

Compensation Management and Organisational Commitment in Developing Economies: Indian Perspective

By
Dr. Osibanjo Adewale Omotayo^[a], **Prof. Pavithra S**^[b] &
Dr. Adeniji Anthonia Adenike^[c]

Abstract

Organization success or growth depends on employees' performance, therefore compensation management, which is the reward received by employees for the services rendered. This could come in monetary and/or non-monetary in motivating employees for organizational improvement. This study based on data obtained from five hundred (500) workers in Indian manufacturing companies explored the connection between compensation management and organisational commitment. Structural model with standardized parameter estimates show that benefits have direct link with job stability; similarly, training and salary package have strong link with organisational commitment. Further, training, salary package, and promotion opportunities have negative link on job stability. This suggests the need for the Management to strike a balance between these variables in order not to be deceived that once there are promotional and training opportunities, employees will remain on their jobs. In addition, while spouse/partner and Work-Life Balance (WLB) have positive impact on stress, geographical location and co-workers have negative impact on stress. Therefore, Management should endeavor to engage more strategies in WLB practices.

Keywords: Compensation, Organizational Commitment, Manufacturing Industry, India

<p>^[a] Dr. Osibanjo Adewale Omotayo, Business Management Department Covenant University, Ota, Ogun State, Nigeria ade.osibanjo@covenantuniversity.edu.ng</p>	<p>^[b] Prof. Pavithra S, MBA Department, (VTU) Reva Institute of Technology and Management, Kattigenahalli, Yelahanka, Bangalore- 560064 Karnataka, India Mobile No: 9844964637 Pavithra.salanke@gmail.com</p>	<p>^[c] Dr. Adeniji Anthonia Adenike, Business Management Department, Covenant University, Ota, Ogun State, Nigeria anthonia.adeniji@covenantuniversity.edu.ng</p>
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1. Introduction

The essence of this study is to build understandings regarding the impact of employee compensation on their job satisfaction and the consequent effect on their commitment to the organisational goals and objectives among Indian employees (manufacturing workers). Enhancing organisational commitment among the employees is an essential element because that will result in higher employee commitment, enhancing retention, increases their job motivation and improves their performances. By bringing out the impact of employee compensation in the manufacturing sector of the economy, will help organizations foster commitment and enhance the satisfaction level among its employees.

Compensation is an important sub system in human resource management. No other issue is more relevant and crucial to any employee than his or her financial remuneration. In developing nations of the world, money is regarded as a motivation and a catalyst to building loyal, dedicated

and commitment workforce (Adeniji & Osibanjo, 2012). In a pilot survey conducted employees were asked about their opinions on what their reaction would be if promoted to a higher level without a commensurate amount of money as motivation. The response stood at about 98% of the sampled population disagrees that they will not want to be promoted if their salaries and the associate remunerations are not affected. This situation goes to explain the position of money as a motivating factor to an African worker. In today's highly competitive business environment, attainment of maximum organisational productivity may take into cognizance the need to inspire and motivate the human resource of the organization via the plan, design, establishment and implementation of a rewarding compensation system that brings out the best in the employees in terms of their performance, loyalty, commitment and dedication.

Employees after expending their time, efforts, energy and labour in helping the organization achieve its goals, expect adequate compensation and reward in form of money and other entitlements to satisfy personal, economic psychological, social, self-actualization, security and growth needs, (Adeniji & Osibanjo, 2012).

Given the weak and devastating inflationary economy like ours were the take home pay of most Nigerian workers are not enough to cater for their weekly commitment not to talk of monthly commitment, compensation has opened a Pandora's box in terms of what should be an equitable pay, the quantum of such pay and low flexible the administration of such pay should be.

Compensation is central to the functioning of any employee-employer relationship and it is a matter that is closest to the heart of both the employee and the employer. It relates to the welfare of the workers with special references to enhanced salaries which has relationships to what is obtainable in the economy. Such relationships are often times expressed in terms of inputs and outputs of the workers in the economy. Based on one's inputs (e.g. efforts, education, competence, skills etc), one can compare outputs (e.g. salary level, promotions etc). However, when people perceive imbalance in their input-output ratio with reference to their referent others, tension is created which will result in high accident rate, job dissatisfaction, frequent absenteeism, low productivity, lack of commitment to organisational goals and objectives, and intention to quit. Because of these reasons, there is need for a reformulation of policies, programmes and overall strategies which will also cater for emerging dissatisfaction, non- commitment and disloyalty with adopted pay system which does not seriously consider merit or performance.

