



Compensation administration and employees job performance in tertiary institutions: A study of Abubakar Tatari Ali polytechnic, Bauchi

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Abstract

This study examined “Compensation Administration and Employees Job Performance in tertiary institutions in Nigeria: A Study of Abubakar Tatari Ali Polytechnic Bauchi”. The objective of the study was to determine the relationship between direct financial compensation, indirect financial compensation and non-financial compensation and employee job performance in Abubakar Tatari Ali Polytechnic Bauchi. Stratified sampling technique was used to select the sample size for the study. Likert five (5) scale interval rating questionnaire was used as the primary instrument for data collection. 315 respondents were selected as the sample size. Data collected was analyzed with the aid of Statistical Package for Social Sciences (SPSS) version 2.0. Simple linear regression was used to test hypotheses formulated in the study. The study found that there is a positive relationship between direct financial compensation, indirect financial compensation and non-financial compensation and employee job performance. The study recommended that management of ATAP Bauchi should develop a system that will ensure that there is a proper salary plan entailing proper pay structure in the institution as this could motivate employees to perform better. The study further recommended that the institution should review the current indirect financial compensation packages to know the level of impact it has on employee job performance and to also improve on their non-monetary rewards to boost performance.

Keywords: Compensation, management, employees’ performance

Introduction

Compensation administration is the process of establishing a structure for all forms of financial and non-financial rewards for the various positions and work done in an organization. It gives information about employees reward system in an organization thus, it is an integral part of human resources management that affects the performance of employees because it establishes the degree of relationship between employer and the employee. For an organization to achieve its stated objectives there is the need to effectively manage their employees by rewarding them appropriately for job done (Ibojo & Asabi, 2014) ^[12]. In today’s competitive labor market, organizations need to fully leverage their human capital to sustain a competitive position. This is in line with the view of (Jamil & Raja, 2011) ^[13] which states that employees’ performance is fundamental component that facilitates organizational growth and sustainability. Compensation is the most significant aspect of motivating employee toward performance. All organizations, regardless of sector, size or industry require motivated workforce that will ensure efficiency, high organizational output and prosperity of the organization.

Employees job performance is vital for the survival and growth of any organization This is in line with the view of (Elmaje & Imran, 2013) ^[9] which stated that employees’ performance plays a crucial role for any organization or company, when it is positive, it can lead to an organization successfully attaining its goals likewise, if it is negative it may lead to failure. It is usually perceived that employees who are rightly motivated with regards to their jobs are

more likely to perform better than those employees who are not properly motivated. Generally, employee performance is influenced by many factors such as an organization’s overall policies, compensation management, working conditions, relations between employee and employer and many more (Aktar, Sachu, & Ali, 2012) ^[2].

Tertiary institutions play a crucial role in the development of a nation’s economy. Education has a direct influence on a society across many levels in terms of growth and development. Hence, tertiary institutions which are research and training ground are expected to attract and retain excellent employees that can be able to optimally perform in terms of enhancing the academic reputation of the institution, contribute to research in the society as well as preparing students to be leaders of tomorrow (Lew, 2009) ^[15]. Management practitioners and researchers over the years have stressed on the importance of employees job performance to an organization in achieving its goals and objectives. There are many literatures on compensation and employees job performance in both the private and public sector around the world (Bulama M, 2019 ^[6]; Ibojo & Asabi, 2014 ^[12]; Larbi, 2014 ^[14]; Odunlami & Mathew, 2014) ^[17], however very few of them have been focused on the job performance of employees in tertiary institutions especially the state polytechnic in relation to compensation packages, administration and how it affects performance. It is against this background that it becomes pertinent to for this study to examine financial and non-financial compensation on the job performance of employees in Abubakar Tatari Ali Polytechnic (ATAP) Bauchi.

Statement of Problem

Compensation is considered as one of the key drivers that motivate employees' performance in an organization. Proper administration as stated by existing literatures shows a positive link between compensation and desired performance. However, the problem remains the effectiveness of these compensation packages on individual employee with regards to improving job performance specifically in Abubakar Tafari Ali Polytechnic (ATAP) Bauchi. This is because what motivates one employee at a given point or level may differ from that of another employee which makes it harder for management of an organization to meet all employees' motivation needs. Generally, money seems to be the basic reason for which employees may choose to work though from existing research on compensation and employees performance money alone is not always enough. Employees have different needs at different level of their career, some have financial goals while others goals are non-financial. Therefore, same incentives cannot apply to all employees as they are all at different stages of their lives and this call for different compensation administrative styles.

