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*Full Length Research Paper*

# **An assessment of compensation determinants and its impact on employee commitment in private tertiary institutions in Ghana**

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## **ABSTRACT**

**The main aim of the study was to identify compensation determinants and how rewards can be made meaningful so as to increase employees' organisational commitment. The objectives of the study were to determine whether entitlement-orientation to rewards influences organisational commitment; and to ascertain whether financial rewards increase organisational commitment of academic staff. The study employed descriptive survey design in gathering data from 157 academic staff, from a total number of seven private tertiary institutions which were selected through stratified sampling. Respondents from these seven private tertiary institutions were conveniently and purposively selected. The study observed that compensation was determined by both internal and external factors; tenure and job position positively influenced the maintenance of organisational membership. It was also realised that, financial rewards only increased continuance commitment but not affective commitment. This study creates awareness and sensitises stakeholders about the impact of ineffective compensation on employees' and institutional performance and how compensation can be tailored to individual needs and wants in achieving both individual and organisational goals.**

**Keywords:** Compensation, entitlement-orientation, organisational commitment, Private Tertiary Institutions.

## **INTRODUCTION**

The changing nature of the work environment has necessitated different management approaches. However, an important and stable factor has been the ways in which managers and employers motivate their workers to help achieve not only the organizational goals but also their own personal ones (Eshun and Duah, 2011). Organizations, whether governmental or non-governmental, profit-making or charitable, domestic or

international, all strive to be effective and efficient. In an attempt to harness the best from employees, organizations are confronted with how to motivate their employees through rewards and recognition. Although reward and recognition seems to be universal, it is complex and painstakingly difficult as a result of the fact that, the work environment is complex and is made up of a heterogeneous workforce. Human beings are by nature

not homogeneous entity. They have a variety of needs, aspirations, as well as differing perceptions of what constitute appropriate rewards and recognition for effective motivation. Thus, motivating workers require an in-depth understanding of the human nature, individual differences and perceptions of appropriate rewards and incentives, as well as a combination of extrinsic and intrinsic rewards (Eshun and Duah, 2011).

Ivancevich (2004, p. 297) defines compensation as “the human resource management function that deals with every type of reward that individuals receive in return for performing organizational tasks”. It is the main reason why most people seek employment. Compensation is also an exchange relationship because employees trade labour and loyalty for financial and nonfinancial compensation such as pay, benefits, services, recognition and other forms of reward (Schuler, 1998). It is an important element in any employment relationship (Malkovich and Newman, 2005).

Early researches on compensation were dominated by the economic philosophy which postulated that best compensation plans satisfied the ‘fair day’s wage for a fair day’s work’ criteria. In this regard, managers and other key people design compensation systems to reflect an economic value of the employee’s contribution to a firm’s bottom-line. Currently, there is a much richer understanding of management scholars regarding what constitutes fairness from employees’ perspectives and how perceptions of fairness affect their work attitudes and behaviours (Folger and Cropanzano, 1998). Thus, issues concerning fairness are critical to understanding employment relationships. According to Brockner et al. (1997), employees are more concerned with procedural fairness than distributive fairness. In other words, employees are more concerned with how compensation is allocated than how much compensation they get.

To employees, compensation transcends economic issues to include issues on trust, work-relationships and ethics. Although compensation enables employees to exchange their labour for economic benefits, it also plays vital social and symbolic roles in the organization. Specifically, it influences the nature of work relationships, employee commitment and performance ([www.link.springer.com-retrieved](http://www.link.springer.com-retrieved) on 26/11/14). According to Rosseau (1995), high-performing organisations are those that create and nurture relational exchanges that are based on trust, mutuality, care and respect. Again O’Reilly and Pfeffer (2000:3) posit ‘great people want to work at great places where they can actually use their talents, where they are treated with dignity, trust and respect, and where they are engaged by the values and culture of the organisation’.

The Ghanaian situation about employee rewards tends to focus primarily on salaries and wage adjustments. The minimum wage in Ghana keeps increasing each year. According to a Ghana News Agency report dated 25th January 2010, ‘at the beginning

of 2010 the daily minimum wage was adjusted from GH¢2.65 to GH¢3.11, indicating a seventeen percent increment. Meanwhile, the Ghanaian government has adjusted the tax-free threshold to GH¢1,584 per annum in order to improve remuneration for low income earners effective May 23, 2013 (<http://www.gra.gov.gh/> accessed 26/11/2014). Currently, the new minimum wage is GH¢ 6 from GH¢ 5.24 indicating a 14.5% increment (<http://www.myjoyonline.com> accessed 14/07/2014).

