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# COMPENSATION MANAGEMENT PRACTICES AND EMPLOYEES' PERFORMANCE IN SELECTED PRIVATE SCHOOLS IN ADO- EKITI, EKITI STATE

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## Abstract

*This study investigated the effects of compensation management practices on employees' performance in the private schools in Ado-Ekiti, Ekiti State, Nigeria. It specifically examined the impact of prompt salary payments; and indirect compensation (Health insurance) on employee performance. The study utilized a cross-sectional survey research design. The population consisted of 16 selected registered private school in Ado-Ekiti with 342 staff. The sample size was determined to be 181 using Yamane's (1967) formula. Data were analyzed using descriptive and inferential statistics, including OLS regression. The findings reveal a strong positive correlation between prompt salary payments and employee performance. Additionally, indirect compensation (Health insurance) was found to significantly influence employee performance. The study recommends that private schools in Ado-Ekiti prioritize prompt salary payments, optimize rewards and incentives, and effectively manage indirect compensation by incorporating staff Healthcare insurance to enhance employee performance and overall efficiency.*

**Keywords:** Compensation Management, Employee Performance, Indirect Compensation, Prompt Payment of Salary. Reward and Incentive.

## Introduction

A well-structured compensation system is essential for attracting, retaining, and motivating skilled employees which positively influence employees' performance and ultimately contributing to a company's success. Effective compensation management aligns employee efforts with organizational goals, fostering improved performance.

The compensation practice of an organization serves as a powerful motivator, driving individuals to work harder and achieve higher levels of performance. In today's competitive economic landscape, financial incentives, such as salary, rewards, and other forms of

remuneration, are increasingly important for attracting and retaining top talent (Akteer and Moazzam, 2016).

Organizations wishing to be successful must prioritize the well-being of their employees by providing suitable working conditions, motivation, financial incentives, and a harmonious work environment to ensure employees' satisfaction to ensure its success (Lencho, 2020)

One of the challenges facing the Nigerian workers today is the failure of both the public and private sector to adequately compensate their workforce most especially private schools. This has



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inevitably affected the overall performance of employees.

Therefore, prompt payment of salaries and the provision of adequate health insurance are critical components of effective compensation management. However, delays in salary disbursement and inadequate health insurance coverage can negatively impact employee morale, job satisfaction, and ultimately, organizational performance (Akter and Moazzam, 2016). This study aims to examine the impact of prompt salary payments and health insurance on employee performance in selected private schools in Ado-Ekiti, Ekiti State.

Despite the critical role of compensation management in driving employee performance and organizational success, many private schools in Ado-Ekiti, Nigeria, are facing challenges in implementing effective compensation practices such as inadequate compensation packages that fail to attract and retain qualified staff, irregular salary payments that negatively impact employee morale and productivity, limited opportunities for rewards and incentives, leading to a lack of motivation and recognition, ineffective management of indirect compensation benefits, like healthcare and retirement plans, lack of alignment between compensation practices and organizational goals and objectives (Onuarah and Okeke, 2023). The challenges of compensation management within the private schools can arise due to differences in pay scales across job roles, departments, or levels of seniority. When employees perceive unfairness in compensation, morale can suffer, leading to resentment, a lack of collaboration, and a divisive work environment (Khanal et al., 2023). This can hinder teamwork, reduce trust in leadership. However, the research seeks to determine whether timely salary

disbursement and adequate health insurance coverage contribute to increased employee motivation, job satisfaction, and overall productivity.

## Hypotheses

- i. Prompt payments of salary has no significance effect on employees' performance in selected private schools in Ekiti State.
- ii. Indirect compensation (Healthcare insurance) has no significance effect on employees' performance in selected private schools in Ekiti State.

**Compensation management** is a crucial aspect of human resource management that involves planning, organizing, and overseeing the rewards given to employees for their contributions. These rewards can include both monetary incentives (like wages and bonuses) and non-monetary benefits (like healthcare and retirement plans). Effective compensation management not only boosts employee satisfaction and motivation but also improves overall productivity and ensures fair treatment. By offering greater rewards to top performers, organizations can encourage higher levels of achievement and inspire employees to strive for excellence (Fapohunda, 2021).

**Prompt payment of salary** is a strong motivator that directly links financial incentives to job performance, encouraging employees to work harder and be more productive. Salary is a fixed, regular payment for services rendered and should reflect the value of the work done. It is essential to ensure that employees feel fairly compensated for their contributions, as those who work exceptionally hard may become dissatisfied if they feel undervalued. Companies that offer less than



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deserved compensation may find it difficult to retain top talent, as employees may seek new opportunities where their efforts are better recognized (Zingheim and Schuster, 2007).

