

**INFLUENCE OF COMPENSATION POLICY ON EMPLOYEE COMMITMENT AT  
TEACHERS SERVICE COMMISSION IN KENYA**

**BY**

**JENNIFER NAGELI KOITALEK**

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTERS IN  
BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS,  
UNIVERSITY OF NAIROBI**

**2016**

**DECLARATION**

I declare that this is my original work and has not been presented for a degree in any other university.

Signature .....

Date .....

**JENNIFER NAGELI KOITALEK**

**REG NO; D61/77136/2015**

This project has been presented for examination with my approval as the university supervisor:

Signature .....

Date .....

**DR.MERCY MUNJURI**

**DEPARTMENT OF BUSINESS ADMINISTRATION**

**SCHOOL OF BUSINESS**

**UNIVERSITY OF NAIROBI**

## **DEDICATION**

This is a special dedication to my family members. As a family, we have come a long way and we are still going far. I love you all and I trust that God being our guide we shall live to see more of His goodness in our lives. Thank you for your thoughtfulness, well wishes and continuous prayers.

## **ACKNOWLEDGEMENT**

It was not possible to undertake this research project without seeking help from others. First and foremost I acknowledge the peace of God which surpasses all human understanding. My deep and sincere thanks go to my supervisor Dr.Mercy Munjuriand to all my lecturers in the department of Business Administration for their guidance and suggestions in preparing this research project. I would also like to thank my family for their support and understanding as I set aside my family chores to prepare this project.

## TABLE OF CONTENTS

<b>DECLARATION.....</b>	<b>ii</b>
<b>DEDICATION.....</b>	<b>iii</b>
<b>ACKNOWLEDGEMENT.....</b>	<b>iv</b>
<b>LIST OF ACRONYMS/ ABBREVIATIONS.....</b>	<b>x</b>
<b>ABSTRACT.....</b>	<b>xi</b>
<b>CHAPTER ONE: INTRODUCTION.....</b>	<b>1</b>
1.1 Background of the Study.....	1
1.1.1 Compensation Policy.....	2
1.1.2 Employee Commitment.....	4
1.1.3 Teachers Service Commission.....	5
1.2 Research Problem.....	7
1.3 Objective of the Study.....	9
1.4 Significance of the Study.....	9
<b>CHAPTER TWO: LITERATURE REVIEW.....</b>	<b>11</b>
2.1 Introduction.....	11
2.2 Theoretical Foundation.....	11
2.2.1 Expectancy Theory.....	11
2.2.2 Equity Theory.....	13
2.2.3 Social Exchange Theory.....	14
2.3 Elements of Compensation Policy.....	15
2.3.1 Grade and Pay Structure.....	15
2.3.2 Total Reward.....	16
2.3.3 Philosophy and Values.....	16
2.3.4 Psychological Contract.....	17

2.4 Factors that Influence Compensation Policy.....	18
2.4.1 Organisational Objectives and Strategy.....	18
2.4.2 HR Strategies and Practices.....	19
2.4.3 Market and the Industry.....	19
2.4.4 Trade Unions and Government Policy.....	20
2.5 Factors that Influence Employee Commitment.....	21
2.5.1 Empowerment and Recognition.....	22
2.5.2 Equity.....	22
2.5.3 Psychological Contact.....	23
2.5.4 Training and Development.....	23
2.5.5 Personal- Organizational Fit.....	24
2.6 Compensation Policy and Employee commitment.....	25
<b>CHAPTER THREE: RESEARCH METHODOLOGY.....</b>	<b>27</b>
3.1 Introduction.....	27
3.2 Research Design.....	27
3.3 Target Population.....	27
3.4 Sample and Sampling Techniques.....	28
3.5 Data Collection.....	28
3.6 Data Analysis.....	29
<b>CHAPTER FOUR: DATA ANALYSIS, RESULTS &amp; DISCUSSION.....</b>	<b>30</b>
4.1 Introduction.....	30
4.2 Response Rate.....	30
4.3 General Information.....	30
4.3.1 Sex of Respondents.....	31
4.3.2 Duration of Service.....	32

4.3.3 Department of Respondents.....	33
4.4 Forms of Compensation Policy at TSC.....	34
4.4.1 Compensation Policy Practice at TSC.....	34
4.4.2 Employee involved in the Development of Compensation Policy at TSC....	35
4.4.3 TSC Compensation policy in Comparison with Similar State bodies.....	36
4.5 Forms of Compensation Policy at TSC.....	38
4.5.1 Gross Pay - Cash Rewards.....	38
4.5.2 Benefits - Non Cash Rewards.....	40
4.5.3 Compensation Administration.....	41
4.5.4 Recognition of Compensation Policy.....	42
4.5.5 Performance of Compensation Policy.....	44
4.6 Employee Commitment.....	45
4.7 Regression Analysis.....	48
4.8 Discussion of the Findings.....	50
<b>CHAPTER FIVE: SUMMARY, CONCLUSIONS &amp; RECOMMENDATIONS.</b>	<b>53</b>
5.1 Introduction.....	53
5.2 Summary of the Findings.....	53
5.3 Conclusion.....	54
5.4 Recommendation Policy Implications.....	55
5.5 Limitations.....	56
5.6 Suggestion for Future Studies.....	57
<b>REFERENCES.....</b>	<b>58</b>
<b>APPENDIX I: QUESTIONNAIRE.....</b>	<b>62</b>
<b>APPENDIX II: UNIVERSITY LETTER.....</b>	<b>68</b>
<b>APPENDIX III: RESEARCH AUTHORIZATION LETTER.....</b>	<b>69</b>

## LIST OF TABLES

Table 3.1: Target Population and Sample Size.....	28
Table 4.1 Sex of Respondents.....	31
Table 4.2 Duration of Service.....	32
Table 4.3 Department.....	33
Table 4.4 Extent that Compensation Policy Practice at TSC is well communicated to every employee.....	34
Table 4.5 Extent of Employee involvement in the development of compensation policy at TSC.....	35
Table 4.6 Extent to which TSC compensation policy compares to Similar State Organizations.....	37
Table 4.7 Extent of Gross Pay - Cash Rewards.....	38
Table 4.8 Extent of Benefits - Non Cash Rewards.....	40
Table 4.10 Extent of Recognition of Compensation Policy.....	43
Table 4.11 Performance of Compensation Policy.....	44
Table 4.12 Extent of Affective Commitment.....	46
Table 4.13 Model Summary.....	48
Table 4.14 Analysis of Variance.....	49
Table 4.15 Regression Coefficients.....	49



## LIST OF FIGURES

Figure 4.1 Sex of Respondents.....	31
Figure 4.2 Duration of Service.....	32
Figure 4.3 Department.....	33
Figure 4.4 Compensation policy practice in TSC.....	34
Figure 4.5 Extent of Employee involvement in the development of compensation policy at TSC.....	36
Figure 4.6 Extent to which TSC compensation policy compares to Similar State Organizations.....	37
Figure 4.7 Extent of Gross Pay - Cash Rewards.....	39
Figure 4.8 Extent of Benefits - Non Cash Rewards.....	41
Figure 4.9 Extent of Compensation Administration.....	42
Figure 4.10 Extent of Recognition of Compensation Policy.....	43
Figure 4.11 Extent of Performance of Compensation Policy.....	44
Figure 4.12 Extent of Affective commitment.....	47

## **LIST OF ACRONYMS/ ABBREVIATIONS**

<b>CBA</b>	Collective Bargaining Agreements
<b>CIPS</b>	Canadian Information Processing Society
<b>HR</b>	Human Resource
<b>ICT</b>	Information and Communication Technology
<b>MBA</b>	Master of Business Administration
<b>NHIF</b>	National Hospital Insurance Fund
<b>NSSF</b>	National Social Security Fund
<b>RBA</b>	Retirement Benefits Authority
<b>SPSS</b>	Statistical Package for Social Sciences
<b>TSC</b>	Teachers Service Commission

## ABSTRACT

The realization of organizational objectives is in most cases achieved through the human resource asset and there is need therefore to enhance the commitment of employees to the organization. Hence identification of all possible factors that increase employee commitment is of utter importance. Indeed the compensation policy is an important element of human resource management. It influences decision of potential employee to join an organization and determines employer-employee relationship after employee joins the organization. The compensation policy should in addition encompass both monetary and non-monetary rewards paid to employee in exchange of the services rendered while taking into consideration employment contract, competence and skills. This study aimed at establishing the influence of compensation policy on employee commitment at Teachers Service Commission, Kenya. Primary data was collected using self-administered questionnaire and the data was analyzed by use descriptive statistics specification and regression analysis. The data was presented using table and pie charts. The study established that TSC had different forms of compensation that compares with other state bodies and that the management involves junior staff in decision relating to their pay. There is diversity of compensation at TSC and this attracts different types of employees. Generally, the study found that cash pay for performance policy was the popular compensation. It was also established that the compensation policy influences employee commitment and this led to enhanced performance, trust in management and strong relationship in the organization. Further, the cash rewards were reflective of individual skills and effort which included allowances for extra duties and responsibilities. The employees' compensation included pension schemes; personal security through illness, health or accident insurance covers; safety in work environment, financial assistance for loans in house purchase schemes or purchase of organizational products and work life. The regression model adopted by this study was found to account for 85.4% of the variability in the data. Herein, a significant F-test value was obtained. This shows that there was significant relationship between gross pay and employee commitment. From the findings obtained, it recommends that there is need for top leadership in the organization to establish an effective employee compensation since this would influence the success of attaining the objectives and vision of the organization. In addition, compensation of employees at TSC should be based on performance considerations in order to enhance employee commitment. The following research directions are recommended. Therefore the need for comparative studies to be carried out in other sectors, such as manufacturing and service sectors. Since this study consisted of only one antecedent (compensation policy) on employee commitment, other antecedents, such as job satisfaction, role conflict, role ambiguity or centralization of authority which have been shown to be related to organizational commitment should be included in further studies.

## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background of the Study**

Compensation policy is an important element of human resource practice that influences decision of potential employee to join an organization and determines employer-employee relationship after employee joins the organization (Ira, 2010). Psychological contract develops between the employer and the employee that serves to determine the nature of mutual existence during the period of employment. The contract is largely influenced by the development and management of compensation policy and the resultant employee commitment (Kwon, 2001). Compensation policy as an area of research has outcomes which are of interest to the organization and to the employee. The outcomes of compensation policy includes: employee commitment, organizational citizenship and organizational performance. Employee commitment has influence on employee's commitment and perception towards the organization, work behavior and psychological contract. Compensation policy is an integral component of organization's reward systems and corporate strategy which when effectively utilized influences the level of employee commitment to the company and work positively (Armstrong, 2007).

This study is grounded on theoretical frameworks which seek to understand and predict employee's behavior. Social Exchange Theory (Blau, 1964; Homans, 1961) explains employee behavior reciprocity in a social exchange relationship with the company. The theory provides that perception formed by an employee in regard to treatment received from the organization compels the employee to reciprocate in positive and beneficial ways that includes commitment.

Expectancy Theory (Vroom, 1964) provides a link between the effort behavior outcomes and the extent to which the employee expectations on compensation and benefits are being met by the organization. Equity theory (Adams, 1965) gives the view that the behavior of employee is largely influenced by the extent to which he interprets fairness in compensation or rewards for his input.

Teachers Service Commission (TSC) is a constitutional commission created under the constitution of Kenya 2010. TSC plays an important role in the governments' efforts of achieving universal education for all as outlined in Kenya's Vision 2030. TSC is entrusted with the responsibility of improving the professional capacity and conduct of teachers and providing them with the necessary support. TSC form an interesting area of study because of the strategic role it plays in managing over 300,000 teachers who are spread across all the areas of the counties. Managing such a big and diversified workforce requires highly devoted team of employees who should be adequately compensated in order to generate commitment.

### **1.1.1 Compensation Policy**

Compensation policy provides guidelines or approaches which the organization uses in reward management. The policy apart from serving as an implementation tool for reward strategy is a reflection of organization's values, culture and philosophy in regard to compensation (Eisenberg, Fosdo&Lamastro, 1990). Compensation policy helps in defining employment relationships, contractual obligations and the implied psychological contract between the employer and the employee (Zacher, 2015). The policy promotes employer employee relationship by having committed employees

who have trust with the organization, are willing to go an extra mile in their duties and have readiness to assist other employees.

Compensation policy encompasses both monetary and non-monetary rewards paid to employee in exchange of the services rendered while taking into consideration employment contract, competence and skills. Policy on compensation incorporates following key components; level of rewards, equity in pay, remuneration, contingent pay, competitiveness and transparency in rewards management (Armstrong et al, 2007). Benefits refer to non-cash allowances which are part of total reward. Benefits policy addresses issues of, pension schemes; personal security through illness, health or accident insurance covers; safety in work environment, financial assistance for loans in house purchase schemes or purchase of organizational products; work life balance, holidays, career breaks, counseling; and employee development (Adler et.al, 2015). Compensation policy is grounded on organization philosophy, values, culture and strategy of the organization and portrays positioning of the employee in the organization's mind (Rajiv et.al, 2000).

Developing a compensation policy is a process that requires consideration of factors internal and external to the organization. External factors include industrial practice, market consideration and competitor's strategy on rewards. Internal factors includes HR strategy adopted on; attracting recruiting, developing and retaining the employees; values of equality, balance and quality of work life; organizational culture in relation to performance, innovation and creativity or skills development (Ombasa, 2013). The organization's philosophy on whether to be in leader, medium or follower position in the market shall act as a guide on the compensation policy to be adopted.

