Compensation and Employee Performance of Bank in Port Harcourt, Nigeria

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Abstract: This study was designed to examine the relationship between compensation and Employee Performance of banks operating in Port Harcourt. Among the statement of the problem is the need to explore how banks could leverage on compensation as a strategy to remain competitive in business by retaining high performing staff. This is at a time when there exist other lucrative industries both locally and globally capable of absorbing such staff, especially with the ongoing advocacy and support programmes aimed at encouraging creative young minds to become their own boss. It was based on this backdrop that the reinforcement and expectation theory was adopted as the theoretical foundation for this study. Then utilized a cross sectional survey design as the research methodology as structured questionnaire was distributed to one hundred and forty nine staff of five selected banks and one hundred and twenty were retrieved from the field. With the aid of mean, standard deviation and Pearson Product Correlation Coefficient were utilized as the analysis technique, aided by statistical package for social sciences. Findings from the research revealed that compensation relates positively and significantly with employee performance, as it has significant impact on job satisfaction, employee productivity and employee efficiency. Therefore, it was recommended that compensation is a strategic tool management can leverage on to enhance employee performance and it should be positively utilized as a valuable tool to improve motivation to work better.

Keywords: Compensation, employee performance, job satisfaction, employee productivity, employee efficiency.

I. INTRODUCTION

Generally, firms should rely on strategy as one of the means to remaining competitive. Although, there are lots of strategies which could be leveraged on by firms, but compensation being one of such, have been perceived to have direct impact on the employee performance. So for an industry like the banking sector amidst other industries like the oil and gas, telecommunication, entrepreneurship and agriculture, which are available for grab by high flying employees both locally and globally, it becomes necessary for the banking sector to consider its compensation plan for their employees, seeing that the industry plays a pivotal role in ensuring proper distribution of funds within the economy and as such require performing staff to accomplish this all important responsibility to the Nigerian economy.

Similarly, compensation is one of the fundamental aspect of human resource management. It is a common knowledge that every firm is an entity whose daily operations are both people and material resource dependent. People basically team up to actualize corporate goals (Nwachukwu, 2000). Anybody in the organization who is involved in its activities is part of the Human Resource of the organization. The material resources include the machinery, equipment and every other material etc, that are used in the accomplishment of stated objectives. The human resource is the most valued resource of any organization because it is the human resources that convert all other resources into finished products or goods for consumption or use (Nwachukwu, 2011). According to Jaja, (2009) Human resources is the most important variables of a firm or organization. According to him, no matter how efficient and technologically advanced the entire system is, and no matter the extent of available resources, personnel/Human Resources function is needed to weave all the other variables together and attain an effective productive system.

Consequently, personnel need to be taken care of as they contribute towards the success of the organization. This organization is expected to provide remunerations commensurate with employees contribution. Many scholars have attributed performance of employee to compensation. In a study by Anyebe (2003) which was aimed at knowing why civil servants choose to work, it was discovered that the reason they work is because of the compensation they get. Compensation in a simple term mean reward(s) given to an employee for participating in the accomplishment of an organizational goal. Bob (2011) described it as principles, policies, strategies, structures and procedures created to types and level of pay, benefits and other types of benefits. He further asserted that compensation could be non-financial or financial with the ability to bring about inward and outward motivation for an employee.

Therefore, seeing that compensation result into motivation, it is expected that the employee’s performance be enhanced through compensation. Nwakanma (2013) described employee performance as the degree of achievement of the goal as well as the range of measurements of efficiency in workplaces. In general, employee performance is indicated by data that represent effectiveness such as productivity, satisfaction, goal achievement levels, customer satisfaction index and job commitment. In the view of Putterill and Rohrer (2005), employee performance focuses directly on employee productivity by assessing the number of units of acceptable quality of products produced by an employee, within a
specific time period. The success of a business or an organization depends on employees’ performance. It is on this premise this study seek to examine the nexus between compensation and employee performance using the banking firms in Port Harcourt as the industry to be researched.

The main aim of this study is to examine the influence of compensation on employee performance of banks in Nigeria, using survey of some major banks in Port Harcourt. Other specific objective are to:

- Examine the link between compensation and job satisfaction of bank employees in Port Harcourt.
- Examine the link between compensation and productivity of bank employees in Port Harcourt.
- Examine the link between compensation and efficiency of bank employees in Port Harcourt.

The following research questions are presented with regards to the objectives of the study:

- What is the relationship between compensation and job satisfaction of bank employees in Port Harcourt.
- What is the relationship between compensation and productivity of bank employees in Port Harcourt.
- What is the relationship between compensation and efficiency of bank employees in Port Harcourt.

