

Employee Compensation and Employee Commitment in Oil Producing Firms in Rivers State

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Abstract: *This study was conducted to examine the influence of employee compensation on employee commitment in Oil Producing firms in Rivers State. The study was based on a survey research design and made use of questionnaire in obtaining data from office resident employees serving in five Oil Producing firms in Rivers State of Nigeria. The population of study was 20,116 while its sample size determined through Taro Yamane sample size determination formular was 1793. The analysis of data was done with descriptive and inferential statistics. The former used percentage method while the latter used simple regression. The test of hypotheses in the study indicated that employee compensation had a positive and significant influence on employee commitment in Oil Producing firms in Rivers State. The generalized model summary showed a R^2 of 0.432. The model also showed a goodness of fit at 95 percent (p -value <0.05). It was concluded that employee compensation can determine employee commitment in oil producing firms in Rivers State. In line with the result of this study, it was recommended that oil producing firms in Rivers State should improve upon the compensation package offered their employees so as to induce their commitment.*

Keywords: employee compensation, employee commitment, oil producing firms, Rivers State of Nigeria

INTRODUCTION

The world over, compensation is an important element of human resource practice that generates influence on employees' decision to join an organization and subsequently influences employer-employee relationship. Employment relationship gives rise to the development of psychological contract between the employer and the employee. This contract determines the nature of mutual experience and existence during the period of employment. Psychological contract is largely influenced by the development and management of compensation policy. Thus, employee compensation is an area of research on

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employer-employee relationship whose outcomes are usually of interest to the organization and employees. These outcomes include, employee commitment, employee satisfaction, organizational citizenship and organizational performance, among others.

Employee compensation refers to the benefit employees receive in exchange for the service they render. It is composed of the base wage or salary and incentives or bonuses and benefit. Compensation is a fundamental factor in attracting and retaining the best employees in the organisation. Every employee needs to be compensated for their efforts. Employee compensation refers to all forms of financial rewards received by employees. Compensation dissatisfaction can lead to absenteeism, turnover, low performance, job dissatisfaction, strikes and grievances. Employee compensation may influence employee commitment. The commitment of employees towards organization improves the organization effectiveness. By aligning personal interests with company objectives, performance-based pay system motivates, influences employee commitment towards supporting the strategic objectives of the organization (Kim & Sung-Choon, 2013).

Employee commitment serves to show a vital component used in assessing the behaviour of organizational members and is viewed as a necessary and essential element in measuring employee behaviour in organisations, which itself depends on work conditions (Gospel and Palmer, 2014). Getting staff to be committed is a challenge being faced by executives in managing firms (Chew and Chan, 2018). It is employee commitment that depicts the cordiality of employer-employee relationship (Stites and Michael, 2011). It is considered as extent to which the employee is attached to the organisation (Stites and Michael, 2011). Herscovitch (2012) identifies three aspects of commitment, affective, continuance and normative. The first, affective commitment focuses on an emotional attachment of an employee to an organisation. The second, continuance commitment explains that the employee stays with an organisation because the employee senses negativity in leaving the organization. The third, normative commitment is concerned with employee's moral obligation to stay with an organisation.

Oil Producing firms require highly committed employees with quality job attitudes to support the production and delivery of goods and services while ultimately achieving their goal of profit maximisation. Having a committed and effective workforce in the Oil and Gas sector requires a conscious and deliberate attempt by management to implement well designed employee relations strategies. Due to the competitive nature of businesses in this sector, management of organisations are left with no other choice than creating and maintaining harmonious relationship with their employees. In the absence of this, employees tend to exhibit negative work attitudes such as; irregularity to work, poor service delivery, absenteeism and others. Thus, it is imperative that good employee relations, particularly in terms of employee commitment be in place to make for a committed workforce. This stems from the fact employees' level of commitment has a direct bearing with their performance and by extension the ability of organisations to achieve their set goals. Hence, for oil producing firms which are known to have a diversified workforce which handles various aspects of its operations, a highly devoted team is required. This team should be adequately compensated to induce employee commitment.

