

# Fostering Employee Morale through Effective Remuneration Practices

Rukevwe Juliet Ogedegbe<sup>1\*</sup> Bello Bashiru<sup>2</sup>

1. Ajayi Crowther University, Department of Business Administration, Oyo. Oyo State, Nigeria

2. Bells University of Technology, Department of Business Administration, Ota, Ogun State, Nigeria

\*Email: rogedegbe@yahoo.com

## Abstract

In order to increase employee morale in organizations, it is necessary to create appropriate foundation in the organizational environment. In such organizations, where effective factors in the building of employees morale, are implemented completely and correctly, efficiency has been observed to be at its peak. The research provides reward techniques for business organization to understanding what motivate employee through remuneration practices of the organization. The research followed an in depth questionnaire administered to employees of a telecommunication organization. The result suggested that a careful consideration of job security, prospect of career progression apart from monetary rewards is essential for organizational development and change in employee initiative and boost in employee morale.

**Keywords:** employee morale, remuneration practices, telecommunication, reward techniques, business organizations.

## 1. INTRODUCTION

One task of human resource managers in today's world is to motivate and retain employees. Owing to the present challenges faced by business, management of organizations in an attempt to maintain their place in the competitive market, are beginning to focus on factors that make an organization's workforce willing to go the extra mile to achieve firm goals and objectives. The Association of British Insurers, Principle and Guidelines on remuneration (2000), stated that "for good and bad economic times, maximizing the contribution from every employee is vital to organization's success". It is thus apparent that for such organization's success, motivation of the employees is a key factor.

Motivation is a company's life-blood (Sharma, 2006:1). It has been seen to reduce turnover, increase productivity, reduced absenteeism, increase revenue and improved performance (Pei Yu Lin, 2007). Frederick Herzberg in his 'Two factor theory' which is subcategorized into 'hygiene factors' and 'motivators', is a notable contribution to the management of employee motivation. Individuals in the organization are found to view reward differently (La Belle, 2005). While some individuals may consider cash enough for their effort, others may give considerations to holidays and material incentives or even a recognition for their efforts. These considerations on the part of the employees help them to assess how the organizations value them and they are able to review their self worth which becomes a driving force of satisfaction or dissatisfaction.

Employee remuneration covers how people are rewarded in accordance with their value to the organization. It is about both financial and non-financial rewards and embraces the strategies, policies, structure and processes used to develop and maintain the reward system. Effective remuneration practices can be seen as means to meet organizational objectives, such as increasing morale and retaining and attracting good employees (Steere, 2000; Laabs, 2000, Kurlander and Barton, 2003).

The evolvement of remuneration arrangement reflects the drive of management to strong corporate performance. Therefore boards constantly re-evaluate their firms' remuneration structures in order to respond to changes in their operations and to evolving best practices in their home markets and beyond (Ferrarini, Moloney and Ungureanu 2009). Thus the main focus of this study is to determine the relationship between employee morale and remuneration practices in the organization.

In view of the issues above the following hypotheses were examined:

Hypothesis 1: There is no significant relationship between wages and salaries and employee morale.

Hypothesis 2: There is no significant relationship between incentives payment and benefit and employees' morale

Hypothesis 3: Wages and salaries, incentive payments and Employee benefit will jointly and independently predict employee morale.

## 2. REVIEW OF LITERATURE AND THEORTICAL FRAMEWORK

Employee remuneration is the reward or compensation given to the employees for their work performances. It is a method of promoting morale, increasing motivation and foster team cohesion. Remuneration can motivate employees to be more productive but does not have to necessarily be compensation based; it could be praise or recognition given to an employee. A reward helps to resolve conflict between organizational objectives and

individual expectations and aspirations. According to Dessler (1995) compensation is divided into 3 kinds: (1) direct financial payment in the form of wages, salaries, incentives, commissions, and bonuses, (2) indirect payment in the form of benefits such as insurance and vacations on the fund company, (3) non-financial rewards such as more challenging job, working hours more flexible, more prestigious offices. Effective, organizational reward systems should provide four things: a sufficient level of rewards to fulfill basic needs, equity with the external labor market, equity within the organization, and treatment of each member of the organization in terms of his or her individual needs (Lawler, 1989).

