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Impact of Rewards and Compensation on Job Satisfaction: Public and Private Universities of UK

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Abstract: No one can find the exact degree or level of organizational commitment of an individual as well as his job satisfaction because sometime the circumstances of outer world are favorable to him/her and match his psyche and emotions with them, at that moment the individual has high level otherwise low or dissatisfaction. In this study, it is examined that what is the level of organizational commitment and job satisfaction existing in the UK Higher Education institutions and universities. Almost the university faculty founded satisfied and to some extent committed in current era, why? – The university's staff (academic and non-academic) is being considered strategic assets and they are being treated as rewarded and recognized status. Different contributions by Higher Education, University Superannuation Schemes (USS), Teachers and Staff Unions, Russell Group, Fender report, Dearing report and Bett report. Current reward practices in UK universities like healthy living facilities, Special offers and Discounts, competitive core benefits, learning and development and money saving opportunities provide a lot of opportunities to employees to develop their career as required. Drawbacks of reward practices as such are not crucial but that should be managed especially discrimination between white and black professional. The UK Higher Education system may get first rank by a little bit consideration of Government.

Key words: Rewards • Compensation • Job Satisfaction • Human Resource

INTRODUCTION

Job satisfaction and commitment are widely used in research because these have pivotal and critical importance to success of the individual as well as the organization. In the education sector, the central role is played by the teachers to the better performance of the institutions. For the success of entire educational system, it depends on the teacher's quality and capability. They are considered pivots because they joint the progress of economy of any country from talent to work. In the world the fact has been proved that high level of an individual's job satisfaction and organizational commitment has positive behavior and attitude toward work while others have negative who show negative. Professional competence showed that its high degree

because of teacher is mostly satisfied about their teaching profession. They believe them well educated having teaching skills and subject matter's knowledge and the classroom management helps them to feel secure about this profession.

Rewards in current situation are playing a significant role to enhance the job satisfaction and commitment of an employee whether he is working in any type of organization. All benefits are considered reward determinants that an employee receives from their workplace [1]. Salary is the best predictor of the individual experience within an institution.

Among occupations, one of the most hectic occupations is teaching due to decrease in job satisfaction by inadequate salary and low status [2-5].

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Job Satisfaction: Many researchers and investigators identified that Job satisfaction has direct relations to human psyche, emotion, behavior and attitude. These all parameters help the individual to understand what the level of job satisfaction showed by others is. In current era, most organizations set out their goals regarding employees and customers. One of the important goals of any organization is job satisfaction of employees [6].

Job's experience of positive or negative assessment has relationship towards individual emotional stage that stage is called job satisfaction [7]. Positive assessment of the individual shows high level of job satisfaction while negative has low level of job satisfaction.

Job Satisfaction Determinants: An employee reacts effectively through a collection of different determinants is called Job satisfaction [8, 9]. Understanding the job satisfaction is the typical way to which job and job-related aspects are felt by an employee. According to many researchers, job satisfaction of teachers can be measured by such factors as having freedom and independence, being challenged, using valued skills, having opportunities to learn and expressing their creativity. For measuring the university's teacher job satisfaction eight scales have been designed in UK with respect to different components like administration and management; research; supervision/supervisor behavior; present pay; promotions; physical conditions/working conditions and behavior of co-workers; and most important teaching [10].

Dawes [11] describes Job satisfaction basically as a psychological contract that has two components: an affective component (feelings along with cognition) and a cognitive competent (needs are being fulfilled according to one's perception).

In education sector, university teachers mostly show positive behavior towards students because they are customers.

Commitment: Commitment has importance regarding job and organization because it helps to identify the relations and attachment of the employee with these.

Reyes [12] defines Commitment as a partisan, to emotional attachment, to individual's role to accomplishment of objectives and values of himself and an organization. Buchanan [13] elaborates that Relationship between the organization (the employer) and an individual (the employee) being a bond is called commitment. While organizational commitment is represented "(a) an acceptance of and strong belief towards goals and values of an organization; (b) a compliance on employer's behalf to exert significant efforts; (c) organization's membership maintain by strong desire [14].

