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COMPENSATION ADMINISTRATION AND PERFORMANCE OF LOCAL GOVERNMENT AREAS IN ANAMBRA STATE, NIGERIA: AN EXPLORATION OF ISSUES

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Abstract

This paper examined Compensation Administration and Performance of Local Government Areas in Anambra State, Nigeria: An Exploration of Issues. The study examines compensation, compensation administration, the design and implementation of a compensation administration programme, objectives of compensation administration, challenges of compensation administration in Nigeria, the influence of the components of compensation administration on performance; and offers suggestions to those who manage people.

Key Words: Compensation, Compensation Administration, Performance, Wages and Salaries, Promotion, Recognition, Employee Participation in Decision Making.

Background of the Study

Today's organizations are operating in a very dynamic and highly competitive environment. To remain relevant in the market, they have to be able to respond quickly to every changing client/stakeholder needs/demands. Compensation administration is one of the methods used by organizations for attracting and retaining suitable employees, as well as, facilitating them to improve their performance through motivation and to comply with employment legislation and regulation (Njanja, Maina, Kibet and Njagi, 2013). Thus, employees are rewarded for their contribution to the organization and the three objectives of the compensation administration system are to attract high quality workers from the labour market; commit them to the organization, retain the best employees the organization already has, and motivate employees to work harder and to help the organization achieve high productivity in its strategic goals.

In view of this, employees are considered as one of the most important assets in the organization; therefore, they should be professionally and excellently managed (Copeley, 2015). One of the tools that the company is using to entice, keep and encourage people or employees is compensation and benefits administration. Generally, the compensation system is accompanied by several actions both from the view point of the corporation and the individual. It has led to tensions for the corporation. First under similar conditions people intend to refer to the corporations which provide the highest rewards. Thus, corporations can attract employees who have competency and qualification by offering compensation/rewards. Second, the reward that is given to employees in lieu of service compensation is a tool for receiving feedback from previous performance and third, compensation/rewards can be used as a motivation tool to improve future performance.

Hence, it seems that the compensation system should be effective and efficient so that the above objectives are realized in the corporation and this system should be designed in a way that creates maximum return both for the corporation and the individual (Karami, 1998). Paying attention to the principal needs of the individual and enjoying fair compensation/reward distribution inside and outside of the corporation are among the major principles in any compensation system (Lawler, et al, 1975 cited in Karami, Dolatabadi and Rajaeepour, 2013). Compensation systems are very crucial for an organization (Maund, 2001). Compensation/rewards include systems, programmes, strategies and practices that influence the actions of people. The purpose of compensation administration systems is to provide a systematic way to deliver positive consequences. The fundamental purpose is to provide positive consequences for contributions to desired performance (Wilson, 2003). The only way employees will fulfill the employee's dream is to share in their dream (Kotelnikov, 2010).

Compensation administration is a crucial aspect of human resource management. It consists of essential elements such as people, processes, rules and regulations that are needed in the area of giving adequate reward for the contributions of employees in the organization. From this, it means that compensation administration covers all the activities that are involved in determining what is to be given to an employee, who is to give it, how is to be given and when it is to be given. As a result, it encompasses the totality of all that is involved in recognizing the performance of an employee. Compensation administration from the above analogy can also be concerned with the formulation and implementation of strategies and policies geared towards rewarding people fairly, equitably and consistently in accordance with the value of the organization (Armstrong, 2009). Agreeing with the view expressed by Armstrong (2009), Brown (2001) enlarged the scope of compensation administration by stating that it consists of philosophies, strategies, policies, guiding principles, practices, structures and procedures which are devised and managed to provide and maintain appropriate types and levels of pay, benefit and other forms of reward. Thus, from the above views expressed by authors, Pierce (2007) concluded that compensation/reward is used in determining the performance of employees in order to arrive at adequate pay to the employees.

The crucial roles compensation administration plays in employees' performance in organizations cannot be overemphasized. When employees are specially recognized for the performance of their duties, they tend to put in more effort to ensure that they constantly receive these recognitions. Employees can be compensated/rewarded in two main ways for the job they do. They can be rewarded financially and non-financially. Financial rewards are those rewards which are expressed in raw cash such as increase in salaries, wages and other financial incentives. Employees can also be rewarded using non-financial means like recognition, training programmes in form of short courses, seminars and workshops. Other non-financial ways through which employees could be rewarded include provision of medical facilities, recreational facilities, loan facilities, provision of conducive environment where task can be performed more conveniently etc.

Compensation/rewards employees receive can also be expressed intrinsically or extrinsically. In this regard, Mahaney and Lederer (2006); Bresnen and Marshal (2000); and Deci, Koestner and Ryan (1999) recognizes rewards to be either of the intrinsic or extrinsic nature. Intrinsic rewards are those rewards existing in the job itself, for instance interesting and challenging work, autonomy, responsibility. Malhotra, Budhwar and Prowse (2007); Glisson and Durick (1988) argue that intrinsic rewards are inherent in the content of the job itself and include motivational characteristics such as skill variety, autonomy and feedback as well as employee participation in decision making and role clarity. Extrinsic rewards are tangible, such as salary or bonuses. Shanks (2007) notes that extrinsic rewards are a host of external things that managers can provide that may serve as incentives for employees to increase productivity. These include; money, benefits, bonuses, promotions, flexible schedules, etc. In addition, compensation/rewards also include; skills/knowledge development, awards, praise and other forms of recognition.