### **1.1.2 Employee Commitment**

Employee commitment reflects the involvement and psychological attachment that an employee has towards an organization and work which is assigned to him. Meyer et.al (2001) describes commitment as a force that makes an individual stick to a course of action that is of relevance to a particular goal. Noble et.al (1999) defined commitment towards an organization as level at which an employee identifies with and works towards the achievement of organizational goals. Commitment of employee to organization has no universally prescribed definition. However, despite the differences in the definitions, there is agreement between the scholars that commitment to organization influences employee's attitude, attachment and perception towards an organization.

Pare et.al (2007) is of the view that employee commitment is associated with behaviors of high involvement, reduced intentions of opting out of the organization, going extra mile to accomplish duties and task, willingness to help and uplift others at work and corporate citizenship. Employee commitment can be perceived as internal psychological force that makes an employee feel ready to work, accomplish tasks as specified, stick to the organization and speak positively about the organization (Ira, 2010).

Employee commitment can take different forms which are influenced by employee mindset. The forms of commitment according to Meyer and Allen (1991) are; affective, continuance and normative commitments. According to Meyer and Allen (1991), affective commitment is grounded on psychological position of the employee towards the organization.

Affective commitment is linked to emotional attachment, identification and involvement in the organizations activities and values. The other commitment is continuance commitment which is associated with opportunity cost considered by the employee were he to leave the organization. The cost is the psychological cost of working relationships, informal social groups, growth prospects and image or organization's brand. The employee considers sticking longer in the organization if the opportunity cost is high. Normative commitment is the feeling of an obligation to remain in the organization. Normative commitment is largely out of reciprocity and the feeling of being highly indebted to the organization (Rajiv et.al, 2000).

Employee commitment can be focused on various targets which are considered to be of importance to the employee (Cohen 2003). The foci include commitment to organization, occupation, team, customer, supervisor or trade unions. The foci are influenced by values, morals, performance, compliance, and competency and continuance culture of the organization also referred to as dimensions of commitment. Pare et.al (2007) posits that the different forms and dimensions of commitment are critical in development of HR strategies, policies and practices aimed at increasing commitment at workplace. The philosophy of compensation policy is largely guided by values of transparency, compliance and performance (Zacher et al, 2005).

### **1.1.3 Teachers Service Commission**

Teachers Service Commission (TSC) is a body corporate established in 1967 by an Act of Parliament Cap 212. The constitution of Kenya (2010) re-established TSC as one of the constitutional commissions. Constitutional commissions are independent of parent government ministries and are capacitated by the constitution to act



independent of the executive arm of the government when executing their mandate. Article 237 (2) and (3) prescribes the mandate of TSC to include; managing teachers in the country; reviewing education standards; training of people entering the teaching services; annually reviewing the demand for and supply of teachers and advising the national government on issues affecting teachers(TSC Strategic Plan 2015- 2019).

Execution of TSC mandate is undertaken by secretariat staff. The decision making organ of TSC is the commission which comprises of commissioners who are appointed to the commission as per the legal guidelines stipulated in the constitution. The chief executive and the secretary to the commission ensure implementation of the commission's strategies through co-ordination of day to day activities at the secretariat. TSC annual report (2015) indicates that the services of TSC are devolved in line with the constitutional requirement of devolution of government services. The secretariat is devolved into 47 counties directorship which are coordinated by the headquarters (TSC Devolution Plan, 2015). With devolution, the role of headquarters broadly entails formulation and direction of policy and regulating the operation of the frontline staff through advice and guidance. This study focuses on TSC secretariat which is described as TSC.

TSC secretariat has over 200 employees offering services to over 3000 teachers in the country. HR department is entrusted with the responsibility of developing, implementing, revising and enhancing HR strategy to guide the organization in attracting, recruiting and maintaining a motivated, energized and committed working team. Compensation policy is one of the policies developed by the HR department at TSC.

The policy serves the secretariat or commission employees at the headquarters and county decentralized directorates. The compensation policy includes the pay structure, pay levels, contingent payments, salary advances and promotion system. TSC maintains a graded pay structure which is egalitarian. Gerhard et.al (1992) defines egalitarian pay structure as one which is: open and well communicated to employees. The pay grades have range overlaps to accommodate employees with longer service. Armstrong et.al (2007) is of the view that pay overlaps serves to bring equity in compensation by catering for long serving employees. Contingent payments include allowances for housing, special duty, overtime, transfer leave, acting and travelling. Benefits includes medical, pension, annual leave, maternity leave, sick leave and study leave. Approved Insurance companies manage and administrate medical benefits while pension is managed by department of pensions at the Treasury.

## **1.2 Research Problem**

Compensation policy in an organization is central to the hearts of the employees because it determines their way or standard of living. Policies developed on compensation and benefits need to consider the psychological impact to the employee because they influence their relationship with the organization and the effort expended in their work (Adler et.al, 2015). Employees will positively identify themselves with the organization where compensation policy is deemed to commensurate with their aspirations and serves to improve their welfare. This leads to high organizational commitment, reduced intentions to leave the organization, corporate citizenship advocacy (Zacher et al, 2005). Commitment also flows to the work and tasks performed by the employee whereby increased output, quality and enhance customer service are the associated work out comes (Gerhard et.al, 1992).

Compensation policy at TSC clearly communicates what every employee is entitled to through the service handbook. This open policy avoids speculations and inconsistencies largely associated with reward management especially in private companies. The policy is flexible accommodating various employee diversities in terms of skills, gender, seniority, disability and cultures. Development of the compensation and benefits policies involves market survey, consultant's inputs, employee feedback and advice from national government through salary and remuneration commission. Though a government agent, TSC competes in the market with other government departments and the private sector. A compensation policy enables TSC to compete in the market and serves to improve employer-employee relationship, leading to employee commitment.

Compensation and employee commitment is a HR field that has attracted increased research nowadays. Whitener (2001) studied the effect of human resource management practices on employee commitment using cross level analysis of hierarchical models. The findings revealed that organizations with human resources practices that focus on high commitment receive trust, confidence and increased commitment from the employees. Anvariet.al (2011) researched on the link between compensation practices and effective organizational commitment. The research was a cross section one on medical universities staff in Malaysia. The findings were that strategic compensations practices resulted to effective organizational commitment and had behaviors of low turnover intentions. Iro (2010) analyzed commitment and their influence on employee turnover at TSC. The components of commitment analyzed were career commitment, continuous commitment and protestant work ethics. The study concluded that work environment influenced commitment

Most of the studies on compensation and benefits undertake have tended to link compensation and benefits with performance and motivation. Studies on compensation and benefits on the influence of behavior have received less attention. A review of the existing literature showed that no known study has been undertaken on the influence of compensation policy on employee commitment at TSC. The study aimed at filling this gap by answering the following research question: What is the influence of compensation policy on employee commitment at Teachers service commission?

### **1.3 Objective of the Study**

To determine the influence of compensation policy on employee commitment at Teachers Service Commission.

### **1.4 Significance of the Study**

The study will be of significance to the various human resource management stakeholders, TSC, Government and other policy developers, academicians and researchers.

The study will add new body of knowledge to existing contributions by providing more information through its contextual framework of TSC. Contextual study relates to particular organizations or situations hence bring out unique knowledge in addition to the existing and generalized ones. TSC will find the study to be useful in development of compensation guidelines and policies which are aligned to its HR strategies geared towards commitment increase. Such policy will focus on

competitiveness of TSC, equity, individual needs, transparency and, employee participation.

HR practitioners will find the study to be of value when developing appropriate compensation policies which are intended to increase employee commitment. Consultants will use the study when drawing comparatives of employee commitment and compensation policies across their clients in different organizations. The research findings will be replicated in other organizations faced with an environment similar to that of TSC. HR policies geared toward increase of commitment will be developed by the practitioners with an objective increasing commitment levels in the organization. Such policies include employee involvement, empowerment, participation and leadership. Scholars and researchers on the other hand will use the study as basis of further research. Gaps arising out of comparisons with other organizations compensation policies will be further researched on determine generalization of compensation and commitment theories.

Policy makers like Government and other agencies will use the study to develop policies which increase employee commitment. The policy makers will put integrated employee commitment into their compensation policies. The policies will seek to have extrinsic and intrinsic motivation that influences employee commitment as opposed to pay compensation. The change of pay policy will include pensions, training and career development, skills and performance based pay. The organizations will view the employees as human capital as opposed to workers, hence increase of commitment.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This section covers theoretical foundation on compensation policy and employee commitment. Elements of compensation policy, factors influencing employee compensation and commitment as well as link between compensation and employee commitment are covered.

### **2.2 Theoretical Foundation**

The theoretical foundation provides an understanding of the concepts of compensation and commitment and the linkage between the two concepts. The study is anchored on theories of expectancy, equity and social exchange. The theories explain employee's behavior, attitudes and perceptions arising out of compensation and commitment. A linkage between compensation and commitment is derived from employee's behavior to various elements of compensation.

#### **2.2.1 Expectancy Theory**

Expectancy theory propounded by Vroom (1964) is a process theory which explains the mental process of an employee in interpretation and perception of organizational compensation leading to behaviors of commitment, motivation and effort increase. According to the theory, commitment policy is futuristic and influences expectancy behaviors and attitude towards a job. Vroom suggests that employees' work behavior is related to believe that their effort will result in achievement of outcomes that are of value to them. The theory is based on three expectancies; effort- performance expectancy (E-P), performance – outcome expectancy (P-O) and Valence (V).

The interplay of the three expectancies leads to interpretation of fulfillment or non-fulfillment of expectancies by the organization.

E-P is the perception held by the employee that there is a positive and significant relationship between effort and performance with increased effort resulting to performance. P-E is the employee prediction that high performance will result to positive outcomes in the form of rewards or compensation. V refers to the value expectation of the employee towards the rewards. Employee will be diligent in his work where such efforts results to increased performance. Continuous effort will only be made where outcomes of reward are linked to effort and performance and are perceived to be of value. Employee behavior to work will be positively influenced when the rewards are predicted with a higher degree of continuity and such rewards are of presumed value to the employee.

Compensation policy of an organization when well communicated guides employee in making predictions and expectations about the words. Employees behavior is effort towards job will be positively influenced when the employee interprets the predicted valence in the predicted rewards. The rewards provide intrinsic and extrinsic motivation. The intrinsic motivation is derived from the job while extrinsic motivation is derived from the organizational compensation policy. Valence is relative to employees and is influenced by position held in the organization, career stage and individual life plan. Commitment to the organization and work will increase when the three expectancies are met by the compensation policy of the organization.

### **2.2.2 Equity Theory**

Equity Theory by Adams (1965) is a comparative analysis by an employee of the rewards he receives in relation to those of others who are in a similar position, with equal qualifications and carrying similar tasks in form of effort, time and skills requirement. Out of comparison, employee develops a perception towards the rewards which in turn influence his behavior towards work and the organization. Equity theory is shaped by two ratios used in the reward analysis; my pay vs. others pay; and my position on dimension relative to pay vs. others position on dimensions relative to pay. Inequality arising out of any of the ratios will be interpreted as inequity leading to dissatisfaction and low level commitment to work and the organization.

Anvari et.al (2011) points that the consequence of perceived inequalities results to behaviors of; reduced commitment, psychological stress, reduced quality of out-put or reduction of effort in an attempt to rationalize the inequality. Rajiv et.al (2000) provides a number of moderating factors to the employees' perception towards the analyzed comparison. The internal moderating factors included; valence, clarity of structure, fairness in salary administration and future plans of an employee. External moderating factors are; industrial practice, competitors willingness to absorb the employee in case he leaves the organization and communication channels provided to air the pay grievance. Organizations need to exercise equity in compensation through carrying out salary market survey, adopting pay-skill-performance system, openly communicating compensation policy of the organization and promptly dealing with salary grievances (Armstrong, 2001). Rewards procedural justice serves to influence employees' commitment because employees interpret fairness from the organization where inequities are perceived (Pare et.al, 2007).



### **2.2.3 Social Exchange Theory**

Social exchange as formulated by Blau (1964) is based on the premise that employee's perceived organizational support creates a sense of indebtedness and an obligation within an individual to repay the organization. Positive beneficial acts to an employee by the organization create a high exchange relationship that serve to develop an aversive sense of indebtedness to the organization which can only be reduced by reciprocation (Setton et.al 1999). Social exchange reciprocity occurs at all levels of organization and also with immediate supervisors (Eisenberger et.al, 1986). Employees' reciprocation is a way of giving back what he interprets to be a fair and kind consideration from the organization.

Reciprocity to organization is noted in role behaviors, citizenship behavior and organization commitment (Shore and Wayne, 1993). Social exchange leads to the trust of the employee towards the organization that it will fulfill its exchange obligations. Commitment to the organization through social exchange can be either affective commitment or continuance commitment. Setton et.al (1999) describes the leader member exchange to be cordial relationship between the employee and the supervisor arising out of the perception the supervisor represents the organization to which the employee is indebted to. Local-member exchange is more associated with role behavior with employee developing personal obligation to undertake extra duties, put in more time and minimize conflicts with the supervisors.

## **2.3 Elements of Compensation Policy**

A compensation policy is composed of reward structure together with the values and philosophies which serve to determine the policy (Armstrong 2007). Elements of compensation policy therefore reflect the wholesomeness of the policy when viewed from the perspectives of: grade and pay structure; total reward; philosophies and values upon which the compensation policy is grounded.

### **2.3.1 Grade and Pay Structure**

Grade structure reflects the hierarchies into which groups of jobs which share similarities of skills, size, expected competencies and relative importance are placed. An organization can have a unitary grade for all positions in the organization or multiple grades for different career families (Zacher et al, 2005). Grade and pay structure facilitates industrial harmony, equity, fairness and transparency because they are largely open and communicated to the employees. Types of grade and pay structure are multi-grade or broad grade which depict band size and the incremental rates within a grade.

