

## Compensation Tools and Employee Performance in Nigerian: A Selected Study of Ministry of Youth and Sports, Edo State

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**Abstract:** Since compensation is the organization's lifeblood, compensation management plays a crucial and valuable function in human resource management. Moreover, it is crucial for both employees and employers. This study focuses on Compensation Tools and Employee Performance in the Ministry of Youth and Sports in the state of Edo. The particular objective for this study is to determine the impact of health insurance on service quality. From the study objective, a hypothesis was stated, and 176 respondents at the Ministry of Youth and Sports of Edo state completed the self-administered questionnaires to measure the relationship between the variables. Pearson Product Moment Correlation Analysis was used to analyze the gathered data. Based on the results gathered, there is a strong positive correlation between health plans and service quality in the Ministry of Youth and Sports of Edo state. The study concluded, based on the findings, that employee performance is directly affected by salary. Accordingly, it was suggested that adequate health benefits and Service Quality should be included in a remuneration package that influences the performance of employees.

**Keywords:** Compensation, Employee Performance, Health Plans, Service Quality

### Introduction

Compensation is a very complicated and dynamic area of human resource management. One of the most important aspects of efficiently managing human resources is wage administration. Pay packages that motivate employees and

subordinates to perform both within and above expectations are crucial to a manager's success in fulfilling goals. Human resource management is critical to an organization's sustainability. Workers and managers alike must be aware of this. As a result, wages and salaries are frequently employed to pay workers, and they must be reasonable in comparison to the labor they produce. Managers' operating costs, on the other hand, are influenced by pay decisions, limiting their ability to compete in the market at a competitive price. Barry and Joanne (2015) In addition to retaining and preventing employees from leaving, efficient pay management decreases the need to acquire and train new personnel. Employees' total pay includes all monetary and non-monetary benefits they obtain from their jobs. Total remuneration refers to what an employee receives in exchange for his or her work or services. Individual rates and incentives are specified within the frameworks that are already in place, and a compensation structure and incentive systems are developed for various jobs. This is the process of compensation management. It is used in human resource management because it demonstrates the degree to which the employer and employee are connected.

A company's pay system consists of three components: base income, supplementary benefits, and performance incentives or bonuses. Employers receive "fringe benefits" in addition to the "base pay" that they pay their employees. Since World War II, when the expression "Fringe Incentives" was invented, employee rewards have expanded dramatically in both developed and developing countries. This type of benefit package includes numerous benefits, such as a wide range of services and a constant inflow of money in the future. Pay is a substantial expense for businesses in addition to delivering money to employees. In fact, it is sometimes the most significant expense for many firms on its own. 'Employees can meet their basic needs and wants because of their salary.

Compensation is critical in attracting and retaining employees. Companies with a well-trained and trustworthy workforce are more likely to achieve their objectives and acquire a competitive edge. Despite the fact that compensation systems are critical to a company's long-term performance, many scholars and practitioners have complained about the slow pace of compensation management research. All of these aspects of compensation management have evolved significantly as a result of the increased emphasis on motivating employees and ensuring that their efforts benefit the organization as a whole (Kersley & Forth 2015).

## **Research Problem**

The link between an organization's compensation tools and employee performance is fundamental, even though some external circumstances may influence how satisfied one is with the other. The absence of inadequate health plans may contribute to poor performance. To achieve the desired output level, the Ministry of Youth and Sports in Edo state faces an uphill battle in devising a reward system that is not exclusively monetary in nature in order to motivate staff and bring out the best in their performance, especially for those whose morale has been affected by the country's deteriorating socio-political and economic conditions. As a consequence of this, businesses have a responsibility to develop and implement a compensation plan that incentivizes people to work without exhausting the resources of the organization. The purpose of this study is to investigate the significance of comprehensive health programs in public sector companies, namely the Ministry of Youth and Sports in Edo State, in terms of the role they play in ensuring improved employee performance. Thus, the researcher's objective is to ascertain what factors contribute to remuneration and how it might be more effectively controlled and related to employee performance. Thus, health plans will serve as a proxy for compensation management in this study, while service quality will be utilized to assess employee performance.

