“The effect of pay equity on organizational commitment in higher education institutions in Bangladesh”

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THE EFFECT OF PAY EQUITY ON ORGANIZATIONAL COMMITMENT IN HIGHER EDUCATION INSTITUTIONS IN BANGLADESH

Abstract

Pay inequity seems to be a major concern at private universities in developing countries. Therefore, this study, drawing on equity and relative deprivation theories, aims to investigate the role of pay equity in shaping the organizational commitment of university faculty members in Bangladesh. It used the convenience sampling method with a structured questionnaire. Participants in the study were 254 full-time faculty members, including lecturers, assistant professors, associate professors, and professors from private universities in Bangladesh. A t-test comparing different categories of faculty members showed no noteworthy distinctions between their responses regarding pay equity and organizational commitment. Then, the study employed variance-based structural equation modeling (PLS-SEM) to analyze the data and validate the research model. According to the findings, internal pay equity positively and significantly affects affective (β = 0.327, p < 0.05) and normative commitment (β = 0.579, p < 0.05). Moreover, external pay equity is significantly associated with affective (β = 0.488, p < 0.05) and continuance commitment (β = 0.492, p < 0.05). However, the impact of internal pay equity on continuance commitment (β = 0.150, p = 0.165) was insignificant. Similarly, the relationship between external pay equity and normative commitment (β = 0.170, p = 0.263) was also insignificant. The findings indicate that higher education institutions can stimulate the organizational commitment of academics by promoting pay equity.

Keywords
- internal pay equity
- external pay equity
- affective commitment
- normative commitment
- continuance commitment
- higher education institutions

JEL Classification
- J71
- I24

INTRODUCTION

Pay is the crucial component of employee compensation, which is paid to an organization’s employees to reimburse their efforts and inspire them to perform to their full potential (Wang et al., 2023). Despite the increased demand for pay equity from primitive times (Sualihu et al., 2021), pay disparity has been a significant concern for employees. Therefore, the impact of pay equity on employee outcomes has drawn the great attention of academics and practitioners worldwide (Buttner & Lowe, 2017). Recently, the issue of pay equity has become a considerable concern in the education sector (Sanséau & Opoku, 2019), particularly in higher education in developing countries.

In higher education institutions (HEIs), faculty members play a central role in achieving their fundamental knowledge creation and dissemination objectives. However, there is a common debate in the context of developing countries about whether faculty members are underpaid or overpaid (Bennell, 2023). Regarding Bangladesh, higher education has witnessed significant expansion in the number of uni-
versities over the last couple of decades, with a notable milestone in 1992 when the government granted permission to establish private universities (Karim, 2023). This sector comprises 54 public, 112 private, and three international universities (University Grants Commission of Bangladesh, 2023). However, there is a clear disparity between public and private universities regarding the compensation administration. Since the country’s government decides the compensation structure for the faculty members of public universities, their compensation disparity is remarkably low and negligible. However, faculty pay structure extensively differs from university to university in the private sector. The lack of pay equity is also a noticeable allegation within many private universities in Bangladesh.

1. LITERATURE REVIEW

The unfair and inequitable compensation packages tend to undermine the quality of work life of the faculty members (Tabassum et al., 2012). Therefore, pay disparities for the same or equivalent jobs and between the universities are intensely debated and increasingly considered grounds for potential concern (Beyer, 2019). The term ‘pay equity’ literally refers to pay fairness, which is defined as receiving a proportionate return for what one puts into a relationship or circumstance in comparison to others (Adams, 1965). It is also described as an employee’s belief that their payment is proportional to their work’s worth (Sanséau, 2018; Sanséau & Opoku, 2019). Generally, greater pay equity assists employers in boosting organizational performance by attracting and retaining the best people, reducing employee turnover, and increasing organizational commitment (Nagel-Piazza, 2020). Notably, employees who perceive they are equitably paid are more likely to be committed to their organizations (Xu et al., 2023).

