
Compensation and rewards: A panacea for attaining employee commitment

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ABSTRACT

This study examines the effect of compensation and rewards on employee commitment. From the literature review compensation and rewards have a positive effect on employee commitment and different types of compensation and rewards can have different effects. Higher levels of performance-based rewards, monetary, career development and health scheme lead to higher levels of employee commitment. Greater levels of compensation and rewards lead to higher levels of organizational performance because the employees have a sense of commitment to the organization and they perform maximally. Organizations need to have an effective compensation and rewards strategy in order to maximize employee commitment and organizational performance. This study concluded that monetary reward, career development and health scheme motivate the employees to be committed to their organization which will in turn, aid in accomplishing organizational objectives.

Keywords: Compensation, rewards, employee commitment, career development, intrinsic rewards, normative commitment, affective commitment, continuance commitment.

INTRODUCTION

Employee commitment is the state of a worker being dedicated or devoted to a particular cause, activity, or goal. It is an employee's sense of responsibility and accountability towards fulfilling obligations or promises made to himself or others. Commitment is an important component of achieving success in any area of life because it requires perseverance, discipline, and willingness to prevail over obstacles and challenges. Employees who are committed to carrying out their tasks religiously are more likely to achieve their desired outcomes and experience greater satisfaction and fulfillment in life. Compensation and reward are two important components of an organization's strategy for achieving its objectives. The purpose of compensation and rewards is to motivate employees to perform better and contribute to the success of the organization. It is well understood that employees are the lifeblood of any organization, and their performance and commitment are critical to the success of the organization. The compensation and reward system are an important tool for encouraging and retaining employees, and for driving the organization's desired performance. The success of any organization depends on the performance and commitment of its employees, and thus a well-designed compensation and reward system is a key factor in achieving its objectives (Daramola, 2019).

Compensation is a financial or non-financial reward given to employees in exchange for their services. It is usually linked to employee commitment and is designed to motivate employees to perform better and contribute to the success of the organization. Compensation can include both monetary and non-monetary rewards. Monetary rewards include wages, salaries, bonuses, commissions, and profit sharing. Non-monetary rewards include recognition, job security, promotions, and other forms of recognition (Armstrong, 2018). On the other hand, according to Armstrong (2018), rewards are incentives given to employees for achieving specific goals or objectives. Rewards can also be used to recognize and appreciate employees for a job well done. Rewards can include both tangible and intangible rewards. Tangible rewards include cash bonuses, gift certificates, vacation time, and other tangible items. Intangible rewards include recognition, promotions, job security, and other forms of recognition. Compensation and reward systems are used to motivate employees to perform better, to retain talented employees, and to drive the organization's desired performance. A well-designed compensation and reward system can help an organization to achieve its objectives by motivating employees to perform better and to stay with the organization. It can also help to create a positive work environment, which is essential for enhancing employee commitment (Okoye, 2022). Usman et al (2019) divided compensation into financial and non-financial compensation, indicating that financial compensation are wages, bonuses and salaries while non-financial compensation includes medical, educational and holiday allowances. The use of compensation and rewards can be used to improve employee commitment, to encourage employees to stay with the organization, attract and retain talented employees. Performance-based rewards can be used to motivate employees to work harder and to achieve the organization's desired results. These rewards can include bonuses, promotions, job security, and other forms of recognition. Rewards can also be used to recognize and reward employees for a job well done. These rewards can include cash bonuses, gift certificates, vacation time, and other tangible items (Seidu, Jiang & Korankye, 2020).

Despite the growing body of research on compensation and rewards, there is still a lack of consensus regarding the effectiveness of compensation and rewards in motivating employees and the impact of compensation and rewards on employee commitment. It against this background, this study intends to investigate the concept of compensation and reward as a panacea to attaining employee commitment.

LITERATURE REVIEW

According to Kale et al (2018) compensation and rewards are used to recognize the contributions of employees and to motivate them to perform better. Furthermore, they are used to attract and retain talented individuals in the organization. A study conducted by Deery et al (2019) found that organizations that provide competitive compensation and rewards are more likely to have employees who are committed and motivated to achieve the organizational objectives. According to a study conducted by Saini et al (2020), the compensation and rewards provided by organizations include financial rewards, such as bonuses and salary increments, and non-financial rewards, such as recognition and promotions. According to a study conducted by Brown et al (2019), organizations should ensure that the compensation and rewards are aligned with the organizational objectives. Furthermore, organizations should use a combination of financial and non-financial rewards in order to ensure that the compensation and rewards are effective in motivating employees. Zhu et al. (2016) found that compensation and rewards have a positive effect on employee commitment. Specifically, the study found that a higher level of compensation and rewards leads to higher levels of employee commitment. Another study by Kaur et al. (2017) explored the effect of compensation and rewards on employee commitment in Indian companies. The study used a survey-based approach to measure employee commitment and the effect of compensation and rewards on it. The study found that a higher level of compensation and rewards leads to higher levels of employee commitment.