## **Research Objective**

The main objective of this study is to examine compensation tools and Employee Performance in Nigerian in Ministry of Youth and Sports, Edo State; however, the specific objective is to ascertain the effect of health plans on service quality in Ministry of Youth and Sports Edo state

## **Literature Review**

### ***Concept of Compensation***

Naukrihub (2012) stated that human resources are a firm's most critical resource. It is accountable for every choice made, every task completed, and every outcome. Compensation refers to the payment a staff receives in exchange for his or her service to the company. Compensation management is a critical component of human resource management because it contributes to staff motivation and organizational success. Bowman (2016) defines compensation management as "all the instruments

available to businesses for attracting, retaining, motivating, and satisfying employees.” This involves every investment a firm makes in its workers and every aspect of the employment contract that employees appreciate.

Milkovich and Newman (2019), also stated that compensation encompasses all cash rewards and physical services and perks that worker get as part of their job relationship. Pay is also defined in the *Journal of Global Business and Economics* (2010) as “the sum of all cash incentives and benefits packages received by an employee from a corporation, which forms an individual’s overall compensation. According to Chabra (2017), compensation is a wide spectrum of monetary and non-monetary awards offered to employees in exchange for their labor for the organization. Wages, salaries, and employee benefits such as paid vacations, insurance, maternity leave, free travel, and pension benefits help to compensate. He made it clear that the term “wage” refers to the compensation that people receive for performing manual or physical labor. As a result, low-wage workers get compensated for their efforts on behalf of the corporation. Salaries might be paid by the hour, the day, the week, or even the month.

According to DeNisi and Griffin (2018), compensation is a system of rewards that a company provides to its employees in exchange for their willingness to do a variety of activities and responsibilities within the organization. They also stated that in order for employees to feel appreciated and have their expectations met, they must receive meaningful and fair benefits in exchange for their talents, abilities, and contributions to the organization. The overall compensation of money and other things given to an employee by their employer in exchange for work done is their compensation. It is based on market research into the market value of similar jobs, employee contributions and accomplishments, the availability of employees with similar skills in the market, the employer’s willingness to recruit and retain a potential employee for the perceived revenue they generate to the employment contract, and the firm’s revenue growth or money available in a non-profit or public sector setting, and thus the employer’s ability. People are compensated in a variety of methods, including bonuses, profit-sharing, overtime pay, prizes for performing a good compensation, and sales commissions. Non-monetary benefits such as a company-provided car, stock options in some situations, a company-provided place to live, and other non-monetary but demanding ways to create money can also be included. Compensation management is a wide policy that attempts to get the most out of a company’s employees. The ultimate goal is to

provide the most rewards to those who deserve them the most for the most significant reasons (Ritchie, *et al*, 2012).

Compensation systems, sometimes referred to as incentives or pay systems, relate to the method through which an employee receives benefits (Barr 2014). Thomas (2003) asserts that a typical compensation package consists of two main components: direct compensation and indirect compensation or perks. Compensation systems vary significantly between firms, and Gerhart and Milkovich (2019) indicated that “employers try to differentiate themselves through variances in compensation contingencies.” Simply put, employee compensation implies that there is more to rewarding people than simply handing them money; alternatively, as Mulis and Watson put it in Armstrong (2012), “the monetary value of the compensation package is still important, but it is not the sole element.” Additionally, they emphasize that pay strategies are based on “developing a far better grasp of the employee agenda across all incentive components.” The compensation management procedure was mostly summarized as follows by the work force: Creating a fun, challenging, and empowering work environment in which individuals can use their attributes to conduct task effectively for which they would be rewarded is likely to be a more certain way to boost performance and productivity, even if it is more difficult and time consuming than simply turning the remuneration lever.

### ***Forms of Compensation Packages***

According to Dessler, there are two distinguishable types of compensation: direct compensation and indirect compensation (2019). These subjects will be covered in greater depth in the future. The different forms of payment include the following: He defines “direct remuneration” as money paid consistently to employees; this could be once a month, twice a month, or once a week. It is also possible that the compensation will consist of an equity bonus. These employees are given the option to purchase stock in the company for which they now work. At the end of each year, they get a second opportunity to generate income from the equity associated with those shares. These are also known as executive stock options (or ESOs for short) (ESO).