Nevertheless, researchers into rewards as motivation tend to support two schools of thought with regard to extrinsic and intrinsic rewards. One school of thought argues that extrinsic rewards are more powerful and effective in attaining employee motivation, performance and commitment (Angle and Perry, 1983) while the other school of thoughts argues that intrinsic rewards are best suited for motivating employees (Brief and Aldag, 1983). Karami, Dolatabadi and Rajaeepour (2013) are of the view that appropriate, effective and timely reward increases employees and managers' motivation and hence productivity. Guest (2002) is of the opinion that reward is one of the keys that motivate employees to perform as expected. The compensation/reward can be in the form of extrinsic and intrinsic rewards or a combination of both. Enwistle (1987) is of the view that if an employee performs successfully, it leads to organizational rewards and as a result motivational factor of employees lies in their performance. Freedman (1978) as cited in Rizwan and Ali (2010) is of the view that when effective rewards and recognition are implemented within an organization, favourable working environment is produced which motivates employees to excel in their performance. Compensation/rewards play a vital role in determining the significant performance in jobs and it is positively associated with the process of motivation (Rizwan and Ali, 2010).

Eze (2012) investigated the role of reward management in organizational performance: A study of University of Nigeria, Nsukka. The findings reveal that there is a significant relationship between monetary rewards and employee performance among University of Nigeria Nsukka Staff, and that there is a significant relationship between non-monetary rewards and employee performance among staff in the University of Nigeria Nsukka.

Mba, Mgbemena and Ejike (2015) investigated effective reward management and employee performance in the civil service: A Study of Anambra State Civil Service. The study found that pay reward and some non-financial rewards of employee recognition, conducive work environment and staff development are positively and significantly related to employee performance in the civil service.

Nevertheless, in Africa with specific attention to Nigeria, majority of employees who change from one job to another move as a result of finding better pay. This has made a high rate of employees leaving their employers, moving sometimes away from their city or the country just to find greener pastures. Several authors such Ali and Raza (2015) are of the view that employees only stay in an organization to give their best when they believe the remuneration process is commensurate to their input. Evidently, in the country, many organizations still grapple with the issues relating to proper compensation of employees in order to increase their performance standards.

Thus, in Nigeria, an employee is the engine for socio-economic growth of the nation and must, therefore, take a leading role in stimulating such growth. This therefore implies that employees in both the public and private sectors should properly be compensated to motivate them to perform better. To Andrews (2016), while it may be considered that salary attached to a post represents appropriate remuneration of its holder for proper and efficient performance of day-to-day duties; there are circumstances in which benefits are warranted. The objective of these benefits is to attract and retain qualified and competent employees. However, Ongori (2015) is of the view that many companies in the recent times have witnessed exodus of employees to other rivals, and this has been attributed to poor compensation administration strategies which has prompted the employees moving out in search of firms that could consider compensating them better and thereby reciprocate through good performance.

It is against this background that this paper investigates Compensation Administration and Performance in Local Governments in Anambra State, Nigeria: An Exploration of Issues.

Statement of the Problem

There appears to be mounting concerns that unacceptably high proportions of organizations employees are poorly motivated due to a combination of low morale and job satisfaction, poor incentives, salaries not paid as at when due, inadequate controls and other behavioural sanctions (Kirunda, 2004). Thus, Anvari, Ismail and Hojjati (2011), Gungor (2011), Danish and Usman (2012) states that improper compensation plans can invariably land corporations into issues like higher worker turnovers, less commitment, poor service delivery, dissatisfaction, conflicts, stress and stress connected diseases, labour unrest, industrial actions, tainted company image and accidents.

Moreover, compensation is usually narrowed to cash and as a result, employers only have a tunneled vision when it comes to the issues of compensation for their employees. Other aspects of compensation which makes up the total compensation package for the employee are not given much attention. Employees themselves fail to recognize the fact that their compensation is a package and not only related to cash. The by-product of the above understanding of compensation is that it is poorly managed and most of the time performance is affected adversely.

Furthermore, the foundational literature regarding compensation and performance in the workplace is decidedly mixed. Some authors find positive results. Other researchers fail to find any significant link and some studies identify an inverse relationship. For instance, it has been found that there is a significant relationship between compensation administration strategies and employee performance (Shin-Rong and Chin-Wei, 2012). Mayson and Barret (2016) found that a firm's ability to attract, motivate and retain employees by offering competitive salaries and appropriate rewards is linked to firm performance and growth. Many other studies carried out such as Kipkorir, Basweti and Nyaoga (2014) found out that there is a non-significant relationship between executive compensation and performance. Ngui, Mukulu and Gachunga (2014) study established that financial and non-financial rewards combine to enhance firm performance. Thus, studies investigating the relationship between compensation administration factors and organizational performance have revealed somewhat divergent results. In the light of these findings, this study highlights the need for a deeper investigation of the relationship between compensation and performance with particular reference to selected local governments in Anambra State, Nigeria.

