

COMPENSATION SYSTEM AND EMPLOYEES PERFORMANCE: A STUDY OF NON-ACADEMICS STAFF OF UNIVERSITIES

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Abstract

This study explores the relationship between rewards system and employee performance in a public university in Nigeria. The study used descriptive research design. A sample size of 175 respondents was selected to participate in the study out of the population of 1745 employees using stratified sampling technique. Data from both primary and secondary sources were used for the study. Primary data was gathered from employees of Lagos State University with the help of the structured questionnaire to gather necessary and relevant data from the respondents. The data was analyzed using the Statistical Package for Social Sciences (SPSS). It was interpreted in frequencies, percentages and spearman's rank correlations. The findings were presented using tables and figures. From the results of the tested hypothesis, it shows a strong positive correlation between the dependent and independent variable with the r value of 0.701 which implies that there is a significant relationship between compensation system and employees performance. Therefore, it can be concluded that there is a significant relationship between good compensation system and employees performance. It also demonstrated that a shift from a very narrow based reward structure involving only pay, to one which incorporates other rewards, both intrinsic and extrinsic, which are valued by the modern day workforce such as recognition and empowerment play an essential part in enhancing employee performance. The study recommends that to have a satisfactory and productive workforce, the management of Lagos State University should design and fashion out an effective compensation that is commensurate with the contribution of its non-academic staff as well as in agreement with what is obtainable by other employees in the country.

Keywords: Cash Bonuses, Employee Motivation, Reward, Employee Performance, Lagos State University, Promotion, Turnover, Reward Management,

1. Introduction

Employees are organizations key resource and the success or failure of organizations center on the ability of the employers to attract, retain, and reward appropriately talented and competent employees. Employees' willingness to stay on the job largely depends on compensation packages of the organization Begbie (2011).

In an attempt to ensure employees optimal performance and retention, organizations need to consider a variety of appropriate ways to reward the employees to get the desired results. It has been argued that the degree to which employees are satisfied with their job and their readiness to remain in an organization is a function of compensation packages and reward system of the organization Rowland & Hall (2014).

Compensation plays an important role in any organizations that want to reach their objectives and their goals. It goes without saying that organizations which do not properly manage this aspect of human resource activity very well will have a negative impact on the total performance of their employees and impact on productivity.

In most developing countries like Nigeria, Ethiopia, Kenya, there have been several studies of which very few of them focused on the retention of the university teachers in relation to their compensation packages. Organizations that have goals to achieve would require satisfied and happy staff in her workforce.

The university being an institution of higher learning that provides manpower needs to advance national development through both the public and private sector must itself be capable of ensuring adequate compensation management system. She could therefore not afford to neglect need and essentials of workforce satisfaction especially their compensation packages Lai (2011).

According to (Herzberg, 1966), the relationship with boss and co-worker, salary, working condition and company policy are the factors that cause a feel of dissatisfaction among the employees. On the other hand, achievement, recognition, career development and responsibility are the factors contributing to create satisfaction. An

organization that thinks workers are more valuable asset than building and machine and hecare the needs of their workers and provide equal opportunities for career development. In return, theemployees find the new ways to improve their performance. The organization uses many approaches likegoal setting approach, job design approach and reward approach to increase the employee performance.

Statement of the Problem

It is a well-known fact that human resource is the backbone of most organizations and other corporate entities due to their enormous strides and accomplishment within the organization. It is however baffling to note that productivity of the organizations have not seen major improvements. These are evident in the poor quality products and delayed service – delivery and the incessant organizational conflicts such as boycotts and strike actions. Some organizations over the years see employee as additional cost as well as liability to their operations, hence do not remunerate them appropriately, the compensation is not commensurate with the efforts and skills that workers put into the organizational activities, instead of paying attention on how employees will be compensated appropriately, some organizations concentrated more on other resources, such as materials, machines and money.

Some of the reasons that informed this study have to do with the rate at which employees' turnover is increasing in the universities which have become a thing of concern and it is obvious that the steps taken by the managements and stakeholders have not solved this problem. Another gap that the study will like to fill is to find out the confusion arising in some organizations due to the system of designing and administering fair rewards. Some management may like to base it on merit, whereas others may like to base it on position and years of service, hence under no circumstance must a subordinate be rewarded more than a superior.

Most times, only good behaviour is rewarded while performance based reward is ignored. Also, some organizations confuse activity with action and reward those who seem busy, yet the quiet employees may have been doing the bulk of the work. From this, there is need for management to build its reward system along the line of actual performance and actual level of work, input and productivity. Therefore, the problem of trying to figure out these loopholes with intent of correcting them forms the basis for this research.