Multiple grades adopted by the organization reflect the reward strategy which is tied to that of the whole organization (Anvari et.al (2011). The strategy is derived from the pay of competitors in the market to a particular category of employees. The organization responds by emulating competitors to avoid poaching of its key employees by the competitors. The strategic projects being undertaken by the organization may also require development of pay grades different from the current in the organization. Setton et al (1999) posits that employees are more motivated and increase commitment when they are a differentiated pay grades.

### **2.3.2 Total Reward**

Total reward consists of transaction rewards and relational rewards. Zacher et al, (2005), defines transactional rewards as financial rewards which form total remuneration. They include contingent pay, basic pay, and employee benefits. Relational rewards are non-financial intrinsic rewards meant to develop the employees' performance. Relational rewards are long term in nature and serve to enhance human capital in the organization. Basic and contingent pay are negotiated between employer and employee or follow collective bargaining agreement of the representing trade union (Zacher et al, 2005). Contingent pay is related to performance, competence, contribution, skills, services, and incentive pay and recognition schemes (Armstrong and Helen, 2007).

Benefits are largely non-financial additional to basic and contingent pay which reflects position status in the organization or special needs to a person or group of person. Benefits includes; pension schemes, personal security, company cars and petrol, subsidized meals, medical insurance, accident covers, death covers, health screening and career counseling. Benefits are largely governed by the policy of the organization but should be clearly spelt out for purpose of ensuring transparency and fairness in their administration.

### **2.3.3 Philosophy and Values**

Philosophies and values that ground the compensation policy reflects the management vision and strategy on reward management. Common philosophies and values embedded in the compensation policy includes; strategic compensation, human capital investment, fairness, equity, transparency and organization branding.

The philosophies and values act as a guide to top management of the organization when developing compensation policy and reflect the organization attitude and beliefs about the employees (Meyar and Becker, 2004).

Philosophy of strategic compensation will result to multi-grades for different career families while human capital investment will be characterized by long term compensation policies such as training and career development (Pare, 2007). Equity and transperence values leads to compensation policies of pay-for-performance, pay-for-skills, incentive pay, broad or narrow band grades. Organizational branding philosophy is carried out by organizations strategizing to position as market leaders in remuneration. The organization will adopt a compensation policy based on market surveys and negotiations with prospective employees (Armstrong, 2009).

#### **2.3.4 Psychological Contract**

Compensation policy carries salient components of psychological contract between the employer and the employee (Kwoni, 2001). The expectation that the employer will meet agreed payments on a timely and regular basis forms part of psychological contract. Employees loose trust with the employer when there are delayed and irregular payments. Transperence and accountability on compensation is an expectation by the employee that the employer will not be engaged in acts which will result to unauthorized deductions. Pay deductions are always to be suctioned in writing by the employee and a refund is expected from the employer in situations of any unforeseen errors.

## **2.4 Factors that Influence Compensation Policy**

Compensation policy addresses the broad issues on of compensation, that serve to guide the organization on how to remain competitive in the market, practice equity and transparence and pay structure to be adopted by the organization (Armstrong, 2009). The policy developed and adopted by the organization is influenced by a host of internal and external factors which the organization must evaluate before adopting a comprehensive policy.

### **2.4.1 Organisational Objectives and Strategy**

Organizational objectives and the strategy influence compensation policy because compensation and reward strategy are aligned to organizational objectives. Avariet.at (2011) provides that organizations adopt strategic compensation practices as motivation tool which inspires the employees towards achievement of organizational objectives. Strategic fit created between compensation policy and organization objective have broad implications. The compensation policy is influenced by various changes arising out of strategy implementation and the changes in the industry (Martochio, 2009).

Gaver et al. (1995) uses vision as a strategy and posits that the vision pursued by the organization influences compensation policy adopted. Organization with are vision of growth pursue a compensation policy which is long-term compared to non- growth organization which have a short term policy. Organizations with growth vision are investment ventures usually listed in security markets where objective is growth of shareholders wealth. Non growth organizations are like government departments, parastatals, NGO or church based organizations. Growth based firms will have

compensation policy packaged in performance awards, stock option grants and restricted stock grants while non-growth based organizations will apply a compensation policy that is largely based on fixed salary and allowances. The long term incentive reduces agency cost associated with manager-shareholder's information asymmetry (Yandori et al, 2003).

#### **2.4.2 HR Strategies and Practices**

HR strategy and practices in the organization influence compensation policy of the organization contemporary. Contemporary HR strategies of skills retention, attraction and talent management pursue a compensation policy different from a conventional HR strategy and practices which are profit and production oriented (Pare et al, 2007). Contemporary HR strategies pursue intrinsic compensation policy which focuses more on benefits as opposed to salary payment. Intrinsic compensation provides a long term relationship and commitment while extrinsic compensation has an exchange effect (Meyar& Becker, 2004). High involvement HR strategy will develop compensation policy that are participative, open or discussed during job evaluation and performance appraisals. Performance based or pay- skill- performance HR strategies will advocate for compensation policy which are aligned to training, skills and performance (chew & Chen, 2008).

#### **2.4.3 Market and the Industry**

Market and Industrial practice influence compensation policy of an organization because there is perfect competition for human capital with similarity in skills and competencies (Armstrong, 2007). The relative importance that an organization attaches to external competitiveness will influence the degree to which organizations

compensation policy is influenced by market and industrial practice (Anvari et al, 2011). Organization operating on similar market segment and pursuing similar objectives and strategy will be guided by the prism of “equal employer” and adopt compensation policies based on market leadership and similar to those of their direct competitors. The policy serves to prevent “poaching” of valued employees by the competitors in the market. It’s also a staff retention strategy which makes competitors to be less attractive in the perception of the employees.

Branding of the organization can employ compensation policy because the policy is perceived to indicate healthy financial position, high value towards employees, recognition of skills and competencies and equity. Organizations pursuing branding based compensation policy are noted to engage in recruitment practices of head hunting and flashy advertisements which a pegged to a high salary level currently earned by applicants (Meyer & Allen, 2007). Compensation policy therefore serves to position the organization in a market niche. Market positioning of the organization as the most preferred employer will adopt compensation policies which are above the market rates or above those of competitors in order to absorb high and potential employees (Zacher et al, 2005)

#### **2.4.4 Trade Unions and Government Policy**

Yandori et al. (2003) posits that trade unions are a part of market and industry because they are guided by similar principals and market conditions when negotiating for collective bargaining agreements (CBA). Trade unions resort to joint negotiations for organizations in the industry in order to enhance their bargaining power by taking a common stand for the whole industry.

Compensation policies are therefore influenced by trade union actions which require that firms construct a compensation policy which is aligned to industrial practice.

Government fixes minimum wage guidelines to be followed by organizations in the market. The wage guidelines require that the organizations make compliance and observe the regulations in statutory deductions. Government benefits guidelines on social security, health and pensions are enforced by authorities which formed by Acts of Parliament. National Social Security Fund (NSSF) enforces compliance on social security; National Hospital Insurance Fund (NHIF) enforces social health benefits while Retirement Benefits Authority (RBA) enforces pension policy. Non-compliance results to heavy fine and litigations. The government also provides policies, arbitration mechanisms and legal systems in case of compensation disputes which serve to influence compensation policy. Industrial court solves compensation disputes and its rulings bind the actions of organizations in compensation management.

## **2.5 Factors that Influence Employee Commitment**

Employee commitment is influenced by factors internal and external to the organization. Pare et.al (2007) posit that human resource practices by an organization influence employee commitment. High involvement HR practices of recognition and empowerment, equity in rewards, training and competence development, psychological contract and information sharing influences both affective and continuous commitment (McElvoy, 2001).



### **2.5.1 Empowerment and Recognition**

Empowerment provides greater responsibility to employees, allows discretion and autonomy in the work hence fostering sense of support, trust, intrinsic motivation, hence attachment to the organization (Appelbaum et.al, 2000). Competency development programs in job rotation and training and development provides a signal to the employee that management is willing to invest in them. Reciprocity occurs whereby employees in turn develop a sense of positive attitude and commitment towards organization and work (Cohen, 2003). Information sharing on organizational financial position, strategy and operations helps employee to understand goals and values of the organization, creates sense of trust and feeling of the organization, creates a sense of trust and feeling of importance to the organization (Meyer & Allen, 2007) Fair organizational rewards in compensation conditions, performance evaluation and job assignments signals perceived equity by the employees who in turn reciprocates with a high commitment.

### **2.5.2 Equity**

Anvari et.al (2011) posits that strategic compensation practices influence organizational commitment. Strategic compensation practices means aligning organization's compensation policy to the objectives and strategy of the organization (Armstrong, 2000). Organization undertaking strategic compensation policy provides competitive compensation in the market, exhibit pay differential among jobs, have intrinsic and extrinsic compensation that are viewed by employee to be fair and have flexibility in compensation practice (Martocchio, 2009) strategic compensation led to perceived establishment of psychological contract which in turn leads to high affective organizational commitment (Anvari et al, 2011).

### **2.5.3 Psychological Contact**

Psychological contracts positively influence employee commitments when they are met by the organization (Anvari et al 2011). Psychological contracts are a belief of reciprocating obligations between employee and employer in exchange relationship (Rousseau, 1989). Employment contract is compared on a set of unwritten beliefs by the employee about what he/she is supposed to receive in the working relationship and what the organization expects from the employee in reciprocity. Addae et al. (2006) enlist that employee expects recognition, respect, appreciation, esteem and worth, trust and increased responsibility while organization expects commitment citizenship, loyalty and trust in the psychological contract. The extent to which the organization fulfill its obligations in the psychological contract will determine how affective and continuance commitment and create a feeling of indebtedness by the employee leading to reciprocity (Kwon, 2001).

### **2.5.4 Training and Development**

Training and career development are important human capital investments that result to organizational improvement. Chew and Chen (2008) suggests that training and career development when integrated with pay for- knowledge plan results to increased motivational and a higher commitment to work and organization. Training and development enhances job specific skills, improves job performance and capabilities thereby laying a foundation for career development. Employees interpret that the organization/ by investing in them has high trust and confidence in their work and stay thereby developing more commitment to the organization. Wiens-Thers (2001) has observed that progressive firms that have strategic compensations and innovative work processes enhance growth in knowledge by developing elaborate programs.

### **2.5.5 Personal- Organizational Fit**

Person-organization fit (P-O fit) influences commitment when there is cognizance between the values, beliefs and goals of the employee and that of the organization (Lauver et al, 2001) Employees values may include empowerment or autonomy job, risk tolerance, trust and innovativeness. Goals include career growth, skills development, promotion and compensation and benefits. A positive attitude towards the organization and work develops when the organization provides a strategic fit that aligns to the inspirations of the employment (Erdogan et al, 2005). Such a fit is initially ignited during recruitment whereby recruiters focus on careful selection of suitable potential employees, whose needs and aspiration are addressed by the job or there is a P-Ofit. The fit shift to the employee that work meaningful and that the organization is committed to this welfare, hence creation of indebtedness that is filled by reciprocity through increased commitment (Kristof- Brown et al, 2005).

Jobs characteristics contribute to P-O fit and employee commitment where there is interpreted meaning of the job by an employee. Martocchio (2009) provides that job environment or work redesign results to task identity, skill variety and task significance which enable employees to experience meaningful of work, responsibility and knowledge of outcomes which result to intrinsic motivation and an increase in employee commitment.

## **2.6 Compensation Policy and Employee commitment**

Studies on compensation and employee have elicited intensified research. Importance of commitment to organizations and how to ensure that compensation contributes to desired behavior are now a central concern to Organizations. HR practitioners and academic researchers have embarked on cross sectional and case studies to investigate the lines between compensation policy and employee commitment.

Anvari et al (2011) investigated the relationship between strategic compensation practices and affective organizational commitment. The research was cross sectional carried out in universities of medical sciences in Malaysia. The objective of the study was to investigate the relationships among strategic compensation practices, psychological contract, and affective organizational commitment. Four universities of medical science were sampled and descriptive statistics were applied in the data analysis. The research findings were that there was significant relationship between compensation policies of pay- for-performance, pay for knowledge and organizational commitment.

Pare et al (2007) researched on how high involvement human resources practices, procedural justice, organization commitment and citizenship behavior influenced information technology professional's turnover intentions. The research was a case study on Canadian Information Processing Society (CIPs). A confirmatory factor analysis method was used to analyze the sampled respondents. Employee perception on was analyzed in relation to the variables of organizational commitment, procedural justice and citizenship behavior. The findings were that there was a strong positive correlation between employee commitment and compensation policy.

Chew et al (2008) researched on organizational commitment, human resource practices and intention to stay. The research was cross sectional in well-established public and private organizations in Australia. The objectives of the study were to determine the effect of key human resource (HR) practices on permanent employee's organizational commitment and intentions to stay. Delphi technique was used in interviewing the respondents while the hypothesis was tested using structural equation modeling. The study findings on compensation and commitment relationship were positive and significant.

Rizal et al (2014) investigated the effect of compensation on motivation, employee commitment to the organizational and employee performance at local revenue management organization in Indonesia. Data collected from respondents was analyzed using a structural equation model. The findings of the research were that compensation significantly effects employees' motivation and their commitment to the organization, but does not have significant effect on employee performance. Commitment was however found to have significant influence on employee performance.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This section of the study presents the research design and methodology of study giving specific procedures that were used in the study. The chapter is organized to give insight in research design, target population, sampling and sampling design, data collection and data analysis.

