

**PERCEIVED INFLUENCE OF EMPLOYEE COMPENSATION
PRACTICES ON EMPLOYEE COMMITMENT AT KENYA FOREST
SERVICE HEADQUARTERS, KIAMBU COUNTY.**

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DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the University of Nairobi for academic credit.

Signed: _____ Date: _____

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This research project has been submitted for examination with my approval as the University Supervisor:-

Signed: _____ Date: _____

GEORGE OMONDI

SUPERVISOR

DEDICATION

My research project is dedicated to my brother Victor Langat and my son Chad Kener let them know that with handwork and trust in the Almighty God they can achieve everything they target to achieve.

ACKNOWLEDGEMENT

I Glorify Almighty God for giving me the strength, guidance and ability to complete this project. Secondly, my MBA project writing would not have been a success without the eminence support from my spouse Vincent Ronoh and my son Chad Kener Their contribution was great in terms of encouragement, prayers and for bearing with my absence from home as I am away studying in the college. Finally I am grateful to the community at large, who availed any relevant information needed in the writing my Project. God bless you all.

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ABSTRACT

The study sought to establish the perceived influence of employee compensation practices on employee commitment in Kenya Forest Service. Employee compensation practices were measured by basic pay, bonus schemes and merit payment. The study's objective was to establish the perceived influence of employee compensation practices on employee commitment in Kenya Forest Service. The descriptive research design was employed in the study. A semi-structured was used to collect data from the lower management, middle management and the top level management. The study utilized stratified sampling technique to obtain a sample size of 62 staffs. Data obtained was well coded and analyse. The study concluded that Kenya Forest Service used various compensation practices in order to motivate its employees. Compensation practices such as basic pay was largely being practice in the organization as the compensation policy recognizes employees' skills, effort, responsibility, competency and commitment since all this encourage employees to work hard. In addition organizations do not provide hourly payment since employees prefer monthly payment. The study findings were that compensation was based on the knowledge and skills of an individual; that is; employees should receive payment for their talents (that can be used successfully under different situations and tasks .The recommended that Kenya Forest Service should focus on sustained improvement in employee compensation practices as a mechanism of enhancing employee commitment and retention for competent staff. The study was limited to time since at the time the research was being conducted when employees were undergoing workshop training. The study recommended that similar studies be done on the other firms in the public sector to confirm or contradict the findings of the study.

CHAPTER ONE:INTRODUCTION

1.1 Background of the Study

Enhancement of commitment amongst employees is important since it will lead to higher commitment in the organization, retention, motivation to work and perform. In human resource management, competition is significant (Allen & Meyer, 2010). There is no more vital issue to employees more than their wages. Growing economies take money as a motivational factor and a means of establishing loyalty, dedication and committed workforce (Adeniji & Osibanjo, 2012). In the current business environment that is extremely competitive, achieving total organizational productivity might take into considerations, the necessity of inspiring and motivating the organization's human resource through the plan, design, set up and execution of a policy for compensation that reveals the best in the workers regarding their loyalty, performance dedication and commitment (Clarke, Koch & Hill, 2014).The research will be guided by three theories ,social exchange, equity and expectancy.

Perception is the identification, organization, and interpretation of sensory information within the organization so as to understand and represent the environment and information. Perception entails signals that are conveyed through the nervous system, which accrues due to sensory system's chemical and physical stimulation. For instance, vision entails smell is mediated by odor molecules, hearing involves waves and light striking the retina of the eye. Perception is perceived as a passive receipt of the signals, and is further shaped by the learning of the recipient, memory, attention and expectation. Perception is determined by complex nervous system functions, but is mostly effortless since processing occurs beyond conscious awareness (Goldstein, 2009).

The commitment of an individual to an organization is dependent on his or her perception balance reward utilities over input utilities. The method insists on the current exchange relationship between individuals (commitment) and organizations (compensation). Therefore the correlation that provides more returns than costs will produce a stable mutual attraction and commitment to the organization. This gives an explanation for the organizational citizenship behavior (Coetzee, 2015). This is in accordance with the expectancy theory of Vroom (1968) which indicates that there will be high motivation if people know what to do so as to be rewarded (Instrumentality). They have the expectation (expectancy) that they will get the rewarded and that the reward they receive will be valuable (Valence). The expectation's strength is founded on the experiences of the past (reinforcement)

Kenya Forest Service (KFS), a State Corporation was set up in 2005 by the Forest Act for provision of establishing, developing and sustainable management, inclusive of the conservation and rational utilization of the resources of the forest for the country's socio-economic development. Industrial forest plantation development remains a primary of the Kenya Forest Service. This is brought about by the understanding that the Kenyan industries that are wood-based depend on this vital resource for raw material supply and the resource under a management that is sustainable show a feasible economic enterprise (www.kenyaforestservive.org).

1.1.1 Concept of Perception

The employee's attitude towards policies regarding pay, recognition, promotion and work life quality and the influence of the groups they identify with is referred to as perception

(Armstrong, 2006). Arnold et al (1991) research evidence shows that people's affirmed feelings and beliefs regarding a person or a thing are loosely associated to how they respond towards it and therefore the study of the perception of the employees is vital towards organization's policy formulation and management. Employees perceive recognition for performing well, professional growth, promotion chances and schemes of compensation and incentives as motivating factors as stated by Dash *et al.*, (2008). They indicate that a system's rewards development, career opportunities and recognition, as one of the many vital tasks of management in the companies that are information based and in their study, employees listed treatment with respect and recognition as one of the six inexpensive and probably more efficient levers of management to be practiced by the management in their attempts to draw, motivate and keep employees since workers regard such aspects to be of value.