Review of Related Literature

Conceptual Framework

Compensation

To Bratton and Gold (2003) compensation refers to all the cash, non-cash and psychological payments provided by an organization in return for their contribution. It is the rewards that employees receive for doing their jobs (Martochio, 2013). Decenzo and Robbins (2016) are of the view that compensation or reward is benefits provided by the employers, usually money, promotion or benefits and satisfaction derived from the job itself such as pride in one's work, a feeling of accomplishment or being part of a team. It is basically a token of appreciation given by the employer to the employee for his/her service to the company. A well-designed reward system motivates employees and helps in building positive emotional response towards the job. It also leads to higher and better performance of employees which has a direct impact on the productivity of the company.

Malhotra, Budhwar and Prowse (2007) define compensation/rewards as all forms of financial return, tangible services and benefits an employee receives as part of an employment relationship. To Ngige (2011) compensation include direct financial reward (wages and salaries, incentives, commissions and bonuses) and indirect reward (financial benefits like pensions, healthcare benefits/sick leave and employer paid insurance and vacations/holiday). However, Maheney and Leaderer (2006); Bresnen and Marshall (2000) recognizes compensation to be either of intrinsic or extrinsic nature. Intrinsic rewards are those rewards existing in the job itself, for instance interesting and challenging work, autonomy, responsibility. Malhotra, et al (2007); Glisson and Durick (1998) argue that intrinsic rewards are inherent in the content of the job itself and include motivational characteristics such as skill variety, autonomy and feedback as well as employee participation in decision making and role clarity. To Bajrachaya (2018) intrinsic rewards are the non-physical rewards; they cannot be seen or touched but are emotionally connected with the employees. In other words, intrinsic rewards can be defined as the feeling of contentment one finds in the completion of the task.

Intrinsic compensation/reward is directly related to job performance as a successful task automatically produces it. The higher the success rate, the higher will be the rate of intrinsic rewards one receives. Different people have different perception and therefore, there are various forms of intrinsic rewards, some of which are; sense of achievement, words of praise from the seniors, recognition, taking pride from the job, work freedom or autonomy.

Extrinsic rewards are tangible, such as salary or bonuses. Shanks (2007) notes that extrinsic rewards are a host of external things that managers can provide that may serve as incentives for employees to increase productivity. These include; money, benefits, bonuses, promotions, flexible, schedules etc. Thus, extrinsic rewards are the physical ones that come from an external source (employers) only. A properly designed extrinsic reward can also be emotionally attached with the employees as employees value such rewards. An extrinsic reward is also directly related to the job performance of the employees, but it is not necessary that employees receive a reward every time they accomplish a task. It depends upon the policy of the company. There are various ways a company can choose to reward its employees. Some examples of extrinsic rewards are: pay (salaries and wages), bonus or commission, fringe benefits, improved working conditions, promotion, profit sharing. Moreover, compensation/rewards also include; skills/knowledge development – career planning, succession planning, professional membership, training programmes, annual conferences, mentoring programmes, lunch and learns. Thus, an additional way of defining reward/compensation types is using the total rewards concept which is considering what the employee actually values in the relationship with the employer. In total rewards/compensation, organizational rewards are divided into four different reward categories, being:

1. Compensation
2. Benefits
3. Development
4. Work environment (Kaplan, 2005).

Furthermore compensation is the human resource management function that deals with every type of reward individuals receive in exchange for performing an organizational task. The consideration for which labour is exchanged is called compensation. Compensation is what employees receive in exchange for their work. It is a particularly kind of price, that is, the price of labour. Like any other price, remuneration is set at the point where the demand curve for labour crosses the supply curve of labour.

In view of this, compensation is referred to as money and other benefits received by an employee for providing services to his employer. Compensation refers to all form of financial returns: tangible services and benefits employees receive as part of an employment relationship, which may be associated with employee’s service to the employer like provident fund, gratuity, insurance scheme and any other payment which the employee receives or benefits he enjoys in lieu of such payment.

To Dale Yoder, compensation is paying people for work. It is what employees receive in exchange for their contribution to the organization (Werther, Jr. and Davis, 2016). To Flippo (2000) compensation is defined as the adequate and equitable remuneration of personnel for their contribution to the organizational objectives. Compensation can be in the form of cash or kind. Compensation may also be defined as money received in the performance of works, plus the many kinds of benefits and services that organizations provide their employees. To Cascio (2013), compensation includes direct cash payment, indirect payments in the form of employee benefits and incentives to motivate employees to strive for higher levels of productivity.

To Bernadin (2007) compensation refers to all forms of financial pay received by employees as payment for the services rendered. These include all direct and indirect financial compensation to employees such as salaries, wages, commissions, overtime pay, bonuses, profit sharing, merit pay, travel allowance, housing allowance and tips. The indirect financial compensation also includes employee benefits. To Mathis and Jackson (2008) employees benefits refers to the indirect rewards employees get because of their position at the work place. Examples of benefits include; medical cover, car allowance, school fees allowance, employees share ownership plans, retirement benefits plans, paid vacation, social security plans (Bernadin, 2007). Some workers benefits are legally mandated while others are voluntary, given as a job perk by employers to attract and retain talented employees.

