

# Human Resource Management Compensation and Employees Performance A Study of Pension Fund Management Organizations in Rivers State

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**Abstract:** The issue of compensation have been neglected by many organizations, thus leading to both high rate of turnover and a decrease in both organizational and employees performance. The objective of this study is to examine the impact of human resource management compensation on employee's performance. The population of this study comprises of 170 employees from twenty one (21) Pension Fund Management Organizations in Rivers State. The study used a well-structured questionnaire to obtained data from 110 business respondents. Statistical package for social sciences (SPSS) version 23.0 was utilized for data analysis. Findings from the study disclosed that there is a positive significant relationship between compensation and employee's performance.it was recommended that to improve employee's efficiency and general performance in the work place, Pension fund management organizations should ensure adequate compensation is being giving to staff, this will serve as a motivation to improve performance.

**Keywords:** compensation, employees, performance

## I. INTRODUCTION

One of the most important considerations in every business is the human resource. This is due to the important function it plays in other organizational resources, since they enable the organization achieve its lofty goals by leveraging other resources. Organizational performance is improved by the combination of these resources. Effective compensation is one of the most strategic human resource management tools that has been used to boost productivity inside the firm. Compensation is determined by a variety of things. While some businesses pay more attention to the following elements than others, virtually all employ some type of analysis to determine remuneration. They seek to reward employees properly in order to promote positive morale, strong motivation, and minimal attrition. Compensation is an important tool for attracting customers and retention of talented employees that are dedicated to their responsibilities within the firm (Chiekezie et al., 2017). Compensation management aims to promote the achievement of business goals through attracting, motivating and retaining hard working employees (Shieh, 2018; Petera, 2016). Compensation management is a crucial component of the overall management of an organization. It refers to the process by which employees are remunerated for their input at the workplace (Khan 2012). However, it is also worthy to note

that without effectual compensation and performance of employees' organizational performance cannot be enhanced. Therefore, employee performance is significant to the human resource management practices of organizations among others such as pension fund management organizations. Employee performance is defined as how well an employee is able to carry out its tasks and responsibilities. Huang et al (2014), claimed that performance refers to the aspects of an individual's achievement in their profession. It generally entails calculating an individual output level, like as sales or production, or assessing the amount of achievement in comparison to the organization's expectations (Ilgen & Pulakos, 2016). This means that when an individual satisfies the requirements for his or her job, he or she is considered to have performed. Employee performance is a result that an employee achieves while performing his or her obligations and responsibilities (Jena & Pradhan, 2014).

## *Statement Of Problem*

In the lives of Pension Fund Management Organizations in Rivers State, employee performance is of incomparable worth. This is because the sum of its accomplishments improves the overall performance of the company. As a result, if there are stringent HRMPs in place, such as employee remuneration, employee performance will improve. Employees of Pension Fund Management firms in Rivers State, on the other hand, appear to be performing poorly. Employees are unsuccessful when it comes to completing and quality-controlling their work. Customers appear to be agitated by staff tardiness in responding to their complaints and inquiries, implying that they do not surpass expectations while increasing production. While research has shown the link and impact of HRM practices such as remuneration on employee performance (Mohammad et al, 2017; Kennedy & Kariuki, 2018), no statistical or empirical study has been done in Rivers State Pension Fund Management Organizations. It is based on this background that the researchers set to investigate the influence of human resource management compensation on employee's performance in Pension Fund Management Organizations in Rivers State.

## *Objective Of Study*

The following are the objectives of this study

1. To ascertain the extent to which compensation influences effective employees output of pension fund management organizations in Rivers State.
2. To determine the extent to which compensation influences employees time efficiency of pension fund management organizations in Rivers State.
3. To establish the extent to which compensation influences employees creativity of pension fund management organizations in Rivers State.

### *Hypothesis*

Ho1: There is no significance relation between human resource management compensations and employees effective output in pension fund management organizations in Rivers State.

Ho2: Human resource management compensations does not have any significant influence on employee's time efficiency in pension fund management organizations in Rivers State.

Ho3: There is no significant relationship between human resource management compensations and employees creativity in pension fund management organizations in Rivers State.

