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Effect of Remuneration on Employee Commitment: An Empirical Evidence from Hotel Industry

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ARTICLE DETAILS	ABSTRACT
<p>History Revised format: November 2020 Available Online: December 2020</p> <p>Keywords Remuneration, Equity Theory, Gift Exchange Model and Employee commitment.</p> <p>JEL Classification: M0, M1</p>	<p>The purpose of the research is to evaluate the effect of remuneration on employee commitment. It explores how remuneration of employees can affect the Employee Commitment (EC). A self-administered questionnaire based upon previously validated instrument was completed by 165 customer contact employees. Pearson correlation and Simple Regression techniques were employed to ascertain the relationship between remuneration and commitment. Consistent with Gift Exchange Model of Adams and Jacobsen (1964), the statistical analysis confirms that remuneration has positive and significant effect on employee commitment. This research also extends the literature on the commitment of employees to the Hotel industry of Malaysia. The outcomes of this research could be used by tourism management to achieve comparative advantage over its competitors. This study also provides implications and future research directions.</p>



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1. Introduction

The services industry plays a crucial role in the socio-economic development of both the developed and developing economies. The services industry recognizes the importance of experienced and trained workers in the survival and long-term growth of the organizations; thus, they acquire and retain them for uplifting the organization in the existing cut throat competition. Hotel workers have a critical part to play in interacting directly with clients. The previous research has highlighted that inadequate service experiences are mostly the outcomes of the inability of front-line workers to provide required services and satisfy customer's needs (Xu et al., 2018). According to Ariffin and Che Ha (2014) this poor employee performance is a major concern for an Hotel industry in Malaysia that arises because of the lack of committed employees. Therefore, the absence of highly committed and motivated workers is a critical and recent issue in Malaysia's hospitality and tourism industry (Ariffin & Che Ha, 2014).

The biggest challenge for an organization is optimizing organizational efficiency and performance (Van Tiem, Moseley, & Dessinger, 2012). The desired outcomes cannot be produced by plants, machinery, and equipment as they have a reasonably set capacity of production (Ngwa, Adeleke, Agbaeze, Ghasi, & Imhanrenialena, 2019). It is only a human resource, the output of which is subject to a number of motivating factors such as commitment (Kerdpitak & Jermstittiparsert, 2020; Mathauer & Imhoff, 2006). The success of an organization depends not only on the quality of the human resources available to the organization, but also on the ability of the employee to produce the optimum output (Bailey, Mankin, Kelliher, & Garavan, 2018). The success of an organization is to a greater extent a function of effective and efficient management of human resources available in today's highly competitive environment (Becker & Gerhart, 1996; Guest, 2002; Liu, Combs, Ketchen Jr, & Ireland, 2007). This calls for the creation of a workforce empowered to provide the organization with the best possible output and efficiency in order to achieve its organizational objectives and goals (Ngwa et al., 2019).

Employees are bound to the organization by terms of a contract, trade union rules, state and human rights laws. Since such jobs cannot be substituted under unfavourable circumstances as machined are compelled to produce (Ngwa et al., 2019). However, when a company undertakes to meet the needs of employees, it stimulates an employee's willingness to return this favour with hard work and commitment (Blau, 1964). This is norm of reciprocity focuses on the ability of the organization to meet the needs of its employees and reward them for their efforts. Therefore, the main objective of this study is to empirically investigate the effect of remuneration on employee commitment, using Equity Theory also called Gift Exchange Theory (Adams, 1963; Adams & Jacobsen, 1964) among the customer contact employees in the hospitality industry of Malaysia.

2. Literature review

2.1 Remuneration

Remuneration is the amount of money paid to an employee for performing a particular work (Cobuild, 2006; Schreiner, 2018). The remuneration can be in the form of compensation, basic salary, wages, allowances (Transport, house, rent, overtime, medical) and pension schemes (Babagana & Dungus, 2015; Devers, McNamara, Wiseman, & Arrfelt, 2008). In the context of the current study, remuneration to employees in hotel industry has been taken as compensation or reward for performing their duties (Calvin, 2017; Devers et al., 2008). It includes all types of pay and rewards the employees receive in terms of wages, salaries, commissions, bonuses and incentives and non-financial benefits like insurance (Dessler, 2013; Ekhsan, Aeni, Parashakti, & Fahlevi, 2019).