Abubakar Tafari Ali polytechnic Bauchi just like any tertiary institution in Nigeria has in place a compensation structure which consist of financial and non-financial packages that aims at motivating its employees' to perform better. The problem is whether these packages and the ways of administration align with the goals and objectives of both the employees and the institution at that particular point in time in such a way that it can influence job performance.

Also there are several studies on compensation and employees job performance in both the private and public sector all over the world (Aktar, *et al*, 2012 ^[2]; Adari & Satyanarayana, 2018 ^[1]; Ibojo & Asabi, 2014)^[12], however, very few has been focused on employees job performance in tertiary institution specifically state owned polytechnics. It is in this regard that this study will cover the aforementioned problem by examining the impact of compensation administration and employees job performance in ATAP Bauchi state of Nigeria.

Statement of Hypotheses

The following null hypotheses are stated and will be tested with the purpose of achieving the objectives of the study;

H₀₁: There is no significant relationship between direct financial compensation (salary) and employees' job performance in ATAP Bauchi

H₀₂: There is no significant relationship between indirect financial compensation (retirement plan, health insurance) and employees' job performance in ATAP Bauchi

H₀₃: There is no significant relationship between non-financial compensation (recognition, flexible schedules, promotion, and training program) and employees' job performance in ATAP Bauchi.

Theoretical Framework and Review of Literature

1. Compensation

Compensation is the monetary and non-monetary rewards given to employees for working in an organization. It can be described as direct and indirect compensation received by employees in an organization that serves to improve performance (Adari & Satyanarayana, 2018) ^[1]. Direct compensation includes wages, salaries, bonuses or

commission. Indirect compensation includes incentives, medical benefits, housing allowance, annual leave allowances and training opportunities. Compensation according to Bature, (2013) ^[4] is that whereby organizations evaluates the performance of its employees and reward them accordingly. Likewise Bulama, M. (2019) ^[6] sees compensation as all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship i.e., compensation comprise of employees wages and salaries, incentive-payments, bonuses, and commissions. Employee compensation contains all forms of pay and rewards received by employees for the performance of their jobs (Milkovich, Newman, & Gerhart, 2013) ^[16]. According to Aktar, Sachu, & Ali, (2012) ^[2] Compensation is the combination of monetary and non-monetary rewards provided to employees for offering their services to an organization. It is given in the shape of wages, salaries and employee benefits like paid vacations, insurance, maternity leave, traveling allowance, retirement benefits, etc. Compensation is a vital part of human resource management, which helps in encouraging the employees and improving organizational effectiveness. From a manager's point of view, the compensation package offered to a company's employees is essential not only because it costs money, but because it is likely to be the primary reason the employees work for the firm (Harunavame & Kanengoni, 2013) ^[11]. A company's compensation scheme also informs a great deal about the firms values and cultures.

2. Compensation Administration

Compensation administration is concerned with the formulation and implementation of strategies and policies that aim at rewarding employees fairly, equitably and consistently in accordance with their values to the organization, (Armstrong M., 2010) ^[3]. It is an integral part of human resource management approach to improving productivity in an organization that deals with the design, implementation and maintenance of a compensation system that is general to the improvement of organizational, team and individual's performance (Larbi, 2014) ^[14]. It is a segment of management that focuses on planning, organizing, and controlling the direct and indirect payments employees receive for the work they perform. According to (Falola, Ibidumi, & Olokundun, 2014) ^[10] the ultimate objectives of compensation administration are efficient maintenance of a productive workforce, equitable pay, and compliance with federal, state, and local government regulations based on what organization can afford. Compensation processes are based on Compensation Philosophies and strategies and contain arrangement in the shape of Policies and strategies, guiding principles, structures and procedures which are devised and managed to provide and maintain appropriate types and levels of pay, benefits and other forms of compensation (Jamil & Raja, 2011) ^[13]. Compensation management implies having a compensation structure in which the employees who perform better are paid more than the average performing employees (Samnari & Singh, 2014) ^[19]. Berber, Morley, Slavic, & Poor, (2017) ^[5] in their study posit that reward is the centre piece of the employment contract-since it is the main reason why most employees work. This includes all types of rewards, both intrinsic and extrinsic, that are received as a result of employment by the organization.

