



## **A Survey of Perception of Compensation Adequacy and Impacts on Performance amongst Employees of Selected Private Sector Organizations in Nigeria**

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### **Abstract**

There is a general interest in reward and compensation management, which has translated into several researches but the area of the relationship between perception of adequacy and performance has received less attention. Adopting a quantitative research method using a sample of 129 employees across the sub-sectors of the Nigerian private sector, the study found a high prevalence of the perception of reward and compensation inadequacies amongst the respondent with the oil and gas sector revealing the least effect. One general area of satisfaction is in medical for self and family which reported favorable perception of adequacies amongst the sample across board that we consider very positive in the light of the promotion of good health for employees and their family. The study concludes that due to the high level of perception of inadequacies reported in the sample population, such areas that receive barely adequate to extremely inadequate should receive upgrade and the compensation design should promote reward for performance system which respondents agree should drive compensation level amongst other issues.

**Keywords:** Adequacy, reward, performance, human resource management, compensation design

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### **INTRODUCTION**

Rewards and compensation management has attracted a lot of focus in business management not just from the cost management perspective but its strategic importance in attracting, retaining and motivating employees. Compensation and reward management has also been promoted as tools to modify employees' behaviors in creating alignment between key organizational objectives and employee performance. Hence reward and compensation management provides a major lever in the accomplishment of organizational strategies and goals (Lawler, 2000; Milkovich and Newman, 2008). Despite the abundance of studies in compensation management, the subject of adequacy and its implications on employee performance has been overlooked until recently (DyKam, 2015). Adequacy has been interpreted from the economic (Henderson, 2007) and human behavior (Greenberg, 2003) perspectives. According to Allen and White (2002) where the proper rule of economic and physiological needs of employees form the basis of determinants of the reward and compensation levels, employees are more likely to perceive that the level of compensation is adequate. We define adequacy in this study to represent the level at which employees feel that there is a proper balance between their needs, time, effort and labor and the reward and compensation they receive. A perception of adequacy at this level will more likely promote significant impact on individual attitudes and behaviors especially job satisfaction and organizational commitment (William, 1995).

The research questions are what are the general level of employee perception of reward and compensation level in Nigerian organizations? Do employees generally perceive their compensation level as adequate? How will additional increases in compensation level impact on performance? The answers to these questions is important in helping organizations to realize greater results from the strategic management of their human resources especially to optimize the roles and benefits of reward and compensation management. The argument therefore is not whether monetary reward and compensation is important or not to employees' retention and performance, but at what level will employees consider their reward and compensation to be adequate to motivate and maximize

performance output. This level if known will be helpful in the design and management of monetary reward and compensation system first to establish what is adequate and relate this to output and organizational results. Also, since the whole gamut of adequacy is ruled by individual perception, there may be no general rule to determine the adequacy level of reward and compensation. It will also be of interest to establish what additional raise in reward and compensation levels mean to employees' performance.

There has been lack of evidence to show how compensation and reward levels impact performance and particularly the concept of its adequacy. Most literature looks at motivation and job performance, which are expected to drive performance, however, the construct of adequacy has received little attention. Some general criteria have been factored to guide the setting of the level of an employee's monetary compensation. First and foremost, wages must be set high enough to motivate and attract good employees. They must also be equitable—that is, the wage must accurately reflect the value of the labor performed but must be affordable to the employer. In many companies meeting this condition is always a major source of stress in employee-employer relationship. Tools such as job evaluation, collective bargaining and salary surveys have helped to determine the prevailing salary and compensation levels in organizations. The role of the human resource management is to ensure the availability of people capable of fulfilling the obligations and responsibilities of the job positions and the impact of reward and compensation level in attracting, motivating and retaining them has been established to be one of the effective motivational tools available to managers. (Armstrong, 2005, Sinclair, 2005). The motivation theories have greatly influenced employees' reward and compensation management in organizations and generally classified as either a content (needs) or a process approach to motivation. The content approach helps us to understand what people will and will not value as work rewards; they attempt to identify the specific factors that motivate people. The assumption is that employees have needs, which they seek to satisfy inside and outside of work while the process theories offer a more dynamic approach and are more interested in understanding the process of developing motives rather than trying to offer a static analysis of needs. In process theories of motivation there is less emphasis on specific factors (or content) that causes behavior. For example, a content theory might suggest that 'Increases in pay can improve satisfaction and performance', while a process theory would explain why that might be the case.