II. LITERATURE REVIEW

Theoretical Background

This study adopted the reinforcement and expectation theories as the theoretical foundation for this study. Reinforcement theory states that any response followed by a reward is more likely to recur in the future (Thorndike's Law of Effect). The implication for compensation management is that high employee performance followed by a monetary reward will make future high performance more likely. By the same token, high performance not followed by a reward will make it less likely in the future. The theory emphasizes the importance of a person actually experiencing the reward.

Like reinforcement theory, expectancy theory (Vroom, 1964) focuses on the link between rewards and behaviors (instrumentality perceptions), although it emphasizes expected (rather than experienced) rewards (i.e., incentives). Motivation is also a function of two other factors: expectancy, the perceived link between effort and performance, and valence, the expected value of outcomes (e.g., rewards). Compensation systems differ according to their impact on these motivational components. Generally speaking, pay systems differ most in their impact on instrumentality: the perceived link between behaviors and pay, also referred to in the pay literature as “line of sight.” Valence of pay outcomes should remain the same under different pay systems. Expectancy perceptions often have more to do with job design and training than pay systems.

The Concept of Compensation

According to Bob (2011) 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. He further asserted that compensation constitutes measuring job values, designing and maintaining pay structures, paying for performance, competence and skill, and providing employee benefits. Not with standing, compensation management is not just about money. It is also concerned with that non-financial compensation which provides intrinsic or extrinsic motivation. Armstrong (2005) stated that 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. In the views of Pearce, (2010) compensation policy implies having a compensation structure in which the employees who perform better are paid more than the average performing employees. Armstrong (2005) further buttressed that 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. Anyebe (2003) described that the task in compensation administration is to develop policies and the terms of attracting, satisfying, retaining and perhaps motivating employees. Furthermore, the payment received from work done on the behalf of people getting the employment are explained below:

1. **Base Pay:** There are many factors of pay (Milcock & Newman; 2005) research perform that may be form of individually and may be form of multiple performance pay plan different qualities can consider the efficient of degree to perform merit pay to performance, bonus long incentives first of all merit pay is form of reward and individual function of their individuals performance and rating (Heneman& Warner, 2005) the pay plan is most common by employee performance appraisal meant by pay has been frequently use in the organization.

2. **Incentives and Rewards:** Compensation can include monetary and non-monetary components. Compensation often includes an employee’s base salary and additional benefits, such as health insurance, retirement plans and performance bonuses. The compensation packages a business offers to employees affect the company’s recruitment rate, retention rate and employee satisfaction. Several federal laws affect the compensation that businesses offer a business owner should understand the importance of compensation and the prevailing laws to remain competitive in the market.
3. **Indirect Compensation**: Global business and economics (2010) compunction is a big range of financial benefits and Non-financial benefits. It is played in the form of wages and salaries and also insurance level free traveling is also including. It also included that the salary is generally paid for monthly and year. The time spent in the organizations salary is played time spent on the job. Some type of indirect composition offered by today organization (Byars& Ru, 2008).

*The Concept of Employee Performance*

Performance refers to the degree of achievement of the goal as well as the range of measurements of efficiency in workplaces. In general, employee performance is indicated by data that represents effectiveness such as productivity, goal achievement levels, customer satisfaction index, and attachment. In the view of Putteril& Rohrer (2005), employee performance focuses directly on employee productivity by assessing the number of units of acceptable quality produced by an employee, within a specific time period. The success of business or an organization depends on employees’ performance. One of the most effective ways to increase organizational performance and profit is to increase the performance of employees, from the lowest levels of the organization to the senior management levels. Performance improvement is not only a result of well functioning system but also depends on effective human resource strategies that succeed in recruiting and maintaining a committed and motivated workforce (Al-Ahmedi, 2009). The dimensions of performance on which an employee is evaluated are called the criteria of evaluation Ivancevich, (2008). Opatha, (2010) suggested that several criteria becomes needed in order to evaluate job performance of an employee accurately. In the view of Mathis & Jackson (2006), the data or information that managers receive on how well employees are performing their jobs can be of three different types. Trait-based information, Behavior-based information, Result based information. Opatha (2010) indicated that trait-based information identifies a subjective character of the employee such as attitude, initiative or creativity. Behavior-based evaluations of job performance focus on what is included in the job itself (Mathis & Jackson, 2006). Results are outcomes produced by the employee. Result based information consider employee accomplishment. For jobs in which measurement is easy and obvious, a results-based approach works well (Opatha, 2010).