There have been series of strikes as a result of perceived unfair remuneration and wages. Recently, Polytechnics Teachers Association, Ghana (POTAG) was on strike, asking Government for wages and salary adjustments (<http://news.myjoyonline.com>). This was followed by the University Teachers Association of Ghana (UTAG) who also embarked on a weeklong strike because of unfair wages, salaries, and conditions of work which they claimed did not serve to motivate them to work. Currently POTAG is on strike demanding the payment of book and research allowance by Government.

The Ghanaian government at the beginning of 2010 introduced a new public sector pay policy, the Single Spine Salary Structure (SSSS) as a means to curb the recurring strikes by Ghanaian workers and to motivate workers to stay on the job. SSSS is the new public sector pay policy, which came into effect on 1<sup>st</sup> July 2010, as a unified salary structure that places all public sector employees on one vertical structure with incremental pay points from the lowest to the highest level. This is to ensure that jobs within the same job value range are placed under the same salary category (<http://news.myjoyonline.com> accessed 10/10/2011). Contrarily, the implementation of the SSSS has led to more industrial unrests and labour agitations on the Ghanaian labour front. In the private tertiary institution sector, it appears strikes are non-existent and other manifestations of employee dissatisfaction seem to be in subtle forms. Perhaps, academic staffs in these institutions negotiate their compensation packages individually, or they are generally non-unionised or for the sake of securing their jobs, would not want to publicly demand for better wages and salaries. Hence, this research is to enable an assessment of determinants of compensation and how these influence academic staff organisational commitment in private tertiary institutions in Ghana.

The problem statement of this study is that academic staffs in higher institutions of learning in Ghana are rewarded relatively less than their counterparts in other sectors and other countries. In the words of Tettey (2006, p.10), “unsatisfactory working conditions of academics will only continue to push them towards the attractive lifestyles that they can enjoy in other countries or establishments outside of higher education”. Again, Oni (1987, 1991) and Yesufu (1996) cited in Oni (2000, p.15), in his study on Capacity Building Effort and Brain Drain in

Nigerian Universities assert that, universities in Nigeria have suffered from “intellectual haemorrhage” due to the impact of Structural Adjustment Programme (SAP) (1986-1993), inflation, rapid decline in the value of the naira, and the attractiveness of off-shore employment opportunities for Nigerian scholars.

The situation is worse in private institutions of higher education where most of the senior academic staffs used for accreditation purpose are either on sabbatical or on part-time appointment because they are fully employed by the public universities which have better conditions of service for them (Ajadi, 2010).

Many academic staffs (teaching staffs) have specialised skills that are valued in the job market. This makes it easier for them to engage in remunerative professional activities outside their home institutions in order to supplement typically low salaries. These activities can easily detract from performance and weaken commitment to an institution. This is because academic staffs become less available to students, colleagues and administrators, resulting in the institutional culture being damaged (World Bank, 2000).

Academic staffs (teaching staffs) on regular appointment with private universities are young graduates who are mostly not terminal degree holders. Hence, there is most likely to be shortage of academic staff in private universities in the future if their conditions of service remain unattractive (opp. Cit.). It is against these bottlenecks that this study seeks to investigate the determinants of reward in Private Tertiary Institutions and how rewards can be contextualized and tailored so as to increase employee commitment of Private Tertiary Institutions.

Based on the above problems identified, the study raises the following questions:

- What factors determine rewards in private institutions in Ghana?
- Does reward systems based on tenure have any impact on organisational commitment?
- Do financial rewards have any influence on organisational commitment?

### Objectives of the Study

- The purpose of this study therefore, is to identify determinants of compensation in private tertiary institutions in Ghana.
- To determine whether entitlement-orientation compensation influences organizational commitment.
- To ascertain whether financial rewards increase organisational commitment of academic staff.

### Research Hypotheses

The hypotheses of the study are:

Hypothesis one: **“Entitlement-orientation to compensation influences organisational commitment”**.

Hypothesis two posits **“financial rewards will be related to organisational commitment”**.

Hypothesis three: **“University administrators will perceive reward systems as fair”**.

Hypothesis four: **“Other academic staffs will perceive reward systems as unfair”**.

### Literature Review

Generally, organisations employ compensation as a tool for recruiting, motivating and retaining key talents and human capital needed for organisations’ effectiveness and efficiency. Approaches to compensating employees vary from organisation to organisation depending on internal factors within organisations and other external variables such as; government intervention, union influence, economic conditions, etc (Ivancevich, 2004).

There are two broad approaches namely; the traditional approach and the total rewards approach. The former rewards employees based on the value and worth of their jobs determined through job evaluation. Data gathered from the job evaluation process is then used to set pay ranges for various jobs in the organisation (Schuler, 1998; Mathis and Jackson, 2004). In other words, job evaluation process determines how jobs within organisations contribute to the attainment of corporate goals and objectives usually expressed in their mission statements. The focus is on direct monetary reward.