### **The work of Frederick Winslow Taylor (1865–1917)**

Taylor believed that the use of money as a motivator linked to various objectives would offer the best motivation for performance. In Taylor's commentary, money was the primary motivator; as such we can suggest that he espoused the rational economic needs concept of motivation. Workers would be motivated by obtaining the highest possible wages through working in the most efficient manner possible – thereby satisfying the employee and the employer. Taylor's approach to work and motivation has two underlying assumptions: firstly, that all people are rational, and secondly, that they are driven by the need for financial rewards and not interest in the actual work. From this basic proposition he concludes that the natural state of people is one of laziness and hedonism combined with greed.

### **The Hawthorne studies**

A major revision of 'needs' theory came from work undertaken in the USA in the 1920s and 1930s at the Hawthorne works of the Western Electric Company. This work gave rise to a new school of management thinking (human relations), which suggested that employees have social needs which are as important as economic needs; these studies concluded that social relationships were significant in the satisfaction of the human need for social contact. One of the major contributions of this work in understanding employee motivation at work has been to focus attention on the design of jobs and tasks in an effort to make them attractive and interesting. While the mechanisms identified in these studies underlie much of the current 'team-working' culture, their negative findings are lost in the euphoria of controlled participation as an effective instrument for the determination of appropriate reward systems.

### **The work of Abraham Maslow**

The first comprehensive attempt to classify needs was undertaken by Maslow in the 1940s. In essence Maslow's theory consists of two key parts: the classification of needs and how these classifications are related to each other. The needs, he suggested, are classified in a hierarchy which is normally represented in the form of a pyramid with the more basic physiological needs lying at the base and each higher level consisting of a particular class of needs: physiological, safety, belongingness, esteem and self-actualization. According to Maslow, employees work their way up the hierarchy but each level remains dependent on the previous level. Therefore, if you are motivated by the possibility of being able to 'self-actualize' at work but are suddenly made redundant, the whole system collapses as the need to, for example, survive assumes priority. The theory, especially in relation to reward and performance management, has an uncomplicated appeal because its message is clear – find out what motivates your employees at each of the levels and, more importantly still, at which level each employee is operating, and develop a reward strategy accordingly.

However, evaluations have revealed a number of significant flaws which suggest that 'needs' do not always group the emotional, non-rational, and sentimental aspects of human behavior in organizations, the ties and loyalties that affected workers, the social relations that could not be encompassed by the organization chart but shaped behavior regardless (Wilson, 1999: 25). From this follows the proposition that the theories are unable to predict when a particular need will be manifest because there is no clear relationship between needs and behavior, so that, for example, the same behavior could reflect different needs, and different needs the same behavior. This criticism is further developed as we note that 'needs' are generally imprecisely defined in part due to the notion of need as a biological phenomenon being problematic. These theories ignore the capacity of people and those around them to construct their own perceptions of needs and how they can be met (Arnold *et al.*, 1998: 248/9).

Despite these limitations, Maslow's thinking remains influential and continues to influence management deliberations in respect of job design, pay and reward structures. Huczynski and Buchanan (2001: 242) highlight this by indicating that many subsequent management tools, such as job enrichment, total quality management, business process re-engineering, self-managing teams, the "new leadership" and employee empowerment incorporated his ideas in the search for practical motivational methods'.

