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Financial Reward and Employee Commitment in Organizations: A Study of Imo State Civil Service, Nigeria

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Abstract:

All aspects of the particular job, good or bad, positive or negative are likely to contribute to the development of feelings of satisfaction or dissatisfaction. The study is on financial reward and employee commitment in the state civil service. The study was conducted to examine the relationship between payment of salaries, wages, offer of bonus and employee commitment variables. Four research questions and hypotheses guided the study. In employing the survey research design, the study, also used the non-probability sampling technique, descriptive statistics of mean and standard deviation to analyze data. Correlation analysis was employed in the testing of the hypotheses. The analysis was enabled by statistical package for Social Sciences (SPSS) version 23. Findings showed that payment of salaries positively influenced affective employee commitment and continuance employee commitment, payment of wages positively influenced normative employee commitment and offer of bonus positively affected continuance employee commitment. It was concluded that financial reward enhanced employee commitment in the Imo State Civil Service. The study recommends that management of various ministries in the state civil service should not take the issue of employee commitment for granted.

Keywords: Financial reward, employee commitment, satisfaction, dissatisfaction

1. Introduction

The goals of reward or compensation administration are to design a cost-effective pay structure that will attract and retain competent employees and to provide an incentive for these individuals to exert high energy levels at work. Compensation and reward administration also attempt to ensure that pay levels, once determined, will be perceived as fair by all employees. Interestingly the primary determination of pay reward is the kind of job an employee performs. Because also that different jobs require different kinds and levels of skills, knowledge, and abilities, these factors also vary in their value to the organization (Robbins, Decenzo, and Coulter 2011).

However, it is a well-known fact that every organization wants to be successful, and the quest for success often manifests in the various approaches used for the achievement of the various performance indicators of such organizations. Agulanna and Awujo (2005) maintain that after employees have been appraised through performance appraisal and the worth of their jobs determined through job evaluation, they must be compensated for their efforts. Reward system consists of an organization's integrated policies, processes and practices for rewarding its employees in accordance with their contributions, skills and competence and their market worth (Agulanna and Awujo, 2005). In addition to regular compensation, financial rewards are monetary incentives that an employee earns as a result of good performance. A reward system comprises of financial rewards (fixed and variable pay) and employee benefits which jointly is the total remuneration. The reward system also incorporates non-financial rewards in form of recognition, praise, responsibility, personal growth etc, and in many instances, performance management processes (Wainwright, 2018).

Reasoning in the same direction, Bowen and Nevenka (2014) maintain that a reward system includes salaries, wages, incentives and commissions. Total compensation includes cash rewards as well as any other organization benefits. Because a reward system is the instrument used to increase employee productivity, it seeks to attract and retain suitable employees, encourage good management employee relationship and commitment while minimizing tension and conflict as it deals with all forms of final returns, tangible service and mechanism for good relationship (Bowen and Nevenka 2014).

Kretzin and Pierce (2012) maintain that reward processes are based on reward philosophies and strategies and contain the arrangement of policies, guiding principles, practice, structures and procedures which are devised and managed to provide and maintain appropriate types and levels of pay, benefits and other forms of reward. It consists of all organization components including people, process, rules and decision-making activities involved in the allocation of reward and benefits to employees in organizations. Monetary and non-monetary rewards are provided in organizational setting with a view to influencing individuals, teams and organizational behaviour for the achievement of strategies and performance of organizations.

In consideration of the era of global hyper competitiveness in the business world, rewards are fundamental imperatives to derive maximum employee inputs, retention, commitment from workers and industrial harmony (Lancey

and Durbo, 2013). According to Seilan and Jaya (2012) reward system are of two types: financial reward and non-financial reward. Financial reward further is divided into direct and indirect financial reward. Direct reward includes bonus, good salary packages, profits and commission while indirect financial rewards are all those benefits that are not covered by direct financial reward.

Non-financial rewards consist of responsibilities, opportunities, recognition, promotion, vacations, work place environment, sound polices, insurance, medicals, retirement, etc. All rewards affect the commitment of the employees in different manners (Wainwright, 2018). Employee commitment can take different forms. As a result, it is often seen as a human resource variable which is difficult to define. However, commitment is a stabilizing or binding force (mindset), which directs behaviour (Wainwright, 2011).