In recent years, organizational behavior research has widely studied the determinants, theoretical foundations, and consequences of organizational commitment (Spanuth & Wald, 2017). The mental and emotional status defines an employee’s attachment to the employing organization (Meyer & Allen, 1991). According to Herrera and De Las Heras-Rosas (2021, p. 2), organizational commitment is “the desire on the part of the employee to make high efforts for the good of the institution, longing to remain in it and accept its main objectives and values.” Generally, individuals with a greater level of organizational commitment are likely to display a high level of extra-role behavior, in-role performance, job satisfaction, and organizational performance and a low level of undesired behavior (M.-J. Kim & B.-J. Kim, 2020). Moreover, organizational commitment effectively stimulates desired outcomes among academics in HEIs (Donglong et al., 2020). Therefore, there is still an urgency to examine the determinants and theoretical base of organizational commitment (Spanuth & Wald, 2017), particularly in educational institutions. Previous studies have shown a positive association between employees’ perceptions of pay equity and organizational commitment in business organizations (Chai et al., 2020; ElDin & Abd El Rahman, 2013). However, literature tends to overlook the potential aforesaid association relating to higher education in developing countries.

Organizational commitment may also be viewed as a mental-emotional state describing an employee’s attachment to an organization (Meyer & Allen, 1991). It is critical because employees’ goals and needs must align with the organization’s needs and goals to get the most out of people (Luna-Arocas et al., 2020). Many studies have recognized the benefits of organizational commitment, its consequences on productivity at work, motivation, intention to quit, and absenteeism, and how it can help employees and organizations increase efficiency and quality (Akpom & Ibegbulam, 2023). There are also some studies that look at the adverse effects of organizational dedication, claiming that it can obstruct employees’ personal and social functions (Anand et al., 2023).

According to Meyer and Allen (1991), there are three types of organizational commitment to investigate: affective commitment, normative commitment, and continuance commitment. Affective commitment relates to how people feel about the organization (Aranki et al., 2019; Liu & Bellibas, 2018). Affective commitment is usually defined as employees’ emotional attachment to the organization and inclination to maintain membership (Usman et al., 2021). Continuance
commitment is based on the costs associated with quitting the company (Boichuk & Menguc, 2013). Employees who feel trapped in a job because of the high expenses of quitting are said to have a continuity commitment (Aranki et al., 2019; Jaros et al., 2017). Finally, normative commitment refers to an employee’s sense of obligation (such as expectations, reciprocity, and norms) to stay with the company (Usman et al., 2021). Out of the three types of commitment, affective commitment is more effective than the others as it is only achieved based on emotional attachment, not compulsion. Therefore, most organizational commitment research has concentrated on affective commitment (Ahmad, 2018).

The term ‘equity’ refers to fairness or justice based on principles of distributive justice (Gurney et al., 2021). When it comes to pay, equity is achieved when the amount paid corresponds to the worth of the work completed. Equity occurs whenever the value of work produced does not match the value of the money received (Langa, 2019). Individuals can choose their referents for comparisons in various ways, and various studies have discussed the relative relevance of every referent in affecting public views of equity (Slama et al., 2023; Son Hing et al., 2023). Goodman (1974) distinguished three groups of referents (the system, the self, and the other), and Blau (1994) expanded on this typology to identify five pay referent categories (organizational, financial, social, historical, and market). However, a simpler and more generally accepted distinction is made between internal and external pay referents, i.e., the organization and the market (Jessica, 2017; Sitania et al., 2018).

1.1. Internal equity

Internal equity is the relative fairness of the pay for different types of jobs within one organization (Mourad, 2023). Internal equality exists when a company’s pay practices reflect the true value of each position inside the organization. This is determined by the employer’s assessment of the significance of the task accomplished. However, before assessing the value of each position, an organization must first identify the work-related characteristics that will be used to determine compensation levels – in other words, compensable factors (Mourad, 2023). Here are some examples of compensable elements that are commonly employed in lower-level jobs: physical demands, responsibility, accountability for others’ safety, supervisory or managerial responsibilities, working circumstances, health threats, social contact, and manual dexterity (Torre et al., 2015; Sady & Hanvey, 2018).

In a large or complicated organization, determining the comparative internal worth of positions can be challenging. Job evaluation methods are frequently used to create a job ladder that reflects the relative value of jobs based on ability, efforts, responsibilities, and working conditions. Several ways to job appraisal have been developed (Murphy, 2020; Romanoff et al., 1986): (1) total job grading, (2) categorization, (3) point components, (4) factor comparability, (5) slotting, and (6) rated surveys. It should be remembered that all techniques for job evaluation are subjective, whether a business adopts a thorough and disciplined strategy or a very basic one. For their correctness, they rely on management judgment, and for their applicability, they rely on management commitment (Prajapati et al., 2020).