2.2 Employee Commitment

Commitment is the personal bond of employees to their organization and the acceptance of organizational values and objectives (Meyer & Allen, 1997). It is a psychological attachment of an individual with an organization which reduces employee turnover intentions (Allen & Meyer, 1990). Employees who are committed and dedicated have a stronger involvement in the organization, and employees feel that they also have more respect for their organization, and that they always respect the organizational objectives (Meyer, et al., 1989). In addition, committed employees operate effectively on behalf of the organization and stay with the organization for extended periods of time (Allen & Meyer, 1990). Similarly, Cooper-Hakim and Viswesvaran, (2005) also highlighted that highly committed workers are more efficient and productive and less likely to leave.

Considerable efforts have been made to evaluate the connection between remuneration and employee commitment from a variety of perspectives. According to Mendonsa, (1998), benefits and rewards provide the basis to achieve competitive advantage; however, it is also a significant element in EC in the organization. Similarly, Manzoor et al., (2011) found that remuneration is the main factor for engaging the employees. Hence, it is asserted that employees expect rewards like salary, support in return of their commitment with the organization.

Thus, in spite of the aforementioned empirical EC research, still it is asserted from the extensive literature review that there are very few studies conducted in the Hotel industry, especially, in Malaysian context. Therefore, this study was another attempt to investigate the relationship between remuneration and the employee commitment in Malaysia's hotel industry.

2.3 Relationship between Remuneration and Employee Commitment

Employees are an asset to an organization. Many companies face growing challenges in enhancing the performance of their employees (Drucker, 2002). To overcome the poor performance of employees, the organizations develop a proper compensation system, which encourages employees to boost their performance (Bilal, 2017). Economic rewards are a way to compensate workers in monetary terms, such as wage raises and stock options (Mehran & Tracy, 2001; Weltmann, 2019). According to Ichniowski and Shaw (2003), remuneration plans improves employee's performance and commitment supported by innovative work practices.

Remuneration is the amount paid to employees, either in the form of a lump sum or a monthly payment, which is perceived by individuals as an immediate feedback for their efforts (Gerhart, Rynes, & Rynes, 2003). A considerable amount of literature has been published on compensation, which is theoretically based and has shown the effect of compensation on performance (Akter & Husain, 2016). Calvin (2017) assessed the effect of remuneration on commitment in academic staff and found a positive significant relationship between remuneration and commitment. Hameed, Ramzan, and Zubair (2014) examined remuneration impact on commitment in various context and concluded a positive relationship between these two variables.

Remuneration is the rewards paid to workers whose production or performance exceeds some predetermined standards (Armstrong & Murlis, 2007) and exceeding of performance from the predetermined standards or the additional responsibilities being undertaken is called commitment (Lo, Ramayah, & Min, 2009). This notion is in consistent with Equity Theory of Adams (1963). According to the equity theory of remuneration motivation of an employee is based on what he or she believes to be equal when compared to others (Redmond, 2010). Since employees in organization expect to be compensated for equal levels of input like other employees, therefore, the allocation of fair remuneration becomes significant. The perceived equity of the effort-reward balance is essential in deciding the degree of commitment and performance of the employees (Calvin, 2017). Based on this theory of equity which is also called Gift Exchange Model of Adams and Jacobsen (1964) and Adams (1963), we hypothesize that:

H1: There is a positive and significant relationship between remuneration and EC.

4. Methodology

4.1 Sampling and Data Collection

To study the perception regarding the remuneration and commitment level of the employees in the hospitality industry of Malaysia, 60 hotels in Johor Bahru were initially selected and were invited to participate in the survey. After contacting them, 42 hotels showed willingness to participate in the survey.

The human resource managers of the selected hotels assisted the researchers in distributing 208 questionnaires to the customer contact employees. The process took almost three weeks. Out of the total, 180 were returned, of which 165 were complete in all respects and thus, were retained and used for final analysis. Among the respondent's 30 percent were female while 70 percent were male within the age bracket of 20 to 65 years. Majority of the respondents were Malays (52%), followed by Indians (25%), Chinese (18%) and others (5%).