Total rewards/compensation approach on the other hand comprises of an evaluation of employees’ contribution in order to distribute fairly and equitably both direct and indirect organisational rewards in exchange for employees’ labour and loyalty (Schuler, 1998). It combines both financial (direct and indirect) and non-financial rewards available to the employee (Armstrong, 2006). Ivancevich (2004, p. 335) is of the view that, “Total compensation includes three elements namely; base pay, variable pay and indirect pay”. In other words, it includes direct payments such as wages and salaries and indirect payments such as benefits.

### Determinants of Compensation

The process of setting compensation (pay) levels entails balancing internal equity (the worth of jobs to the organisation through job evaluation) and external equity (external competitiveness of an organisation’s pay compared to other competitors) (Robbins and Judge, 2011). According to Ivancevich (2004), external factors that impact on compensation levels are; the labour market, economic conditions, government interventions and unions.

## External Influences on Compensation

**Labour Market and Compensation:** Methods of compensating employees usually change in response to diversity in the labour market which necessitates varied compensation packages to motivate, satisfy and retain employees (Rosen, 1996 cited in Schuler, 1998). Another influence of a diverse labour market on reward systems is the increasing level of formal education. Usually, people with higher levels of education expect changes in pay and benefits to match the demands of their changing lifestyles (Ivancevich, 2004).

**Economic Conditions and Compensation:** Economic conditions of industry (the extent of competition, political economy, etc) affect organisations' ability to reward employees. The more competitive the environment, the more difficult it is for organisations to pay higher financial compensation. Also, productivity of organisations, industry or sector influences the amount of monetary rewards that organisations can pay to employees (ibid).

**Government Interventions:** Governments all over the world directly influence compensation through setting minimum wages. These wage control mechanisms are put in place to regulate what is paid to employees. For example, the Wage Stabilisation Act (1942) in the USA is a wage freeze to slow inflation during the Second World War. This act set 'going rates' of pay for key occupations. The FLSA of 1938 is a basic pay regulation act in the USA which was enacted to counteract the abuses faced by line workers in the manufacturing sector who were working long hours for low pay (Holley and Jennings, 1997). FLSA covers businesses with two or more employees engaged in interstate commerce, in the production of goods and materials that have been moved in or produced for interstate commerce. The minimum wage in 1938 established by the FLSA was \$0.25 and has increased over the years and stood at \$5.15 between 1997 and 2002 (Department of Labour, 2002). Governments also influence the amount of financial rewards employees are paid by requiring employers to deduct funds such as income tax, social security, health insurance, etc. In Ghana, the National Tripartite Committee, made up of representatives of Government, Employers Association and Organised Labour is the statutory body mandated to set the national daily minimum wage (Act 651, 2003).

**Unions and Compensation:** Labour unions are formal association of workers that promote the interests of their members through collective action. They are organisations that represent workers and seek to protect their interests through collective bargaining (Coulter and Robbins, 2010). Collective bargaining is a mechanism through which organised groups of workers and their employers resolve conflicting interests and pursue agreement over common interests (Katz and Kochan, 2004). Unions impact positively on compensation received by their members (ibid), and even have an effect

on whether or not employees in organisations are unionised (Ivancevich, 2004). If unions are unable to raise the financial rewards of their members, they will be unable to attract and retain members (opp cit).

Empirical research suggests that, the relative union wage effect ranges between 15% and 20% (Blanchflower, 1997 cited in Katz and Kochan, 2004). Other researches show that the wage effects of unions vary over time, over the course of the business cycle, across industries and workers' generation, race, education and age (Katz and Kochan, 2004). In Ghana, the minimum wage keeps increasing each year. According to a Ghana News Agency report dated 25th January 2010, 'at the beginning of 2010 the daily minimum wage was adjusted from GH¢2.65 to GH¢3.11, indicating a seventeen percent increment. Currently, the national daily minimum wage is GH¢4.48. This increment was arrived at after deliberations between labour and employers. In the meantime, the Ghanaian government has adjusted the tax-free threshold from GH¢240 to GH¢1,008 per annum in order to improve remuneration for low income earners ([www.ghananewsagency.org](http://www.ghananewsagency.org) accessed 19/09/14).

## Internal Influences on Compensation

**Labour Budgets:** Labour budgets determine the funds available for annual employee compensation. Usually, organisations do not state the exact amount of money allocated to an employee, but how much is available for the unit, department or division (Ivancevich, 2004).