Statement of the Problem

Nigeria's Oil Producing firms have been adjudged by many as one of the most organized business organizations in terms of good employee relations practices. People consider their employees to be better off than others in terms of good working conditions, improved compensation packages, good employee management, and better conflict management mechanisms, among others. Results of related studies on employee relations and in particular, employee compensation are still mixed and inconclusive. Specifically, the oil and gas business in Rivers State of Nigeria does not have much research attention on employee compensation and commitment except for the research efforts of Nwaiwu & Onuoha (2020) and Ehule and Oworji(2023). This study was triggered by the need to ascertain current situation of employee compensation and employee commitment in oil producing firms in Rivers State of Nigeria with a view to enriching literature.

Research Objective

To assess the influence of employee empowerment on employee commitment in Oil Producing firms in Rivers State

Research Hypothesis

H₀: Employee compensation does not have any significant positive influence on commitment in Oil Producing firms in Rivers State

LITERATURE REVIEW AND THEORETICAL FOUNDATION

Employee compensation is a key element of employee relations that deals with an organized way to offering monetary and non-monetary value to staff as remuneration for work delivered. It serves as a tool variously used by organizational management on organizational activities. These may include, recruiting and retaining qualified staff, increasing and maintaining staff, rewarding and encouraging peak performance, achieving internal and external equity, reducing turnover and encouraging loyalty, modifying through negotiations practices of unions (Graham and Bennett, 2018). Being at the centre of employment relationship, compensation contributes significantly since it is at the heart of the employment relationship.

A number of items make up employee compensation. These include, fixed pay – monthly; allowances such as house allowance, dearness allowance, house allowance, risk allowance etc. and fridge benefits. These may include – provident fund, health insurance, pension scheme, uniform, canteen, gratuity, medical care, group insurance, entertainment allowance and paid holiday (Graham and Bennett, 2018). Armstrong (2011) maintains that with attractive compensation, it was possible to have quality workforce, maintain satisfied workers, retain qualified employees from leaving and motivating them for higher productivity.

Barney and Hesterly (2018) posit that in organizations, policies on compensation facilitate effective execution of strategies. Also, Horton (2017) noted that an organisation with

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effective reward systems like transactional and relational rewards improves the level of employee motivation. It also supports the realization of increased commitment. Frye (2014) further posited that for human capital-intensive institutions, an essential contribution is made by employee compensation in both securing and keeping competent staff.

This study is anchored on Equity Theory. This theory was popularized by Adams (1963). The theory is aimed at striking a balance between an employee input and output in the organization. In a situation whereby the employee is able to find his or her right balance it would lead to a more productive relationship with the management (Gordon, 2006). The theory is based on the principle of fairness and draws its argument from the Social Comparison Theory. It examines the tendency for staff to compare the fairness of what the work requires them to do which is the input with what they receive in exchange for the effort they bring to the work, which represents outputs. In this case, employees make a comparison of their job situation with that of a colleague, for establishment of equity. However, a sense of inequity, which implies that employees perceive that their reward is not in concord with their effort in the workplace may set in where the opposite holds. Equity theory as used in this study will offer more explanation and insight on the influence of employee compensation on employee commitment in the Oil Producing firms in Rivers State.

METHODOLOGY

The survey research design was adopted and used in this research. The population of this study was made up of 20,116 office resident employees from five Oil Producing firms in Rivers State of Nigeria, namely, Shell Petroleum Dev. Company of Nig. Ltd, Chevron Oil Nigeria Plc, Eroton Exploration and Oil Producing Company, Belema Oil Producing Ltd and Newcross Exploration and Production Ltd. The study's sample size determined through Taro Yamane sample size determination formula was 1793. This number was administered with copies of the questionnaire. The research instrument specifically focused on conflict resolution mechanism and employee commitment. Instrument validation was done with experts in the field of Business Management. Furthermore, the Cronbach Alpha reliability test was carried out on research variables. The mean result of the reliability first test was 0.745 while result of the second test was 0.760. The result implied that the instrument was reliable. The instrument as designed reflected 5 – point Likert scale. It was scored as follows; strongly Agree (SA = 5); Agreed (A = 4); Disagree (DA = 3); Strongly Disagree (SD =2) and undecided (UN = 1). Descriptive analysis was used in data presentation while regression analysis was used in testing hypothesis.