### **The work of Fredrick Herzberg**

Herzberg (1966) looked, not at motivation directly, but at the causes of job satisfaction and dissatisfaction in an attempt to more fully understand what motivates people at work and from his research proposed a 'two factor' theory. The two factors were

1. *Motivators*. These were such things as 'a sense of achievement', 'an opportunity for personal growth', 'the sense of having done a job well', 'having responsibility', and 'achieving recognition for your work'.
2. *Hygiene factors*. These included such things as money, working conditions, job security, company policy, and quality of supervision and interpersonal relations.

Motivators and hygiene factors are qualitatively different and have different effects. If the objective is to remove dissatisfaction, then the organization will need to improve the hygiene factors. However, improving them beyond the level at which dissatisfaction disappears will not result in an increase in satisfaction. The only way satisfaction can be increased further is by giving more of the motivators. The converse also applies in that giving more of the motivators may not, by itself, remove dissatisfaction. For Herzberg, therefore, the opposite of satisfaction is not dissatisfaction, it is merely no satisfaction, and equally, the opposite of dissatisfaction is not necessarily satisfaction, simply no dissatisfaction.

### **Job characteristics approach**

The job characteristics approach is based on the idea that individual differences are important moderators in the way employees respond to the nature and design of work, irrespective of any performance/reward element. Working from Herzberg's idea that work itself and hence the way in

which it is organized are important motivators, Hackman and Lawler (1971) and Hackman and Oldham (1980) set out the first structure of the jobs characteristics model, which is the basis of the job design approach to motivation. They argue that there are five core job dimensions: skill variety, which is concerned with the number and type of different activities the job involves; task identity – the extent to which the employee has some responsibility for the ‘whole job’; task significance – essentially how meaningful the job is considered to be by others; autonomy, which refers to the freedom the employee has to determine how to undertake the work; and finally feedback, which refers to the level of information the employee receives about the work and their performance. These five ‘core job dimensions’ create three ‘psychological states’ which are founded upon the meaningfulness of work, the extent to which the employees experience responsibility for the outcomes of their work and the knowledge of the results of their actual effort. Where these three ‘psychological states’ are positively experienced, i.e. there is meaningfulness in the work, the employee does have a sense of responsibility for what they do and they receive appropriate feedback, they are more likely to experience high work motivation, and general work satisfaction.

Working in teams may satisfy some of the criteria for motivating employees, but rewarding team working is complicated. Incentive schemes based on the discrete performance of a particular work group attempt to encourage flexibility and cooperation among members of the group, and to some extent provide opportunities for the employees to decide for themselves how to achieve the required results. Such schemes seem to be most effective when the work groups/teams are seen to be stable, mature and naturally forming. In these situations we can argue that such teams will be clearly identifiable as a performing unit with performance outcomes that can be directly measured for each team as they have a significant degree of autonomy and are composed of employees whose work is interdependent. Such interdependence can only really be found where the groups are made up of employees who are flexible, multi-skilled and good team players. (Armstrong, 2002.)

Roberts (2001: 520) states that ‘the introduction of team-based payment schemes may lead to several problems’. Peer pressures to conform and the need to consider others may result in a reduction of effort by the whole group, a sort of ‘I’m not working hard if the others aren’t going to’ attitude. Employees may also resist the transfer out of high-performing into less effective teams because of the potential loss of individual earnings. This may be to the detriment of the organization as an employee’s learning and knowledge are confined to one team and not shared or transferred throughout the organization. Finally, the move to a team-based reward strategy may require a change in the way employees operate; no longer will their individual efforts be paramount – their pay will not be wholly related to their own efforts, but to the combined efforts of the team.

### **Criticisms of content theories**

A number of points of criticism of content or needs theories is summarized in the following discussion. At the foundation of these theories, it is claimed, lies the suggestion that each school of thought focuses on a single factor to the exclusion of all others – money, social needs or psychological growth. It is assumed within these theoretical frameworks that if reward managers can identify the key motivational factor then an employee will ‘naturally’ become committed to the goals of the organization. Hence, as it is assumed that commitment to these goals would be in an employee’s best interests, anyone who was not motivated by that factor would be irrational, abnormal or dysfunctional; in other words, these theories take on a unitarist perspective and see conflict as undesirable or illegitimate. The theories assume that the task presented to reward and performance management systems is to identify motivational strategies which can, indeed should, be applied in any context for any organization if management *choose* to do so (e.g. all jobs can be rationalized, redesigned or enriched).

