EFFECT OF COMPENSATION ON EMPLOYEES PERFORMANCE IN SMALL MANUFACTURING BUSINESSES IN ABUJA METROPOLIS, NIGERIA.

BY

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PROJECT/ DISSERTATION SUBMITTED TO THE SCHOOL OF POSTGRADUATE STUDIES,NASARAWA STATE UNIVERSITY KEFFI,IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF POST GRADUATE DEGREE (BUSINESS ADMINISTRATION), DEPARTMENT OF BUSINESS ADMINISTRATION, FACULTY OF ADMINISTRATION, NASARAWA STATE UNIVERSITY KEFFI, NIGERIA

DECLARATION

I hereby declare that this dissertation has been written by me and it is a report of my research work. It has not been presented in any previous application for Postgraduate Degree. All quotations are indicated and sources of information specifically acknowledge by means of references.

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CERTIFICATION

This project entitled Effect of Compensation on Employees Performance in Small Manufacturing Businesses in Abuja Metropolis; Nigeria Meets The Regulation Governing Award Of Postgraduate Degree of the School Of Post Graduate Studies Of Nasarawa State University, keffi for its contribution to knowledge and literary Presentation.

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DEDICATION

This work is dedicated to my family

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Many persons contributed to the completion of this study. All such personalities are appreciated and my gratitude to them recorded.

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ABSTRACT

Labor mobility is increasingly becoming high in business especially the manufacturing ones in Abuja. It is argued that compensation practice in these businesses is responsible for the observed labour turnover being experienced in small manufacturing businesses in Abuja. Thus, managers of these businesses are tasked with uphill tasks of trying to fashion out a reward system which will motivate the employees to increase their performance and stay long enough on the job. The main objective of the study is to determine the effect of compensation on employee performance, in small manufacturing businesses in Abuja metropolis. In achieving this objective, the research made use of primary data sourced from the employees of the companies studied. The sample of 140 was determined using the Taro Yamane estimation technique of which only 80 respondents returned the administered questionnaire. Data collected were analyzed using simple statistical tables with percentage, while postulated hypotheses were tested using the Five-scale rule with the 3.5points. The findings revealed that, compensation has a significant effect on employees' performance. It was therefore recommended that, management should give adequate compensation to their deserving employees so as to motivate them and enhance their performance and continued stay in the businesses.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Compensation is output and the benefit that employees receive in the form of pay, wages and also same rewards like monetary exchange for the employees to increase their performance (Holt, 1993). Organizations are established with the aim to effectively utilizing various available human and non-human resources to achieve certain objective. Among these resources in human, this is commonly seen as the most valuable assets an organization could use to earn competitive advantage and achieve its objectives hence the need for human resource management to ensure optimum productivity and organizational continuous extension. Human resource has been tagged the most valued assets of any organization. Its strategic approach emphasized a tight fit between individual needs, right, ambition and goals within the organization which makes compensation system central in the affairs of emerging students, scholars and HRM practitioners in the world over.

Reward system is the instrument used to increase employee's productivity. It seeks to attract and retain suitable employees, encourage good management employee relationship and minimize tension and conflict as it deal with all form of final returns, tangible service and mechanism for good relationship. Furthermore, the major case of industrial conflict is based on the fact that employees feel that their benefit are been denied or about to be denied thus the importance of compensation system is to provide a good platform for fairness and equity. This provides a challenging environment and increase productivity of the employees. The compensation system ensures that booth intrinsic and extrinsic needs of employees at all time and level are adequately provided for compensation develops organizational integrity, policy, procedures and practice capable of improving organizational productivity. Reward and compensation is concerned with employees and organization performance development through which better result can be achieved by understanding and managing reward and

Compensation within an agreed framework planned, goals standard and competency requirement.

Employees are the organizations key resource and the success or failure of organizations centre on the ability of the employees to attract, retain, and reward appropriately talented and competent employees. Employee's willingness to stay on the job largely depends on compensation packages of the organization. In an attempt to ensure employees optimal performance and retention, organization 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 the readiness to remain in an organization is a function of compensation packages and reward system of the organization. In any profit – oriented organization, employment relationship is seen as an exchange process where employees provide inputs in terms of skills and expertise in return for various compensation from the employer. From the perspective of the employee, pay has an important influence on standard of living, status, and security.

Reward and compensation is concerned with employees and organizational performance development through which better result can be achieved by understanding and managing reward and compensation within an agreed framework, planned goals, and standard and competency requirements. The challenging task of every manager at all level are how to build a befitting reward and compensation system to incorporate both organizational goals and individual needs, thus, have a motivated workforce and improved productivity. However, the study examines the impact of reward and compensation system on organizational productivity, the base of good reward and compensation structure, employee's expectation at different levels and how the compensation structure is based on performance of individual(s) or job requirement of employee.

1.2 Statement of the Problem

The rate at which employees' turnover is increasing in small businesses in Abuja has become a thing of concern and it is obvious that the steps taken by the managements and stake holders have not solved this problem. Some organization over the years see employee as additional cost as well as liability to their operations, hence do not remunerate them appropriately, and were it is more appropriate, the compensation is not commensurate with the effort and skills that workers put into the organizations activities, instead of paying attention on how employees would be compensated appropriately, some organizations concentrate more on other resource, such as materials, machines and money. The effort is more on how to improve the production process with little or no consideration for human efforts. This has led to the inability of such organization to attain their set objective; organization success relies heavily on how much attention is paid to its employees reward policies. It is in view of this that the study seeks to know how reward and compensation system in organization affect the performance of employees as well as that of the organization in general.

1.3 objectives of the study

The major objective of this study is to examine and assess the impact (if any) of reward and compensation system on the productivity of employment in an organization. The specific objectives therefore, are to:

1. Establish how the available reward package is affecting employees' performance in organizations.
2. Establish the need for management to create a conducive working environment by providing both physical and psychological incentives to make employees more committed to organizational goals.
3. Determine how a good reward and compensation policy should be channelled toward increasing employee performance.

1.4 Research Questions

Based on the objectives this study set to achieve, the following questions are proposed.

1. How can a reward package affect the performance of an employee in an organization?

2. Does a conducive working environment make an employee committed in attaining organizational goals?
3. To what extent does a good reward and compensation policy contribute in increasing employee performance?

1.5 Statement of Hypotheses

The project proposed the following hypotheses:

Ho1: There is no prompt compensation to employees in the organization.

Ho2: Reward package does not affect the performance of an employee in an organization.

Ho3: Conducive working environment does not make employee committed in attaining organizational goals.

Ho4: There is no good reward and compensation policy channelled toward increasing employee performance.

1.6 Significance of the Study

The importance of this study cannot be overemphasized due to the fact that, it holds a lot of benefit to ensure continuous existence and survival of organizations, the study will be great benefit to manager or human resource department of organization regarding the identification of effective reward and compensation, system, it cost and benefit on organizational operations, harmonizing employees and organizational interest to avoid sub-optimality etc. in addition, the study clarifies the argument on weather effective reward and compensation system. Adds value to organizational activities, which enable organizations take profitable side on whether to compensate employees or not. This research due to adequate review of various up-to-date literature is a source of material to post and undergraduate student and as well as researchers who may intend to undergo a study on the subject matter in future. Knowledge they say, is power this research work exposed the researcher to many practical issues on human resource, reward and compensation system and the respective relationship that exist between effective reward and compensation system, productivity customer patronage as well as organization productivity customer patronage as well as organization productivity and profitability. In addition, the study was an avenue for the researcher to study some materials text book, journals, annual reports etc. which on ordinary activity would not have thought of.

1.7 Scope of the Study

This research work is undertaken to analyze the impact of reward and compensation system on productivity of employees in an organization though employees reward and compensation system is just one of the various tools used to ensure effective human resource management, but the study strictly concerns itself with reward and compensation, its system and its impact in enhancing organizational productivity and profit ability. In addition, the research work is carried out to study the impact of reward and compensation system on the performance of employees in Abuja urban mass company. This therefore shows that the study neither covers every organization in transportation business.

1.8 Limitation of the Study

A research work of this nature is however unpleasant with numerous problem that limit the researcher ability especially in Nigeria where many organization do not disclose the true information about their organization to researcher. The researcher found it difficult to access meaningful data concerning the organization reward, policy but has to use the limited information available. Nevertheless, the research work was adequately covered based on the available information to the researcher though it's difficult to claim total perfection; therefore the topic is open for further build up consideration and research.

1.9 Definition of Terms

Compensation: compensation of all form of financial return, tangible sendees and benefit an employee receives as part of an employment relationship.

Industry: this is the group of firm that engage in the production of similar product (i.e. goods/services)

Productivity: productivity is the output unit /per labour input into the production process given the level of existing technology.