Types of Commitment: Commitment can be categorized in three parts as; (a) Affective, (b) Continuance and (c) Normative [15, 16]. Description of Affective commitment is as involvement, identification and also emotional attachment of an employee's with organization and the specific goals that he has. Anything's (money, time, effort) value that may be considered important by an individual is called Continuance commitment [16]. The employee's responsibility toward their organization is conceptualized as normative commitment [17].

Difference between Job Satisfaction and Commitment: The degree by which an individual shows "likeness" and "happiness" about his work is termed as job satisfaction, while the degree through which "attachment" and "loyalty" to organization of an employee are revealed is termed as commitment [18].

Reward: Reward is very vital factor that has big contribution towards enhancing the employee job satisfaction and commitment. Organizations are continuously improving their reward system for retaining and becoming more productive of employees.

Bratton and Gold [19] explained the rewards that an employee receives payments in relation to contribution in organization that may be cash, noncash and psychological are called rewards. Reward is also an employment relationship part in which employees obtain all the tangible provisions and benefits [20]. Monetary benefits is considered significant and ever-present factor among all rewards.

Types of Rewards: Buch and Tolentino [21] mentioned that four categories of rewards found in six sigma concept that are extrinsic, intrinsic, social and the organization's remuneration. Internal feelings of an individual about self competence, growth, satisfaction, autonomy and involvement in his career are referred to intrinsic rewards [22]. Westover and Taylor [23] added that Extrinsic rewards refer to an employee's performance and participation in organization and further divided into indirect (superior future hopes and monetary security) and direct (appreciation's t oken) form. For obtaining

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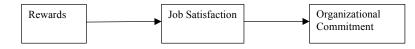


Fig. 1: Organizational Commitment and Job Satisfaction

the outcomes of shared goal employees interact with their colleagues and peers through team based projects that reinforce to them as social rewards [24]. Organizational rewards refer to the better communication between the management and employees, streamlining of major business process through training and increased probability of profits and productivity.

Rewards are also categorized as monetary or financial and nonmonetary or nonfinancial rewards.

Job Satisfaction, Commitment and Rewards Model: Many researchers investigated these factors that are very important to an employee's career. The research has found a high positive correlation between the overall job satisfaction and Organizational commitment while job satisfaction with rewards like promotions, pay, supervision and employee behavior/relationships [25].

As the resultant, a model is developed that represents the relationship among these factors (Figure 1).

Rewards are independent variable that influences on dependent variables job satisfaction and commitment.

UK Perspective: Both organizational commitment and job satisfaction declared in most research studies were considerably high among employees in universities from developed countries. Lifeblood is considered to better student experience and higher education by high quality, inspiring teaching.

The UK Higher Education educational system is the second largest system (115 universities and 165 HE institutions, August 2011) of the world and country's economic strength almost depends on the competitiveness and growth of the world-leading universities. The excellent quality of UK research universities is considered the key strength of its higher education sector. The Higher education system has flexibility and responsiveness to changing the global environment through innovation, operation and delivery [26].

Rewards – especially promotion has been associated less with teaching but more closely to research before 21th century. Basically teaching was considered an extra source or way of income that helps to better support in research business. A valuable and high-status of teacher's was not supported their career rights. This condition could not be continued due to high demand of better teaching also. Both research and teaching staff, must be rewarded by HE institutions properly; and also those who take seriously their tasks in an institution.

In 2001, Mechanisms to better rewards that supports to best teaching did not find considerable evidences in the institution's HRD strategies. Universities were made only 12% reward (promotions) decision on teaching excellence while 38% not took such decisions in 2003 [27]. Reward schemes are designed to promote a strong identity with corporate goals and a range of individualized strategies are used, such as profit-related pay, performance-related pay and competence-based schemes [28].