1.2. External equity

External equity is the fairness of the pay for a specific job in an organization compared to the pay for similar jobs in other organizations in the relevant labor market (Mourad, 2023). When a company provides a wage rate comparable to rates in external labor markets, this is known as external equity (Torre et al., 2015). Assessing the pay structures in the relevant labor markets is necessary for determining external equity. However, there is no such thing as a unified labor market for a specific job (Ahn & Hamilton, 2022). Because supply and demand fluctuate so much between markets, wages vary widely (Azar et al., 2020). Geographical position, industry sectors, union status, size of the organization, product competition, company prestige, available workforce experience and education level, and job-specific licensing or certification requirements all contribute to salary disparities between markets (Romanoff et al., 1986; Sady & Hanvey, 2018). A mix of these factors influences the labor...
market for a given job. To ensure accurate external salary comparisons, employers should define the right markets carefully (Prager & Schmitt, 2021). Wages may be greater than necessary if the market is narrowly defined (Strah et al., 2022). If a corporation with two sites, for example, bases its pay practices primarily on an urban labor market, it may establish salaries for its rural areas that are unreasonably expensive. On the other hand, defining the markets too widely may lead to a company setting pay too low to attract and maintain qualified people (Torre et al., 2015).

1.3. Pay equity and organizational commitment

The association between pay equity and organizational commitment can be explained by the equity theory (Adams, 1965) and the relative deprivation theory (Crosby, 1976). The equity theory proposes that an employee tends to calculate a ratio of outcomes to inputs and compares it to that of a reference. According to this theory, employees perceive inequality and experience discontent if their ratio is lower than that of the relevant person. Building on this theory, it is argued that employees who feel underpaid tend to experience distress, deprivation, and feelings of being defrauded, which lowers their commitment to the organizations (Buttner & Lowe, 2017). In reverse, when employees feel they are equitably paid, they are more likely to experience happiness and fairness and, thus, greater organizational commitment.

Moreover, the relative deprivation theory can also explain the link between the exogenous and endogenous variables of this study. According to this theory, an individual’s relative deprivation is defined as “resentment arising from the belief that one is deprived of a desired and deserved outcome compared to some referent” (Callan et al., 2015, p. 146). Based on this theory, Cowherd and Levine (1992) proposed that huge pay disparities between employee groups would be viewed as inequitable or unfair, which would have unfavorable attitude and behavioral repercussions. Therefore, if employees perceive pay inequity (underpaid), they will feel relatively deprived, resulting in resentment, perceptions of unfairness, dissatisfaction, anger, unhappiness, and injustice, thereby undermining their commitment to the organization (Buttner & Lowe, 2017). Many previous studies have also explored a positive association between pay equity and organizational commitment in various settings (Buttner & Lowe, 2017; Chai et al., 2020; ElDin & Abd El Rahman, 2013).

Based on previous studies, this study aimed to see if the findings held true for faculty members of HEIs in a developing country. Accordingly, the following hypotheses are developed:

**H1**: There is a positive relationship between internal pay equity and affective commitment.

**H2**: There is a positive relationship between internal pay equity and continuance commitment.

![Figure 1. Research model](http://dx.doi.org/10.21511/ppm.21(4).2023.19)
H3: There is a positive relationship between internal pay equity and normative commitment.

H4: There is a positive relationship between external pay equity and affective commitment.

H5: There is a positive relationship between external pay equity and continuance commitment.

H6: There is a positive relationship between external pay equity and normative commitment.

The study is quantitative in character, cross-sectional in design, and correlational. The association between pay equity (internal and external) and organizational commitment among faculty members of HEIs in Bangladesh has been investigated. The dependent variable is organizational commitment comprising affective commitment, continuance commitment, and normative commitment. Internal and external equity are the independent variables (Figure 1).

2. METHODS

The population of this study consists of all faculty members at Bangladesh’s private universities. Using Google Forms, a structured questionnaire was distributed to the email addresses of potential respondents compiled from known faculty members. Each email contained a forwarding message that described the study’s overall purpose, detailed the essential procedures, and requested those respondents to complete and return the survey within four weeks. The distribution of 320 questionnaires yielded 254 usable responses, with a response rate of 79.38%, using a convenience sample technique. Due to the requirement that all questions and demographic information be filled to submit a questionnaire, all responses were deemed usable for the study, with no missing values.