4.2 Measures

The scale to measure the remuneration construct of the study comprising 5 items was adapted from Tessema and Soeters (2006). Measurement of EC was adapted from a 9 items scale of Mowday, Porter,

and Steers (1982). Respondents used a 5-point Likert Scale in which “1” corresponded to “strongly disagree and “5”to “strongly agree”.

5. Analysis

As illustrated in Table 1, the Cronbach's alpha values for the constructs are higher than the suggested threshold of 0.70, consequently the measurement instrument was found to be reliable, hence, can be used for further analysis.

Table 1: Cronbach’s Alpha Reliability

Variable	Alpha Reliability
REM*	0.751
EC**	0.861

*Remuneration, **Employee Commitment

5.1 Correlation Analysis

To ascertain the relationship between remuneration and employee commitment, Pearson correlation was used as reported in Table 2, providing that remuneration ($r = 0.321$, $p\text{-value} < 0.01$) is significantly correlated with the employee commitment.

Table 2: Correlation Analysis for Remuneration and Employee Commitment

	EC	REM
EC*	1	.0.321**
REM**		1

** . Correlation is significant at the 0.01 level (2-tailed).

5.2 Regression Analysis

To check the impact of remuneration on employee commitment, Simple linear regression was employed. The results depicted in Table 3 confirm that remuneration ($F=23.717$, $p < 0.05$) has significant and positive impacts ($R^2 = 0.103$) on employee commitment ($\beta = .321$), thus, hypothesis of the current study is supported

Table 3: Results of Regression Analysis

Hypothesis 1 Dependent Variable: EC	Predictor: Remuneration
R value	0.321
R -Square value	0.103
(β)value	0.321
T-value	4.870
F- value	23.717
Sig.	0.000

6. Discussion and Conclusion

The objective of this research was to assess the relationship between the remuneration and the employee commitment among the customer contact employees working in the hospitality industry of Malaysia. The results of the study indicated that remuneration positively and significantly affect the employee commitment. The findings of the study are in line with the prior studies (such as Ahmad, Shah, Bibi, & Shah, 2017; Calvin, 2017; Nor, Mohamed, Mohamed, & Hassan, 2020) providing that employees’ remuneration is positively related to their commitment in the workplace. The findings further reveal that employees receiving adequate remuneration would behave positively that facilitate the organization in achieving the organizational objectives and competitive advantages.

The findings of the study are supported by the Gift exchange theory which describes that individual in the workplace establishes and maintains social connections on the basis of their expectations from the organization that determine their behavior. Tansky and Cohen (2001) postulated that organizations that

take care of the employees' prospects and values are in better position to have committed employees who don't leave the organization for a longer period of time. Similarly, a study conducted by Woo and Chelladurai (2012) highlighted that workers who believe that they are appreciated and valued by their organizations and peers, they prove themselves to be more committed with the organizations.

7. Implications

From academic perspective, the current study contributes to the existing literature by empirically investigating the effect of remuneration on employee commitment in the context of hospitality industry Malaysia. This study provides guidance to the practitioners in the hospitality industry on how they can capitalize on their human resource that is a competitive advantage for an organization, in the presence of digital rivals, for example, Air b&b. Moreover, this study provides valuable insights to managers to groom and train employees in such a way that facilitate nurturing a supportive environment and satisfy the employees' psychological needs, as it would motivate the employees to be more committed and go for an extra mile. Moreover, the current study guides the managers to devise/ revisit and implement the human resource management practices, in true sense, to enhance the employees' commitment and satisfaction level for a better tomorrow. Failure to improve the employees' commitment will lead to anxiety, depression, and frustration among the employees and, will result in employees' turnover, leaving bad effects on the health of their hotels.

8. Limitations and suggestions for future research

Although the results of this study are interesting, however, there are some limitations. First, that data were collected in one province of Malaysia. Future studies are suggested to be carried out by including upscale hotels from other provinces of the country. Second, this study is cross-sectional in nature. A longitudinal research design could provide further insights into the effects of remuneration and its effect on employee commitment in the hospitality industry over time. Future studies may also be undertaken focusing other industries of the economy in order to determine the nature of the constructs used in the current study. Finally, it is recommended that future researchers may include some other variables such as the training and development programs, promotional policies of the organization, work stress and knowledge hiding behavior and their impacts on employee commitment should be examined for more in-depth insights on the nature of these constructs.

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