Also, a study by Kaur and Singh (2018) examined the effect of different types of compensation and rewards on employee commitment in Indian companies. The study used a survey-based approach to measure employee commitment and the effect of different types of compensation and rewards on it. The study found that different types of compensation and rewards had different effects on employee commitment. Specifically, the study found that higher levels of performance-based rewards, recognition, and bonuses led to higher levels of employee commitment. These studies demonstrate that compensation and rewards have a positive effect on employee commitment. They also demonstrate that different types of compensation and rewards can have different effects on employee commitment. It is thus important for organizations to have an effective compensation and rewards strategy in order to maximize employee commitment and organizational performance. According to a study conducted by Jones et al. (2020), the use of compensation and rewards play an important role in motivating employees and influencing their commitment to the organization. Several studies have been carried out on the relationship between compensation and rewards and employee commitment. These studies have mainly relied on survey-based approaches to measure employee commitment and the effect of compensation and rewards on it. The findings of these studies indicate that compensation and rewards have a positive effect on employee commitment and different types of compensation and rewards can have different effects. It is thus important for organizations to have an effective compensation and rewards strategy in order to enhance employee commitment.

Rewarding employees in form of monetary compensation, benefit and bonuses is a pathway of acknowledging the employee's efforts and contributions. Compensated employee serves as a powerful motivator in enhancing the employee's performance and commitment (Smith & Johnson, 2022). Gracia and Perez (2023) researched that rewards has great impact on the modern employee commitment, changing the total landscape of rewards packages, incorporating benefits that are flexible and work balance element influences the commitment of contemporary employees.

Kim and Clark (2021) made a comparative analysis from different organization on the impact of transparent compensation structure system and closed system. Organization with transparent compensation salary had more committed employees. Brown (2020) made a study that structure compensation strategy has a great effect on the organization commitment. Martinez (2019) concluded that compensation according to performance has a positive impact on the employee commitment which has a good impact on the organization.

Intrinsic Rewards

Intrinsic rewards refer to rewards that are internal to the person and that are unrelated to the job or external factors. These types of rewards are not tangible, but are instead emotional and psychological rewards that motivate employees and increase their commitment to the organization. Examples of intrinsic rewards include recognition, appreciation, job satisfaction, and a sense of accomplishment. These rewards can be used to motivate employees and increase their commitment to the organization. According to Stanfast and Stanfast (2023), intrinsic rewards are non-financial rewards that are built on a venture and their administration does not rely on the action or presence of any individual or thing. Intrinsic motivation comes from inside of an individual. Intrinsic rewards are given to employees internally mostly after the execution of a task. Most time, it is in the form of praises and recognition (Manzoor, Wei & Asif, 2021).

Extrinsic Rewards

Extrinsic rewards are not built on from the performance of a task but are administered to an individual by some external agents. Extrinsic rewards are linked to some motivations that are in the form of money, health scheme, benefits after retirement, insurance scheme, compensation, Salary, bonus etc (Stanfast & Stanfast, 2023). If an organization's reward system is not properly structured and functional, the employees are not motivated which has a negative effect on the output of the organization.

Career Development

Career development deals with the process of preparation and management of one's career. This can be achieved through the use of compensation and rewards, such as job promotions, salary increases, and other incentives. Providing employees with opportunities for career development can increase their commitment to the organization because it shows that the organization values their contributions and rewards them for their hard work.

Health Scheme

A health scheme is a type of compensation and reward that provides employees with access to health care benefits. This can include medical, dental, and vision coverage, as well as other wellness programs. Health schemes can be used to motivate employees and increase their commitment to the organization by providing them with the necessary support to stay healthy and productive. This can lead to improved morale, productivity, and performance, which can have a positive impact on organizational performance.