2. What is compensation?

According to Belcher (1997), it is a double input-output exchange between a worker and the employer, i.e. the input of efforts and output of wages to workers are established. In the same vein, the input of wages and the output of productivity and services also occur on the employer's side. In this double input-output exchange process, the employer offers basic pay for the workers availability, qualifications, experience, skill and potential productivity. The employer also offers a benefit of various qualities to the workers based on their membership of the employer's organisation. Not only that, performance incentives also offered in settlement for specific performances of different organisational members.

This includes everything that an employee receives in return for his labour or services i.e. basic pay and other numerous financial and non-financial rewards which in turn determine how well the worker lives in the society.

Compensation is the reward employees receive in exchange for performing organisational tasks. Compensation is direct and indirect wages. Direct compensation includes wages, salaries and bonuses or commission; while indirect compensation is paid as medical benefits, housing allowance, meal allowance, utility allowances, incentive bonus, shift allowances, hospitalization expenses, out of station allowance, vehicle loan benefits, annual leave allowances, car basic allowances, etc.

Design of a compensation program is significant in personnel management because of its direct influence on employees' behaviour and performance in the company.

Stahl (1995) defines compensation as the monetary payment- wages, salaries entitlements, bonuses both current and deferred, used to reward employees. In the same vein, Casio (2002) defines compensation as including direct financial payments plus indirect payments in form of fringe benefits. The two definitions above however, appear too narrow because they equate compensation with monetary income only. Moreover, compensation is more than monetary income. Aside from this, the term fringe benefit in the definition of Casio calls for questioning. Compensation can best be described as including direct and indirect compensation individuals receive in an organization plus various aspects of the pleasant work environment that serve as entrance their self-respect and esteem e.g. provision of car parking facilities, sound policies, competent supervision, comfortable working conditions, flexitime, job sharing, cafeteria compensation etc. (Adeniji&Osibanjo, 2012).

Direct compensation includes the basic salary or wage that the individual is entitled for his job. This includes overtime work, holiday premium, bonuses based on performances, commissions etc, while indirect compensation includes protection programs, insurance plans, educational assistance, and pay for time not worked, the Job: interesting duties, challenging responsibility, opportunity for recognition, feeling of advancement, achievement opportunity etc.

3. Job Satisfaction and Organisational Commitment

Job satisfaction is defined as the degree to which a worker experiences positive affection towards his or her job (Locke, 1969). In his definition, Locke considers job satisfaction to be "a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences and as a function of the perceived relationship between what one wants from one's job and what one perceives it as offering"

Job satisfaction means the contentment of the servers because of their jobs. It is the personal evaluation of the job conditions (the job itself, the attitude of the administration etc.) or the consequences or (wages, occupational security etc.) acquired from the job (Fletcher and Williams, 2006). According to another definition, job satisfaction is the phenomenon ascertaining the contentment of the server and appearing when the qualifications of the job and the demands of the servers match (Reichers, 2006). In line with these definitions, job satisfaction might be handled as the consequence resulting from the comparison between the expectations of the server from his job and the job in question which is performed. The consequence may emerge as satisfaction or dissatisfaction of the server from the job.

When the server sees that his expectations are not met in the job environment, the job dissatisfaction emerges. It leads to the decrease in the workforce productivity, organisational commitment and commitment to the job and increase in the rates of the optional discontinuation of the job (Santhapparaj,Srini and Ling, 2005; Payne and Morrison, 2002; Redfern, 2005 and Denizer, 2008; Gellatly, 2005; Sagie, 2002).

It has been argued that organizations cannot be at their best until workers are committed to the organisational goals and objectives (Dixit and Bhati, 2012). However, the degree to which workers are satisfied with their jobs vary and subject to factors such as job environment, work hours and schedules, reward system, (Osibanjo, Abiodun, and Fadugba, 2012). In other words, workers' commitment can be described as a function of job satisfaction, which implies that workers could be committed in delivering their services when they are satisfied with their jobs.

However, organisational commitment is defined as affiliation of employees to the organization and involvement in it. Rowden, (2000) defined the organisational commitment as

believing and accepting the goals and values of organization and possessing and showing desire to be part of the organization. Committed employees show strong intentions to serve their organizations and are low at intentions to leave (Robbins & Coulter, 2003; Hunt & Morgan, 1994). There are three dimensions of commitment which are; continuance commitment, affective commitment and normative commitment (Turner & Chelladurai; Greenberg, 2005; Boehman, 2006 & Canipe, 2006). They believe these types of commitment are independent in nature and are shown by individuals at different levels in organization. Greenberg (2005) and Canipe (2006) proceeded to explain organisational commitment as emotional attachment to the objectives and values of an organization and that it is the aggregate internalized normative demands to perform in a manner which meets organisational objectives and interests.