Compensation Administration

Compensation administration, compensation management, reward management, reward management system, reward system, reward strategy, rewards, incentives plan, incentive structure etcetera, are all terms used in the literature describing the systems or plans organizations utilizes in order to influence the behaviour of its employees’ (Kerr, 1995, Rubernfield and David, 2006). When employees are compensated/rewarded, they get work done. Employers get more of the behaviour they reward, not what they assume they will automatically get from employees. Thus, most organizations view compensation/rewards as a means of motivating certain behaviours in employees.

Compensation administration entails the processes concerned with the design, implementation and maintenance of reward/compensation systems that are geared to the improvement of organizational, team and individual performance (Armstrong, 2009). Under compensation administration organizations utilize different kinds of compensation/reward systems in order to control and steer individual behaviour. Thus, by designing compensation/reward and pay systems which are aligned with the business strategy and other organizational practices managers can help drive both individual and organizational performance (Lawler, 1995). Compensation administration/reward management or rather compensation/rewards include sysetms, programmes, strategies and practices that influence the actions of people.

To Beach (2007) compensation administration/wage and salary administration refers to the establishment and implementation of sound policies and practices of employee compensation. It includes such areas as job valuation, surveys of wages and salaries, analysis of relevant organizational problems, development and maintenance of wage structure, establishing rules for administering wages, wage payments, incentives, profit sharing, wage changes and adjustments, supplementary payments, control of compensation costs and other related items.

Compensation administration is a crucial aspect of human resource management. It consists of essential elements such as people, processes, rules and regulations that are needed to achieve the objectives of any organization in the area of giving adequate reward for the contributions of employees in the organization. From this, it means that compensation administration covers all the activities that are involved in determining what is to be given to an employee, who is to give it, how it is to be given and when it is to be given. As a result, it encompasses the totality of all that is involved in recognizing the performance of an employee. Compensation administration from the above analogy can also be concerned with the formulation and implementation of strategies and policies geared towards rewarding people fairly, equitably and consistently in accordance with the values of the organization (Armstrong, 2009). Agreeing with the view expressed by Armstrong (2009), Brown (2001) enlarged the scope of compensation administration by stating that it consists of philosophies, strategies, policies, guiding principles, practices, structures and procedures which are devised and managed to provide and maintain appropriate types and levels of pay, benefits and other forms of reward. Thus, from the above views expressed by authors, Pierce (2007) concluded that compensation/reward is used in determining the performance of employees in order to arrive at adequate pay to the employees.

Ezeh (2014) defines compensation administration as a section of human resource management that focuses on planning, organizing and controlling the direct and indirect payments to employees in return to the effort they put in the organization. Compensation includes direct forms such as basic pay, merit pay and incentive pay; and indirect forms such as vacation pay, health insurance cover, pension plans and national social security benefits. The organization concern itself in compensation administration with the aim of maintaining an efficient work force, equitable pay and compliance with regulatory authorities of the government.

Hewitt (2009) refers to the compensation administration as the effort the organization puts in place to have a compensation structure which makes it possible for the organization to recognize employees with better performance and pay them accordingly more than the average performing employees. The aim of this strategy is to encourage and motivate top performers to improve their performance and work hard in the organization. The measure is also aimed at building a competitive atmosphere in the organization.

Nevertheless, compensation administration refers to the Employers' Association helping employers develop creative realistic and workable solutions that will allow them to manage more effectively-linking their compensation practices with the behaviour and efficiency they expect their employees to exhibit – within today's ever-changing world (TEA, 2016).

In view of this, compensation administration programmes help to attract and retain exceptional talent by ensuring internal equity and maintaining external competitiveness; and also determines the best total rewards philosophy for your organization. The programmes help to influence behaviour by paying employees for performance (their ability to do assigned job responsibilities and demonstrate their core competencies) rather than paying them for how long they have worked. It rewards performance when consistently applied through the organization and help to address performance issues by defining expectations.

Unfortunately, no "one size fits all" compensation administration programme effectively manages and rewards employee performance. Every organization has its own unique culture and motivational needs. Thus, compensation administration programmes can help your organization identify objectives, develop systems and communicate results to your employees while respecting your budget and adding to your bottom line.

Design and Implementation of a Compensation Administration Programme (TEA, 2016)

TEA helps you design and implement a compensation Administration programme by:

- Determining the best total rewards philosophy for your organization.
- Review your current compensation and benefits system to see how it compares to your labour market competition. If your system is not broken, we will not try to fix it.
- Involving of all employees in the process.
- Strengthening employee/management communication through direct discussion that clarify and solidify assigned duties and responsibilities
- Establishing internal equity while developing competitive total compensation structures and strategies that recognize individual performance and the contribution that each identified job makes in fulfilling the organization's mission.
- Ensuring external competitiveness by using appropriate benchmark compensation data to establish effective pay ranges.
- Training individuals with the organization to administer and maintain a finished product, remaining available for questions or annual updates to compensation structure.