According to Prasetya and Kato (2011) whiling sighting (Bernardin & Russell, 1993) opined that “compensation has a big influence in the recruitment of employees, motivation, and productivity and employee turnover”. Therefore, the level and magnitude of compensation should be of concern to management because the level of compensation will determine the lifestyle, self esteem, and the value of the company. Cascio (1991) describes the principles that must be considered in granting effective compensation which include: The principle of fairness, taking into account the ratio between the highest and lowest salaries, cost of living, and so forth; the principle of justice, where there should be a good element of justice in connection with the element of working time and job performance. The employees who perform similar tasks get the same compensation as well.

### 2.1 Employee Morale and Remuneration practices

According to Keskonis and Siddiqi, “Morale is the behavior of employees wanting to belong to the organisation and who are being happy with their organization”. Thus, morale is an important emotional perception whereby an improvement of morale in employees induces happier, more productive, and higher performance employee.

Ngaraja, (2007) states that, morale ranges from very high to very low. High Morale is evident from the positive feelings of employees such as enthusiasm; desire to obey orders, willingness to co-operate with coworkers. Poor or low morale becomes obvious from the negative feelings of employees such as dissatisfaction, discouragement or dislike of the job. The application of skill or competence leads to performance and performance is the criterion for evaluating effectiveness. Therefore, a pay-for-competence program enhances productivity and product quality, reduces absenteeism, turnover, and accident rates (Jyothi and Venkatesh, 2006). Remuneration increases overall employee morale provided the benefits are regarded as equitable. Overall morale improves if each employee is granted a chance to reach a set of goals instead of setting high goals that only one employee can achieve. In the study of Nawab and Bhatti (2011), employee compensation and job satisfaction were found to have a positive and significant relationship with each other. Also, it was shown that financial reward was strongly related to normative and continuous commitment but non financial compensation has a strong influence on affective commitment on the employees. The analysis of the study (salary, incentives, benefits, promotion, self development, and work environment) conducted by Arik and Masanori (2011) indicated that there are significant influences both from financial and nonfinancial compensation to the employee performance. The survey results conducted by McLean and Tanner (Hays, 1999) showed that 70% of Chief Executive Officer and 58% of human resource managers said that the company can implement compensation programs to improve performance or productivity of employees.

Shezad et al. (2008) did a study on impact of HRM practices on perceived performance of university teachers of Pakistan. It was hypothesized that compensation, promotion and performance evaluation practices are significantly and positively related to perceived performance of university teachers of Pakistan. Compensation and promotion practices were found to be significantly correlated with perceived performance of university teachers of Pakistan. Performance evaluation practice was found to be insignificantly correlated with the performance of university teachers of Pakistan.

## 3. METHODOLOGY

### Research Design

The design of this study is the survey design which measured the independent variable of remuneration practices (wages and salaries and incentive pay and benefits), and dependent variable as employee morale.

### Sample

The study comprise of employees of Starcomms Nigeria limited in Ibadan Oyo state. A sample size of 200 employees was selected using purposive sampling techniques. Questionnaires were administered to management, senior, and junior staff of the organization of which only one hundred and fifty are found usable for the study. These comprise of male (55) and female (95), aged between 20 and 50 years.

### Research Instruments

The study made use of questionnaire which is in two parts. Section A: measures the demographics data of respondents and Section B measures the variables of remuneration practices. The questionnaire which was self-administered was validated by a group of conference experts. Validated result and the Cronbach alphas are 0.68 for wage and salary, 0.74 for incentive payment, and 0.73 for Employee benefits.

### Data Analyses

The demographic data were analyzed using frequency counts and simple percentages. The objectives of the

study were achieved by testing the hypotheses 1 and 2 using Pearson correlation while hypothesis 3 was analyzed using multiple regression.