Consequently, the study’s sample size is 254. Hair et al. (2010) stressed the use of 110 to 150 samples for fitting structural equation modeling despite the absence of a straightforward cut rule of thumb, given that the data are homogeneous, normal, and free of missing values. As shown in Table 1, the sample for this study consisted of 254 faculty members of private universities in Bangladesh, of which 58.7% were male and 41.3% were female. Table 1 contains more information on the respondents’ characteristics.

### Table 1. Respondents’ profile

<table>
<thead>
<tr>
<th>Demographics</th>
<th>Description</th>
<th>Frequency (N = 254)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year of experience</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in teaching</td>
<td>Less than 5 years</td>
<td>123</td>
<td>48.4</td>
</tr>
<tr>
<td></td>
<td>6-10 years</td>
<td>103</td>
<td>40.5</td>
</tr>
<tr>
<td></td>
<td>11-15 years</td>
<td>15</td>
<td>5.9</td>
</tr>
<tr>
<td></td>
<td>16-20 years</td>
<td>09</td>
<td>3.6</td>
</tr>
<tr>
<td></td>
<td>Above 25 years</td>
<td>04</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>Current position</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lecturer</td>
<td>99</td>
<td>38.9</td>
</tr>
<tr>
<td></td>
<td>Assistant Professor</td>
<td>74</td>
<td>29.2</td>
</tr>
<tr>
<td></td>
<td>Associate Professor</td>
<td>51</td>
<td>20.1</td>
</tr>
<tr>
<td></td>
<td>Professor</td>
<td>30</td>
<td>11.8</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>149</td>
<td>58.7</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>105</td>
<td>41.3</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>20-30 years</td>
<td>83</td>
<td>32.7</td>
</tr>
<tr>
<td></td>
<td>31-40 years</td>
<td>110</td>
<td>43.3</td>
</tr>
<tr>
<td></td>
<td>41-50 years</td>
<td>49</td>
<td>19.3</td>
</tr>
<tr>
<td></td>
<td>Above 50 years</td>
<td>12</td>
<td>4.7</td>
</tr>
<tr>
<td><strong>Marital status</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Married</td>
<td>160</td>
<td>63.0</td>
</tr>
<tr>
<td></td>
<td>Unmarried</td>
<td>94</td>
<td>37.0</td>
</tr>
<tr>
<td><strong>Level of education</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Honors</td>
<td>14</td>
<td>5.5</td>
</tr>
<tr>
<td></td>
<td>Masters</td>
<td>162</td>
<td>63.8</td>
</tr>
<tr>
<td></td>
<td>M.Phil.</td>
<td>31</td>
<td>12.2</td>
</tr>
<tr>
<td></td>
<td>Ph.D.</td>
<td>47</td>
<td>18.5</td>
</tr>
</tbody>
</table>

2.1. Measures, ethical approval, and consent

Internal pay equity was measured with two items adapted from Buttner and Lowe (2017). The study reported internal consistency reliability of 0.88 (α value). A sample item was “My salary is fair given my qualifications for my position.” A two-item measure was used for assessing external pay equity, adapting the items from two sources (Buttner & Lowe, 2017; Livingstone et al., 1995). A sample item included “Compared to the annual pay of others in similar positions in other organizations, my annual pay is fair.” Affective commitment, continuance commitment, and normative commitment were assessed with six-item measures (Meyer et al., 1993).

According to institutional policies and national law, doing social science research in Bangladesh.
is not subject to permission. In this case, only delicate scientific and medical procedures, such as animal trials, need ethical clearance (Rahman & Karim, 2022). However, participation in the study was voluntary, and the study obtained the participants’ consent.

2.2. Response and method bias

To minimize response bias, the study initiated several strategies. The study focused on minimizing social desirability bias by maintaining subject anonymity and including confidentiality agreements (Larson, 2019; Rahman & Karim, 2022). To improve response accuracy, a study information coversheet was used with a set of instructions (Jordan & Troth, 2020). First, the study assured the participating faculty members in a written declaration in the questionnaire’s cover letter that their identities would be kept anonymous. Besides, it was announced that the research findings would be released as an overall industry trend rather than from the perspective of specific universities. Because of this, respondents were free to express themselves genuinely in the questionnaire about how they felt about the research objects (Rahman & Karim, 2022). To prevent non-response bias, the response rate (48.13%) is significantly greater than the typical rate (Tomaskovic-Devey et al., 1994). The study also assessed the variance inflation factor (VIF) to verify that common method bias (CMB) did not alter linear regression results (Kock, 2015). Furthermore, the Harman single-factor test was run to check CMB (Podsakoff et al., 2003). The Harman one-factor test indicated that the single factor explained 37% of the variation, which is lower than the recommended 50%.