*Job Satisfaction as a Measure of Employees Performance*

The concept of job satisfaction has been defined in many ways. However, the most-used definition of job satisfaction in organizational research is that of Locke (2008), who described job satisfaction as “a pleasurable or positive emotional state resulting from the appraisal of one’s job or job experiences”. Building on this conceptualization, Hulin and Judge (2003) noted that job satisfaction includes multidimensional psychological responses to one’s job, and that such responses have cognitive (evaluative), affective (or emotional), and behavioral components. This tripartite conceptualization of job satisfaction fits well with typical conceptualizations of social attitudes (Eagly&Chaiken, 1993). However, there are two apparent difficulties with this viewpoint. First as noted by Hulin and Judge (2003), social attitudes are generally weak predictors of specific behaviors Eagley&Chaiken, (1993); Fishbein, (2011); Wicker, (2009), yet job attitudes are generally reliably and moderately strongly related to relevant job behaviors. If job satisfaction is a social attitude, then how might we resolve this apparent inconsistency? Although we have more to say about this issue when discussing the outcomes of job satisfaction, one possible reason for the apparent contradiction is that job attitudes may be more salient and accessible for workers than the social attitudes typically assessed in social attitude research. For instance, cognitive and affective outcomes of job dissatisfaction are likely to permeate and influence an individual’s thoughts from the moment he wakes to the moment the individual returns home from work (and possibly spill over into non-work domains as well). Attitudes toward a political party or a marketing campaign are likely considerably less salient for the average individual. Second, although most researchers include affect in their definitions of job satisfaction, such as provided by measures of life satisfaction, instruments used to evaluate job satisfaction tend to assess cognitive more than affective aspects.

*Employee Productivity as a measure of Employee Performance*

Productivity has been defined in many different ways. Mali (2007) sees it as the measures of how well resources are brought together in organizations and utilized for accomplishing a set of results. Productivity according to Mali (2007) is reaching the highest level of performance with the least expenditure of resources.

Productivity is often seen as total output measured against total input. Thus the productivity of an employee is seen as the relationship between units of labour input and units of product output. The effectiveness of the use of the factors of production to produce goods and services is commonly referred to as productivity. According to Nwachukwu (2005), an effective integration of resources, physical and human, will yield high outputs. A good definition of productivity includes three major elements (a) outputs (b) resources committed, and or (c) time.

Productivity is the output resulting from a given resource input at a given time. How to improve the productivity of Nigerian employees has been the topic of several seminars, symposia, conferences and workshops. According to Beatson (2008) productivity is a critical factor in economic and social development for it determines the standard of living of citizens. Low productivity gives rise to high prices when employees earning are very low.
Employee Efficiency as a measure of Employee Performance

Employee efficiency is the ability of an employee to discharge his duty or carryout his job task in an effective manner that enhances not only his performance, but also the realization of his organization’s set objectives (Javier, 2012).

Many companies returns are under pressure, this makes it important that employees carry out the correct tasks (effective) in the right way (efficient). By working efficiently, more can be produced with the same amount of input (resources). (Mitchell, 2008). In short, achieving more for lower costs, with higher returns and less pressure should be the order in an organization. Taylor (2010), Cronin (2012) and Mangold (2013) Efficiency means ‘doing things in the right way’. Two sorts of efficiency are often referred to, these are static efficiency and dynamic efficiency. Static efficiency relates to refining existing products, processes or opportunities as well as making improvements within existing conditions. Dynamic efficiency on the other hand refers to the continuous development of new products, processes or opportunities, so that profitability improves within an organization.

Compensation and employee performance

The highly motivated employee build advantages for their company and leads the organizations of its objectives (Rizwan and Ali,2010). This paper impact of reward dimension on employee performance with special reference to highly companies. According to (Hasbuan 2003) that job satisfaction affects the level of employee performance which means that satisfaction derived from therefore declaration of employee so good. So that if job satisfaction is mean moral decline and support of the organization objective (Hasbuan, 2003). Arguments that have five factors that have increases job satisfaction position ranks age financial guarantee and influence job satisfaction consist on psychology factor and social factor. A pay is the key determination but experience rewards is study indicate more complex and difficult. In another study impact of pay menagerie level that may be tailed to satisfy the key motivational rewards for effective performance (OKhee 1993).