Objectives of Compensation Administration/Management

The basic objective of compensation administration/management can be briefly termed as meeting the needs of both employees and the organization. Employers want to pay as little as possible to keep their costs low. Employees want to get a high a pay as possible. Compensation administration/management tries to strike a balance between these two specific objectives. Thus, the objectives of compensation administration/management are:

1. Acquired Qualified Personnel
2. Retain Current Employees
3. Ensure Equity
4. Reward Desired Behaviour
5. Control Costs
6. Comply with Legal Regulations
7. Facilitate Understanding
8. Further Administrative Efficiency
9. Motivating Personnel
10. Consistency in Compensation
11. To be Adequate

1. Acquire Qualified Personnel

Compensation needs to be high enough to attract applicants. Pay levels must respond to the supply and demand of workers in the labour market since employers compete for workers. Premium wages are sometimes needed to attract applicants working for others.

2. Retain Current Employees

Employees may quit when compensation levels are not competitive, resulting in higher turnover. Employees serve organizations in exchange for a reward. If pay levels are not competitive, some employees quit the firm. To retain these employees, pay levels must be competitive with that of other employers.

3. Ensure Equity

To retain and motivate employees, employee compensation must be fair. Fairness requires wage and salary administration to be directed to achieving equity. Compensation administration/management strives for internal and external equity.

Internal equity requires that pay be related to the relative worth of a job so that similar jobs get similar pay. External equity means paying workers what comparable workers are paid by other firms in the labour market.

4. Reward Desired Behaviour

Pay should reinforce desired behaviours and act as an incentive for those behaviours to occur in the future. Effective compensation plans reward performance, loyalty, experience, responsibility and other behaviours can be rewarded through an effective compensation plan.

5. Control Costs

A rational compensation system helps the organization obtain and retain workers' reasonable costs. Without an effective compensation administration/management, workers could be overpaid or underpaid.

6. Comply with Legal Regulations

A sound wage and salary system considers the legal challenge imposed by the government and ensures employers comply.

7. Facilitate Understanding

The compensation administration/management system should be easily understood by human resource specialists, operating managers and employees.

8. Further Administrative Efficiency

Wage and salary programmes should be designed to be managed efficiently, making optimal use of Human Resource Information System (HRIS), although this objective should be a secondary consideration with other objectives.

9. Motivating Personnel

Compensation administration/management aims at motivating personnel for higher productivity. Monetary compensation has its own limitations in motivating people for superior performance. Besides money, people also want praise, promotion, recognition, acceptance, status, etc for motivation.

10. Consistency in Compensation

Compensation administration/management tries to achieve consistency- both internal and external in compensating employees. Internal consistency involves payment on the basis of the criticality of jobs and employees' performance on jobs.

11. To be Adequate

Compensation must be sufficient so that the needs of the employee are fulfilled substantially.

Challenges or Problems of Compensation Administration/Management

Even the most national methods of determining pay must be tempered by good judgement when challenges arise.

1. Union Power

When unions represent a portion of the workforce, they may be able to obtain wage rates that are out of proportion to the relative worth of the jobs.

Unions may also limit management's flexibility in administering merit increases since unions often argue for raises that are based on seniority and applied across the board equally.

2. Government Constraints

The government sets minimum wage, overtime pay, equal pay, child labour, and record keeping requirements. The minimum wage and overtime provisions require employers to pay at least a minimum hourly rate regardless of the worth of the job.

3. Comparable Worth and Equal Pay Challenge

Beyond equal pay for equal work is the idea of comparable pay for comparable work called comparable worth. It requires employers to pay equal wages for jobs of comparable values. Comparable worth is used to eliminate the historical gap between the incomes of men and women.

4. Compensation Strategies and Adjustments Challenge

Most organizations have compensation strategies and policies that cause wages and salaries to be adjusted. A common strategy is to give nonunion workers the same raises that are given to unionized employees; this often is done to prevent further unionization.

5. International Compensation Challenges

The globalization of business affects compensation administration/management. Compensation analystsmust focus not only on equity but on competitiveness too. The growing globalization of business also means a greater movement of employees among countries. As employees are relocated, compensation specialists are challenged to make adjustments that are fair to the employee and the company while keeping competitiveness in mind.

6. Productivity and Costs Challenge

Regardless of the company or social policies, employers must make a profit to survive. Without profits, they cannot attract enough investors to remain competitive. Therefore, a company cannot pay its workers more than the workers give back to the firm through their productivity. The company needs some creative techniques for compensation.

Theoretical Framework

This paper is anchored on Adams (1963) Equity theory/social comparison theory of motivation.

Equity Theory/Social Comparison Theory (Adams 1963)

The theory adopted to explain this research is called equity theory. Equity theory is directed at the employees' feelings on how fairly they are treated compared to others. The theory is built upon social comparison where people compare what they contribute to work with the benefit derived from such actions (Adams, 1963). Compensation/reward is the focal point of equity theory and is considered the most important factor of motivation. Workers try to strike a balance between what they receive for their efforts and what others are receiving doing the same or similar job.