Research Objectives

The objectives of this research are:

- i. To determine the effect of increase in pay on employees' performance.
- ii. To examine the influence of sense of achievement on workers attitude toward work.
- iii. To evaluate the relationship between working conditions (such as: promotion, pension and gratuity, employee loan, safety, health, welfare of people and work schedules etc) and employees' performance

2. Literature Review

Managing human resources which is the most valued asset of an organization, has received much attention recently because much more could be gained from a better handling of human resource within organization. Therefore, rewards systems are outcomes that satisfy work – related needs for employees Njanja (2013). Most organizations view their systems of rewarding employees as an additional cost of doing business which should not be so because it is very salient to reward employees and the outcome is that it motivates them to put in more efforts, skills and ability which at the long run increases productivity Torrington, Hall & Stephen (2008).

Nevertheless, in an increasing knowledge and service based economy, where remuneration can constitute 75% of total operation cost, progressive organizations are coming to regard reward systems as a source of competitive advantage. An effective organizational reward system will help create a skilled, committed, competent and well-motivated workforce, one that ensures that the organization stays ahead of its competitors Hatice (2012).

Reward system, according to Armstrong (2014) consists of an organization's integrated policies, processes and practices for rewarding its employees in accordance with their contribution, skill and competence and their markets worth. The reward system is developed within the framework of the organization's reward philosophy, strategies and policies and contains arrangements in the form of processes, practices, structures and procedures which will provide and maintain appropriate types and levels of pay, benefits and other forms of reward Nazir (2012). Reward system according to Jamil (2011) is a prize given to employees as an inducement towards their performance. Rowland (2014) defines reward system as the process of developing and implementing strategies,

policies and systems which help the organization to achieve its objectives by obtaining and keeping the people it needs and increasing their motivation and commitment.

Basic Compensation

Wage: The remuneration paid, for the service of labour in production, periodically to an employee/worker. It means any economic compensation paid by the employer under some contract to his workers for the services rendered by them Hakala (2008).

Salary: Salary is influenced by the size of a company or the specific industry; Salary refers to the weekly or monthly rates paid to clerical, administrative and professional employees. Salary is determined by mutual agreement between the individual and the employer.

Incentive: An incentive scheme is a plan or programs of rewarding success and effort in the workplace by allowing employees to earn prizes or recognition. It is a system most frequently built on monetary, but may also include a variety of non- monetary rewards such as raises, bonuses, profit sharing and stock options Puwanenthiren (2011).

Benefits: The fringe benefit systems purported to develop a climate for healthy employer-employee relationship, minimize excessive labor turnover costs and provide a feeling of individual security against hazards and problems of life with a view to eventually enhancing employee loyalty to the company and improving productivity.

Scholars have argued that compensation systems provide outsiders with information about less visible organizational characteristics and therefore, they might signal to a job applicant what an organization's culture, norms, and values are like. It is further suggested by Begbie (2011), that "compensation systems are capable of attracting the right kind of people because they communicate so much about an organization's philosophy, values, and practices". Organizations could therefore take another look at their compensation packages and redesign them to attract those candidates on the job market who they think are very skilled and can help them reach their goals.

Types of Reward System

Extrinsic Reward System in Organizations

Hatice (2012) draws a distinction between two basic types of rewards namely: extrinsic and intrinsic rewards. An extrinsic reward is a tangible and visible reward given to an employee for accomplishing a task. An extrinsic reward is also directly related to job performance of the employees. They usually have monetary value such as an increase in salary or a cash reward for performing well or a gift certificate for going beyond the call of duty, award, or public recognition.

Intrinsic rewards are the non-physical rewards. They cannot be seen or touched but are emotionally connected with the employees. In other words, intrinsic rewards can be defined as the feeling of contentment one finds in completion of any task.

Theoretical Framework

The effect of compensation is explained by many established motivational theories. The operant theory is based upon the premise that behaviour or job performance of an employee is not a function of inner thoughts, feelings, perceptions and emotions but is keyed to nature of the outcome of such behaviour. The consequence of a given behaviour would determine whether the same behaviour is likely to occur in the future or not (Chandan 2005). Based on this direct relationship of behaviour and consequence rather than the inner working of employees, management can study and identify this relationship and try to modify and gain control over behaviour. (Chandan, 2005). It is therefore necessary for managers and employers to understand the fact that compensating an employee will definitely improve employees performance, necessary for continuous motivation in order to fast track the improvement of employee performance.

Chandan (2005) views Abraham Maslow theory based upon two assumptions, first human beings have many needs that are different in nature ranging from biological needs at the lower level to psychological needs at the upper extreme. Secondly, that these needs occur in an order of hierarchy so that lower level needs must be satisfied before higher level needs arise or become motivation. Maslow theory made management aware that people are motivated by a wide variety of needs and management must provide an opportunity to satisfy these needs through creating a physical and conceptual work environment, so that people will be motivated to achieve organizational goal. This implies that, for an organization to achieve its state objective through improved employees' performance there is need to adequately continuous and constantly compensate employees effectively.