**Membership and Seniority:** Another internal factor which determines compensation is the length of service or tenure of employees (McShane and Von Glinow, 2005). To Mathis and Jackson (2004), this portrays an entitlement orientation to compensation, where employees receive same or similar increases each year. Organisations and employers that are entitlement-oriented believe that individuals who worked another year are entitled to a raise in their basic pay and other benefits. When membership or seniority is used in determining rewards, it improves continuance commitment, reduces stress, attracts applicants with job security needs and sometimes improves loyalty. However, there is no evidence that it has a positive influence on performance (McShane and Von Glinow, 2005). Nevertheless, an evaluation of studies suggested that, the relationship between commitment and performance is strongest for new employees but significantly weaker for more experienced workers (Robbins and Judge, 2011).

**Job Status:** Job status or the worth of jobs is an important factor which determines compensation of employees in firms. Organisational strategy will determine tasks, duties, and responsibilities a firm considers most valuable in achieving its goals and will

indicate which jobs are valuable to the organization (Lepak and Gowan, 2009). The worth of a job is dependent on the extent to which that job contributes to organisational effectiveness (Ivancevich, 2004; Mathis and Jackson, 2004). That is to say, how the job contributes to the achievement of organisational goals and objectives. It provides the foundation for attaining equitable pay and is indispensable as a means for dealing with equal pay for equal value issues (Armstrong, 2006). Also, compensation based on job evaluation systems motivates employees to increase their pay rate by exaggerating job duties and hoarding resources (McShane and Von Glinow, 2005).

**Competency-based Rewards:** Competencies are certain characteristics of a person, including knowledge, skills, and behaviours, that enable an individual to perform his or her job effectively and efficiently (Dessler, 2011; Mathis and Jackson, 2004). Compensating employees for competencies encourages them to develop the competencies organisations require to achieve their strategic aims. Rewards based on measurable and influence-able competencies provide a focal point for the employer's performance management process (Dessler, 2011).

Greater variety of tasks requiring different skills, knowledge, greater physical effort and other competencies implies that the employee will be rewarded more if the organisation compensates on the basis of competence (McShane and Von Glinow, 2005). Thus, the employees' reward package depends on the number of skills that employee has mastered but not on the specific job performed. Competency-based rewards improve workforce diversity since it places emphasis on training employees and supervisors and tends to improve quality. However, it involves subjective measurement of competencies. Besides, compensation based on competencies is very expensive (Robbins and Judge, 2011).

**Performance-based Rewards:** Performance-based rewards or variable pay plans (incentives) are based on individual, team or organisational measure of performance. Armstrong (2006) argues that, distinction should be made between financial incentives and rewards. To him, financial incentives are intended to offer direct motivation. That is to say, they inform people how much money they will get if they perform very well. Whilst, financial rewards act as indirect motivators because they offer tangible means of recognising achievements, so far as people expect that what they do in the future will produce something worthwhile.

### Organisational Commitment and Its Dimensions

Organisational commitment is the degree to which employees believe in and accept organisational goals and want to remain or maintain membership with the

organisation (Robbins and Judge, 2011; Mathis and Jackson, 2004). O'Reilly (2007) cited in Mullins (2010) explains organisational commitment to be an individual's psychological bond to the organisation, which includes a sense of involvement, loyalty and beliefs in the values of the organisation. Armstrong (2006, p. 273) defines organisational commitment as "the strength of the individual's identification with, and involvement in a particular organisation".

Numerous researches have revealed that people who are relatively satisfied with their jobs will be more committed to their organisations. In other words, there is a positive relationship between job satisfaction and organisational commitment (Newstrom and Davis, 1989; Robbins and Judge, 2011; Robbins et al., 2001). There are three main categories of organisational commitment and they are; affective, continuance and normative commitment.

- **Affective Commitment:** This is an emotional attachment to the organisation and a belief in its values (Robbins and Judge, 2011). For example, an Adventist may be committed to working in Adventist organisation because of its belief in the Sabbath.
- **Continuance Commitment:** It is the perceived economic value of remaining with an organisation compared with other alternatives. That is, it is in the employee's interest to remain a member of the organisation since leaving will be too costly for the employee (McShane and Von Glinow, 2005).
- **Normative Commitment:** This refers to an obligation to remain with an employer on moral and ethical grounds. For instance, an employee who resumes work after study leave with pay even without a contract, may be obliged to remain with the organisation for moral and ethical reasons.

### Consequences of Organisational Commitment

Watson (2002) asserts that, organisations' performance will improve if they moved away from controlling the workforce to a strategy of commitment where individuals are given broader responsibilities, encouraged to contribute and assisted to achieve satisfaction at work.

According to McShane and Von Glinow, (2005), employees are less likely to leave their jobs if they have high levels of affective commitment. Organisational commitment has a positive impact on customer satisfaction since employees with longer tenure tend to have better knowledge and understanding of their work and customers usually want to do business with them.