According to Ramakrishna (2002), recognizing efforts will lead to conducive working environment that impels and motivates individuals to work better. He contends that the absence recognition is one of the major demotivates for the employees of and as a result most organization has introduced better reward and recognition schemes. Strategies such as building of high degree recognition into every offered reward, entitlement reduction and connecting several probable performances, troubleshooting the system of reward to ensure that the reward is what you want to happen, prompt rewarding, giving employees reward choices, lengthening the rewards lifetime will be a motivation to the employees.

1.1.2 Employee Compensation

A statement by Newman and Milkovich (1999) says that compensation of employees refers to every form of tangible services and financial returns and the benefits received by

employees as part of the employment association. According to (Chabra 2001), employee compensation is a vast financial and non-financial reward employees are awarded in return for rendered services to organization. He states that its payment is in form of wages, salaries and employee benefits like vacations that are paid for, insurance, maternity leave, travelling facilities that are free, retirement benefits and several others. He indicates that the phrase 'wage', is used in reference to salary paid to manual or physical work employees. Wages are therefore given to pay off inexperienced employees for the rendered services to an organization. The basis of wages may be based on monthly, weekly or even hourly bases.

DeNisi (2001) state that compensation is a system of reward provided to individuals by the company for their readiness to undertake different jobs and tasks within the organization. Additionally, they stated that important and appropriate rewards require to be provided to employees so as to make them feel appreciated and the expectations they have on exchanging capabilities, skills and input in the organization are fulfilled. The total amount of non-monetary and pay given by the employer to an employee in return for performed work is called compensation (Adeniji & Osibanjo, 2012).

It is found on the market research regarding similar job's worth in the market place, inputs of employees and achievements, the presence of skilled employees in the market place, the employer's desire to attract and keep a specific employee for their perceived value to add to the association of the employment and the company's profitability or available finances in a setting of non-profit or public sector and hence the employer's capability to pay market rate compensation (Payne & Morrison, 2002). Bonus payments, sharing of profits, pay for

overtime work; recognition rewards and sales commission are also part of compensation. It can also be non-monetary perks like a company car, stock options at some points; company paid house and other taxable but non-monetary items (Adeniji & Osibanjo, 2012).

Any form of compensation is an obvious extrinsic reward; it provides what people want (Amstrong, 2008). The definition of compensation by DeNisi and Griffins (2008) is a collection of rewards provided to individuals by organizations in return for their willingness to undertake different jobs and tasks in the organization. Compensation, therefore, is a crucial human resource management component. The basic compensation received by an employee, normally a wage or salary is referred to as pay. There are two base pay categories utilized by most companies are hourly and salaried, as per the way they pay is distributed and the job nature. Employees paid on hourly basis are said to receive wages, which are calculated directly calculated on the work load. In comparison to that, people paid in terms of salaries receive payments that are steady from regardless of the number of worked hours. Salaried carries a higher status (Mathis & Jackson, 2004).

Competency based pay is rewarding employees for their work and their competencies and skills how their contribution to the overall values and objectives of an organization, (Lazear, 2005). USA based companies are moving towards flexible pay systems aligned strategically with intricate and dynamic business environment (Lawler, 2010). For example the increased use of competency based pay, in which pay is directed more to skills and capabilities of individuals that contribute towards the success of the company than individual performed jobs and broad branding. Nevertheless, most compensation plans pay attention to profitability

and profitability-related achievements with little or no incentive for corporate social responsibility (Gomez, 2010).

Bonus Schemes are based on the Balance Score Card that is a strategic management system and used largely in industry, business, state and global non-profit organizations to put their business in line with the organization's strategy and vision, improve communications both externally and internally and supervise the performance of the organization against the goals set (Gomez, 2007). Bonuses are larger than merit since increase of pay entails lower risk to the employer since the employer makes no permanent financial commitment. There are set policies by the organization regarding the bonuses. Bonuses are normally given at the end of a set period (Armstrong, 2001).

Incentive pay is for overall particular performance results instead of only for the time worked. Incentives comprise of sharing profits, sharing gains and plans for stock ownership. Gain sharing entails sharing gains that were greater than expected with employees for productivity (Lazear, 2000). The compensation scheme of gain sharing include Scanlon Plan where committees of departments of organizations are set to assess suggestions of cost banking and the resulting savings as a result of the suggestions are placed in bonus fund and incentives provided to employees. The fund is divided between employees and organization. Merit pay includes raise in base pay and is usually given annually, the ratings of supervisors of their employees such as below average, expectations achieved and expectations exceeded are used in determination of the amount of merit pay given. Increasing an employee's merit pay once makes it remain part of the salary for the remaining tenure with the firm unless under severe conditions like general wage cut or demotion (Hall et al. 2008). Existence of an

appropriate appraisal system determines the merit workability and efficiency. Merit pay is (Dessler 2008).