Compensation earned through a variety of indirect channels: According to Dessler (2019), indirect compensation comprises both financial and non-financial incentives. These advantages are provided to employees in exchange for their continued employment. This type of compensation accounts for a substantial amount

of workers' wages. There are references to "fringe perks," "employee services," "supplemental payment," and "supplemental compensation." Armstrong describes "employee perks" as "additional forms of compensation that employees receive on top of their regular salaries" (2012). They may also include non-monetary benefits like annual vacation and sick leave. Implementing a comprehensive program in this area can affect staff retention and motivation, as well as corporate morale, employee turnover, and the overall organization's strength. Management reportedly uses it for these purposes (Noe 2016). The list that follows is not exhaustive, but it does include some of the indirect compensation packages being evaluated by firms today.

**Paid Holidays:** There are holidays such as Christmas and New Year's Day, to name a few. Innovative is the concept of a floating vacation, where time off can be spent at the discretion of either the employee or the employer. Personal days or time off is another concept that has only existed for a brief period of time. According to this idea, firms should give their employees with a certain number of paid vacation days per year so that they can attend to personal responsibilities. Typically, it is up to the employee to determine how best to utilize these days. Casual leave days may also be deducted from holiday pay, if the company agrees and the employee asks it.

**Reimbursement:** This is done to ensure that employees do not experience income loss and to cover any additional costs incurred as a result of working accidents or illnesses. Essentially, the laws provide compensation for lost wages, medical expenses, rehabilitation, death benefits for heirs, and lump-sum disability payments. They have all been reimbursed in full.

The government is responsible for the costs associated with the Social Security Insurance Program. Both the employee and employer must make contributions to the system. A predetermined percentage of the employee's profits, up to a certain cap, is distributed. When estimating how much firms and employees are paid, the average monthly wage is used as a baseline (with a higher emphasis on recent years) (weighted toward the later years). The primary objective is to safeguard the employees' financial security as they near retirement age.

### ***Concept of Health Plans***

A health-sponsored wellness program has been developed to help employees stay healthy and cope with work-related stress. Businesses have become more concerned about their employees' health as they have learned more about the link between workplace stress and heart disease and other developmental disorders. According to

Simon's 2019 research, employees who are in good health can deal with stress more efficiently and with fewer negative outcomes. Many firms now offer sports like tennis and other team activities to enhance their employees' physical, mental, and total health. To protect their employees' health, several companies have policies prohibiting smoking in the workplace. Some businesses also provide a space for their employees to seek guidance and counsel. On the other hand, the incentives that businesses face when selecting health benefits determine how the company affects employee well-being. The employer's cost-cutting compensation package for a single worker equals the employee's value pay and bonus distribution under a basic salary and compensation distribution model. Summers (2015) (During the summer of 2015) The firm would provide a single health care plan to a group of employees with similar health care options, matching each person's ideal wage-to-healthcare allocation. Because gathering enough data to examine the relationship between employee health insurance plans and what their companies provide is difficult, few studies have been conducted on the subject. Jensen (1986) discovered no evidence of dispersion in his analysis based on individual company data. If employees fall into particular demographics, employers are more likely to provide a wide range of benefits or ask them to pay into them. Companies that take advantage of employees who don't need health insurance are enticing them to quit their coverage, according to a new study (Dranove, 2016). This suggests that firms use employee premium contributions to induce employees who do not require health insurance to drop it.

### ***Employee Performance***

Today's business environment places a huge emphasis on enhancing productivity. Human resources (HR) development study has placed substantial emphasis on employee performance (Schiemann, 2019). Performance in the workplace is a person's ability to carry out their responsibilities with a sense of purpose and the support of their coworkers and superiors (Karakas, 2018). HR can only be utilised to improve business success if the system for monitoring employee performance is successful. This transition to a more strategic and people-centered approach is expected to result in better outcomes for all parties involved in an event-driven process (Jena, & Pradhan, 2014). In recent years, the concept of "employee health in the workplace" has become much more complex. Businesses are increasingly implementing forward-thinking techniques to improve the physical and mental health of their employees "; (London, 2013). Previously, 'health and wellness' was assessed solely by the number

of sick days taken by employees and the impact this had on the firm. In 2011, uSwitch published a survey stating that the United Kingdom had the lowest quality of life in Europe; consequently, this poor quality of life had a significant impact on business. Now that employers are investing more in health and wellbeing, the phrase has evolved in an effort to improve our quality of life both within and outside of the workplace. Employers know that not only is this a good practise, but it also improves morale, engagement, and output.