Meyer and Herscovitch (2001) contend that, employees with longer tenure have higher motivation and organisational citizenship which leads to higher performance. Sometimes, organisations use financial inducements such as low-cost loans, stock options, deferred bonuses, etc to tie employees to them,

increasing employees' continuance commitment. In other words, high organisational commitment is associated with lower labour turnover and absence. However, there is no conclusive link to performance (McShane and Von Glinow, 2005; Armstrong, 2006).

It must be noted that, too much organisational commitment may result in low turnover leading to inbreeding which limits the organisation's opportunity to recruit and select new and fresh talents (Schuler, 1998; McShane and Von Glinow, 2005). This makes the organisation resistant to change. Empirical research indicates that, employees with high levels of continuance commitment have lower performance scores and are less likely to engage in organisational citizenship behaviours that go beyond the employee's normal job description (Angle and Perry, 1983; Meyer and Herscovitch, 2001).

McShane and Von Glinow (2005) cautioned that, although financial inducements are important, continuance commitment should not be misconstrued for employee loyalty. Employers should at all times strive to win employees' hearts (affective commitment) beyond tying them financially to the organisation (continuance commitment).

Malik et al. (2010) explain that employees' motivation, psychological affiliation, loyalty and job growth is as the result of the appreciation that employees receive from their organizations. Reid and Levy (1997), posits a view that employees will work with a sense of wholeness and feel greater loyalty and commitment if they feel that organization is appreciating their efforts and job involvement. Employees will feel more attachment and possess a desire to be a part of their organization if they found that their organization is offering the security and duration of job. Empirical studies by Iverson and Roy (1994) and Gavin and Axelrod (1977) found that, job security and career growth enhance the employees' psychological affiliation and loyalty with an increase in their organisational commitment.

## **METHODOLOGY**

The research employed the quantitative method. The quantitative methodology was used due to the fact that survey research is a type of quantitative research (Creswell, 2003).

Descriptive survey method was used in data collection to enable the study to examine different variables in large samples so as to facilitate the generalisation of information derived from data (Buame, 2006; Jankowicz, 2000). Furthermore, Gill and Johnson (2002) contend that, descriptive surveys have population validity since the assessment of attributes of the population is accurate and findings can be generalised.

This study made use of only primary data. Primary data was collected through structured closed-ended

questionnaires administered to respondents of the study population which was collected by the researcher.

The population for this study was one chartered private tertiary institution in the Greater Accra Region; in addition to private tertiary institutions in the Greater Accra Region, affiliated to the University of Ghana and accredited by the National Accreditation Board of Ghana to run degree programmes and other courses.

In all, ten (10) private tertiary institutions are affiliated to the University of Ghana. Out of these, six (6) were selected through stratified random sampling representing 60% of private tertiary institutions affiliated to the University of Ghana and they are; Wisconsin International University College, Islamic University College, Methodist University College, Pentecost University College, Good News Theological Seminary and African University College of Communication. There were only two private institutions chartered to run their own degree courses in Ghana and they were; Book DR University, Nandom and Valley View located in the Greater Accra Region. The latter was selected for the research. The study sample was made up of academic staffs (teaching and non-teaching staff).

In all 210 respondents were drawn for the study. Of the 210 academic staff targeted, 167 questionnaires were returned. However, only 157 questionnaires were used and 10 were discarded since they were improperly filled. Hence, the response rate for this study was 74.8%. Sekaran (1992) indicates that a response rate of thirty percent (30%) is considered acceptable for most purposes.

Descriptive and inferential statistics were used to describe and analyse data gathered. Descriptive statistics such as frequency counts and the percentages were used to present data towards achieving all the objectives of the study.

Analysis of Variance (One Way ANOVA) was used to test for differences between the group means and the level of significance of 0.05 (5%) was used to conduct the test. The null hypotheses were rejected when the p-values were smaller than the significant level of 0.05. Data was subjected to these inferential statistical tests in order to support or reject the hypotheses.

## **DATA ANALYSIS**

With respect to the demography of the respondents, three (3) levels of bio data of respondents were examined and these were; job title, type of worker and tenure of respondents.

In relation to job title, majority of the respondents (46.6%) were lecturers whilst office workers constituted 21.7% of the respondents, 19.1% indicated they were administrators whereas the remaining 14.6% did not belong to any of the categories.

**Table 4.1:** Factors that determine Compensation Package

Variable	Frequency (f)	Percentage (%)	(%) of Cases
<b>Internal Factors</b>			
Educational qualification	148	19	76.4%
Skills and knowledge	138	17.6	70.8%
Job Position	133	16.9	68%
Length of service	128	16.3	65.5%
Religious denomination	69	8.8	35.4%
Funds available	47	5.9	23.7%
<b>External Factors</b>			
Collective agreement	50	6.4	25.7%
National daily minimum wage	37	4.7	19%
Economic conditions	34	4.4	17.7%
<b>Total</b>	<b>784</b>	<b>100.0</b>	<b>402.1%</b>

Again, in respect to type of worker, 84.7% of respondents were permanent workers, 12.7% were temporary workers whilst 2.5% were on probation. Lastly, with respect to tenure of respondents, approximately 50% had been working for their employers for 4-10 years whereas 47.1% had a tenure ranging between 0-3 years, 3.2% were within the ranges of 11-15 years.