Management: this is the process of planning, organizing, staffing, leading, directing, coordinating and controlling available resources towards achieving a target objective.

Reward: this is the cor-faced of an employment relationship. Reward system consists of an organizations integrated policies process and practices for rewarding its employees in accordance with their contribution skills competence and their market worth.

Remuneration: this is the financial reward accruing to employee for his or her performance in the organization.

Motivation: it is the inner drives that arouse direct and maintain an individual behaviour toward accomplishing organizational goals.

Research: is a way of thriving at a dependable solution to business and management problem through a systemic way of data collection, data analysis and data interpretation.

Pay structure: is a framework for managing base pay progression over time for employee benefit.

Policy: is an organizational guiding principle that regulates its operation and activities.

Job analysis: according to Raymond et al (2004) it is the process of getting detailed information about jobs.

Job description: is the setting out of the purpose of the job. Where it is in the organization structure the content within which the job holder function and the principal accountability of the job holder. Main task the employee has to carry out.

Job enlargement: is the act of combining previously fragment task into one job to add greater autonomy and responsibility to a job and is based on the job characteristics approach and maximizing the interest and challenges of work.

Job evaluation: is a systematic process for establishing the relative work of job within an organization.

Reward strategy: it is a definition of the intention of the organizational on how its reward policies and process should be developed to meet business requirement.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Literature review contains the related literature as carried out by different authors and experts. Their opinion will guide the course of this study and reveal the trend of research. This chapter therefore discusses the concept of compensation, motivation, organizational performance, and relationship between compensation management, motivation and organizational performance, effect of compensation strategy on corporate performance: evidence from Nigeria firms' employee retention and employee satisfaction, and theoretical framework.

2.2 Concept of Compensation

Compensation is a systematic approach to providing monetary value to employees in exchange for work performed. Compensation may achieve several purposes assisting in recruitment, job performance, and job satisfaction. Compensation is a tool used by management for a variety of purposes to further the existence of the company. Compensation maybe adjusted according to the business needs, goals, and available resources (FIRM process BPR report, 2009). Compensation may be used to: recruit and maintain qualified employees; increase or maintain morale/satisfaction; reward and encourage peak performance; achieve internal and external equity; reduce turnover and encourage company loyalty; and modify (through negotiations) practices of unions.

Recruitment and retention of qualified employees is a common goal shared by many employers. To some extent, the availability and cost of qualified applicants for open positions is determined by market factors beyond the control of the employer. Morale and job satisfaction are affected by compensation. Often there is a balance (equity) that must be reached between the monetary values. The employer is willing to pay the sentiments of worth felt by the employee.

In an attempt to save money. Employers may opt to freeze salary levels at the expense of satisfaction and morale. Conversely an employer wishing to reduce employee turnover may seek to increase and salaries and salary levels. Compensation may also be used as a reward for exceptional job performance. Examples of such plans include: bonuses, commissions, stock, profit sharing, gain sharing.

Compensation process are based on compensation philosophies and strategies and contain arrangement in the shape of policies and strategies, guiding principles, structure and procedures which are devised and managed to provide and maintain appropriate types and levels of pay, benefits and other forms of compensation (Bob,2011). This constitute measuring job values, designing and maintaining pay structures, paying for performance, competence and skill, and providing employee benefits. However, compensation management is not just about money. It is also concerned with that non-financial compensation which provide provides intrinsic or extrinsic motivation (Bob,2011).

Stretching this further Armstrong (2005) stated that the compensation management is an integral part of human resources management approach to productivity improvement in the organization. It deals with the design, implementation and maintenance of compensation system that are geared to the improvement of organizational, team and individual performance.

Bature (2013) asserts that, compensation is where an organization evaluates the performance of its employees and rewards them accordingly. Armstrong (2005) in his own analysis says 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. Other writers (bob.2011: brown 2003 anyebe 2003) see compensation as being based on a well-articulated philosophy-a set of beliefs and guiding principles that are consistent with the values of the organization which recognizes the fact that if HRM is about investing in human capital from which a reasonable return is required, then it is proper to compensate people differently according to their contribution. This emphasizes the development of the skills and competencies of employees in order to increase the resource-based capability of the organization.

Remuneration does not simply compensate employees for their effort it also has an impact on the recruitment and retention of talented people according to Milkovich and Newman (2001). Workforce (2008) argues that compensation philosophies and Objectives must reflect the overall culture, philosophies and strategic plans of the organization. He posits that there are two basic compensation philosophies, which should be seen as opposite ends of a continuum. At one end of the continuum is the entitlement philosophy, at the other end, the performance-oriented philosophy.

Compensation implies having a compensation structure in which the employees who perform better are paid more than the average performing employees (pearce, 2010). Compensation management is concerned with the formulation and implementation of strategies and policies that aim to compensate people fairly, equitably and consistently in accordance with their value to the organization (Armstrong, 2005). The task in compensation administration is to develop policies and procedures that will attain maximum return on naira spent in the terms of attracting, satisfying, retaining and perhaps motivating employees (anyebe, 2003).

Robert and angelo (2001) opined that the success or failure of organization hinges on the ability to attract, develop, retain, empower and reward a diverse array of appropriately skilled people and is the key to improved performance hence the enthronement of democratic governance in 1999 brought some civil service reforms and federal civil service commission got vested with horizontal powers by law to manage the workforce of the civil service for greater efficiency. Successive constitutional reviews and civil reforms have catalysed the evolution of the civil service as an institution for spearheading the rapid transformation of the state and ensuring continuity of administration (Nvveke, 2010).

The organizational reward system according to bature (2013) consists of the type of rewards to be offered and their distribution, which includes intrinsic and extrinsic rewards. According to ojo (2006) there are three components of employees' compensation which are (i) the basic pays (ii) the fringe benefits and (iii) performance incentives and bonus. The basic wage is the basic pay inform of salary; fringe benefits are supplementary compensation awarded to employers over and above the basic wage or salary. Such benefit covers a wide range of rewards which provides security, deferred remuneration and various services for employees. The significance of the subject matter, compensation emanate mainly from the fact that it provides income to workers and constitutes an important cost item to the employers, the largest single cost item for many organizations, for the workers, wage provides the means of satisfying their wants and needs.

Harrison and liska (2008) in their study posit that reward is the centre piece of the employment contract after all it is the main reason why people work. This includes all types of rewards, both intrinsic and extrinsic, that are received as a result of employment by the organization, in another study Brown (2003) sees compensation as a return in exchange between their employees and themselves as an entitlement for being an employee of the organization, or as a reward for a job well done. Employees pay does depend solely on the jobs they hold. Instead organizations vary the amount paid according to differences in performance of the individual, group or whole organization as well as differences in employee qualities such as seniority, educational levels and skills (Gerhat & Milkovich, 1992).

2.2.1 Organization

Organization as a word describes the identity of a group of firm. Organization could be an age group within a community, civil society, unions or a business entity. Daft (2007: 10) define organizations "as social entities that are goal directed, designed as deliberately structured and coordinated activity systems and are linked to the external environment." Robbins (2005:4-5) argues that "organization is a consciously coordinated social unit composed of two or more people, and that functions on a relatively continuous basis to achieve a common goal or set of goals". Schermerhom, Hunts & Osbom.(2008: 8). Robbins and DeCenzo (2008: 4) assert that an organization is the arrangement of people in organized form for achieving a desired goal. It could be concluded that organizations are established for the achievement of a certain goal by using people and such organizations include manufacturing and service industries, social clubs, schools, hospitals, military units, but to mention but a few.

2.2.2. Employee Recruitment, Selection and Organizational Performance

Recruitment and selection in any organization is a serious business of the human resources managers. This is because the success of any organization or efficiency in service delivery depends on the quality of its workforce who was recruited into the organization through recruitment and selection exercises (Ezeali & Esiagu, 2010).Recruitment and selection involve getting the best applicant for a job. Recruitment is the process of attracting a sufficient number of individuals with right profile in terms of qualifications, experience, skills and other relevant attributes to indicate their interest in working for the organization (Obikeze and Obi, 2004). Okoh (2005) notes that recruitment procedures that provide a large pool of qualified applicants, paired with a reliable and valid selection regime, will have a substantial influence over the quality and type of skills the employees possess. The aim of recruitment is to ensure that the organizations demand for manpower is met by attracting potential employees is a cost effective and timely manner. Mullins (1999) also points out that the important thing is for some suitable plan used; and that the plan is appropriate to the essential or desired characteristics of the candidate. It is also necessary to comply with all legal requirements relating to employment and equal opportunities, to follow recommended codes of practice and to ensure justice and fair treatment for all applicants. In the views of Bohlander. Snell and Sherman (2001) it is important for managers to understand the objectives, then policies and practices used for selection. In that way, they can be highly involved in the process from the very beginning. Those responsible for making selection decisions should have adequate information's upon which to base their decisions. Robbins (2005) further observes that an organizations human resource policies and practices represent important forces for shaping employee behaviour and attitudes. Then the selection practices would determine who is hired. According to Okoh (2005) the purpose of selection is to identify from those applicants coming forward, the persons most likely to fulfil the requirements of the organization. If properly designed, it will identify competent candidate and accurately match them to the job. The use of the proper selection will increase the probability that the right person will be chosen to fill a slot. When the best people are selected for a job, productivity increases.