Financial reward and employee commitment are however the focus of this study. Financial reward covered in this study includes salaries, wages and offer of bonus. The study in line with Seilan and Jaya (2012) which maintain that salaries are fixed regular payments, typically paid on a monthly basis but often expressed as an annual sum, made by an employer, especially on a professional or white-collar worker; wages are fixed regular payments earned for work or services, typically paid on a daily or weekly basis. Similarly, bonus is a sum of money added to a person's wages as a reward for good performance. For the purpose of this study, employee commitment is the ability of the management of the state civil service to use the instruments of salaries, wages and bonuses to boost affective, normative and continuance employee commitment in the state ministries. Hence, the study is geared towards investigating if workers in state ministries are properly remunerated for enhanced commitment to their jobs and to the ministries.

1.1. Statement of the Problem

The study observed that research gap exists in the area of financial reward and employee commitment in both public and private organizations. Most of the empirical studies accessed in this study did not investigate the relationship between payment of salaries and affective employee commitment; payment of salaries and continuance employee commitment; payment of wages and normative employment commitment as well as offer of bonus and continuance employee commitment. For instance, Ibojo and Asabi (2014) investigated compensation management and employee performance in the Nigerian manufacturing sector, while Ogunnaive, Oyewunmi and Famuwagun (2016) carried out an empirical appraisal of compensation and organizational commitment in educational management.

None of these studies investigated the relationships covered in this study. Based on the scarce of empirical literature on financial reward and employee commitment, the study is faced with the major problem of investigating the extent of financial reward and employee commitment in the Imo State civil service.

1.2. Objectives of the Study

The major objectives of this study are to examine financial reward and employee commitment in the Imo State Civil Service. The specific objectives are to:

- Investigate the relationship between payment of salaries and affective employee commitment.
- Find out how payment of salaries affects continuance employee commitment.
- Determine how payment of wages influences normative employee commitment.
- Examine the relationship between offer of bonus and employee commitment.

1.3. Research Questions

The following research questions are developed from objectives of the study.

- What is the extent of relationship between payment of salaries and affective employee commitment?
- What is the extent of relationship between payment of salaries and continuance employee commitment?
- How does payment of wages influence normative employee commitment?
- How does offer of bonus affect continuance employee commitment?

1.4. Research Hypotheses

Based on the research questions, the following null hypotheses were developed.

- HO₁: There is no significant relationship between payment of salaries and affective employee commitment.
- HO₂: Payment of salaries significantly have no relationship with continuance employee commitment.
- HO₃: Payment of wages does not significantly influence normative employee commitment.
- HO₄: Offer of bonus does not significantly affect continuance employee commitment.

2. Review of Related Literature

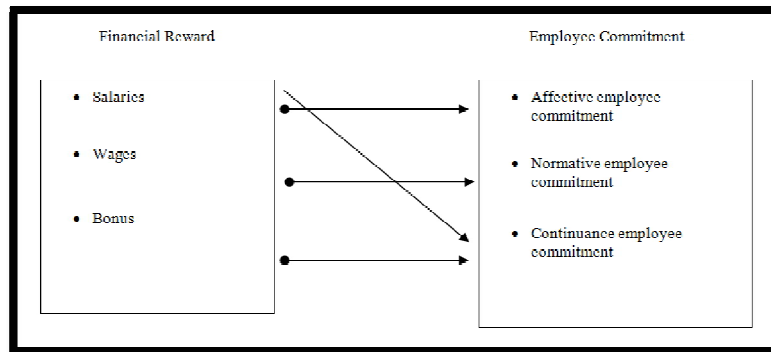


Figure 1: Conceptual Framework

2.1. Wages and Salaries in an Organization

In determining what an organization will pay for wages and salaries, it is important to understand the economic conditions of the region in which one functions, the volume of potential employees, and the legislative requirements in place. When determining what to pay, first consideration is placement of the role organizationally which can be determined through job evaluation /classification. The second consideration is the job relevant skills and experience the applicant possesses which may impact their placement in the salary range upon hire (Mullins and Edwin, 2011).

There are many situations in which the manager is faced with deciding what to pay an employee. The situations include: a new hire; an existing employee due for an increase; an existing employee moving into a new role; a valuable employee who is considering leaving because of compensation; market conditions and scarce skill. It is important to ensure that the approach taken is guided by the compensation philosophy and is applied consistently. Ensuring that established guidelines are followed will prevent offering a compensation package so tailored to a person that the organization is jeopardized by having too heavy a financial burden or that flexible arrangements actually hinder the critical work from being completed. It takes a carefully crafted balance between the organizational needs and the individual consideration to arrive at the optional compensation structure (Bau and Hogue, 2014).