1.1.3 Employee Compensation Practices

Stahl (2015) states that compensation is monetary payment like wages, salary entitlement, bonus both current and deferred, used in rewarding of employees. Casio (2012) also describes compensation as both the direct and indirect in the form of fringe advantages. However, the above definition seem to be too narrow since they liken compensations with only monetary incomes. Apart from this; the phrase fringe benefit in Casio's definition is questionable (Barnett & Baruch, 2015). The best description of compensation is the direct and indirect compensation received by individuals in organizations and also the several factors of an environment of good work that serves as for their self- esteem for example sound policies, car parking facilities and supervision that is competent, pleasant work environment, flex time, sharing of jobs and cafeteria compensation (Osibanjo & Adeniji, 2012).

The wage or basic salary of an individual is referred to as direct compensatiion. This entails holiday premium, overtime work and performance based commissions and bonuses while insurance plans, educational assistance, paid leaves and protection programs are referred to as indirect compensation. The Job: duties that are interesting, duties that are challenging, recognition opportunity, feeling of development and opportunities for accomplishment (Kossek & Ozeki, 2008). Bob (2011)s definition of compensation is the guiding principal policies, frameworks and guidelines created and observed for provision and maintenance of

suitable pay levels and types, advantages and other compensation forms. This can be job values, formulation and maintenance of pay structures, performance payment and availing benefits for employees (Anyebe, 2013).

The concern of compensation management is strategy formulating and implementing policies that intend to fairly compensate people, frequently and equitably in compliance with their organizational value which eventually impacts their job satisfaction hence resulting in their commitment organizational objectives (Armstrong, 2015). The opinion of Anyebe (2013) is that the management compensation task is policy and strategy development that will attract, satisfy, motivate and retain employees hence resulting in organizational commitment. This motivates harder input from top performers and helps build an atmosphere of competitiveness in the organizations as it promotes the business objective attainment.

1.1.4 Employee Commitment

Commitment, as defined by Robbins and Judge (2013) is a situation where frequent individuals within an organization as well as the objective wishes to sustain his membership. Smith (2013) first conceptualized the psychological approach which indicates that commitment to an organization is a positive and active orientation. As described by Tubbs and Forehead, (2011) performance is affected by commitment, assuming that committed workers are more ready to attain the organizational goals than non-committed workers. For employees to be committed, the employers need to be committed, making commitment a two-way activity. The performance by employees who are committed is better than that of uncommitted employees and organizations that have committed employees perform better

financially although very few employees are committed to their employers. It is necessary for employers to establish what is accountable for their disproportion. The lack of assurance on consistent employment in the current work environment that is competitive has led to rise in expectations of employees in areas such as pleasant work environment with fair and just reward and a system of compensation (Coetzee, 2015).

1.1.5 Influence of Employee Compensation Practices on Employee Commitment

The definition of organizational commitment is a force that joins the individual to the set goal such as an organization and eventually to take relevant action to attain the target (Meyer, *et al*; 2006). Compensation provides a prospect of security, independence, recognition and enhanced self-worth (Hoyt & Gerdloff. 2000). If the compensation program is not internally fair and externally competitive, employees might quit (Jackson & Schuler, 2005). To facilitate motivation of employees efficiently, the gauge of performance and process of feedback must be in line with the business strategy of the organization and the culture of the organization (Kim & Sung-Choon, 2013).

Most organizations are testing with flexible packages which comprise of factors of variable pay, connected to performance, competence, development of skills and desired team and behaviours of leadership. If organizations need increased flexibility, systems of rewards might need to be flexible as well (Holbeche, 2004). Several researches have illustrated with prove about the role played by compensation satisfaction in retention of employees. The necessity model of motivation utilized by (DiPietro & Condly, 2007) to discover how employees in hospitals. The findings by (Williams *et al.*, 2007), indicated that employees

would remain committed if they were contented with the operation and communication of the organization.

A company goal to the welfare of its employees is to provide compensation so as to make employees work constantly (Gibson, 2016). The compensation of employees affects their productivity and their tendency of turnover. The observation by employees on the rewards and recognition of hard work and superior performance by the company, they will put in more effort so as to obtain a compensation of higher level (Simamora, 2013). Liang Gie in Martoyo (2010) stated that motive was an impulse that becomes a reason for a person to do something. Employees that are highly motivated conduct significant efforts so as to attain the aims of the production work unit and the organization employed into. Employees who are non-motivated only give minimum effort at work. Leadership arranges the realization of employees who give useful possibilities into the organization. The effort used in realization of these possibilities is motivation. The intention of motivation is to empower the employee to make him put in his own efforts (Manulang, 2002). The effect of commitment on performance is that committed employees are more ready attain the goals of the organization than non-committed ones (Tubbs & Dahl, 2011).