3. RESULTS

3.1. Measurement model

The study first evaluated the measurement model’s reliability (i.e., indicator reliability and internal consistency reliability) and validity (i.e., convergent validity and discriminant validity) of its indicators regarding the constructs (Ali et al., 2018). As demonstrated in Table 2, all indicator loadings for the constructs were greater than 0.60 (Chin et al., 1997), implying indicator reliability. All alpha values, Dijkstra Henseler’s rho values, and composite reliability scores were greater than 0.70, showing sufficient consistency and reliability. The measuring model demonstrated sufficient convergent validity because the average variance extracted (AVE) for each concept was more than 0.50.

Finally, this study evaluated the discriminant validity of the constructs using the heterotrait-monotrait ratio (HTMT). The HTMT is a criterion that indicates the constructs’ uniqueness. HTMT outperforms conventional approaches for discriminant validity (i.e., the Fornell-Larcker criterion and cross-loadings) (Ringle et al., 2020). The measuring model’s HTMT values ranged between 0.85 and 0.90. According to Table 3, the HTMT values for each construct were all less than 0.85 and ranged between 0.569 and 0.841, implying that the constructs have discriminant validity. Additionally, the variance inflation factor (VIF) was employed to rule out collinearity. The study’s VIF values ranged from 1.000 to 1.806, which were all less than the cut-off value of 5 and indicated no concern with collinearity (Ali et al., 2018).
3.2. Structural model

The structural model was analyzed to establish the validity of the hypotheses and the significance of the coefficient of determination ($R^2$), effect size ($f^2$), and predictive relevance ($Q^2$) (Hair Jr et al., 2017). To begin testing the study's hypotheses, the standardized path coefficients are examined using the PLS algorithm incorporated in SmartPLS. The second phase examines the p-values, t-values, and confidence intervals associated with each path coefficient using the bootstrapping procedures incorporated in SmartPLS with a minimum bootstrap sample size of 10,000 (Ringle et al., 2020), as illustrated in Table 4. The findings indicated that both internal pay equity ($\beta = 0.327$, $t = 3.460$, $p < 0.001$) and external pay equity ($\beta = 0.488$, $t = 5.690$, $p < 0.001$) have a significant effect on affective commitment. Thus, hypotheses H1 and H4 were accepted. Additionally, the results indicate that external pay equity ($\beta = 0.492$, $t = 5.219$, $p < 0.001$) has a substantial effect on continuance commitment, but internal pay equity ($\beta = 0.150$, $t = 1.389$, $p = 0.165$) has a negligible effect on continuance commitment. As a result, H5 was accepted, whereas H2 was rejected. Furthermore, the study discovered that internal pay equity ($\beta = 0.579$, $t = 5.047$, $p < 0.01$) substantially influences normative commitment. In contrast, external pay equity ($\beta = 0.170$, $t = 1.119$, $p = 0.263$) has a negligible effect on normative commitment. As a result, H3 is accepted, but H6 is rejected.
The study calculated the $R^2$ value for the endogenous constructs (affective commitment = 0.557, continuance commitment = 0.362, and normative commitment = 0.495) to examine the model’s in-sample predictive potential, demonstrating significant and moderate predictive accuracy (Cohen, 1988). Furthermore, the effect size ($f^2$) was investigated, which evaluates the effect/contribution of an exogenous variable on the value of $R^2$ of the endogenous variable (Samad, 2018). The effect size of internal pay equity on affective commitment (0.133) was small. However, the effect sizes of internal pay equity on continuance commitment (0.203) and internal pay equity on normative commitment (0.367) were large. In contrast, the effect sizes of external pay equity on affective commitment (0.298) and continuance commitment (0.210) were strong. However, the effect size of external pay equity on normative commitment (0.032) was small (Cohen, 1988). The study also revealed the Stone-Geisser index ($Q^2$), which indicates predictive significance (out-of-sample) and should be larger than zero after a blindfolding technique (Ali et al., 2018). The model has predictive relevance because the $Q^2$ values in this investigation were greater than zero, as indicated in Table 5.

