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EMPIRICAL STUDY ON COMPENSATION MANAGEMENT AND EMPLOYEE PERFORMANCE IN SELECTED ORGANIZATIONS IN CROSS RIVER STATE

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Abstract

The study Empirically examined compensation management and employee performance in selected organizations in Cross River state. The specific objectives were to; examine the relationship between performance based pay and employee commitment, skill based pay and employee creativity, seniority based pay and employee job satisfaction. A survey research design was adopted as a result of the systematic empirical inquiry and the data for the study were gathered through primary sources using questionnaire instrument. The population of the study was five hundred and seven(507) employees and Taro Yamane formula was used to determine the sample size of two hundred and twenty four(224). A total of one hundred and ninety-six(196) copies was correctly filled and returned. Pearson Product Moment Correlation was adopted to statistically analyze the relationship between dependent and independent variables. Based on the analysis, the findings revealed that all the independent variables had a significant relationship with employees' performance in the selected organizations (Larfage, Honey feed company Limited and Aje Ndoma Nigeria Enterprise) in Cross River State, Nigeria. The study recommended that the management of the organization should make available pay structure that will motivate the top performing employees, also that the organizations should continue providing security benefits to all employees, embark on training that will aid their employee acquire skills, knowledge and competencies as it will positively influence employee productivity and raise overall performance of the organization

Keywords: Compensation management, employee commitment, employee creativity, employee job satisfaction, employee performance

1.0 Introduction

In every company, employment is viewed as an exchange process in which employees supply inputs in the form of skills and expertise in exchange for various compensations from the employer. Pay has a significant influence on the employee's level of life, position, and security. Compensation, in the eyes of the employer, is both a major cost of conducting business that must be handled and an investment that must yield appropriate returns in terms of employee attitudes, abilities, behaviors, and organizational performance (Brevis & Vrba, 2014). Employee pay at all levels has evolved into one of the most important roles of human resource management. It is one of the most significant, complex, and difficult topics in any organization's human resource management. Every business that wishes to acquire a competitive advantage over its competitors must attract high-quality staff.

Compensation is sometimes defined as direct and indirect monetary and non-monetary awards given to employees based on the importance of the job, their personal contributions, and their performance. These incentives must satisfy both the organization's ability to pay and any applicable legal regulations.

The growing acknowledgment and agreement that remuneration enhances productivity is consistent with Abdullah's (2012) early work, which claimed that happy people are productive workers. Private service compensation in Nigeria has become a driving force in seeking work in the industry. As a result, it is critical that firms create and implement a remuneration structure that can drive employees to work while not depleting the organization's resources.

According to Shaw (2014), most people are motivated by money, at least for their basic needs and desires. Employees can be motivated by remuneration in a variety of ways, including salary, bonuses, commission, profit sharing, and other perks such as trips, automobiles, and other tangible objects used as rewards.

1.1 Statement of the problems

These organizations are today confronted with numerous obstacles, including inadequate infrastructure, a lack of an enabling research environment, disparities in compensation and allowances, and uneven policy execution, which may have an impact on their levels of job satisfaction. Compensation is typically limited to cash, and as a result, companies have a tunnel vision when it comes to employee compensation difficulties. Other parts of remuneration that comprise the complete compensation package for employees receive less attention. Employees themselves fail to grasp that their compensation is a bundle and not solely monetary. As a result of the aforesaid concept of compensation, it is poorly managed and, most of the time, negatively affects performance.

1.2 Objectives of the study

The specific objectives were to; examine the relationship between performance based pay and employee commitment, examine the relationship between skill based pay and employee creativity, determine the relationship between seniority based pay and employee job satisfaction.

Research hypotheses

The formulated hypotheses were tested in null form.

There is no significant relationship between performance-based pay and employee commitment

There is no significant relationship between skill-based pay and employee creativity

There is no significant relationship between seniority-based pay and employee job satisfaction

1.3 Significance of the study

The findings of this study will be significant in the following ways: The findings will benefit Cross River State government and other organizational leaders to ensure that its employees are valued and rewarded for their effort in the service. The study will help policy makers in Cross River State and other organizations The study will contribute to development and application of development thinking in the private. It will benefit private sector, policy makers and managers of organizations This study will equally provide opportunity for further research and also broaden the frontier of knowledge.