**Indirect compensation** refers to non-monetary benefits provided to employees in addition to their base salary. These benefits are designed to enhance employee satisfaction, loyalty, and overall well-being. While they don't directly increase an employee's paycheck, they offer significant value and can be a powerful tool for attracting and retaining top talent (Lencho, 2020).

**Retirement plans** are a common type of indirect compensation. They are designed to help employees save for their retirement and provide financial security in their later years such as benefit plans, these plans promise a specific benefit amount upon retirement, typically based on factors like salary and years of service (Cascio, 2012).

### Employee performance measurement

Ismail and Abd Razak (2023) noted that most performance evaluation approaches consider two primary aspects: quantity, which pertains to the total output expected, and quantitative measurement, which involves assessing the results of a process or activity. Meanwhile, qualitative evaluation addresses factors such as productivity, satisfaction, and commitment, concentrating on the effectiveness and skill levels achieved (Sonya et al., 2021). Consequently, in this context, productivity, satisfaction, and commitment will be used as benchmarks for gauging employee success.

Productivity refers to how efficiently resources are employed to generate goods or services (Gaissey cited in Daramola,

2019). It is typically gauged by comparing the amount of output (products and services) to the input (such as labor, capital, or management efforts). Economists use productivity as a key indicator to evaluate the rate of progress and growth within industries (Lencho, 2020).

This theoretical review explores the interrelationships between compensation management and employees' performance. It draws on established theories and empirical research to provide a framework for understanding the complex dynamics at play.

### Compensation Management and Employee Performance

The theoretical underpinnings of this research are rooted in the field of human resource management, specifically compensation management. Compensation plays a pivotal role in motivating employees, attracting and retaining talent, and aligning individual goals with organizational objectives. The theories that inform this research include:

**Expectancy Theory:** This theory posits that employees are motivated to exert effort when they believe their performance will lead to desired outcomes (e.g., rewards, recognition) and that the rewards are valuable to them. However, this research examines how prompt salary payments and indirect compensation can motivate employees by linking their performance to desired outcomes.

**Equity Theory:** This theory suggests that employees compare their input (effort, skills) to their outcomes (rewards) with the input and outcomes of others. If perceived inequity exists, employees may become demotivated and reduce their effort. Therefore the study explores how employees perceive the fairness of their



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compensation in relation to their colleagues and the broader labor market.

**Reinforcement Theory:** The notion of reinforcement was formulated by Edward (1932). This theory proposes that behavior is influenced by its consequences. Positive reinforcement (rewards) can increase the likelihood of desired behaviors, while negative reinforcement (punishments) can decrease undesired behaviors. However, the research investigates how prompt payments of salaries and incentives can reinforce positive employee behaviors and improve performance.

By drawing on these theoretical frameworks, the study provides a solid foundation for understanding the relationship between compensation practices and employee performance in private schools in Ado-Ekiti.

Aliku et al. (2020) explored how compensation management affects work output in Nigeria's manufacturing industry through a descriptive survey approach. They sampled 73 participants using Census statistical tools for small samples. Data was gathered via a 5-point Likert Scale questionnaire. The analysis covered three key areas: first, a descriptive breakdown of participant profiles using simple weighted percentages; second, descriptive statistics of the questionnaire responses, including minimum, maximum, mean, and standard deviations; and third, hypothesis testing via Pearson correlation analysis. The results revealed strong positive links between job performance and both salary (SLY) and benefits packages (BP). The research underscored that adept management of compensation is pivotal in boosting productivity within the industry. It suggests that organizations should offer job security benefits to all employees, irrespective of their

role, to boost productivity and overall effectiveness in the industry.

The research titled "Analysis of Staff Compensation Management and Organizational Effectiveness in Selected Deposit Money Institutions in Lagos State, Nigeria" authored by Alliu and Akinlabi (2023), explored how compensation strategies impact the performance of various deposit banks in Lagos State. Utilizing a cross-sectional survey methodology, the research targeted middle and senior-level managers from top-performing banks, with a sample consisting of 422 participants. Data collection was executed through a standardized questionnaire, resulting in an 82.4% response rate. Statistical analysis, facilitated by SPSS software, was conducted using inferential statistics to examine the interplay between different variables. The findings revealed a significant positive correlation between compensation management and financial performance, with a correlation coefficient of  $= 0.459$ ,  $t = 7.005$ , and  $p < 0.05$ . This finding suggests that effective compensation management is linked to improved financial outcomes in Lagos State's deposit money banks. Overall, the study underscores a positive connection between compensation practices and organizational success within these financial institutions.

