

Influence of Employee Compensation on Organisational Commitment in Public Enterprises

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Abstract- Employees with strong organisational commitment are emotionally attached to the organisation and have a strong desire to contribute significantly towards organisational success. The compensation strategies are highly essential for improved performance, higher employee loyalty and increased customer satisfaction. The purpose of this study was to analyse the effects of employee compensation strategies on organisational commitment. The research hypothesis for the study was “Employee compensation ‘strategies’ has no significant effect on organisational commitment. The study employed a case study research design that was conducted at Moi Teaching and Referral Hospital, Uasin-Gishu County, Kenya. The target population was three thousand two hundred (3200) respondents were targeted because that was the group highly affected by commitment and turnover issues in the organisation. A sample size of 340 was extracted from the target population and the sampling techniques used were stratified sampling for the departments working in and simple random sampling for the individual respondents. Multiple regression analyses were used to test the hypotheses. Based on the observed correlation results, employee compensation had β of 0.172 and $p < 0.01$. The findings indicated that there was a significant positive correlation between employee compensation and their commitment for the null hypothesis. The study recommends that MTRH lays down proper structures for compensating their employees as compensation has a significant positive impact on organisational commitment.

Keyword- Employee; Compensation; Organisational Commitment; Public enterprises.

I. INTRODUCTION

Organisational commitment is a concept that has been the subject of numerous studies ([1],[2],[3]). It does not necessarily conform to a universal definition or means of measurement [4]. Furthermore, other concepts, similar or connected, may arise to cloud the understanding of organisational commitment. Certain authors therefore warn against reducing commitment to terms such as “motivation” or “attitude” ([5],[6]), suggesting rather that commitment influences the behavior of individuals’ independently of their personal motivation and interests. As a result of this, organisational commitment implies a major professional loyalties as well as a deep identification [7].

Moreover, based on other literature, the concept of organisational commitment should be very reliable as a way of measuring human behavior in organisational groups; more so in any case than other theoretical constructs such as job satisfaction or job involvement [1]. Crewson

furthermore presents a precise, clear definition of organisational commitment, which he analyzes as being an individual identification with an involvement in an organization [8]. Organisational commitment has been generally defined as the degree that an individual in an organisation accepts, internalizes, and views his/her role [9]. The process of becoming committed to an organisation involves internalizing the values and goals of the organisation, a willingness to help the organisation achieve its goals, and the desire to remain part of the organisation, ([9];[10]). Organisational commitment has been operationally stated as “Multidimensional in nature, involving an employee’s loyalty to the organisation, willingness to extent effort on behalf of the organisation, degree of goal and value congruency with the organisation and desire to maintain membership”. Mowday identified commitment-related attitudes and commitment related behaviors [11].

II. METHODOLOGY

Survey design which goes beyond description and attempts to establish why things might be the way they are was employed in this study to investigate effect of retention strategies on organisational commitment ([12]; [13]). The research employed simple random sampling which is a sampling procedure allowing for the equal and independent chance of subjects being selected as part of the sample ([14];[15]). The study was carried out on a sample that acts as a complete representative of the target population, where a sample of 320 employees was selected. Primary data was collected using structured questions that were presented to the employees. Data collection instruments that the research used in the study were structured questionnaires which were presented to the selected population in the hospital who

were the respondents for the study. Data analysis was done using descriptive statistics specifically mean and standard deviation. Inferential statistics were Pearson correlation coefficient and multiple regression analysis.

III. RESULTS

3.1 Demographic profile of respondents

The demographic profile of the respondents is presented by gender, age and level of education, which altogether remained fundamental to interpret and discuss organisational commitment in organisations. The gender distribution of the respondents is presented in figure 1 below. The information in the pre-chart implies that women at 59.5% are more represented in the Moi Teaching and Referral hospital as compared to men (40.5%).