Model Specification

In order to investigate the relationship between independent variable, conflict resolution mechanism and dependent variable, employee's commitment, the following model was developed: $EPC = \beta_0 + \beta_1 ECM + \epsilon$

Where; EPC, is the dependent variable (Employee Commitment); ECM- Employee Compensation; β_0 is the intercept; β - the Beta coefficient; ϵ = error term.

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Table 1: Respondents' Details

Variables	Categories	Frequency	Percentage%
Gender	Male	722	64.00%
	Female	406	36.00%
Age Range	Below 21	74	6.56
	21-34	238	21.10
	35-44	403	35.73
	45- 54	309	27.39
	55 and above	104	9.22
Education	SCE/WAEC	96	8.51
	OND	226	20.04
	BSc/HND	693	61.43
	Postgraduate	113	10.02
Work Experience	Less than 1 Year	73	6.47
	1-4 Years	228	20.21
	5- 9 Years	427	37.86
	10 -14 Year	253	22.43
	15 Years and above	147	13.03

Source: Field Survey, (2024)

Table 1 presents respondents' details in the study. In the table, the sex distribution shows that out of the 1128 respondents, 722 of them was male representing 64.00% while 406 respondents were female representing 36.00%. Also In the table, 74 respondents fall in the range of under 21 representing 6.56%; 238 of them fall between 21-34 years representing 21.10%; 403 respondents fall between the age of 35 – 44 years representing 35.73%; Furthermore, 309 respondents were between 45-54 years representing 27.39% while 104 of the respondents were between the age of 55 and above representing 27.39%. Furthermore, in the table, 96 respondents possessed secondary certificate representing 8.51%; 226 respondents had OND representing 20.04%; 693 respondents have HND/BSC representing 61.43% and 113 respondents had masters and above representing 10.02%.

Again, the table showed the number of respondents that had years of experience less than 1 year as 73 representing 6.47%; Also, 228 of the respondents falls between 1-4 years of experience representing 20.21%, while 427 of them fall between 5-9 years of experience representing 37.86 %; furthermore, 253 respondents fall between 10-14 years of experience representing 22.43% while 147 of the respondents representing 13.03% had 15 years and above experience.

RESULTS/FINDINGS**Table 2: Percentage Analysis of Employee Compensation and Employee Commitment in Oil Producing Firms in Rivers State**

Statements on Employee compensation	SA	A	D	SD	UN
My organisation has a robust employee compensation Policy	209 (18.53%)	379 (33.60%)	187 (16.58%)	297 (26.33%)	56 (4.96%)
The handling of employee compensation issues influences their commitment	241 (21.37%)	525 (46.54%)	196 (17.38%)	127 (11.26%)	39 (3.46%)
I am satisfied with my organisations' handling of compensation matters, hence committed to my job	109 (9.66%)	312 (27.66%)	327 (28.99%)	336 (29.79%)	44 (3.90%)
I am seriously looking out for opportunities that would trigger my increased commitment with better compensation packages	318 (28.19%)	570 (50.53%)	88 (7.80%)	121 (10.73%)	31 (2.75%)
Total	219	447	200	220	42

Source: Field Survey (2024)

Table 2 shows the responses on the effect of employee compensation on employee commitment in Oil Producing firms in Rivers State. In the table, 209(18.53%) respondents strongly agreed that their organisation has a robust employee compensation Policy; 379(33.60%) agreed; 18(16.58%) disagreed; 297(26.33%) strongly disagreed while 56(4.96%) were undecided. Also, 241(21.37%) respondents strongly agreed that the handling of staff compensation issues influences staff commitment; 525(46.54%) agreed; 196(17.38%) disagreed; 127(11.26%) strongly disagreed as 39(3.46%) were undecided. Furthermore, 109(9.66%) respondents strongly agreed that they are satisfied with my institution's handling of compensation matters, hence committed to their jobs; 312(27.66%) agreed; 327(28.99%) disagreed; 336(29.79%) strongly disagreed while 44(3.90%) were undecided. Also in the table, 318(28.19%) respondents strongly agreed that they are seriously looking out for opportunities that would trigger my increased commitment with better compensation packages; 570(50.53%) agreed; 88 (7.80%) disagreed; 121(10.73%) strongly disagreed while 31(2.75%) were undecided. The analysis in Table 4.7 indicates that majority of the respondents 666(59.04%) were of the opinion that employee compensation had an effect on the commitment of employees of Oil Producing firms in Rivers State

H₀: Employee compensation does not have any significant positive influence on employee commitment in Oil Producing firms in Rivers State.

