Impact of Financial Reward on Employees' Commitment in College of Education, Ikere-Ekiti, Ekiti State, Nigeria

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Abstract

The need for increased efficiency has become extremely important in educational institutions like the College of Education, Ikere-Ekiti. In order to bring about staff efficiency, managers must put in place strategies to help workers achieve maximum efficiency on the job. One of such strategies is financial reward. This study therefore examines the impact of financial reward on workforce efficiency in College of Education, Ikere-Ekiti. Three (3) Research Questions and hypotheses were generated and tested respectively. Survey method was adopted and one hundred and fifty (150) academic members of staff were selected for the study. A well-constructed questionnaire was developed for the study. The questionnaire was validated by expert in Business Education department. The reliability coefficient of 0.98 was obtained which implies high reliability on the instrument. The descriptive statistics method of standard deviation was used to provide answer to the research questions and Chi-Square (X^2) statistics was used to analyze the hypotheses at 0.05 level of significance. The findings revealed that financial rewards in form of salary and benefits enhance effectiveness and commitment. However, it was revealed that financial reward does not result in sustained motivation for retention. It was therefore suggested that management should provide timely and fair compensation and benefits to members of staff.

Keywords: Financial Reward, Efficiency, Commitment, Retention.

Introduction

An organization is likely to achieve its objectives if an effective reward system is included as an important part of human resource management. Human resource management is concerned with procurement, development, compensation, interaction and maintenance of the personnel of an organization for the purpose of contributing towards accomplishment of the organization major goals and objectives. Human resource management improves not only employees' turnover but also employees' productivity and long-term company performance (Adenaike, Ajayi, & Olowoye, 2014).

Almost all effective organizations have become careful for the development and utilization of their human resources in order to achieve the goals of the organizations and one of such strategies of achieving the required goal of the organization is to motivate the workforce. A number of theories have tried to explain the factors that motivate people to work. Some of these theories, according to Dave, Rob and Carol (2008) stresses that money is the most important factor. The scientific approach in particular, argues that workers respond to financial rewards. It is argued that such rewards are necessary to motivate a reluctant workforce and to keep them on the job. Employees see work as a means to an end. As a result, they are more likely to be interested in financial reward.

A reward is defined as something given in return for good done, reward in the workplace are often used as an extrinsic motivator to meet an employee's need for more money or services, rewards are usually monetary but do not have to be. Rewards are usually more meaningful and provide greater incentive for employee. It has been observed that staff matters are so sensitive that only wrong personnel policy or delay in meeting employees' demands especially where such demands are related to financial reward could cause a low level of moral among workers. Employees will result to grumbling and performance level will be low without any easily traceable cause which may eventually lead to high rate of staff turnover (Cole, 2005).

This study is concerned with the impact of financial reward on workforce efficiency in the College of Education, Ikere-Ekiti. It focuses on pay and benefits - these represent transactional rewards. These are financial in nature and are essential to recruit and retain staff (Armstrong, 2012). Therefore the term financial compensation, reward and benefit would be used interchangeably and be regarded as same. The question that arises is whether there are financial policies to encourage workers to stay on the job and perform effectively to achieve the goals of the organization.

Statement of the problem

Study has shown that while most workers today feel they are contributing to their companies' success, they are increasingly skeptical that their hard work is being fully recognized. Some companies are finding it difficult to keep good workers because employee trust has been destroyed. It is important to note that devising the best model of recruiting and retaining competent and capable employees who would carry the mandate of the institution is a big challenge.

As a staff of College of Education, Ikere-Ekiti, it is observed that the place has over the years various personnel problems that could be associated with reward; low rate of staff development programmes, delay in the payment of salary and other fringe benefits like work overload and car loans have been stopped. The situation described above could cause a low level of morale among workers. In responding to these developments, a critical analysis of the reward system is vital. Therefore, the problem of the study sought to examine whether financial reward enhances the efficiency and commitment of staff in College of Education, Ikere-Ekiti.

The objective of the study

The main objective of this study is to investigate into how effective is financial reward in bringing about staff commitment in the College of Education, Ikere-Ekiti. Other specific objectives are as follows:

1. To examine the impact of financial reward on efficiency.
2. To examine the impact of financial reward on commitment.
3. To ascertain whether financial reward result in sustained motivation for retention

Research Question

Research questions were raised in line with the specific objectives of the study as follows:

1. What is the impact of financial reward on efficiency?
2. What is the impact of financial reward on commitment?
3. Does financial reward result in sustained motivation for retention?