A compensation theory of motivation vroom’s expectancy model which is based on the assumption that man is rational being and will try to maximize his pay off this approach assumes that motivation to work is strongly determined by an individual perception that a certain type of behaviour will lead to a certain type of outcome. It is therefore necessary to say that if an employee perceived that he/she will be adequately compensated such an employee will work harder to receive more compensation. This is to ascertain the fact that compensation package has positive correction with employees performance.

3. Methodology

Research Design

This study makes use of survey research design that allow for the use of questionnaires to elicit data from the respondents.

Study Population/ Sample

The actual population of this study is 1,745 of the senior, middle and junior non-academic staff of Lagos State University. A sample of 175 respondents was used which includes both male and female respondents to participate in the study. The sample technique employed was stratified random sampling.

Data collection methods

Data from both primary and secondary sources were used for the study. Primary data were gathered from the respondents with the help of the survey questionnaire and personal interviews to clarify some responses and secondary were gathered from sources such as published books on general organization, human resources management, journals and internet as well as, the Administrative and Procedural manuals, Conditions of Service Manual for Lagos State University.

Methods of Data Analysis

This section contains the analysis and interpretation of data collected from the population sample. Data were analyzed using inferential and descriptive statistics. The descriptive statistics involves frequency distribution, simple percentage table and correlation coefficient which was processed through Statistical Package for Social Science (SPSS).

Research Hypotheses

- H₀: There is no significant relationship between increase in pay and employees performance.
- H₁: There is significant relationship between increase in pay and employees performance.
- H₀: There is no significant relationship between sense of achievement at workplace and employees attitude to work.
- H₁: There is significant relationship between sense of achievement at workplace and employees attitude to work.
- H₀: There is no significant relationship between conducive working environment and employee’s performance.
- H₁: There is significant relationship between conducive working environment and employee’s performance.

Data Presentation and Analysis

Showing the descriptive statistics of demographics

		Frequency	Percentage
Genger	Male	85	57.4%
	Female	63	42.6%
Marital Status	Single	57	38.5%
	Married	84	56.8%
	Divorced	7	4.7%
Age	20-29	49	33.1%
	30-39	71	48.0%
	40- Above	28	18.9%
Education	School Certificate	35	23.6%
	Diploma	49	33.1%
	Undergraduate Degree	58	39.2%
	Professional	6	4.1%

Employment	Senior	40	27.0%
	Middle	73	49.3%
	Junior	35	23.6%

Source: Field Survey (2018).

As illustrated in the table, 57.4% of the respondents were male while the remaining 42.6% of the respondents were female. This implies that male respondents participated in the field survey than their female counterpart. The data also shows that 56.8% of the respondents are married, 38.5% are single while 4.7% of the respondents are divorced. It implies that married respondents participated more in the research study.

Considering this table again, 49 respondents fall within the ages of 20 – 29 representing 33.1%, 71 respondents within 30-39 representing 48.0% while 28 respondents with the ages of 40 and above represent 18.9%. This shows that there is more active and agile workforce in the institution. In the area of educational qualification, 23.6% of the respondents have SSCE, 33.1% respondents obtain OND/Diploma, 39.2% of the respondents have B.sc certificates while other professional qualifications are 4.1% of the respondents. This implies that the organization has men and women of high education standard that can help in achieving the set objectives for the institution. Employment status shows that 27% of the total respondents are senior staff, middle is having 49.3%, while the remaining 23.6% are junior staff. This shows that middle staff participated more in the study

Testing of Research Hypothesis

Hypothesis 1

H₀: = There is no significant relationship between increase in pay and employees performance.

H₁: = There is significant relationship between increase in pay and employees performance.

			comp	Perf	X	SD
Spearman's rho	Pay	Correlation Coefficient	1.000	.701	17.675	3.927
		Sig. (2-tailed)	.	.000		
		N	148	148		
	Perf	Correlation Coefficient	.701	1.000	6.037	2.046
		Sig. (2-tailed)	.000	.		
		N	148	148		

** Correlation is significant at the 0.05 level (2-tailed).

Source: Author’s Computation, 2018

a. Dependent Variable: employee’s performance

b. Predictors: (Constant), increase in pay

The result above shows a strong positive correlation between the dependent and independent variable with the r value of 0.701. The P value which represents the probability of accepting the null hypothesis (H₀) falls short of the decision rule. Consequently, f-statistics shows that there is a significant relationship between increase in pay and employees performance.

Hypothesis Two

H₀: There is no significant relationship between sense of achievement at workplace and employees attitude to work.

H₁: There is significant relationship between sense of achievement at workplace and employees attitude to work.