The literature reviewed identified several factors determining the compensation packages of employees which are categorised into internal and external factors (Ivancevich, 2004). Among these factors, the study dwelt on the most popular ones as illustrated by the table above.

Table 4.1 above presents respondents' views regarding factors that determine compensation package in their institutions. 148 indicative of 19% said educational qualification whilst 138 indicating 17.6% alluded to skills and knowledge. 133 respondents representing 16.9% of survey respondents said job position whereas 128 respondents representing 16.3% alluded to length of service. 69 respondents representing 8.8% were of the view that religious denomination was a determinant whilst 47 respondents indicating 5.9% alluded to funds available. 50 respondents representing 6.4% of survey respondents said collective agreement was a determinant, 37 respondents representing 4.7% held that national daily minimum wage whilst 34 respondents indicating 4.4% identified economic condition as a determinant of compensation in their institutions.

### Compensation Determinants and Maintenance of Institutional Membership

One of the aims of the research was to ascertain whether rewards based on tenure and job position had a positive influence on organisational commitment within the

Ghanaian context, as postulated by theorists such as; Mathis and Jackson, (2004); Robbins and Judge, (2011). Based on this, respondents were asked to indicate their level of agreement with statements designed to measure affective, normative and continuance commitment based on financial rewards provided by employers.

Table 4.2 shows the distribution of the response

The table 4.2 below provides respondents' view about compensation determinants and how these influenced the maintenance of organisational membership. This question was posed to enable the study establish whether tenure and job position as determinants of compensation have influence on organisational commitment. 34 respondents representing 21.7% indicated educational qualification whereas 29 respondents each indicated length of service and job positions representing 18.5%. 16.6% of the respondents were of the view that skills and knowledge influenced their resolve to stay with their employer whilst 13 respondents indicating 8.3% considered collective agreements. Again, 9 respondents representing 5.7% of respondents indicated national daily minimum wage and religious denomination whilst 8 respondents (5.1%) of the respondents deemed funds available as important in deciding to maintain institutional membership. Data above indicate that, length of service and job position constituted the second highest response rate with educational qualification having the highest response rate. The distribution had a mean of 5.4 and a standard deviation of 2.7.

The Chi-square test to show a relationship between compensation determinants and job description was supported. The test result of [ $\chi^2_{(24)} = 56.620, p < 0.05$ ] shows there exists a statistically significant relationship between job title and what constitutes the compensation package of academic staffs in private tertiary institutions in Ghana.

**Table 4.2:** Compensation Determinants and Maintenance of Institutional Membership

Variable	f	%	Mean	SD
			5.4	2.7
Educational qualification	34	21.7		
Skills and knowledge	26	16.6		
National daily minimum wage	9	5.7		
Collective agreement	13	8.3		
Religious denomination	9	5.7		
Funds available	8	5.1		
Length of service	29	18.5		
Job position	29	18.5		
Total	157	100.0		

**Table 4.3:** Job Title\*Determinants of Compensation in PTIs

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	56.620(a)	24	.000
Likelihood Ratio	55.034	24	.000
Linear-by-Linear Association	8.799	1	.003
N of Valid Cases	157		

a\* 24 cells (66.7%) have expected count less than 5. The minimum expected count is .29.

**Table 4.4:** ANOVA Test on Employee Organisational Commitment

Employee Organisational Commitment			Sum of Squares	df	Mean Square	F	SIG.
Between Groups	(Combined)		21.70	2	10.85	9.62	0.000
	Linear Term	Unweighted	17.20	1	17.20	15.25	0.000
		Weighted	7.13	1	7.13	6.32	0.01
		Deviation	14.57	1	14.57	12.92	0.00
Within Groups			173.66	154	1.13		
Total			195.36	156			

Table 4.4 above shows the analysis of variance in employee organisational commitment. As can be seen from the table, there is a significant difference in the means at the 0.05 level of significance with  $[F_{(2,154)} = 9.62; p < 0.05]$ . This means that, rewards based on tenure (and job position) increases organisational commitment. In other words, employees who receive a raise in their basic pay and other benefits are more likely to be retained in the organisation (Mathis and Jackson, 2004; McShane and Von Glinow, 2005).

### Financial Rewards and Organisational Commitment

In order to determine if financial rewards had any influence on organisational commitment, a frequency test

was conducted.