2.3 Staff Performance Appraisal Anti Organizational Performance

The process of performance management, according to Campbell and Adebayo (2007), involves a continuous judgement on the behaviour and performance of a staff. It is important that employees know exactly what is expected of them, and the yardstick by which their performance and results will be measured. A formalized and systematic appraisal scheme will enable a regular assessment of the individuals' performance, highlight potential and identified training and development needs. Most importantly, an Effective appraisal scheme can improve the future performance of staff. The appraisal scheme can also form the basis for a review financial reward and planned career progression. Boohene et al (2011) suggest the following steps in conducting the performance appraisal: scheduling, preparing for the review and conducting the review. Scheduling the review involves notifying the employee ten days or two weeks in advance; asking the employee to prepare for the session by reviewing his or her performance, job objectives and development goals; and clearly stating that this will be the formal annual appraisal. Preparing for the review entails reviewing the performance documentation collected throughout the year while concentrating on work patterns that have develop: being prepared to give specific examples of above or below average performance; when performance fall short of expectations, determining what changes need to be made. If performance needs or exceed expectations discussing this and planning how to reinforce it: after the appraisal is written, setting it aside for a few days reviewing it again; and following whatever steps are require by the organizations performance appraisal system. According to Campbell et al (2007), there is a clear strong relation between organizational performance and the attention given to performance management and employee appraisal. The chances of actually achieving the objectives of the organization and considerably improve when all management levels are in line with each other, in addition, this ensure that all organization members know what is important for the organization and what is expected from them. Everybody works under the same clear-structured regime Boohene et al (2011) further point out that, since the assessment and reward criteria are related to strategic objectives of the organization, it means that these human resource tools directly support the organizational strategy.

2.2.4 Employee Compensation Management and Organization Performance

Compensation (reward and benefits) management is concerned with formulation and implementation of strategies and policies, the purposes of which are to reward people fairly, equitably and consistently in accordance with their value to the organization and thus help the organization to achieve its strategic goals. It deals with systems (reward processes, practices and procedures) that aim to meet the needs of both the organization and it stakeholders (Armstrong 2006). He further presents that the philosophy of reward management recognises that if human resource management is about investing in human capital from which a reasonable return is required, then it is proper to compensate people differently, according to their contribution (i.e. the return on investment they generate). Additionally, the philosophy of compensation management also recognises that it must be strategic in the sense that it addresses long-term issues relating to how people should be valued for what they do and for what they achieve. Commenting further, Stup, Hyde and Holden (2005) say that the relationships between organizations level performance and HRM are complex and not always positive and also in some private sector organization compensation and other benefit are usually not commensurate with output. Reward strategies and the processes that are required to implement them have to flow from the business strategies. It is pertinent to say that, employee compensation/reward will be affected by the business and the human resource strategies of the organization, the significance attached to reward matters by top management, and the internal and external environment of the organization. Armstrong (2006) further explains that the external environments includes the level of pay in the labour market and submit the reward system should consist of policies that provide guidelines on approaches to managing rewards; in practices that provide financial and non-financial rewards, and processes concerned with evaluating the relative size of jobs (job evaluation) and assessing individual performance (performance management). A reward/compensation system should also consist of procedures operated in order to see the connection between his/her work and the organizations strategic objective is a driver of positive behaviour. This clarity is achieved by formulating and using personal objective derived from strategy. Finally, Waal (2007) is of the opinion that the implementation of personal objectives, personal target and clear assessment criteria linked with a flexible reward structure, can lead to a positive cultural change. The commitment of employees to achieve the objectives of the organization increases. Standards of what is good and what is wrong also become clear and consistent with each other. These ultimately lead to greater productivity and improved performance.

2.2.5 Training and Development and Organizational Performance

Training and development constitute subsystem within the broad spectrum personnel function. Human resource is the most dynamic of all resources of any organization; therefore, considerable attention must be given to human development in the organization. Training implies preparation for an occupation or specific skills; it is job- oriented rather personal. While development implies a broader view of knowledge and skills acquisition than training, it is less than career-oriented; it is concerned more with employee potential than with immediate skill; it sees employees as adaptable resources (Cole, 2005; Okoh, 2005). Training, according to Armstrong (2006) is the use of systematic and planned instruction and activities to promote learning. It involves the use of former processes to impart knowledge and help people acquire the skills necessary to perform their jobs satisfactorily. The focus of training is on practical skills and it’s concerned with applying and implementing techniques and processes. Therefore, training is investing in people to enable them to perform well and empower them to make the best use of their natural abilities. Onyemesim (2008) is of the view that training is a process that develops and improves skills related to performance. The objectives of training as identified by Armstrong are to develop the skills and competencies of employees to improve their performance; to help people grow within the organization in other for the organization to meet its future human resource needs; to reduce the learning time for employees and appointment, transfer of promotion, and ensure that they become fully competent. According to Akpan (2009) development is the process whereby an employee is enable to grow on the job, through acquisition of wide experience, breadth and increasing confidence resulting from the exercise of varied and tested responsibilities. Development means learning that is not necessarily related to the employees' current job. Instead, development prepares employees for other positions in the organization and increases the ability to move into jobs that may not yet exist. Development may also help employees prepare for changes in their current jobs, such as changes resulting from new technology, work designs or customers. Development therefore is about preparing for change in the form of new jobs, new responsibilities, or new requirement. Employee development is a necessary effort of a company to improve quality and to meet the challenges of global completion and social change (Noe, Hollenbeck, Gerhart & wright 2004). Lundy and Cowding (2004) observe that there is no all-embracing concept that brings together the processes of education, learning, training and development. However, it must be clear that they are inextricably linked. They share many common principles, e.g, learning theories, assessment and evaluation, and design of programmes, and so there is no need for synthesis. They further insist that each individual matures over a life time and that development is the process, which can enable employees to reach MI potential. Development is therefore, for the most part, long-term in focus. Education contributes to each individual by facilitating the attainment of mental powers, character and socialization as well as specific knowledge and skills. Huselid (1995), Osbionebo (2007) notes that providing formal and informal training experiences, such as basic skill training on-the-job experiences, coaching, mentoring and management development and further influence employees development and hence, there performance. Training, when well done, increases productivity, there will be reduction in accidents on the job and in the end profit of the organization will increase. Dessler (2003) sums up how training and development influences performance by arguing that developing human capital through continual training may increase the productive output from each employee either through improvement in skill level or through improvement in moral and job satisfaction.

2.2.6 Compensation Management

Various definitions have been given on compensation. Literarily, compensation is a form of reward given as a result of a job that has been done or effort put to achieve a set goal and as such these serve as a motivational factor that encourages an individual to put more energy or commitment into his or her job (Armache, 2012; Ederer and Manso, 2013; Qureshi, 2013), in most organizations, the main aim of organization is to motivate the behaviour of the employee in a particular way. Hence, an organization not only desires to motivate employees to stay within the organization, but reinforces employees performance through adequate and encouraging compensation. The three major elements in motivation have been stated as that: which is important to a person, offering it as an exchange, and desired behaviour (Milkovich & Newman, 1999, Riddell, 2011. Shaw, 2014). Hills et al. (1994:11) on one hand define compensation as the total sum of wage and salary, employee benefits, non-recurring financial rewards and non-pecuniary rewards. While Milkovich et al,(2011:10) on the other hand define compensation as all forms of financial returns on tangible services and benefit employees receive as part of an employment relationship. Martocchio (2004:2) argues that compensation represent both the intrinsic and extrinsic rewards employees receive for performing their jobs. Intrinsic compensation reflects employees psychological mind sets that result from performing their jobs. whilst extrinsic compensation includes both monetary and non-monetary rewards.

Worldatwork (2007:7) is of the view that compensation is a “provided by an employer to an employee for services rendered (that is. Time, effort, and skill). It includes both fixed and variable pay tied to levels of performance” where as Carrell (1998: 370) states that “compensation is what employees receive in exchange for their contribution to the organization”. It is notably therefore that compensation is tied to performance. Compensation or reward management aims at the formulation and implementation of strategies and policies that are aimed at rewarding people fairly, equitably and consistently in accordance with their value to the organization (Brauns, 2013; Karami, Dolatabadi & Rajaeepour, 2013; Pingle, 2014). It deals with the design, implementation and maintenance of reward practices that are geared towards the improvement of organizational, team, and individual performance (Dauda. 2010; Abolade. 2012).