Research Hypotheses

H_{01}: There is no significant impact of financial reward on employees' efficiency in the institution.

H_{02}: There is no significant impact of financial reward on employees' commitment in the institution.

H_{03}: Financial reward does not significantly sustained motivation for retention.

Concept of Financial Reward

Cole (2005), defined reward as "what employees receive in exchange for their contribution to the organization" he went further to say that when reward is well managed, it helps the organization to achieve its objectives, and retain a productive workforce. Without adequate reward, current employees are likely to leave and replacement will be difficult to recruit. To them, pay dissatisfaction could lead to low productivity and affect the quality of work life. It could also lead to lower performance, cause strikes increase grievances, and lead to forms of physical or psychological withdrawal ranging from absenteeism and turnover to increase visits to the hospitals etc.

Armstrong (2012) stated that rewards aims to support the achievement of business goals by helping to ensure that organization has the talented and engaged people it needs, promote high performance by ensuring that the reward system recognizes and encourages it, and also helps to attract and retain high quality people by providing competitive pay. He further said that the reward system covers all forms of financial rewards or remuneration (pay, benefits and allowances provided to employees). According to him, coupling financial rewards with non-financial rewards produces total rewards. Non-financial rewards are rewards that do not involve the payment of salaries, wages or cash. They include extrinsic rewards such as recognition and praise, opportunities to develop new skills, and the work environment, and intrinsic reward arising from the work itself (the ways in which jobs are designed).

Financial rewards are monetary incentives that an employee earns as a result of good performance. These rewards are aligned with organizational goals. When an employee helps an organization in the achievement of its goals, a reward often follows. All financial rewards are extrinsic. Extrinsic motivation is based on tangible rewards, such as pay raises, bonuses and paid time off. Non-financial or Intrinsic rewards refer to psychological enjoyment and the satisfaction of challenge, sometimes called 'psychic income', that a worker derives from her or his paid work, and satisfy 'higher-level' needs for self-esteem and personal development (Bratton & Gold, 2003).

Reward and commitment

Commitment is an overall attitude about the work and the organization, a number of facets or dimensions influence it, including job conditions, supervision, nature of the work, co-workers, pay and benefits and personal characteristics. Employee commitment to the organization is a result of job satisfaction. He defined job satisfaction as the extent to which employees like their work. Job satisfaction has been found to be an important area of research because one of the top reasons individuals give for leaving a job is dissatisfaction (Diane, 2014).

In his own contribution, Joe (2011) stated that organizational commitment is, in a general sense, the employee's psychological attachment to the organization and the organizational objectives. It can be contrasted with other work – related attitudes, such as job satisfaction, defined as an employee's feeling about their job and organizational identification, defined as the degree to which an employee experiences a 'sense of oneness' with their organization. He further stated that Organizational effectiveness reflects the actual output or results of an organization as measured against intended outputs (or goals and organizational objectives).

According to Nujjoo & Meyer (2012) Organisational commitment can be categorised into normative, continuance and affective commitment. Normative commitment refers to employees' perceived obligation to stay with an organisation whilst employees with continuance commitment choose to stay with an organisation because they have no choice. In contrast, affective commitment is conceptualised as an emotional attachment and loyalty displayed towards the organisation as a result of rewards obtained. Affective commitment is the commitment dimension which has been found to be most strongly related to positive occupational and organisational outcomes such as job satisfaction, motivation and employee retention. Affective commitment is defined as an employee's emotional attachment, identification and involvement with the organisation as a result of favourable perceptions of tangible and non-tangible benefits.

In order to improve on the level of commitment and reduce the level of inefficiency in an organization, managers must put in place strategies to keep workers for a long time on the job. If financial reward is not clearly defined and given priority it deserves, it will lead to inefficiency and high labour turnover. An effective and comprehensive financial reward will inevitably result in effectiveness and retention of the workforce in the college.

Impact of Financial Reward System

There are individual differences in response to reward type. Some employees will be more motivated by social rewards (e.g. praise and recognition) than cash rewards. It is therefore important to understand the motivational factors of each individual employee and distribute rewards based on employee preference and their resulting degree of motivation. Research on individual differences can shed light on employee preferences for reward types. The majority of employees prefer cash rewards; however, many employees will perform better in pursuit of non-cash rewards of similar value. Thus, balancing cash rewards with non-cash rewards can be an effective workplace reward system strategy.

