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Compensation Ethics: Rewarding of Organizational Commitment

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> Ethical principle of income distribution – "*To each according to what he and the instrument owns produces*" – Friedman (2002)

Introduction

Values are embedded in the individual's character and are long lasting. Values give and individual the sense of what is right and wrong as well as what is good and what is bad. Individuals' values are developed over time and may be strongly linked to societal factors like family or peer group or the strongly held beliefs emanating from membership of an organization (Brooks, 2011). An employee who has stayed longer in the organization would eventually have his/her values changes or tailored towards the ethics of the organization. This is dependent on the level of individual commitment to the organization.

Research shows that if an employee is committed to his organization by sharing the vision and values, then the organization may (either deliberately or unconsciously) be obtaining discount on his/her labour. Committed employees are willing to work for below-market wages, or for less than similarly productive new employee (or non-committed employee). (Moriarty, 2014).

Wasserman (2006, cited by Moriarty 2014) argued that it is morally wrong for the organizations to try to obtain discount on their committed employees' labour.

Organizational Commitments

The theorists concluded that an individual's commitment to his organization may be due to one or multiple of the following factors which are termed types of organizational commitment (Mathieu & Zajac, 1990; Meyer & Allan, 1991: cited by Moriarty, 2014).

<u>Affective Commitment:</u> Such personalities are contented with the organization's values, goals and ethics. They derive their values from the organization's values and ethics and would always want to stay at their organization. They feel valued, act as ambassadors for the company and are great assets for the organization.

<u>Continuance Commitment:</u> These personalities are associated with high personal cost of exit. The underlying reason for their commitment lies in their need to stay with the organization whose main reasons may relate to lack of work alternatives and remuneration. Continuance committed employees may become dissatisfied (and disengaged) with their work and yet are unwilling to leave the company.

<u>Normative Commitment:</u> These employees are characterized by feelings of moral obligation. They have the basic assumption that leaving the organization may create a vacuum and additional pressure on the other employees.

Harris & Hartley (2011) noted that adherent to the ethics of an organization can provide the momentum for productive change among the concerned team members. A strong organizational ethics can guide and regulate institutional behavior and instill in people a sense of belonging. (Kanter, 1972; Pratt, 2000: cited by Harris & Hartley, 2011). Also, such ethics holds the capacity to reveal and eliminate those who fail to conform.

Equitable in Compensation

Moriarty (2014) summarized the minimal view of compensation ethics with respect to the right of employee as follows:

i. A worker has a property right in his/her labour. “People can exchange what they own for what other own on any mutually agreeable terms” (Boatright, 2010: cited by Moriarty, 2014).
ii. A worker has a right to exchange this labour for wages.
iii. A worker has the right to whatever wage an employer is willing to offer and the worker is willing to accept.

Following the perspective of the minimal view some employers of the organizations assume it is normal to obtain discount on any employee provided there is opportunity for such so far the employee does not complain. Discounting the labour of an affectively committed employee (especially part of the founder or who has invented something tangible in the process of an organization) is a sign of an underlying moral problem. Such employee accepts less cash compensation, especially when doing so can help their organization attain a financial growth. In reality, the voluntariness of an employee’s consent to the terms of his labour contract is undermined by a reasonable belief of lack of decent options or lack of mental competence (Moriarty, 2014).

Valdman (2009: cited by Moriarty 2014) concluded that the organization would have succeeded in exploiting a committed employee by discounting his labour and make use of his expertise to acquire a benefit for itself. This is evident from the point that such committed employee does not specifically volunteer to be paid less for the good of the organization, rather he prefers to be paid more. Among many theories of wrongful exploitation, the common one which is closely associated with the organizations in the current century is “unfairness theory of exploitation”. This theory according to Wertheimer (1996, cited by Moriarty 2014) says “A engages in mutually advantageous exploitation of B when A gains unfairly or excessively by an action or transaction that is beneficial to B”.

Conclusion

Ethical principle distribution of income is “to each according to what he and the instrument he owns produces” (Friedman, 2002: cited by Moriarty, 2014). From the perspective of fairness and contribution, it could be summarized that an employee’s compensation should be equal to his contribution. An employee’s share of the revenues (generated by the organization) is the amount that he/she contributes to the production (Boatright, 2010: cited by Moriarty, 2014).

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