Compensation is key to the operation of any employer-employee association and it is an issue that is valued by both the employer and the employee. It is concerned with the workers welfare with particular reference to improved salaries which are correlated to what can be obtained in the economy (Clarke, Koch & Hill, 2014). Such correlations are often expresses as the workers' inputs and outputs of the economy. Outputs (salary level, promotions) can be based on the individual's inputs (efforts, education, competence, skills). When there is the

perception of imbalance in the input-output ratio, there is a creation of tension resulting in high rates of accidents, dissatisfaction with one's job, low productivity, consistent absenteeism, the intention to quit and lack of commitment to the goals of the organization. Due to this factors, it is necessary to reform the policies, programmes and general strategies which will take care of non-commitment and betrayal with a pay system adopted which is not considerate of the worth or performance (Anyebe, 2013)

1.1.6 Kenya Forest Service

Kenya forest service is corporate body that was created under the forest Act no. 7 2005. Its operations are informed by this law which commenced in February 2007, the Kenya Forestry Master Plan (KFMP), the Environmental Management and Co-ordination Act (1999) and the draft forest policy.

The Forest Act (2005) and the draft forest policy have their origins from the KFMP which proposed far reaching measure to support forestry development in Kenya. The Act, whose key thrust is the creation of strong forest governance institutions, also expands the mandate for forestry development to cover all forests on state, local authority and private lands, which is major departure from the previous law which was only on matters of state forests. To support and guide forestry development, the forest policy sets out core programmes on natural forest conservation and management, farm forestry, dry land forestry and industrial forest plantations development. In addition the participation of key stakeholders, the private sector and communities in forest management is recognized as vital to supporting government efforts (Langat & Cheboiwo, 2010).

A strategic plan has been developed by Kenya Forest Service (KFS) to facilitate forest resource management in the country. The plan summarizes the direction and priorities of the organization as well as guiding the management to make decisions regarding resource allocation by applying the plan. Kenya Forest Service expects renewed commitments to stakeholders so as to achieve its mandate.

1.2 Research Problem

Employees in both public and private sector are considered by organization as significant assets necessary for accomplishment of the objectives of the organization. Nonetheless, it is only a fulfilled workforce that can attain those objectives. Compensation of employees should be based on their performance and those who perform better need to be offered a greater proportion of the available compensation and vice versa. The competitiveness of an organization especially in the present day competitive business environment will be anchored on the employee motivation and their perception of the rewards being offered being commensurate to the work they perform. The problem of high rate of attrition has seen most organizations offer a number of compensation with the notion of attracting and then motivating the employees to remain in within the organization and in order to determine whether the compensation offered by the organization commensurate with the employee expectations, then the same should be established by assessing the employee perception on the same compensation management (Grant, 1994).

There have been many cases of absenteeism and lack of commitments Kenya Forest Service which might be the indication that employees are dissatisfied with their workplace. Employee will come to the organization and opt out too soon to look for better employer

hence retention is compromised. There are cases of family issues which might be an indication that there is need for alternative work arrangement other than the regular ones. To enhance loyalty the organization need to develop staff and encourage them to see growth in the organization. Creativity should form part of the work policies in which employees are motivated to use and utilized their abilities to complement each other (KFS Strategic Plan 2014-2019).

A study conducted by Nawab (2011) on the influence of employee compensation on commitment to an organization and job satisfaction: a case study of educational sector of Pakistan. The findings of the study were a positive considerable correlation between employee compensation and employee's commitment to an organization. A study conducted by Phonsanam (2010) on total compensation practices and their correlation with hospitality employee retention. The study found out that owners felt it was expensive to have a competitive plan for compensation; they had to understand the true turnover cost. Milgo, Namusonge and Kanal (2014) did a study on reward and compensation as a determinant of commitment of an employee: a survey of KTDA tea factories in Kenya. The study confirmed the importance of reward and compensation as a determinant of commitment of employees. Mwangi (2014) studied on the implications of compensation on motivation of employee: a case study of Chloride Exide. The finding of the study was that most respondents did not know the methods of determining compensation of employee at Chloride Exide. Owino (2014) did a study on employee perception of performance based pay practices in Kenya forest service. The study found that there are various performance based pay practices that are used in Kenya Forest Service. This study seeks to fill the existing research gap by

answering the following research question; what is the perceived influence of employee compensation practices influence employee commitment in Kenya Forest Service?

1.3 Research Objective

To establish the perceived influence of employee compensation practices on employee commitment in Kenya Forest Service

1.4 Value of the Study

The study will add new body of knowledge to existing contributions by providing more information through its contextual framework of Kenya Forest Service. Contextual study relates to particular organizations or situations hence bring out unique knowledge in addition to the existing and generalized ones. Kenya Forest Service will find the study to be useful in development of compensation guidelines and practice which are aligned to its HR strategies geared towards commitment increase. Such practices will focus on competitiveness of Kenya Forest Service, equity, individual needs, transparency and, employee participation.

Human Resource 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 Kenya Forest Service. Compensation Practices geared toward increase of commitment will be developed by the practitioners with an objective increasing commitment levels in the organization. Gaps

arising out of comparisons with other organizations compensation practices 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 chapter covers theoretical foundation of the study, employee compensation practices, employee commitment and employee compensation practices and Employee commitment.

2.2 Theoretical Foundation

The study was based on social exchange, equity and expectancy theory.

2.2.1 Social Exchange Theory

Social exchange as formulated by Blau (1964) is based on prism that employee's perceived organizational support creates a sense of indebtedness and an obligation within an individual to repay the organization. On the basis of the theory of social exchange founded on an economic model of behavior of humans, association between individuals is inspired by the wish of maximizing rewards and minimizing losses, the commitment of the individual to the organization is dependent on his or her perception of balance of reward utilities over input utilities. The emphasis of the approach is on the current exchange relationship between individuals and organizations. Hence correlations that have provisions for more rewards than costs will bear a durable mutual attraction and commitment to the organization; this gives an explanation for the citizenship behavior of the organization (Coetzee, 2005).