Compensation management is an integral part of a human resource management approach to managing people, and as such it supports the achievement of the business strategy and is concerned with developing a positive employment relationship and psychological contract, to address longer term issues relating to how people should be valued for what they do and what they achieve (Sisson. 2010; Musenze, Thomas, Stella & Muhammad, 2013). It embraces both financial and non-financial rewards, and thus all these need to be taken into account and integrated in other to maximize the effectiveness of reward policies and practices (Armstrong, 2003).

Compensation management connotes putting in place a fair compensation structure where employees are rewarded for their efforts (Hewitt, 2009). This serves as a source of encouragement to top and great performers to put in more effort and work harder so that jointly they may help in building a robust and highly competitive atmosphere in the organization (Hewitt, 2009).

2.2.7 Objectives of Compensation Management

The main objectives of the compensation function are to create a system of rewards that is equitable and acceptable to both parties in employment relationship.

The resultant outcome of compensation is an employee who is attracted to the work and motivated to do a good job for the employer. Ivancevich (2004:298) and nickels et al (1999: 331) highlight the objectives of compensation as follows:

1. Attract: attracting the right kind of people in terms of qualification and experience as required by the organization and insufficient numbers.

2. Equitable: each person should be treated fairly as regards the amount paid in line3 with his or her effort, abilities, skills and training acquired.

3. Balanced: pay, benefits and other rewards should provide a reasonable total reward package.

4. Security: providing employees with some sense of financial security through insurance and retirement scheme.

5. Cost effective: the pay should not be excessive, considering what the organization can afford to pay.

6. Incentive-providing: the pay should provide incentives that will motivate effectively, efficiently and productively at work.

7. Retention: the pay should be able to keep valued employees from leaving and going to competitors or starting competitive firms.

8. Competitive position: the pay should maintain a competitive advantage in the market place by keeping cost low through high productivity from a satisfied workforce.

2.3 Employees Motivation

The word motivation means different things to different people and it was coined out of a Latin word “movere” which means to move or change a thing (Adeoye, 2001). Mathauer and Imhoff (2006: 3) define “motivation as the willingness to exert and maintain an effort towards organizational goals”. Adeoye (2001 :46) argues that “motivation is an inducement to arouse the interest of an employee to achieve a set up goal of an organization”. Alstrom & Bruton (2010: 200) are of the view that motivation is “ the driving force behind an individual’s actions that energizes and direct goal-oriented behaviour” Malik (2010) assert that motivation is always viewed as making somebody to take action execute with the prompt that he/she wants to do it. The assumption before was that motivation must have to be from outside but the perception now is that motivation arises because of several different forces or reasons.

According to Malik (2010) motivation is an assignment that must be taken by managers to get the best result from their subordinates. This covers possession of communication skills, leading by example, which is like mentoring the junior ones, in facing difficult challenges. It is also to serve as encouragement, given necessary feedback, and to be involved, delegate, educate, train and develop the subordinate, towards being properly informed, and to brief and provide adequate and just remuneration. Malik (2010) concluded by defining motivation " as an inner force that drives individuals to accomplish personal and organizational goals". Itis further argued by Malik (2010), Abdullah and Islam (2012) and Cong, Van and Huu (2013) that individuals have problems enunciating in a consistent manner what they are particularly good at in a job. Hence, most employers of labour conscientiously ignored what the individuals are saying as regards what they want. Rather they tell the employees what they are expecting from them, based on what the managers understand about the workers need at any particular period or circumstance.

Most often, the employer's decisions have been anchored on Maslow's hierarchical needs including the factor of proficiency (Islam and Ahmed. 2014). As a person grows with an organization, Maslow's findings suggest that one of the key factors that motivate employees to higher productivity includes living in a safe area as well as receiving good pay (O' Connor & Yballe, 2007).

Maslow also made some recommendations to the effect that reward structures should include job enlargement, job enrichment, promotions monetary and non-monetary compensation (Brevis & Vrba, 2014). Kulkarni (2011) argues that motivating an employee is always a challenge to the employer of labour. It is argued knowing the level of dedication and commitment of an employee to the organization, division or thing, depends largely on the individual involved. However, the relationship between motivation and job or organizational performance and job satisfaction cannot be underestimated.

Kulkarni (2011) asserts that motivation is an attempt to operate organizational conditions, which gingers the employees's emotion into an action that makes him or her work towards the attainment of organizational goals. The main objective of motivation is to fashion out conditions upon which people have the willingness and conviction to work with zeal, initiative, interest and eagerness to work without being monitored or supervised (Hewitt, 2009; Wininger & Norman, 2010). In this regard, motivation is geared towards achieving good morale, satisfaction with a sense of responsibility, loyalty, discipline, and pride with total confidence in such a consistent manner so that the goals of the organizationvor firm are realizeable in an efficient and effective way (Bob 2011).

In the study titled “revisiting Maslow the “IT” way-a-case study”. Kulkarni (2011) reveals that the safety and social needs which are part of the need levels identified by Maslow are more important to the employees of the IT industry in India than the esteemed and self-actualization needs. These was corroborated by the work of Mawoli & Babandako (2011) that the academy staffs of total pic are highly motivated and contented with the working environment, which is about the safety nature of their job.

Zivkovi (2013), in his work on management of occupational safety by motivating employees to work safely, while quoting from Mawoli & Babandako (2011) defines “motivation as a psychological process that causes the arousal, direction, intensity and persistence of behaviour. The potency of motivation in the physical working environment has great value in performance of employees (Iguisi, 2009, Zivkovi, 2013), in motivating for occupational safety, it is of great necessity for the employees to use safety measures in their positions, and those measures must be current, sufficient and adequate to avert danger and harm (Zickovi, 2010). Furthermore, one of the essential factors for applying occupational safety measures as workers” motivation for this particular area is to reduce occupational accident, which is the motivation for constant respect of the right and responsibilities they have in the area of safety (Todorovi & Zickovi, 2010). Employees’ motivation is just a segment in human resource management development strategy (Ukandu & Ukpere, 2011).

2.3.1 Types of Motivation

Financial motivation: financial motivation is said to be direct or indirect. Direct financial motivation comprises the pay an employee receives in the form of wages, salaries, bonuses or commission while indirect financial motivation consist of all financial motivation or rewards that not included in direct financial motivation such as vacation, child care or elder care, and various kinds of insurance (Invancevich. 2004:298).

Non-financial motivation: non-finanancial motivation is a kind of motivation that does not involve monetary terms like praise, responsibility self-esteem and recognition which affects the motivation and productivity of an employee (Invancevich. 2004:298). It is not enough to motivate workers with money alone but could be combined with non monetary incentives such as recognition to enhance greater productivity (Willis-Shattuck, Bidwel, Thomas, Wyness, Blaauw & Ditnopo. 2008: Mattson, Torbiom and Hellgren, 2014).

Similarly, Chandler, Chonya. Mtei. Reybum and Whitty (2009) opine that social status expectation', working environment and relationships between different cadres at workplace as non-financial motivators go a long way to ginger workers toward higher performance.

Intrinsic motivation: this simply means doing an activity for the sake of doing that activity which denotes that the activity is interesting, engaging and brings satisfaction. For instance, the acceptability of internet-based learning medium by students is basically based on perceived enjoyment for their intension to use the new learning medium (Lee, Cheung & Chen, 2005). These could also be engaged in the Nigerian insurance industry to boost the performance of their employees by sending them on computer training. In the same vein, intrinsic motivation could be derived through knowledge sharing. Employees get fulfilled by enhancing their knowledge self-efficacy or assurance in their effort by providing useful knowledge to the firm to broaden the performance of the firm as well as their own performance (Lin, 2007; Cruz, Peruz & Cantero, 2009).

Extrinsic motivation: extrinsic motivation is a means to satisfy indirect means or something given by someone else as recognition for good work done, for example, pay Increases, praise and promotion. These are motivation that is anchored on the achievement of a desired goal or some other kind of external remuneration such as money or awards (Walker, Greene & Mansell. 2006). Lin (2007) was of the opinion that extrinsic motivation centres on the goal-driven reasons such as recompenses or remunerations gotten when executing a duty. He submitted that the combination of both intrinsic and extrinsic motivation affects individual intentions concerning an activity as well as their real attitude. This view was supported by the study done by Kim, Shim and Aim (2011) that extrinsic motivation deals with behaviour that are engage in response to activities that is apart from its own sake, such as payment or recognition or the dictates of other people. This is relevant to this study in the sense that without teamwork, the expected performance may not be achieved.