Universities are increasingly reliant on fee-paying overseas students, who are treated in the manner of 'paying customers' purchasing a service [29, 30].

Higher Education Contribution Toward Rewards That Lead to Better Job Satisfaction and Commitment: HE, teacher's union, HE funding counsel and national association of teachers have important contribution to make better rewards for teachers as well as academic staff. To keep and maintain the second largest HE system efficient these are continuously focusing not only better pay but also better environment, employee relations, career growth, higher status, better communication and collaboration within and outsides the universities, effective HRM or people management practices and student development. In this regard, they developed the following reports:

The Fender Report: The Fender Report, produced by the university employers' bodies the Committee of university VCs and institution Principals (CVCP) in 1993, was originally conceived as a discussion document for universities. The committee was developed different and significant number of university teachers and personnel officers. The aim of their work was to provide an effective and efficient strategic structure in universities for the staff and teacher's development by an effort to maintain their enthusiasm and commitment in the context of global changes affecting people at work. The suggestion that pay should be linked to performance of both individuals and teams and that reward strategies should 'encourage and reward excellence and address under-performance' [31].

Dearing Report: The National Committee of Inquiry into Higher Education (NCIHE) published a detailed report in 1997 named 'HE in the Learning Society'. It highlighted the importance of boosting the confidence of staff in order to achieve the vision for HE stating that what is required is 'qualified, dedicated staff who are aptly rewarded, guided and valued. It was an extended and lengthy document of some 1700 pages with over 90 recommendations.

One of the strongest recommendations is that led directly to the initiatives that stimulate Developing and Rewarding Staff and the subsequent adoption of the technologies of HRM across the HE sector. On the issues of pay, conditions of service and working practices, it concluded that the 'rather under-developed staffing policies of many institutions are barriers to effective practice' [32].

Bett Report: This report was established and produced into pay and conditions of academic staff in UK universities. The main proposed objective of the committee was "to identify and point the way towards, agreement of pay and related HRM practices that will strengthen an outstanding leading, effective and efficient HE system in the educational world and which will be appropriate for the first part of the twenty-first century, taking account of likely technological and other developments. The "apparently enhanced in productivity of non-academic and academic staff in last two decades has been left completely under-rewarded, that is considered a general perception" [33].

Structure of Rewarded Pay: Modernization of current Pay's structure by an agreemental framework was the result of joint negotiations between the trade unions and HE employers. While developing this structure, the Joint Negotiating Committee for Higher Education Staff (JNCHES) played an important supervisory role.

The purpose of the Agreemental Framework expressed by the joint committee that produced it, was to "modernize pay arrangements in the sector to improve the recruitment and retention of staff, to ensure equal pay for work of equal value, to tackle problems of low pay, to recognize and reward the contribution which individuals make and to underpin opportunities for career and Organizational development" [34]. A single pay spine was

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42 42733 42883
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45 46696 46846
46 48096 48246
47 49539 49689
48 51025 51175
49 52556 52706
50 54133 54283
51 55758 55908

Table 2: Academicians and Staff Salary Report in UK during 2011-12

Source: [35]

proposed to harmonize pay arrangements across the sector and that would be subject to joint annual review.

Framework of National Pay: Higher Education teachers and support staff salary structure regarding Single Spine point (SP) for 2011/2012 in UK universities is shown in Table 1.

Main initiative of HE Funding Counsel – The RDS: A major operationalization of HRM in universities was initiated by the RDS (Rewarding and Developing Staff) regarding HE (Higher Education) initiative. RDS was introduced by HEFCE (Higher Education Funding Council for England) in 2001. Following Dearing and Bett, both of which argued that there was a significant demands of Efficient HRM practices approach and effective leadership in HE institutions. The cost able and specific HR objectives that indentified in planned HR strategy and a percentage made by this scheme to contingent funding that based on the production this strategy.

- Recruitment and retention for the best teaching and research.
- Training and development.
- Opportunities benefits and equal pay for all.
- Review of staffing needs.
- Review of performance by bi-annually and annually.
- Poor performance embarking Actions by enhancing and managing the individual's commitment.

