

Compensation and Workers' Dedication in Manufacturing Firms in Nigeria

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Abstract

This research examined the relationship between compensation and workers' dedication in Manufacturing Firms in Nigeria. Performance and skills based compensation were used as dimensions of the predictor variable while affective and continuance commitment were used as measures of workers' dedication. Cross-sectional survey research design was used for the study. A total of two hundred and forty four (244) existing employees' were drawn from a population of six hundred and twenty five (625) existing employees' across manufacturing firms in Nigeria, using Taro Yamane's formula for sample size determination and Krejcie & Morgan (1970) formula for sub-sample size calculation. The researcher collected data on the individual employees, using a five point Likert Scale questionnaire. The questionnaire was validated via, content validity while Cronbach alpha was used to test for reliability of the research instrument. The data collected was analyzed using Pearson Product Moment Correlation Coefficient. The analyses were conducted using statistical package for social sciences version 20.0. The result of the findings revealed that performance and skills based compensation give rise to affective and continuance commitment respectively. Based on empirical findings, the researcher then concluded that compensation positively impacts workers' commitment.

Keywords: Compensation, Continuance Commitment, Workers' Dedication, Manufacturing Firms.

Introduction

Individual workers within the organisation are highly imperative for the success and growth of the organisation. This is why it became highly imperative to take into cognizance the leadership responsibility of the employee's in achieving this cannot be underestimated and to this done adequate measure must be put in place by the organisation through well managed compensation structure (Johnson & Kalio 2018; Johnson et al, 2019). Therefore, compensation management as one of the fundamental functions of human resource

department is intended to attract, retain and developed employees toward attaining corporate effectiveness, efficiency and competitive advantage in the globalized world (Johnson et al, 2019).

Compensation management has been seen as a veritable tool that affects the decision of job applicants and employees within the organisation (Johnson et al, 2019). It has helped multiple organization in achieving a competitive edge over their competitors in the industry (Hart, 2019). Furthermore, a lot of monetary resources are invested on crafting, organizing as well as administering organisational remuneration arrangement. Despite its vital contribution toward the success and development of the firm, scholars and even practitioners have lamented that there is a slow pace in the advancement of compensation research (Heneman & Judge, 2000; Kersley & Forth, 2005). In most recent times, the plan release cum adoption of reward management, have gone through a major shift. This has reflected the motivational aspect in the employees' leadership roles and performance (Hart & Jude, 2019).

Employee commitment is the relative vigor of an individual's identification with an organisation that is characterized by a positive conviction and acceptance of the organisation's goals and objectives, the willingness to exert considerable exertion on behalf of the organisation, and a strong desire to remain a member of the organisation (Johnson et al, 2019). Employees' commitment is the confidence on the value of the organisation, a willingness to strive for the sake of the organisation, and loyalty to the organisation and the involvement of certain individuals in an organisation, which is identified by the presence of a strong belief in the organisation's goals, willingness to perform certain business for the organisation (Hart, 2019). Porter (1974) explained that employees' organisation commitment is the extent to which employees accept the goals and values of organisation and their willingness to remain in the organisation. Committed workers of an organisation demonstrate resilient attitudes towards organisational activities which in turn lead to the growth and sustenance of the operations of the organization. (Johnson et al, 2018; Johnson & Ossia 2019).

Johnson et al, (2018) opined that, workers' commitment is seen as the emotional attachment individuals within the organization display in achieving organisational objectives. Organisational commitment is the aggregate internalized normative demands to perform in a manner which meets organisational objectives (Wiener, 1982). Kitchard & Strawser (2001) proposed that satisfied employees develop high affective commitment for their organisation. Marthis & Jackson (2000) defined employee commitment as the extent to which employees stay with organisations and considers about organisational objectives seriously. Luthans (2006) explored organizational commitment as the desire to be a member of an organisation and not to complain about their organisation. Organizational commitment is clear as the measure of authority of employee empathy by the objectives and morale of organization and remains involved in it,

organisation commitment as well be an improved indicator for employees who wish to stay at work or want to change (Melvin, 2001). Affective commitment refers to the emotional attachment that an employee has in an organization (Price, 2011). It is the extent at which employees appreciate to be members of an organisation. According to Rhoades 2001), affectively committed employees are seen to have a sense of identification and belonging and this motivates them to increase their participation in the activities of an organisation. Additionally, affective commitment makes employees to have willingness to meet the goals of an organisation as well as the desire to stay in the organisation. Beck & Johnson (2019) note that; organisational members who have an affective level of commitment have a longing to remain in the organisation because they view their values and goals to be congruent with those of the organisation. Morrow (1993), cited by Coetzee, (2005) points out that affective commitment is related with work attitude and positive feelings about their organisation. The work attitude is related with how employees view the organisation and this attaches them to the institution. According to Meyer & Allen (1997), cited by Lee (2010) affective commitment is associated with employee personal characteristics organisational features, experiences about the work and job characteristics. Muncherji & Dhar (2011) observe that employees become emotionally attached to an organisation when they are able to achieve these factors. This is because they help to create an environment that is intrinsically rewarding for the employees. In many organisations, the antecedents of affective commitment come under four distinct categories namely: personal characteristics, structural characteristics, job-related characteristics and work experience, (Mowday, 1982). It is with such a motivation that the employee who possesses strong affective commitment will continue to work for the organization because they want to do so.