2.3.2 What Motivates or Energizes Employees

Notably, human resources is the greatest asset that any organization can have to achieve the goals and objective of the organization as well as enjoying competitive advantage in the industry in which the organization is operating. To accomplish this, there is a need for motivation, hence, "managers must motivate employees and understand how to get the best from the employees everyday of the week. Motivation is the world's best management principle, it is in light of this that understanding what motivates the employees, getting creative with rewards, and recognition as well as putting together a system of low-cost rewards is crucial (Nelson & Economy, 2005:59).

Nelson & Economy (2005:62-66). Argue that managers should not believe that the on;ly thing that their employees want is money but suggest that managers can develop and maintain motivated, energized employees with little or no cost. This according to Nelson & Economy,(2005) is a function of how employees are treated on a daily basis. They argue that manager can do the following to energize the employees.

Praise: This is a form of saying thank you to the employees by their manager not verbally alone but through writing e-mail, and short message services (SMS). It is contended that taking time to say you recognize them, makes the employees to do more than they would normally do (Corpus & Lepper, 2007; Grant & Gino, 2010; Mumm & Mutlu, 2011). **Support and involvement:** Managers should support their employees by providing them with needed information regarding their job and allow them to be involved in decision-making processes, by seeking their opinion and ideas in respect of the job they do and equally support them when they make mistakes in the course of carrying out their daily or routine duties (Marinak & Gambrell, 2008; Prebensen, Woo, Chen & Uysal, 2012).

Autonomy and authority: In most cases, employees are of the view that they should be allowed to do their job in the best way they could, that is, making them to do their duties independently and allow them to have authority over the job by giving them a choice of assignment whenever it is possible. They should be given opportunities of having autonomy and authority to get their job done and the ability to spend or allocate resources, thus making decisions and manage others (Joao, Calheiros & Barata, 2012; Cooman, Stynen, Van den Broeck, Sels & De Witte, 2013).

Flexible working hours: Time is a precious thing to the employees and it is the new money for today's employees who expect work to be integrated into their life and not to consume their entire lives. It is the employees desire to have more time with their families; managers should be sensitive to the free time of their employees irrespective of how it is being spent, for example, with their families, church activities, leisure and so on. Thus, managers should be more flexible in using time (McNall, Masuda & Nicklin, 2010; Van den Broeck, De Witte, Vansteenkiste, Germeys & Schaufeli, 2011).

Learning and development: Employees cherish the opportunities in which they can acquire new knowledge and skills that broaden their horizon regarding the job and that enhances their worth and marketability in their current job as well as future positions. Thus, managers should support employees to learn new ideas, skills and acquire more knowledge relating to their job by discussing career options with them (Egan, Yan & Bartlett, 2004; Tabassi & Abubakar, 2009; De Rljdt, Stes, Van der Vleuten & Dochy, 2013; Hung, Lai & Chang, 2011).

Manager availability and time: It is recommended that managers spend more time with their employees out of their busy schedules as this adds value to the employees and inspire them to do more. This then serves as a practical purposes of learning and communication, answering questions, discussing possibilities, or just listening to an employee's ideas, concerns and opinions (Codings & Mellahi, 2009; Jacobsen, Hvitved & Andersen 2013). Malik (2010) argues that there are other factors that neither financial nor monetary in nature that motivates employees to do their best in terms of achieving the set goals of the organization.

These motivational factors are rated according to the level of their importance to the employees of the university where the research was conducted. These motivational factors are living in a safe area, good salary, promotion and growth within the organization, interesting work, conducive working condition cum environment, sympathetic help with personal problems, appreciation of work done and finally, personal loyalty to employees which is also known as organizational commitment (Abdullah & Islam, 2012; Fagley & Alder, 2012). Gupta & Tayal (2013) through their empirical work on the impact and competing forces of motivational factors at workplace established that the desire for position, power, and security were highly ranked factors that motivate male workers to produce more. On the other hand, for the female sets, the need for security, achievement, working conditions and appreciated by management were the motivating factors for them

2.4 Organizational Performance

Organizational performance is a paramount theme to the business owners either it is a manufacturing or sendee rendering organizations as in the case of this study dealing with insurance services. The necessity of getting to know the well being of an organization in terms of performance is evident today in the global markets. This is done to attract future investment, increase the share value and attract high calibre employees within the competitive environment (kagioglou et al, 2001: 86; Katou &Budhwar, 2006). Traditionally, OP has been looked into through the financial educators alone and these are the subject of interest to the owners of the business and such include return on investment (ROI), earnings per share (EPS) earnings before tax (EBT), sales or revenue, profit.

Kohlbacher & Graenwald (2011) carried out an empirical study on firm performance in Austrian corporations operating in the metal and machinery industry by interviewing 152 organizations. They use two construct namely process performance measurement and the process owner role. They found that improvement on firm performance can be achieved through both concepts. Similarly, Vuksi, Batch & Popovi (2013) opined that firm performance can be strengthened through business process management and business intelligence systems. They conclude that there is no strong commitment to adopt both systems to accomplish greater performance management. In the Nigerian context, this has been lacking. In the private sector which is the focus of this study, business owners are only interested in how much that comes in and not minding how the firm performs (Odusami, Iyaba & Omirin, 2003; Ehikioya, 2009). This has been the bane of most private businesses in Nigeria. Firm performance is an issue that emerges from the layout and execution of the human resource management policy for an organization. The essence of an investment by any firm is to improve skills, knowledge and employees capacity with an expectation that the employees will increase productivity in the future (Shieh, 2008; Huang and Lien, 2012).

2.5 Relationship between Compensation Management, Motivation and Organizational Performance

There is congruence between compensation management, motivation and organizational performance that are the three major construct of this study. This is to say that the three variables are highly related. Stringer, Didham & Theivananthampillai (2011). In their study about motivation, pay satisfaction and job satisfaction at the retailer that use a pay-for-performance plan for front line employees in Australasia found that motivation is positively related to pay satisfaction which in turn enhances the outcome 0f the organization. It was further stressed that the qualitative insights shows a degree of importance of pay fairness through the comparisons made with others by the respondents. The respondents shared the belief that what they are receiving does not compliment their effort.

Similarly, Ghazanfar, Chuanmin, Khan & Bashir (2011) found through their study conducted on managerial cadre employees of the sales departments for the cellular service providers in Lahore, Pakistan that there is a strong rapport between compensation and work motivation that leads to satisfaction on the job which in turn has a bear on the performance of the organization. Likewise, there is strong linkage that exists between compensation management and motivation of employees.This asserted by Khan and Mufti (2017) through their research on effect of compensation on motivation of employees. In public and private banks of Peshawar (Bank of Kliyber Ltd And United Bank Limited). It was revealed that employees are not motivated because of their skills nor when they are informed that they would be rewarded rather they are motivated if the reward is on something they value. This also is having a significant impact on organizational performance. Armache (2012) studied the effect of compensation and other motivational techniques on organizational productivity and found that there is a corollary effect on organizational performance when employees are well compensated and highly motivated. Ude and Coker (2012) found that incentive schemes impact highly on employee's motivation and productivity in both the organized private sector and public sector organizations in Nigeria.

2.6 Effect of Compensation Strategy on Corporate Performance

Evidence from Nigerian firms theories of compensation generally assume that higher performance requires greater effort or that that it is in some other way associated with disutility on the part of workers. In other to provide incentives, these theories predict the existence of reward systems that structure compensation so that a worker's expected utility increases with observed productivity. These rewards can take many different forms, including praise from superiors and co-workers, implicit promises of future promotion opportunities, feelings of self-esteem that come from superior achievement and recognition, and current and future cash rewards related to performance. Analysts, while recognising that non-monetary rewards for performance can be important, tend to focus on monetary rewards because individuals are willing to substitute non-monetary or monetary rewards and because money represents a generalized claim on resources and are therefore in general preferred over an equal dollar-value payment in kind. Evidence from research on compensation plans indicates that explicit financial rewards in the form of transitory performance-based bonuses seldom account for an important part of a worker's compensation. Medoff & Abraham (1980), who examine the pay of managerial and professional employees in two large manufacturing firms, find little differences in earnings resulting from superior performance. Lawler (1971, p. 158) cites six separate studies of the relationship between pay and performance, and finds that Their evidence that pay is not closely related to performance in many organizations that claims to have merit increase salary systems.

The studies suggest that many business organizations do not do a very good job of tying pay to performance. This conclusion is rather surprising in light of many companies very frequent claims that their pay systems are based on merit. It is particularly surprising that pay does not seem to be related to performance at the managerial level. Thus, the Medoff and Abraham evidence seems to be indicative of general performance measurement and compensation systems, and we have no thorough understanding of the forces responsible for these practices. The potential benefit of tying pay to performance are obvious, and it is surprising to researchers firms apparently resist introducing bonus-based compensation plans with enough financial “action” to have a major motivational effect. One explanation for the lack of pay-for-performance plans, offered primarily by psychologists and behaviourists, is that monetary rewards are counter-productive.