Moreover, previous researches have found a positive correlation between job satisfaction and organisational commitment (Mathieu & Zajac, 1990). Williams and Hazer (1986) found a direct link between job satisfaction and organisational commitment, that job satisfaction is an antecedent of organisational commitment. This thought process assumes that an employee's orientation toward a specific job precedes his or her orientation toward the entire organization.

Job satisfaction and organisational commitment have been shown to be positively related to performance (Benkhoff, 1997); negatively related to turnover (Clugston, 2000; Mathieu & Zajac, 1990) and turnover intent (Lum, Kervin, Clark, Reid & Sirola, 1998). The vast majority of research indicates a positive relationship between satisfaction and commitment (Aranya, Kushnir & Valency, 1986; Pearce, 2010; Kreitner & Kinicki, 2006; Morrison, 1997; Ting, 1997) and their relationship has an influence on performance and turnover intent (Clugston, 2000; Lum; Kervin; Clark; Reid & Sirola, (1998), Mathieu & Zajac, 1990).

Job satisfaction is one of the attitudinal constructs that has been shown to be related to organisational commitment, but its treatment as an independent construct should be emphasized. A number of factors distinguish job satisfaction from organisational commitment. Mowday; Porter & Steers, (1979) argue that organisational commitment is "more global, reflecting a general affective response to the organization as a whole" while job satisfaction "reflects one's response either to one's job or to certain aspects of one's job". Thus organisational commitment focuses on attachment to the employing organization as a whole, including the organization's goals and values, while job satisfaction focuses on the specific task environment where an employee performs his or her duties (Mowday et al., 1979). Organisational commitment is less influenced by daily events than job satisfaction; it develops more slowly but consistently over time, and therefore is seen to be a more complex and enduring construct (Mowday et al., 1979). Also, job satisfaction and organisational commitment do not necessarily occur simultaneously. It is possible that an employee may exhibit high levels of job satisfaction without having a sense of attachment to, or obligation to remain in the organization. Similarly, a highly committed employee may dislike the job he/she is doing thereby exhibiting low levels of job satisfaction (McPhee & Townsend, 1992).

Kalleberg and Mastekaasa (2001) found that previous research on the relationship between job satisfaction and organisational commitment has not shown any consistent and easily reconcilable findings. Accordingly, Lincoln & Kalleberg (1990), and Tett and Meyer (1993) maintain that a satisfaction-to-commitment model assumes that satisfaction is a cause of commitment. Thus, we propose that;

1. A high level of job satisfaction is related to organisational commitment.

Organisational commitment has attracted considerable interest as attempts have been made to better understand the intensity and stability of an employee's dedication to the organisation (Lumley, 2010). Allen and Meyer (1990) identified a link between organisational commitment and employee salary levels, benefit packages and turnover and concluded that organizations that have

better compensation systems cum policies in place put a very positive impact on their employees thereby they committed to the organisation and were less likely to leave it.

Financial reward is one of the factors that produce job satisfaction as mentioned in need fulfillment model by Kreitner and Kinicki, (2006). They revealed that pay, benefit packages and security were greater motivators for employees. Also, Grace and Khalsa (2003) admitted that professional development opportunities, salary packages, benefits are of great importance that create job satisfaction factors. Compensation systems may affect employees' job satisfaction and thus influence intentions to quit but higher compensation level cum benefit packages leads to higher job satisfaction and retention rates will also be higher.

Moreover, Bob (2011) advanced compensation processes as compensation, philosophies strategies and arrangement in the shape of policies and strategies, guiding principles, structures and procedures which are devised and managed to provide and maintain appropriate types and levels of pay, benefits and other forms of compensation. This includes measuring job values, designing and maintaining pay structures, paying for performance and providing employee benefits.

Compensation management is concerned with the formulation and implementation of strategies and policies that aim to compensate people fairly, equitably and consistently in accordance with their value to the organization which ultimately affects their job satisfaction thus leading to their commitment to organisational objectives, (Armstrong, 2005). Anyebe, (2003) is of the opinion that the task in compensation management is to develop policies and strategies that will attract, satisfy, retain and motivate employees thereby leading to organisational commitment. This encourages top performers to work harder and helps build a competitive atmosphere in the organization as it supports the achievement of business objectives. With this background, we come up with the following hypotheses that;

2. Satisfaction with salary levels is related to organisational commitment and
3. Satisfaction with benefit programmes is related to organisational commitment.

