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## EMPLOYEE COMMITMENT IN THE CONTEXT OF A SENSE OF PAY FAIRNESS IN POLAND

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### ABSTRACT

*Employee conduct in a professional context is determined not only by certain relatively constant personal and environmental factors; it also depends on employee perceptions of the way in which the organization operates and in which the organization's processes work. This is a subjective criterion comprising a number of aspects at whose core there always lies a sense of fairness. Research shows that a sense of fairness is the key determinant for attitudes within the organization, having direct consequences for employee efficiency. Having assumed that employee perceptions of the organization's pay policy are the starting point for any overall judgment of the organization, it seems to be a good idea to analyse these judgments with respect to various areas. Examining the individual aspects of a sense of fairness will allow making predictions as to how an employee will feel about having to work more for an organization and about his/her continued employment there. The objective of this paper is was to demonstrate that a sense of fairness is the direct driving force behind employee attitudes and conduct evolving towards greater commitment. The information on pay and commitment, reported by extramural college students in full-time employment, has shown that there is between these a statistically significant positive correlation.*

**Keywords:** Organizational Commitment, Pay Fairness, Pay Communications, Pay Understanding, Pay Satisfaction.

### INTRODUCTION

Employee commitment represents an area of constant concern for both researchers and corporate management. As strong correlations have been found between work commitment and benefits for the organization, action has been taken to better understand the ways in which the activity of employees can be increased.

The impact factors determining employee commitment can be divided into personal (cognitive, emotional, behavioral) and organizational ones (Juchnowicz, 2012). The second group includes the job's relevance (i.e. the employee believes that the job is worth doing), rewards, distinctions, and a sense of fairness (Saks, 2006).

Long-standing research shows that employee perceptions of fairness in the workplace form a factor which considerably impacts on employee conduct in ways that are relevant to the organization's efficiency. The areas affected by the perceived degree of fairness include commitment, productivity, trust in the management, willingness to co-operate and share knowledge, a sense of satisfaction and loyalty to the organization, to name just a few (Cohen–Charash and Spector, 2001; Colquitt et al., 2001).

Fairness can be defined as an alignment between employee perceptions and expectations with respect to processes and events within the organization (Colquitt et al., 2005). The literature identified four aspects of fairness in the organization (Colquitt et al., 2001):

- 1) distributive, where the employee compares his/her work input against benefits earned and other employees' performance;
- 2) procedural, relating to the organization's decision-making process, particularly where this is related to salaries;
- 3) interpersonal, relating to the employee's perceived treatment of self by supervisors and co-workers;
- 4) informational, relating to the ways in which information on decisions relating to resource distribution is shared.

The system of employee rewards lies at the core of employee perceptions of fairness in the organization (Herington et al., 2005). Employees who perceive the organization's internal processes as fair are more likely to be loyal and to act in the interests of the organization (Cropanzano et al., 2007).

### *Commitment in the context of fair pay – research hypotheses*

The set of questions about fair treatment with respect to pay addresses the perceptions of distributive and procedural fairness (Folger and Konovsky, 1989). This applies particularly to employees entering the workforce, for whom the basic criterion of any organization's assessment is the salary offered (Grodzicki, 2016). Also, what makes this criterion so reliable is that it allows comparing one's own performance against others' performance despite the complexities of pay policy evaluation (Van den Bos and Lind, 2002). The perceptions of procedural aspects are starting to play a role in countries where disclosure of salary is restricted by law (e.g. in Poland). Procedures based on honesty, respect, and ethics may enhance employee perceptions of working in the organization.

The objective of this research was to demonstrate a relationship between commitment and perception of pay fairness. Such a perception is closely related to organizational characteristics such as access to information, company policy transparency, and pay satisfaction. This was used as the basis for the first hypothesis.

H1: There is a statistically significant relationship between employee commitment and the sense of pay fairness.

No survey of the sense of fairness can omit pay communication, pay transparency, and rewarding rules. According to many business practitioners, the communication process that enables employees to find out information on salaries (mostly, pay policy, and pay structure) provides them with the motivation to seek to be more efficient. As a result, they can increase their benefits and fast-track their careers (Scott and McMullen, 2013). This means that pay communication contributes to employee satisfaction with salaries and lessens the pressure to quit (Treuren and Frankish, 2014).

Now, pay transparency is understood as a perception of access to information on salaries. If this information can be shared with others, this makes comparing work input and rewards a more positive experience between employees. The judgments produced by the work valuation system and the accompanying tangible benefits make for a better sense of fairness in the organization (Ramachandran, 2012). An additional asset of such a solution is the narrowing of pay disproportions on the basis of sex, age, and ethnicity (Madden, 2012; Castilla, 2015).



However, it is worth remembering that the essential condition for a positive assessment of the pay system is not only access to but also an understanding of information. Research shows that understanding equals knowledge of pay policy, pay structure, and pay decisions (Shields et al. 2012). The employee cannot properly assess the pay system before he/she fully understands the laws governing remuneration.