The following Hypotheses are stated to guide the study:

HO₁: There is no significant relationship between compensation and affective commitment

HO₂: There is no significant relationship between compensation and continuance commitment

HO₃: There is no significant relationship between skill based compensation and affective commitment

Literature Review

Theoretical Foundation

Hart (2019) noted that; compensation is a return in exchange between the employer and employees themselves and as an entitlement or gratification for being engaged by the organisation, or as remuneration for an individual contribution to the success of the organisation. Employees' remuneration depends not only on the jobs they are holding

but also on the function of individual performance, group or team work, or whole organisation as well as differences in employee qualities such as years of experience, seniority, educational qualifications, geographical location, bargaining strength and skills (Johnson & Hart, 2018).

This assertion corroborate with the general statement of social exchange theory posited by Zafirovski (2005) that: Social exchange is composed of purposive actors that presuppose constellations of their interests and resources. Since these processes are assumed to be governed by reciprocal relations- through exchange is defined as social interaction characterized by reciprocal stimuli-they will not continue in the long-run if reciprocity were violated.

Concept of Employee Commitment

Employee commitment is the relative strength of an individual's identification with an organisation that is characterized by a strong belief and acceptance of the organisation's goals and objectives, the willingness to wield significant effort at achieving organisational goals, and a strong desire to linger in an organisation. Employees' commitment is the confidence on the value of the organisation, a willingness to strive for the sake of the organisation, and loyalty to the organisation and the involvement of certain individuals in an organisation, which is identified by the presence of a strong belief in the organisation's goals, willingness to perform certain task for the organisation (Johnson, Ossia & Emeka 2019).

Affective Commitment

According to Meyer & Allen (1997) employees with strong affective commitment would be motivated to high levels of performance and make more meaningful contributions than employees who expressed continuance and normative commitment. This happens owing to the fact that the employee identifies and associate himself/herself with every aspect of the organisation. Meyer & Allen (1997), cited by Johnson and Celine (2019) define continuance commitment as the employee awareness of the costs that are related with leaving an organisation. This means that continuance commitment is the enthusiasm to remain in an organisation due to the personal investments which cannot be transferred. Johnson (2019) argues that continuance commitment exists when an employee needs the benefits and the salary associated with remaining in an organisation. Additionally, it may arise when employees feel that they cannot find another job or when they believe that they owe their success to the organisation. According to Coetzee (2005), continuance commitment is calculative in nature because it is based on an employee opinion by weighing the risks and costs associated with leaving an organisation. It is centered on an evaluation of the economic benefits gained by being associated with the organisation. Beck & Wilson (2000) note that

organisational members develop continuance commitment due to the positive extrinsic rewards that they have obtained through the exertion of bargaining without identifying with the values and goals of the organisation. Therefore, employees are lured to remain in an organisation due to the accumulated investments that they have gained in the organisation.

Compensation and Employee Commitment

The management of people at work is an integral part of the managerial process. To understand the critical importance of people in the organisation and the effectiveness of the degree to which organisation achieves its goal. A well-managed organisation usually sees an average worker as the root source of quality and productivity gains, to capital investment, but to employees as the fundamental sources of improvement. An organisation is effective to the degree to which it achieves its goals. An effective organisation will make sure that there is a spirit of cooperation and sense of sphere of its influence. As organisation battle to get the most from their existing employee in an environment characterized by skill shortages such the role of human resource practices in the organisation in fostering employee engagement and commitment is paramount, in doing this many organizations is aware of the significant impact both positive and negative that employee have on, organisational performance and productivity. Many successful organisations are strongly committed to look after their employee needs because they belief that organisation that foster employee satisfaction can secure greater employee commitment. To Kimbred (2018); Commitment is a belief, which reflects “the strength of a person’s attachment to an organisation”. Researchers have suggested that reciprocity is a mechanism underlying commitment and that employees will offer their commitment to the organisation in reciprocation for the organisation having fulfilled its psychological contract. By fulfilling obligations relating to pay, job security, and career development, employers are creating a need for employees to reciprocate, and this can take the form of altitudinal reciprocity through enhanced commitment and consequently influence employees to stay with the organization.