McNamara (199); Opkara, (2004) 7 Samad (2007) defines job satisfaction as one's feelings or state of mind regarding the nature of their work. Job satisfaction can be influenced by a variety of factors among which are the quality of one's relationship with their colleagues or co-workers, relationship with their supervisor or leadership, the quality of the physical environment/ geographical location in which they work, the stability of their job tenure, satisfaction with the relevance of one's job and degree of the fulfillment of their work, all of which are positively related to their commitment to the organisational goals and objectives. They concluded that if workforce is satisfied with their job as well as the organisational environment including its colleagues, compensation and leadership, they will be more committed with their organization as compared to when they are not satisfied. These are important because they are key factors that influence employee's turnover, productivity and performance. Satisfied and committed employees are contributors and performers towards enhancing organisational productivity. Thus, it is clear from the foregoing that good relationship with co-workers and leadership, having stable job tenure with comfortable job environment have some positive impact on the employees.

Therefore, we can safely construct the following hypotheses;

4. Satisfaction with co-workers is related to organisational commitment.
5. Satisfaction with leadership is related to organisational commitment.
6. Satisfaction with job stability is related to organisational commitment
7. Satisfaction with geographic location is related to organisational commitment.

Work life balance is the term used to refer to policies that strive to achieve a greater complementarily and balance between work and home responsibilities. Subhasree and Misra, (2013)

define work life balance as the harmonious and holistic integration of work and non-work so that people can achieve their potential across the domains in which they live. Work life balance is about people having a measure of control over when, where and how they work. It is achieved when an individual's right to a fulfilled life inside and outside paid work is accepted and respected as the norm, to the mutual benefit of the individual, his family, business and society, (Jones, Burke & Westman, 2006; Pitt-Catsouphes, Kossed & Sweet, 2006). One of the first definitions is that of Greenhaus and Beutel (1985), which states that work and non-work interference is a form of inter-role conflict whereby role pressures from family (spouse and children) and work domains are mutually incompatible, i.e. participation in the work role is made difficult by participation in the family role. Initial research on WLB was in response to the problems faced by an increasing number of working mothers battling to meet the demands of both work and family (Morehead, 2002).

According to Rantanen (2008), the topic of work life has evolved into one of the most potent and valuable resources as the human resources are the lifeblood of organizations. Therefore, the extent to which human resource is managed is a vital element in enhancing internal effectiveness and improving the organisation's competitiveness. Shrotriya (2009) said that work life balance entails attaining equilibrium between professional work and other activities, so that it reduces friction between official and domestic/ personal life and thus enhances efficiency and productivity of employees with increase in commitment and contentment, as employee feel that they are freely able to use flexible working hours programs to balance their work and other commitments such as family- including devoted time for the spouse, hobbies, studies instead of only focusing on work, (Frame and Hartog, 2003).

However, work-life balance policy usually refers to organisational support for dependent care, flexible work options, family or personal leave which include flexible work hours, (e.g. flextime, which permits workers to vary their start and finish times provided a certain number of hours is worked compressed work week, in which employees work a full week's worth of hours in some days and take the next day as off), working from home (telework), sharing a full-time job between two employees (job sharing), family leave programs (e.g. parental leave, adoption leave, compassionate leave), on-site childcare and financial and or informational assistance with childcare and eldercare services. Work Life Balance policies help employees in managing their work and family including their spouses in a better way and enhance their attitudes and behaviours such as organisational commitment (Groover and Crooker, 1995), job satisfaction (Kossek and Ozeki, 1998) and intention to remain and committed in their organizations.

Work life balance recognizes that employees have personal as well as working lives and that the two intersects, having flexible options available that acknowledge and accommodate different/ changing needs, while at the same time meeting organisational requirements, will encourage greater employee contribution and productivity, and overall commitment to the organization. Employers have responded positively to demands for greater flexibility in employment practices in order to improve staff morale, retention and commitment. They are incorporating work life balance policies as part of their health promotion policies, especially in relation to a reduction in negative stress and consequent absenteeism. An important factor to consider is the stress experienced by those who have to contend with long commuting times, an occurrence that can be avoided by the adoption of flexible working times. Fine- Davies (2004) argue that work-life balance has a direct relationship to the health and wellbeing of the employee, as they found a significant relationship between potential flexibility in the workplace and workers' satisfaction and their commitment to the organization. Much of the emphasis of good employment practices has been placed on strategies to retain staff, link satisfaction and commitment to retention and has emphasized flexible employment, communication and family friendly work policies, telecommuting, well-being programmes, employment conditions and social and community practice. Because WLB programs are intended to

