Chapter 9

Compensation Policies and Employee Continuance Commitment in Business Orgaisation

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Abstract
Compensation is one of the most complex and dynamic issues in the field of human resource management. For an organization to achieve its stated objectives, there is the need to effectively manage the human resources aspect of the organization, taken into cognizance one of the core aspects of resource management known as compensation. The ability of a manager to achieve its stated objectives to a large extent depends on the effective implementation. Employee's commitment is of a critical importance for the success of an organization since it influences the key employee related variables such as absenteeism, low productivity, low morale, labour turn over and other negative tendencies.

Introduction

Compensation plays a crucial and functional role because it is the heart beat of human resource management. It is also vital to both employees and the employer. This is because employees typically depend on wages and salaries, and must be equivalent to the work done. However, to managers, compensation decisions influence the cost of doing business and thus, their ability to sell at a competitive price in the product market (Barry et al, 1995)It is an obvious fact that effective implementation of favorable compensation will not only aid in stabilizing and retaining employees but also helps in reducing labour turnover within the organization.

Employees' compensation can be seen as all forms of financial returns and tangible benefits that employees receive as part of an employment relationship. It can be referred to as the totality of the financial and non-financial rewards an employee receives in return for his/her labor or services.. Compensation refers to the process of establishing the structure of wages level for the various positions designing incentive systems, setting individual wages and incentives within the established structures. It is an integral part of human resources management that affects the performance of employees because it establishes the degree of relationship between employer and the employee. The manufacturing sector is one of the sectors responsible for the food and beverage industry. It is one of the sub-sectors of the manufacturing sector but responsible for the manufacturing of daily products, beverages, seasoning, convenience foods confectionaries and staple foods.

In the age of global competition, it is very essential to identify and retain the efficient, competent and knowledgeable employees in organization by developing and maintaining an effective compensation program for getting the best job performance from the employee (Akter & Moazzam, 2016).Employees are the organization's key resource and the success or failure of organizations center on the ability of the employers to attract, retain, and reward appropriately talented and competent employees. Employees' willingness to stay on the job largely depends on compensation packages of the organization (Armstrong, 2003). In an attempt to ensure employees optimal performance and retention, organizations need to consider a variety of appropriate ways to reward the employees to get the desired results (Falola et al., 2014). It has been argued that the degree to which employees are satisfied with their job and their readiness to remain in an organization is a function of compensation packages and reward system of the Organization (Fadugba, 2012).

Compensation Policies

Adeniyi (2013) posit that the fundamental task in human resources management is compensation management. It is a complex task that occurs periodically, demand accuracy and must not be delayed. Compensation management requires integrating employees' processes and information with business process and strategies to achieve optimal organizational goals and objectives (Adeniyi, 2013). This can be attributed to the fact that compensation is an essential tool to integrate individual efforts with strategic business objectives by encouraging employees to do the right things with ever improving efficiency. (Adeniyi, 2013). In other words, compensation is' a powerful means of focusing attention within an organization. They send clear .messages to all employees of the, organization informing them about expected attitudes and behaviors (Schell and Solomon, 2007). Milkovich and Newsman, (2002) argued that compensation system can create and sustain a competitive advantage for organizations. In recent years, the inclusion of non-financial measures has gained some popularity in compensation, while some schools demonstrate positive effects of incorporating non-financial measures in to the compensation system empirically (Widmier, 2002). He further states that, human resources model of compensation generally assume that higher performance requires greater effort or that is in some other ways associated with disutility on the part of workers. In other to provide incentives, these models predict the existence of reward systems that structure compensation so that a worker expected utility increase with' observed productivity.

Compensation packages entail some basic features that tend to make employees satisfy on their job amongst which includes salaries, bonuses, incentives, allowances, promotion, recognition (Werner 2001) All these have significant impact on employees' performance (Martineau et al., 2006). However, to avoid wrong perception and controversy by the employees, compensation system must be clearly communicated to employees with job measurement which will drive the much needed performance in the employees (Yamoah, 2013). Hsin-His, (2011) posit that compensation is a significant tool in human resources. An effective compensation system design significantly influences organizational development by revealing external competitiveness, internal equity and individual equity. External competitiveness attracts talent, and internal equity helps companies to retain talent by ensuring that employees and colleagues making the same contributions obtain the same compensation. Individual equity allows employees to feel that their potential is fully rewarded; thus, they are encouraged (Hsin-His 2011). Although compensation means something different to individuals, organizations and society, it is important to all. For individuals, compensation is not only the return of benefits, but it also reflects on individuals' capabilities or achievements (Ali, 2009). For organizations, compensation is a cost or expenditure, as well as an important tool to obtain competitive advantages. Within society, compensation not only influences wealth distribution, but also symbolizes social equity and justice (Hsin-His, 2011).