Table 4.5 below indicates a simple majority of the respondents (69) maintained organisational membership regardless of financial rewards provided by the employer constituting approximately 44% of the total response. Twenty-six (26) respondents representing 16.6% pointed to the fact that, financial rewards enabled them to work harder. The same was the case for respondents who would take any job assigned to them due to financial rewards provided by the employer. On the other hand, 36 respondents shared very little loyalty to their institutions due to employer-provided financial rewards comprising approximately 23% of total respondents. Table 4.5 points to the fact that, even though financial rewards are important in sustaining organisational membership, a simple majority of respondents (44%) were affectively



**Table 4.5:** Organisational Commitment Based on Financial Rewards provided by Employer

Variable	f	%	S.D	Var
			1.2	1.3
Willing to work harder	26	16.6		
Feel very little loyalty	36	22.9		
Would take any job assigned me	26	16.6		
My values and organisation values similar	69	43.9		
<b>Total</b>	<b>157</b>	<b>100</b>		

**Table 4.6:** ANOVA Test on Employee Organisational Commitment

Employee Organisational Commitment			Sum of Squares	df	Mean Square	F	SIG.
Between Groups	(Combined)	Unweighted	3.84	3	1.28	2.69	0.048
	Linear Term	Weighted	.039	1	0.39	0.83	0.36
		Deviation	0.07	1	0.07	0.15	0.70
			3.77	2	1.88	3.96	0.02
Within Groups			72.71	153	0.48		
<b>Total</b>			<b>76.55</b>	<b>156</b>			

committed to their institutions.

### Hypothesis Two

Hypothesis two posits “**financial rewards will be positively related to organisational commitment**”. This hypothesis was tested using the One Way ANOVA.

Hypothesis two was tested using the One Way ANOVA. As indicated in Table 4.15.2 above, there is a significant relationship between financial rewards and organisational commitment at  $[F_{(3,153)} = 2.69; p < 0.05]$ . This means that, financial rewards are positively related to organisational commitment.

### DISCUSSION OF FINDINGS

The first objective of this study was to identify the factors that determined compensation in private tertiary institutions in Ghana. Several factors determine compensation and these can be categorised into internal and external factors. The study observed that both external and internal factors constituted the bases for academic staffs' compensation with the latter being more dominant. Amongst these factors, it was evident that, educational qualification was the most frequently named compensable factor (76.4%) which was followed by skills and knowledge (70.8%), job position (68%), length of service (65.5%), religious denomination (35.4%) and

funds available (23.7%).

Educational qualification as the most valued compensable factor attests to assertions made by Ajadi (2010) who maintains that, the minimum educational qualification requirement in public universities prescribed by the National University Commission (NUC) of Nigeria is a terminal degree (PhD) which is the same prescription of the National Accreditation Board (NAB) of Ghana ([www.nab.gov.gh](http://www.nab.gov.gh) accessed 5/10/2011). This leads to a “greater reliance on part-time academic staff which is a common feature of private universities irrespective of their location and orientation” (Varghese, 2004 cited in Ajadi 2010, p. 22). The World Bank's report on “Higher Education in Developing Countries; Peril and Promise” (2000, p.66) is of the view that, academic staffs possess a myriad of skills that are valued in the labour market making it possible for them to be engaged in other ‘remunerative activities’ outside their home institutions which is affirmed by this study with skills and knowledge being the second most mentioned compensable factor (70.8% of cases). This also lends credence to the contentions of Dessler (2011) and Mathis and Jackson, (2004). They argue that, skills and knowledge enable one to perform one's job effectively and efficiently. Thus, compensating employees for competencies (knowledge, skills and behaviours) encourages them to develop the competencies organisations require to achieve their strategic aims.

The study also identified that, job position or job description (which indicates the tasks, duties, and

responsibilities) formed the bases of compensating academic staffs of private tertiary institutions in Ghana recording a percentage of 68 of cases. These tasks, duties and responsibilities embedded in positions of organisations or institutions reveal what they consider most valuable in achieving goals and will indicate which jobs are valuable to the organization (Lepak and Gowan, 2009).

Although, the World Bank report on “Higher Education in Developing Countries; Peril and Promise” (2000) challenged and cautioned against the practice of rewarding tenure rather than academic performance and promise, the situation in private tertiary institutions in Ghana is rather the opposite as the research indicated length of service as one of the determinants of compensation (65.5% of cases).

Religious denomination of academic staffs also constituted the basis for compensating academic staffs indicative of the contentions of Varghese (2004, p.22) who explains that, the presence of missionary staffs reduces the cost of salaries especially in church affiliated universities which are ‘not-for-profit’. He suggests that, academic staffs in some church affiliated universities teach without charging the university or accept a lower salary than the market rate (ibid).