A study by Onuorah and Okeke (2023) in Anambra State, Nigeria, explored how pay management practices impact employee effectiveness in various financial institutions. The research aimed to investigate the connections between performance-based pay, results-oriented compensation, and merit-based remuneration within deposit money banks. Grounded in Victor Vroom's (1964) expectancy theory, the study encompassed a population of 1,648 individuals. Applying Borg and Gall's statistical approach, a sample size of 321 was



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calculated. The research employed a survey technique, confirming content validity and reliability through test-retest and Cronbach's Alpha scores—0.724, 0.792, and 0.710, all of which surpassed acceptable standards. The results uncovered a significant connection between performance-based rewards and employee efficiency. Specifically, a robust correlation was observed between employee efficiency and performance-oriented compensation ( $r = .790$ ,  $p < 0.05$ ), with a correlation coefficient of 0.813, demonstrating a strong association.

### Materials and Methods

This examination utilized cross-sectional survey research design because it permits the analyst to survey and clarifies the effect or relationship between the independent and dependent factors. By utilizing a cross-sectional survey research design.

The research population for this study was 342 which comprises all employees of the six-teen selected private schools out of 128 registered in Ado-Ekiti. The target population of this study were drawn from the under-listed private schools below

**Table 1: Target population of the study**

S/N	SCHOOL	STAFF	S/N	SCHOOL	STAFF
1.	Success Int. College, Ado Ekiti	21	9.	Greater Tomorrow ModelAdo	24
2	At-Tawheed Model Schools, Ado	25	10.	Petoa City College, Ado	18
3.	Winners College, Ado Ekiti	22	11.	God's Wisdom Ado	21
4	Covenant Academy, Ado	21	12.	Theresa College, Ado	20
5	Eminent Academy, Ado Ekiti	19	13.	First Class Academy Ado	22
6.	St Philips Academy, Ado	21	14.	Vinpet Standard College	19
7	Praise Mastery Coll.Ado	18	15	Morning Star City, Ado	25
8.	Achievers Int'l College,Ado	19	16	Fountain Inte. High Sch, Ado	27

**Source: Ministry of Education Science and Technology, Ado Ekiti (2024)**

### 3.3 Sample and Sampling Techniques

A stratified random sampling technique was employed to ensure a representative sample of employees from various strata. The sample size consisted of 181 respondents for the survey questionnaire were determined using a confidence level of 95% and a margin of error of 5%. Yamane (1967) formula for determining sample size was used. It was mathematically derived as follows:

$$n = N / (1 + N(e)^2)$$

where:

- n is the sample size
- N is the population size
- e is the margin of error

$$N = 342$$

$$e = 0.05$$

$$n = 342 / 1 + 342(0.05)^2$$

$$n = 342 / 1 + 0.855$$

$$n = 342 / 1.855 = 181$$

Using a margin of error of 5% and a confidence level of 95%, the sample size was determined to be 181.

### Data Analysis Technique

Data were analyzed using the Statistical Package for Social Sciences Software (SPSS) 27, for purpose of this study data were analysed using descriptive and inferential statistics, including Ordinary Least Square (OLS).



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TERTIARY EDUCATION TRUST FUND  
TETFund/ESS/POLY/ADO-EKITI/ARJ/3**Results and Discussions**

The results of the statistical analysis and emerging discussions are presented next.

**Table 2: Analysis of the effect of compensation management on prompt payment of salary, and indirect compensation (retirement plan)**

Model	B	Std.Error	Sig.	Exp(B)
<b>Prompt Payment of Salary</b>	0.098	0.041	0.017	0.116
<b>Compensation (Retirement plan)</b>	-0.125	0.016	0.000	-0.187
<b>Constant</b>	2.259	0.185	0.000	

Source: Authors Computation (2024)