Despite the fact that sickness cannot be prevented in the workplace, it can be decreased via the investment of a number of perks by employers, such as health insurance and discounted gym memberships. A healthier workforce is ultimately more efficient and productive. 93% of employers in the EMEA region feel there is a correlation between employee health and performance, according to a recent poll conducted by Aon. While it is undeniable that a healthier workforce is more productive, companies can and should use their benefit programmes more effectively to ensure their employees are happy and healthy, hence enhancing employee engagement, performance, and the ability to work smarter.

### ***Service Quality***

In order for the information to be useful in the workplace, it must define both the service quality and the components that contribute to that quality. This is a significant duty, and no corporation should take it lightly because it comes with a lot of responsibilities. There are many expectations that come with it. In the absence of a thorough and explicit description, employees would receive conflicting directions on how to improve the quality of service given at their workplace. Workers might thus construct and act on their own subjective conceptions of quality, which are likely to be incorrect or ambiguous. These definitions can now be applied. As a result, researchers like Gronroos (1990), Lehtinen (1991), and Parasuraman, Zeithaml, and Berry (1985) are attempting to determine what characteristics distinguish a good service from a poor service and providing a variety of tools that marketers can use to evaluate the performance of their own businesses. According to Babakus (2014), the goal of service quality management is to determine the level of satisfaction that consumers have with the totality of the services that are supplied by a service provider's business activities. The goal of service quality management is to monitor and ensure the proper operation of all services provided to a specific client or group of clients. This is due to the fact that the purpose of SQM is to increase customer happiness.



## **Theoretical Framework**

Competition influences organisational performance, according to Jensen and Meckling's (1976) Agency Theory. The agency theory is applied to the study of corporate governance markets. Inefficient administration is costly in terms of money, product markets, labour, and capital (Jensen & Meckling, 1976). Large shareholder monitoring systems must persuade management to behave in the best interests of shareholders. Directors can facilitate splits of ownership (Denise, 2010). The structure of a firm influences the supervision of its shareholders. Debt is also a fact of life. Creditors monitor debt providers and management in order to minimize conflicts of interest. Using the concept of agency, we analyze the principal-agent relationships between corporations (Denise, 2001). A contract between two or more companies (Jensen & Meckling, 1976). Jensen and Meckling (1976) defined agency as the act of a principle using an agent to complete a task. The principal has the authority to assign authority for making decisions to the agent. Most shareholders have faith in the board's ability to make decisions on its own (BOD). Due to the impossibility of fully contracting for an agent's behaviour, the agency issue affects both the agent and the principal. Incentives can be used to lower agency expenses. Investors and managers collaborate to achieve their objectives. Eisenhardt (2019) suggests financial incentives for managers to act in the best interests of shareholders to prevent agency loss. To match their interests with those of their shareholders, CEOs frequently purchase discounted shares. In a human resources system, compensation includes basic pay, salary adjustments (such as a market supplement), and performance bonuses. The agency theory ties compensation management to the success of an organisation.

## **Empirical Review**

Numerous researchers have examined the various forms of compensation (direct and indirect). As a result, early studies of executive remuneration, such as Aduda and Musyoka (2018) use agency-based models to examine the link between executive salary and business performance. This causal census study examines ten significant commercial banks that together account for 71.8 percent of the industry's overall deposit and net asset value bases. This group does not include medium- and small-sized commercial banks that are not publicly traded and some of them continue to be family-owned enterprises. In this regard, the study tends to leave a knowledge gap regarding compensation performance intolerances among small and medium-sized commercial banks, compensation performance sensitivities among family-

owned commercial banks, particularly those with founder members, and compensation performance linkages for executives in purely state banks. The banking sector's selection highlights concerns about the influence of industry regulation on the compensation-performance nexus, which should be better articulated or controlled for, as well as the possibility of dual causation and institutional degrees of globalization.