Reward is the most important element to eliminate employee for paying their best efforts to generate the innovation and the new ideas in press the company performance financial and noon financial Dewhurst et al. (2010) relationship of the manager supervisor reward power positivity linked with employee performance more productivity satisfaction and turnover and organization citizenship behavior. Deeprose (1994) says that motivation of employee productivity can be enhance provide effective recognition which provide the result improve the performance of organization. He entire second of

the organization that the employee motivated to assessment the performance of job compensation. The ability to organization is accommodates the needs employees their performance. Inside the commitment towards their organization and their work play a critical role (Eisenbegal 1992).

It was on this note this research formulated the following hypotheses:

H01: There is no relationship between compensation and employee job satisfaction

H02: There is no relationship between compensation and employee productivity

H03: There is no relationship between compensation and employee efficiency

III. METHODOLOGY

Cross sectional survey design was adopted in this study where major decisions of the study were based on. Primary data were drawn from selected banks operating within Port Harcourt Metropolis. A total of 149, five point Likert scale structured questionnaires, were designed and distributed to employees of each branch of the banks situated within Port Harcourt Metropolis. During the retrieval of the instrument, only 129 responses were found to provide valid data for the analysis. Then, mean and standard deviation were used to describe response rate, while Pearson Product Moment Correlation coefficient statistical tool with the aid of Statistical Packages for Social Sciences (SPSS) version 24.0 were likewise utilized to carry out the analysis.

Before, the actual survey and analysis was done, a pilot survey and content validation was in conducted in order to ascertain its fitness for the study. Similarly, opinion of experts were sought after to reduce errors and ambiguity. Furthermore, Baridam (2001) expressed that reliability is the precision of a measure. In this study, the researcher adopted Cronbach alpha which is a reliability coefficient that indicates how well the items in a set are positively correlated to one another. Nunnaly (1978) set a tolerable range of 0.7 to adjudge the goodness of this statistical measure. In view of this the coefficient of alpha which was computed to be 0.76 compensation and 0.92 for employee performance showed that the scale is reliable.

IV. ANALYSIS AND PRESENTATION OF DATA

The date on compensation and employee performance of bank employees in Port Harcourt are discussed as presented in the tables below:
Table 1: Result of Univariate Analysis of Compensation

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum Statistic</th>
<th>Maximum Statistic</th>
<th>Mean Statistic</th>
<th>Std. Deviation Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>We don’t experience lateness in receiving our wages.</td>
<td>129</td>
<td>1.00</td>
<td>5.00</td>
<td>4.2162</td>
<td>1.29390</td>
</tr>
<tr>
<td>Workers go extra in being productive because of compensation I get.</td>
<td>129</td>
<td>1.00</td>
<td>5.00</td>
<td>4.1730</td>
<td>1.16634</td>
</tr>
<tr>
<td>I get motivated by the compensation I receive from my company.</td>
<td>129</td>
<td>1.000</td>
<td>5.000</td>
<td>4.0459</td>
<td>1.104183</td>
</tr>
</tbody>
</table>

Valid N (listwise) 129

Source: 2018 field survey

The results in table 1 above show that there are 129 cases with a 100% response rate in all three (3) items of the compensation subscale. The table also revealed that the compensation item; ‘We don’t experience lateness in receiving our wages.’ Have the highest mean score being 4.216, with a standard deviation of 1.294, minimum score of 1.00, and maximum score of 5.00, showed that the employees agree with the item. This was followed by the item; ‘Workers go extra in being productive because of compensation I get.’ Having a mean value of 4.1730 and a standard deviation of 1.17, revealing that the respondents agree with the item. Finally, the item; “I get motivated by the compensation I receive from my company.” Having a mean score of 4.0459 showed that respondents likewise agree with this item on compensation. This responses to an extent have demonstrated the pattern of response an average employee will give to concerning compensation for accomplishing designated task at workplace.

Table 2: Result of Univariate analysis of employee performance

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Satisfaction</td>
<td>129</td>
<td>1.00</td>
<td>5.00</td>
<td>4.0041</td>
<td>.77981</td>
</tr>
<tr>
<td>Employee Productivity</td>
<td>129</td>
<td>1.00</td>
<td>5.00</td>
<td>4.1622</td>
<td>.92837</td>
</tr>
<tr>
<td>Employee Efficiency</td>
<td>129</td>
<td>1.00</td>
<td>5.00</td>
<td>4.1081</td>
<td>.84274</td>
</tr>
</tbody>
</table>

Source: 2017 survey data

The result in the table above revealed that there are 129 cases with a 100% response rate from all questions presented about the variables. The mean and standard coefficients of the variables revealed high agreement for job satisfaction, employee productivity and employee efficiency as being measures of employee performance.