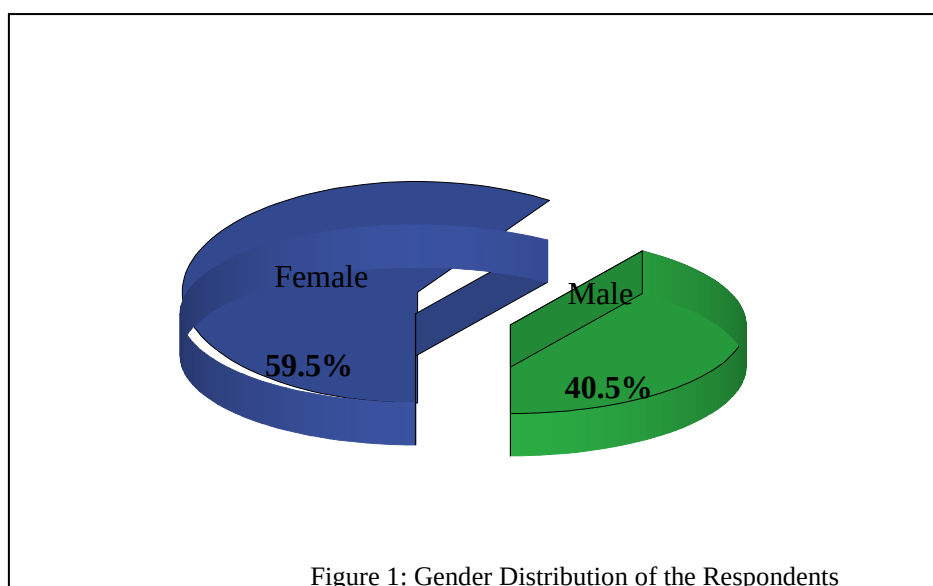


Figure 1: Gender Distribution of the Respondents

As presented in figure 2, majority of the respondents (48.1%) were aged between 25 to 35 years, 25.4% were aged between 36 to 45 years; 20.3% were aged below 25 years; 4.1% were aged between 46 to 55 years; and 2.1% were aged above 55 years.

Results of the distribution shown in figure 3 indicates that majority of the respondents (73.2%) were diploma holders; 15.1% were first degree holders; 8.6% were certificate holders; while only 3.1% were holders of a master's degree.

3.2 Employee compensation strategies and organisational commitment

Research objective one sought to establish the extent to which employee compensation “strategies” affects

organisational commitment. Employee compensation was conceptualized to be measured using ten items. Principal components analysis extracted nine items which were used in analysis of employee compensation. Respondents were asked to indicate their level of satisfaction with selected employee compensation items. Responses were elicited on a five point scale ranging from very dissatisfied (1) to very satisfied (5).

Results shown in Table 1 show that respondent were neutral on all the items. In particular; the employees tended to be neutral on employees benefit package ($M=3.42$, $SD=1.132$); employees most recent raise ($M=3.29$, $SD=1.248$); the hospitals pay structure ($M=2.94$, $SD=1.222$); supervisor's influence on their pay ($M=2.73$, $SD=1.176$); competitiveness of their total salary package

(M=2.83, SD=1.202); consistency of the hospital's pay policies (M=3.05, SD = 1.205); the number of benefits they receive (M=3.13, SD=1.246); determination of increase (M=3.22, SD=1.249); and administration of the hospital's pay (M=3.37, SD = 1.224). In addition, the skewness and Kurtosis values lie within the range – 3 to 3 which implies

that the responses regarding employee compensation were normally distributed.