Idemobi, Onyeizugbe, and Akpunonu (2014) investigated Compensation Management as a method for increasing organizational performance in the public sector through a case study of the Anambra State Civil Service in Nigeria. The Anambra State Civil Service was used as the research subject in this study. The Anambra State Civil Service in Nigeria was researched as an example of a typical public sector organization for this study. The study's goal was to see if compensation management could be successfully used to improve organizational performance. It was chosen to adopt a survey design that gave participants instructions on what to do. The correlation coefficient's significance was evaluated by analyzing the data using Pearson's Product Moment Correlation and the Z-test, with a significance level of 5%. Both of these tests were performed on the data. The compensation that public employees receive does not appear to have a substantial impact on the quality of work that they produce, nor does it appear to be proportional with the compensation of effort that public employees put out in their employment. Another significant conclusion of the study was that government reform programs had only a minor impact on compensation rules and practices in the public sector. Ineffective compensation management was blamed for this conclusion. It is advised that any public service organization, such as the Anambra State Civil Service Commission in Nigeria, provide compensation that is directly related to how well workers perform their responsibilities. This recommendation is supported by these findings. This would motivate employees to do their duties to a better standard.

Ngui, Elegwa, and Hazel (2017) studied how reward and compensation schemes influence the level of performance that commercial banks in Kenya are able to attain in their various activities in a distinct piece of research (2017). As a result, the goal of this study was to look into how different reward and compensation systems affect the efficiency with which commercial banks in Kenya carry out their duties. A study that was classified as "mixed methods" because it employed both qualitative and quantitative research procedures. As a result, the two distinct methods to problem solving were able to complement one another and provide better results. One of the

methods employed in the research endeavor was a survey. The survey included 2,738 people, including CEOs, HR managers, operations managers, and other employees from 46 different financial organizations. Nairobi was decided to be the major location for each bank's activities. This is due to the fact that the headquarters is in charge of developing plans and policies, which are then distributed to the numerous branches. A representative sample of the entire workforce was formed using a stratified random sampling procedure that resulted in the selection of 349 people. The data was acquired through interviews as well as questionnaires that the individuals completed independently. Editing and coding survey and interview replies, as well as performing data tabulations and a range of statistical computations, such as calculating averages and percentages, were all part of the statistical data analysis process. Statistical analysis software such as SPSS and Microsoft Excel were used to analyze the data (SPSS and Ms Excel). According to the findings of this study, reward and compensation systems play a key impact in determining how successful commercial banks in Kenya are in meeting their objectives. According to the study's findings, financial institutions are paying more attention to how they encourage and compensate their personnel. According to the conclusions of this study, financial and non-financial awards can be utilized in conjunction with one another to boost corporate success. According to the findings, there is a significant relationship between strategic incentive and compensation and the extent to which personnel in Kenyan commercial banks are successful in carrying out their obligations. According to the study's conclusions, commercial banks should use a combination of financial and non-financial incentives, as well as performance-based compensation systems.

### **Methodology**

The survey research approach was used in this study in Edo State, with the Ministry of Youth and Sport as the primary source of data. The populations studied in this study are the members of the Ministry of Youth and Sport who volunteered to participate. Three hundred and fifteen people are estimated to live there (315). The population consists of managerial personnel, senior staff, and junior staff of Edo state's ministry of youth and sport. The sample methodology utilized in this investigation is basic random sampling. To determine the sample size from the community population (Taro Yamane, 1973), a formula was used. This method was used to obtain a sample of respondents for the interview with a confidence level of 95% and a 5% sampling error.

Formula =

Where:

$n$  = Sample size or respondents for this research

$N$  = Population size

$E$  = The level of precision (A 95%) confidence level or 5 precision level, was assumed)

$$n = \frac{N}{1 + N(e)^2}$$

$$n = \frac{315}{1 + 315(0.05)^2}$$

$$n = \frac{315}{1 + 315(0.0025)}$$

$$n = \frac{315}{1.7875}$$

$$n = 176.22$$

Therefore, the sample size was 176 members

The major data collection approach was through the use of questionnaires, which entailed the use of pertinent study-related questions to elicit data. The questionnaires were split into two portions to address the possible dimensions of the research topic. On the advice of the sample strategy, these questionnaires would be distributed to 176 members of the Ministry of Youth and Sport in Edo state. The researcher collected data on the spot with the aid of the research assistant. Bivariate correlation approaches were used to analyze the data using the Statistical Package for Social Sciences (SPSS). Analyses of the data were conducted using a 95 percent confidence level. The research's statistic, measuring scale, data analysis, and reliability and validity tests all adhered to the research's recommendation.