2.0 Literature review

Conceptual framework

Compensation management is an essential component of the human resources management approach to organizational productivity. It is concerned with the design, implementation, and management of general compensation systems aimed at improving the performance of companies, teams, and individuals (Yadav & Aspal,2014). According to Milkovich and Newman (2010), remuneration is an important tool for attracting and retaining bright individuals who are committed to their roles within the firm.

Compensation management strives to advance business goals by attracting, motivating, and retaining hardworking personnel (Petera 2011). It refers to the procedure through which employees are compensated for their contributions at work.

Compensation is a type of compensation given as a result of a work well done or effort put in to reach a specific objective, and it serves as a motivator for an individual to put more energy or devotion into his or her employment (Alex, Uno & Lebo,2020). In most firms, the primary goal of remuneration is to inspire employees to behave in a specific way (Rizman, Farooq & Ulah, 2010). As a result, a business not only wants to incentivize employees to stay with the company, but also reinforces employee achievement through suitable and encouraging compensation (Abolade, 2012).

Compensation is defined as the whole sum of wages or salaries, employee benefits, non-recurring financial prizes, and non-pecuniary rewards; on the other hand, compensation is defined as financial returns on tangible services and benefits received by employees as part of an employment relationship (Salman & Muhammad, 2010). Employees' compensation includes both intrinsic and extrinsic benefits for accomplishing their duties. Employees' psychological mind sets that arise from executing their professions are reflected in intrinsic compensation, whereas extrinsic compensation comprises both monetary and non-monetary incentives.

Armach (2012) proposed that compensation is the human resource management function that deals with every type of reward individuals receive in exchange for performing organizational tasks, with a desired outcome of an employee who is attracted to the work, satisfied, and motivated to do a good job for the employer; a double input-output exchange between an employee and an employee; and a double input-output exchange between an employee and an employee (Ahlstron, 2010). Compensation is the monetary and non-monetary payment paid by an employer in exchange for services completed. It could be financial incentives, which are any monetary incentives that go above and beyond basic salary.

These bonuses are not included in the base wage. Financial incentives, bonuses, and recognition are examples of this. Remuneration is defined as the direct and indirect compensation received by employees in an organization in order to increase employee happiness and retention while also improving performance. Incentives, medical benefits, housing allowance, annual leave allowance, and training opportunities are all part of direct remuneration.

Performance base

Is a type of remuneration that is based on an employee's contributions to the company. This type of remuneration structure ensures that only the best performers survive. Performance-based pay is an efficient technique to inspire and reward your staff for being more productive. The benefits include enhanced staff retention, improved recruiting, and improved performance. Monthly performance pay will be about 25% of monthly compensation, and quarterly performance pay will be based on unit and business performance in that quarter (Abolade, 2012).

Performance-based pay provides monetary reward based on individual or group performance. It is concerned with how financial rewards are distributed to employees. In contrast to fixed compensation, performance pay compensates employees based on their individual contributions rather than the worth of the role itself. Individual performance pay, which is frequently associated with commission-based sales staff, and skill-based pay, in which income is linked to competency, are two types of pay. Some businesses use profit-sharing, which means that employees earn a part of the company's profits. One of the primary goals of remuneration is to encourage employees to give their all. This objective became more important as firms realized they were in danger of losing market share to competitors. Performance pay refers to pay plans that incentivise and reward employees depending on their performance.

Skill base

It is a remuneration system that provides additional benefits to employees in exchange for formal certification of the employee's mastery of skills, knowledge, and/or competencies. Knowledge is learned, information is employed in executing activities, and skill is acquired and observable expertise in performing tasks. A salary structure that bases an employee's pay on his or her expertise, experience, education, or specialized training is known as skill-based pay. Depending on the organization, the employee may also be paid more for obtaining formal certification in his or her field. Companies can use skill-based pay to examine market and compensation data and establish pay based on the assessed value of a person within an organization.

Skill-based compensation is a pay system in which pay increments are connected to the number of depths of skills an employee obtains and utilizes. It is a method of promoting broader and deeper skills among the workforce. These raises are in addition to, not in place of, general salary. The growth is typically based on horizontal skills, which entail expanding abilities in terms of work range, vertical skills, which require obtaining higher level skills, and depth skills, which involve a high degree of skills in specialized areas relevant to the same job. Skill-based pay is a person-based approach rather than a job-based system. It recognizes a person for who he or she is rather than what the job is worth. A basic rate of compensation for minimum skills reflects job worth, however pay growth is directly related to kills acquired.

