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EVALUATING THE RELATIONSHIP BETWEEN COMPENSATION POLICY AND EMPLOYEE PERFORMANCE IN EKITI STATE'S PUBLIC SECTOR

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Abstract

Compensation is a critical aspect of an employee's relationship with their employer. It refers to the amount of wages and benefits that an employee receives for their services. This study aims to investigate the relationship between compensation and employee performance in Ekiti State. The study's specific objectives are to examine the impact of promotion, salary increases, and recognition on employee performance. A quantitative research design was used, and data was collected using a structured questionnaire from 200 employees in different organizations in Ekiti State. Descriptive statistics and regression analysis were used to analyze the data. The results revealed that promotion has a significant positive impact on employee performance, while salary increases have a moderate positive impact. Recognition was found to have a strong positive impact on employee performance. The study concludes that compensation is a crucial factor in attracting, retaining, and motivating employees. Employers should ensure that their compensation packages are competitive and include non-monetary benefits such as recognition. The study has important implications for both employers and employees in Ekiti State and beyond.

INTRODUCTION

Compensation is the product and benefit that employees receive in the form of wages and other similar benefits such as monetary exchange for their efforts to improve performance (Holt, 1993). Compensation refers to the portion of the transition between the employee and the owner in which the employee signs a contract. As far as employee compensation is concerned, it is a major need. The cash comes from work completed on behalf of those who are hired, one of the most essential aspects of cash flow from the employee's perspective. Compensation is often equivalent to half of a company's cash flow. However, it is more than half in the service sector. It is critical to recruit and encourage employees in order to improve performance (Ivanceikh & Glueck, 1989). It is argued that most people who have higher education are dissatisfied with their professions and their turnover is high; thus,

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firms must devise pay plans to keep personnel. Compensation also plays a role in attracting, retaining, and motivating manpower. Different universities' goals are to make their benefits and compensation packages as appealing as possible (HRM Process BPR term report, June, 2009). Most employees trust in their talents and know that if they do well, their salary will increase. To put it another way, salary and rewards influence employee decision-making to stay with their firms and assume responsibilities (Bandiera, Barankay & Rasul, 2007). Employee training as a component of salary and benefit packages has been shown to improve human resource outcomes, including performance, satisfaction, and productivity, while also recruiting new talent. Employee perceptions on the organization's benefits policy. If an employee's remuneration is linked to their productivity, the quality and amount of work produced will improve (Bandiera, Barankay & Rasul, 2007). Employee voluntary turnover is directly influenced by the compensation offered by the business when compared to the pay offered by competing organizations (Henman et al., 1987). People remain in or quit a firm for a variety of reasons, including job satisfaction, advancement opportunities, and work environment (Mitchall et al., 1993). The major goal is to investigate salary and employee performance in Ekiti State objectively. The study's precise aims are to:
i. examine the impact of promotion on employee performance, ii. Evaluate the impact of salary increases on employee performance, iii. Analyze the extent to which recognition influences employee performance.

LITERATURE REVIEW Concept of Compensation

Compensation is defined as "all forms of financial returns and tangible services and benefits received by employees as part of an employment relationship" (Milkovich & Newman, cited in Abdul, Muhammad, Hafiz, Kashif, Ghazanfar & Muhammad, 2014), which include wages, salaries, incentive payments, bonuses, and commissions. Employee compensation refers to "all sorts of remuneration and awards received by workers in exchange for their work performance" (Snell & Bohlander, 2010). Employee compensation, according to Dessler (2011), includes all types of remuneration or rewards given to employees as a result of their employment, including both direct and indirect cash payments including wages, salaries, incentives, commissions, and bonuses (pay in the form of financial benefits such as insurance).

Compensation is also defined by the Journal of Global Business and Economics (2010) as "the sum of all financial incentives and fringe benefits received by an employee from a corporation, which forms an individual's overall compensation." Compensation, according to Chabra (2001), is a broad variety of financial and non-financial awards offered to employees in exchange for their contributions to the firm. It is paid in the form of wages, salaries, and employee perks such as paid vacations, insurance, maternity leave, free travel, retirement benefits, and so on, according to him. He said that the term "wage" refers to the recompense paid to workers who perform manual or physical labor. As a result, wages are paid to reward unskilled people for their contributions to the organization. Wages can be calculated hourly, daily, weekly, or monthly. Compensation is a reward system that a corporation provides to workers in exchange for their desire to undertake various occupations and duties inside companies, according to DeNisi and Griffin (2001). They went on to say that employees should be given meaningful and proportional compensation so that they feel appreciated and their expectations for exchanging their skills, abilities, and contributions to the firm are realized.

TYPES OF COMPENSATION

Financial and non-financial compensation are the two basic types of compensation. There are two sorts of financial compensation: direct and indirect.