The influence of compensation management on salaries, bonuses, incentives, and supplementary benefits was evaluated through multiple regression analysis. Table 4.1 displays the estimated parameters reflecting how compensation management affects timely salary payments, bonuses and incentives, and retirement plan. This table includes coefficients and their significance levels (p-values). Timely salary payments exert a positive and statistically significant effect on employee performance ( $B = 0.098$ ,  $p = 0.017$ ,  $\text{Exp}(B) = 0.116$ ). An increase in the

punctuality of salary payments is likely to enhance employee performance within the private schools in Ado-Ekiti. Similarly, an increase in bonuses and incentives is expected to boost employee performance in the selected private schools in Ado-Ekiti. Conversely, supplementary benefits such as retirement plan demonstrate a negative and statistically significant effect on employee performance ( $B = -0.125$ ,  $p = 0.017$ ,  $\text{Exp}(B) = -0.187$ ). A reduction in supplementary benefits and retirement plan is anticipated to diminish employee performance within the private schools in Ado-Ekiti.

**Table 3: Correlations Coefficient between Employee performance and other variables**

Variables (Spearman Rank Correlation)	Employee Performance
Prompt Payment of Salary	0.970**
Sig.(2-tailed)	0.000
N	181
Indirect Compensation (Healthcare insurance }	0.954**
Sig.(2-tailed)	0.000
N	181
Employee Performance	1.000
Sig.(2-tailed)	0.000
N	181

\*\*. Correlation is significant at the 0.01 level (2-tailed).

Source: Authors Computation (2024)

The analysis showed a positive correlation between employee performance and timely salary payments, and indirect compensation (Healthcare insurance), with correlation coefficients of 0.970, and 0.954 respectively, all statistically significant.

These high correlation coefficients indicate that salary, and indirect compensation are key factors influencing positive employee performance in the private schools in Ado-Ekiti.



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TETFund/ESS/POLY/ADO-EKITI/ARJ/3**Table 4: Summary of the hypothesis testing**

S/N	Hypothesis	Results	Remarks
1	Prompt payments of salary has no significance effect on employees' performance in selected private schools in Ekiti Stae.	0.970** 0.000 P<0.05	Reject H <sub>01</sub>
2	Indirect compensation (Healthcare insurance) has no significance effect on employees' performance in selected private schools in Ekiti Stae.	0.954** 0.000 P<0.05	Reject H <sub>03</sub>

**Source: Compile by the Researcher (2024)****Discussion of Findings**

The relationship between variables shows that prompt salary disbursements, bonuses, incentives, and supplementary benefits such as retirement plan significantly boost employee performance within the private schools in Ado-Ekiti. Prompt salary payments, along with various rewards and incentives, were particularly effective in boosting performance. These results are consistent with Zingheim and Schuster's (2007) research, which found that timely payment of wages acts as a powerful motivator, encouraging employees to excel by connecting their compensation to their performance.

Mamdani and Minhaj (2016) examined how motivational incentives impact productivity among workers in Pakistan. Their study, which analyzed a random selection of 15 from a total of 41 banks, uncovered that incentives based on financial rewards as well as those based on other forms of acknowledgment were powerful drivers for employee motivation. Their findings supported the hypothesis that these incentives positively affect performance, although the influence was not uniformly observed. This aligns with Ranjan and Mishra's (2017) study, which explored the effects of incentives on the productivity of IOC employees in Patna. They found that each independent variable positively impacted job performance and that all variables were significantly interconnected.

**Conclusion and Recommendations****Conclusion**

Based on the findings of this study, it is evident that effective compensation management practices, including prompt salary payments and indirect compensation, significantly influence employee performance in private schools in Ado-Ekiti, Nigeria. The strong positive correlation between these variables suggests that private schools should prioritize these practices to enhance employee motivation, satisfaction, and overall productivity.

**Recommendations**

- 1. Prioritize prompt salary payments:** Ensure that employees receive their salaries on time and consistently to foster trust, motivation, and a positive work environment.
- 2. Optimize rewards and incentives:** Implement performance-based reward systems that recognize and reward employee contributions, encouraging higher levels of effort and achievement.
- 3. Effectively manage indirect compensation:** Offer competitive and comprehensive indirect compensation packages, such as retirement plans and health insurance, to attract and retain top talent.



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4. **Align compensation practices with organizational goals:** Ensure that compensation policies and practices are aligned with the school's strategic objectives to drive employee performance and achieve desired outcomes.

5. **Conduct regular compensation reviews:** Regularly assess and update compensation practices to ensure they remain competitive and equitable in the face of changing market conditions.

By implementing these recommendations, private schools in Ado-Ekiti can create a more motivating and rewarding work environment, leading to improved employee performance, increased productivity, and overall organizational success.

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