Russell Group: Russell Group is the largest network of UK universities that has 20 top level universities. It is focusing on attracting, motivating and retaining extra ordinary academics by better pay, rewards, learning and innovative environment.

Universities of Russell Group have a commitment to ensure that the most talented and highly qualified academic staff teaches their students. The cost of employee retention by motivating and satisfying them through reward packages and pay which is competitive globally is very high in recent time, but these universities have shown their commitment in this regard.

Government Contributions: In beginning of the last decade, a pay initiative has been offered to UK's HE sector by the provision of government funding. It should be used partly in recruiting and retaining the highly qualified and talented academic staff especially in most important and strategic areas or disciplines [36].

Merit-based pay system in public institutions is focusing to stimulate the development of economic culture that basically runs a risk due to less concentration on staff service. Public sector universities are required to provide the appropriate economic rewards to their employees without destroying their intrinsic needs and creating a balance between them in this regard [37]. A superior ideological and philanthropic goals interest has shown by public institution's employees like doing extra that has worth to society and helping others. They also showed lesser consideration for the financial rewards as compared to their counterparts of other private institutions. All employees of public sectors rate extrinsic benefits and rewards like pay increase by giving lesser importance as compared to the employees of private sector organizations [37].

The negative behavior can be produced in many and different ways by the reaction towards improper incentive from the pursuit of single-minded that delivers rewards. People attempted to control the subversion of incentive systems [38].

Committed employees always perform well and don't like to reduce their efforts toward the development of institution while some are like to reduce. Nevertheless, the schemes of incentive pay design "often assumes that this is how employees will behave, unless they have an incentive to do otherwise. For those with a strong professional or public service orientation, this may be a mistaken assumption" [39].

Teacher's promotions and tenure should be tied to a transparent and formal reward and benefit system in public sector HE institutions. Multiple approaches like research based approach and colleague review forms, are the most efficient and capable keys to rewarding and recognizing good teaching [40].

University Superannuation Schemes (USS) to Rewards: The USS was basically established in 1911, when its original "university grants advisory committee" established by the president of board of education that was the forerunner of USS. In October 1913, this committee has been become superannuation system for HE institutions by proved amalgamated of new membership of teachers and education board.

Criteria and policies of initial USS were following; Cash and annuity payment at age sixty by insurance.

- Dependents can receive Benefits if employee dies in service.
- There is no effect in policy if employees transfer in other institutes.
- 5% of member salary in every year will be contributed as fund for USS.
- Everyone of university contributor can eligible to join.

USS has laid down the following policies for the employees benefits/rewards that have positive impact on employee's organizational commitment.

- Tax benefits regarding relief and limits and Annual or Lifetime allowances.
- Statutory Maternity Pay To use for employees whose babies are due on or after 1 April 2012.
- Additional Voluntary Contributions (AVC) is paid as monetary benefits.
- Pay to involuntary absences, secondments and other absences not related to maternity, paternity or family leave for which you should refer to the 'Maternity and family leave.
- Offer Death in service benefits, provision of information for beneficiaries and explain who is qualified to receive a child's pension on the death of member.
- Provide the facility of Incapacity retirement.
- Provides benefits in kind, final salary and career revalued benefits.
- Annulment, dissolution or divorce of marriage Treatment by USS pensions.
- Explain the circumstances under which your benefits may be converted into a single lump sum payment in the circumstances of serious ill-health.
- The flexible retirement also offered by USS members. Through this policy member can draw a specific amount of his/her cash benefits regarding tax free and pension while he/she has right to working continue with out any deduction in his hour salary and base salary.

Current Rewards Practices in Uk Universities: These rewards have pivotal contribution to enhancing the degree of job satisfaction and the level of organizational commitment, currently universities offerings are;

To support healthy living following medical facilities.