As it is very difficult to predict when certain needs become important, there appearing to be no clear relationship between needs and behavior, we can argue that the application of ‘standardized’ solutions is neither possible nor desirable. It is clear that as the different needs are very difficult to isolate, define or describe and further that any suggestion that needs have a biological origin is problematic, performance management involves issues to which there is no ‘off the shelf’, one-size-fits-all

response. However, it can be seen that these theories do tend to assume the application to all people regardless of the historical or social context of a single set of solutions. The theories tend to overestimate the importance of intrinsic factors and work itself. The argument here is that for some people work may not be a central life interest, whilst neo-human relations theory assumes that work is the only site for the realization of self-actualization and social needs. Hence content theories tend to assume that all employees have the same type of engagement, or psychological contract, with the organization. The influence on motivation of an employee's subjective orientation to work and felt 'meaning' of work is insufficiently considered. Thus neo-human relations tend to ignore cognition, the construction of perceptions of needs, how those needs are best met and meaningful action by employees. For example, when we observe ourselves or others behaving in a certain way it is often very difficult to explain it by referring to the desire to satisfy one particular need as people construct their own perception of needs and how they can best meet those needs within a particular situational context. Ultimately, content theories consider *what* things may motivate rather than *why*, which we need to know in order to develop an effective reward and performance management strategy.

### Theoretical framework

The process theories of motivation form the framework within which to discuss this study. This focuses on how behavior change occurs, or how an individual comes to act in a different way. Significant in understanding this set of theoretical constructs are the concepts of justice and fairness. A distinction is drawn between distributive justice and procedural justice. Distributive justice concerns whether employees believe they have received or will receive fair rewards while procedural justice reflects whether employees believe the procedures – the actions or measures – used in the organization to allocate rewards are fair. For example, is the reward system impartial, not favoring one group over another? Does it take into account all the relevant information? Is there a system for detecting and correcting errors? So, if employees believe they are poorly paid relative to others in a similar job in another organization, they may perceive distributive injustice. However, if at the same time they believe that the employing organization is actually making available as much reward as is possible and is operating a fair system of distribution, they may perceive procedural justice. It is generally accepted (Arnold *et al.*, 1998: 255; Makin *et al.*, 1996: 139) that distributive justice is associated with individual outcomes, such as satisfaction with pay, while procedural justice is associated with organizational outcomes, such as organizational commitment.

### MEHTODOLOGY

The study adopts a quantitative method, which seeks to investigate the general level of compensation adequacy paid in the private sector and to determine whether there are significant variances in the perception of adequacy across the various sectors of the economy. Respondents were randomly drawn on the basis of the classifications of the Nigerian Stock Exchange daily listing of equities. A total of 180 questionnaires were administered through the human resource management departments of the various organizations at twenty (20) questionnaires each across the following sector shown in Table 1. Out of the 180 questionnaires 132 were returned inclusive of 3 unusable questionnaires. 129 (72%) respondents are included in the analysis. The data are subsequently analyzed using descriptive statistics and Analysis of Variance (ANOVA) of SPSS 20.1.

**Table 1: Sectors and distribution of study questionnaires**

<b>Sector</b>	<b>No of Questions</b>
Airline Services and Logistics	20
Construction/Real Estate	20
Consumer goods	20
Conglomerate	20
Financial Services	20
Health Care	20
Hospitality	20
Oil and Gas	20
<b>Total</b>	<b>180</b>

**PRESENTATION OF RESULTS**

The descriptive statistics of the background information of respondents is presented in table 1b