facilitate employees to integrate and manage their work and family responsibilities (De Cieri; Holmes; Abbott and Pettit 2005), employees of organizations that offer such benefits can enjoy greater job, family conflict and life satisfaction and have less intention to quit than employees of organizations that do not (Rayman; Bailyn; Dickert; Carre; Harvey & Read, 1999). Employees could also experience lower levels of stress, work-family conflict, and higher levels of positive output between work and family (Voydanoff, (2005); Rupert; Stevanovic, and Hunley, 2009). There are numerous reasons why employees can become discouraged with their jobs and resign, including high stress, lack of recognition or limited or limited opportunity for growth. Thus, management should actively seek to improve these factors if they hope to lower their stress levels, turnover rate and ensure their commitment, even in economic downturn dissatisfaction and turnover is an expense best avoided. It is generally agreed that work-life balance is important for an individual's psychological well-being, and that high self-esteem, satisfaction greater commitment to organisational objectives and overall sense of harmony in life can be regarded as indicators of a successful balance between work and family roles (Clark; Koch and Hill, 2004; Clark 2000). Other forms of flexible working conditions include; part-time working, job sharing, flextime, shift working, home working, career breaks, study live, e.t.c.

Barnett and Baruch (1985) investigated the psychological distress connected to the balance of rewards and concerns generated by individual women's multiple roles as paid worker, wife and mother. They found that positive role quality- more rewards than concerns experienced in a given role was related to low levels of role overload, role conflict and anxiety. Based on their study, Barnett and Baruch defined role balance as a reward minus concerns; difference score which could range from positive to negative values. According to the conflict hypothesis, multiple roles with infinite demands are likely to cause role strain and conflict for individuals because the resources they have to meet these demands are finite and scarce, (Jones, 2006). The core statement of the enhancement hypothesis is that multiple roles provide benefits in the form of privileges, status security, psychological energy and personal growth which expand individual resources and facilitate role performance. More specifically, Tiedje (1990) regarded role conflict and role enhancement as independent dimensions, and therefore they argued that it is possible to experience simultaneously either a high conflict and low enhancement; a high enhancement and low conflict; a low conflict and low enhancement or high conflict and high enhancement. He found that regardless of the level of enhancement, women who experienced high role conflict were more depressed and less satisfied as parents than women belonging to the low conflict- high enhancement group. Thus, on the basis of studies by Barnett and Baruch (1985) and Tiedje; Wortman; Downey; Emmons; Biernat and Lang, 1990), it may be concluded that high rewards and enhancement combined with low concerns and conflict experienced across the role in one's life is beneficial for an individual's well-being, hence these experiences characterize role balance which enhances employees satisfaction and personal correlates of their commitment to the organization. An imbalanced work life of an employee can result in stress because workers are expected to perform at certain rates, yet they are unable to do so. This results in lower productivity and higher turnover because quotas cannot be met by the employees which impaired on their commitment to the organisational achievements.

Therefore, we can safely propose the following hypotheses;

8. Satisfaction with work-life balance is related to organisational commitment.
9. Satisfaction with stress levels is related to organisational commitment.
10. Satisfaction with spouse /significant others employment is related to organisational commitment.

Financial reward is one of the factors that produce job satisfaction. In the study of Hewitt (2009), he revealed that pay and security were greater motivators for private than for public sectors.

Satisfaction with the professional development opportunities, promotional opportunities, training opportunities and salary packages are of great importance that create job satisfaction factors, (Grace & Khalsa, 2003). Top most factors in producing job satisfaction include training opportunities, promotional opportunities, financial resources and positive relationship with co-workers, salary levels and incentive packages, and leadership all of which if favourably present will lead to organisational commitment. For instance, Grace and Khalsa (2003), found that promotional opportunities and training opportunities are significant predictors of organisational commitment.