Compensation is all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship (Akter & Moazzam 2016) compensation surrounded by the employee wages and salaries, incentive-payments, bonuses, and commissions. Employee compensation contains all forms of pay and rewards received by employees for the performance of their jobs (Snell & Bohlander, 2010). According to Dessler (2011) employee compensation means all forms of pay or rewards going to employees and arising from their employment and it may be direct financial payments (Pay in the form of wages, salaries, incentives, commissions, and bonuses) and indirect financial payments (Pay in the form of financial benefits such as insurance).

Performance-Based-Compensation- In 1988, Baker, Jensen, & Murphy provided an explanation on performance-based compensation plans, indicates that explicit financial rewards are an important part of a worker's compensation. Delery and Doty 1996 in Akter and Moazzam (2016) demonstrated performance-based compensation as the single strongest predictor for job performance. Furthermore, a study conducted on compensation and performance (Pfeffer, 1998 in Akter & Moazzam 2016) associated with performance-based incentive program at every level of an organization. Besides that, Banker, Lee and Potter (2000) focused on performance-based compensation which increase an organization's overall productivity by attracting and retaining more productive employees. In contrast, individual performance evaluation may involve discretion and subjectivity, as well as nonfinancial and financial performance criteria which also concerns with the compensation policy and strategy.

Competency-Based-Compensation- The word competency was brought into the public arena in the USA in the early 1980s by Boyatzis (1982). He defined competency as an underlying characteristic of an individual which is causally-related to effective or superior performance. According to Liebegott (2015), Competency-based compensation policy is a pay structure that rewards employees based on how well they perform in the workplace, rather than the hierarchy of their position or years of experience. With a competency-based compensation policy, the only thing standing between the employees and a greater wage is how much they contribute and how well they perform. With this method employees often more likely to take a greater initiative and contribute competitive advantage for the organization. For creating a culture of self-improvement and wide productivity is through a competency-based compensation policy or structure. This compensation structure offers a tangible reward for the employees who are dedicated to growing their skills and improving themselves. When the employees dedicate their time-even outside of the 40-hours per week to growing organization's products and services, they will not only contribute to the success of the company, but also be motivated by the compensation structure they receive for their dedication from the organization.

On the other hand, Competency or skill based pay is a compensation system that rewards employees with additional pay in exchange for formal certification of the employee's mastery of skills, knowledge, and/or competencies (Gerald et al., 2011). Besides , Armstrong and Brown (1998), investigated that competency frameworks have a role in main HR functions in as many as 70 per cent of organizations and competencies are used mainly in performance management, recruitment and selection, and training and development (Competency and Emotional Intelligence Benchmarking Survey, 2002). However, this distinction is not always clear in the subsequent literature, or certainly in practice. Armstrong (1999), for example talks about hard or work-based competences which are expectations of job performance and the standards of outputs (Neathey & Reilly, 2003).

Equity Based-Compensation- The general idea of equity based compensation is to offer employees a share of the company's future profits in exchange for lower (or sometimes zero) salaries up front. For maintaining equity-based compensation policy a consulting lawyer is needed before making any formal offers (Bhashyam, 2014). Equity based compensation not only lessens the up-front financial burden of paying out sky-high salaries, but it also attracts employees who are committed to working harder in order to ensure their financial wellbeing and the success of the company. Equity compensation, no matter the form, is typically subject to restrictions. Most importantly, equity compensation is usually subject to vesting, which means that an employee must hit certain performance or time-based (more common) milestones in order for all of the stock. How much of one's compensation is in salary and how much is in equity depends less on the role (business development, engineer) and more on company maturity. Equity-based pay spread at explosive rates in the United States during the 1990s. Morgenson, (1998) reports that in 1997, the 200 largest U.S. companies had reserved more than 13 percent of their common shares for compensation awards to managers, up from less than seven percent eight years earlier (Ofek & Yermack, 2000). A study (Mehran 1995) showed that equity-based compensation is used more extensively in firms for ensuring maximum performance. Arnolds and Boshoff (2002) demonstrated a link/relationship between the job performance, job satisfaction and individual personality differences on which there is a effect of equity based pay among people which are also related with compensation policy.