Deci (1972) argues that money actually lowers employee motivation, by reduce tie “rewards” that an employee receives from the job, similarly, Slater (1980) concludes that “getting people to chase money produces nothing but people chasing money. Using money as a motivator leads to a progressive degradation in the quality of everything produced.” Kohn (1988) in his article “incentives can be bad for business.” Offers three reasons why merit-pay systems are counterproductive. “First, rewards encourage people to focus narrowly on a task, to do it as quickly as possible, and to take few risk, second, extrinsic rewards can erode intrinsic interest finally, people come to see themselves as being controlled by a reward.” A second group of merit-pay critics argued that, while financial incentives schemes improve productivity in principle; in practice they induce significant adverse side effects that are costly to employee morale and productivity. The cost of dealing with many of the problems induced by merit systems simply outweighs the limited organizational benefit they offer. Among the side effect often mentioned are horizontal equity concerns, and problems associated with imperfect performance measurement.

Hamner (1975) in his article “flow to ruin motivation with pay” argues that merit systems decrease motivation because managers systematically mismanage pay-for-performance programs. Personnel executives often espouse the virtues of horizontal equity systems, which treat at the same level in an organization “fairly” and “equally.” Aggressively pay-for-performance systems ultimately involve distinguishing workers on the basis of their performance, and there is a large behavioural literature arguing that treating employees differently from each other is detrimental to employee morale. The notion is that a worker will “feel badly” if in co-worker get a bigger bonus, and the net effect of this inequity is to reduce morale and ultimately productivity. It is difficult to provide an economic explanation for why horizontal equity is desirable, and yet it seems to be a powerful force that drives firms towards consistency of pay within job type, and even across job type when employees are viewed as being of comparable worth. Pay scales throughout much corporate America are determined by “job evaluation systems.” Which “stem from the need to establish internal pay equity” (Risher 1978, p. 24)

Such plan set wage levels by conducting surveys within and across organizations to assess the “value of a job” according to a set of criteria such as amount of training and education required, the total budget involved, the number of people supervised, and the amount of “independent decision-making” the job entails. Traditional economic analyst however would indicate these variables are important only to the extent that the affect the opportunity cost of the relevant quality worker and salary level that determines the optimal turnover rate. We believe that careful examination of the criticisms of monetary pay-for-performance systems indicates not that they are too effective: strong pay-for-performance motivates people to do exactly what they are told to do. Large monetary incentives generate unintended and sometimes counter-productive results because it is difficult to adequately specify exactly what people should do and therefore how their performance should be measured. Moreover, merit-pay systems encourage employees to spend effort lobbying about both the specification and application of the system to measure and evaluate output. Compensations are also tied to job levels in the firm and not to individuals; most of the average increases in an employee's compensation can be traced to and not to continue service in a particular position. Medoff & Abraham (1980), for example, find that between-job-level earnings differentials are more important than within-job-level differentials.

Promotions in organizations serve two important and distinct purposes. First, individuals differ in their skills and abilities, jobs, differ in the demands they place on individuals to the jobs for which they're best suited. This matching process occurs over time through promotions as employees accumulate human capital and as more information is generated and collected about the employee's talents and capabilities. A second role of promotions is to provide incentives for lower level employees who value the pay and prestige associated with a higher rank in the organization. Promotions are used as the primary incentive device in most organizations, including corporations, partnerships, and university.

The empirical importance of promotion-based incentives, combined with the virtual absence of pay-for-performance compensation policies, suggests that providing incentives through promotion opportunities must be less costly or more effective than providing incentives through transitory financial bonuses. This prediction is puzzling to us because promotion-based incentive schemes appear to have many disadvantages and few advantages relative to bonus-based incentive schemes. The incentives generated by promotion opportunities, for example, depend on the probability of promotion which in turn depends on the identity and expected horizon of the incumbent superior. Promoting a young employee with a long expected horizon in the job commonly diminishes the incentives of the employee former co-workers who now expect to wait a long time until their next promotion opportunity. Promotion incentives are reduced for employees who have been passed up for promotion previously and whose future promotion potential is doubtful, and incentives will be absent for employees who clearly fall short of the promotion standard or who cannot conceivably win a promotion. In addition, promotion possibilities provide no incentives for anyone to exceed the standard or to substantially outperform his or her co-workers.

Another important problem with promotion-based reward systems in that they require organizational growth to feed the reward system. This means such systems can work well in rapidly growing firms, but are likely to generate problems in slowly growing or shrinking firms. Jensen (1986a; 1986b) argues that, in slowly growing firms will free cash flow, promotion-based reward systems encourage managers to spend resources on unprofitable growth rather than paying out excess cash to shareholders. Bonus-based incentives, transitory in the sense that this year's bonus depends on this year's performance, do not have the problems associated with promotion-based incentives. Bonus schemes can, in principal, provide incentives for all individuals in the organization, regardless of their ability, position, and promotion opportunities.

2.7 Employee Retention and Employee Satisfaction

Employee satisfaction is a complex and multifaceted concept, which can mean different things to different people. It is more of an attitude, in internal state. It could b e associated with a personal feeling of achievement, either quantitative or qualitative. He examines employee satisfaction (1) feeling of achievement in terms of the fit between what the organization requires and what the employee is seeking and (2) in terms of the fir between what employees is seeking and what he /she is actually receiving. He emphasized that the level of employee satisfaction is affected by a wide range of variables relating to (1) individual (i.e.personality, education, intelligence and abilities, age, marital status and orientation to work); (2) social factors (i.e. relationship with co-workers, group working and norms and opportunity for interaction); (3) cultural factors (i.e. attitudes, beliefs and values); (4) organizational factors (i.e. nature and size, formal structure, personnel policies and procedures, employee relations, nature of the work, supervision and styles of leadership, management systems and working conditions); and (5) environmental factors (i.e. economic, social, technical and governmental influences).

Employee satisfaction is defined as a result of a psychological comparison process of the extent to which various aspects of their pay (e.g. salaries, benefits and incentives) measure up to what they desire. Thus, the larger the gap between what employees have and what they want from their jobs, the less satisfied they are; employees tend to be most satisfied with their jobs when they are expecting matches with what they actually collect. An employee's overall satisfaction is the cumulative result of the comparison that she makes between what her job provides and what she desires in various areas. The fact that perceived importance makes such a big difference in how employees feel also has implications for management, listed factors that contribute to employees satisfaction as; adequate salary, good working conditions, parental management, job security, recognition, opportunity for growth, positive and supportive environment cum supportive organizational culture, training opportunities and adequate health care, friendly nature of co-workers and colleagues responsibility and cordial relationship between the superior and the subordinates. Therefore, we can conclude that employee satisfaction is a person's evaluation of his or her job and work context. Compensations plays a number of key roles in organizations including signalling employee worth, attracting potential job incumbent, and retaining existing employees. A major and perhaps the most notable among organizational retention initiatives in his compensation. Numerous studies have addressed the impact of employee compensation, rewards and recognition on satisfaction and retention. It has been noted that an effective human resource plans includes adjustment of salaries paid to existing employees to make them comparable to those paid to their counterparts in the same industry. This they say, make work more satisfying and make them understand the advantages of working for their current company compared with moving elsewhere. Several research studies found that highly competitive compensation systems promote employee commitment and thus result in the attraction and retention of a superior workforce. The study further noted that employees will remain with an organization as long as it serves their self-interest to do so better than their alternatives available to them elsewhere.

2.8 Theoretical Framework

This study has a base on the vroom's expectancy theory of motivation which states that performance can be thought of a multiplicative function of motivation and ability, example P= (M X A). Motivation in turn varies with the valence (V) or attractiveness of outcomes upon the performance for that task; and the instrumentality (I) of performance for attaining the outcome. Vroom is simply saying in precise mathematical language that motivation depends not just on the outcome desired by the worker, but also on the instrumentality of effort, that is relationship perceived by the worker between his and others‘ previous efforts and the desired outcome.

According to Idemobi (2010), the expectancy theory is a process theory developed which basically concentrate on the outcomes. What Vroom explained in his theory is that fact that in other to motivate employees or people the effort put in by the employees, the performance generated and motivation must be linked to one another. According to Vroom employee expectations can affect an individual's motivation. Therefore, the amount of effort employees exerts on a specific task depends on their expectations of the outcome. Vroom contends that employees ask three basic questions committing maximum effort to a task: (1) can I accomplish the task? (2) If I do accomplish it, what's my reward? (3) Is the reward worth the effort? Building on the Vroom model, Ejiofor (2009) identifies four critical variables in workers motivation. They are; the ability of the worker(A), attractiveness of the rewards of working (valence), causal relationship between efforts and rewards (instrumentality) and the existence of infrastructural support (tools). Regarding the effects of these variables on motivation, each of them has a direct relationship with motivation (Ejiofor, 2009). He argued that when holding workers ability, attractiveness of the reward and infrastructural support constant, only an incentive system based strictly on perfect instrumentality can keep worker motivation at optimum. He submits that perfect instrumentality is a missing link in Nigerian organizations.