		Reward	Attitude	X	SD
Spearman's rho achievement	Correlation Coefficient	1.000	.794	18.509	4.219
	Sig.(2-tailed)	.	.000		
	N	148	148		
attitude	Correlation Coefficient	.794	1.000	5.782	2.000
	Sig.(2-tailed)	.000	.		
	N	148	148		

** Correlation is significant at the 0.05 level (2-tailed).

Source: Author's Computation, 2018

a. Dependent Variable: employee's attitude

b. Predictors: (Constant), sense of achievement

The result above shows a strong positive correlation between the dependent and independent variable with the r value of 0.794. The P value which represents the probability of accepting the null hypothesis (H_0) falls short of the decision rule. Therefore, the null hypothesis (H_0) that states there is no significant relationship between sense of achievement and employees attitude to work is rejected, while the alternative hypothesis (H_1) is accepted. This result concludes that sense of achievement is a significant predictor of employees' attitude to work.

Hypothesis Three

H_0 : There is no significant relationship between conducive working environment and employee's performance.

H_1 : There is no significant relationship between conducive working environment and employee's performance.

			Working condition	Perf	X	SD
Spearman's rho Working condition	Correlation Coefficient		1.000	.618	11.733	4.17170
	Sig. (2-tailed)		.	.000		
	N		148	148		
perf	Correlation Coefficient		.618	1.000	9.413	2.09393
	Sig. (2-tailed)		.000	.		
	N		148	148		

** Correlation is significant at the 0.05 level (2-tailed).

Source: Author's Computation, 2018

a. Dependent Variable: employee's performance

b. Predictors: (Constant), conducive working environment

The result above shows a strong positive correlation between the dependent and independent variable with the r value of 0.618. The P value which represents the probability of accepting the null hypothesis (H_0) falls short of the

decision rule. Therefore, the null hypothesis (H_0) that states a conducive working condition does not contribute to increase in employee's performance is rejected, while the alternative hypothesis (H_1) is accepted. Hence, it is concluded that conducive working condition has a positive correlations with employee's performance.

Discussion of the Findings

The research focused on compensation system on employees' performance with reference to non-academic staff of Lagos State University. After all relevant data were collected and analyzed, three (3) hypotheses were tested and the result is as follows:

The result from the first hypothesis shows that there is a significant relationship between increase in pay and workers' performance. This result is in consonance with postulation made by Dewhurst & Luthans (2010) that healthy compensation scheme tends to ensure industrial harmony and that sound compensation system is a determinant of organizational performance.

Similarly, the result from the second hypothesis revealed that sense of achievement by the employee is a significant predictor of employees' attitude to work. This result is in agreement with the previous study carried out by Zaman (2011), which revealed that there is a significant and positive relationship between sense of achievement and workers job commitment. Thus, sense of achievement is a significant factor which influence employee satisfaction.

Lastly, the third hypothesis showed that a conducive working condition has a positive correlation with employees performance. This result corroborates the findings of Zaman (2011) & Carraher et al (2006) that good working environment is related to high employees' performance in the organization. Employees are integral part of the human resources management, and therefore must be properly compensated in order to effectively perform beyond expectation. It is therefore vital to say that compensation management is an issue that that is critical and vital for the running and management of the organization. More so, it is the heart beat of the organization. It is therefore parties germane for both parties to negotiate and implement effective compensation management policies that will benefit both parties.

From the findings of this study it can be concluded that if workers are rewarded well, they will be encouraged, assured and have positive feelings towards their job and this would result to job satisfaction, commitment and overall organizational productivity. This argument is also shared by Bennel, (2007). The findings imply that poor compensation is a major cause of workers' job dissatisfaction in Nigeria which means an unhappy and dissatisfied worker could be very problematic in this regard.. On the other hand, a happy worker causes the least resistance to managerial efforts aimed at increasing productivity and high performance. For example, employees who manifest satisfaction with their jobs were less likely to resign their employment or engage in absenteeism than those employees who express dissatisfaction with their jobs. In view of these findings, the study concludes that the role of compensation and reward system in shaping the life of an organization cannot be overemphasized or pushed to the backyard.

Recommendations

Based on the findings of this study, the following recommendations were offered:

Organizations should provide a compensation package that provides a competitive edge required to attract the best skills in the labor market, retain and motivate them.

To have a satisfactory and productive workforce, the management of Lagos State University should design and fashion out an effective compensation that is commensurate with the contribution of its non-academic staff as well as in agreement with what is obtainable by other employee in the country.

Management of Lagos State University should make use of both monetary and non-monetary reward to motivate its employees so that both individual and organizational objectives can be achieved. Therefore, it is further recommended that the institution should strive to introduce a satisfactory motivational package to the employee, increases in salary bonus etc. This is important because employee satisfaction can stimulate high performance.

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