

ISRG Journal of Arts, Humanities and Social Sciences (ISRGJAHSS)



ISRG PUBLISHERS

Abbreviated Key Title: ISRG J Arts Humanit Soc Sci

ISSN: 2583-7672 (Online)

Journal homepage: <https://isrgpublishers.com/isrgjahss>

Volume – II Issue-VI (November-December) 2024

Frequency: Bimonthly



EFFECT OF COMPENSATION ON EMPLOYEE'S PERFORMANCE IN FOTOZILA AFRICA LIMITED, PORT HARCOURT

AKANKPO, UDOM E.

DEPARTMENT OF SOCIOLOGY UNIVERSITY OF PORT HARCOURT, NIGERIA

| **Received:** 13.11.2024 | **Accepted:** 18.11.2024 | **Published:** 23.11.2024

***Corresponding author:** AKANKPO, UDOM E.

DEPARTMENT OF SOCIOLOGY UNIVERSITY OF PORT HARCOURT, NIGERIA Email:
efiong_udom@uniport.edu.ng

Abstract

The study examines the effect of compensation on employee performance at Fotozilla Africa Limited, a leading photography and imaging company in Port Harcourt. Compensation is a critical factor in employee motivation, reinforcement, satisfaction and productivity, which directly influences the overall organizational performance. This research explores both the monetary (direct) and non-monetary (indirect) compensation elements of salary, benefits, recognition, bonuses, and career advancement opportunities and how they impact on employees' motivation, engagement and performance outcomes at Fotozilla. The study adopted purposive sampling technique of all 19 employees from all departments with simple percentage analysis, to understand compensation packages of the industry, strategies of motivation and how the company measures employee performance. Results indicate irregular salaries, lack of a pension scheme and unfair compensation rewards. It is suggested that Fotozilla could benefit more by developing a compensation model, emphasising a balanced standard and employee expectation. That the company adopt performance compensation in order to motivate employees and review compensation scheme regularly with employee's needs to keep key performers and motivate others; to also create feedback mechanisms. By this Fotozilla can strengthen its workforce, increase employee performance and engagement, as well as improve overall organizational output.

Keywords: Compensation, Employee, Motivation, Organization, Performance.

Introduction

Persons work in organizations to ensure a living through compensation and benefits of skills acquired and so offered. By so doing, best hands/brains are retained for further productivity and higher profits. Every industry is faced with competition and compensations are made attractive (more money and other essentials) to employees to enable them elope from one company to another. Thus, enhance skills and much remuneration gaps are creating frequent job loss, and unfair distribution of income in the economy. According to Moniz (2010) ideal compensation system will have the positive impact on the efficiency and results produced by employees. Koss (2008) further attested that, it also encourages the employee to perform better and achieve the company objectives.

The concept, compensation according to Geralyn (2007) is in the form of money or incentives given to an employee in the performance of services for an employer. It comprises wages, salaries, incentives, or bonuses. An employee is motivated based on his/her skills related to training, experience and level of educational attainment. There are however several determinants of compensation, according to Maloa (2011) such as, employee skill, job performance, job tenure, and external equity. In the view of Reddy (2020) compensation “is the remuneration by an employee in return for their contributions to the organization....that involves balancing the work-employee relation by providing monetary and non-monetary benefits to employees” (p. 20).

In all, compensation is an enterprise strategy to keep and attract efficient employees to her workforce with the view to boosting their morale. It is the formation of plans as motivational aids central to its organizational higher productivity. Compensation are in the form of direct monetary rewards and indirect non-monetary rewards. The classifications are as follows:

- a. Direct Monetary Rewards: Salary, bonuses, special allowance, overtime, medical/tour/transport allowances, pension and gratuity, shares, commissions etc.
- b. Indirect Non-Monetary Rewards: Healthcare, sick/educational leave, transport and insurance services, housing scheme, recognition, car policy etc.