## II. REVIEW OF RELATED LITERATURE

The salary received by an employee in exchange for his or her contribution to the company is referred to as compensation (Naukrihub, 2019). It is a systematic approach to balancing the work-employee relationship by rewarding employees with both monetary and non-monetary incentives. Compensation management is an important aspect of human resource management since it aids in employee motivation and organizational success (Naukrihub, 2019). According to Folayan (2016), rather than an absolute measure of business success, pay management should be based on performance assessed relative to the performance of all firms or firms in the same industry. Employees are paid for the services they provide and the effort they put in at work. According to Robbins (2014), when employees feel valued for their efforts and the firm implements a fair reward and satisfaction system, the organization will have optimum motivation and hence enhanced employee performance. Employees' motivation and commitment will improve, and their performance will improve, if they believe their efforts are valued and the organization has a good reward system based on job appraisal. Performance, according to Bates and Holton (2017), is a multi-dimensional construct whose measurement changes based on a range of conditions. They go on to say that it's crucial to figure out whether the goal is to examine performance results or behavior. According to Probst and Brubaker (2016), the difference between work satisfaction and discontent rests in the employees, as well as the quantity and type of pay that they expect. Employees want their contributions and efforts to be recognized and prioritized in the same manner that they respect their jobs and work to complete the tasks that have been allocated to them.

According to Sirait (2016), compensation is anything that a business gives to its employees, whether it be financial or non-financial. Compensation management is a critical activity for ensuring employee satisfaction at work. Compensation can be used to increase, maintain, or acquire productivity. Existing employees will quit if they are not adequately compensated, and firms will have trouble replacing them, particularly in recruitment. According to Ardana (2015), remuneration is "anything that employees receive as a return for their commitment to the firm or organization." Compensation refers to all of the benefits that employees obtain as a result of their hard work. Panggabean (2014) also described remuneration as a sort of award given to employees in exchange for their efforts to the firm. The goal of compensation management is to help organizations accomplish their strategic goals for corporate success while also maintaining internal and external justice (Mangkuprawira, 2014). External justice guarantees that occupations are properly paid in the labor market based on comparable effort. Internal justice guarantees that the company's need for higher-level roles and more qualified employees is met with greater remuneration. The compensation according to Ardana (2015) consists of two kinds, namely (1) Financial Compensation and (1) Nonfinancial Compensation. Financial compensation can be divided by direct compensation, as (a) base pay, b) merit pay, incentive pay, bonuses, commissions, profit sharing, and share distribution and (c) differed pay, ie savings and stock purchase annuity programs. Then there's indirect compensation, which includes (a) health insurance, life insurance, pensions, and labor insurance, (b) payments made outside of work hours such as holiday programs, yearly leave, and maternity leave, and (c) automobiles, office space, and parking lots. Nonfinancial Compensation is divided into two categories: (a) occupations with interesting tasks, challenges, responsibilities, recognition, and a sense of accomplishment; and (b) the working environment, which includes things like sound policies, competent supervisors, a pleasant working environment, and a comfortable working environment.

Different researchers have characterized pay indicators in different ways, however the researcher in this study has conceptualized them as salary, commission, and transportation allowance.

### *Salary*

Salary is a fixed amount of money or compensation paid to an employee by an employer in exchange for work done on a monthly or annual basis, not hourly. Salary differs from wages in that it is a fixed amount of money or compensation paid to an employee by an employer in exchange for work done on a monthly or annual basis (Zahra et al., 2015). A salary is a type of payment made by an employer to an employee on a regular basis, as defined in an employment contract. Piece wages, on the other hand, are paid on a per-job, per-hour, or per-unit basis rather than on a regular basis. Salary may also be regarded from the perspective of running a business as the cost of obtaining and keeping human resources for running

operations, which is referred to as personnel expense or salary expense. Salaries are documented in payroll accounts in accounting.

III. COMMISSION

Some occupations, especially those in sales and marketing, provide commissions as the employee's main source of income or in addition to a basic wage. A commission is a payment made to an employee after they complete a duty, generally selling a specified number of products or services (Doyle, 2019). It might be paid as a percentage of the sale or as a fixed sum dependent on the amount of sales. Whether an employee is paid a basic wage or solely on commission, the commission received is frequently variable. Depending on the sort of goods or service sold, the rate or percentage of remuneration may vary. It may increase incrementally after the employee reaches certain sales goals, either by a dollar or unit amount. The amount of commission paid to employees is determined by the number of sales they make. Employee rewards are based on the proportion of total sales produced by employees under this plan.