### **3.2 Research Design**

The employed descriptive survey research design; Cooper and Schindler (2006) describe a descriptive survey research as a method that describes the study subject by establishing a profile of group of events, people or problems through data collection and tabulation. Descriptive survey research was appropriate to the study because data collected from a population within the case study or TSC was profiled into department or positions. Descriptive survey allows use of descriptive and inferential statistics in processing the collected data in order to answer the research questions. In using the descriptive survey research design the phenomena will be influence of compensation policy on employee commitment at TSC.

### **3.3 Target Population**

The target population of the study was 1,500 staff working at TSC headquarters.

### 3.4 Sample and Sampling Techniques

Stratified random sampling method was used to include respondents because the population was divided into strata on the basis of departments. The departments are; Finance, HR, Administration, teachers management, Internal audit, Information Technology (IT) and Account.

According to Mugenda and Mugenda (2003) a sample size of between 10% and 30% is a good representative of the total population. The research worked with a sample size of 10% which translated to 150 employees.

**Table 3.1 Target Population and Sample Size**

<b>Department</b>	<b>Number of employees</b>	<b>10% of Total Population</b>
Finance	57	6
Human Resource (HR)	123	12
Administration	270	27
Teachers management	350	35
Internal audit	143	14
Information Technology (ICT)	207	21
Accounts	350	35
<b>Total</b>	<b>1500</b>	<b>150</b>

### 3.5 Data Collection

Primary data was used in the research. The data was collected using a questionnaire which had open ended questions, close ended questions and Likert Scale. Open ended questions don't provide respondents with a choice of answers. The participants are free to answer the question in an unprescribed manner. Close ended questions provides choice to the respondent to choose from. The Likert Scale provides the participant with a continuum of possible responses on which to choose from.

The questionnaire was structured into sections A, B and C. Section A has general information about the respondent; Section B is on compensation policy while section C is on employee commitment. The questionnaires were administered to employees at various levels of each department. Drop and Pick strategy was used whereby the selected employees were expected to have filled the questionnaire after three days. Electronic system of e-mail was used and follow up by telephone was made to TSC employees in devolved counties.

Reliability was confirmed by pre-testing the questionnaire with a selected group of employees for purpose of enhancing clarity of the questionnaires. The accuracy of the data collected according to Mugenda and Mugenda is dependent upon the collection instrument used in terms of validity and reliability.

### **3.6 Data Analysis**

Data analysis was done by use of descriptive and inferential statistics. The specific statistics was the mean scores and frequencies. Regression analysis was used as the particular inferential statistics. To establish the relationship between independent variable and dependent variable, regression analysis was used.

$$Y = \beta_0 + \beta_1 X + \varepsilon$$

Where

Y = Employee commitment

X = Gross Pay

$\beta_0, \beta_1$  = Regression coefficient

$\varepsilon$  = Error Term



## **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION**

### **4.1 Introduction**

In this section of the study, analysis, interpretations of the influence of compensation policy on employee commitment at TSC is discussed. Primary data was collected using a questionnaire. The questionnaires were designed in line with the research objectives. To enhance the quality of data collected, Likert type questions were included in the questionnaire. Respondents were asked to indicate the extent to which the variables were perceived based on a five point Likert scale.

### **4.2 Response Rate**

117 of the 150 questionnaires distributed to the TSC employees were useable. The questionnaires were returned in good time, giving a response rate of 78%. This response rates was sufficient and representative and conforms to Mugenda and Mugenda (1999) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is better.

### **4.3 General Information**

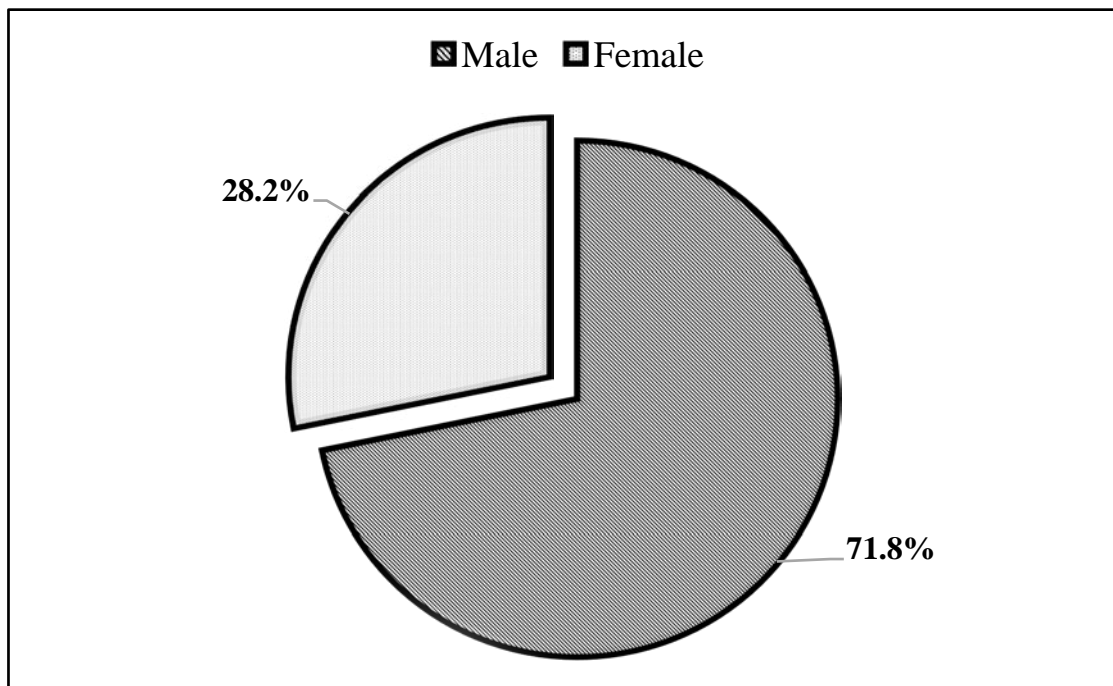
The geographic information from respondents included the gender, length of continuous service of the respondent and the department in the organization. The results are presented in Tables 4.1-4.3 and Figures 4.1-4.3.

### 4.3.1 Sex of Respondents

The data indicates that majority of the respondents (71.8%) were male while 28.2 % were female. This might indicate, ceteris paribus, that male workers occupy most of the positions that the researcher targeted in the organization. The findings are shown in Table 4.1 and Figure 4.1.

**Table 4.1 Sex of Respondents**

Sex	Frequency	Percentage	Cumulative
Male	84	71.8	71.8
Female	33	28.2	100



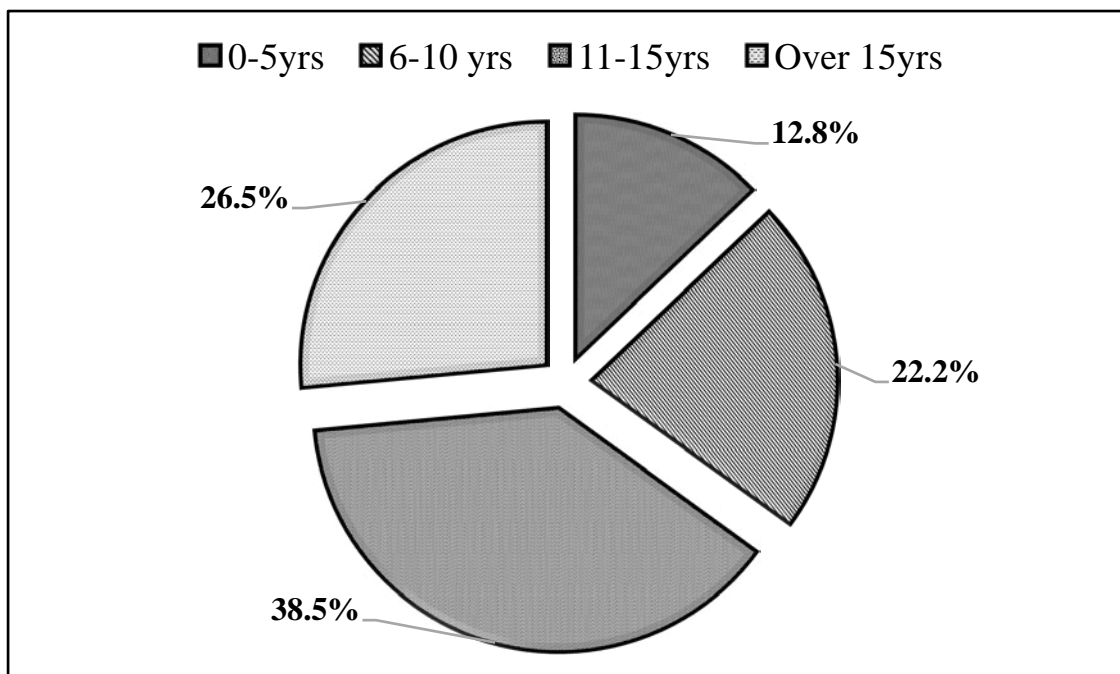
**Figure 4.1 Sex of Respondents**

### 4.3.2 Duration of Service

For work experience, the results show, majority of the respondents (38.5%) had worked at TSC for a period 11-15yrs while 26.5% had been in the organization for over 15years. Generally therefore, over 65% of the employees had worked at TSC for over 10 years and are assumed to have gained adequate work experience and will be invaluable to the attainment of the research objectives. This is presented in Table 4.2 and Figure 4.2.

**Table 4.2 Duration of Service**

Duration of Service	Frequency	Percentage	Cumulative
0-5yrs	15	12.8	12.8
6-10 yrs.	26	22.2	35
11-15yrs	45	38.5	73.5
Over 15yrs	31	26.5	100



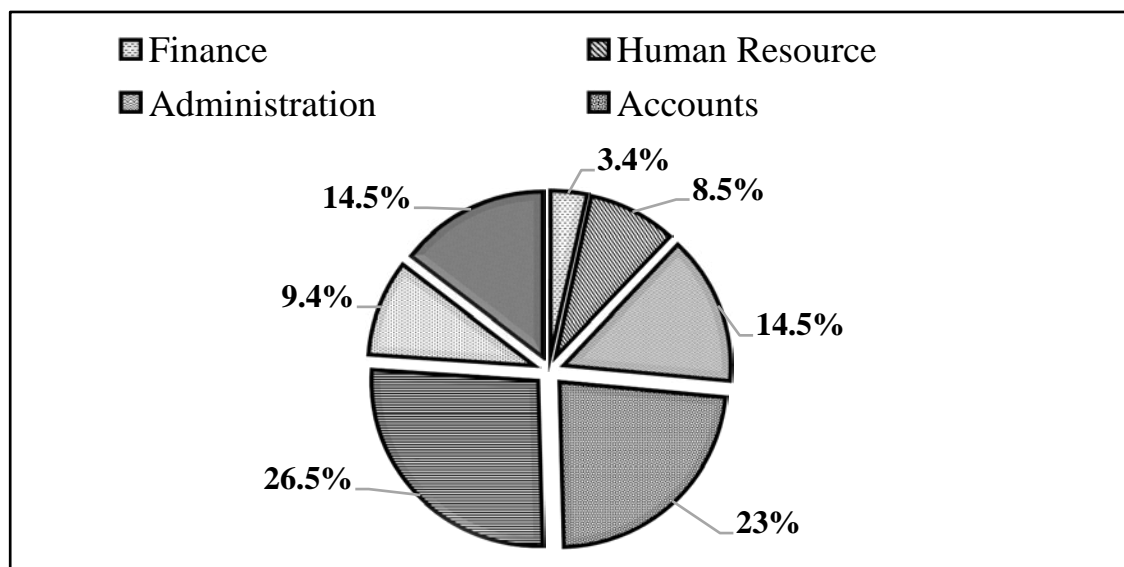
**Figure 4.2 Duration of Service**

### 4.3.3 Department of Respondents

The majority of respondent were from teacher’s management and accounts departments at 26.5% and 23% respectively. These were followed by those from Information Technology and administration departments each at 14.5%. The least were from human resources and finance departments at 8.5% and 3.4% respectively. These findings, as presented in Table 4.3 and Figure 4.3, show that all departments were well represented in the study. This could reduce departmental bias in the responses obtained.

**Table 4.3 Department**

Department	Frequency	Percentage	Cumulative
Finance	4	3.4	3.4
Human Resource	10	8.5	11.9
Administration	17	14.5	26.4
Accounts	27	23.2	49.4
Teachers Management	31	26.5	76.1
Internal Audit	11	9.4	85.5
Information Technology	17	14.5	100



**Figure 4.3 Department**

#### 4.4Forms of Compensation Policy at TSC

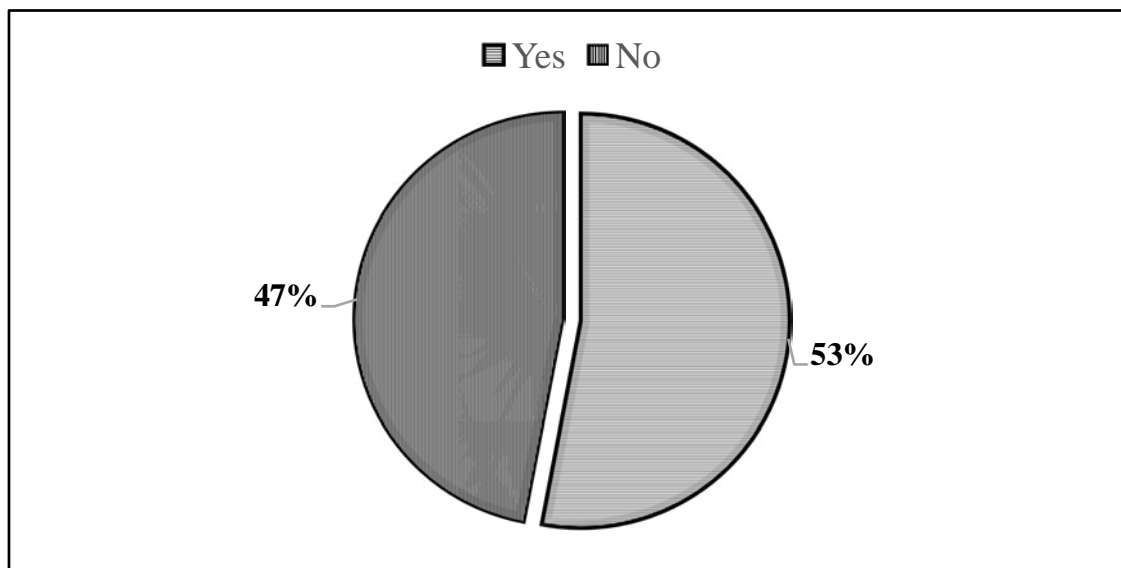
This section sought to establish the different forms of compensation that are available at TSC. The results are covered in the sections that follow.