Upon the compensatory measures rolled upon for employees, three classes of workers could be adduced from compensation effect. 1. Some workers are not influenced by anything, rather by ‘strong work ethic’; 2. Those that are dependent on regular increase (Reddy, 2020). 3. The indifference group of workers, who are not easily inspired by any form of compensation structure and work without objection.

Performance, as human resource factor is important for organizational upgrade. According to Park et al. (2021) employee satisfaction involves a higher state of work and environment satisfaction. Performance means the work offer or actual zeal offered by someone in an industry. Employee performance is the higher quality and great quantity of work discharged by an employee in the course of his duties in accordance to the objectives given to him.

People work either for themselves or others for the sake of pay and other material elements. Therefore, remuneration or compensation is apparently one of the key elements of productivity. Several studies have shown, including that of Mangale (2017), that increase pay packages and the ways of administering the workers

welfare have an effect on productivity. Of all studies on compensation and employee performance, none has researched on the effect of compensation on employee performance, at Fotozila, a private firm in Port Harcourt, Rivers State. This survey was conducted with the goal of assessing and aiding the improvement of local work climate and increase work performance among employees. This work is therefore to fill the gap in literature.

The research is on Fotozila Africa Limited, a company formerly registered with the Corporate Affairs Commission (CAC) as Fotozila Services in 2010, later transformed into a limited liability company in July of 2014. It is a sole proprietorship business, located at number 26 Ikwere Road, Diobu, Port Harcourt, Rivers State, Nigeria. The major activities of the company are, photo frames making, photo book development, pictures print (of all sizes), rejuvenating old pictures to new ones, sales of all kinds of photo materials and in addition general contractor, in order to strife and support the achievement of other company goals. It has a staff strength of nineteen (19) employees. Fotozila is a popular photo studio in Port Harcourt. It is a busy site as customers cluster for their jobs at all times.

Statement of the Problem

Organizational work is very competitive. Many industries loose a number of skilled workers due to low or poor compensation model. Compensation is a critical factor and influence employee performance. Fotozila, a growing technology and media company, management has varying levels of productivity and engagement which are linked to the company’s compensation practices. As a company, Fotozila faces challenges, hence the need to investigate the current compensation package adequately meets the needs and expectations of employees and how an adjustments might enhance motivation and productivity.

Research Questions

The following research questions guided the study.

1. What are the compensation packages available to Fotozila Africa Limited?
2. What are the compensation strategies (motivation) that Fotozila Africa Limited uses to motivate employees?
3. How does Fotozila Africa Limited measure employee’s performance?
4. What is the relationship between compensation practices and employee performance in Fotozila Africa Limited?

Hypotheses

Null hypotheses for the study are as follows:

HO 1: Compensation packages does not have a significant effect on employee’s performance.

HO 2: Compensation strategies have no significant effect on motivation and employee’s performance.

HO 3: Employee’s performance measurement has no significant effect on compensation.

HO 4: There is no significant relationship between compensation and employee performance.

Literature Review

Studies have been carried out to examine compensation and its turnover in productivity and in different contexts. In the financial compensation category, Lonar (2010) examined the relationships among pay satisfaction, job satisfaction, and turnover among

professional considered to engage in altruistic occupation, e.g. nursing, with the assumption that people in such occupations are driven more by job satisfaction rather than their pay. The results showed that pay satisfaction affect turnover intention differently and that job satisfaction will add incrementally to the explained variance in the pay satisfaction-turnover relationship. Sharma (2011) studied the association between pay satisfaction and job satisfaction in a research titled Salary satisfaction as an antecedent of job satisfaction. He found that employees in public sector (where the pay was higher) have greater degree of pay satisfaction compared to private sector employee. He also reported that job satisfaction increased or decreased with increased or decreased in pay satisfaction. The study revealed that workers would have positive effect about their work or profession if they are well paid.