Transport Allowance

Transport allowance, also known as conveyance allowance, is a sort of stipend given to employees by a firm or employer to cover the cost of their transportation from home to work (Richard, 2020). The corporation only pays the transportation allowance if it does not provide transportation for its employees. If a corporation provides transportation, it does not pay a transportation allowance to employees regardless of whether they use the service. To claim a tax exemption for transportation allowance, salaried persons do not need to provide any bills or receipts. It is paid in addition to the basic salary components and is only taxable if it exceeds the tax exemption threshold. A transportation allowance is a form of stipend given to workers of a firm to cover the cost of their travel from home to and from work. Employees are typically given allowances on top of their base wage, which may or may not be taxable under the Income Tax Act. In general, an employer pays a transportation allowance only if the employer does not supply transportation (Wazzla, 2018).

Resource-Based View (RBV) Theory

In 1991, Barney Jay proposed this hypothesis. According to the argument, resources are crucial to a company's success. If a resource has value, rarity, imitability, and organization (VRIO) characteristics, it can help a company establish and maintain a competitive edge (Barney, 1991). It's interesting to observe that companies' talents, capacities, and other resources fluctuate from one to the next. Nonetheless, every company wants to be at the cutting edge of development, growth, and competitiveness. As a result, in order to accomplish these goals, they must have a strong workforce of employees who will marshal additional resources to meet the organization's goals among pension fund management organizations. This would be feasible when management

adopts employee-fit human resource management practices such as compensation of workers within the organization.

IV. METHODOLOGY

This study was based on survey data collected from a total population of 170 respondents that included employees from twenty one (21) Pension Fund Management Organizations in Rivers State. The data was collected using a structured questionnaire that was administered personally for one week interval to provide their opinions on the impact of compensation on employee's performance. The reason for using these respondents was based on the fact that they are workers in this organizations and possess the best knowledge that can be based on establishing the current nature and the influence of compensation on employees performance .The selected respondents were included in the study upon their consent and willingness to answer the different questions about the topic of the study. A sample of 119 was determined using Taro Yamane formula,( $n= N/1+N(0.05)^2$ ),however, after cleaning, only 110 copies of the instrument were used for further the analysis. In selecting the respondents the simple random sampling technique was adopted, which gave equal opportunity to respondents of various organization. This, therefore, indicates that person opinions would play a significant role in ascertaining the influence of compensation on employee's performance as well as predicting employee's behavior in absence of compensation. This study adopted 4 likert scale that covered the research objectives. For test of reliability of the scale, the Cronbach's alpha coefficients were used which scale was not less than 0.7 .This is in line with the suggestion made by Nunnaly (1978) model, that gave 0.7 and above as the acceptable bench mark for reliability levels for any scale. Pearson product correlation moment Statistical tool was used to test the hypothesis. The result as presented was obtained.

V. RESULT AND DISCUSSION OF FINDINGS

Ho1: There is no significance relation between human resource management compensations and employees effective output in pension fund management organizations in Rivers State.

Table 1: Correlation between human resource management compensation and employees effective output

		Human resource management compensation	Employees effective output
Human resource management compensation	Pearson Correlation	1	.654**
	Sig. (2-tailed)		.000
	N	110	110
Employees effective output	Pearson Correlation	.654**	1
	Sig. (2-tailed)	.000	
	N	110	110

\*\* . Correlation is significant at the 0.05 level (2-tailed).

The analysis in table 1, which was to examine the influence of human resource management compensation on employees effective output, revealed that human resource management compensation have a significant and strong influence on employees effective output with r value 0.654 (65.4%) and p value of 0.000 which is less than 0.05 level of significance. This suggests that there is a strong and positive relationship between human resource management compensation and employees effective output in Pension Fund Management Organizations in Rivers State. The decision will be to reject the null hypothesis and accept the alternate.