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 and Bennet (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.

2.2.2 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.

Avari, Amin, Ahmed, Seliman and Gamasari (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 (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. Rewards procedural justice serves to influence employees' commitment because employees interpret fairness from the organization where inequities are perceived (Pare & Tremblay, 2007).

2.2.3 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 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 considerable association between effort and performance with increased effort resulting to performance (Wieus-Tuers, 2001). 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 practices of an organization when well communicated guides employee in making predictions and expectations about the words (Yandori & Marter, 2003). 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 (Wieus-Tuers, 2001).

2.3 Employee Commitment

On the literature basis, organizational commitment concept should be very reliable as a way of gauging the behavior of employees in the groups of organizations, more so in cases other than theoretical aspects like job satisfaction or involvement Jae Moon (2000).most organizations have succeeded in developing, executing, evaluating, refining and pursuing empowerment and improvement of employee environment as a primary practice of human resource with business value (Kandula, 2004). The start of employee empowerment and involvement in organizations is strategic fit between people, tasks, technology, processing of

information, rewards and the structure of the organization that must be in line for the effective operation of the organization.

Involvement of employees can arise from the provision to employees, necessary skills for making decisions, solving problems, shared leadership and general business understanding. The indicators of commitment are the probable results gotten from commitments by the organization and individuals. Employees who have strong commitment to the organization are attached emotionally and have a burning desire to considerably towards the success of the organization. This results in higher competitiveness, responsibility, taking of risks, increased innovation, reduced wastage and the desire to enhance general work performance.

2.4 Influence of Employee Compensation Practices on Employee Commitment

The definition of organizational commitment is a force that joins the individual to the set goal such as an organization and eventually to take relevant action to attain the target (Meyer, *et al*; 2006). Compensation provides a prospect of security, independence, recognition and enhanced self-worth (Hoyt & Gerdloff. 2000). If the compensation program is not internally fair and externally competitive, employees might quit (Jackson & Schuler, 2005). To facilitate motivation of employees efficiently, the gauge of performance and process of feedback must be in line with the business strategy of the organization and the culture of the organization (Kim & Sung-Choon, 2013).

Most organizations are testing with flexible packages which comprise of factors of variable pay, connected to performance, competence, development of skills and desired team and

behaviours of leadership. If organizations need increased flexibility, systems of rewards might need to be flexible as well (Holbeche, 2004). Several researches have illustrated with prove about the role played by compensation satisfaction in retention of employees. The necessity model of motivation utilized by (DiPietro & Condly, 2007) to discover how employees in hospitals. The findings by (Williams *et al.*, 2007), indicated that employees would remain committed if they were contented with the operation and communication of the organization.

A company goal to the welfare of its employees is to provide compensation so as to make employees work constantly (Gibson, 2016). The compensation of employees affects their productivity and their tendency of turnover. The observation by employees on the rewards and recognition of hard work and superior performance by the company, they will put in more effort so as to obtain a compensation of higher level (Simamora, 2013). Liang Gie in Martoyo (2010) stated that motive was an impulse that becomes a reason for a person to do something. Employees that are highly motivated carry out significant efforts so as to attain the aims of the production work unit and the organization employed into. Employees who are non-motivated only give minimum effort at work. Leadership arranges the realization of employees who give useful possibilities into the organization. The effort used in realization of these possibilities is motivation. The intention of motivation is to empower the employee to make him put in his own efforts (Manulang, 2002). The effect of commitment on performance is that committed employees are more ready attain the goals of the organization than non-committed ones (Tubbs & Dahl, 2011).

Compensation is key to the operation of any employer-employee association and it is an issue that is valued by both the employer and the employee. It is attributed to the workers welfare with particular reference to improved salaries which are correlated to what can be obtained in the economy (Clarke, Koch & Hill, 2014). Such correlations are often expressed as the workers' inputs and outputs of the economy. Outputs (salary level, promotions) can be based on the individual's inputs (efforts, education, competence, skills). When there is the perception of imbalance in the input-output ratio, there is a creation of tension resulting in high rates of accidents, dissatisfaction with one's job, low productivity, consistent absenteeism, the intention to quit and lack of commitment.(Anyebe, 2013)

Belcher (2014), states that it is a double input-output exchange between the employer and the worker, i.e. the input of efforts and output of wages to workers are identified. However, wages input and productivity and services output can also arise on the side of the employer (Allen & Meyer, 2010). In this exchange process of double input-output, the employer provides the primary pay for the availability of the workers, qualifications, experience, skill and potential productivity. The other offer of the employer is the benefits of different qualities to the employees depending on their organizational membership to the employer (Anyebe, 2013).

La Belle (2005) posit that different persons have differing perceptions of rewards and believes that such aspects are the primary driving force of fulfillment and that they assist in boosting the employees to work harder and better, because of the motivation brought about. In simple terms, motivators have the ability to increase inner happiness (intrinsic rewards).