Oboreh and Arukaroha (2021) studied reward on organizational performance with the elements of increase in salary, organizational recognition, career advancement and cash bonus. The result proved that the aforementioned elements have significant effect on organizational performance. Jemima (2021) investigated impact of the reward system on employee performance and drew the conclusion that upon the fair compensation and reward scheme of the organization, the workers were not inspired by them. The research of Seidu et al. (2020) on the impact of compensations both direct and indirect on employee output indicated that all domains have positive and very significant effect on the workers. The study recommends regular and consolidated models as a means of improving workers performances.

Under the non-financial compensation effect on employee performance, Mangale (2017) noted that, job approach can construe a very good role in enhancing the workers performance by planning the objectives in a manner that are curiously and challenging as well. A systematically planned work can boost the worker output and morale by making monotony and work redundancy less. Equally, the study also observed that, environments with unmanaged resources as poor ventilation and lighting, unorganized seating arrangements and horse play situations may cause stress and lessen output. The study further noted that, a work situation with no security and free flow of communication decreases morale and efficiency. Welsh (2012); Allen and Kilmann (2011) all embraced the fact that workers who get acknowledgements at their place of work, have their self-esteem, self-confidence, affected and also have propelled desires to remain in the organization.

On the effect of compensation and the performance of administrators, Afriyie et al. (2020) noted that every employee need be assessed of his/her performance to determine those that deserve to be compensated. In examining compensation and organizational performance, Okoye (2022) maintained that compensation endures work commitment to an enterprise, and propel significantly employee performance. The study recommended an attractive compensation scheme to aid improve performance. In the review of impact of compensation and performance, Reddy (2020) posits that, beside the basic salary of workers, employees deserve both psychological as well as self-actualization needs that the organization need to offer. The study encouraged organizations to raise their compensation models to allow for the motivation of workers and increase output. A study by Uzoamaka and Innocent (2018) on the effect of prompt payment of salaries as a compensation plan to employee, proved that timely

remuneration of workers was significant to high performance as a compensation plan of an industry.

The theoretical framework that serves as a foundation for understanding the two concepts of compensation and employee performance is Human Capital Theory. The theory as postulated by Ng and Feldman (2010) hold the view that, long-tenure workers are better performers because they have accumulated more job-related knowledge and work experience. Experience and education are signals to organizations about employees' knowledge and skill levels, and thus the labour market rewards individuals for acquiring more human capital with access to better jobs, higher earnings and greater incentives to remain. In turn, employees with longer tenure have greater incentives to perform well in the future; understand tasks better; relate well with supervisors and colleagues. This theoretical concept is in line with the practical fact that, the skilled and experienced workers are well compensated/rewarded than others. They are attracted and retained by the organization.

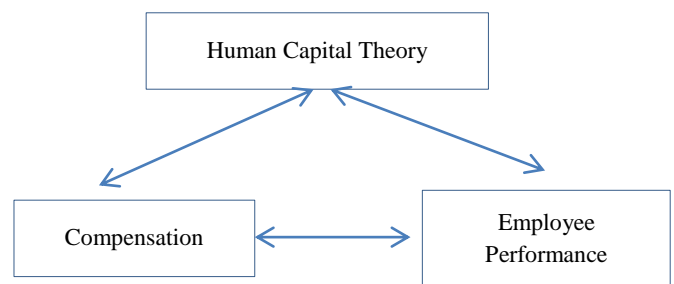


Figure 1: Relationship between Compensation and Employee Performance

The diagram above, shows the relationship between the theory (Human Capital) and independent variable - compensation and dependent variable Employee Performance. The theory has a direct effect on both compensation and employee performance (the dependent and independent variables). On the other hand, the independent and dependent variables are affected by each other's factors and are measured by how performance could be increased in the company.

Methodology

The sample size of the company is the 19 members of employees of Fotozila Africa Limited Company and also served as respondents. The sampling technique used was purposive sampling in which all members of staff in the organization were analysed. The respondents span across the managerial and junior staff of the company. The main instrument used for the study was a survey with a questionnaire tagged: Questionnaire on Compensation and Employee Performance (QCEP) with four sub-sections as follows: Sector one deals on compensation packages; sector two reviews motivational strategies; sector three was on the measure of employee performance; while sector four treats relationship between compensation and employee performance.