2.1.1. Bonus Payments

When an employee helps an organization in the achievement of its goals, a reward often follows. Bonus pay is compensation over and above the amount of pay specified as wages or salary and it is only distributed as the organization is able to pay or as outlined in an employment contract. Bonus pay is used by many organizations to improve employee morals, motivation, and productivity or as a thank you to employees who achieve a significant goal. As long as bonus pay is discretion by the employer, it is not considered to be a contract. If the employer promises a bonus, they may be legally liable to pay it out (Gardner and Cheng, 2012).

Bonus pay can be used to recognize group accomplishments as increasing member of businesses today have switched from individual bonus programmes to one which reward contributions to corporate performance at group, departmental, or company –wide levels out (Gardner and Cheng, 2012). Bonuses generally are short-term motivators, and by rewarding an employee's performance for the previous year, a short-term perspective is encouraged rather than more future-oriented accomplishments.

2.1.2. Employee Commitment

Commitment can be viewed and defined in terms of attitude or behaviour. "It is the willingness to exert high levels of effort on behalf of the organization and a definite belief in, and acceptance of the values and goals of the organization" (Cooper 2001). O'Reilly and Chatman (1989) in Cooper (2001) defined employee commitment as a psychological attachment felt by the employee for the organization.

Regardless of whether it is fulfilling or not, it is a connection to a goal and believing in a goal and wanting to achieve it, reflects a certain degree of commitment (Chilie and Bruno, 2016). According to Chilie and Bruno (2016), employees who are committed to their organization generally feel a connection with their organization, and try to understand the goals of the organization. Such employee exhibit added value and tend to be more determined in his work, show relatively high productivity and are more proactive in offering its support. Employee commitment can be affective, normative and/or continuance.

Affective commitment is the degree of an employee's intention to stay in an organization. Employees who are affectively committed feel valued, act as ambassadors for their organization and are generally great assets for organizations (Cooper, 2001).

Employees that are normatively committed generally feel that they should stay at their organizations. This class of employees feels that leaving their organization would have disastrous consequences, and feel a sense of guilt about the possibility of leaving. However, reason for such guilt vary, but are often concerned with employees feeling that in leaving the organization would create a void in knowledge/skills, which would subsequently increase the pressure on their colleagues (Wainwright, 2018). Becker (1960) cited in Cooper (2001) insist that commitment is continuance when it involves the need to remain in the organization because of accumulated "side-bets" and generally the lack of alternative

employment opportunities. Side-bets refer to anything of importance that an employee has invested, such as time, effort or money that would be lost or devalued at a cost to an employee, if he or she left the organization. Cooper (2001) suggests that commitment is the outcome of inducements and contribution between an organization and an employee.

2.2. Victor Vroom's Expectancy Theory

Need theories of motivation attempt to explain what motivates people in the workplace. Expectancy theory is more concerned with the cognitive antecedents that go into motivation and the way they relate to each other. Expectancy theory is a cognitive process theory of motivation that is based on the idea that people believe that there are relationships between the effort they put forth at work, the performance they achieve from their efforts and performance.

Expectancy theory is based on four assumptions. First, is that people join organizations with expectations about their needs, motivations, and past experiences. These influence how individuals react to the organization. Secondly, that individual's behaviour is a result of conscious choice. That is, people are free to choose those behaviours suggested by their own expectancy calculations. Thirdly, that people want difficult things from the organization (e.g. good salary, security, advancement, and challenge). A fourth assumption is that people will choose among alternatives so as to optimize outcomes for them personally. The expectancy theory based on these assumptions has three key elements: expectancy, instrumentality, and valence. A person is motivated to the degree that he or she believes that:

- Effort will lead to acceptable performance (expectancy);
- Performance will be rewarded (instrumentality);
- The value of the rewards is highly positive (valence);

Expectancy according to Vroom's theory is a person's estimate of the probability that job-related effort will result in a given level of performance. It is based on probabilities and ranges from 0 to 1. Instrumentality on the other hand is an individual's estimates of the probability that a given level of achieved task performance will lead to various work outcomes. As with expectancy, instrumentality ranges from 0 to 1. Similarly, valence is the strength of an employee's preference for a particular reward. Thus, salary increases, promotion, peer acceptance, recognition by supervisors, or any other reward might have more or less value to individual employees. Unlike expectancy and instrumentality, valence is positive. At the other extreme, valence is negative. Consequently, if an employee is indifferent to a reward, valence is 0. The total range is from -1 to 1. Vroom maintain that reward has a valence because it is related to employee's needs. Valence then provides a link to the need theories of motivation.