However, hygiene factors can only boost external happiness (extrinsic rewards). It could be impossible for employees to put forth their best performance if any if the factors are missing. In presence of all hygiene factors, it is probable the employee would still be demotivated. Therefore, for managers to motivate their employees successfully, it is necessary for them to establish the suitable and adequate motivation aspects to use. The perception of Babkus et al (2003) is that employees' perceptions has regards to their reward climate and affect their attitudes towards employees. Additionally, the managers' commitment towards their organization is shown by the methods of rewarding employees. Gouldner (1960) mentions the norm of reciprocity, which pays attention to the organization's capability to accommodate the desires of their employees and reward them for their inputs. Employees will then reciprocate by raising their commitment towards the organization and their work and also increasing their socio emotional bonds with colleagues and company.

CHAPTER THREE:RESEARCH METHODOLOGY

3.1 Introduction

This chapter contains research design, study population, sample design, data collection and data analysis.

3.2 Research Design

A descriptive research design was adopted for the study. The research design was appropriate for this study since the respondents were large in number.

3.3 Target Population

The population of the study comprised of 123 employees of Kenya Forest Service. The employees were divided into senior management (18), middle level management (41), and lower cadre (64) (Kenya Forest Service, 2017).

3.4 Sample Design

Sample sizes of 62 employees were used in the study. Stratified sampling was adopted where stratified proportionate random sampling technique was used in selecting the sample units. The employees were categorized into three groups senior management (18), middle level management (41), lower cadre (64) from each stratum 50% of the population into strata was picked. Table 3:1 below.

Table 3.1: Sample Size

Category	Total Size	Proportion	Sample
Top Management	18	50%	9
Middle level management	41	50%	21
Low level Management	64	50%	32
Total	123	50%	62

3.5 Data Collection

Primary data was collected using semi-structured questionnaire which was divided into (3) three parts: Part A contained demographic details, Part B employee compensation practices and Part C contained employee commitment. The questionnaires were administered through email.

3.6 Data Analysis

Descriptive statistics and correlation analysis was used to analyse the data.

Regression analysis to be performed will exhibit on the following model characteristics: -

$$Y = W_0 + \beta_1 X_1 + \dots + \beta_v$$

Where:

Y = Employee performance practices

X₁ = Employee commitment

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter covers response rate, demographic characteristics of the respondents and perceived influence of employee compensation practices and employee commitment.

4.2 Response Rate

Out of the 62 questionnaires administered, 50 of them were filled and returned, 8 of them were from top management, and 15 from middle level management and the rest 27 were from lower level management, which represents 80.6% response rate. This response rate is considered adequate for the study.

4.3 Demographic Characteristics of the Respondents

Gender, work experience and department of the respondents.

4.3.1 Gender

From the findings, there were slightly more male respondents than female, 27 (54%) were male while 23(46%) were female. This clearly indicates that many employees of Kenya Forest Service were female.

4.3.2 Years of Experience

Majority 17(34%) of the respondents worked between 11-15 years, 13(26%) have over 15 years, 11 (22%) worked between 6-10 years' work experience and only 9 (18%) have below 5 years work experience.

Table 4.3: Respondents' years of experience

Work experience	Frequency
0-5years	9
6-10years	11
11-15years	17
Over 15years	13
Total	204

4.3.3 Department

From the findings see (table 4.4.4) 6 (12%) of the respondents were from human resource and administration department, 12(24%) were from corporate services department, 20(40%) were from supply chain management department, 2(4%) were from internal audit department, 1(2%) were from information and technology department and 9(18%) were from plantation and enterprise department. This clearly shows that most of the respondents were from the department of supply chain .

Table 4.4.4: Respondents Department

Department	Frequency	Percentage
Human resource and administration	6	12.0
Corporate services	12	24.0
Supply chain management	20	40.0
Internal audit	2	4.0
Information and technology	1	2.0
Plantation and enterprise	9	18.0
Total	50	100.0

4.4 Perceived Influence of Compensation Practices

From the Table 4.5 below, the overall mean (3.28) of the basic payment statement it is clear that majority of the respondents were satisfied with their basic pay. Most of the respondents were satisfied with the organization basic pay (mean of 4.42); also the organization embrace hourly payments to the employees (mean of 4.52) and most of employees prefer hourly payment (mean of 4.66). On the other hand most employees do not prefer end month payment (mean of 1.50) and also payment at Kenya forest service were done at the end of the month (mean 1.32).

From the Table 4.6 below, the overall mean of 4.44, indicates that Kenya Forest service implement competency base pay to motivate its employees. The following were the impact of competency based pay on employees commitment; competency based pay encourage employees to work hard to improve their skills (mean of 4.42), competency based pay ensures the rewarding employees for their competencies (mean of 4.42), competency based pay ensures the rewarding employees for their competencies (mean of 4.44), compensation policy recognizes skills, effort, responsibility and commitment (mean of 4.56) and finally competency based pay ensures the rewarding employees for their skills (mean of 4.56).

From the results in Table 4.7, majority of the respondents' were more satisfied with the bonuses schemes provided at the Kenya forest service with overall mean of 4.26. quite a number of the respondents were moderately satisfied with the bonuses provided by the organization mean of 3.56, the organization set policies regarding the bonuses (mean of 4.3), the organization provides bonuses to employees fairly (mean of 4.42), usually bonuses are

provided are provided at the end of a designated period (mean of 4.48) and finally bonus schemes encourage employees to work hard (mean of 4.54).