In administrating the questionnaire, 16 respondents returned their questionnaires, properly filed and were found useful for analysis, while three failed to hand in out of the 19 members of staff. Frequency counts and percentages were used to analyse both the demographic characteristics and research questions. The respondents served as the primary source of data. A responding format of 2-points rating scale of Yes or No was used. A total of twenty-five (25) questionnaire items were generated for the study.

Results

A total of 16 copies of questionnaire were issued for statistical analysis, 13 (81%) were returned and properly filled and valid for analysis, while 3 (19%) were not returned. The percentage returned was adequate enough for analysis.

Research question one: What are the compensation packages available to Fotozilla Africa Limited?

Table 1. Compensation Packages

SN	Items	Freq.	Yes %	Freq.	No %
1a.	Are salaries paid as at when due?	4	25.00	9	56.25
1b.	Are fringe benefits/other rewards for services provided?	7	43.75	6	37.50
1c.	Is health car/insurance provided?	8	50.00	5	31.25
1d.	Is there provision for retirement/pension allowance?	3	18.75	10	62.50
1e.	Is accommodation or allowance in lieu provided for staff?	4	25.00	9	56.25
1f.	Is transportation allowance added to salary?	1	6.25	12	75.00
1g.	Are vacation/other rewards for services provided?	5	31.25	8	50.00

Table 1 shows that, 9 (56%) indicated that their salaries are not paid in time. 4 (25%) are of the positive to this. 7 (43%) of respondents are supportive of the fact that company provide fringe benefits and other rewards, while 6 (37%) do not support it. 8 (50%) answered yes to the provision of health care/insurance in the company, but 5 (31%) disagree to it. 10 (62%) of the respondents reported not having a retirement/pension allowance and plans, but 3 (18%) have. On provision of accommodation, 9 (56%) are not provided with accommodation or allowance in lieu of, while 4 (25%) are provided with. 12 (75%) of the respondents are not provided with transport allowance. On the issue of vacation and other rewards, 8 (50%) said no provision.

Research question two: What are the compensation packages (motivation) that Fotozilla Africa Limited uses to motivate employees?

Table 2. Motivational Strategies

SN	Items	Freq	Yes%	Freq.	No%
2a.	Are your performances/achievements rewarded?	9	56.25	4	25.00
2b.	Is promotion based on performance?	9	56.25	4	25.00
2c.	Are you satisfied with the annual	4	25.00	9	56.25

	increment?				
2d.	Does company sponsor in-service training/courses?	7	43.75	6	37.50
2e.	Are meal services provided?			13	81.25
2f.	Is monetary reward high?	5	31.25	8	50.00
2g.	Does company offer loan/salary advance?	12	75.00	1	06.25

In the above table indicated that, their performances are rewarded with 9 (56%) in support, only 4 (25%) said no. 9 (56%) agreed to performance-based promotion, while 4 (25%) said no to it. 9 (56%) are not satisfied with their annual increment, 4 (25%) are satisfied. On the subject of in-service training/courses, 7 (43%) are trained, 6 (37%) are not trained. 13 (81%) of the respondents stated that they do not have meal service in the company. 8 (50%) noted that their monetary reward is not high, only 5 (31%) agreed that it is high. 12 (75%) of respondents reported that company offer loan/salary advance.

Research question three: How does Fotozilla Africa Limited measure employee's performance?