#### 4.4.1Compensation Policy Practice at TSC

This section sought to establish whether compensation policy at TSC is well communicated to every employee. The results are presented in Table 4.4 and Figure 4.4

**Table 4.4 Extent that Compensation Policy Practice at TSC is well communicated to every employee**

Response	Frequency	Percentage	Cumulative
Yes	62	53	53
No	55	47	100
Total	117	100	



**Figure 4.4Compensation policy practice in TSC**

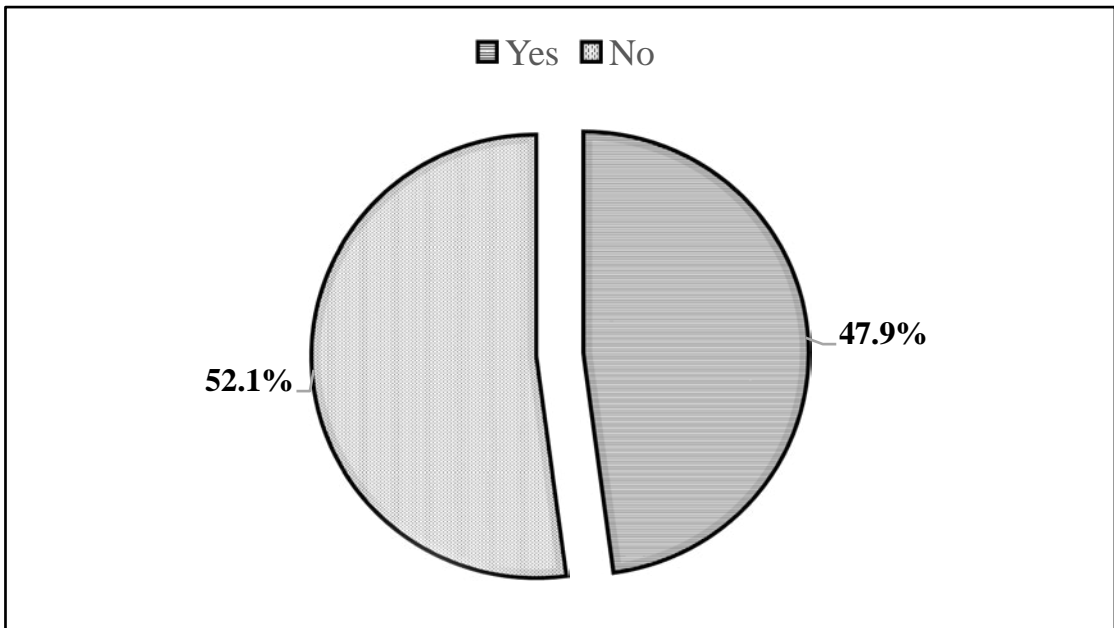
The findings above show that majority of the respondents 53% supported that the compensation policy at TSC is well communicated to every employee while 47% of the respondent didn't support it. This implies that the organization communication strategy on compensation is not well defined because of the relatively large proportion of staff that perceive not to be aware of the of the organizations compensation policy.

#### **4.4.2 Employee involved in the Development of Compensation Policy at TSC**

The respondents were asked to indicate whether employees were involved in the development of compensation policy at TSC in Kenya. The results are presented in Table 4.2.

**Table 4.5 Extent of Employee involvement in the development of compensation policy at TSC**

<b>Category</b>	<b>Frequently</b>	<b>Percentage</b>	<b>Cumulative</b>
Yes	56	47.9	47.9
No	61	52.1	100.0
Total	117	100	



**Figure 4.5 Extent of Employee involvement in the development of compensation policy at TSC**

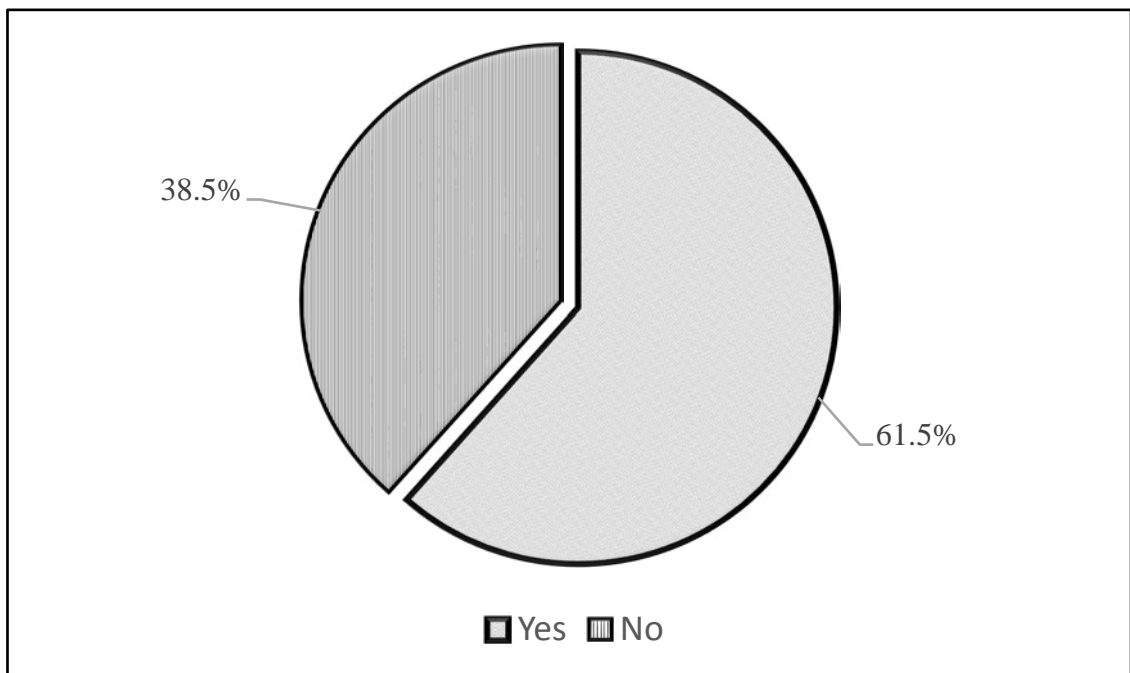
The results are that majority (52.1%) are of the view that they are not involved in the development of compensation policy while 47.9% of the respondent did not support it. This means that employees, possible not holding senior positions, were not involved in the development of compensation at TSC.

#### **4.4.3 TSC Compensation policy in Comparison with Similar State bodies**

This section of the questionnaire sort to determine TSC compensation policy compares favor with that of State organizations. The results are presented in Table 4.3.

**Table 4.6 Extent to which TSC compensation policy compares to Similar State Organizations**

Category	Frequently	Percentage	Cumulative
Yes	72	61.5	61.5
No	45	38.5	100
Total	117	100	



**Figure 4.6 Extent to which TSC compensation policy compares to Similar State Organizations**

On the question of whether the compensation policy at TSC rhymes with that of other state institutions, majority (72%) of the respondents answered in the affirmative. While only a 38.5% were of the contrary opinion. Therefore, it can be concluded that TSC compensation policy is has improved to be in par with other State bodies and this can be attributed to the several salary reviews that it has undertaken in the past few years as well as the vibrant employee unionism.



#### 4.5 Forms of Compensation Policy at TSC

This section of the questionnaire sought to establish from the respondents on the gross pay - cash rewards as compensation policy at TSC in Kenya. The range was 'To a very large extent (1) to 'Not at all (5). The scores of disagreeing have been taken to represent a variable which had a mean score of 0 to 2.5 on the continuous Likert scale ;(  $0 \leq S.D < 2.4$ ). The scores of 'Neutral' have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale: ( $2.5 \leq M.E. < 3.4$ ) and the score of both agree and strongly agree have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous Likert scale; ( $3.5 \leq S.A. < 5.0$ ). A standard deviation of  $> 0.9$  implies a significant difference on the impact of the variable among respondents.

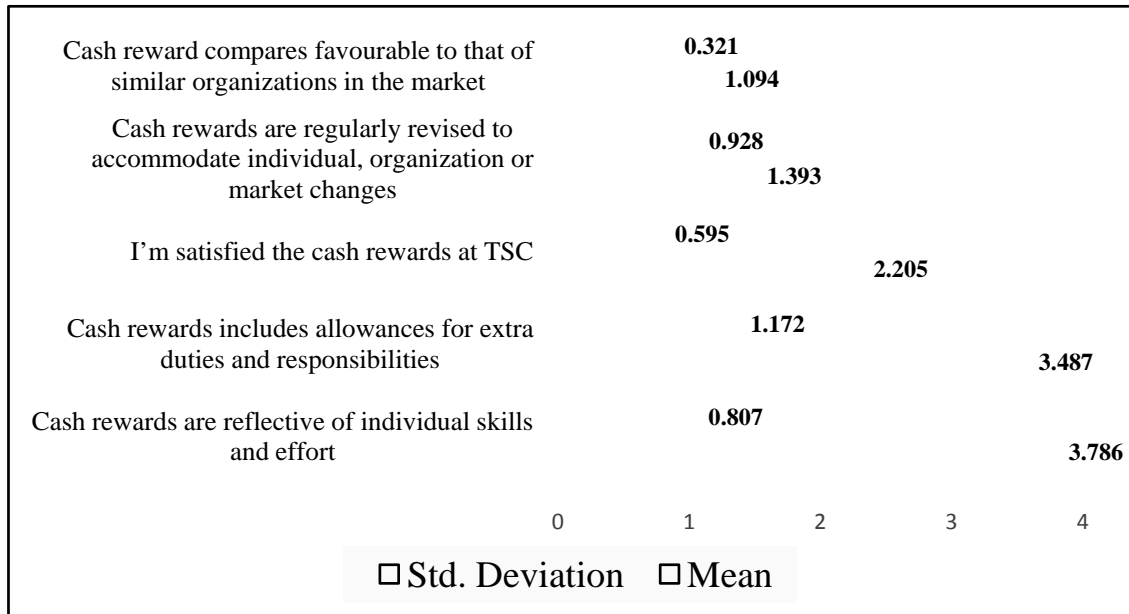
##### 4.5.1 Gross Pay - Cash Rewards

The characteristics of the organizations cash reward was sought from the respondent's. The results are presented in Table 4.7 and Figure 4.7.

**Table 4.7 Extent of Gross Pay - Cash Rewards**

<b>Item</b>	<b>Mean</b>	<b>Std. Dev.</b>
Cash rewards are reflective of individual skills and effort	3.786	0.807
Cash rewards includes allowances for extra duties and responsibilities	3.487	1.172
I'm satisfied the cash rewards at TSC	2.205	0.595
Cash rewards are regularly revised to accommodate individual, organization or market changes	1.393	0.928

Cash reward compares favorably to that of similar organizations in the market	1.094	0.321
---	-------	-------



**Figure 4.7 Extent of Gross Pay - Cash Rewards**

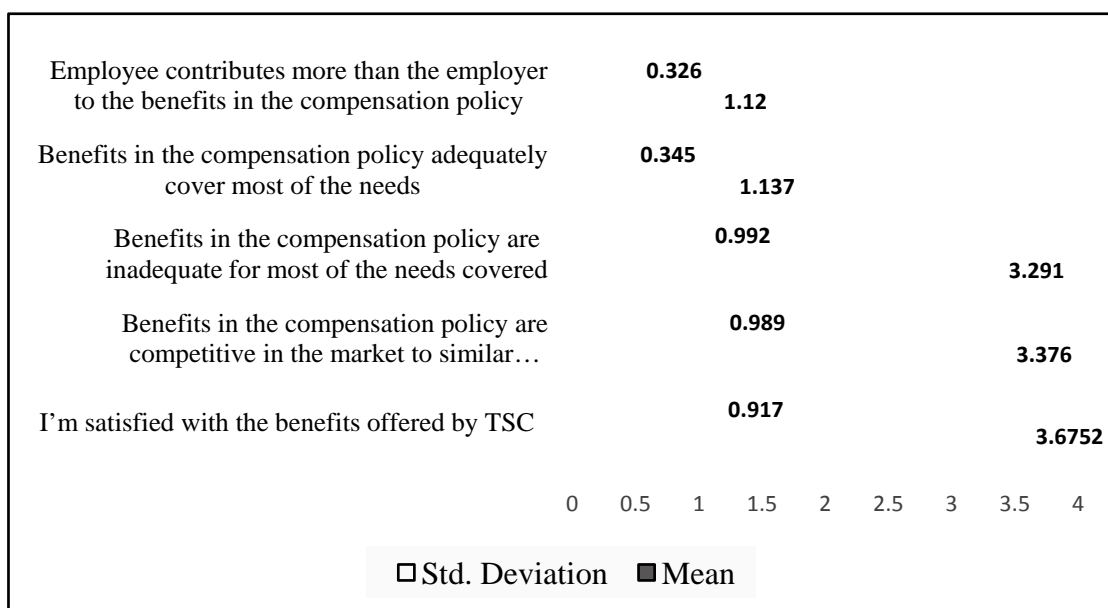
From the findings in Table 4.7 and Figure 4.7, the cash rewards being offered is reflective of individual skills and effort (M=3.786) and it includes allowances for extra duties and responsibilities (M=3.487). The respondent noted that they were satisfied with the cash rewards at TSC (M=2.205) and cash rewards are regularly revised to accommodate individual, organization or market changes (M=1.3932). However, it is evident that to a lower extent, the cash reward compares favorably to that of similar organizations in the market (M=1.094). At the same time, the respondents pointed out that the cash rewards being offered was to a lesser extent being reviewed to reflect to the market terms.