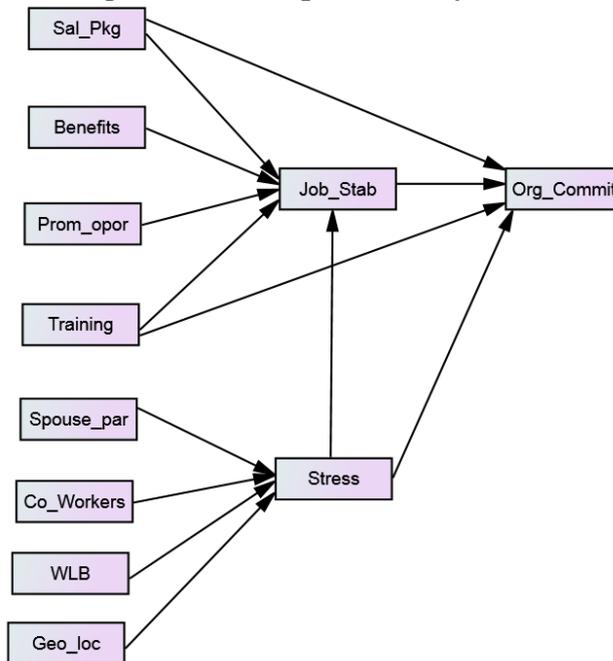
The success of an organization and the pursuit of quality depend not only on how the organization makes the most of human competencies, but also on how it stimulates commitment to an organization (Eaton, 2003). Commitment has been related to valuable outcomes for both the employer and the employees. Greater commitment can result in enhanced feelings of belonging, security, efficacy greater career advancements, up-to-date training opportunities, increased compensation and increased intrinsic rewards for the individual (Malik; Ahmad and Hussain (2010). For the organization, the rewards of commitment can mean employee increased employee tenure, limited turnover, reduced training costs, greater job satisfaction, acceptance and commitment to organisation's demands, and the meeting of organisational goals such as high quality, (Fein, 2010 & Brown, 2003).

However, the following hypotheses are formulated to guide these findings;

11. Satisfaction with promotional opportunities is related to organisational commitment.
12. Satisfaction with training opportunities is related to organisational commitment.

However, the survey hypotheses are depicted in figure 1.

Figure 1: The Proposed Survey Model



4. Materials and Methods

The survey adopts research design methodology, which allows research to obtain primary data on compensation management and organizational commitment in manufacturing industry in India. The choice of manufacturing industry was based on the large concentration of labour, which ranges between literates, semi-literates, and illiterates with low wages and salaries, they live below poverty line. Survival of any economy is argued to be connected with factors such as viable

manufacturing industry, this is due to the fact that they can accommodate large number of workers. However, the primary data of the survey was gathered through researchers’ self-administered questionnaire and interactions methods, which involves selected manufacturing companies in Nigeria and India. These companies were selected arbitrarily from the selected nation. A total of five hundred (500) copies of questionnaire were used for this study. The research instrument adopted for this survey is divided into two (2) sections; while the first part collects demographic data of the respondents, (viz-a-viz marital status, work experience, age, educational qualification among others); the second gathers respondents’ opinions on the impact of compensation management and organizational commitment among the employees in manufacturing industry in the countries where they work and reside.

Results of Investigation

The basic characteristics of the respondents are detailed in table 1.

Table 1: Respondents Basic Characteristics

		Frequency	Percent
Age:	20 – 29 years	284	56.8
	30 – 39 years	144	28.8
	40 – 49 years	57	11.4
	50 years & above	13	2.6
	Missing Cases	2	0.4
	Total	500	100.0
Educational Background	SSLC (10 th grade)	54	10.8
	PUC	44	8.8
	Degree	233	46.6
	Post Graduate	120	24.0
	Others	47	9.4
	Missing Cases	2	0.4
	Total	500	100.0
Designation	Junior	85	17.0
	Middle	325	65.0
	Senior	90	18.0
	Total	500	100.0
Marital Status	Single	230	46.0
	Married	262	52.4
	Divorced/Separated	4	0.8
	Missing Cases	4	0.8
	Total	500	100.0
Work Experience	0 – 5 years	194	38.8
	6 – 10 years	135	27.0
	11 years & above	165	33.0
	Missing Cases	6	1.2
	Total	500	100.0

With reference to the respondents’ basic characteristics illustrated in Table 1, the sample may be considered as a rich and adequate data for this survey.