**Ho2:** Human resource management compensations does not have any significant influence on employee’s time efficiency in pension fund management organizations in Rivers State

Table 2: Correlation between Human resource management compensation and Employee’s time efficiency

		Human resource management compensation	employee’s time efficiency
Human resource management compensation	Pearson Correlation	1	.485**
	Sig. (2-tailed)		.000
	N	110	110
Employee’s time efficiency	Pearson Correlation	.485**	1
	Sig. (2-tailed)	.000	
	N	110	110

\*\* . Correlation is significant at the 0.05 level (2-tailed).

The analysis in table 2, which was to examine the influence of human resource management compensation on employee’s time efficiency, revealed that human resource management compensation have a significant and moderate influence on employee’s time efficiency with r value 0.485 (48.5%) and p value of 0.000 which is less than 0.05 level of significance. This suggests that there is a moderate and positive relationship between human resource management compensation and employee’s time efficiency in Pension Fund Management Organizations in Rivers State. The decision will be to reject the null hypothesis and accept the alternate.

**Ho3:** There is no significant relationship between human resource management compensations and employees creativity in pension fund management organizations in Rivers State

Table 3: Correlation between Human resource management compensation and Employees creativity

		Human resource management compensation	Employees creativity
Human resource management compensation	Pearson Correlation	1	.525**
	Sig. (2-tailed)		.000
	N	110	110
Employees	Pearson	.525**	1

creativity	Correlation		
	Sig. (2-tailed)	.000	
	N	110	110

\*\* . Correlation is significant at the 0.05 level (2-tailed).

The analysis in table 3, which was to establish the extent to which compensation influences employees creativity of pension fund management organizations in Rivers State, revealed that human resource management compensation have a significant and strong influence on employees creativity with r value 0.525 (52.5%) and p value of 0.000 which is less than 0.05 level of significance. This suggests that there is a strong and positive relationship between human resource management compensation and employees creativity in Pension Fund Management Organizations in Rivers State. The decision will be to reject the null hypothesis and accept the alternate.

The test of hypotheses one, two, and three above revealed that there is a significant relationship between compensation and employee performance (effective output, time efficiency and creativity) of pension fund management organizations in Rivers State. This findings are in collaboration with the findings of Mohammad et al (2017); Prayoga and Achmad (2017); Chiekezie et al (2017); Omuya (2018); Salah (2018); Mohammad et al (2017). It is not only a display of gratitude but also a technique of pushing employees to accomplish more when they are paid for their contributions to the organization’s success and growth. When employees earn a wage, commission, or transportation allowance, it may be a powerful motivator, causing them to speed up work activities, produce high-quality goods and services, and even surpass targets. Employees at pension fund management businesses, for example, are internally driven to successfully execute projects that meet all of their criteria when they obtain financial motivation in the form of salary, commission, and transportation allowance. This translates to them constantly finishing work ahead of schedule, delivering high-quality results, and exceeding expectations. Non-monetary forms of compensation include promotions, vacations, special training, automobile gifts, and so forth. By default, all of these factors and more drive employees to enhance their performance in a way that reflects in their work attitude. With time, they become extremely efficient, constantly ready to respond to the needs of coworkers, management, and, most importantly, customers/clients. If a pension fund management company offers a variety of remuneration packages to its staff, it becomes much easier to motivate them to work hard without leaving consumers stuck due to employee-organization concerns. As a result, it becomes a clarion cry for businesses to see it as critical to always plan out enticing pay packages and to keep up with them. This is almost always a sure guarantee for better employee performance..

VI. CONCLUSION

Organizations are in constant need of strategies to improve workers performance. The findings above presented the importance of compensation in motivating and improving



employee's performance. All form of compensation tends to increase workers performances and servers as motivational tools which helps to increase commitment, productivity and reduce turn over. Base on the above findings, it is therefore, concluded in this study that effective compensation plan will allow organizations to manage their workforce effectively and serve as retention strategy. This is because an equitable compensation not only helps to meet organization's expectations through its employees.

#### VII. RECOMMENDATION

Base on the above, it is recommended that:

1. Pension fund management organizations should ensure that effective compensation plans are put in place to motivate employees towards increasing output.
2. To improve employee's efficiency in the work place, Pension fund management organizations should ensure adequate compensation is being giving to staff, this will serve as a motivation to improve performance.
3. Both financial and non-financial compensation plans should be jointly used to encourage and improve employee's performances.

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