Monetary Compensation

According to Cascio (2003), the goal of the compensation program design is separated into two categories: direct and indirect compensation. Direct compensation refers to a worker's income or salary, whereas indirect compensation refers to the advantages he or she receives as a result of working for a company. Compensation is all about combining the two into a package that will support the fulfillment of an organization's aim (Odunlade, 2012).

Employees get direct financial remuneration in the form of monetary payments in return for their services. Basic wage or salary, bonus, incentives, merit increments, overtime payments, variable compensation, and commission are all examples of these.

Benefits like pensions, insurance, and paid time off are examples of indirect financial compensation. All employees receive these benefits as a result of their affiliation with the company. Employees receive the reward's physical worth rather than cash.

Non-monetary Compensation

Non-monetary compensation refers to an individual's pleasure with the job or the environment in which he or she performs the job. Non-financial remuneration is provided to an employee if the job gives diversity, challenge, responsibility, and the opportunity to form deep connections with coworkers.

EMPLOYEE PERFORMANCE

The term "performance" refers to the degree to which a goal is met as well as a variety of efficiency metrics used in the workplace. In general, data that indicates effectiveness, such as productivity, target achievement levels, customer satisfaction index, and attachment, are used to determine staff performance. Employee performance, according to Putteril and Rohrer (2005), focuses directly on individual productivity by evaluating the number of units of acceptable quality generated by an employee within a certain time period. Employee performance is critical to a company's or organization's success. Employee performance, from the lowest levels of the business to senior management levels, is one of the most successful approaches to boost employee performance and profit. Performance improvement is dependent on strong human resource strategies that succeed in attracting and retaining a committed and motivated staff, in addition to a well-functioning system (Al-Ahmadi, 2009). The criteria of assessment are the elements of performance on which an employee is evaluated (Ivancevich, 2008). According to Opatha (2010), numerous factors are required to correctly evaluate an employee's work performance. According to Mathis and Jackson (2006), managers might obtain three sorts of data or information about how successfully their staff are executing their duties. Trait-based information, behavior-based information, and result-based information are all types of information. Trait-based information, according to Opatha (2010), detects a subjective character of the employee, such as attitude, initiative, or inventiveness. Work performance evaluations based on behavior concentrate on what the job entails (Mathis & Jackson, 2006). The employee's outputs are referred to as results. Employee accomplishment is taken into account in result-based data. A result-based approach works effectively for activities when measurement is simple and apparent (Opatha, 2010).

METHODS OF EMPLOYEE COMPENSATION

Some of the most prevalent types of employee remuneration that have an influence on employee performance, according to Onuorah, Okeke, and Ikechukwu (2019), are as follows:

- **Individual incentives:** Increased performance and productivity are linked to pay incentives. Employees, for example, get paid more when they achieve a specified level of performance. Individual incentives are linked to gains in measurable production, with studies indicating average increases of 30% when incentive schemes are implemented.

- **Merit pay:** When employees do well, they are rewarded with bonuses or other forms of pay. It is the most popular strategy for businesses. Although many studies failed to demonstrate a conclusive influence of this system on performance, research investigations reveal that merit pay is connected with higher performance.
- **Profit sharing:** When profitability objectives are attained, the members of staff are rewarded. They appear to have an effect on performance, according to studies. Employees, on the other hand, may be less motivated by this sort of compensation than by others since they may not see the link between their own efforts and improved revenues. Profit-sharing incentives are frequently disbursed in the future (e.g., after retirement) and hence are less compelling than immediate incentives.
- **Stock plans:** This entails giving employees the option to purchase shares in the firm at a set price. The influence of this technique on middle and higher management has been studied and found to be favorable. However, this method has drawbacks, such as the influence on employee motivation if stock values decline. It also creates the possibility of ethical and perhaps criminal crimes.
- **Gain sharing:** Employees are rewarded based on collective performance, which takes into consideration the interrelated nature of occupations. This technique has been shown to be effective, resulting in high performance, collaboration, greater profitability, and reduced losses in studies. It is best to provide a range of performance rewards. Some programs, for example, encourage individual success while others reward collective performance; thus, it is essential to provide a variety to balance the advantages and hazards of each, preventing unhealthy competition while boosting motivation.

