



COMPENSATION AND WORKER COMMITMENT IN OIL SERVICING COMPANIES IN RIVERS STATE, NIGERIA

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ABSTRACT

This study investigated the relationship between compensation and worker commitment in oil servicing companies in Rivers State, Nigeria. Compensation is an essential component in maintaining the best employees and establishing an organization for the increasing competitive globe limit. Compensation can be defined as a benefit that an employee get in return for the work rendered to the organization. For the purpose of this study, Three hundred and two (302) copies of structured questionnaire using five (5) point likert scale were administered to respondents of the oil servicing companies in Rivers State, Nigeria. Out of the three hundred and two (302) copies of structured questionnaire, two hundred and ninety-eight (298) copies were completed, filled and used representing a respond rate of 99.3%. The formulated researches Hypotheses were tested using the Spearman's Rank Order Correlation Coefficient statistical tool and the results prove that compensation persuades affective and continuance commitment.

Keywords: *Compensation, Worker commitment, Affective commitment, and Continuance commitment.*

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INTRODUCTION

Compensation is benefit an employee gets in turn for the work done. It is composed of the base wage or salary and incentives or bonuses and reward. Compensation is a fundamental factor in attracting and retaining the best employees in the organization. Every employees need to be compensated for their efforts based on volume of predication. Compensation refers to all forms of financial rewards received by employees. Compensation dissatisfaction can lead to absenteeism, turnover, low performance, job dissatisfaction, strikes and grievances. Compensation influences employee commitment. The commitment of employees towards organization improves the organization effectiveness. Organization gives compensation in order to fulfill requirement of employee, so it makes the employee feel that organization is concerned about them, in the sense that, they have affective commitment and continuance commitment. Affective commitment refers to emotional attachment, identification with and involvement that an employee has with his or her organizational goals and it is also the bond an employee has with an organization due to similarity or affection for the goals and values of the organization while continuance commitment is the assurance based on the costs that the employee associates with leaving the organization, it is also a bond an employee has for an organization based on the calculated losses or consequence of leaving the organization considering the personal investment made so far by employee in the system. The employee feels that they might loss the benefits which they won't expect from another organization. They feel that they should stay with the organization, because it's the right thing to do. Compensation plays a major role in influencing the commitment of employees. Compensation helps the employee to stay back in the organization. Every employee's needs are met by the compensation they receive. Commitment is a process by which the goals of the organization and those of the individual become

increasingly integrated or congruent. Commitment is also described as the Holy Grail of organizational behaviour and business psychology. Through this definition commitment refers to an individual's psychological bond to the organization, as an effective attachment and identification.

Worker Commitment is defined as a psychological attachment felt by the employee for the organization. It is a prominent feature of world-class companies. These companies have succeeded in designing and implementing high recital and high involvement practices, resulting in their success. (Harter, 2000a, 2000b; Fleming, 2000a, 2000b) has indicated that employee commitment is an important variable to predict organizational enactment and even the enactment of national economies. Shaw (2001) states that obtaining employee commitment is key to quality and productivity improvements; Moreover, the central plank of Human Resource Management is the development of employee commitment to the organization (Shaw, 2001) The basis behind this is that committed employees will be more satisfied, more productive and more adaptable.

The responses of the departing employees and those left behind may have a significant impact on the organization and this means that there should be a good policy and procedures of implementing redundancy programme. The purpose of redundancy may be presented as essential to make an organization more successful, productive and competitive, but the impact on those remaining staff may actually inhibiting it. The key objective of all management being to develop a positive corporate culture as manifested in values, norms and management style which combine to promote commitment, Cantor and Mischel (2002) found commitment to be an attribute in which individuals evaluate others and that commitment was distinct from other personal characteristics, such as extraversion. Hence in this study we analyze the

impact of compensation on the measures of worker commitment. The study objectives included:

- Examine the relationship between compensation and worker commitment in oil servicing companies in Rivers State, Nigeria.
- Determine the relationship between compensation and affective commitment in oil servicing companies in Rivers State, Nigeria.
- Ascertain the relationship between compensation and continuance commitment in oil servicing companies in Rivers State, Nigeria.