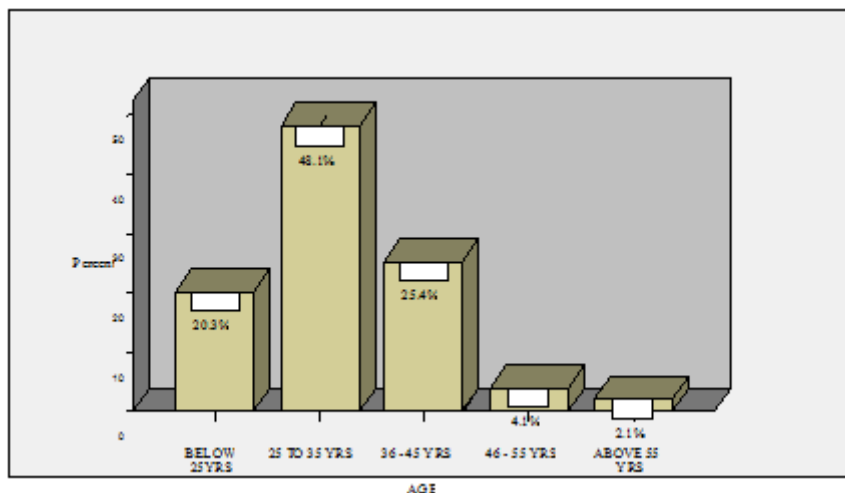


Figure 2: Age Distribution of the Respondents

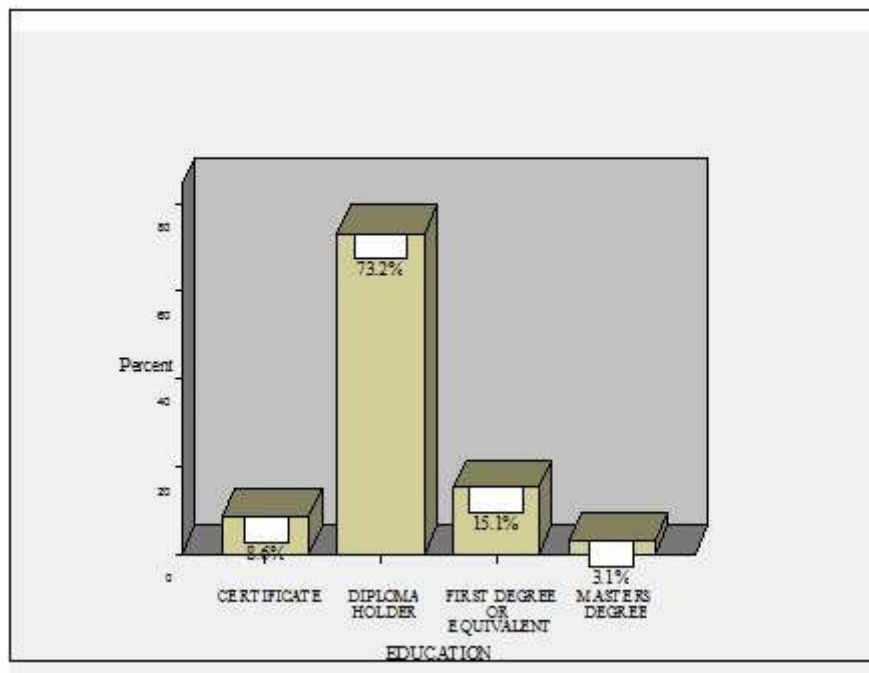


Figure 3: Distribution of respondents' level of education

Table 1 : Descriptive data on prevailing status of employee compensation

	Mean	Std. Deviation	Skewness Statistic	Std. Error	Kurtosis Statistic	Std. Error
Employees benefit package	3.42	1.132	-.631	.143	-.463	.285
Employees most recent raise	3.29	1.248	-.168	.143	-.993	.285
The institutions pay structure	2.94	1.222	1.935	.143	1.587	.285
Supervisors influence on employees pay	2.73	1.176	.340	.143	-.736	.285
Competitiveness of employees total salary package	2.84	1.202	-.077	.143	-.919	.285
Consistency of institution's pay policies	3.05	1.205	-.057	.143	-1.107	.285
The number of benefits employees receive	3.13	1.246	-.243	.143	-.964	.285
Determination of increments	3.22	1.249	-.334	.143	-.732	.285
Administration of institutions pay	3.37	1.224	-.406	.143	-.668	.285

These results imply that the participating respondents were not sure of the prevailing employee compensation strategies at the Moi Teaching and Referral Hospital. This means that there seems to be no clear structures put in place in the hospital with regards with employee compensation.

IV. CONCLUSIONS AND RECOMMENDATIONS

In summary, research sought to establish whether employee compensation strategy had any significant effect on organisational commitment at the MTRH. Using descriptive statistics, the study first found out that there were no proper structures in place in the hospital to address employee compensation. As to whether there was any relationship between employee compensation and organisational commitment, the study found out that there was a significant positive correlation between employee compensation and their commitment. Further, from the hierarchical regression results, the study found out that employee compensation was a significant predictor of both affective, normative and continuance commitment. In conclusion, the use of employee compensation in the

hospital as an employee retention strategy has a direct effect on organisational commitment. However, the hospital does not seem to have put proper structures to address employee compensation. This could have negative consequences for the hospital when trying to retain its employees since employee compensation directly affects both affective, normative and continuance commitment.

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