Seniority base

Seniority-based compensation is one in which the employee's tenure is the key foundation for pay increases. Loyalty, retention, and stability of all staff members, regardless of performance levels, are some of the advantages of seniority-based remuneration. Employees on a seniority-based pay system are given a base salary and get the same rise at regular intervals. There is no differential based on how well a person does a job; just how long the individual has been in the position is considered. One of the benefits of a seniority system is that it encourages employee loyalty. People understand that if they stay with the company, they will have access to greater pay and advancement prospects, which will result in lower staff turnover and all of the related replacement costs.

In organizations with low (high) levels of performance-based pay and job seniority, seniority-based pay boosts productivity. A seniority-based pay scale offers some advantages over a performance-based pay scale, and it is commonly employed in government and with unionized jobs. Seniority-based pay does not assist private, non-union firms in developing a high-performing staff that increases overall company performance. Other considerations supplement the seniority-based compensation system. Employees, for example, can contract to take on responsibilities that exceed their regular wage grade, with a corresponding increase in pay.

Compensation management on employee performance

Employees today demand more than just a paycheck; they expect "extra." Employee benefits are what these extras are called. Employee perks, often known as fringe benefits, are non-monetary forms of compensation provided in addition to a cash income to enrich people's lives. Employee benefits in general have no direct effect on employee performance; however, poor benefits contribute to employee dissatisfaction and increase absenteeism and attrition (Femi, 2010). As a result, you would need to carefully craft your benefits package.

Your package could include providing each employee with a cell phone, taking them to a training workshop or lecture, giving them a day or two off per month, and so on. Choosing a benefits package can assist an organization attract, motivate, and retain people. A well-planned compensation and benefits package will help the company or employee in the following ways.

Employees would be happy with their jobs and would want to work for such an organization if they were compensated fairly for their efforts.

They all have distinct demands in terms of motivation. Some of them desire money for the group, which will pay them more. Some people value accomplishments over money, and they choose to work for companies that provide more opportunities for advancement, learning, and development. A pay plan that meets the demands of employees motivates them to operate in the desired manner (Pearce, 2010 & Greene, 2014)

Low absenteeism: When workers' compensation is well-managed, employees will be motivated to come to work on time rather than spending time at home. Although some employees prefer to be idle at work, if they are well treated, they will provide value.

Low turnover: Employees will not want to work for another organization as long as they are treated well and receive their pay on time and in the right amount. As a result, staff turnover will be low. Employees acquire confidence in themselves and their abilities as they obtain reasonable recompense. As a result, their level of performance skyrockets. Simply expressed, the parts of a complete compensation package include everything a company does to recruit personnel. This technique offers a lot of benefits to firms, particularly those in which owners and managers must build excellent personal relationships with employees. (Alam,2012).

Theoretical framework

This study is anchored on Equity theory;

1 Equity theory

Stacy Adams proposed this theory in 1963. According to the theory, the distribution of resources is equitable to both parties. Equity is calculated by comparing the ratio of each person's contributions (or expenditures) to benefits (or rewards). According to the theory, employees aim to maintain fairness between the inputs they bring to a job and the outputs they obtain from it in comparison to the perceived inputs and outcomes of others.

According to equity theory, in order to maximize individual rewards, humans tend to construct systems in which resources can be equitably allocated among members of a group who are unhappy to a degree proportional to the level of inequality. The view is that people value fair treatment, which motivates them to maintain fairness in their coworkers' and the organization's interactions. The workplace equity structure is based on the ratio of inputs to outcomes. Inputs are the employee's contributions to the organization.

Empirical Literature

Many research on salary management and employee performance have been undertaken.

Ellis, Chinedu, and Akpunonu (2011) investigated compensation management as a strategy for improving organizational performance in the public sector: A case study of Anambra State's civil service in Nigeria. This study looks at how compensation management can be utilized to improve organizational performance in a typical public sector organization like the Anambra State Civil Service in Nigeria. Using the Anambra State Civil Service as a reference, this study tries to determine whether financial compensations have a substantial link with employee performance in the public sector. It also sought to determine whether employees' efforts are commensurate with financial rewards, as well as the extent to which the State Government's reform initiative has influenced compensation policies and practices. The descriptive survey design was used to achieve the study's aims. For data analysis, Pearson's Product Moment Correlation was utilized, and the Z-test was performed to examine the significance of the coefficient of correlation at the 5% level of significance. It was discovered that financial pay for public-sector employees had no substantial effect on their performance and that financial compensation received is not comparable with staff efforts. Based on these findings, it is recommended that any public service organization, such as the Anambra State of Nigeria Civil Service Commission, offer financial compensation that is expressly meant to be linked to performance in order to increase employee performance.