#### 4.5.2 Benefits - Non Cash Rewards

The respondents were requested to indicate the extent to which they are satisfied with the organizations Non cash rewards. The results are presented in Table 4.8 and Figure 4.8.

**Table 4.8**Extent of Benefits - Non Cash Rewards

Item	Mean	Std. Deviation
I'm satisfied with the benefits offered by TSC	3.6752	.917
Benefits in the compensation policy are competitive in the market to similar organizations	3.376	.989
Benefits in the compensation policy are inadequate for most of the needs covered	3.291	.992
Benefits in the compensation policy adequately cover most of the needs	1.137	.345
Employee contributes more than the employer to the benefits in the compensation policy	1.120	.326



#### **Figure 4.8 Extent of Benefits - Non Cash Rewards**

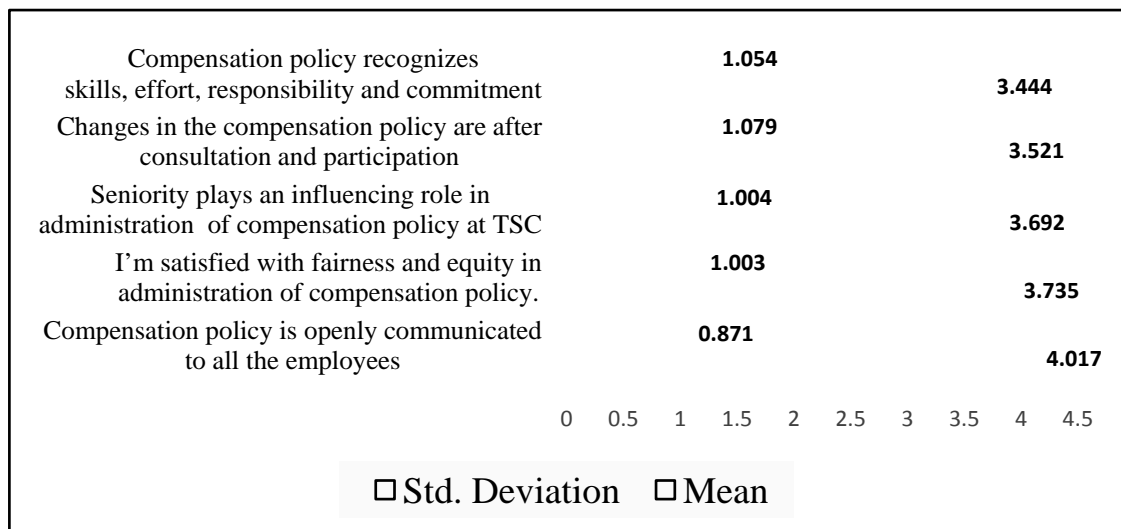
The result on non-cash reward benefit indicate that the respondent were satisfied with the benefits offered by TSC (M=3.675) and that the non-cash benefits in the compensation policy are competitive in the market match similar organizations (M=3.376). However, the respondent noted that the benefits in the compensation policy are inadequate for most of the needs covered and that employee contributes more than the employer to the benefits in the compensation policy (M=1.112). This implies that indeed TSC covers most of the employee's non-cash compensation and commensurate to what is being offered by other comparable organizations in the market.

#### **4.5.3 Compensation Administration**

The administration of an organizations compensation influences employee's satisfaction and consequently their commitment. The results on the administration of TSC compensation is presented in Table 4.9.

**Table 4.9 Extent of Compensation Administration**

<b>Item</b>	<b>Mean</b>	<b>Std. Deviation</b>
Compensation policy is openly communicated to all the employees	4.017	0.871
I'm satisfied with fairness and equity in administration of compensation policy.	3.735	1.003
Seniority plays an influencing role in administration of compensation policy at TSC	3.692	1.004
Changes in the compensation policy are after consultation and participation	3.521	1.079
Compensation policy recognizes skills, effort, responsibility and commitment	3.444	1.054



**Figure 4.9 Extent of Compensation Administration**

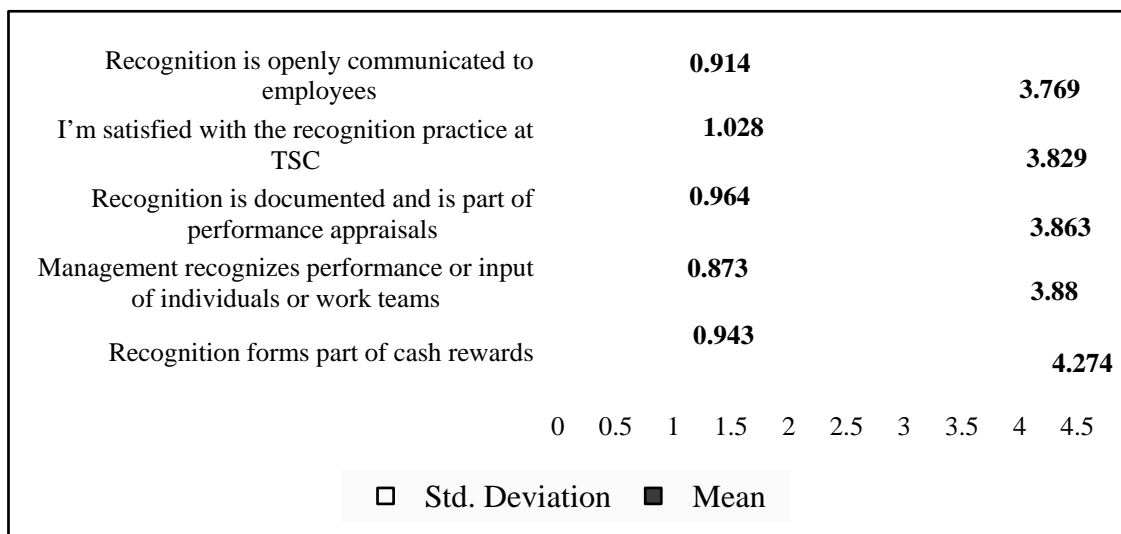
The findings suggest that the compensation policy is openly communicated to all the employees (M=4.017) and is considered fair in its administration. To a moderate extent, the respondent seniority played an influencing role in administration of compensation policy at TSC (M=3.692) as well as recognizing skills, effort, responsibility of employees (M=3.444). Based on the result, it can be stated that compensation policy in TSC is well communicated to employees because they are satisfied with the fairness and equity of the organization.

#### **4.5.4 Recognition of Compensation Policy**

The organization of employee's performance was sought and the results are presented in Table 4.10-4.11 and Figure 4.10-4.11.

**Table 4.10 Extent of Recognition of Compensation Policy**

Item	Mean	Std. Deviation
Recognition forms part of cash rewards	4.274	0.943
Management recognizes performance or input of individuals or work teams	3.88	0.873
Recognition is documented and is part of performance appraisals	3.863	0.964
I'm satisfied with the recognition practice at TSC	3.829	1.028
Recognition is openly communicated to employees	3.769	0.914



**Figure 4.10 Extent of Recognition of Compensation Policy**

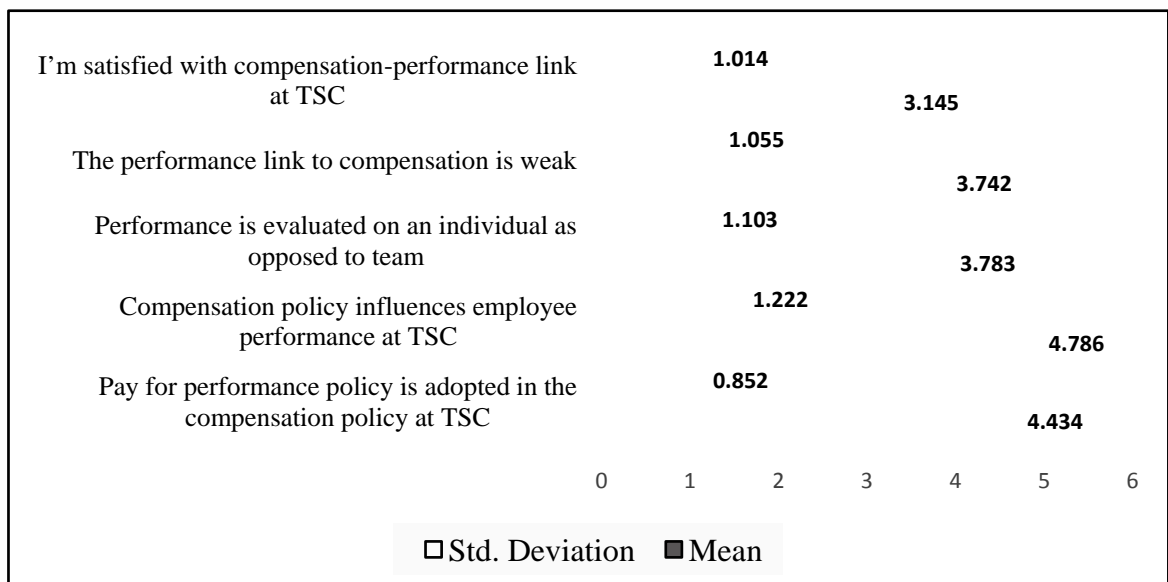
The findings indicate that recognition forms part of cash rewards (M=4.274) and that the management recognizes performance or input of individuals or work teams (M=3.880). In addition, the organization documents employees recognition and awards certificates for the same and consequently, it was found that employees are satisfied with the recognition at TSC (M=3.829). From the finding, it can be concluded that recognition forms part of cash rewards and management recognizes performance or input of individuals or work teams.

#### 4.5.5 Performance of Compensation Policy

The organization of employee's performance was sought and the results are presented in Table 4.11 and Figure 4.11

**Table 4.11 Performance of Compensation Policy**

	Mean	Std. Deviation
Pay for performance policy is adopted in the compensation policy at TSC	4.434	0.852
Compensation policy influences employee performance at TSC	4.786	1.222
Performance is evaluated on an individual as opposed to team	3.783	1.103
The performance link to compensation is weak	3.742	1.055
I'm satisfied with compensation-performance link at TSC	3.145	1.014



**Figure 4.11 Extent of Performance of Compensation Policy**

The findings indicate that the respondents were fairly satisfied with the compensation-performance link at TSC (M=3.145). This can be explained by the findings that the performance link to compensation was weak (M=3.742). It was however clear that performance was evaluated on individual as opposed to team (M=3.783) and this could form a basis for compensation at the individual level. Indeed the findings show that to a high extent that compensation policy influences employee performance at TSC (M=4.786). These findings are reiterated by the findings that pay for performance policy is adopted in the compensation policy at TSC (4.434). From the finding, it can be concluded that TSC adopts performance oriented compensation, mostly at individual level and there is evident performance-compensation link at the organization.

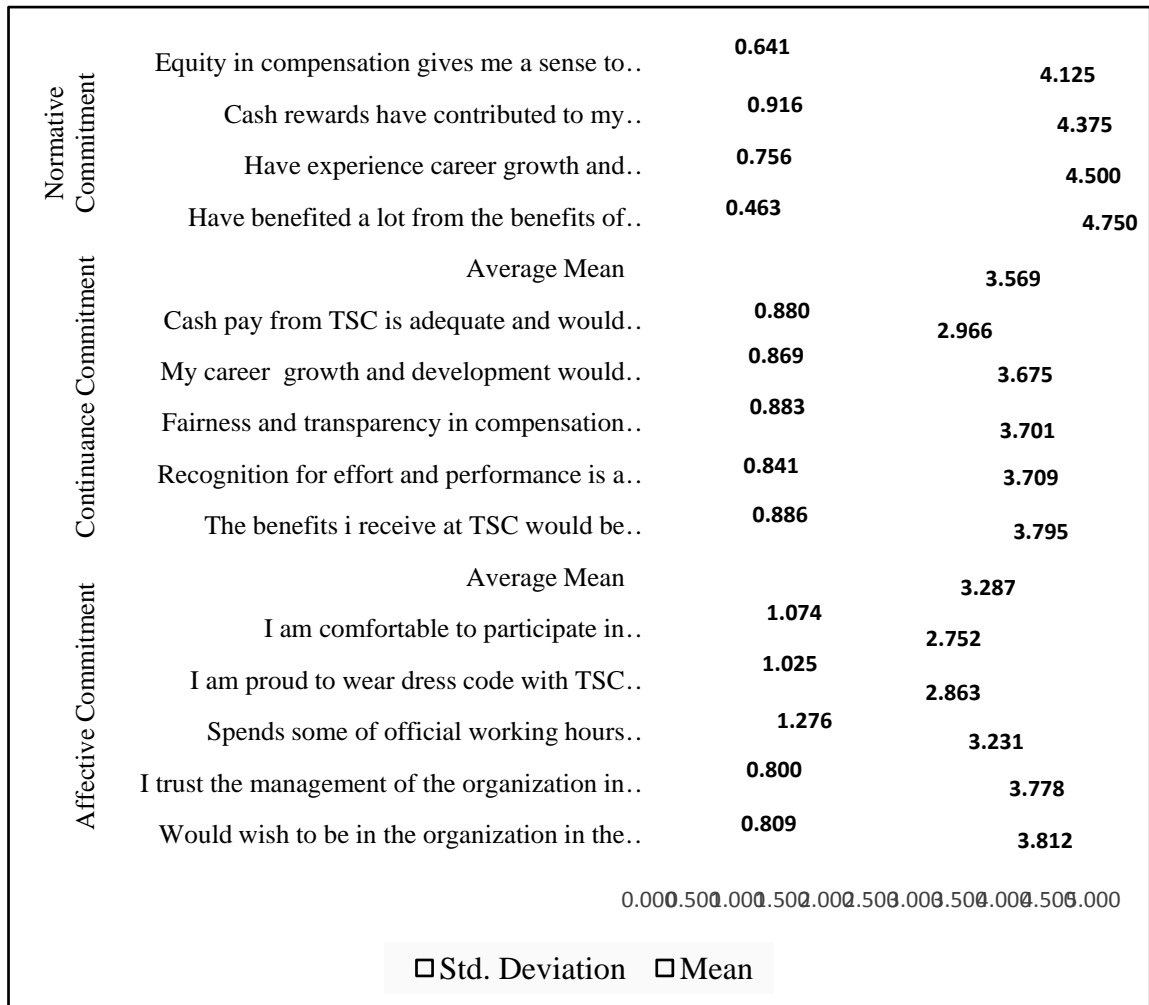
#### **4.6 Employee Commitment**

This section of the questionnaire sought to establish how different forms of commitments are realized at TSC. The results are presented in Table 4.12 and Figure 4.12.



