	14.4	57	20.0	7	2.5
The management motivates and rewards high performance	114	40.0	85	29.8	45	15.4	36	12.6	5	1.8
There is equitable pay for same work done in the university and those in different organization within the industry	121	42.5	80	28.1	44	15.4	30	10.5	10	3.5
I will receive a reward if I do something to improve my work.	76	26.7	86	30.2	75	26.3	34	11.9	14	4.9
The non-monetary benefits, such as vacation time and medical insurance that I receive here are better than those I could get at similar universities.	45	15.8	79	27.7	8	2.8	53	18.6	100	35.1
Compensation in my university enhance employee commitment	30	10.5	51	17.9	12	4.2	61	21.4	131	46.0

Source: Field data (2018)

Study findings in Table 4.2 shows that 185 (64.9%) of the respondents disagreed that the salary they earn is not adequate to meet their desired needs and aspirations. The results shows that 180 (63.1%) of the respondents disagreed that the remuneration in the university was not competitive. On the other hand the results also shows that 199 (69.8%) of the respondents disagreed that the management does not motivates and rewards high performance. From the analysis, the results also shows that 201 (70.6%) of the respondents disagreed that there was no equitable pay for same work done in the university and those in different organization within the industry. The results also shows that 162 (56.9%) of the respondents disagreed that they would not receive a reward if they did something to improve their work. The results of the study also shows that 153 (67.4%) of the respondents agreed that the non-monetary benefits, such as vacation time and medical insurance that they receive are better than those they could get at other similar universities and the results also shows that 192 (67.4%) of the respondents agreed that Compensation in the university enhance employee commitment.

4.3 Inferential analysis

The researcher sought to find out whether there is a correlation between compensation on employee commitment.

Table 4.3: Compensation and employee commitment correlation results

	Compensation	Employee Commitment
Pearson Correlation	1	.512**
Sig. (2-Tailed)		.000
N	285	285

** . Correlation is significant at the 0.01 level (2-tailed).
Source: Field data (2018)

The results in Table 4.3 shows that there exists a positive and significant correlation ($r = 0.512$) between compensation and employee commitment at 99% level of confidence.

Table 4.4: Model Summary on compensation and employee commitment

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.512 ^a	.262	.260	3.312

a. Predictors: (Constant), compensation
Source: Field data (2018)

The analysis in Table 4.4 shows that the compensation contributes to 26.2 % of employee commitment, the rest can be attributed to other factors.

Table 4.5: ANOVA on compensation and employee commitment

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	1104.532	1	1104.532	100.664	.000 ^b
Residual	3105.202	283	10.972		
Total	4209.733	284			

a. Dependent Variable: employee commitment
b. Predictors: (Constant), compensation
Source: Field data (2018)

The analysis in Table 4.5 shows that at 5% level of significance, the regression model if fit to analyze the effect of compensation on employee commitment. Table

Table 4.6: Regression coefficient results on compensation and employee commitment

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	15.549	.679		22.912	.000
Compensation	.359	.036	.512	10.033	.000

a. Dependent Variable: employee commitment
Source: Field data (2018)

The analysis in Table 4.6 shows that at 5% level of significance we reject the null hypothesis that there is no significant relationship between compensation on employee commitment. (P-value <.05) and therefore, conclude that there is a relationship between compensation and employee commitment.

5. Summary of Study Findings and Conclusion

5.1 Summary of the findings

The result of correlation analysis found that there is a positive and significant correlation between compensation and employee commitment. The analysis of the model summary shows that the compensation contributes to 26.2 % of employee commitment, the rest can be attributed to other factors. The study findings also show that at 5% level of significance the study rejected the null hypothesis that there is no significant relationship between compensation on employee commitment. (P-value <.05) and therefore, concluded that there is a relationship between compensation and employee commitment.

5.2 Conclusions

Based on the findings of the study, it was concluded that; compensation contributes significantly to employee commitment hence organizations that wish to have committed employees need to invest more in compensation packages.

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