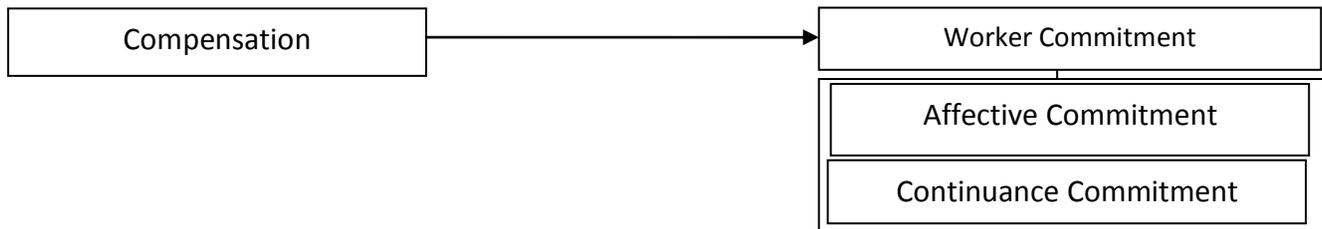


Figure 1: Conceptual Framework for the relationship between compensation and worker commitment

LITERATURE REVIEW

Theoretical Foundation

The underpinning theory for this study is Equity Theory popularly known as Adam’s equity theory, which aimed at striking a balance between an employee input and out in a workplace. If the employee is able to find his or her right balance it would lead to a more productive relationship with the management (Gordon, 2006). The theory focuses on fairness. It grows from the social comparison theory. This theory examines the tendency for staff to compare the fairness of what the work requires them to do (input) with what they receive in exchange with their effort (outputs). Employees compare their job situation with that of another person. 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.

According to Armstrong (2009) relational compensation/rewards help to deliver a positive psychological contract and these can serve as differentiator in the recruitment market which is much more difficult to replicate than individual pay practices. The organization can become an employer of choice and a great place to work, thus attracting and retaining the talented people it needs. Nwachukwu (2009) stated that good salary or wages

fascinate the best qualified employees, enhance good working conditions and minimizes the rate at which employees quit their jobs and heightened morale. Chiang (2005) stated from Vroom’s ideas and further contended that people often determine efforts in work by comparing the value of reward/compensation and the relationship between their effort and likely reward. When organizational structure, the reward systems performance related reward entirely according to the intent of their employees, it happens to human instincts to invest and work hard in order to achieve their own and organizational objectives (Pfau & Kay, 2002). WorldatWork (2000) asserted that total rewards are the mechanisms that usually employers use in order to retain, stimulate and gratify employees. While Malhotra et al, (2007) illustrate that total rewards indicate the benefits, workers receive from their workplace and are considered the determinants of job commitment and satisfaction. Towers (2008) stated that whilst a fair salary is utmost of interest of job candidates, once achieved their focus goes to other benefits and the relationship with the organization.

Armstrong and Brown (2005) suggest that management of compensation is a constituent of Human resource management. It encourages the

attainment of employees and follows a deliberate way to worth individuals for their successful reach. Due to its concern in human resource development it is added to human resource management activities. This suggestion terminates that its work are only to bring optimistic employment relation and involves intellectual agreements through which the compensation for people can be easily acknowledged.

Bishop (1987) suggested that, pay is directly related with productivity and reward system depends upon the size of an organization. Firm's reward system plays a critical role in motivating employees to perform creatively. Effective reward and recognition system can be a good motivator but inappropriate reward and recognition program increase demotivation of the employees. Reward is the benefit received for performing a task. It is a positive stimulus or incentive that can be presented in the process of reinforcing behavior. Decenzo and Robbins (2002) stated that today's worker expect more than just an hourly wage or salary from their employer; they want additional considerations that will enrich their lives. These considerations in an employment setting are called employee benefits. Rewards can be extrinsic or intrinsic. Extrinsic rewards are the tangible rewards which one gets from the employer. External rewards can be in terms of salary/pay, incentives, bonuses, stock options, promotions, job security, flex-time, etc. Intrinsic rewards are intangible rewards or psychological rewards which one receives from the job itself. These are the self-initiated rewards. Such as- pride in one's work, a feeling of accomplishment, appreciation, meeting the new challenges, positive and caring attitude from employer and participation in decision making, or being part of a team. Rewards may or may not enhance the employee's financial well-being. If they do, they can do this directly through wages, bonuses or profit sharing or indirectly, through employer-subsidized benefits such as retirement plans, paid vacations, paid sick leaves

and purchase discounts. Non-financial rewards do not directly increase the employee's financial position but emphasizes on making the life on the job more attractive. Rewards and recognition programs honor both individuals and teams who go the extra mile to service their organizations. Rewards that an individual receives are very much a part of the understanding of motivation. Carraher (2006) advocates that there should be an effective reward system to retain the high performers in the organization and reward should be related to their productivity. Andrew (2004) concludes that commitment of employees is based on rewards and recognition. Becker and Vandenberghe (2004) argues that worker commitment involves consistent lines of activity in behaviours that are produced by exchange considerations. Commitment is a more active and positive orientation towards the organization. It is an attitude or an orientation toward organizational goal or objectives. Most organizations have realized that the performance of their workers plays a vital role in determining the success of the organization. As such it is important for employers and managers alike to know how to get the best of their workers. According to Awonusi (2004) one of the antecedent determinants of workers performance is believed to be employees' commitment. Employees' commitment has become one of the most popular work attitudes studied by practitioners and researchers. Akintayo (2010) noted that one of the reasons why commitment has attracted research attention is that organizations depend on committed employees to create and maintain competitive advantage and achieve superior performance. Committed employees who are highly motivated in terms of conducive work environment contribute their time and energy to the pursuit of organizational goals and are increasingly acknowledged to be the primary asset available to an organization (Hienja, 2010). They provide the intellectual capital that for much organization has become their most critical asset. Furthermore, employees who share a