3. Employees Job performance

Different scholar has defined the concept of employee performance from different perspectives. According to Shields, (2006) [20], employee performance is the degree to which employees executes their duties and responsibilities. Performance is the quality and quantity of the achievement of tasks by individuals, groups or organizations (Tahir & Sajjad, 2014) [21]. Employees’ job performance varies across board since it depends on the size, policy and strategy of an organization. As stated by Chen, Wang, & Yang, (2009) [8] performance is concerns with day-to-day or routine operations relevant to an employee duties and responsibilities.

Charbonnier-Voirin & Roussel, (2012) [7] defined performance as the level of an individual’s work achievement after having exerted effort. In similar view point Pradhan & Jena, (2017) [18] believe that performance is an individual phenomenon with environmental variables. Laitinen, (2002) suggests that performance can be defined as the ability of an object to produce results in relation to a target. To identify employees’ job performance some factors must be considered such as, communication, job knowledge, creativity/innovation, technology skills, problem solving, attitude, sense of accountability, and culture fit (Charbonnier-Voirin & Roussel, 2012) [7].

Study Methodology

This study used the quantitative technique to empirically test hypothesis formulated in the study to ascertain the relationship between compensation administration and employees job performance in Abubakar Tatari Ali Polytechnic, Bauchi State. Stratified sampling method was use to determine the sample size of (315) from a population of 1700. The sample size for this study was determined using the (Dillman, 2000) formula. The Likert 5 scale interval rating structured questionnaire was used as the research instrument to collect data from the respondents. Descriptive analyses, such as frequencies, mean, median, and standard deviation, were used to describe the characteristics of the sample of the study. The data gathered was analyzed with the aid of statistical packaged for social science (SPSS). Simple Linear Regression Analysis was use to test hypotheses at 0.05% significance level. Reliability coefficient of Cronbach’s Alpha was used in this study specifically to assess the consistency of the scales used. According to George and Mallory (2003), the closer Cronbach alpha value (α) is to 1, the greater the internal consistency of the item in the scale. Based on the analysis, all the main variables were reliable (employee’s performance) is 0.695; (direct compensation) 0.832; (indirect compensation) is 0.869; and (non-monetary) is 0.837. Therefore, based on the student’s arguments, the internal consistency of items in this study ranged from good to excellent.

Data presentation and Analysis

Regression Analysis

The regression model was operationalized using the following linear form shown as follows:

$$Y = a_0 + \beta_1 X_1 + e$$

Where,

Y = Dependent variable

A = Intercept

X_1 = Independent variable

β_1 = Beta Coefficient

e = Error Term

Effect of Direct Financial Compensation on Employee Job Performance

Table 1 below shows the result for the regression analysis that measures the effect of Direct Financial Compensation on Employee Job Performance. The findings indicate that correlation coefficient (R), between Employee Job Performance and Direct Financial Compensation is .432 which indicates a moderate positive relationship. On the other hand, the R^2 , which is the measure of overall model performance shows reported 0.18. This implies that Direct Financial Compensation explains about 19% change in Employee Job Performance.

Table 1: Model Summary – Employee Job Performance and Direct Financial Compensation

Model	R	R ²	Adjusted R ²
	0.432	0.187	0.184

Table 2 below shows the ANOVA result of the regression model. The ANOVA result indicates whether the regression model is reliable in terms of explaining the variation of the dependent variable accounted by the independent variable. As shown in the table, the regression and residual sum of squares were 68.773 and 299.219 respectively which summed up to a total of 367.992. The p-value reported is less than 0.05 ($F = 71.940$; $\alpha = 0.001$) which indicates that the regression model is statistically significant.

Table 2: ANOVA Employee Job Performance and Direct Financial Compensation

Model	Sum of Squares	df	Mean Square	F	P
Regression	68.773	1	68.773		
Residual	299.219	313	0.956	71.940	< .001
Total	367.992	314			

Effect of Indirect Financial Compensation on Employee Job Performance

In Table 3 below, the result for the regression analysis that measure the effect of Indirect Financial Compensation on Employee Job Performance is presented. The results shows a moderate positive correlation between Employee Job Performance and indirect Financial Compensation ($r = .586$). In addition, the overall model performance (R^2) reported 0.343 which implies that indirect Financial Compensation explains about 34 % change in Employee Job Performance.