Table 3. Measure of Employee Performance

SN	Items	Freq.	Yes%	Freq.	No%
3a.	Are you assigned daily/weekly job objectives?	9	56.25	4	25.00
3b.	Are you satisfied with job schedule policy?	10	62.50	3	18.75
3c.	Do you meet up with personnel performance evaluation?	12	75.00	1	06.25
3d.	Do you deliver work without excuses?	11	68.70	2	12.50
3e.	Are tasks made enjoyable/stress free during performance?	8	50.00	5	31.00
3f.	Are your performances recorded?	4	25.00	9	56.25

In table 3, the statistical analysis are as follows, that 9 (56%) anted that job objectives are assigned on daily or weekly basis, but 4 (25%) disagreed. 10 (62%) are satisfied with the job schedule policy of the company, and 3 (18%) said no to it. 12 (75%) of the respondents meet up with the personnel performance evaluation of the company. 11 (68%) do deliver their assigned work without excuses, only 2 (12%) are unable to meet up. 8 (50%) enjoy job performance, but 5 (31%) do not enjoy their work. On recorded performances, 9 (56%) noted that their performances are not recorded, but 4 (25%) of the respondents are recorded.

Research question four: What is the relationship between compensation practices and employee performance in Fotozilla Africa Limited?

Table 4: Relationship between Compensation & Employee Performance

SN	Items	Freq.	Yes%	Freq.	No%
4a.	Are management sensitive to your needs?	10	62.50	3	18.75
4b.	Are you satisfied with conditions of service?	6	37.50	7	43.75
4c.	Has there been strike action in the company?	1	06.25	12	75.00
4d.	Are you achieving value working in the organization?	11	68.70	2	12.50
4e.	Are compensation/other opportunities fairly offered?	6	37.50	7	43.75

The above table explains the following, that 10 (62%) noted that company management are sensitive to employee needs, while 3 (18%) disagreed. 6 (38%) are satisfied while 7 (43%) are not satisfied with the present condition of service. 12 (75%) of respondents observed that there has never been a strike action in the company. On achieving value for work, 11 (68%) are satisfied working in the company, but 2 (12%) are yet to be satisfied. Compensation and other opportunities are fairly distributed according to 6 (37%) of respondents, while 7 (43%) are opposed to it.

Test of Hypothesis

Hypothesis one: Compensation packages does not have a significant effect on employee's performance.

Based on the analysis results of table 1, the compensation variables in 1, 4, 5, 6 and 7 are not complied with by the management of the company. There are all in the 'NO'. Thus, HO is rejected and H1 is accepted, which implies that compensation packages have a positive and significant effect on employee performance.

Hypothesis two: Compensation strategies have no significant effect on motivation and employee's performance.

Drawing inference from table 2, (motivation strategies) in the organization, the variation was almost a tie. Of the seven questions presented, four (4) were in the positive, in favour of the company policies, while three (3) were in the negative, indicating company lack of efforts at implementing major factors of motivation to members of staff. By this, the Null hypothesis is rejected, and alternate hypothesis accepted, in that, compensation is a means of motivation to staff, and have a significant effect on employee performance.

Hypothesis three: Employee's performance measurement has no significant effect on compensation.

From table 3, the results indicated that, the company does not have recorded performances of the workers, it is therefore very difficult to measure employees' performances and award recognition.

Hypothesis four: There is no significant relationship between compensation and employee performance.

From table four, the results show that workers are not satisfied with the company condition of service and are reluctant working there. Compensation and other benefits are unfairly distributed amongst the members of staff.

Discussion

The effect of compensation on employee performance is a critical area of focus. Compensation which includes direct (salary,

bonuses, overtime) and indirect (recognition, insurance) play a vital role in motivating employees especially the young ones with lesser experience. The study shows that employees are not paid regularly; no pension scheme; no accommodation nor allowance; there is no bus service for workers nor transport allowance as well as vacation. This is in line with Moniz (2010) and Koss (2008) that, compensation will have a positive impact on efficiency and produce results, encourage better performance. Employees do not experience annual increment of their salaries; no meal service. In all, employees are not satisfied with the present condition of service, compensation wise. This result is in consonance with Park et al. (2021) that employee satisfaction requires a higher level of work and environment satisfaction. They equally observed unfair practices in the award of compensation. The company does not have a standard recorded performance scheme. This result is consistent with Mangale (2017) findings that welfare packages have an effect on an industry and productivity.

Recommendations

For an organization to fulfill its goal as in Fotozilla, the following are recommended.