It is also palpable that, although external influences on compensation were minimal (collective agreement-25.7%, national daily minimum wage-19% and economic conditions-17.7% of cases), in order to be competitive, external determinants are considered so as to balance internal and external equities. This is a confirmation of the claims of Ivancevich (2004), McShane and Von Glinow (2005), Mathis and Jackson (2004), Robbins and Judge (2011) and Schuler (1998). Though several authors have discussed the determinants of compensation, it appears little has been done regarding what job occupants performing various tasks and responsibilities regard as constituting their compensation package.

The Chi-square test to show a relationship between compensation determinants and job description was supported (refer to Table 4.3). The test result shows there exists a statistically significant relationship between job title and what constitutes the compensation package of academic staffs in private tertiary institutions in Ghana. This means that, the compensable factors identified are embedded in the various job title (positions) and are recompensed accordingly.

To enable the study achieve its objective of determining whether entitlement orientation of compensation will influence organisational commitment, it hypothesised that “Entitlement-orientation to compensation will increase organisational commitment”.

This hypothesis was to examine whether reward based on length of service and job position has a positive relationship with the maintenance of institutional

membership. With the One-way ANOVA test, a result of  $F_{(2,154)} = 9.62$ ,  $p < .05$  significantly supported the hypothesis. This means that, the value obtained is the probability of finding an  $F$  value to the right of 9.62 with 2 degrees of freedom in the numerator and 154 in the denominator, given that the null hypothesis ( $H_0$ ) is true. As a result, there is only 0.00 percent probability of committing a Type 1 error (which is rejecting a true null hypothesis) as demonstrated by Table 4. The finding in relation to this hypothesis suggests that, the more people are rewarded on the basis of spending another year with their institutions, the less likely there will be voluntary labour turnover. This is a confirmation of the assertions of McShane and Von Glinow, (2005); Mathis and Jackson (2004); Robbins and Judge (2011). They claim that, when employees are rewarded on the bases of tenure, it increases their organisational commitment. Literature reviewed revealed that, empirically, job security and career growth enhance employees’ psychological affiliation to and loyalty with an increase in their organisational commitment (Gavin and Axelrod, 1977). Hence, employees work with greater loyalty and care if they feel that their career and growth is consistent and their future is with the organisation.

The third objective was to ascertain whether financial rewards increase organisational commitment of academic staffs. According to Meyer and Herscovich (2001), and Angle and Perry (1983), organisations sometimes use financial inducements such as low-cost loans, stock options, deferred bonuses and other direct monetary rewards to tie employees to them so as to enhance higher motivation and organisational citizenship behaviours.

A one-way ANOVA explained in chapter three and utilised in chapter four, supported the hypothesis that financial rewards increase organisational commitment of academic staffs (refer to the test result on Table 4.15.2). With  $F_{(3,153)} = 2.69$ ;  $p < 0.05$ , the study shows a positive relationship between financial rewards and organisational commitment although this statistical significant difference was marginal. A measure of organisational commitment items indicated that, a simple majority of academic staffs (43.9%) were committed to their employers as a result of having similar values with that of their institutions as indicated by Table 4.5 in chapter four.

From Table 4.5 in chapter four, it is evident that direct monetary rewards play significant role in retaining academic staffs, especially key talents in the PIHEs. This is because, the research observed a percentage of 56.1 of survey respondents working in their institutions on the bases of employer-provided financial inducements. This discovery affirms the contentions of Akintoye (2000) who maintains that, money remains the most significant motivational strategy since it possesses significant motivating power. To him, money symbolises intangible goals like security, power, prestige, and a feeling

of accomplishment and success. cited in Sinclair et al. (2005) cited in Commey (2008) argues that, the motivational power of money plays a pivotal role in the process of job choice due to the fact that, it has the power to attract, retain, and motivate individuals towards higher performance.

## 5.0 CONCLUSION AND RECOMMENDATIONS

The study sought to identify determinants of compensation in private tertiary institutions in Ghana and to determine whether entitlement-orientation compensation influences organizational commitment. The study therefore found that compensation in private tertiary institutions in Ghana was determined by both internal and external factors with the former being more dominant and compensation on the bases of tenure (and job position) positively influenced the maintenance of organisational membership and financial rewards only increased continuance commitment but not affective commitment.

The study recommends that compensation should not be determined by only educational qualification, skills and knowledge, tenure, job position and other internal factors, but also on agreed standards of performance such as Students' Response to Teaching Instructions and peer review. Furthermore, performance appraisal information should not only be utilised for retention and lay-offs, but employed in identifying individual developmental needs and for reward and recognition purposes.

The study suggests a further research on performance management and a development of an appraisal system solely for the management of rewards in PTIs and also to examine its effect on students' academic performance.

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