5. Model Testing

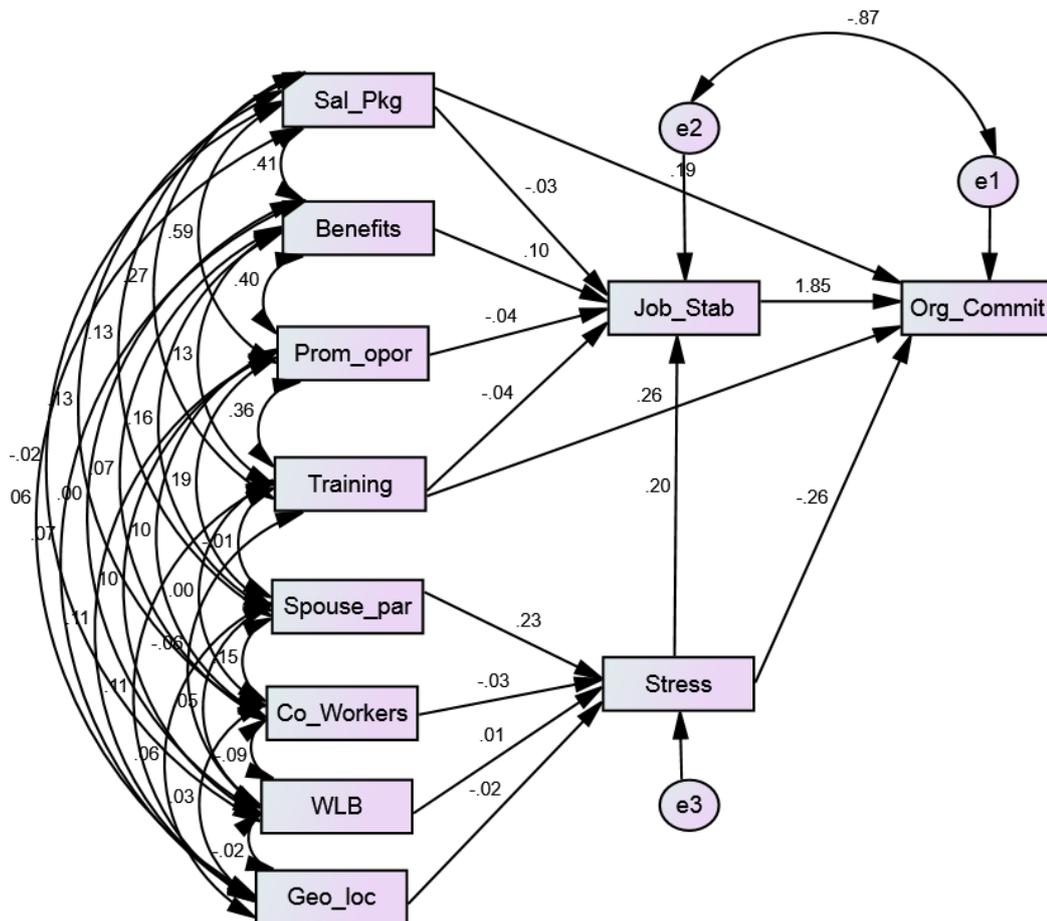
In model testing, various indicators of goodness-of-fit can be adopted among which includes; Normed Fit Index (NFI), Comparative Fit Index (CFI), etc. However, it is important to note that each of these indicators has a minimum benchmark for the model to be accepted; the rule of thumb for NFI suggests that the value should be equal or greater than .90 (Tabachnick and Fidell, 2007); while the benchmark value for CFI suggests that the cut-off value should be also be equal or greater than .90 (Bentler and Bonett, 1980). The model fit summary for this survey is depicted in Table 2.

Table 2: Model fit Summary

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	64	58.091	13	.000	4.469
Saturated model	77	.000	0		
Independence model	22	659.861	55	.000	11.997
Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	.912	.628	.930	.685	.925
Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000

As obtained in the literature the goodness of fit of a model tends to explain the extent in which it fits both the observed and expected values. However, comparing the values obtained from the analysis (see Table 2) with the recommended benchmark values, it could arrive to a conclusion that the model is fit.

Figure 2: Structural Model with Standardized Parameter Estimates



Key to variables included in structural equation model analysis in figure 2

Sal_Pkg	→ Salary Package
Prom_opor	→ Promotional Opportunities
Training	→ Training Opportunities
Spouse_par	→ Spouse/Partners
Co-Workers	→ Colleagues
WLB	→ Work-Life Balance
Geo_loc	→ Geographical Location
Job_Stab	→ Job Stability
Org_Commit	→ Organization Commitment
Org_poli	→ Organization Policies

As illustrated in Figure 2, the model results indicate close positive association among the tested variables except few with negative associations. Among the positive associations obtained include; the covariance between Spouse_Par (spouse/partner) and Co-workers (colleagues) that is estimated to be .146; the covariance between Prom_Opor (promotion opportunity) and training (training opportunity) is estimated to be .492; the covariance between benefits and Prom_Opor is estimated to be .521; the covariance between Sal_Pkg (Salary Package) and benefits is estimated to be .464; also the covariance between Sal_Pkg and Prom_Opor is estimated to be .807; the covariance between Sal_Pkg and training is estimated .324; the covariance between Benefits and Spouse_Par is estimated to be .234, and they are all significantly different from zero at the 0.001 level (two-tailed).