This study agrees with the research carried out by Ejiofor (2009). That instrumentality is the missing link in the motivation strategies and policies of most Nigerian organization. It is only compensation or reward system based strictly on perfect instrumentality can keep worker motivation at optimum. In other words Vroom basically proposed three variables which in turn were vital to motivate employees. They are basically expectancy, instrumentality and valence. By any chance if employees happen to believe that any one of the three is not available, then Vroom states that the employees are unlikely to be motivated. In other words, as Vroom sees it. It is right to say that in order to motivate the employees all of the above three have to be achieved by the organization. Expectancy theory does note that expectation varies from individual to individual. Employees therefore establish their own view in terms of task difficulty and the value of the reward.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This research describes the research design, sample size as well as instrument of data collected and analysis technique.

3.2 Research design

This survey research method was adopted and used in collecting data for the study. This design is appropriate for an academic research of this sort. The researcher used simple percentage and tabulation for the analysis and for data collection (Descriptive Analysis). The questionnaire will be structured in a close-ended structure. In the close-ended format, the respondents will be given manners of alternatives from which to select options they consider appropriate.

3.3 Population, Sample Size and Sampling Technique

The population of the study covers the employees of small manufacturing businesses in Abuja metropolis, regardless of their official position. Therefore, it means that all staff especially staff in different important office position will be covered, especially the permanent staff.

Simple random sampling was adopted for this study. This was made possible through the availability of employee staff list that was obtained from the human resources department. In all a total of 215 employees on the staff list of small manufacturing businesses in Abuja metropolis were surveyed.

In other to obtain the sample size, the following formula propounded by Yamane Taro; proposition, (Omala, 2014) will be adopted, n=N

$1+N\ (e)^2$

Where:

n =sample size N = population size

e = level of precision or sampling of error (0.05)

Population size = 215 sampling error =0.05 n = 215

$1+215(0.05)^2$=215

1+215(0.0025)

=2151+0.5375 = 2151.5375 = 139.84

Approximately = 140

Therefore, in all. A total of 140 employees were surveyed.

3.4 Method and Resources of Data Collection

The study used structured questionnaire to source data or information from the respondents. The researcher personally collected data from the respondents through the help of the human resource manager. After distribution of the questionnaire, respondents were given (5) days to fill out the questionnaire. This time frame was given in order to give ample time to the respondents to reflect on the items on the questionnaire to facilitate valid response.

The researcher had two sources of data collection in mind, which are the primary and secondary sources. The primary data are those which are collected fresh and also through face to face interview by use of questionnaire. The secondary data, on the other hand, are those which have already been collected by someone else and which have already been passed through the statistical process, it is also collected by the use of journals and documentary materials.

Questionnaire and secondary data are the tools that will be used in this study to obtain desired information

3.5 Method of Data Analysis

The statistical mean scores was used to analyse the five LIKERT point questionnaire while the frequency count and sample, percentage was used in analyzing respondent demography.

The formula for mean is:

Mean (X) 2FX

EF

Where F Frequency

X mean

SF summation

Table 3.1 Decision Rule Table of 5 Scale Point

	SA	A	U	D	SD
Grade point	5	4		7	1
Range	4.5-5.4	3.5-4.4	2.5-3.4	1.5-2.4	0.5-1.4

SA= Strong Agreed
A = Agreed
U= Undecided
D= Disagreed
SD= Strongly Disagreed

The cut-off point is 3.5 as any item about 3.5 is considered agree while below is considered as disagreed.

Decision rule:

The rule state that:

i. Using the likert scale, any point above 3.5 state that employees agrees that remuneration is not based on compensation and reward system that motivate staff performance.
ii. Using the likert scale, any scale below 3.5 states that employees disagreed that remuneration is not based on compensation and reward system that motivate staff performance.

CHAPTER FOUR
DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter presents, analyzes, and interprets data collected from respondents through the questionnaire administered. It also test the formulated hypotheses, provides summary of findings and discussion of findings.

4.2 Data Presentation and Analysis

The data generated is presented using tables. The demographic variables of the respondents involved in the study are presented in five likert tables. The responses to the individual items in the questionnaire were scored in mean and presented along the research questions in the study, in the course of scoring the items, the magnitude of the respondent's responses to the options in the five-point likert scale was used to determine the direction of the respondent's opinion. out of the 140 questionnaire distributed 80 were returned.

Table 4.1: Sex Distribution of the Respondents

Sex	frequency	Percentage
Male	54	67.5%
Female	26	32.5%
Total	80	100%

Source: field work 2019

Table 4.1 shows the sex distribution of the respondent to this end. 67.5% of the respondents are male while the remaining 32.5% are female this shows that they are more male respondents than female respondents.

Table 4.2: **Respondents Marital Status**

Variable	Frequency	Percentage
Single	32	40%
Married	48	60%
Widow	-	-
Total	80	100%

Source: field work, 2019

Table 4.2 shows the marital status of the respondents. The analysis indicates that 40% of the respondents are single while 60% are married. This implies that there are more singles than married person in the sampled respondents.

Table 4.3 **Respondents age Range**

Variable	Frequency	Percentage
18-28	15	18.7%
29-39	40	50%
40-50	10	12.5%
51-60	5	6%
60 and above	10	12.5%
Total	80	100%

Source: field work, 2019

Table 4.3 shows the respondent age range. To this end. The analysis shows that the 18.7% of the respondents belongs to ages ranging from 18-28. Another set of respondents, representing 50% belong to ages ranging from 29-39 while 12.5% of some respondents belong to ages ranging from 40-50 and 6% of the respondents belong to ages ranging from 51-60 years. Only 12.5% of the respondents from 60 and above in age. The analysis shows that more respondent, representing 50% belong to ages ranging from 29-39 years of age.

Table 4.4 **Respondents Status**

Variables	**Frequency**	**Percentage**
Management	6	7.5%
Senior staff	34	42.5%
Junior staff	26	32.5%
Contract staff	14	17.5%
Total	80	100%

Source: field work, 2019

Table 4.4 shows respondents qualification. The analysis indicate that 7.5% of the respondents are among the management team while some other respondents, representing 42.5% comprises of senior staff and other 32.5% of the respondents comprise of some of the junior staff and the remaining 17.5% make up the contract staff. These imply that there are more senior staff represented in the survey.

4.5 Test of the Hypotheses One (Ho1): There is no prompt compensation to employees in the organization.

Table 4.5: benefit of prompt compensation to employees in the organization

S/ N	Variable	SA	A	U	D	SD	Total	Mean score	remark
1	Salaries are paid promptly in your organization.	4 X 5 20	2 X 4 8	2 X 3 6	30 X 2 60	42 X 1 42	80 136 80	1.7	disagreed
2	Organization provides job security for its staff.	50	40	90	40	10	230	2.9	Undecided
3	Pay package in your organization increase performance.	0	0	0	68	46	114	1.4	Strongly disagreed
4	Promotion and recognition of staff leads to high productivity.	160	60	39	24	8	291	3.6	Agreed
5	Increment in your package makes you work harder.	250	120	0	0	0	370	4.6	Strongly agreed

Source: field work, 2019

The analysis indicates that variable 4 and 5 had positive mean scores of 3.6 and 4.6 respectively. This implies that the respondents agree that the company remuneration, promotion, recognition and increment plays a vital role in increasing staff performance, but should be based on the compensation package set by management, while the remaining variables also had lower mean scores of 1.4, 2.9 and 1.7. This implies that the respondents totally disagree that the company compensation and remuneration does not improve performance. This imply that the Abuja urban mass do not motivate workers.

4.4 Test of the Hypothesis Two (Ho2): Reward Package does not affect the Performance of an Employee in an Organization.

Table 4.6 Reward Package affects the Performance of an Employee in an Organization**.**

S/N	**Variables**	**SA**	**A**	**U**	**D**	**SD**	**Total**	**Mean score**	**Remark**
6	Staff equity participation scheme induces competitive performance.	150	100	45	20	0	315	3.9	Agreed
7	Your company provides fringe benefits attached to your pay increase productivity.	0	0	0	0	80	80	1.0	Strongly disagreed
8	You will work harder when your expectation are met.	300	80	0	0	0	380	4.8	Strongly agreed
9	Your company pays part of its worker national health insurance scheme premium in order to ensure their good health.	0	0	0	0	0	80	1.0	Strongly disagreed

Source: field work, 2019

Table 4.6 shows the mean scores which shows that Abuja urban mass does not adequately compensate its staff in other to improve workers productivity.