Salary

There are many factors of pay (Millvier & Newman, 2005) research perform that may be form of individually and may be form of multiple performance pay plan different qualities can consider the efficient of degree to perform merit pay to performance, bonus long incentives first of all merit pay is form of reward and individual function of their individuals performance and rating (Henenman & Warner, 2005) the pay plan is most common by employee performance appraisal (Chani,1998) meant by pay has been frequently use in the organization. (Pak, 1984; Alson,1990) number of recent survey 80 to 90 percent organizations use merit pay (Heneman & Wamer, 2005) . Bounces pay is monetary reward gives to employee in addition to their fix compensation (Millovian & Newman, 2005). This pay plan in base on individual performance but bonuses does pay and their not performance (Suman & shout, 2000).There are reward like the long term growth as well as employee relation (Rousse & hou, 2000) mostly form of cash in and stock (Rasch & Lesson,1984). The length and performance pay plan mostly are their (elling, 1982) long term incentive also generate some problem of their liquidity long term incentive cantonal get immediately value because requirements on reward convicted in to cash. Performance related pay directly impact the workers performance creating the output through pay and workers has more able to give pay structure according to the performance (Lazear,1986) Sheer (2004) some results for their expected tree sampling allocated to price fixed rate. The role of employee performance linking to bounces to improve the productivity Bandied re et al (2007).The relation of pay and performance is dirtily linking (1999) worker has a fixed pay in a period of time and give incentive for their good performance give the pay for shorter term incentive give the power job shorter oriented. The performance related pay is one kind or another is most OECD member countries mostly senior managers and new mangers or employee. The performance policies in the reference of economics and some other problems faced OECD countries in the mid-1970.It can improve the individual motivation improve the performance of the employee in this context performance related pay refer to system linking the performance it based on the organizational accountably measure individual outputs individual output of the organizations performance pay can be manage value of potential references (Denmark; Finland, Korea, Newzland) (OECD 1993; OECD, 1997).

Incentives and Rewards

Reward can generate as important role for employee performance. A good employee feel that value of the company is working for the also enhance the batter work they are well being. Taken seriousness by their employee and their career self assessment also taking care by their commonalty employee are the big part of organization like engine of the organization which else and fund the reward knows organization scan attain any objective with its employee (Akerale,1991) also blame the productivity of the workers on several factors provide adequate failure compensation for hard work (Mark & ford 2001). Mention the real success of organization from employee from employee willingness to use their creativity and among how the employee increases the positive employee inputs and rewards practices in place. The importance of motivating employees cannot enough in organizations context motivated employee highly productive more efficiency providing and willing to performing taking in the organizations (Hurtreatal 1990; Entwested 1987) in views that if the employee performance efficiently more than ten leaders to organizations rewards as a result of employee performance.

The highly motivated employee build advantages for their company and leads the organizations of its objectives (Rizal & ali,2010).This paper impact of reward dimension on employee performance with special reference to highly companies. According to (Hasiban 2003) that job satisfaction effects the level of employee performance which means that satisfaction derived from therefore declaration of employee so good so that if job satisfaction is mean moral decline and support of the organization objective (Hasbuan, 2003). According to grisly and Brown (1950) and Johson, (2008), arguments that have five factors that have increases job satisfaction position ranks age financial guarantee and influence job satisfaction consist on psychology factor and social factor. A pay is the key determination but experience rewards is study indicate more complex and difficult. The another study impact of pay menagerie level that may be tailed to satisfy the key motivational rewards for effective performance (Olce 1993; Olce 1997) Reward is the most important element to eliminate employee for paying their best efforts to generate the innovation and the new ideas in cress the company performance financial and noon financial Dewhurst et al(2010) relationship of the manager supervisor reward power positivity linked with employee performance more productivity ,satisfaction and turnover and organization citizenship behavior (Simon,1976; More & Hunt 1980; Jahangar, 2006). Dee (1994) says that motivation of employee productivity can be enhance provide effective recognition which provide the result improve the performance of organization. He entire second of the organization that the employee motivated to assessment the performance of job compensation abacus at all 2003). The ability to organization is accommodates the needs employees their performance 1960). Inside the commitment towards their organization and their work play a critical role (Eisenbegal, 1992).

By definition, incentives are an external persuading factor that encourages the motive which positively directs the individual into working harder, matching the required performance in the institution, as to get the incentive. Incentives are also defined both as methods used by institutions to encourage employees to work with high spirits and also as concrete and moral methods of satisfying the individuals' moral and material desires. Palmer (2012) defines incentives as the external temptations and encouraging factors that lead the individual to work harder; they are given due to the individual's excellent performance since he will work harder and produce more effectively when he feels satisfied in the institution. In addition to this, incentives can also be defined as the consideration of the excellent performance, assuming that the salary is enough to make the worker appreciate the value of the job that also satisfies his basic needs in life (Palmer, 2012).
Practically, incentives refer to all of the concrete and moral methods that Jordanian travel and tourism institutions give in order to positively encourage the employees in a way that increase the production rate and enhance the employees' performance, which has its importance in satisfying the employees' desires and guarantee a loyal attitude towards the institution.