- Medical insurance
- Counseling
- Daisy Birthing
- Hearing Direct
- Optimax
- Relaxation Sessions
- Remedial Therapies Clinic
- The Physiotherapy Centre
- The Sports & Fitness Centre

Special offers and Discounts

- Affair Travel
- Apple Education Discount
- Buy Direct Group
- Car Parts Genie
- Discounts Plus
- Give as You Live
- Hi-Life Diners Card
- Last Second Tickets

Wide range of competitive core benefits to all staff

- Additional Voluntary Contributions
- Annual Leave
- Base Rates of Pay
- Family Friendly Policies
- Long Service Awards
- Relocation Package
- Occupational Sick Pay Scheme
- Pensions
- Staff Networks

Learning and development opportunities.

- Career Paths
- Coaching and Mentoring
- Continuing Education and Professional Development
- Fee Remission
- Online Development Program
- Professional Development Review

Salary provides an opportunity for staff to save money in a number of ways.

- Childcare Vouchers
- Cycle, motorcycle and car Loan
- Dental Plan
- Medical cash
- Travel Pass Loan

Findings: In UK, University teachers have good satisfaction level by achieving their prime jobs outcomes like teaching outcomes, research outcome and management practices. A survey was carried out recently by twenty-three UK universities, declared about teaching task, 80% teachers was most satisfied and 40% by administrative practices. One of the biggest rewards is that teachers have freedom to select the course that they

can easily and efficiently deliver to student (intrinsic reward) while they were satisfied due to class size, workload and minimum time left by performing administrative activities [41].

As mentioned earlier, there are eight significant (reward) factors have found that contribute to enhancing the teacher job satisfaction. First, administration and management style is revealed itself as organizational reward because adequate leadership and supervision provide opportunity to teacher's career growth. Second, research work also has impact on job satisfaction because teachers as researchers do work together and make research foundation more perfect by providing social rewards to each others. Third, supervision/supervisor behavior itself is considering an Organizational reward that helps the individual to do his task freely and independently. Fourth, pay has contribution as extrinsic rewards in individual job satisfaction but it has major impact on performance because recent trend is demanding to relate it with performance. Fifth, promotions are considered steps of an individual's career ladder they enhance job satisfaction as intrinsic rewards. Sixth, physical/working condition basically shape a good environment to performing different tasks regarding teaching, research and management as per job requirements it is considered as Organizational reward. Seventh, behavior of co-workers represents the social rewards to individual and has impact to increase and decrease the job satisfaction when co-workers appreciate and regret the teacher work. Last, one of the most reward factors is teaching - teachers has freedom to adopt best methods for teaching and select own interested research area which are effectively and efficiently they performed. This factor represents high level of job satisfaction because it is teacher's own choice that impacts considerably [10].

Research, teaching and to some extent management and administration are primary duties of academics. Only those can perform well who show high ranked degree of job commitment and job satisfaction if organization has better rewards system [41].

Recent report of World Bank found the leading and top rated universities in the world are differentiated by (a) high attentiveness - both in faculty and student - of talent (b) an extensive and comprehensive learning as well as teaching environment (organizational reward) that has great contribution toward faculty job satisfaction, commitment, innovation and student satisfaction about degree (c) encouragement toward strategic vision, flexibility and efficient resource management by favorable governance (organizational reward) which leads to employee attachment (commitment) with universities. The USA and UK universities have these characteristics which help their HE system to maintain its position in the world [42].

Organizational Commitment and Rewards: Although reward, specifically salary, might not be a primary reason for the professional employees to be committed, it has been described as an important factor that influences their commitment to the company. Thus, it is important that employers have a reward system that can positively influence and maintain employee's commitment. Particularly in difficult economic times, it becomes more crucial to develop a reward system that is affordable to the employer and at the same time is acceptable to the employee.