The equity theory of motivation is attributed to Adams (1963). Equity theory concurred that workers focus not only on the absolute amount of remunerations they earn for their efforts or contributions but also with the relationship of this amount to what others earn within the organization or elsewhere. Workers, based on their inputs such as efforts, experiences, qualifications and competence, tend to compare such outcomes as reward, recognition and other extrinsic factors given to them by organizations. Whenever workers felt an imbalance in their outcome – input ratio relative to other workers, tension is created in that workplace due to unfairness (Taris, et al, 2002).

Workers normally select their reference person through which they make such comparisons. The theory viewed that making reference to others is the most significant factor in equity theory. Hence, there are four available reference points normally used by workers in making such comparisons:

1. Self-inside – a worker's experiences in a different job post inside her or her current working place;
2. Self-outside – a worker's experiences in a situation or position outside his other current place of work;
3. Other – Inside – another person or group of people inside the same place/working place with a worker; and
4. Other – outside – another person or group of people outside the worker's organization.

A value is attached to different inputs and outcomes depending on how important an employee perceives these variables. Thus, when the employees think that their outcomes are equal to other's total outcomes, they tend to be satisfied and motivated to increase or maintain productivity. If employees saw that what they received as reward was more than what they deserved to get (more than fair reward), they are more likely to increases or put more effort to justify that reward earned (Adam, 1963).

When people observe an imbalance in their outcome/input ratio relative to the other workers, it leads to tension. Thus, the more inequalities in terms of reward, the greater the tension created to workers. This tension creates the basis for motivation as individuals strive for what they perceive as equity and fairness. Equity theory viewed that when workers perceive unfairness, they normally tend to select or exhibit one of the six possible behaviours below:

1. Change Outcome – employees might try to amend the outcome without changing the input such as changing work conditions, status and recognition;
2. Cognitive Distortion – employees might cognitively distort their inputs or outputs to achieve the result based on the belief that they work harder than anyone;
3. Acting others – employees might try to produce changes in others by enforcing them;
4. Change the object of comparison – the employee sometimes might compare themselves with different referent person;
5. Leave the Field – the employee might seek a more appealing place by requesting for transfer, resign or quitting the job (Jones and Skarlicki, 2003); and
6. Change Input – here the employee might not put in the required effort but rather engaged in poor quality of work, reduced working hour's time or absenteeism.

Theoretical Exposition

The Influence of Wages and Salaries on Organizational Performance

Wages are payment for the services of labour, whether mental or physical. Though in ordinary language an office executive, a minister or a teacher is said to receive a salary, a lawyer or doctor a fee, and a skilled or unskilled worker a wage, yet in economics no such distinctions are made for different services and all of them are said to receive a wage. In other words, wages include fees, commission and salaries (Ngige, 2007).

In view of this, Lai (2011) defined salary as the payment that a public/private organization gives to its workers. Salary is considered a reward for the worker's labour or for the contributions made to the organization. Uen and Chien (2004) stated that salary was the reward public organizaions employed or offered to their workers for the contributions made to their organization. Basic salary is a fixed periodical payment for non-manual employees usually expressed in annual terms, paid per month with generally no additions for productivity (Barton and Gold, 2013). Bohan (2014) explains that traditionally pay systems were based on the three factors; the job, maintaining the level of equality in standard pay among employees in the organization, paying competitive salaries. Swanepoel (2013) is of the view that employees were rewarded according to the position held without considering their performance. The increments in basic pay depended on internal and external assessment of jobs.

Moreover, seniority pay compensates workers according to the time spent in service, in that pay increases with the number of year's of service. This payment plan is based on the assumption that workers become more productive to the organization with time, and might likely quit if their pay was not increased over a given period of time. This idea was initiated in human capital theory with an assumption that workers could be rewarded for learning certain skills based on their experiences (Becker, 1975). Thus, seniority pay could be used to compensate workers for learning new skills or desired behaviour which would help them to be more productive.

To Armstrong (2016), a good practice requires employers to keep pace with inflation by rewarding employees with salaries that are market related to avoid strikes and poor performance by workers. Nowadays, organizations are under financial strain with salaries continually rising and becoming a major fixed expense. To Livingstone (2015), regardless of basic pay inefficiencies, it remains a rule that employees should be paid at, or above market rates as negotiated by labour unions who are concerned with the welfare of employees. Hence, an organization can design good payment for the employees as the reward for contributing their precious time and energy in achieving the organization's goal. A good payment (wages and salaries) is motivational and is a major factor that affects job satisfaction (Bajrachaya, 2018). Furthermore, there is a correlation between compensation/reward (pay-wages and salaries) and workers' job satisfaction/performance (Nelson, 2008). As viewed by Armstrong and Murlis (1994), reward (including wages and salaries) is a means through which various worker's needs are satisfied. Thus, unsatisfied workers normally reduce workplace morale and lower productivity (Garrett, 1993). Job satisfaction could thus, be enhanced by increasing autonomy, reducing stress and above all raising compensation (wages and salaries) (Whitt, 2006).