The question of pay satisfaction is the last factor under analysis. Though it has been an area of concern for a long time, early research chose to focus on its evaluation without considering its connection to the organization (Carragher and Buckley, 1996; Judge, 1993; Orpen and Bonnici, 1987). It was not until later that science had made a connection between pay satisfaction and the organization's performance (Griffin et al., 2001; Schneider et al., 2003). The analysis of this indicator allows assessing in three areas: pay level, pay raises, and pay structure/administration. As young employees are likely to overstate their pay expectations, their perception of salary issues within an organization can be understood by tying their assessment of pay satisfaction with other characteristics. An in-depth effective assessment of employees and their commitment level has led to another hypothesis of this paper:

H2: There is a statistically significant relationship between an employee's commitment and each factor affecting the sense of pay fairness.

At the same time, after considering the findings suggesting that employees, who positively assess the distribution of assets across the organization and the procedures governing the distribution, present with a high level of emotional commitment to the organization, the following hypothesis has been formulated (Meyer et al. 2002):

H3: The strongest positive correlation is between commitment and the perception of pay fairness. An additional advantage for the organization, of employee commitment is the lessening of pressure to quit. This also reduces staff turnover, resulting in corresponding financial savings. Therefore, assuming that the previous statement is true, the following hypothesis has been adopted:

H4. There is a statistically significant negative relationship between the sense of fairness and the willingness to resign one's job position.

## RESEARCH METHODOLOGY

The research tool was a questionnaire containing statements relating to the research area. The tool was validated through a confirmative factor analysis to establish the method's reliability. The research comprised of a group of professionally active extramural students across various areas of operation of organizations. A total of 82 respondents took part in the questionnaire. Having rejected blank or badly filled out forms, 80 responses were qualified for analysis. Women slightly dominated among the respondents (54%). The respondents represented various age groups, up to 24 (49%) and 25-40 (51%). 69% of the respondents had completed undergraduate tertiary-level education, 24% had completed graduate tertiary-level education, and 7% had secondary education. The level of employee commitment to an organization was surveyed with a 5-level Likert scale whose  $\alpha$ -Cronbach reliability coefficient was satisfactory, standing at 0.922. Among the 8 statements presented to the respondents, there were those relating directly to efficiency (e.g. *I am willing to put in a great deal of effort beyond what is normally expected for my employer to be successful; This organization really inspires the very best in me in the way of job performance*) as well as those concerning employee relations with the organization (e.g.



*I am proud to tell others that I am part of this organization; I am extremely glad that I chose to work for this organization).*

The sense of pay fairness (understood as equal pay for equal work) was gauged, using an 8-item version of the test developed by Shields et. al. (2012). As in all cases, a 5-level Likert-type scale was used (1 – strongly disagree, to 5 – strongly agree). The  $\alpha$ -Cronbach reliability coefficient was 0.950. All the statements presented to the respondents referred to their opinion about the relationship between their work input and pay (e.g. *My pay reflects the effort that I have put into my work; My pay is appropriate for the work I do; My pay is justified by my performance*) and the work input and pay of others (*I am fairly paid compared to other employees; I am fairly paid compared to similar positions in other organizations*).

The assessment of the sense of pay fairness also used aspects such as pay communications, pay transparency, and pay understanding. The first of them represents the extent to which employers disclose salary information, including rules, procedures, and criteria governing pay rises. Questions relating to pay communication were *My employer communicates pay policies and procedures; At my employer, employees are told what they must do to increase their pay*. Pay transparency specifies how the flow of information on pay works in the organization. This criterion relates both to mandatory norms and the freedom employees have in sharing this information with their colleagues. The section relating to pay transparency contained statements such as *I will be disciplined or fired if my employer learns that I told other employees how much I am paid*.

Pay understanding is a criterion defining the level of understanding of principles and procedures applying to award benefits and the possibility of influencing the salary received. The assessment of understanding of norms applied in the organization's pay policy was carried out through the following questions: *I understand how my base-salary or wage is determined; I understand how my pay raises are determined*.

In the questionnaire relating to these areas, the tools applied by Shields et. al. (2012) were used. In all cases, the reliability coefficient was higher than 0.8.

For an assessment of pay satisfaction, just as in thematically associated analyses, the Pay Satisfaction Questionnaire (PSQ) developed by Heneman and Schwab (1979, 1985) was used. This measure determines the level of pay satisfaction in employees. This criterion also looks at other issues, such as pay policy evaluation and pay structure. This 14-item questionnaire elicits employee responses to statements such as *My most recent raise; My current salary; My overall level of pay; How my raises are determined*. The respondents use a 5-level Likert scale to rate how much they agree with the statement (*Very Dissatisfied, Dissatisfied, Neither Dissatisfied or Satisfied, Satisfied, and Very Satisfied*). The  $\alpha$ -Cronbach reliability coefficient (0,906) has confirmed the validity of this questionnaire.