Pay inequality can lead to frustration, jealousy, envy, disappointment and resentment. This is because compensation does not only enable us to support ourselves and families; it is also a signal of our value and status in and organization. Other studies have shown that executives are more likely to leave companies with high pay inequality. The bottom line here is that financial incentives, by definition, create inequalities in pay that often undermine performance, collaboration and retention (Jim, 2012). Aina (1993) identifies some key factors involved in monitoring employees for higher productivity. They are: Salaries and wages, Incentives system, Work ethic and social values, Morale, Social and psychological condition of workers. Others are quality and style of supervision, knowledge and skills of workers and the reward system management.

It can be concluded that the role played by sound financial reward system in efficient maintenance of the workforce cannot be underestimated. Financial rewards are monetary incentives that an employee earns as a result of good performance. When an employee helps an organization in the achievement of its goals, a reward often follows. Hiring employees is just a start to creating a strong workforce, organizations have to keep them. High employee turnover costs organizations time and productivity. Since workers are motivated by money, it is important that organizations should link pay with efficiency because employees care about pay.

Methodology

The study adopted the descriptive survey research design. The advantage of this method is that the results obtained through this procedure can be statistically analyzed. The population consisted of all staff of the College of Education, Ikere-Ekiti. The workforce in the college consists of the administrative, technical and academic staff. The sample size for this research is limited to the academic staff. The academic staff represents a sub-group within the research population. They are chosen based on homogeneous variables of academic qualification and profession. This group was considered because the researcher believes that they are entitled to relatively similar salary and benefits (COUNTIS). There are altogether five schools of study in the college and with a total population of 297 members of staff. A total of one hundred and fifty (150) academic staff was randomly selected from the five schools of study which represent 50% of the population. Questionnaire Impact of financial reward on workforce commitment in the College of Education, Ikere-Ekiti was constructed by the researcher. The questionnaire was first subjected to validity test by colleagues. It was amended on the basis of suggestions given by them. The descriptive statistics of standard deviation method was used to provide answer to the research questions and Chi-Square (X^2) statistics was used to analyze the hypotheses at 0.05 level of significance.

Data presentation and Analysis of Data

Table 1: Respondents' Bio-data

S/N	Variables	Categories	Frequency	Percentage
1.	Sex	Male Female	82 68	54.67 45.33
2.	Age	Below 30 yrs 31-40 yrs 41-50 yrs 50 and above	24 44 50 32	16.00 29.34 33.33 21.33

Source: Field survey, 2015.

Table 1 indicated that 54.67% of the respondents were male while 45.33 were female. The respondents whose age were below 30 years represent 16%, while 29.34% were between 31-40 years, also 33.33.% aged between 41 -50 while 21.33% aged 50years and above.

Table 2: The Impact of Financial Reward on Efficiency

S/N	**ITEMS**	**SA**	**A**	**D**	**SD**	**Mean**	**Standard Deviation**	**Decision**
1.	Financial reward can bring out the best in workers.	**60 (40%)**	**42 (28%)**	**20 (13.3%)**	**28 (18.7%)**	**2.89**	**1.13**	**Agreed**
2.	Employees' efficiency is due to financial reward received.	**72 (48%)**	**41 (27.3%)**	**25 (16.7%)**	**12 (8%)**	**3.15**	**0.97**	**Agreed**
3.	Financial reward can bring out the best in workers.	**45 (30%)**	**56 (37.3%)**	**22 (14.7%)**	**27 (18%)**	**2.79**	**1.06**	**Agreed**

Source: Field survey 2015

In response to the Research question 1, table 2 showed that 68% of the respondents expressed that financial reward bring out the best in them while 32% disagreed. Similarly, 75.3% of the respondents also agreed that the rate of employees' efficiency is due to financial reward given to them while 24.7% of the respondents disagreed. However, 67.3% of the respondents agreed that regular payment of salary enhances workers efficiency in the college, while 32.7% disagreed.

Table 3: The Impact of Financial Reward on Commitment.