Over the years it has been proved that one of the means through which an organization can use to improve on workers performance and productivity is fair remuneration (wages and salaries) and reward (Pratheepkanth, 2011). Thus, Pratheepkanth (2011) in studying the relationship between reward (including wages and salaries) and employee motivation investigated commercial bank workers in Sri Lanka and found that a significant relationship exist between reward and employee motivation. The study was able to conclude that the higher the employee reward (including wages and salaries), the higher the motivation to perform better on the job and vice-versa. Harunavamwe and Kanengoni (2013) investigated the impact of monetary and non-monetary rewards on motivation/ performance. Unlike Pratheepkanth (2011), they found a moderate significant positive relationship between non-monetary reward and employee motivation/performance, and no significant positive relationship between monetary reward and motivation/performance of workers. Bello and Adebajo (2014) also studied reward system and employee performance among public secondary school teachers in Lagos State, Nigeria. They found a significant direct relationship between the performance of the teachers and their salary package (wages and salaries). The study also revealed that allowances and access to training of the teachers affect their performance on the job.

Thus for an employee, pay (wages and salaries) has a paramount importance in satisfying their economic needs. The pay is so significant because when workers are satisfied with pay, their behaviour and attitude could be influenced towards the desired objective (Onukwube, 2012). Employees' dissatisfaction with pay could lower their morale and commitment, increase theft and enhance employee turnover (Curral, et al, 2005).

Promotion and Organizational Performance

A promotion occurs when an employee is moved from a job to another position that is higher in pay, responsibility, and or organizational level (Ngige, 2011). Generally, it is given as a recognition of a person's past performance and future promise. Promotions usually are based on merit and/or seniority.

Merit-based promotions occur when an employee is promoted because of superior performance in the current job. One problem with merit award based promotions is whether decision makers can objectively distinguish strong performers from weak ones. However, in some situations, the most senior employee gets the promotion. This is called seniority-based promotions. Senior in this case means the employee who has the longest length of service with the employer. The advantage of this approach is that it is objective. All one has to do is compare the seniority records of the candidates to determine who should be promoted. Part of the rationale for this approach is that it eliminates biased promotions and requires management to develop its senior employees since they will be promoted eventually (Ngige, 2011).

In view of this, some employees are average performing, while some others are intensely hard-working, as a result of which they make a huge difference in the organization's status. Such employees can be rewarded by handing them over new responsibilities and duties. Promotion is directly related to increment in status, payment and power.

Nevertheless, various studies have suggested that job satisfaction/performance had a strong link with promotion opportunities in organizations (Pergamit and Veum, 1999). This was supported by Ellickson (2002) who in their study of a public employee found that a strong relationship existed between promotion opportunity and job satisfaction/performance. However, Bowen, Cattel, Distiller and Edwards (2008) added that job satisfaction was contingent upon what employees perceived as equity in their employment relation like reward. Workers promotion is certainly accompanied with reward increment. The return of promotional advancement experienced by workers is expressed primarily in monetary terms.

The extent literature revealed that job satisfaction is influenced by numerous factors such as, the nature of work; reward/compensation; promotional opportunities, management peers, and condition of work. Spector (1997) added contingent reward, fringe benefit, operating condition and communication among these facets. Similarly, the results of a study conducted by Onukwube (2012) revealed that lack of promotional opportunities and salaries were the main cause of job dissatisfaction.

Recognition and Organizational Performance

Recognition is an integral component of a winning strategic reward system. Recognition is to acknowledge someone before their peers for desired behaviour or even for accomplishments achieved, actions taken or having a positive attitude (Sarvadi, 2010). Recognition is a reward for employee performance that is defined as acknowledgment, approval and genuine appreciation (not phony praise) (Luthans and Stajkovic, 2000). There are several ways in which recognition can occur. It can be a verbal or written praise, formal or informal, administered on public or privately.

Thus, recognition as an intrinsic/non-financial reward is defined as ratification, confirmation or an acknowledgement of something that is done by another person in one's name and one's authority (Danish, Peck and Sadler, 2016). Through recognition, employees realize that they are valuable to the organization and employees feel appreciated through recognition. Recognition plays a significant role in motivating workers and raising their performance. In retrospection, recognition is one of the major important intrinsic/non-financial rewards that are specifically valued by some staff. In this regard, being noticed and valued can be a legal motivator which gives confidence to workers to stay with a manager. To Nelson (2005) recognition is the acknowledgement, appreciation, or approval of the positive accomplishments or behaviours of an individual or team. Gostick and Elton (2007) are of the view that recognition refers to praise or a personal note acknowledging achievements including small gestures that are important to employees. It is the timely, informal or formal acknowledgement of a person's or team's behaviour, effort or business result that supports the organization's goals and values, and which usually is beyond normal expectations.

In view of this, everyone wants to be renowned at the place where they work. It is rewarding for employees when they are recognized by the co-workers and other members of the company for the work they are done. If implemented properly, employee recognition can benefit both employer and employee more than any monetary rewards.