**Table 1b. Analysis of Returned Questionnaires by Sector of Organization**

Valid Airline Services and Logistics	Frequency	Percent	Valid percent	Cumulative percent
	<b>16</b>	<b>12.4</b>	<b>12.4</b>	<b>12.4</b>
Construction/Real Estate	18	14.0	14.0	26.4
Consumer Goods	15	11.6	11.6	38.0
Conglomerates	17	13.2	13.2	51.2
Financial Services	15	11.6	11.6	62.8
Health  Care	11	8.5	8.5	71.3
Hospitality	19	14.7	14.7	86.0
Oil & Gas	18	14.0	14.0	100.0
Total	129	100.0	100.0	

**Table 2. Respondents Characteristics**

Employment Status (%)	Status Level (%)	Gender Distribution (%)	Length of service (%)	Qualifications (%)
Contract 9.3	Junior 9.3	Male 66.7	5 to 10 years 27.1	Diploma 3.1
	Supervisor 47.3		11 to 15 years 52.7	First Degree 64.3
Regular 90.7	Manager 43.4	Female 33.3	16 to 20 years 20.2	Post Graduate 32.6

Source Field Work 2014

Tables 2 shows the descriptive statistics of the distribution and background information about the respondents. Table shows that 91% of respondents are regular employees while 9% are contract staff. It further reveals that 9% are junior staff while 47.3% are supervisors and 43.4 % are managers. The gender distribution shows that 66.7% of the respondents are male with 33.3% females. The service length indicates that 27% had 5 to 10 years of experience, 11- 15 years (52.7%), 16-20 years (20.2%). Also the educational background of respondents, show that 3% have Diploma, 64% with first degree equivalent and 32.6% with a postgraduate degree. Also to the question how adequate are the components of the reward and compensation employees received in their employment, table 3 below shows the distribution of the adequacy perception.

**Table 3. Respondents' perception of salary and benefits adequacy**

Compensation Item	Extremely Inadequate (%)	Inadequate (%)	Barely Adequate (%)	Adequate (%)	Extremely Adequate (%)
Basic salary			76.7	23	
Housing/Rent Allowance			81.4	18.6	
Transport/Car Allowance			67.4	32.6	
Leave/Vacation Allowance		3.1	64.3	32.6	
Gratuity	3.1	52.7	44.2		
Pension	6.2	49.6	44.2		
Medical Facility			26.4	73.6	
Family Medical			29.5	67.4	3.1
Children Education		23.3	67.4	9.3	
Salary Loans		17.1	39.5	43.4	
Other Allowances		51.9	38.8	9.3	

Source: Field Work 2014

To establish the various impact of employee perception of reward and compensation adequacy on performance, the answers to the questions are presented in the Table 4. The result of the data analysis show that only 12% of respondents believe that the reward they receive is generally lower than what obtains in similar organizations with 69% barely agree and 19% disagree. To the question of whether reward is not commensurate with time, effort and results 57% barely agree, 34% fully agree with 9% extremely agree. This shows an overwhelming perception of inadequacy of the reward and compensation system as an exchange for time, efforts and labor. A correlated question of whether organizations should pay more equally shows the same distribution pattern with no disagreement. Respondents generally believe that their organizations have capacity to pay more. Only 9% of respondents reported satisfaction with the compensation level while about 97% would rather not overstretch performance as a result of reward inadequacies. 41% of respondents reported that salary increases make them increase their output as shown in Table 4 while majority view increases as a reward for past results and a right of the employees.

**Table 4. Impact of perception of inadequacies on performance**

Factors of adequacy on performance	Extremely Disagree (%)	Disagree (%)	Barely Agree (%)	Agree (%)	Extremely Agree (%)
Reward level is lower than comparable organizations		18.6	69	12.4	
Reward is adequate for time, efforts, and results			56.6	34.1	9.3
The company should pay more			45.7	35.7	18.6
I am satisfied with level of compensation	3.1	15.5	72.1	9.3	
I will not overstretch my performance level		3.1	72.1	15.5	9.3
I always feel I deserve higher level of pay			41.1	34.1	24.8
Each pay rise demand increase performance		3.1	55.8	41.1	
Pay increase is a compensation for past result			26.4	58.1	15.5
Pay increase is a right of an employee				81.4	18.6
Compensation is barely adequate for basic household responsibilities		9.3	61.2	29.5	
Employee performance should determine pay level	3.1	6.2	48.8	41.9	
Employees need to engage in extra income generating activities to supplement income		30.2	40.3	26.4	3.1