#### 4. RESEACH FINDINGS AND DISCUSSION

There will be no significant relationship between Employee Morale and Wages and Salaries

Variable	Mean	Std. Dev.	N	R	P	Remark
Employee Morale	8.3600	2.2711	150	.205*	0.12	Sig
Wages and Salaries	3.2800	1.0499				

\* sig at .05 level

It is shown in the above table that there was significant relationship between Employee Morale and Wages and Salaries ( $r = .205^*$ ,  $N = 150$ ,  $P < .05$ ). Therefore the null hypothesis is rejected.

There will be no significant relationship between Incentive Payment and Benefits and employee morale.

Variable	Mean	Std. Dev.	N	R	P	Remark
Employee Morale	8.3600	2.2711	150	.358**	.000	Sig
Incentive Payment and Benefits	5.2600	1.4856				

\*\* sig at .01 level

It is shown in the above table that there was significant relationship between Incentive payments and Benefits and employee morale ( $r = .358^{**}$ ,  $N = 150$ ,  $P < .05$ ). The null hypothesis is therefore rejected.

There will be a joint effect of Wages and Salaries, Incentive Payment and Employee Benefits on Employee Morale

Model	Sum of Squares	DF	Mean Square	F	Sig.
Regression	296.424	3	98.808	30.555	.000
Residual	472.136	146	3.234		
Total	768.560	149			

$R = .621$

$R^2 = .386$

Adj  $R^2 = .373$

It was shown in the table above that the joint effect of Wages and Salaries, Incentive Payment and Employee benefits on Employee Morale was significant ( $F(3,146) = 30.555$ ;  $R = .621$ ,  $R^2 = .386$ , Adj.  $R^2 = 0.373$ ;  $P < .05$ ). About 39% of the variation was accounted for by the independent variables while the remaining 51% was not due to chance.

There will be a relative effect of independent variables (Wages and Salaries, Incentive Payment and Benefits) on Employee Morale

Model	Unstandardized Coefficient		Standardized Coefficient	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.036	.815		1.272	.205
<b>Wages and Salaries</b>	.144	.145	.066	.991	.323
<b>Incentive Payment</b>	-5.163E-02	.125	-.034	-.412	.681
<b>Employee benefits</b>	.471	.062	.622	7.552	.000

Table 3 shows the results of the regression analysis based on the sign of the coefficient and the t-ratio. From the analysis the constant has a t-ratio of 1.27. This indicates that the other factors that affect Employee morale and have not been included in the model are statistically significant in encouraging morale. The result above also shows the relative contribution of each of the independent variables on the dependent: Wages and Salaries ( $\beta = .066$ ,  $P > .05$ ), Incentive Payment ( $\beta = -.034$ ,  $P > .05$ ) and Employee benefit ( $\beta = .622$ ,  $P < .05$ ), respectively. Hence, Employee benefits were found significant while Wages and Salaries, and Incentive Payment were not.

#### 5. Conclusion

Over the globe, management in all organisations, have agreed to the fact that, having a competitive advantage requires the attraction and retention of talented employees. Therefore it is important to know and understand what motivates employees and make them stay on the job. The proposition that a satisfied worker will in turn put in his best, will only be true if when the issues of poor remuneration are given serious considerations. Employee morale will be increased when managers try to understand the problems faced by their workers and find a way of satisfying their needs and aspiration.

The study outcomes suggest that both intrinsic and extrinsic rewards are equally important in ensuring that

employees do their best. However, employee benefits such as holidays, challenging jobs, work environment have seems to be more acceptable to employees. If only cash rewards are given to employees, the tendency is that, workers feel they only been given their worth.

Employees like organizations are dynamic in nature since they reside in an ever-changing environment due to the continued competition and globalization. On this basis, a continuous improvement process involving everyone, managers and workers, the leadership or management should come up with strategies or policies that will involve all the stakeholders so as to achieve the desired objectives, and hence has the following advantages: reduced turnover; increased productivity; reduced absenteeism; increased revenue; and improved performance.

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