commitment to the organization and their collective wellbeing are more suitable to generate the social capitals that facilitate organization learning. Ribelin (2003) noted that it is therefore, important for companies to know the aspects that play important role or have big impact in boosting the commitment of their employees. Lawler (2003) argued that prosperity and survival of the organizations is determined through how they treat their human resources. It also depends on how they communicate their rewards and recognition programs to their employees and whether these rewarding strategies are clear to the employees. Based on the above we therefore hypothesized that:

HO₁: There is no significant relationship between compensation and affective commitment in oil servicing companies in Rivers State, Nigeria.

HO₂: There is no significant relationship between compensation and continuance commitment in oil servicing companies in Rivers State, Nigeria.

METHODOLOGY

This study adopted the quasi experimental design because both the unit of analysis (Organizations) and the variables (worker commitment) were not under the manipulative abilities of the researcher and the study covered a population of 1400 employees of oil servicing companies in Rivers State, Nigeria with the accessible population in Port Harcourt metropolis that was selected.

RESULTS AND DISCUSSIONS

A detailed presentation and analysis of the data gathered in this study was done here. Frequency tables were worked out with the aid of Statistical Package for Social Sciences (SPSS) based on the answers provided to the questions in the questionnaire.

Table 1: Correlations (Compensation and Affective Commitment)

		Compensation	Affective Commitment
Spearman's Correlation	Correlation Coefficient	1.000	.373
	Compensation Sig. (2-tailed)	.	.000
	N	298	298
	Correlation Coefficient	.373	1.000
	Affective C. Sig. (2-tailed)	.000	.
	N	298	298

**.Correlation is significance at the 0.05 level (2-tailed).

The hypotheses showed a significant correlation coefficient at .373 and a p – value of .000 which was less than alpha (0.05) therefore we rejected the null

hypotheses which imply that there is a significant relationship between compensation and affective commitment.

Table 2: Correlations (Compensation and Continuance Commitment)

		Compensation	Continuance Commitment
Spearman's Correlation	Correlation Coefficient	1.000	.362
	Compensation Sig. (2-tailed)	.	.000
	N	298	298
	Correlation Coefficient	.362	1.000
	Continuance C. Sig. (2-tailed)	.000	.
	N	298	298

**.Correlation is significance at the 0.05 level (2-tailed).

The second hypotheses showed a significant correlation coefficient at (.362) and a p – value of .000 which was less than alpha (0.05) therefore we

rejected the null hypotheses which imply that there is a significant relationship between compensation and continuance commitment.

Table 3: Statistics for Measures of Worker Commitment

	N	Minimum	Maximum	Mean	Std. Deviation
Affective Commit.	298	1.00	5.00	3.9677	.96493
Continuance Commit.	298	1.00	5.00	3.9888	.95766
Valid N (listwise)	298	1.00			

Source: Research data (SPSS output) 2019.

The descriptive statistics for the measures of worker commitment (affective commitment, and continuance commitment) showed high mean scores based on the 5-point Likert scaling adopted.

CONCLUSION AND RECOMMENDATIONS

An organization should concentrate towards the growth of their employees which automatically creates good commitment of employees towards their goals and objectives. An employer’s main goal is to attract and retain the employees by structuring the compensation in an effective manner. For organizations to excel it need to focus on all parts of their management, optimizing the use and effectiveness in all of its resources. Compensation must motivate the employees to put in their very best and it must be fixed as per their needs and aspirations and should be based on their performance. There is need for innovative tools and

techniques and strategies in compensation management that customize the individual needs of the employees for ensuring better productivity and performance at the workplace. The fact is employee commitment and engagement towards an organization pave way for organizations to achieve its goals and objectives.

It was strongly recommended that management of oil servicing companies should constantly understudy the attitude of their employees at work because it is only when workers are satisfied with their jobs that they can possess the morale required to continue with the organization and satisfy the customers of the various companies. The companies should initiate financial reward programs that will extend to bonuses, allowances, profit sharing, stock-options to motivate their workers thus encourage them to put more effort and have the intention to stay with the organization.

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