Variable 6 had mean scores of 3.9 this implies that the respondents agree that the adequate corporation and staff equity improve performance. Variable 8 had mean scores of 4.8. This implies that the respondent's strongly agreed that when properly compensated and when expectations are met. It propels performance. Variable 7 and 9 also had lowest mean scores of 1.0 respectively. This implies that the respondents totally disagreed that the company does not give any fringe benefit as well as pay part of its workers national health insurance scheme premium for its workers.

4.5 Test of the Hypothesis Three (Ho3): Conducive Working Environment does not make Employee Committed in Attaining Organizational Goals.

Table 4.7: Conducive Working Environment make Employee Committed in Attaining Organizational Goals.

S/N	**Variables**	**SA**	**A**	**U**	**D**	**SD**	**Total**	**Mean score**	**Remark**
10	Experience, skills, ability and knowledge of a staff contributes to his status, promotion pay structure and productivity.	400	0	0	0	0	400	5.0	Strongly agree
11	Your company promotes it workers to reward performance and long service.	100	60	90	16	7	273	3.4	Undecided
12	Your company gives its workers one day-off duty in a week to enhance workers satisfaction.	0	0	0	0	80	80	1.0	Strongly disagree
13	Your organization provides favourable working condition for its staff.	50	60	105	26	7	248	3.1	Undecided

Source: field work, 2019.

Table 4.7 shows the mean scores on type of non-financial incentives does bullet use to boost workers productivity. To this, variable 10 had mean scores of 5.0 this implies that staff ability and contribution determines their performance and promotion. Variable 11 had mean scores of 3.4 this implies that the staff cannot really say if they are been promoted base on their performance. Variable 12 with a mean score of 1.0 implies that the respondents strongly disagreed that the Company gives its workers one day off-duty in a week to enhance workers satisfaction. Variable 13 with the mean score of 3.1 give an undecided response.

4.6 Test of Hypotheses Four (Ho4): There is no Good Reward and Compensation Policy Channelled towards increasing Organizational Productivity.

Table 4.8: **Extent a Good Reward and Compensation Policy should be channelled towards increasing Organizational Productivity.**

S/N	Variable	SA	A	U	D	SD	Total	Mean score	Remark
14	Your salary is based on grade level and does not put into cognizance workers performance.	205	88	30	14	0	337	4.2	Agreed
15	Your salary is adequate when compared to other transportation company.	160	69	40	0	0	274	3.4	Udecided
16	Your company compensation package does not promote performance.	130	136	30	16	2	314	3.9	Agreed
17	Your company do not carry staff evaluation and performance appraisal when promoting its staff.	300	40	30	0	0	370	4.6	Strongly agreed

Source: field work, 2019.

Table .4.8 displayed shows a favourable mean scores. To this end variable 14 has mean scores of 4.2, this implies that the respondents agreed that salary is based on grade level and does not put into cognizance workers performance. Variable 15 had mean scores of 3.4. This implies that the respondent do not have an idea if salary is adequate when compare to the salaries of transportation companies. Variable 16 had mean scores of 3.9. This implies that the respondent agreed that the company package does not improve nor determine their performances. Variable 17 had mean scores of 4.6. This implies that the respondents strongly agreed that c carryout staff evaluation and performance appraisal when promoting its staff.

4.7 Summary of Findings

The analysis shows the following findings:

i. Compensation and reward package is not based on employee performance but on grade level.
ii. The kind of compensation package given to workers is basically job promotion which is basically on grade level. The non – financial package used to boost workers performance is in-service training,promotion, and off-duty.
iii. The challenges confronting the businesses arise from the inability of the management to design an effective salary scheme and effective management of businesses.
iv. Compensation packages do not improve on staff performance, effectiveness and productivity which have affected the growth of the establishment. The kind of plan that is being used does not promote and improve on staff performances.
v. The mean rating shows that a good promotion and staff reorganization lead to high productivity with this process individual performance will be assessed in order to know who is not meeting the set standard.
vi. The mean rating obviously accept that an increment in staff package contribute to the amount of effort they put into job there is this saying by workers; “i work according to my salaries” therefore; an increase in their package will make them work harder.
vii. The mean rating shows that staff equity participation scheme induces completive performance when there is a kind of promotional competition among staff every one of them will like to come out as the best among all, therefore putting their best efforts.

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

This reward on compensation of any organization play's extremely great role to the organizational productivity, it is the bases of attracting potential applicants, retaining employee, motivating them and facilitate individual contribution to organization objective and the basis of administration pay policies within legal framework an effective reward and compensation system will enhance organization to attract and retain a productive workforce and minimize labour and turnover rate but if the reward and compensation is not effective it will reduce employee's moral, job satisfaction, increase truancy absenteeism and lower job attraction which will reduce labour turnover.

The compensation policy ensures promotion, recognition of employee based on years of services or productivity because it boosts their moral. It is also discovered that the reward policy of any organization increases productivity because they are sure that their effort will be reward but when they fail to participate fully they may not get some of the reward as it is based on performance as the management understand that when employees are expecting reward of their performance tends to work harder.

5.2 Conclusion

Conclusively, the researcher has undergone series of comparative analysis on the study about impact of reward and compensation system on productivity of employees. In spite of the multiple benefits and advantages of compensation management and its impact on employee's performance, it cannot still be said that having compensation management policy is a panacea for success in appraising, and managing employee's performance. It is therefore the duty of all managers to ensure that the use of compensating policy meets employee's expectation in order to have good and effective performance. The first basic requirement for effective and functional performance system is to have a common understanding of the standards of performance required from each job holder, performance required from each job holder and comoensation management should be in relation with organizational goals and objectives.

One of the primary responsibilities of management is to make compensation policy a veritable tool for optimizing the potentials of employees and human resources manager or practitioners should be in the driving seat in ensuring that the system is run in line with the principles of fairness and equity.

5.3 Recommendations

After a careful research on the topic impact of reward and compensation system on the productivity of employees: is valuable to achieve employees: is valuable to achieve employee's loyalty and commitment to the organization therefore, the researcher makes the following recommendations:

1. A good organizational insurance policy developed for all employees especially if word hazard is involved, it will serve as a motivational tool for employee who understand that they are under care.
2. Reward and compensation should always be reviewed in line with economic trend; there should be frequent staff recognition in terms of their individual contribution to the achievement of organizational goals and objectives, either on monthly or quarterly basis this will enhance competitive.
3. Management should be able to identity employee's expectation, promotion and recognition and always reward them based on employees performance and avoid variation rewards offered and the expectation, so that it can serve as motivation for others.
4. Management should incorporate employee's opinion and involve them in the decision making process through effective communication channel.
5. Reward and compensation should be structured to always retain productive workers without necessarily inflating the organization ages and bills.

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APPENDIX

Instruction: please tick the most appropriate options.

Section A: respondent's bio data

Sex: male ( ) female ( )

Marital status: single ( ) married ( ) widow ( )

Age range: 18-28( ) 29-29 ( ) 40-50 ( ) 51-60 ( )

Respondents status: management ( ) senior staff ( ) junior staff ( ) contract staff ( )

Section B: benefit of prompt compensation to employees in the organization

S/N	Variables	SA	A	U	D	SD
1	Salaries are paid promptly in your organization.					
2	Organization provides good job security for its staff.					
3	Pay package in your organization increase performance.					
4	Promotion and recognition of staff lead to high productivity.					
5	Increment in your package makes you work harder.					

Section C: Reward package affect the performance of employees in an organization.

S/N	Variables	SA	A	U	D	SD
6	Staff equity participation scheme induces competitive performance.					
7	Your company provides fringe benefits attached to your pay increase productivity.					
8	You will work harder when your expectation are met.					
9	Your company pays part of its workers national health insurance scheme premium in order to ensure their good health.					

Section D: Conducive working environment make an employee committed in attaining organizational goals.

S/N	Variables	SA	A	U	D	SD
10	Experience, skills ability and knowledge of a staff contribute to his status, promotion pay structure and productivity.					
11	Your company promotes it workers to reward performance and long service.					
12	Your company gives its workers one day off-duty in a week to enhance workers satisfaction.					
13	Your organization provides favourable condition for its staff.					

Section E: Extent a good reward and compensation policy should be channelled toward increasing organizational productivity.

S/N	Variables	SA	A	U	D	SD
14	Your salary is based on grade level and does not put into cognizance workers performance.					
15	Your salary is adequate when compare to the salary of other transportation company.					
16	Your company compensation package does not promote performance.					
17	Your company do not carry staff evaluation and performance appraisal when promoting its staff.					