Majority of the respondents were satisfied with the incentives being given by the organization as most of them were satisfied with the organization health plan (mean of 3.08), house allowance (mean of 4.16), also compensation policy adequately covered most of their needs (mean of 4.4). Finally the study revealed that cash rewards were regularly being revised to accommodate individual organization or market changes (mean of 3.9).

From table 4.9 below, majority of the organization were satisfied with the merit pay offered by the organization (mean of 4.24), they agreed that merit pay improve employees performance (mean of 4.34), motivate employees (mean of 4.62) also majority agreed that merit pay is based on employees performance (mean of 4.66). However organization provides merit pay annually (mean of 4.66).

From the below Table 4.10: Employees commitment , majority were not comfortable in participating in the organization activities if there was no pay attached with a mean of 1.42, also majority have slightly trust in the management of the organization in providing security and positive relationship (mean of 2.98). However most agreed that fairness and transparency in compensation policy makes them stay longer in the organization (mean of 3.36), cash rewards have contributed to my personal growth and would wish to offer more services to the organization (mean of 4.34), 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

(mean of 4.42), equity in compensation gives me a sense to put more effort in organization (mean of 4.62) and finally majority would be very happy to spend the rest of their career in the organization (4.72).

4.5 Perceived Influence of Compensation Practices on Employee Commitment

The study established that majority of the employees at Kenya Forest Service were satisfied with their basic pay. Kenya Forest service implements competency base pay to motivate its employees. With regard to bonuses employees eluded that were more satisfied with the bonuses schemes provided at the Kenya forest service. Majority of the respondents were satisfied with the incentives being given by the organization as most of them were satisfied with the organization health plan. The study also concluded that majority of the employees were satisfied with the merit pay offered by the organization. Employee’s commitment, majority of the employees were not comfortable in participating in the organization activities if there was no pay.

Table 4.5 Basic Pay

Statement on basic pay	N	Mean	Std-dev
Employees are paid at the end of the month	50	1.32	.471
I am satisfied with the organization’s base pay	50	4.42	.498
I prefer end of month payments	50	1.50	.505
The organization provides hourly payments to the employees	50	4.52	.504
I prefer hourly payments because they are more convenient	50	4.66	.478
Overall	5	3.28	0.501

Table 4.6: Bonus Schemes

Bonus schemes	N	Mean	Std-dev
I am satisfied with the bonuses provided by the organization	50	3.56	1.264
The organizations set policies regarding the bonuses	50	4.30	.462
The organization provides bonuses to employees fairly	50	4.42	.730
Usually bonuses are provided at the end of a designated period	50	4.48	.504
Bonus schemes encourage employees to work hard	50	4.54	.503
Overall	5	4.26	.693

Table 4.7: Incentives

Statement on incentives	N	Mean	Std-dev
I am satisfied with the organizations health plan	50	3.08	1.275
Cash rewards are regularly revised to accommodate individual organization or market changes	50	3.90	.678
I am satisfied with the organizations house allowance scheme	50	4.16	.817
Benefits in the compensation policy adequately cover most of the needs	50	4.40	.495
The management provides incentives to employees	50	4.50	.505
Overall	5	4.00	.754

Table 4.8: Merit payment

	N	Mean	Std-dev
I am satisfied with the organization merit pay	50	4.24	.431
Merit pay encourages employee to improve their performance	50	4.34	.478
Merit pay motivates the employees	50	4.62	.494
Merit pay is based on employees performance	50	4.64	.484
The organization provides merit pay annually	50	4.66	.478
Overall	5	4.50	.469

Table 4.9: Employees Commitment

	N	Mean	Std-dev
I am comfortable to participate in organization activities even when there is no pay attached	50	1.42	.498
I trust the management of the organization in providing security and positive relationship	50	2.98	1.237
Fairness and transparency in compensation policy makes me stay longer in the organization	50	3.36	.484
Cash rewards have contributed to my personal growth and would wish to offer more services to the organization	50	4.34	.478
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	50	4.42	.498
Equity in compensation gives me a sense to put more effort in organizational work	50	4.62	.490
I would be very happy to spend the rest of my career with this organization	50	4.72	.453
Overall	7	3.69	.591

Table 4.10: Model Summary

From table 4.10, it is a clear evidence that there was a positive correlation between compensation practices and employees' commitment at Kenya forest service since $R=0.682$. The value of R-square (coefficient of determinant) is 0.567 this a perfect model since it is capable of explaining 56.7% of the variability in employees commitment (Y), Most models that can explain more than 40% of the variability can be taken as a useful model. This is an indication that the model is a very good predictor overall since $R^2 > 40\%$.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.682 ^a	.567	.098	12.76305	.102	3.36	1	48	.003

a. Predictors: (Constant), compensation practices

Table 4.11: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.220	1	3.220	3.36	.003 ^b
	Residual	46.694	48	0.958		
	Total	49.915	49			

The study used ANOVA to establish the significance of the regression model from which an f-significance value of $p < 0.003$ was established. This shows that the regression model has a less than 0.003 likelihood (probability) of giving a wrong prediction.