IMPACT OF COMPENSATION ON EMPLOYEE PERFORMANCE

The remuneration received by an employee in exchange for their service to the company is referred to as compensation. It is a systematic approach to balancing the work-employee relationship by giving employees monetary and non-monetary advantages. Bonuses, profit sharing, overtime pay, recognition prizes, and sales commission are all examples of compensation. Job performance is heavily influenced by compensation. Long before an employee reports for her first day on the job, an organization's performance management system is in place. During the recruiting and selection process, candidates are given the opportunity to discuss job tasks, responsibilities, and expectations. A job ad should ideally include a synopsis of the job, the qualities the organization is searching for, and the expectations the company has for employees in that function. As a result, when a recruiter provides a job candidate the whole job description, he or she is effectively stating, "This is what we anticipate from the individual we choose to fill this position, and if you accept this, we can move forward with the selection process." (Rizwan & Ali, 2010).

ROLE OF COMPENSATION ON EMPLOYEE PERFORMANCE

A well-designed salary and benefits package may help a business recruit, motivate, and retain top people. The following are some of the advantages of a well-designed pay and benefits plan.

1. **Job satisfaction:** Employees would be satisfied with their positions and want to work for the company if they were compensated fairly for their efforts.
2. **Motivation:** We all have distinct requirements. Some of us want to make money, so we work for a firm that pays us more. Some people place a higher value on success than money, and they choose to work for companies that provide more opportunities for advancement, learning, and growth. A pay plan that meets the needs of employees is more likely to drive them to perform as expected.
3. **Drive employee performance**: The underlying premise is that if an employee understands that his or her bonus is contingent on the occurrence of a certain event (or is paid based on performance, or if a specific objective

is met), he or she will do all possible to ensure that this event occurs (or improve their performance or achieve the desired goal). To put it another way, the bonus serves as a motivator to increase corporate performance.

4. **Low Absenteeism:** If workers love their work environment and are satisfied with their pay, their productivity will be great, and absenteeism will be minimal.

5. **Low Turnover:** Would workers choose to work for a different company if the one they are working for pays them fairly?

6. **Peace of Mind:** Workers are relieved of certain anxieties when a company provides them with a variety of insurance options. As a consequence, workers now operate with a more relaxed mindset. They execute admirably and without mental strain.

7. **Increases self-confidence**: Employees' self-confidence is boosted through the reward system. It aids the organization's personnel in improving their performance.

COMPENSATION AND EMPLOYEE PERFORMANCE

There is a strong link between remuneration and employee performance, according to research (Shin-Rong & Chin-Wei, 2012). From a strategic and tactical standpoint, the quality and quantity of an employee's production are directly proportional to their expertise, interest, and effort. Certainly, the higher-paid employees are more important contributors, but all employees' productive activities are necessary. Mayson and Barret (2006) discovered that a company's capacity to recruit, inspire, and retain personnel by providing competitive compensation and incentives is connected to its success and growth. As a result, in an increasingly competitive business climate, many organizations seek out novel remuneration techniques that are connected to improved employee performance (Denis & Michel, 2011).

Employee performance has a direct impact on the performance of the company. Organizations must focus on pay schemes such as performance-based incentives if they want to keep highperformers. The most common human resource method for evaluating and rewarding workers' efforts is performance-based remuneration (Collins & Clark, 2003). Performance-based remuneration was recognized by Delery and Doty (1996) as the single most powerful predictor of company performance. Employee incentive schemes that encourage individual performance and retention might include both performance-based remuneration and merit-based advancement (Cho et al., 2005). Furthermore, Paul and Anantharaman (2003) discovered that pay and incentives had a direct impact on operational performance.

METHODOLOGY

The study was conducted using a descriptive research approach. The questionnaire was an important tool since it allowed the researcher to collect a lot of data in a short amount of time. The study's participants are 250 Ado Local Government employees. As the sample size, the researcher decides to sample everyone. Employee perceptions of the organization, its performance, and the incentive structure in place were measured using Likert questions in the survey. For the analysis, SPSS statistics was used to generate frequencies, descriptive statistics, and inferential statistics. Tables were then used to display the findings. A multiple linear regression model was also employed to determine the significance of the independent factors' effect on the dependent variable.

RESULTS AND DISCUSSION Table 1: Demographic Distribution

TITLE	FREQUENCY	PERCENTAGE (%)
Gender		
Female Male	135 115	54 46

Age Bracket		
20-30 Years 31-40 Years 41-50 Years 51 Years and Above	95 87 46 22	38 34.8 18.4 8.8
Marital Status		
Married Single Widow/Widower Divorce	123 65 37 11	49.2 26 14.8 4.4
Educational Qualification		
HND/B.sc MBA/M.sc Ph.D	145 85 20	58 34 8
Working Experience		
1- 5 Years 6-10 Years 11-20 Years 21 -35 Years	65 133 30 22	26 53.2 12 8.8%

Sources: Field Work, 2022

Hyothesis Hypthesis One

Promotion has a significant effect on employees' performance.