S/N	ITEMS	SA	A	D	SD	Mean	Standard Deviation	Decision
1.	Financial reward help to improve the quality of work	**72 (48%)**	**41 (27.3%)**	**25 (16.7%)**	**12 (8%)**	**3.15**	**0.97**	**Agreed**
2.	It enhances workers willingness to take part in college activities.	**64 (42.7%)**	**52 (34.7%)**	**24 (16%)**	**10 (6.6%)**	**3.13**	**0.91**	**Agreed**
3.	Hardworking staff is regularly promoted.	**20 (13.3%)**	**26 (17.3%)**	**64 (42.7%)**	**40 (26.7%)**	**2.17**	**0.98**	**Disagreed**
4.	It ensures job security.	**41 (27.3%)**	**75 (50%)**	**16 (10.7%)**	**18 (12%)**	**2.93**	**0.93**	**Agreed**

Source: Field survey 2015

In response to Research question 2, Table 3 revealed that 75.3% of the academic staff agreed that the financial reward given enhances the quality of their work while 24.7% of the respondents disagreed. The table also showed that 77.4% of the respondents agreed that financial reward given enhances workers willingness to take part in college activities while only 22.6% disagreed. On the other hand, 30.6% of the respondents believed that hardworking staff is regularly rewarded by promotion, while 69.4% disagreed. The table also revealed that 77.3% of the respondents agreed that the financial reward given to workers ensures job security, while 22.7% of the respondents disagreed. The mean values in item 1, 2 and 4 are greater than 2.5 while the mean value of question in item 3 was less than 2.5.This further indicated that there is impact of financial reward on employee commitment in the college.

Table 4: Financial Reward and Motivation for Retention.

S/N	ITEMS	SA	A	D	SD	Mean	Standard Deviation	Decision
1.	Workers future expectation and aspiration can be met.	**18 (12%)**	**24 (16%)**	**66 (44%)**	**42 (28%)**	**2.12**	**0.95**	**Disagreed**
2.	The salary is comparable to other Colleges of Education.	**25 (16.7%)**	**76 (50.6%)**	**19 (12.7%)**	**30 (20%)**	**2.64**	**0.98**	**Agreed**
3.	I will leave this job at the slightest opportunity.	**38 (25.3%)**	**43 (28.7%)**	**40 (26.7%)**	**29 (19.3%)**	**2.60**	**1.06**	**Agreed**

Source: field survey 2015

In response to Research question 3, table 4 revealed that only 28% of the respondents opined that workers future expectation and aspiration can be met in this employment, while 72%% of the respondents felt that workers future expectation and aspiration cannot be met in this employment. The table also revealed that 67.3% of the respondents agreed that the salary given to workers is comparable to other Colleges of Education, while 32.7% disagreed. On the other hand, 54% of the respondents agreed that they will not leave their present job at the slightest opportunity, while 46% were of the opinion that they will leave their present job at the slightest opportunity.

Test of Hypotheses

H_{01}: There is no significant impact of financial reward on employees' efficiency in the institution.

Table 5: Chi-Square (χ^2) statistics for financial reward and employees' efficiency

Variables		Employees' Efficiency				Total	df	χ^2-cal	χ^2-tab	Decision
		SD	D	A	SA		9	361.16	3.33	Sig.
Financial reward	SD	27	1	0	0	28				
	D	0	20	0	0	20				
	A	0	1	41	0	42				
	SA	0	0	15	45	60				
	Total	27	22	56	45	150				

$P<0.05$

The result presented in table 5 showed that χ^2-calculated (361.16) was greater than χ^2 –table (3.33) at 0.05 level of significance. This led to the rejection of null hypothesis one. This means that there is significant impact of financial reward on employees' efficiency in the institution. Financial reward makes employees to be efficient in their job in the institution.

H_{02}: There is no significant impact of financial reward on employees' commitment in the institution.

Table 6: Chi-Square (χ^2) statistics for financial reward and employees' efficiency

Variables		Employees' Commitment				Total	df	χ^2-cal	χ^2-tab	Decision
		SD	D	A	SA		9	353.29	3.33	Sig.
Financial reward	SD	10	2	0	0	12				
	D	0	22	3	0	25				
	A	0	0	41	0	41				
	SA	0	0	8	64	72				
	Total	10	24	52	64	150				

The result presented in table 6 showed that χ^2-calculated (353.29) was greater than χ^2 –table (3.33) at 0.05 level of significance. This led to the rejection of null hypothesis two. This means that there is significant impact of financial reward on employees' commitment in the institution. Financial reward makes employees to be committed in the institution.

H_{03}: Financial reward does not significantly sustained motivation for retention.
Table 7: Chi-Square (χ^2) statistics for financial reward and employees' efficiency

Variables		Motivation for retention				Total	df	χ^2-cal	χ^2 -tab	Decision
		SD	D	A	SA		9	1.89	3.33	Not Sig.
Financial reward	SD	0	0	13	29	42				
	D	0	39	27	0	66				
	A	20	4	0	0	24				
	SA	18	0	0	0	18				
	Total	38	43	40	29	150				

$P<0.05$

The result presented in table 6 showed that χ^2-calculated (1.89) was less than χ^2 –table (3.33) at 0.05 level of significance. This led to non-rejection of null hypothesis three. This means that financial reward does not significantly sustained motivation for retention in the institution.