Odunlami and Matthew (2014) studied pay management and employee performance in the manufacturing industry. The goals were to determine the extent to which compensation management affects employee performance, assess the relationship between working conditions and employee performance, determine the rate at which welfare services affect employee performance, and investigate the relationship between compensation management and staff retention. We used both primary and secondary sources.

A questionnaire was used to collect necessary and relevant data from respondents. The strategies were utilized to reduce the challenges connected with data collecting while still ensuring that the results are apparent and devoid of bias as desired. Interferential and descriptive statistics were used to analyze the data. The descriptive statistics used in this study include a frequency table and a Likert scale, while the hypotheses were tested using analysis of variance (ANOVA).

The findings reveal an f-statistic of 32.222, indicating that the model is statistically significant. It has been demonstrated that there is a significant association between good welfare service and job performance. According to the F-statistic, there is a considerable association between compensation management and increased production. According to the survey, organizations must ensure that there is a cordial and positive interaction between the employer and the employees.

Premalultia (2014) evaluated the effect of pay systems on employee performance. Research with a focus on the service sector. The goal of competent pay for performance is to attract qualified candidates while also retaining present employees as assets. The Chi Square statistical method was used to investigate the effect of independent variables on dependent variables. According to the findings, compensation management has a direct impact on employee performance. It was suggested that employees have faith that their efforts will be recognized.

Adewale, Adenika, Hezekiah, and Heirsmac (2014) evaluated the effect of remuneration packages on employees' job performance and retention in a selected private institution in Ogun state, Nigeria's south-west. In this investigation, a simple percentage was used. The results of the dependent and independent variables that were tested (salary, bonus, incentives, allowances, and fringe benefits). The study recommended that management reassess compensation packages at various levels in order to gain employee satisfaction and minimize significant labor turnover among employees.

Onuoran, Okeke, and Ibekwe (2019) conducted research in Nigeria on salary management and employee performance. Descriptive survey research was used to collect primary sources of data. The study's population consists of 257 Anambra public secondary schools. A questionnaire and the Z-test were utilized. In Nigeria, it was discovered that equity-based compensation has no negative significant effect on employee performance. The study recommended that every business adopt equity-based compensation a mandatory policy because equity-based compensation is more widely employed in firms to ensure maximum performance.

3.0 Methodology

The design employed in this study is survey research design. The study adopted simple random sampling technique and the selection of the organizations was judgmental. However, to determine the sample size, the study adopted Taro Yamane sample size:

$$n = \frac{N}{1 + N(e^2)}$$

Where n = Sample size
N = Actual population
e = Limited tolerable error

The total population of the selected organizations is five hundred and seven (507) which was obtained from company's Records.

N = 507
e = 5 percent
1 = constant

$$n = \frac{N}{1 + N(e)^2}$$

$$= \frac{507}{1 + 507(0.05)^2}$$

$$= \frac{507}{1 + 507(0.0025)}$$

$$= \frac{507}{2.2675}$$

$$= 224$$

Total sample size is 224

Data for this study was gathered from primary sources and through the use of structured questionnaire from respondents of the selected companies in Cross River State. For this study, the research study employed structured questionnaire on compensation management and employees' performance in the selected private-sector organizations. The study employed Pearson Product Moment Correlation analysis to measure the relationship between variables tested in the study.

4,0 Results and findings

A total of two hundred and twenty-four (224) copies of questionnaire were produced and randomly administered to respondents. Out of two hundred and twenty-four (224) copies of questionnaire, twenty-eight (28) copies were not returned while one hundred and ninety-six (196) copies were completely filled and returned, which helped to facilitate the study and was considered to be the true representative of the study population.

Test of hypotheses

Hypothesis one:

H_0: There is no significant relationship between performance base and employee commitment

Independent variable: Performance base

Dependent variable: Employees' commitment.