Table 2: Pearson product moment correlation

Variables	N	r	P
Salary increment	250	.625**	0.000
Employee performance	250		

**. Correlation is significant at .05 level (2-tailed)

Table 2 shows the results of a Pearson product moment correlations analysis to see how much promotion affects employee performance. The computed correlation value is 0.625 percent, while the (p) value of 0.000 is less than the .05 alpha threshold of significance, according to the findings. This means that promotions have a favorable impact on employee performance. Furthermore, a rise in employee advancement improves their performance.

Hypolthesis Two

Salary increase has a significant effect on employees' performance.

Table 3: Pearson product moment correlation

Variables	N	r	P
Salary increment	250	.524**	0.000
Employee performance	250		

**. Correlation is significant at .05 level (2-tailed)

The findings are presented in a matrix such that the correlations are duplicated, as seen in Table 1. The table however shows the Pearson correlation coefficient, its significance value, and the sample size used in the computation. Salary increases and employee performance had a substantial link, according to the results of the pearson correlation analysis in Table 3. The p value of 0.000 is less than the .05 alpha threshold of significance, although the r value of .52 indicates a high correlation between the dependent and independent variables (r=.52, p=.000). This conclusion also suggests that when salary rises, the employee rises with it.

Hypolthesis Three

Recognition affects employee performance.

Table 4: Pearson product moment correlation

Variables	N	r	P
Salary increment	250	.600**	0.000
Employee performance	250		

**. Correlation is significant at.05 level (2-tailed)

The results of the Pearson correlation study between recognition and employee performance (Table 4) revealed that there is a positive link between recognition and employee performance. The p value of 0.000 is less than the alpha level of significance of .05, although the r value of .60 indicates a strong association (r =.60, p=.000). However, based on this study, we can confidently conclude that employee appreciation has a favorable impact on performance. Furthermore, increasing employee appreciation improves staff performance.

DISCUSSION OF FINDINGS

To begin with, promotion and development have a considerably favorable influence on employee performance in Ado LGA, according to the study. This means that better promotion will result in higher worker turnover and, as a result, higher employee performance via profitability. It reduces the need for supervisors, increasing staff production. Employees who are well taught and developed are viewed as the cornerstone of any business and institution, according to Seidu, Jiang, and Korankye (2020). This indicates that successful training programs and well devised development plans improve employees' skills and knowledge, resulting in increased worker productivity. This conclusion was consistent with Saharuddin and Sulaiman's (2016) findings, which revealed that promotion had a positive substantial influence on employee performance.

Next is on salary increases and employee performance. The study discovered that salary increases in Ado LGA had a strong favorable impact on employee performance. The implications of these findings are that, in order for employees to be effective in achieving their goals and objectives, salary increases must meet the individual's expected demands and be perceived as fair or equally rewarding to the employee. This was also supported by the findings of Iyida (2015), who discovered that raising pay improves employee performance. The data further support Olatunji and Sarat's (2014) conclusion that wages and salaries are a significant driver of employee motivation and performance in Nigeria.

Finally is on employee performance and employee recognition. Staff recognition has a considerably favorable influence on employee performance, according to the study. The inference is that rewarding employees for outstanding work and adhering to the organization's rules and regulations will encourage certain behaviors, activities, and practices that will lead to improved performance and favorable outcomes. Staff recognition has an essential impact in raising employee performance and improving overall organization performance, according to a study by Aamir, Syad, Abdul, Quasim and Shahzad (2019). This is also in line with Ndungu's research (2017), that acknowledgment can have a favorable impact on an individual employee's performance.

CONCLUSION AND RECOMMENDATION

The major purpose of this research was to look at the influence of compensation on employee performance in order to raise awareness among governments, social partners, and policymakers, as well as academics and practitioners, that fair compensation leads to enhanced employee performance. The study has given researchers a greater knowledge of employee satisfaction with the remuneration packages they receive for developing, motivating, and retaining qualified and competent graduates in their firms. When employees are pleased with their jobs as a result of different financial and non-financial compensation packages, they are more dedicated to the firm. This results in a major improvement in their work performance. As a result, it is critical for the company to establish, cultivate, and sustain appealing remuneration packages that will keep employees content and motivated in order to boost their long-term job performance. This may be accomplished through involving the staff constituency in the decision-making process when deciding various remuneration packages for employees, as well as enhancing the technological, organizational, and human environments in which employees work. This will improve their perceived recognition as well as their work performance in the workplace. Based on the findings of this study, it is suggested that the devoted staff members' wage be increased once in a while to indicate that their efforts are being recognized. This would however drive the other workers to put in more effort. Organizations are recommended to make promotion a legal requirement and to take it seriously; this will motivate employees to work hard in order to advance. Employee recognition is also a useful strategy for improving employee performance and should be taken seriously in all aspects. It should also be used to motivate employees.

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