Discussion of Findings

The finding shows financial reward has a positive impact on workers efficiency. Table 3 showed that 82.67% of the respondents expressed that financial reward bring out the best in them while 17.33% disagreed. Similarly, 60% of the respondents also agreed that the rate of employees' efficiency is due to financial reward given to them. However, 66.67% of the respondents agreed that regular payment of salary enhances workers efficiency in the college. In view of this, it can be inferred that financial reward enhances effectiveness among academic staff in the college of education, Ikere-Ekiti. This is in line with the submission of Dan, (2013) that benefits as motivators can boost job performance. Pay raises, bonuses, stock options and profit sharing are examples of positive motivators. These motivators reward employees for not only doing their job, but doing it well and with enthusiasm.

The study also revealed that financial reward has positive impact on workers commitment. Table 4 revealed that 56% of the academic staff agreed that the financial reward given enhances the quality of their work. The table also showed that 73.33% of the respondents agreed that financial reward given enhances workers willingness to take part in college activities. On the other hand, 68% of the respondents believed that hardworking staff is not regularly rewarded by promotion. The table also revealed that 66.67% of the respondents agreed that the financial reward given to workers ensures job security, while 33.33% of the respondents disagreed. Considering this finding, it was obvious that financial reward has positive impact on worker commitment on the job. This is also in line with Jim (2012) finding that a business relies on its workforce to keep it competitive and fulfill the tasks needed to stay in operation. Keeping that workforce happy is a goal of managers, supervisors and human resources personnel who oversee not only wages and benefits but also financial rewards and incentives constructed to improve individual performance and enhance commitment to the organization.

However, the study revealed that financial reward does not sustain workers motivation for retention. Table 5 revealed that 53.33% of the respondents felt that workers future expectation and aspiration cannot be met in this employment. The table also revealed that 80% of the respondents agreed that the salary given to workers is comparable to other Colleges of Education, while 20% disagreed. On the other hand, 50.67% of the respondents agreed that they will not leave their present job at the slightest opportunity, while 49.33% were of the opinion that they will leave their present job at the slightest opportunity. In view of the findings, it was obvious that financial reward will not guarantee sustained motivation for retention among academic staff.

Commenting on the effect of reward, Armstrong (2012) believed that early-career employees (30 years old and under) career advancement is significant. For mid-career employees (31 -50) the ability to manage their careers and satisfaction from their work are important. Late-career employees aged over 50) will be more interested in security. It is also the case that a younger workforce will change jobs and employers more often than an older workforce, and workforces with a lot of part-timers are less stable than those with predominantly full-time staff. This might also be due to the fact that the cost of living is high in Nigeria and this is compounded due to the unemployment rate in the country. Nigeria has a government – mandated minimum wage of N18, 000 per month signed into law in 2011. Minimum wage is the lowest amount a worker can be legally paid for his work. The plight of a worker becomes clearer when unemployment is factor in. The dependency ratio has become very burdensome and every earner's income is overstretched.

Though there are many reasons why people work for a living, it is undeniable that money, or other financial rewards, play a key role in motivating people in the workplace. Jim (2012) stated that it is widely accepted that poor or low pay acts as a de-motivator. Someone who feels undervalued or under-paid may soon leave to find better-paid employment. However, it is less clear that paying people more results in better motivation. He further stated that for most people, motivation (the will to work) comes from "within". More money can help us feel better about out work, but it is unlikely to encourage us to work harder or to a higher standard.

Conclusion and Recommendation

In conclusion, this paper has attempted to appraise the impact of financial reward on workforce efficiency in the college of Education, Ikere-Ekiti. The study has found that financial reward has a positive impact on workers efficiency and commitment. However, the study found that financial reward does not result in sustained motivation for retention among academic staff of the college of Education, Ikere-Ekiti. This revelation from the study is expected to serve as a guiding principle for management in the way and manner in which salary and benefits are being handled.

Based on the findings of this study, it was therefore recommended that:

- The management of College of Education Ikere-Ekiti should make sure that members of staff are promoted as at when due since this have correlation with increase in salary.
- Management should implement policies and procedures that are fair and impartial and provide timely, objective performance feedback and fair compensation and benefits.

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