Vroom suggests that motivation, expectancy, instrumentality and valence are related to one another. Explained by the equation below:

Motivation = Expectancy X Instrumentality X Valence.

The multiplier effect remains significant; meaning that higher levels of motivation will result when expectancy, instrumentality and valence are all higher than when they are all low.

3. Methodology

The study adopts the survey research design and used the instrument of questionnaire for data collection. The population of the study was drawn from the following state ministries: Education, Health, Sports and Youths, Agriculture, Commerce and Industry, Works, Public Utilities, Urban and Regional Planning, Finance, Budget and Planning, etc.

The total population of the study is 819 and adopted the Taro Yameh's formula to determine a sample size of 486. The data sources consist of primary and secondary sources, validity of the questionnaire was done by presenting it to the experts for corrections and inputs (face validity) and also were strictly based on the research question (content validity). The reliability test was conducted by way of carrying out a pilot study and subjecting the outcomes of the pilot study to Cronbach Alpha statistic.

Hence, a reliability ratio of 0.82 (82%) was obtained. Data analysis was committed to descriptive statistics of mean, and standard deviation. Correlation analytical technique was used to test the hypotheses. The computations were aided by statistical package for social sciences (SPSS) version 23.

The formula for correlation is:

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{(n\sum x^2 - (\sum x)^2)(n\sum y^2 - (\sum y)^2)}}$$

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The decision rule: Reject null hypothesis if P-value is less than 0.05 level of significance (P-value < 0.05) otherwise accept.

- Research question 1: what is the relationship between payment of salaries and affective employee commitment?

S/No	Item	SA	A	UN	D	SD	N	Men	Std. Dev.
1	Payment of salaries helps to achieve affective employee commitment	185	99	30	33	41	388	3.91	0.85
2	Some employees are prepared to stay with the organization and become ambassadors of the organization when handsome salaries are paid.	201	156	8	16	7	388	4.36	1.21

Table 1: Respondents' Responses on the Relationship between Payment of Salaries and Affective Employee Commitment
Field Survey (2020)

The table.1 above presents data of respondent's responses and the result reports a strong agreement on the opinion of relationship between payment of salaries and affective employee commitment, accounting for a grand mean of 4.14. The results further shows that the respondents agreed to the fact that: payment of salaries helps to achieve affective employee commitment with a $x \pm S.D$ of 3.91 ± 0.85 ; and with $ax \pm S.D$ of 4.36 ± 1.21 in responding that some employees are prepared to stay with the organization and become ambassadors of the organization when handsome salaries are paid.

- Research Question 2: What is the relationship between payment of salaries and continuance employee commitment?

S/No	Item	SA	A	UN	D	SD	N	Men	Std. Dev.
3	Payment of salaries triggers continuance employee commitment	183	127	29	18	31	388	4.06	0.95
4	Many employees do not underrate the consequences of leaving their organization hence they remain with the organization if properly paid.	170	153	33	20	12	388	4.16	0.10

*Table 2: Respondents' Responses on the Relationship between Payment of Salaries and Continuance Employee Commitment
Field Survey (2020)*

Table 2 above presents data from responses by respondents on the relationship between payment of salaries and continuance employee commitment. The results accounted for a grand mean of 4.11 which implies that majority of the respondents affirmed to the statements. Results also indicated a high level of agreement by the respondents on the opinion that payment of salaries triggers continuance employee commitment as the result disclosed a mean of 4.06 and standard deviation of 0.95. Similarly, the majority of the respondents agreed to the item statement that: many employees do not underrate the consequences of leaving their organization hence they remain with the organization if properly paid (with a $x \pm S.D$ of 4.16 ± 0.10).

- Research Question 3: How does payment of wages influence normative employee commitment?

S/No	Item	SA	A	UN	D	SD	N	Men	Std. Dev.
5	Payment of wages as at when due is a tool for enhancing normative employee commitment	194	162	9	13	10	388	4.33	1.19
6	Sometimes, management finds it difficult to pay wages hence poor normative employee commitment.	131	191	39	20	7	388	4.08	1.03

*Table 3: Respondents' Responses on the Relationship between Payment of Wages and Normative Employee Commitment
Field Survey (2020)*

Results in table. 3 above disclosed a good agreement by the respondents on their opinion on the relationship between payment of wages and normative employee commitment. With a grand mean of 4.21, respondents agreed to the facts that payments of wages as at when due is a tool for enhancing normative employee commitment with a $x \pm SD$ of 4.33 ± 1.19 ; management finds it difficult to pay wages hence poor normative employee commitment (with a $x \pm S.D$ of 4.08 ± 1.03).