Table 3: Bivariate hypotheses of association between variables (compensation and job satisfaction, employee productivity and efficiency).

<table>
<thead>
<tr>
<th></th>
<th>Compensation</th>
<th>Job Satisfaction</th>
<th>Employee Productivity</th>
<th>Employee Efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Correlation Coefficient</td>
<td>1.00</td>
<td>.769**</td>
<td>.675**</td>
<td>.662**</td>
</tr>
<tr>
<td>Pearson</td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>129</td>
<td>129</td>
<td>129</td>
<td>129</td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>.769**</td>
<td>1.000</td>
<td>.365**</td>
<td>.521**</td>
</tr>
<tr>
<td>Compensation</td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>129</td>
<td>129</td>
<td>129</td>
<td>129</td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>.675**</td>
<td>365.**</td>
<td>1.000</td>
<td>.463**</td>
</tr>
<tr>
<td>Employee Productivity</td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>129</td>
<td>129</td>
<td>129</td>
<td>129</td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>.662**</td>
<td>.521**</td>
<td>463**</td>
<td>1.000</td>
</tr>
<tr>
<td>Employee Efficiency</td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>129</td>
<td>129</td>
<td>129</td>
<td>129</td>
</tr>
</tbody>
</table>
The correlation analysis shown in above table 3 signify that compensation has significant relationship with employee performance \( (r = .769, p = .000; r = .675, p = .000; r = .662, p = .000) \) with a correlation \( (r) \) value of .769, .675 and .662, the relationship between compensation and job satisfaction, employee productivity and employee efficiency showed strong correlation. The analysis also revealed that the relationship between compensation and employee performance is significant at \( p \)-values of .000 respectively for all the variables and this in not up to .05. This made the hypothesis (Ho ,Ho and Ho ) to be rejected. Similarly, The study found out that 1 unit increase in compensation package of the organisation accounts for a .769 unit increase in employee job satisfaction, a .675 unit increase in employee productivity and .662 unit increase in employee efficiency. In other words, since compensation is positively related to the three measures of employee performance, any improvement in the organisation’s compensation package will cause their employee job satisfaction to improve by 76.9%, their productivity to improve by 67.5% and their efficiency will improve by 66.2%.

V. DISCUSSION OF FINDINGS

These findings proved that compensation plan of a firm plays a key role in the management of human resources given the fact that it is at the core of the employment relationship. This is because of its high level importance both to the employees and the employers. This is supported by the findings of previous scholars like Offurum (2012) which stated that compensation and reward systems play a vital role in a business organization. Additionally, Anyanwu (2015) states that a fair compensation system will have positive impact on the efficiency and results produced by employees, as well as encourages employees to perform better and achieve the standards determined by the organization and that compensation raises the morale, efficiency and cooperation as well as provide satisfaction to employees and encourages initiative and clarity among members of the organization. Thus hypotheses three is rejected and its alternative accepted implying a significant relationship between compensation packages and employee performance of money deposit banks in Port Harcourt.

VI. CONCLUSION

In cognizance of the purpose of the study, which is to examine the relationship between compensation and employee performance of deposit money banks, in Port Harcourt, literature on compensation and employee performance was reviewed, then three (3) hypothetical statements were formulated and tested. Data was collected from a sample of 129 employees who work in the banking industry. It revealed that responses obtained from the respondents agreed with the item which eventually were analyzed further to ascertain the correlation existing between the variables.

Therefore, it is important to note that employees are an organization’s most important asset and as such they need to be managed in a manner that will ensure that they achieve their full potential. Therefore, management need to continuously adhere to the right compensation and remunerating structuresuitable for its employees so that the organization’s aims are achieved through optimal performance shown by their employees in the dispatch of their duties. This is because from the tested hypotheses derived from the results and study findings, it was concluded that the research questions and objectives were addressed simply because compensation has a significant and positive impact on employee performance. It influences employee’s job satisfaction, productivity and efficiency.

VII. RECOMMENDATIONS

Based on the findings and subsequent drawn conclusions, the influence of compensation on employee performance was established. Consequently, the following recommendations were made:

1. Decision makers in the banking industry should positively utilize the potentials of compensation and rewarding of employees as a veritable tool to improving their motivation which then translate into high performance. This is because compensation and rewards has a significant positive impact on employee performance. It positively impacts employee’s job satisfaction, productivity and efficiency.

2. Decision makers should develop other means of compensating workers since non-monetary compensation support their ability to perceive their job as satisfactory.

3. Decision makers should leverage on compensation as a means of stimulating employees’ productivity.

REFERENCES