Design a reward system that combines both monetary and non-monetary rewards. By focusing solely on monetary rewards such as salary and bonus, it can pose a big challenge to the employers who are having difficult times due to the economic recession. Thus, apart from monetary compensation, the employees can be rewarded by providing them with benefits such as funding of education and health insurance. When these are also unaffordable due to lack of fund, the employer could offer flexible working hours and increase task autonomy so that the employees can feel valued and rewarded. The decision on which types of reward to offer is subjected to the organizational strategy and objectives as well as the employee's needs and expectations.

A central tenet of HRM is the stimulation of individual performance through the use of various 'high commitment' and 'performance management' systems. There is an underlying assumption that committed workers should be willing to 'go beyond contract' and, as a consequence, become a valuable source of competitive advantage [43].

The professional autonomy of academics and the ability to self-manage has long been seen as the most appropriate means of enabling 'knowledge workers' to effectively carry out their work, which often involves working with high degrees of complexity and subjectivity.

Similar concerns over the commitment of line managers to the values of their university's HR strategy. This is particularly significant as effective HRM depends upon committed and able line managers to implement HR polices and, on the basis of this evidence, it seems that in universities those people are still not being adequately prepared for the demands of the role [44].

In university, it is consider that vice chancellor as CEO and Head of department as line manager, both are responsible to enhance employee's job satisfaction and commitment towards job as well as organization by adopting competitive HRM practices [45].

Limitations in UK Universities regarding Rewards that influence on Job Satisfaction and Commitment: Sometime rewards distribution to teachers in universities does not make fairly but most of the HE institutions have fair and justice systems of rewards. The following limitations found in UK;

Performance-Based Rewards: Performance related pay and reward are inappropriate that don't motivate and satisfy teacher by extrinsic rewards [46]. Many analysis or surveys on these reward type public sectors have found negative aspects due to ineffective PRP practices [47]. Attentive managers showed nepotism and favoritism to availing PRP and in order to reward's resources saving superior appraisals quotas have been already set out by the higher management of an institution [39].

Gender-Based Pay: Highly educated male and female have not equal pay – male has higher while female low [48].

Race-Based Pay: Less opportunity is provided to black professional woman that creates a biasness and low status consideration in them and also they are contended by earning less than other colleagues – white female or male [49].

Differences in Private and Public Higher Education Sector: Public sector is offering a lower pay and job security than the private sector that can be put them into the limit or boundary of job satisfaction and commitment but in the market they switched off if a better chance available. The employers of the public sector – obliviously government – must be implemented policy that has a quality to exhibit the provision of opportunity on equality basis and reproduce good managed diversity by more accountability and high degree of scrutiny.

Private sector of HE showed that its employees attained high degree of satisfaction and commitment about job and organization while public has low [50].

Public sector organizations have over-staff, bureaucratic, fewer performance measures and lack clear goals or objectives than private sector organizations. Job security stimulates employees to commit and attach with public sector. The degree of employees' perception depends in educational sectors (public and private) job characteristics such as promotion, autonomy, job clarity and job satisfaction that increase their commitment to the organization.

The public sector's CEOs (vice chancellor) have low satisfaction level due to both their intrinsic rewards (personal growth, sense of accomplishment, job challenge, etc.) and extrinsic rewards (social and work relations, financial rewards and benefits, etc.) [51].

CONCLUSION

No doubt, UK has second largest HE education system due to significant over research and teaching. The UK HE competitive advantage over other is continuously encouraging to keep it by offering the best reward to all academics. In current situation most of university academics are satisfied about their job and organizational commitment.

HE, teacher unions, Russell group and USS are exerting pressure on public and private universities HRM practices for the benefits of employees as well as university. Now, not only researcher receives rewards but also teacher receives rewards it's all about possible by these groups.

Job satisfaction and commitment level of employee in UK shows that they perform their job by full freedom and devotion but after US. UK HE system offers both monetary and non-monetary rewards to faculty and makes them competent because it considers that the faculty members are social agents. They shape the society and culture that is our recognition.

There are some limitations regarding performance, gender, race, public and private sector rewards but UK HE system is doing efforts to overcome its.

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