The idea of incentives triggers much consideration especially from the beginning of looking for qualified employees who are able to efficiently achieve the institution's goals; it is because incentives play a major role in the employees' productivity. The importance of incentives originates from the need for the employee to be recognized and appreciated for his or her efforts. Actually, appreciating people for their efforts by giving them incentives is a very significant factor in satisfying the internal desires of an individual. The individuals' own skills are not enough to let them work with high productivity unless there is an incentive system that encourages their internal motives and then leads very hardworking efforts (Locke & Braver, 2008).
A successful organization is the one which can efficiently exploit its employees' skills and qualifications. Therefore, scholars have worked hard as to come up with a comprehensive description of how to enhance the professionalism of the employees and how the administration chooses active individuals, and also how to connect the institutions' goals to the personal objectives of the individuals which will improve their performance. It is plausible to say that successful organizations set an active incentive system capable of affecting the employees' performance in a

way that pushes them into working harder and maintaining the goals of the institution. In addition, it is noticeable that motivating employees may help them to overcome a lot of their obstacles at work (Palmer, 2012). On the other hand, for the administrator to be incentivizing, he must try to create confidence and an environment of tranquility, security and respect in an honest and actual manner. One must know that appreciating or people's work and praising their achievements do not affect one's own success, so one must do this directly to who deserves it or just in front of a group of people by praising their accomplishment (Locke & Braver, 2008).

Concept of Employee Commitment

The concept of employee commitment derives from an article entitled The organization Man written by Whyte in 1956 (Dixit and Bhati, 2012). It refers to the willingness of social actors to give their energy and loyalty to social systems, the attachment of personality systems to social relations, which are seen as self-expressive (Dixit and Bhati, 2012). Brown (1969) defines commitment as (1) something of the notion of membership; (2) it reflects the current position of the individual; (3) it has a special predictive potential, providing predictions concerning certain aspects of performance, motivation to work, spontaneous contribution, and other related outcomes; and (4) it suggests the differential relevance of motivational factors (Ledum, 2016).

In his own view, Silas (2015) described commitment as that state of being in which an individual becomes bound by his action and through these actions to beliefs that sustain the activities of his own involvement. Mowday in Dixt and Bhati (2012) defined commitment as the relative strength of an individual's identification with and involvement in a particular organization. Committed employees actually show high level of consistency in their participation and dedication to organizational activities. They do not give flimsy excuses why a task or goal cannot be accomplished. Employees who are usually absent from meetings, and ongoing projects cannot be said to be committed.

Okpu and Jaja (2014) outlined the following definitions of employee commitment given by various authors-

Porter et al. (1974) defines organizational commitment as- an attachment to the organization, characterized by an intention to remain in it; identification with the values and goals of the organization; and a willingness to exert extra effort on its behalf. Becker (1960;32) posits that-commitment comes into being when a person, by making a side bet, links extraneous interests with a consistent line of activities.

Mowday, et al. (1979) define commitment as- the relative strength of an individual's identification with and involvement in a particular organization characterized by strong acceptance or a belief in an organization's goals and values; willingness to exert effort on behalf of the organization; and a strong desire to maintain membership of the organization. Organizational commitment is a behavioural intention or reaction, determined by the individual's perception of the normative pressure. It is an individual's psychological bond to the organization, including a sense of job involvement, loyalty and belief in the values of the organization.

Allen and Mayer (1990) claimed that commitment is a psychological state that binds the individual to the organization. Committed employees have a sense of binding or link to the organization; an obligation to remain and contribute unsparingly to the success of the group they belong. Employee's commitment in the view of Meyer and Allen (1997), is a psychological state that characterizes the employee's relationship with the organization and has implication for the decision to continue membership in the organization. A committed employee is perceived to be one who stays with the organization even in turbulent times, attends work regularly, protects company's assets and expends his time and energy willing to help achieve group goal.

Daan (2013) described employee's commitment in the following ways-

(i) The extent to which an employee is being bound to a goal or the determination in respect of a goal, regardless of the origin of the goal in his/her organization.
(ii) The extent to which a staff believes in a goal and wants to achieve as long as it has to do with the organization
(iii) A psychological state that binds an individual to the organization.
(iv) Connection to a job- the probability that someone continues to work in that job and feels psychologically bound to it. This is regardless of whether it is fulfilling or not.
(v) Someone's attitude towards their work.

CONCLUSION

From the foregoing, commitment is construed as a driving force that makes an individual to act in certain ways that benefits organizations. A committed employee is one who is loyal and identifies with the goals and values of the organization. Employee's commitment can be described as a sustainable binding force or mind-set that propels an individual to stay and work dedicatedly and wholeheartedly to achieve organizational or unit goals. Employee's commitment is synonymous to employee's bond to the organization.

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