Table 4.12: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	5.324	1.181		12.970	.000	1.994	17.654
compensation practices	2.843	1.243	.320	4.701	.003	3.391	8.295

a. Dependent Variable: employees commitment

$$Y=15.32+5.84X$$

Where y=employees commitment, X=compensation practices.

The model illustrates that when all variables are held at zero (constant), the value employee commitment would be 5.324. However, holding other factors constant, a unit increase in employee's compensation would lead to 3.0 increases in employees' commitment.

CHAPTER FIVE:SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter covers summary of findings, conclusion, recommendations and suggestion for further study.

5.2 Summary of Findings

The study found out that Kenya Forest Service used various compensation practices in order to motivate its employees. Compensation practices such as basic pay was largely being practice in the organization as the compensation policy recognizes employees' skills, effort, responsibility, competency and commitment since all this encourage employees to work hard. In addition organizations do not provide hourly payment since employees prefer monthly payment. The study also concluded that the organization set policies regarding bonuses, usually bonuses were being provided fairly at the end of a designated period, and however most of the employees were not satisfied with the bonus being provided by the organization.

5.3 Conclusion

The study concluded that Employees prefers to be rewarded with a salary that is equal to what similar firms reward their employees in the same positions. A comprehensive compensation package supported by an effective disbursement system plays a major role in bringing close the best candidates, shaping employees, behaviour and performance outcome,

and facilitate talent retention. This is in line with Peters and Austin, (1985) studies that stated that, rewarding individuals achieve targets and denying rewards to those who do not is the only way of keeping the employees focussed within the organisation.

5.4 Recommendations

The study made the following recommendation; that Kenya Forest Service should focus on sustained improvement in employee compensation practices as a mechanism of enhancing employee commitment and retention for competent staff.

5.5 Limitation of the study

The study was limited to time since at the time the research was being conducted when employees were undergoing workshop training most. To some extent, this might have affected the responses given as the respondents did not have enough time to answer to the questionnaires.

5.6 Suggestion for Further Study

It is recommended that similar studies be done on the other firms in the public sector to confirm or contradict the findings of the study.

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APPENDICES

Dear Respondent,

I am a student pursuing degree of Master of Business Administration, School of Business University of Nairobi. Undertaking a research project on, **‘PERCEIVED INFLUENCE OF EMPLOYEE COMPENSATION PRACTICES ON EMPLOYEE COMMITMENT IN KENYA FOREST SERVICE**. The data being collected is purely for academic purposes and a copy of findings will be availed to you upon request. Any information received will be treated with strict confidentiality and at no point will your name or that of your organization be mentioned in the final report.

Your cooperation will be highly appreciated.

Yours faithfully

Sheillah Chelangat Kenduiywa,

APPENDIX II: QUESTIONNAIRE

Section A: Demographic data

1. Gender:

Male Female

2. Please specify how many years of working experience at (KFS)

0-5yrs 6-10 yrs.

11-15yrs Over 15yrs

3. Department:

Finance and Accounting Human Resource & Administration

Corporate Services Supply Chain Management

Internal Audit Information Technology

Field Operations Plantation and Enterprise

Farm and Dry lands Forestry Programmes Enforcement and compliance

Section B: Compensation Practices

Indicate for each of the following statement in the scale of 1 to 5. (1) To a very large extent,

(2) To a large extent, (3) To some extent, (4) To a small extent (5) Not at all

Basic Pay	1	2	3	4	5
The organization provides hourly payments to the employees					
Employees are paid at the end of the month					
I prefer hourly payments because they are more convenient					
I prefer end of month payments					
I am satisfied with the organization's base pay					

Compensation policy recognizes skills, effort, responsibility and commitment.					
Competency based pay ensures the rewarding employees for their work.					
Competency based pay ensures the rewarding employees for their competencies.					
Competency based pay ensures the rewarding employees for their skills.					
Competency based pay is flexible					
Competency based pay encourage employees to work hard to improve their skills.					

Bonus Schemes	1	2	3	4	5
The organizations set policies regarding the bonuses.					
Usually bonuses are provided at the end of a designated period.					
I am satisfied with the bonuses provided by the organization					
The organization provides bonuses to employees fairly					
Bonus schemes encourage employees to work hard					

Incentives	1	2	3	4	5
The management provides incentives to employees					
I am satisfied with the organization health plan					
I am satisfied with the organization's house allowance scheme.					
Cash rewards are regularly revised to accommodate individual, organization or market changes					
Benefits in the compensation policy adequately cover most of the needs					

Merit Pay	1	2	3	4	5
The organization provides merit pay annually					
Merit pay motivates the employees					
Merit pay is based on employees performance					
I am satisfied with the organization merit pay					
Merit pay encourage employee to improve their performance					

Section C: Employee Commitment

Indicate for each of the following statement in the scale of 1 to 5 (1) to a very large extent, (2) To a large extent, (3) To some extent, (4) To a small extent (5) Not at all

	1	2	3	4	5
I am comfortable to participate in organization activities even when					

there is no pay attached					
I trust the management of the organization in providing security and positive relationship					
Fairness and transparency in compensation policy makes me stay longer in the organization.					
Cash rewards have contributed to my personal growth and would wish to offer more services to the organization					
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					
Equity in compensation gives me a sense to put more effort in organizational work					
I would be very happy to spend the rest of my career with this organization.					

THANK YOU