### Table 4. Outcomes of the structural model

<table>
<thead>
<tr>
<th>Hs</th>
<th>Paths</th>
<th>$\beta$</th>
<th>SD</th>
<th>T-values</th>
<th>P-values</th>
<th>Decision</th>
<th>2.5% LLCI</th>
<th>97.5% HLCI</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>IPE → AC</td>
<td>0.327</td>
<td>0.094</td>
<td>3.460</td>
<td>0.001</td>
<td>Supported</td>
<td>0.134</td>
<td>0.498</td>
</tr>
<tr>
<td>H2</td>
<td>IPE → CC</td>
<td>0.150</td>
<td>0.108</td>
<td>1.389</td>
<td>0.165</td>
<td>Not Supported</td>
<td>−0.070</td>
<td>0.351</td>
</tr>
<tr>
<td>H3</td>
<td>IPE → NC</td>
<td>0.579</td>
<td>0.115</td>
<td>5.047</td>
<td>0.001</td>
<td>Supported</td>
<td>0.352</td>
<td>0.794</td>
</tr>
<tr>
<td>H4</td>
<td>EPE → AC</td>
<td>0.488</td>
<td>0.086</td>
<td>5.690</td>
<td>0.001</td>
<td>Supported</td>
<td>0.319</td>
<td>0.655</td>
</tr>
<tr>
<td>H5</td>
<td>EPE → CC</td>
<td>0.492</td>
<td>0.094</td>
<td>5.219</td>
<td>0.001</td>
<td>Supported</td>
<td>0.300</td>
<td>0.676</td>
</tr>
<tr>
<td>H6</td>
<td>EPE → NC</td>
<td>0.170</td>
<td>0.152</td>
<td>1.119</td>
<td>0.263</td>
<td>Not Supported</td>
<td>−0.128</td>
<td>0.457</td>
</tr>
</tbody>
</table>

*Note:* AC = affective commitment; CC = continuance commitment; EPE = external pay equity; IPE = internal pay equity; NC = normative commitment.

The study explored the impact of academics’ perceptions of pay equity on their commitment toward the employing university. The study’s findings indicate that perceived pay equity significantly predicts academic commitment. In particular, internal pay equity positively and significantly impacts affective and normative commitments. Moreover, the study discovered a significant positive effect of external pay equity on affective and continuance commitment. The current research is unusual in finding a favorable relationship between internal pay equity and continuance commitment. Empirically, the current study found no significant impact of internal pay equity on continuance commitment in the university setting. The possible explanation for this deviant finding could be that the organization currently pays the employees an equitable compensation package. Still, their packages are not very competitive regarding the external market rate. However, leaving the current institutions may result in a considerable cost, to which the individual has to adjust to the benefits of the shifting organization, after such adjustments, which would result in a higher payment than what s/he is getting now. Therefore, it creates a tendency among them to leave the organization at any cost.

### Table 5. Q square

<table>
<thead>
<tr>
<th>Constructs</th>
<th>SSO</th>
<th>SSE</th>
<th>$Q^2$ (=1-SSE/SSO)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affective Commitment</td>
<td>594</td>
<td>384.007</td>
<td>0.354</td>
</tr>
<tr>
<td>Continuance Commitment</td>
<td>594</td>
<td>478.826</td>
<td>0.194</td>
</tr>
<tr>
<td>Normative Commitment</td>
<td>594</td>
<td>389.071</td>
<td>0.345</td>
</tr>
<tr>
<td>Internal Pay Equity</td>
<td>198</td>
<td>198</td>
<td></td>
</tr>
<tr>
<td>External Pay Equity</td>
<td>198</td>
<td>198</td>
<td></td>
</tr>
</tbody>
</table>

4. DISCUSSION

Based on equity theory (Adams, 1965) and relative deprivation theory (Crosby, 1976), the current study explored the impact of academics’ perceptions of pay equity on their commitment toward the employing university. The study’s findings indicate that perceived pay equity significantly predicts academic commitment. In particular, internal pay equity positively and significantly impacts affective and normative commitments. Moreover, the study discovered a significant positive effect of external pay equity on affective and continuance commitment. The current research is unusual in finding a favorable relationship between internal pay equity and continuance commitment. Empirically, the current study found no significant impact of internal pay equity on continuance commitment in the university setting. The possible explanation for this deviant finding could be that the organization currently pays the employees an equitable compensation package. Still, their packages are not very competitive regarding the external market rate. However, leaving the current institutions may result in a considerable cost, to which the individual has to adjust to the benefits of the shifting organization, after such adjustments, which would result in a higher payment than what s/he is getting now. Therefore, it creates a tendency among them to leave the organization at any cost.