**Table 4.12 Extent of Affective Commitment**

	<b>Item</b>	<b>Mean</b>	<b>Std. Dev.</b>
<b>Affective Commitment</b>	Would wish to be in the organization in the next five years	3.812	0.809
	I trust the management of the organization in providing security and positive relationship	3.778	0.800
	Spends some of official working hours giving service to the organization	3.231	1.276
	I am proud to wear dress code with TSC logo inside and outside the organization	2.863	1.025
	I am comfortable to participate in organization activities even when there is no pay attached	2.752	1.074
	<b>Average Mean</b>	<b>3.287</b>	
<b>Continuance Commitment</b>	The benefits I receive at TSC would be difficult to get from another employer	3.795	0.886
	Recognition for effort and performance is a big consideration for my stay at TSC	3.709	0.841
	Fairness and transparency in compensation policy makes me stay longer at TSC	3.701	0.883
	My career growth and development would suffer in case of leaving TSC due to the loss of training programs	3.675	0.869
	Cash pay from TSC is adequate and would suffer high financial loss on leaving the organization	2.966	0.880
	<b>Average Mean</b>	<b>3.569</b>	
<b>Normative Commitment</b>	Have benefited a lot from the benefits of insurance cover for medical, education and accident and feel to work longer and diligently for the organization	4.750	0.463
	Have experience career growth and development since employment, hence should work for TSC	4.500	0.756
	Cash rewards have contributed to my personal growth and would wish to offer more services to the organization	4.375	0.916
	Equity in compensation gives me a sense to put more effort in organizational work	4.125	0.641
	<b>Average Mean</b>	<b>4.264</b>	



**Figure 4.12** Extent of Affective commitment

In regard to the affective commitment, the respondents pointed out that they are strongly wish to be in the organization in the next five years (M=3.812) and they also trust that the management of the organization will provide security and positive relationship (M=3.778) and consequently will spend some of non-official working hours giving service to the organization. In being satisfied with the organization, the respondent noted that they were proud to wear dress code with TSC logo inside and outside the organization (M=2.863). With regard to the continuance commitment, the respondents pointed out that the benefits they receive at TSC would be difficult to get from another employer (M=3.795) and recognition for effort and performance is a big consideration for their stay at TSC (M= 3.709).

The respondent further noted that their career growth and development would suffer in case they leave the organization due to the loss of training programs (M=3.675). On whether, the cash pay from TSC is adequate and would suffer high financial loss in case they leave the organization, the respondent's, to a lower extent answered to the affirmative (M=2.966). The normative form of commitment was exemplified in the form that the employees benefited from the benefits of medical, education and accident insurance cover (M=4.750) as well as having experienced career growth and development since employment and therefore having every reason to continue working for TSC (M=4.500). The respondent further noted that cash rewards have contributed to their personal growth and would wish to offer more services to the organization put more effort in organizational work (M=4.125).

#### **4.7Regression Analysis**

Regression analysis was undertaken to assess the relationship between the independent and dependent variable. The findings obtained are presented in Table 4.13 to 4.15.

**Table 4.13 Model Summary**

<b>Model Summary</b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.863 <sup>a</sup>	.854	.851	1.058

a. Predictors: (Constant), Gross Pay

As shown in Table 4.13 the regression model adopted by this study can account for 85.4% of the variability in the data. This is shown by the R squared value of 0.854.

**Table 4.14 Analysis of Variance**

<b>ANOVA<sup>b</sup></b>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.514	1	.514	2.459	.000 <sup>a</sup>
	Residual	128.785	115	1.120		
	Total	129.299	116			

a. Predictors: (Constant), Gross Pay

b. Dependent Variable: Employee Commitment

Under Table 4.14 on analysis of variance (ANOVA), a significant F-test Value of 2.459 (sig=0.000) was obtained. This shows that there is significant relationship between gross pay (dependent variable) and employee commitment (dependent variable).

**Table 4.15 Regression Coefficients**

<b>Coefficients</b>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.511	0.273		12.87	0
	Gross Pay	0.072	0.106	0.063	1.677	0.004

a. Dependent Variable: Employee Commitment

Table 4.15 shows the regression coefficients. Under the gross pay row, a significant t-test value of 1.677 (sig=0.004) was obtained). This shows that the coefficients obtained for gross pay could reliably predict employee commitment. As such the following equation was derived:

$$\text{Employee Commitment} = 3.511 + (0.072 * \text{Gross Pay}) + 0.273$$

#### **4.8 Discussion of the Findings**

An organizations compensation policy facilitates in defining employment relationships, contractual obligations and the implied psychological contract between the employer and the employee which will at the same time affect the level of commitment to the organization by the employees. The research findings were that the compensation policy at TSC was found to be at par with other state commission and that in the last eight years, there has been improvement in terms. With the improvement in compensation terms, there has been increased employee commitment to the organization. This finding is consistent to that of Zacher (2015) who found that effective compensation policy promotes employer- employee relationship by having committed employees who have trust with the organization and that will be willing to go an extra mile in their duties and have readiness to assist other employee. In addition, the findings are in line with the Expectancy–Performance (E-P) Theory which holds that the perception held by the employee has a direct correlation with performance and that high performance will result to positive outcomes in the form of rewards or compensation.

As Anvari et.al (2011) posit, the compensation plan for an organization need to be communicated to all organizational employees and be seen to be fair. The study findings supported this position because the findings supported the position that the organizations compensation policy is well communicated to all the employees and the Unionisable staffs are involved in the development of the pay structure. The study found that cash rewards were reflective of individual skills and effort which included the allowances for extra duties and responsibilities. In addition, the respondents were of the opinion that the cash reward and benefit offered commensurate with the effort they put in the work. In an organization compensation, there is need for equity perception since as Anvari et.al (2011) posits, the consequence of perceived inequalities results to behaviors of reduced commitment, psychological stress, and reduced quality of out-put or reduction of effort in an attempt to rationalize the inequality and consequently an organization compensation should be fair to all cadre of staff.

The organizations compensation incorporates different components that include both cash and non-cash compensation with such characteristics as level rewards, equity in pay, remuneration, contingent pay, competitiveness and transparency in rewards management (Armstrong et al, 2007). In addition, the findings were that the compensation policy incorporated different forms of employees work life as well as the next of kin benefits. Consequently, the organizations employee compensation include pension schemes; personal security through illness, health or accident insurance covers; safety in work environment, financial assistance for loans in house purchase schemes or purchase of organizational products and work life. This diversity in compensation is what Adler et.al, (2015) observed was the need of an organizations

compensation system to incorporate both financial and non-financial forms and that in some cases, it has been found that employees appreciate more the non-financial compensation.

Employee commitment to an organization is determined by different factors including the compensation aspect. As Noble et.al (1999) established, employee commitment towards an organization is the extent to which a person identifies with and works towards organization-related goals and values is the agreement between the scholars that commitment to organization influences employee's attitude, attachment and perception towards an organization. The different forms of commitment that was evident in the organization include affective commitment that is grounded on psychological position of the employee towards the organization, relationships, informal social groups, growth prospects and image or organization's brand, continuance commitment and the normative commitment.

The different forms of commitment concur with the findings of Pare et.al (2007) that the different forms and dimensions of commitment are critical in development of HR strategies, policies and practices aimed at increasing commitment at workplace. The philosophy of compensation policy is largely guided by values of transparency, compliance and performance.

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

This section of the study presents a summary of the key study findings as well as the conclusions, limitations of the study, and recommendations for further research. The aim of the study was to establish the effect of compensation policy on employee commitment at Teachers Service Commission, Kenya.

### **5.2 Summary of the Findings**

The study sought to establish the compensation practices at TSC and compare with other State entities towards the realization of this objective, it was found that the different forms of TSC compensation compares with other state bodies and that the management involve junior staff in decision relating to their pay. The forms compensation of compensation offered by TSC was found to be varied and this is because compensation in monetary form does not satisfy employees and therefore enhance their commitment alone. The popular forms of compensation adopted by the TSC include cash rewards and non-cash form of rewards. The diversity of the organizations compensation attracts different types of employees because what is attractive to one type of employee might not be good to the other employee. Generally, the study found that cash pay for performance policy is the popular compensation.

The study also established that the compensation policy influences employee commitment in organization and performance, trust in management and strong relationship in the organization. Further, the cash rewards were reflective of



individual skills and effort which included the allowances for extra duties and responsibilities.

The study revealed that recognition forms part of cash rewards and the organizations management recognizes performance or input of individuals or work teams and apply different forms of compensation to motivate its staff. This means that the staff considered the organization compensation policy to meet their expectations. The employees' compensation include pension schemes; personal security through illness, health or accident insurance covers; safety in work environment, financial assistance for loans in house purchase schemes or purchase of organizational products and work life. This diversity in compensation incorporate both financial and non-financial forms and this was considered to be adequate in meeting the employees' expectation. In general therefore, it was found that the organizations compensation policy affect the level of employee's commitment and their willingness to work in the organization.

### **5.3 Conclusion**

This study examined an emerging issue of compensation policy in Teachers Service Commission in Kenya. Based on the research findings and theoretical discovery of other researchers, it can be concluded that compensation policy influences employee commitment. It can also be said compensation policy lead to better performance, trust in management and strong relationship in the organization. In addition, Teachers Service Commission practiced compensation policy through communicating and involving employees in the development.

Further, it can be concluded that the success of a compensation policy is in having open communication with the employees, which enables them to be satisfied with fairness and equity in administration of compensation policy. The study also indicates that pay for performance policy is adopted in the compensation policy and there is need for an organization to have diverse combination of employee compensation and the same policy should be communicated to all staff as well as involve the staff in making decisions that might affect their duties. For effective compensation, there is need to establish a fair compensation that is seen to have the attribute of equity.

#### **5.4 Recommendation Policy Implications**

Organizations that have established equitable compensation practices with well communication strategy will attract employees and also retain them more than comparable organizations with ineffective compensation policies. There is need for top leadership in the organization to establish an effective employee compensation since this will influence the success of attaining of the organizations objectives and vision.

The current system of compensating employees in the organization is inadequate, unfair and limited in scope because the rewards are given on levels of experience and formal qualifications instead of performance. This means that compensation of employees at TSC should be based on performance considerations in order to enhance employee commitment to the organization.

Managers can increase organizational commitment by communicating that they value employees' contribution and that they care about employees' wellbeing. The findings from this study will therefore help senior managers to identify those employee related issues that can slow productivity in the workplace. When the staff members see that they are considered, their emotional, normative and continuity attachment will increase successively. Individuals with higher level of organizational attachment will be more willing to work for the organization and to stay as a member of the organization, which brings about higher levels of productivity in the organization. The policy makers would be able to use the findings of the study in coming up with policies that would guide the remuneration of employees in all public institutions so that there is uniformity in remuneration and ultimately increasing the commitment of employees to the organizations.

### **5.5 Limitations**

The major weakness in this study is that it was limited in scope. This means that the findings cannot be over generalized. This study was conducted with a strong presence of employees working at Teachers Service Commission. It is possible that this exposure and working environment contributed significantly to their perceptions of the influence of compensation policy on employee commitment. There is need therefore to also get the views of populace in the county. Further, the study used a descriptive research design and there is need to employ various inferential techniques to validate further the results. This study was also limited by other factors in that some respondents may have been biased or dishonest in their answers considering that they were all commenting on their employer. More respondents would have been necessary to increase the representation of respondents in this study and allowed for

better check of consistency of the information given. However, despite the above limitations, the findings presented in this paper have important policy implications.

### **5.6 Suggestion for Future Studies**

The study focused on government institution and there is therefore the need a similar research to be carried out in other sectors, such as manufacturing and service sectors and a comparison of the findings are made. This study consists of only one antecedent (compensation policy) on employee commitment. Other antecedents, such as job satisfaction, role conflict, role ambiguity or centralization of authority, have been shown to be related to organizational commitment. Therefore, the area of other antecedent variables to organizational commitment should be included in future studies.