However, looking at the regression weights among the tested variables, the regression weight for Spouse_Par in the prediction of Stress is significantly different from zero at the 0.001 level, which could be interpreted that when Spouse_Par goes up by 1 standard deviation, Stress goes up by 0.233 standard deviation. Similarly, the regression weight for benefits in the prediction of Job_Stab (Job Stability) is significantly different from zero at the 0.05 level, which implies that when Benefits goes by 1 standard deviation, Job_Stab goes up by 0.104 standard deviations. Also significant is the regression weight for Stress in the prediction of Job-Stab which is significantly different from zero at the 0.001 level, in other words, when Stress goes up by 1, Job_Stab goes up by 0.22. The regression weight for Job-Stab in the prediction of Org_Commit is significantly different from zero at the 0.05 level, which implies that when Job_Stab goes up by 1 standard deviation, Org_Commit goes up by 1.852 standard deviations. In addition to the studied variables that are significant discussed above is the regression weight for Training in the prediction of Org_Commit (Organizational Commitment) which is significantly different from zero at the 0.01 level, when Training goes up by 1 standard deviation, Org_Commit goes up by 0.257 standard deviations. Sal_Pkg in the prediction of Org_Commit is significantly different from zero at the 0.05 level, that is, when Sal_Pkg increases by 1 standard deviation, Org_Commit goes up by 0.186 standard deviations. Also, the regression weight for WLB (Work-Life Balance) in the prediction of Stress is not significantly different from zero at the 0.05 level (two-tailed), when WLB goes up by 1 standard deviation, Stress increases by 0.014 standard deviations.

Further, some of the studied variables are not significant amongst which include Co_Workers in the prediction of Stress, which is not significantly different from zero at the 0.05 level, which implies that when Co_Workers increases by 1 standard deviation, Stress goes down by 0.027 standard deviations. The regression weight for Geo_loc (Geographical Location) in the prediction of Stress is not significantly different from zero at the 0.05 level. Which, by implication means, when Geo_loc increases by 1 standard deviation, Stress decreases by 0.016 standard deviations. Furthermore, the regression weight for Sal_Pkg in the prediction of Job_Stab (Job Stability) is not significantly different from zero at the 0.05 level. In other words, when Sal_Pkg

goes up by 1 standard deviation, Job_Stab goes down by 0.03 standard deviations. The regression weight for Prom_opor (Promotion Opportunity) in the prediction of Job_Stab is not significantly different from zero at the 0.05 level, when Prom_opor increases by 1 standard deviation, Job_Stab decreases by 0.04 standard deviations. In addition, in the prediction of Job_Stab, the regression weight for Training is not significantly different from zero at the 0.05 level, which implies that when Training goes up by 1 standard deviation, Job_Stab goes down by 0.044 standard deviation. Expectedly, in the prediction of Org_Commit, the regression weight for Stress is not significantly different from zero at the 0.05 level. In other words, when Stress increases by 1 standard deviation, Org_Commit decreases by 0.259 standard deviations.

6. Conclusion

The survey examined the relationship between compensation management and organizational commitment in developing economy, evidence from Indian manufacturing companies. The proposed variables emanated from the major constructs of the survey were tested and analyzed with the use of Structural Equation Modeling (SEM). Based on the results obtained, close association exists among tested variables. Expectedly, increase in salary tends to have positive impact on job stability, but on the contrary it has negative impact. This could be as a result of high expectation from the management based on the pay raise. Therefore, decision makers should understand that pay increase may not make employees remain on their jobs.

7. Implication and Limitation

As obtained from the output of the survey depicted in Figure 1, availability of promotion opportunities does not guarantee job stability. Further, training opportunities do not increase job stability. Decision makers should take some precautionary measures in order not to be deceived by perceived positive impact of training and promotion opportunities on employees' job stability.

Some of the limitations of the study among others include external validity and generalization of the results. The study was carried out in Indian manufacturing industry with some selected companies. About 46.6% of the respondents had bagged minimum of first degree, which implies that they were educated and understood the essence of career building. However, it is therefore imperative to have a repeat of this study in other developing economies in Africa and possibly in other sectors of the economy such as service and education industries.

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