## **Data Analysis**

**Table 1: Analysis of Returned and Unreturned Question**

<i>Items</i>	<i>No. of Respondents</i>	<i>Percentage (%)</i>
Returned	162	92.05
Unreturned	14	7.95
Total	176	100%

*Source:* Field Survey (2022)

Table 1 above shows that 162 respondents representing 92.05% completely filled and “returned” their questionnaire while 14 respondents representing 7.95% could “not return” their questionnaire. This is because some of the respondents failed to return their questionnaire.

### ***Test of Hypothesis***

$H_0$ : There is no significant relationship between health plans and service quality of employees in an organization.

Analysis using SPSS is as follows at 0.05 level of significance

<b>Correlations</b>			
		<i>Hth_Plan</i>	<i>Serv_Qua</i>
Hth_Plan	<b>Pearson Correlation</b>	<b>1</b>	<b>.899**</b>
	Sig. (2-tailed)		.000
	N	162	162
Serv_Qua	<b>Pearson Correlation</b>	<b>.899**</b>	<b>1</b>
	Sig. (2-tailed)	.000	
	N	162	162

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

### **Discussion of Findings**

The findings indicate a correlation of  $r = 0.89$ , or 89%, between health insurance and the quality of service rendered by employees of an agency controlled by the Edo State Ministry of Youth and Sport. Due to the fact that the p value is 0.000001, the result is statistically significant at the 0.05 (5 percent) level of significance, suggesting that the significance level was met. The hypothesis that there is a correlation between having health insurance and a person’s level of work success inside an

organization was examined. According to the findings of a study conducted by Summers (2015), certain companies have implemented smoking limits to protect the health of their employees. Some organizations even have an employee support and counseling division. Incentives a company encounters when acquiring health benefits, on the other hand, determine the impact the company as a purchaser has on the health of its employees. In the framework of a simple model of cash salary and benefit distribution, a company's cost-cutting compensation package for an employee consists of the utility-maximizing cash pay and fringe benefit allocation.

### **Conclusion and Recommendations**

To remain competitive in today's labor market, companies must provide a benefits package that encourages and entices people to work for them. Employee productivity is directly linked to the amount of money they get in remuneration. As long as the incentive system is transparent and if the rewards or payments are aligned with those of the recipients, this may be achieved. It is hoped that the findings of this study would assist managers better understand and implement policies linked to employee perceptions of remuneration and productivity. Adding to the job's intrinsic worth, fringe benefits are a significant component of an employee's overall remuneration. Benefits like paid time off, health insurance, pensions, and medical care all go a long way toward assisting employees in meeting their own personal financial goals. Some of these advantages allow the employee to participate in additional out-of-work activities that increase their sense of self-worth outside of the office. Employees and their dependents' well-being is also enhanced by benefits, making it easier to recruit, retain, and motivate staff. In order to properly value employee perks, it is necessary to examine the influence this has on overall work satisfaction. In view of the observations and conclusion of the study, the following recommendations are suggested by the researcher:

1. Workers' motivation and productivity can be influenced by a company's use of indirect pay or fringe perks as a compensation package. Age, marital status, and other factors influence how employees see certain perks. Managers should consequently be able to "customize" and utilize benefits packages to their employees' benefit.
2. Non-monetary variables that improve employee performance should be put in place by the company's leadership. These variables include employees'

sense of belonging, job stability and leadership as well as their ability to make decisions.

3. The difference between success and failure may be easily recognized by combining pay management, performance, standards (job standards), organizational goals, and identifying the essential work aspects and requirements of a job.
4. There must be considerable educational outreach to assist workers understand and appreciate the importance of compensation management systems for both people and the organization as a whole in companies that have never had a compensation management system in place.

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