## REFERENCES

- Adams, J.S (1965). "Inequity in Social Exchange". In L. Berkowitz (ed). *Advances in Social Psychology*. New York; Academic Press.
- Adler, H., & Ghiselli, R. (2015). The Importance of Compensation and Benefits on University Students Perception of Organization as Potential Employers. *Journal of Management and Strategy*, 6 (1).
- Appelbaum, E., Bailey, T., Berg, P. & Kalleberg, A.L. (2000). *Manufacturing Advantage; With High Performance Work Systems Pay Off*. Ithaca. NY Corwell University Press.
- Armstrong, M. (2000). *Strategic Human Resource Management: A Guide to Action*. London: KoganPage. Philadelphia, USA
- Armstrong, M. & Murlis, H. (2007). *Reward Management: A Hand Book of Remuneration Strategy and Practice*. Kogan Page, Philadelphia, USA
- Asseae, H.M. & Parboteeah, K.P (2006). Organizational Information, Organizational Commitment and Intention Toguit: A Study of Trinidad and Tobago. *International Journal of Cross Cultural Management*, 6 (343-359).
- Avari, G. M. (2011). The Relationship between Compensation Practices and Affective Organization Commitment. *Interdisciplinary Journal of Research in Business*, 44-55.
- Avari, R., Amin, S., Ahmed, U., Seliman, S. & Gamasari, M.S. (2011). The Relationship between Strategic Compensation Practices and Affective Organizational Commitment. *Interdisciplinary Journal of Research in Business*, 1 (2), 44-55
- Blau, P. (1964). *Exchange and Power in Social Life*. New York: Wiley

- Chew, J. & Chan, C.C.A. (2008). Human Resource Practices, Organizational Commitment and Intention to Stay. *International Journal of Manpower*, 6, 503-522
- Cohen, A. (2003). *Multiple Commitments at Work: An Integrative Approach*. Hillsdale, NJ: Lawrence Erlbaum.
- Eisenberg, R., Fosdo, P.M. & Lamastro, D. (1990). Perceived Organizational Support and Employee Diligence, Commitment and Innovation. *Journal of Applied Psychology*. 75: 51-59.
- Eisenberger, R., Huntington, R., Hutchison & Sowa, S.D, (1986). Perceived Organizational Support. *Journal of Applied Psychology*, 71, 500- 507
- Homans, G.C (1961). *Social Behaviour*. New York. Harcourt, Brace and World.
- Ira, B.H (2010). *Analyzing Commitment and their Influence: A Case study of TSC*. University of Nairobi, MBA Unpublished Thesis.
- Kristof- Brown, A. Zimmerman, R.O. & Johnson, E.A. (2005). Consequences of Individuals fit at work; a Meta-Analysis of Person Job, Person- Organization, and Person- group, and Person- Supervision Fit. *Personnel Psychology*, 58 (281-342).
- Kwon, Y.S. (2001). *The Relationship of HRM Practices, Trust and Justice with Organizational Commitment during Organizational Changes in the Korean Public Sector. An Application of Psychological Contract Model*. PhD Dissertation. The Nelson A. Rockefeller College of Public Affairs and Policy.
- Lauver, K.J. & Kristof- Brown, A. (2001). Distinguishing between Employee Perceptions of Person- Job and Person - Organization fit. *Journal of Vocational Behaviour*, 59, 454-70

- Martocchio, D.M (2009).*Strategic Compensation. A Human Resources Management Approach*. Upper Saddle River. NJ: Pearson
- Mcelroy (2001).Managing Workplace Commitment by putting people first. *Human resources management review*, 11, 327- 335.
- Meyer, J.P. & Allen, NJ (2007).*Commitment in the Workplace*. Thousand Oaks, C.A Sage.
- Meyer, J.P. &Herscovith, L. (2001). Commitment in the Workplace. Towards a General Model.*Human Resource Management Review*, 299-236.
- Meyer, J.P., Stanley, D.J.,Herscoritch, L. &Topolnytsky, L. (2002). Affective, Continuance and Normative Commitment to the Organization: a Meta-analysis of Antecedents,Correlates and Consequences.*Journal of Vocational Behaviour*.
- Meyer, J.P. & Becker E.T (2004). Employee Commitment and Motivation: AConceptualAnalysis and Integrative Model.*Journal of Applied Psychology*, 89 (6).
- Noble, C.H &Mokwa, M.P (1999).Implementing Marketing Strategies:Developing and Testing a Managerial Theory.*Journal of Marketing*, 63(4), 57-73
- Ombasa,I.M (2013).*Determinants of Compensation Systems among Commercial Banks in Kenya*. Unpublished MBA Thesis, University of Nairobi.
- Pare, G. &Tremblay, M. (2007). The Influence of High Involvement Human Resource Practices, Procedural Justice, Organizational Commitment and Citizenship Behaviour on Informational Technology Professionals.*Turnover Intentions, Group and Organization Management*, 32 (3), 326-357.

- Parish, J.T., Adwallader, S.& Busch, P. (2006). Want to Need to Ought to; Employee Commitment to Organisational Change. *Journal of Organizational Change Management*, 21 (1).
- Pave,G.K. (2007).The Influence of High Involvement Human Resources Practices, Procedural Justice, Organizational Commitment and Citizenship Behaviors on Information Technology Professionals. *Turnover Intentions, Group and Organization Management*, 32 (3), 326-357.
- Setton, R.P.& Bennet, N. (1999) Social Exchange, and Employee Reciplicity, *Journal of Applied Psychology*, 81 (3), 219-227.
- Shore, L.M.& Wayne, S.J. (1993).Commitment and Employee Behavior: Comparison of Affective Commitment and Continuance Commitment with Perceived Organizational Support. *Journal of Applied Psychology*, 78, 774-780
- Vroom, V.H. (1964).*Work and Motivation*. New York: John Wiley
- Whilever, E. (2001) “Do high commitment” Human Resource Practice Affect Employee Commitment? A Cross Level Analysis Using Hierarchical Linear Modeling.*Journal of Management*, 515-535.
- Wieus-Tuers, B.A. (2001). Employee Attachment and Temporary Workers, *Journal of Economic Issues*, 35,242-250.
- Yandori, Y. &Marter, J.H (2003).*Strategic Compensation, Does Business Strategy Influence Compensations High – Technology Firms?* Ithaca, N.Y 78(3).
- Zacher, H, Chan, F, Baker A. &Demeronti, E. (2015). Selection, Optimization, and Compensation Strategies: Interactive Effect on Daily Work Engagement.*Journal of Vocational Behaviour*,87, 101-107.



## APPENDIX I: QUESTIONNAIRE

Dear Participant,

I am currently undertaking an academic research project on compensation policy on employee commitment at Teachers Service Commission in Kenya. Your response is extremely important to the success of this study. I would like to assure you that your response will be treated with utmost confidence and it will strictly be used for research purposes only. Please answer the questionnaire from the perspective that defines your compensation policy on employee commitment. Thank you very much for your help and cooperation.

### Section A: GENERAL INFORMATION ABOUT THE RESPONDENT

1. Gender:    Male [  ]                      Female [  ]
2. Please specify how many years of working experience at (TSC)  
    0-5yrs [  ]                      6-10 yrs.    [  ]  
    11-15yrs [  ]                      Over 15yrs    [  ]
3. Department: Finance [  ]    Human Resource [  ]    Administration [  ]    Accounts [  ]  
  
    Teachers Management [  ]    Internal Audit [  ]    Information Technology [  ]

### Section B: COMPENSATION POLICY

4. The compensation policy at TSC is well communicated to every employee  
    Yes [  ]    No. [  ]
5. Are employee involved in the development of compensation policy at TSC?  
    Yes [  ]    No. [  ]

6. Does TSC compensation policy compares favorably with that of competitors in the market

Yes [ ] No. [ ]

7. On a scale of 1-5 please indicate in the table below the degree to which you agree with the description of compensation policy at TSC.

Tick (√) as appropriate where:

(1) To a very large extent, (2) To a large extent, (3) To some extent, (4) To a small extent

(5) Not at all

<b>FORMS COMPENSATION POLICY</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>GROSS PAY - CASH REWARDS</b>					
(i) Cash rewards are reflective of individual skills and effort					
(ii) Cash reward compares favorably to that of similar organizations in the market					
(iii) Cash rewards includes allowances for extra duties and responsibilities					
(iv) Cash rewards are regularly revised to accommodate individual, organization or market changes					
(v) I'm satisfied the cash rewards at TSC					
<b>BENEFITS - NON CASH REWARDS</b>					
(i) Benefits in the compensation policy adequately cover most of the needs					
(ii) Benefits in the compensation policy are inadequate for most of the needs covered					

(iii) Benefits in the compensation policy are competitive in the market to similar organizations					
(iv) Employee contributes more than the employer to the benefits in the compensation policy					
(v) I'm satisfied with the benefits offered by TSC					
<b>COMPENSATION ADMINISTRATION</b>					
(i) Compensation policy recognizes skills, effort, responsibility and commitment					
(ii) Compensation policy is openly communicated to all the employees					
(iii) Changes in the compensation policy are after consultation and participation					
(iv) Seniority plays an influencing role in administration of compensation policy at TSC					
(v) I'm satisfied with fairness and equity in administration of compensation policy.					
<b>RECOGNITION</b>					
(i) Management recognizes performance or input of individuals or work teams					
(ii) Recognition is forms part of cash rewards					
(iii) Recognition is openly communicated to employees					
(iv) Recognition is documented and is part of performance appraisals					
(v) I'm satisfied with the recognition practice at TSC					

<b>PERFORMANCE</b>					
(i) Pay for performance policy is adopted in the compensation policy at TSC					
(ii) Compensation policy influences employee performance at TSC					
(iii) Performance is evaluated on an individual as opposed to team					
(iv) The performance link to compensation is weak					
(v) I'm satisfied with compensation-performance link at TSC					

**Section C. EMPLOYEE COMMITMENT**

8. On a scale of 1-5 indicate on the table below; indicate the extent to which employee commitment is best described in terms affective, continuance and normative commitment.

Tick (√) as appropriate where:

(1) To a very large extent, (2) To a large extent, (3) To some extent, (4) To a small extent

(5) Not at all

**Affective commitment**

(The extent of emotional attachment and identification or involvement with TSC as an organization or employer)

<b>Attachment, identification and involvement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>

(i) Would wish to be in the organization in the next five years					
(ii) I am proud to wear dress code with TSC logo inside and outside the organization					
(iii) Spends some of official working hours giving service to the organization					
(iv) I am comfortable to participate in organization activities even when there is no pay attached					
(v) I trust the management of the organization in providing security and positive relationship					

**Continuance Commitment**

(Opportunity cost considered by the employee on leaving the organization)

<b>Reciprocity</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
(i) Cash pay from TSC is adequate and would suffer high financial loss on leaving the organization					
(ii) The benefits I receive at TSC would be difficult to get from another employer					
(iii) My career growth and development would suffer in case of leaving TSC due to the loss of training programs					
(iv) Fairness and transparency in compensation policy makes me stay longer at TSC					
(v) Recognition for effort and performance is a big					

consideration for my stay at TSC					

**Normative commitment**

(Feeling of an obligation to remain in the organization- Reciprocity)

<b>Reciprocity</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
(i) Cash rewards have contributed to my personal growth and would wish to offer more services to the organization					
(ii) Have benefited a lot from the benefits of insurance cover for medical, education and accident and feel to work lender and diligently for the organization					
(iii) Have experience career growth and development since employment, hence should work for TSC					
(iv) Equity in compensation gives me a sense to put more effort in organizational work					

**Thank you for your cooperation.**

## APPENDIX II: UNIVERSITY LETTER



### UNIVERSITY OF NAIROBI SCHOOL OF BUSINESS

Telephone: 020-2059162  
Telegrams: "Varsity", Nairobi  
Telex: 22095 Varsity

P.O. Box 30197  
Nairobi, Kenya

DATE 4/10/2016

#### TO WHOM IT MAY CONCERN

The bearer of this letter Jennifer Nageli Koitalek...

Registration No. D61/77136/2015

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.



  
**PATRICK NYABUTO**  
SENIOR ADMINISTRATIVE ASSISTANT  
SCHOOL OF BUSINESS

## APPENDIX III: RESEARCH AUTHORIZATION LETTER

### TEACHERS SERVICE COMMISSION

Telephone: Nairobi  
2892000  
Email: [info@tsc.go.ke](mailto:info@tsc.go.ke)  
Web: [www.tsc.go.ke](http://www.tsc.go.ke)  
When replying please quote

REF. TSC/R.A/MEMO/VOL.02/50/165



TSC HOUSE  
KILIMANJARO ROAD  
UPPER HILL  
PRIVATE BAG -00100  
NAIROBI, KENYA  
6<sup>TH</sup> OCTOBER 2016

Jennifer Nageli Koitalek  
P. O. Box 30197  
University of Nairobi  
NAIROBI

#### **RE: RESEARCH AUTHORISATION**

---

Your request to collect data to inform your academic study titled "Influence of compensation policy on employee commitment at Teachers Service Commission in Kenya" has been granted.

You are advised to proceed to Human Resource Management and Development, ICT, Finance, Accounts, Internal Audit, Teacher Management and Administration Directorate to assist in providing information as required.

On completion of the exercise, you are expected to submit **two hard copies and one soft copy in pdf** of the research report to our office.

  
**E. A. WANYANGA**  
**FOR SECRETARY/ CHIEF EXECUTIVE**