Nevertheless, Freedman (1978) as cited in Rizwan and Ali (2010) is of the view that when effective rewards and recognition are implemented within an organization, faourable working environment is produced which motivates employees to excel in their performance. Ahmed and Ali (2008) confirm that there is a statistically significant relationship between reward and recognition respectively, also motivation and satisfaction, and hence productivity. Danish and Usman (2010) revealed that there is a statistically significant relationship between reward and recognition correspondingly, also motivation and job satisfaction/performance. Recognition can have an effect on the job satisfaction and motivation of teachers (Muhammad, Musawwir, Gulnaz, Huma and Adnan, 2012). Nelson (2005) also indicates that non-financial rewards such as recognition and other intrinsic rewards are sine qua non for job satisfaction.

To Nel, Gerber, Van Dyk, Haasbroek, Schultz, Sono and Werner (2011), intrinsic rewards like recognition, growth, feedback, opportunities lead employees more towards high job performance and motivation than extrinsic rewards like salary. Robbins (2014) described that through recognition employees gets appreciation of status which make them feel part of an organization. Barton and Gold (2013) described that recognition is considered the most important factor among non-financial rewards in order to increase job satisfaction level of employees and thus their performance. Romano (2013) pointed out that recognition is the component that is used to strengthen the relationship between organization and people. Through the recognition employees feel rewarded and motivated. He states that giving recognition to the employees, competitive advantage can be achieved and consequently improved performance. Andrews (2016) is of the view that employees become more loyal to their organization and perform much better if the organization recognizes and appreciates their work in terms of certification, verbal appreciation among other components.

Employee Participation in Decision Making and Organizational Performance

Glisson and Durick (1988) argue that intrinsic rewards are inherent in the content of the job itself and include motivational characteristics such as skill variety, autonomy and feedback as well as employee participation in decision making and role clarity. Holten and Sten (2015) have defined participation as a conscious and intended effort by individuals at a higher level in an organization/institution to provide visible extra role or role-expanding opportunities for individuals or groups at a lower level in the organization to have a greater voice in one or more areas of organizational performance.

Tsigilis (2006) is of the view that organizational democracy is a situation where employees are given opportunities to contribute their quotas in decision making and that it is a necessary and sufficient conditions for employee job satisfaction. Similarly, Tom Peters, one of the strongest advocates for empowerment, in his book "The Search for Excellence", which he co-authored with Robert Waterman, was able to outline one of the eight attributes that characterized excellent and innovative companies and that is, productivity through people (Peter and Waterman, 1982). Excellent companies, according to them, value their employees and consider them their most important asset; excellent companies have people-oriented culture. They further argued that excellent companies pay attention to four things namely; their customers, innovation, people (workers) and leadership (management style). To this extent, the management of such excellent organizations offer sufficient flexibility by empowering people through participative arrangement, involving everyone in the organization in everything, using self-managing teams. Such management listens, celebrates and recognizes accomplishments. This kind of management they noted, reconciles the middle manager's role with their subordinates and try as much as possible to eliminate bureaucratic tendencies and humiliating conditions so that employees can freely express themselves and work toward achieving the organizational goals.

In the opinion of Tella (2007), an encouraging link exists between employee participation in decision-making in an organization and effective performance. She observes too that it is connected to dedication and commitment in the organization. Bhuigani (2010) is of the view that participation in decision making had statistically significant effect on employees' performance. It provides power and opportunities to the section that were hitherto redundant in an increasingly diverse workforce. Since those workers can by such processes be empowered to work with less supervision and directives. He also observed that participation brings out quality and higher output and a better quality of output.

Spreitzer, Kizilos and Nason (1999) found out in their study of the impact of empowerment on employees performance, that workers who have greater choice concerning how to do their work, have high satisfaction and consequently high job performance. In addition, the findings of Kattak, Iqbal and Bashir (2012) indicate that employee involvement and participation at work had significant positive effect on job satisfaction which leads to improved organizational performance.

Moreover, Akuoko (2012) carried out a study on employee involvement in decision making and workers' performance in selected organizations in Ashanti region, Ghana. He found that employees' involvement in decision making impacted significantly and positively on workers commitment and performance.

Conclusion

This paper has reviewed Compensation Administration and Performance in local governments in Anambra state, Nigeria: An Exploration of Issues; and thus offered some objectives of compensation Administration in Nigeria, and the challenges being faced by organizations in compensation Administration in Nigeria. The objectives of compensation Administration in Nigeria include among others to; acquire qualified personnel, retain current employees, ensure equity, reward desired behavior, control costs, comply with legal regulations, further administrative efficiency, motivate personnel, and be adequate. In addition, the challenges being faced by organizations in compensation Administration in Nigeria include; union power, government constraints, compensation strategies and adjustments challenge, international compensation challenges, and productivity and costs challenge. Moreover, from the extant literature reviewed, it was discovered that wages and salaries positively influence performance in organizations, and that there is a significant relationship between promotions and performance in organizations. The paper further revealed that recognition positively influences performance in organizations, and that there is a significant positive relationship between employee participation in decision making and performance in organizations.

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