- Research Question 4: How does offer of bonus affect continuance employee commitment?

S/No	Item	SA	A	UN	D	SD	N	Men	Std. Dev.
7	Offer of bonus to employees helps to achieve continuance employee commitment	211	109	43	14	11	388	4.28	1.07
8	Some employee only feels the need to stay in the organization given the ability of management to offer them bonuses. commitment.	207	115	41	16	9	388	4.28	0.99

*Table 4: Respondents' Responses on the Relationship between Offers of Bonus and Continuance Employee Commitment
Field Survey (2020)*

Result in table.4 shows a high agreement by the respondents on the opinions with a grand mean of 4.25. With a $x \pm SD$ of 4.28 ± 1.07 and a $x \pm SD$ of 4.28 ± 0.99 , the results shows that the respondents affirmed to the statements.

3.1. Testing of Hypotheses One

Hypotheses associated with the study were tested in order to find out whether the difference in opinion was significantly affect to draw conclusion:

- Hypotheses One: There is no significant relationship between payment of salaries and affective employee commitment.

Item	Mean	Student Deviation	Correlation Coefficient	P-Value
Salaries	3.91	0.85	0.95	0.001
Affective employee commitment	4.14	1.03		

Table 5: Correlation Analysis between Payment of Salaries and Affective Employee Commitment
SPSS Correlation Analysis Output (2020)

The result on table 5: above presents a significant relationship between payment of salaries and affective employee commitment with a p-value of 0.001 less than the 0.05 level of significance, and 0.95 correction coefficient value. Thus, reject the null hypothesis and accept the alternative.

- Hypothesis two: payment of salaries does not significantly affect continuance employee commitments.

Item	Mean	Standard Deviation	Correlation Coefficient	p-value
Payment of salaries	4.06	0.95	0.97	0.001
Continuance employee commitment	4.11	0.97		

Table 6: Correlation Analysis between Payment of Salaries and Continuance Employee Commitment
SPSS Correlation Analysis Output (2020)

The result on table 6 presents the correlation analysis between payment of salaries and continuance employee commitment. The result reports a p-value of 0.001 and correlation coefficient value of 0.97 at 0.05 level of significance. From the result $0.001 < 0.05$ level of significance, thereby rejecting the null hypothesis and accepting the alternative hypothesis which states that payment of salaries significantly affects continuance employee commitment.

- Hypothesis Three: Payment of wages does not significantly influence normative employee commitment

Item	Mean	Standard Deviation	Correlation Coefficient	p-value
Payment of wages	4.33	1.19	0.91	0.001
Normative employee commitment	4.21	1.11		

Table 7: Correlation Analysis between Payment of Wages and Normative Employee Commitment
SPSS Correlation Analysis Output (2020)

The result on table 7 presents the correlation coefficient analysis between payment of wages and normative employee commitment. The results show a p-value of 0.001 and correlation coefficient of 0.001 and correlation coefficients of 0.91, indicating the rejection of the null hypothesis and acceptance of the alternative hypothesis which states that payment of wages significantly influence normative employee commitment.

- Hypothesis Four: Offer of bonus does not significantly affect continuance employee commitment

Item	Mean	Standard Deviation	Correlation Coefficient	p-value
Offer of bonus	4.28	1.07	0.10	0.001
Continuance employee commitment	4.28	1.03		

Table 8: Correlation Analysis between Offer of Bonus and Continuance Employee Commitment
SPSS Correlation Analysis Output (2020)

The result on table 8 presents the correlation between offer of bonus and continuance employee commitment. The result shows a p-value of 0.001 and a correlation coefficient of 0.10. The result indicated that p-value $0.001 < 0.05$ level of significance, thereby indicating a strong and positive relationship between offer of bonus and continuance employee commitment.

4. Conclusion

The results of SPSS correlation analysis support the fact that payment of salaries, wages and offer of bonus triggers employee affective, continuance and normative commitment, as shown on the table above. In addition to regular compensation, financial rewards are monetary incentives that an employee earns as a result of good performance. These rewards are aligned with organizational goals. When an employee helps an organization in the achievement of its goals, a reward often follows. The study concludes that financial reward is determinant of employee commitment in the State Civil Service.

To efficiently achieve affective, normative and continuance employee commitment in the State Civil Service, payment of salaries, wages and offer of bonuses by the reward and compensation administration are necessary. Thus, the study concluded that without financial reward, no organization can effectively retain and manage its employees.

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