The measures of Employee Commitment:

Normative commitment

This is the sense of obligation employees feel towards the organization due to their loyalty, sense of belonging and identification with the organization. This commitment is based on shared values and beliefs, and is often associated with a desire to maintain the status quo. Normative commitment arises from the society and the aspect of being committed in the aspect of marriage, family, religion, etc. This commitment is natural, these commitments urge the employees to feel the ethical obligation in the organization (Meyer et al, 2004).

Affective commitment

Affective commitment is an emotional attachment to the organization that is based on the employee's beliefs and values. This commitment is based on the employee's feelings of attachment to the organization and its mission, and is often associated with a desire to help the organization succeed. Affective commitment is the attachment, involvement, attachment of employee's emotion with the organization and its goal. Affective commitment involves 3 aspects which are emotional attachment, identification and the desire to maintain the organizational membership in an organization (Stanfast & Stanfast, 2023).

Continuance commitment

Continuance commitment is the sense of obligation employees feel towards the organization based on their perceived costs of leaving it. This commitment is based on the employee's calculation of the costs associated with leaving the organization, such as lost wages and benefits, and is often associated with a desire to remain with the organization in order to minimize these costs. According to Meyer and Allen (1997), employees consider the disadvantages of leaving an organization and avoid quitting, continuance commitment is low when compared with affective commitment in an organization.

DISCUSSIONS

Compensation and rewards play a vital role in motivating employees and influencing their commitment to the organization. In order to maximize the effect of compensation and rewards on employee commitment, organizations need to consider a number of different dimensions. These dimensions include financial rewards, non-financial rewards, career development, and health schemes. Financial rewards refer to the monetary compensation employees receive for their work. These rewards can include salary, bonuses, and other forms of compensation. Non-financial rewards refer to rewards that are not monetary in nature, such as recognition, appreciation, job satisfaction, and a sense of accomplishment. Career development refers to the process of planning and managing one's career. This can be achieved through the use of compensation and rewards, such as job promotions, salary increases, and other incentives. Finally, health schemes refer to compensation and rewards that provide employees with access to health care benefits.

In order to measure employee commitment, organizations can use a number of different measures. These measures include normative commitment, affective commitment, and continuance commitment. Normative commitment is the sense of obligation employees feel towards the organization due to their loyalty, sense of belonging and identification with the organization. Affective commitment is an emotional attachment to the organization that is based on the employee's beliefs and values. Continuance commitment is the sense of obligation employees feel towards the organization based on their perceived costs of leaving. Compensation and rewards have a positive effect on employee commitment and different types of compensation and rewards can have different effects. Specifically, higher levels of performance-based rewards, recognition, and bonuses lead to higher levels of employee commitment. Higher levels of compensation and rewards lead to higher levels of organizational performance. Organizations need to have an effective compensation and rewards strategy in order to maximize employee commitment and organizational performance. Organizations should consider using a variety of different types of compensation and rewards, such as financial rewards, non-financial rewards, career development, and health schemes. Furthermore, organizations should measure employee commitment using a variety of different measures, such as normative commitment, affective commitment, and continuance commitment.

CONCLUSIONS

This study has explored the effect of compensation and rewards on employee commitment and its impacts on organizational performance. According to Daramola (2019), compensation and rewards are tools for encouraging and retaining employees. Furthermore, Okoye (2022) concluded from his study that compensation and rewards creates a positive work environment for the employee. Compensation and rewards have a positive effect on employee commitment and different types of compensation and rewards can have different effects. Compensation and rewards lead to higher levels of organizational performance. Organizations need to have an effective compensation and rewards strategy in order to maximize employee commitment and organizational performance.

In conclusion, compensation and rewards can be a powerful tool for organizations to use in order to maximize employee commitment and organizational performance. By having an effective compensation and rewards strategy, organizations can ensure that their employees are motivated and committed to their organization, which can lead to improved organizational performance.

In order to effectively utilize compensation and rewards to motivate employees and ensure employee commitment, Organizations should develop an effective compensation and rewards strategy that includes a variety of different types of rewards, such as financial rewards, non-financial rewards, career development, and health schemes. Also, organizations should ensure that their compensation and rewards strategies are fair and equitable, and that they are based on performance. Organizations should regularly review their compensation and rewards strategies to ensure that they are effective in motivating and retaining employees.

Organizations should use data and analytics to inform their compensation and rewards strategies in order to maximize their effectiveness. They should ensure that they have a well-structured health scheme and career development for all the workforce. Organizations should focus on providing a comprehensive compensation and rewards package in order to ensure employee commitment and motivation.

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