Research methodology

The study adopted a correlational survey research design. According to Kimbred (2010) correlational study tries to study a problem so as to explain the relationship between variables. The study adopted the use of cross sectional survey design. Cross sectional survey is a type of observational study that involves the analysis of data collected from a population, or a representative subset. It involves collection of primary data at specific point in time. This research design used a well-designed structured questionnaire to gather information from the respondents regarding compensation management and employee commitment. The sample size of employees that was studied was determined by the use of the formula developed by Taro Yamane (1967). According to Schorls, (2015) 30% of the total population is considered

as adequate sample size. The secondary schools were picked on the basis of number of permanent staff.

There is no significant relationship between performance base compensation and employees' affective commitment of manufacturing firms in Nigeria

Table 1. Correlation Result for Performance Base Compensation & Affective Commitment

		PBC	AC
Performance Base Compensation	Pearson Correlation	1	.734**
	Sig. (2-tailed)	233	.000
	N		
Affective Commitment	Pearson Correlation	.734**	1
	Sig. (2-tailed)	.000	
	N	233	233

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

Source: SPSS 20.0 Data Output, (2020).

From the result in table 1 it was revealed that a significant and strong positive linear relationship exists between performance base compensation and affective commitment. The (r) value of .734 detects that the relationship is significant at $p = 0.001 < 0.01$ level of significance. Since the yardstick for rejecting hypotheses is r (value) > 0.2 . From our result obtained, the stated null hypothesis was rejected and the alternate hypothesis was accepted meaning that there is a significant relationship between performance base compensation and employees' affective commitment of manufacturing firms in Nigeria.

There is no significant relationship between performance base compensation and employees' continuance commitment of manufacturing firms in Nigeria

Table 2. Correlation Result for Performance Base Compensation & Continuance Commitment

		PBC	AC
Performance Base Compensation	Pearson Correlation	1	.856**
	Sig. (2-tailed)		.000
	N	233	233
Affective Commitment	Pearson Correlation	.856**	1
	Sig. (2-tailed)	.000	
	N	233	233

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

Source: SPSS 20.0 Data Output, 2020.

From the result in table 2 it was revealed that a significant and very strong positive linear relationship exists between performance base compensation and continuance commitment. The (r) value of .856 detects that the relationship is significant at $p = 0.001 < 0.01$

level of significance. Since the standard for rejecting hypotheses is $r(\text{value}) > 0.2$. From our result obtained, the stated null hypothesis was rejected and the alternate hypothesis was accepted meaning that there is a significant relationship between performance base compensation and employees' continuance commitment of manufacturing firms in Nigeria.

There is no significant relationship between skills based compensation and employees' affective commitment in manufacturing firms in Nigeria.

Table 3. Correlation Result for Skills Based Compensation & Affective Commitment

		SBC	AC
Skills Base Compensation	Pearson Correlation	1	.983**
	Sig. (2-tailed)		.000
	N	233	233
Affective Commitment	Pearson Correlation	.983**	1
	Sig. (2-tailed)	.000	
	N	233	233

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

Source: SPSS 20.0 Data Output, (2020)

It was revealed from table 3 above that a significant and very strong positive linear relationship exists between skills base compensation and affective commitment. The (r) value of .983 detects that the relationship is significant at $p = 0.001 < 0.01$ level of significance. Since the yardstick for rejecting hypotheses is $r(\text{value}) > 0.2$. From our result obtained, the stated null hypothesis was rejected and the alternate hypothesis was accepted meaning that there is a significant relationship between skills base compensation and employees' affective commitment in manufacturing firms in Nigeria.

Discussion of Findings

The aim of the study was to establish the level of impact of Compensation and Employee Commitment. Based on the earlier analyses conducted certain results were derived which formed the foundation for our discussions in line with existing body of literature. It also showed how Compensation relates with Employee Commitment of manufacturing firms in Nigeria. Generally, it was revealed that manufacturing firm management in Nigeria to a greater extent motivate their workers by way of compensation as a means of ensuring employee commitment.

First, it was found that performance based compensation have a significant relationship with affective commitment with a correlation value of $r = .734$ as shown in the analyses. This result was in accordance with the view of Johnson & Ossia (2019) which stated that when organisations structure the "compensation package" entirely according to the intent of their employees, it happens to human instinct to work hard in order to achieve their own and organisational objectives. The result from this study was also in line with

the assertion of Johnson & Hart (2019) stresses that successful performance-based rewards are those which aligned with total reward strategy. It was also found that performance based compensation had a significant and very strong relationship with continuance commitment with a correlation value of $r = .856$ as shown in the analyses.

Conclusion

In conclusion, skills based compensation had a significant influence on affective commitment and compensation management leads to employee's commitment. Therefore, administrators of manufacturing firms in Nigeria should take into cognizance the impact of skills based compensation on employee's affective commitment and in order to enable workers get committed to their jobs. Manufacturing firms management should implement policies promoting good compensation management in Nigeria.

Recommendation

Based on the conclusion the following recommendations were made:

Management of manufacturing firms should implement organisational policies that will expedite skills based rewards because it is the corner stone to employee's affective commitment. And that management should be committed to an effective rewards management practices in order to improve Employee's Commitment.

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