1. Development of a compensation model: A clear and fair compensation policy which aligns with the nature of the industry, expected standards and expectations of employees.
2. Performance compensation: It is necessary to introduce performance based compensation as a means of motivating and encouraging better performance. This will too reduce adoption of skilled members of staff from the company.
3. Compensation review: The compensation scheme must be under constant review to help retain best hands and boost morale.
4. Non-Monetary rewards: Besides the monetary compensation, non-monetary rewards must also be factored into the scheme.
5. Feedback: Regular checks on opinions from employees on an evolving scheme and their needs should be factored in as this is an important compensation mechanism.

Conclusion

Compensations are known to increase commitment, performance and attract new workforce. In Fotozilla Africa Limited, compensation has a direct significance on employee performance. As workers perceive the compensation rewards as not equitably aligned to their efforts for higher commitment. Hence, a structured compensation model with monetary and non-monetary plans are required that can be a major driver for enhanced employee performance. This is because those who are fairly compensated tend to last longer and exhibit higher motivation/satisfaction with proof of productivity.

References

1. Afriyie, E. O., Twumasi, A., Sarpong, E., & Darko, L. O., (2020), The effect of compensation on employees' performance: A case of a Technical University in Ghana. *International Journal of Managerial Studies and Research*, 8(6), 44-54. <http://dx.doi.org/10.20431/2349-0349.0806005>.

2. Asekun, W. A., (2015), Survey of pay satisfaction, Job satisfaction and employee turnover in selected business organizations in Lagos, Nigeria. *Global Journal of Social Sciences*, 14.
3. Geralyn, M. F. (2007). *Human Resource Management Basic: Small versus large firm practices*. Virginia Hernandez.
4. Jemima, A. O. (2021). Effect of organizational compensation and reward system on employee performance at Kenya Revenue Authority. A Research Thesis of Moi University, <http://ir.mu.ac.ke>> bitstream.
5. Mangale, N. M. (2017), The effects of compensation on employee productivity: A case study of Kenya literature bureau, South C Nairobi. The Management University of Africa Repository.
6. Moloa, F. (2011), Determinants of employee compensation in an organization: An exploratory study. *South African Journal of Labour Relations*: 36(2),
7. Moniz, J. (2010). The basics for building and maintaining incentive plans at smaller firms. SAGE Publications.
8. Nazwirman, N. (2019). Analysis of employee performance: A case study in Port Corporation. *Journal Organisasi dan Manajemen*, 15(1), doi: 10.33830/jom.v15i1.812.2019.
9. Ng, W. H. T., & Feldman, DC. (2010). Organizational tenure and job performance. *Journal of Management* 36:1220-1250. (Southern Management Association).
10. Oboreh, L. E. & Aruaroha, J. (2021). The effect of reward on organizational performance in Universities in Edo State. *International Journal of Innovative Social Sciences & Humanities Research*, 9(2), 96-104.
11. Okoye, V. C. (2022). Compensation and organizational performance. A study of Muoka foam Lagos. *International Journal of Business Systems and Economics*, 13(5), 225-234.
12. Park, I. J., Doan, T., & Zhu, D. (2021). How do empowered employees engaged in voice behavior? A moderated mediation model based on work-related flow and supervisors' emotional expression spin. *International Journal of Hospitality Management*, 95. 102878.
13. Reddy, V. S. (2020). Impact of compensation on employee performance. *IOSR Journal of Humanities and Social Science*, 25(9) (1), 17-22. Doi: 10.9790/0837-2509011722.
14. Seidu, M., Jiang, X., & Korankye, B. (2020). Exploring the impact of compensation on performance of employees: A case study of AngloGold Ashanti Obuasi, Ghana. *International Research Journal of Advanced Engineering and Science*, 5(4), 216-225.
15. Uzoamaka, E. V., & Innocent, I. E. (2018). Effects of compensation plan on employee performance in the telecommunication industry. A study of MTN Nigeria. *IIARD International Journal of Economics and Business Management*, 4(6), 21-34.