Test statistic: Pearson's product moment correlation coefficient

The analysis showed a correlation coefficient of 0.872 indicating the existence of strong positive relationship between performance base and employees' commitment. The test was significant at 0.01 significant level and led to the rejection of the null hypothesis which states that there is no significant relationship between performance base and employees' commitment. Consequently, the alternative hypothesis was accepted and conclusion reached that there is a significant relationship between performance base and employees' commitment in the selected organization

Table 1: Correlation result of relationship between performance base and employees' commitment

		performance base	Employees' commitment
performance base	Pearson correlation	1	.872**
	Sig. (2-tailed)		.000
	Sum of squares and cross-products	138.58	171.21
	Covariance	.250	.236
	N	196	196
Employees commitment	Pearson correlation	.872**	1
	Sig. (2-tailed)	.000	
	Sum of squares and cross-products	176.41	622.44
	Covariance	.336	1.51
	N	196	196

**. Correlation is significant at the 0.01 level (2-tailed).
Source: SPSS analysis

Hypothesis two:

H_0: There is no significant relationship between skill base and employees' creativity

Independent variable: Skill base

Dependent variable: Employees' creativity

Test statistic: Pearson's product moment correlation coefficient

The analysis showed a correlation coefficient of 0.845 indicating the existence of strong positive relationship between skill base and employees' creativity. The test was significant at 0.01 significant level, and led to the rejection of the null hypothesis which states that there is no significant relationship between skill base and employees' creativity. The alternative hypothesis was consequently accepted and conclusion reached that there is a significant relationship between skill base and employees' creativity.

Table 2: Correlation result of relationship between skill base and employees' creativity

		Skill base	Employees' creativity
Skill base	Pearson correlation	1	.845**
	Sig. (2-tailed)		.000
	Sum of squares and cross-products	301.74	116.94
	Covariance	.421	.305
	N	196	196
Employees' creativity	Pearson correlation	.845**	1
	Sig. (2-tailed)	.000	
	Sum of squares and cross-products	176.94	159.32
	Covariance	.305	.201
	N	196	196

**. Correlation is significant at the 0.01 level (2-tailed).
Source: SPSS analysis by Researcher,2021

Hypothesis three

H_0: There is no significant relationship between seniority base and employees' job satisfaction.

Independent variable: Seniority base

Dependent variable: Employees job satisfaction

Test statistic: Pearson's product moment correlation coefficient

The analysis showed a correlation coefficient of 0.809 indicating the existence of strong positive relationship between seniority base and employees' job satisfaction. The test was significant at 0.01 significant level and led to rejection of the null hypothesis in favour of the alternative hypothesis which states that there is a significant relationship between seniority base and employees' job satisfaction. The conclusion was that seniority base significantly related with employees' job satisfaction.

Table 3: Correlation result of relationship between seniority base and employees job satisfaction

		Seniority base	Job satisfaction
Seniority base	Pearson correlation	1	.809**
	Sig. (2-tailed)		.000
	Sum of squares and cross-products	33.32	124.92
	Covariance	.517	.404
	N	196	196
Job satisfaction	Pearson correlation	.809**	1
	Sig. (2-tailed)	.000	
	Sum of squares and cross-products	127.92	318.28
	Covariance	.404	.649
	N	196	196

**. Correlation is significant at the 0.01 level (2-tailed).
Source: SPSS analysis by Researcher,2021

Summary of findings

Based on the analysis of the results, the findings were summarized thus;

i. There was a significant relationship between performance base pay and employee commitment
ii. There was a significant relationship between skill base and employee creativity
iii. There was a significant relationship between seniority and employee job satisfaction

5.0 Conclusion/Recommendations

The study empirically examined compensation management and employee performance. The study revealed that performance base, skill base and seniority base affected the performance of employee in the selected organizations. Compensation is often regarded as direct and indirect monetary and non- monetary rewards given to employee on the basis of the value of the job, their personal contributions, and their performance.

Compensation management is an integral part of human resources management approach to productivity in the organization. It deals with the design, implementation and maintenance of compensation system that are geared to the improvement of organization, team and individual performance. It is one of the central pillars of human resources management (HRM). It is concluded that compensation management is all about developing a positive employment relationship and psychological contract that adopts a total compensation approach which recognizes that there are a number of ways in which people can be compensated.

In line with the findings, the following recommendations are made;

1. Performance pay is a compensation that is tied to employee's contributions in the company. Therefore, it should be adopted to motivate employees and reward them for being more productive.
2. Management should develop broader and deeper skills among the workforce and also encourage their employees based on their individual skills.
3. Seniority based pay increases productivity in firms with low (high) degrees of performance-based pay and job seniority. Therefore, pay scale should be based on seniority in the different organizations.

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