Table 3: Model Summary - Employee Job Performance and Indirect Financial Compensation

Model	R	R ²	Adjusted R ²
	0.586	0.343	0.341

In order to further establish the statistical significance of the regression model, Table 4 below shows the ANOVA result. As shown in the table, the regression and residual sum of

squares were 126.397 and 241.595 respectively which summed up to a total of 367.992. The p-value reported is less than 0.05 (F = 163.755; $\alpha = 0.001$) which indicates that the regression model is statistically significant.

Table 4: ANOVA Employee Job Performance and Indirect Financial Compensation

Model		Sum of Squares	df	Mean Square	F	P
H ₀	Regression	126.397	1	126.397		< .001
	Residual	241.595	313	0.772	163.755	
	Total	367.992	314			

Effect of Non-Financial Compensation on Employee Job Performance

The regression result between Non-Financial Compensation and Employee Job Performance is presented in Table 5 below. The result shows a moderate positive correlation between Employee Job Performance and Non-Financial Compensation (r = .420). The R² which measures the overall model performance, returned 0.177. This suggests that Non-Financial Compensation explains about 18% change in Employee Job Performance.

Table 5: Model Summary – Employee Job Performance and Non-Financial Compensation

Model	R	R ²	Adjusted R ²
	0.420	0.177	0.174

Table 6 below shows the ANOVA result. As shown in the table, the regression and residual sum of squares were 65.058 and 302.934 respectively which summed up to a total of 367.992. The p-value reported is less than 0.05 (F = 67.219; $\alpha = 0.001$) which indicates that the regression model is statistically significant.

Table 6: ANOVA Employee Job Performance and Non-Financial Compensation

Model		Sum of Squares	df	Mean Square	F	P
H ₀	Regression	65.058	1	65.058	67.219	< .001
	Residual	302.934	313	0.968		
	Total	367.992	314			

The result of the hypotheses tests is presented in Table 7. As shown in the table, the standardized beta coefficients between Direct Financial Compensation and Employee Job Performance reported ($\beta = 0.432$; t = 8.482; p < .001). This shows the presence of statistically significant relationship between the independent variable (Direct Financial Compensation) and the dependent variable (Employee Job Performance). This implies that the null hypothesis (H₀₁) that states ‘There is no significant relationship between direct financial compensation and employee job performance’ is not supported while the alternate hypothesis (H₁₁) is supported.

Similarly, the result shows that the second null hypothesis (H₀₂) ‘There is no significant relationship between indirect financial compensation and employee job performance’ is not supported since the test result revealed that there is statistically significant relationship between Indirect Financial Compensation and Employee Job Performance ($\beta = 0.586$; t = 12.797; p < .001). This implies that the alternative hypothesis (H₁₂) is supported.

Finally, the third null hypothesis (H₀₃) postulated that ‘There is no significant relationship between non-financial compensation and employee job performance’. However, analysis result revealed that there is statistically significant relationship between Non-Financial Compensation and Employee Job Performance as shown by the statistics ($\beta = 0.420$; t = 8.199; p < .001). Thus, this indicates that the alternative hypothesis (H₁₃) is supported instead.

Table 7: Hypotheses Testing

	Hypotheses	Unstandardized	Standard Error	Standardized	t	p	Decision
H ₀₁	Direct Financial Compensation	0.395	0.047	0.432	8.482	< .001	Not Supported
H ₀₂	Indirect Financial Compensation	0.671	0.052	0.586	12.797	< .001	Not Supported
H ₀₃	Non-Financial Compensation	0.384	0.047	0.420	8.199	< .001	Not Supported

Conclusion and Recommendations

Employees Performance provides the basis for an organization to achieve sustainable competitive advantage. Attracting and retaining competent workforce is a challenging task for every organization. Numerous studies have shown that employee job performance can be improved when employees are motivated to achieve their goals. Based on the findings of this study, it can be summarized that employee compensation package and its administration plays a significant role in employee performance. Therefore, the study recommends that the management of ATAP Bauchi should develop a system with a proper pay structure that is seen as fair by employees that will motivate them to go above and beyond with regards to their jobs. Also, the institution should evaluate the current indirect financial compensation packages in place to enable them know the level of impact these compensation packages have on employee job performance. Furthermore, the study recommends that the management of ATAP Bauchi should

increases their non- monetary rewards such as promotion, recognition, and flexible working hours to motivate employees to perform better.

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