H₁: Employee compensation has significant positive influence on employee commitment in Oil Producing firms in Rivers State

Table 3: Regression Analysis Result on Influence of Employee Compensation on Employee Commitment in Oil Producing firms in Rivers State.

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.693 ^a	.480	.432	6.34348		
Goodness of Fit ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	185.036	1	13591.551	126.323	.000 ^b
	Residual	227.296	1126	116.437		
	Total	412.332	1127			
Coefficients^a						
Model		Unstandardized Coefficients	Std. Error	Standardized Coefficients	T	Sig.
1	(Constant)	2.123	.408		3.032	1.022
	Employee compensation	.514	.126	.483	4.079	.000

a. Dependent Variable: Commitment

b. Predictors: (Constant), Employee compensation

Table 3 shows the result of regression analysis on the influence of employee compensation on employee commitment in Oil Producing Firms in Rivers State. The generalized model summary showed an R^2 of 0.432 which implies that 43.2% of the changes in employee compensation influences 43.2% in commitment among employees of Oil Producing firms in Rivers State. The model also showed a goodness of fit at 95 percent (p-value <0.05). Employee compensation on commitment employees of Oil Producing firms in Rivers State showed statistically significant positive influence at 95% (also p-value <0.05). As a result of this outcome, the hypothesis already stated that there is no significant positive influence of employee compensation on commitment of employees of Oil Producing firms in Rivers State is hereby rejected. This implies that there is significant positive influence of employee compensation on the commitment of employees of Oil Producing firms in Rivers State.

DISCUSSION OF FINDINGS AND IMPLICATION TO RESEARCH AND PRACTICE

The main objective of this study was to examine the influence of employee compensation on employee commitment in Oil Producing firms in Rivers State. It was hypothesized that there was no significant relationship between employee compensation and employee commitment in Oil Producing firms in Rivers State. Result of test of hypothesis showed that there is a significant relationship between employee compensation and employee commitment in Oil

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Producing firms in Rivers State. The result supports Nwaiwu & Onuoha (2020) who found a positive and significant association between compensation and worker commitment. Again, Nsien, Effiom and Umoh (2020) established a positive and significant relationship between compensation and employee commitment. Furthermore, Ehule and Oworji(2023) revealed that there was a significant relationship between benefits management and employee commitment in deposit money banks in Rivers State. Other related studies include, Quartey and Attiogbe (2013) who established a link between compensation packages and job performance and Ahmad, Pei Yei and Bujang (2013) whose research showed a positive relationship between benefits especially leave, loans and retirement plan and employees' retention. In other literature, Armstrong (2011) is of the view that compensation facilitates the attraction of a quality workforce, ensuring that current employees are satisfied, having their services retained and stimulating increased productivity. Similarly, James and Mathew (2012) are of the view that pay and benefits are the most essential motivators that induce positive employee behaviour such as commitment, loyalty and retention in organizations. These findings and positions confirm the central importance of employee compensation in organizations. Employee commitment is needed by all organizations because of its contributions to organizations' performance. For the oil producing firms in Rivers State of Nigeria, the result of this study implies that adequate and motivating compensation policy will enhance employee commitment towards its business.

CONCLUSION AND RECOMMENDATION

The assessment carried out on the influence of employee compensation on employee commitment in this study revealed a positive and significant influence of employee compensation on employee commitment in oil producing firms in Rivers State of Nigeria. The result confirms that indeed, employee compensation was an important element driving the employer-employee relationship, and one that influences employee commitment. The outcome of this study has shown that while organizations require the services of hard working and committed staff, organizations have to ensure adequate employee compensation in order to trigger employee commitment. Thus, it is concluded that employee compensation can determine employee commitment in oil producing firms in Rivers State. In line with the result of this study, it is recommended that oil producing firms in Rivers State should improve upon the compensation package offered their employees so as to induce their commitment. This study was limited to Rivers State of Nigeria. It is suggested that in future studies on this research topic should expand its scope to include other states of Nigeria and other oil producing firms other than the five used in this study. This is to improve generalization of research findings.

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