## FINDINGS

Statistical analyses using the IBM SPSS packet were carried out to answer the research questions and test the hypotheses adopted. The analysis started by testing the quantitative variable distribution. To achieve this, basic descriptive statistical tests were carried out together with the Shapiro-Wilk test which checks normal distribution. The test results show that the distribution of most variables is statistically significantly different from the normal distribution. However, in



line with the principle whereby the maximum absolute skewed value cannot exceed 1, it is possible to assume that the distribution of almost all variables is significantly asymmetrical and thereby it is appropriate to carry out parameter tests. The calculated coefficients are presented in Table 1.

**Table 1: Basic descriptive statistics together with the test of normal distribution.**

Poland	<i>M</i>	<i>Mdn</i>	<i>SD</i>	<i>Sk.</i>	<i>Kurt.</i>	<i>Min.</i>	<i>Maks.</i>	<i>S-W</i>	<i>p</i>
Pay Communications	2.96	2.86	0.98	0.26	-0.77	1.29	5.00	0.97	0.047
Pay Transparency	2.98	3.00	0.96	0.02	-0.29	1.00	5.00	0.98	0.127
Pay Understanding	3.45	3.50	0.92	-0.28	-0.25	1.33	5.00	0.97	0.033
Pay Fairness	2.86	2.75	1.04	0.37	-0.57	1.00	5.00	0.97	0.044
Organizational Commitment	2,79	2,60	1,09	0,38	-0,80	1,00	5,00	0,96	0,008
Intent to Quit	3.63	4.00	1.23	-0.63	-0.60	1.00	5.00	0.90	<0.001
Pay Satisfaction	2.77	2.86	0.73	0.25	-0.29	1.43	4.71	0.98	0.284

*M* – Mean; *Mdn* – median; *SD* – standard deviation; *Sk.* – skewness; *Kurt.* – kurtosis; *Min. and Max.*; *S-W* – Shapiro-Wilk test; *p* – weight

The next step in the research procedure was to determine the relationships between the individual variables represented in the research model. To do this, the correlation coefficients have been determined, as presented in Table 2.



**Table 2. Correlation Matrix**

Variable	1	2	3	4	5	6	7
1. Pay Communications	~						
2. Pay Transparency	.59**	~					
3. Pay Understanding	.67**	.55**	~				
4. PayFairness	.48**	.39**	.66**	~			
5. Organizational Commitment	.46**	.37**	.65**	.98**	~		
6. Intent to Quit	-.45**	-.34**	-.41**	-.39**	-.40**	~	
7. Pay Satisfaction	.43**	.26*	.51**	.76**	.74**	-.53**	~

\* =  $p < .01$ , \*\* =  $p < .05$

The results have allowed us to test the assumptions adopted. The correlation coefficients turned out to be statistically significant in each case. In line with the adopted hypotheses, a relation was found to exist between the aspects impacting the sense of pay fairness and the level of commitment. It was also confirmed that the measure with the strongest impact on an employee's organizational commitment is the sense of pay fairness. In the case under analysis, the relation was  $r=0.98$ ,  $p<0.05$ . The matrix of results in Table 2 confirms the adopted hypotheses. The hypothesized negative correlation between pay fairness and intent to quit has also been confirmed. There were no significant differences in responses based on gender.

### Summary

The present research was undertaken to demonstrate the relation between organizational pay fairness and employee commitment. The focus of this research was on the implications of a sense of pay fairness. The findings show that these factors are an important motive force for employee attitudes and conduct. A satisfactory level of fairness contributes to greater employee commitment to pro-organizational activities, allowing the organization to grow faster. Therefore, from a management perspective, it is important that employees should not only think highly of their income level and rise prospects but also have access to the relevant information and procedures. In particular, the understanding of procedures is pivotal in shaping perceptions of fairness (Paré and Tremblay 2007).

It is noteworthy that the research addressed a group of young employees (Millennials) who are generally more committed to the organization than their older colleagues (IBM Rapport, 2014). At the same time, they are more open and willing to change their jobs. The findings show that employees who have a positive view of pay policies and have more job satisfaction are less likely to consider quitting the organization (Grodzicki and Kłusek-Wojciszke 2018). No doubt therein lies the value of the empirical findings obtained in this research. In a detailed discussion of the research findings, it is worth underscoring that while respondents varied in their perceptions of pay fairness, the overwhelming majority appreciate the importance of such issues as the understanding of procedures and principles as well as the flow of and access to information.

On one hand, the undertaken research confirms the existing state of knowledge in the field; on the other, it shows a need for more extensive investigation of organizational fairness. Bearing in mind that organizational fairness does not exist objectively but is only a matter of individual opinion, it is a good idea to discuss employee relations and the organizational climate. An interesting gap in the research would be filled by a comparative analysis that considers cultural differences and different levels of development in each surveyed country.

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