Another unique finding of the current study is that it was unable to find a relationship between normative commitment and external pay equity. Accordingly, external pay equity does not impact normative commitment in the university setting. The speculative answer might be that faculty members who work in educational institutions grow emotionally attached to their students and the support staff. Besides, there may be some job characteristics in their current organization that the person values most. Therefore, even if they discover their organizations are not offering an equi-
table package like the reference groups, they feel morally obligated to stay with them rather than leave. Besides, there is a possibility that these two insignificant associations (internal pay equity and continuance commitment; and external pay equity and normative commitment) emerged from the small sample size. The findings of the study imply that both internal and external pay equity play a vital role in stimulating and promoting academics’ commitment to the university. Recently, both academic and non-academic institutions have significantly turned their attention toward developing highly committed workforces (Mishra & Upadhyay, 2022; Pa’wan & Omar, 2018). The study shows that one of the most crucial aspects of pay equity is understanding organizational commitment in the academic setting. The study results align with the idea that if employees perceive pay equity, they are likely to experience a greater level of fairness and happiness, promoting a sense of commitment toward their organizations. The findings are consistent with Buttner and Lowe (2017), Chai et al. (2020), and ElDin and Abd El Rahman (2013).

Regarding the theoretical contribution, the study complements existing evidence of the role of pay equity in promoting employee commitment. Moreover, this paper is unique in providing empirical evidence of the impact of internal and external pay equity on the three types of commitment in the context of HEIs of a developing country. In addition, the study advances the equity theory by demonstrating the cause-effect relation between pay equity and organizational commitment. Over the past few decades, there has been a rapid growth of HEIs in Bangladesh (Rahman & Karim, 2022). However, most of these institutions are plagued by many problems, such as poor academic environment, poor rewards and benefits, lack of research activities, and high faculty turnover (Karim, 2019; Karim & Majid, 2017). From a practical point of view, improving employee commitment might be a mechanism for overcoming the aforesaid problems. In doing so, each private university should regularly review and update its pay scale, considering internal equity based on periodic job evaluations and external equity based on the pay structure of competitive organizations (Chai et al., 2020). Private HEIs in Bangladesh are managed by the governing bodies, which business people generally occupy. Therefore, most of these institutions tend to operate their activities based on the profit-seeking motive, thereby sacrificing their focus on pay equity. In this regard, the university grants commission of Bangladesh should provide clear directions and guidance to private HEIs to take and implement initiatives for promoting pay equity and commitment level of their academics.

Even though this study adds to the body of knowledge in several areas, it has several drawbacks. The typical limitations are self-reported data, small sample size, nonprobability sampling technique, and model simplicity. Future studies are expected to address these limitations. Future studies may incorporate job and life satisfaction, employee engagement, job performance, and employee morale as mediators in the framework. Besides, gender, employee position, job tenure, career opportunity, job autonomy, organizational politics, job stress, and leadership styles can be used as moderators in the current framework. Moreover, future studies are encouraged to examine the resulting outcomes of pay equity and organizational commitment on in-role and out-role performance of academics in HEIs. It is necessary to conduct comprehensive research on this subject to overcome these limitations and generalize the framework in both for-profit and non-profit industrial settings as well as government and non-government organizational settings.

**CONCLUSION**

Given the substantial pay disparities within private Higher Education Institutions in Bangladesh, this study undertook an investigation into how internal and external pay equity factors influence the organizational commitment of their faculty members. Drawing upon the principles of equity theory, the study’s outcomes shed light on several critical insights. It was observed that internal pay equity significantly fosters the development of affective and normative commitments among faculty members. Conversely, external pay equity plays a pivotal role in nurturing affective and continuance commitments within this
group. However, the study failed to establish a clear connection between internal pay equity and continuance commitment, as well as between external pay equity and normative commitment. These findings underscore the importance of Higher Education Institutions prioritizing the enhancement of pay equity, both within their organization and concerning other competitors in the academic landscape. This strategic focus on equitable compensation can serve as a catalyst in elevating the commitment levels of faculty members, thereby positively impacting both individual and institutional performance.

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