Source: Study Field Work 2014

Over 80% of respondents however agree that performance should determine the reward level while over 61% perceived their rewards and compensation to barely meet their household basic obligations and only 30% disagree that employees need to engage in activities to generate extra income supplements.

The analysis of variance of the perception of adequacy of rewards and compensation components by sectors show significant variances at statistical levels for all the variables with the exception of medical facilities for self and family and salary loans that respondents generally accept was adequate as shown in Table 5.

**Table 5. Analysis of Variance [ANOVA] of Compensation Adequacy by Sectors**

Group Mean of Adequacy of Compensation Level	Airlines/Logistics	Construction	Consumer goods	Conglomerates	Financial Services	Health Care	Hospitality	Oil & Gas	F	Sig
Basic Salary	3.00	3.33	3.27	3.24	3.07	3.09	3.11	3.67	5.296	.000
Housing	3.00	3.00	3.00	3.00	3.27	3.18	3.21	3.78	13.869	.000
Transport/Car Allowance	2.75	3.33	3.27	3.24	3.33	3.27	3.32	3.78	4.261	.000
Leave/vacation	2.75	3.33	3.27	3.24	3.33	3.27	3.32	3.78	6.103	.000
Gratuity	2.00	2.67	2.53	3.53	2.47	2.45	2.47	2.17	2.854	.009
Pension	1.75	2.67	2.53	2.53	2.47	2.45	2.47	2.17	4.583	.000
Medical	3.75	3.67	3.73	3.76	3.67	3.73	3.68	3.69	.460	.862
Family Medical	3.75	3.67	3.73	3.76	3.67	3.73	3.68	3.89	.460	.862
Children										
Education	2.25	3.00	2.80	2.73	3.79	2.73	2.79	3.61	13.083	.000
Salary Loans	3.25	3.00	3.20	3.24	3.47	3.45	3.42	3.17	.782	.604
Other										
Allowances	2.50	2.33	2.27	2.24	2.87	2.64	2.74	3.00	3.609	.001

Source: Study Field Work 2014

## DISCUSSION

The findings in this study show that there is a high level of perception of inadequacies in the level of rewards and compensation employees receive across the various sectors in Nigeria. The oil and gas sector reported higher group mean level (3.67) than other sectors for basic salary adequacies as well as housing (3.78), transport/car allowance (3.78) and vacation pay (3.78) with  $P = \leq .001$ . This significant variance at statistical level show that for the items of salary, rent and transport the oil and gas are more satisfied than other sectors employees. The financial sector reported lower than expected satisfaction with the salary level with a group mean of 3.07 below other groups except airline and logistics (3.00). The study did not show the quantum of the pay differential as this was not our focus, but how the employees perceive its adequacies at whatever quantum that is paid. It is possible therefore that higher pay comparison level may not necessarily erase a perception of inadequacies given other variables of time, effort and results and other organizational variables that may influence the perception of inadequacies. Employees in the sample population are quite happy with the medical facilities for both self and family. This is a welcome development and might actually reflect the positive effects of the government effort at making health of employees paramount as reflected in the National Health Insurance Schemes. There is now coverage for employees' families at hospitals for all categories of employees, which hitherto was providing covers for only managerial staff. Another key issue is the higher than expected perception of inadequacies of pension and gratuity provisions. The fieldwork actually predates the 2014 Pension Reform Act and the reform that now increases the quantum of contributions to the pension fund by employers on the concept of total emolument is likely to shift the perception of the adequacy level of pension contributions. The position of the 2004 Nigerian Pension Act on gratuity has been a long debate among managers and practitioners as to whether gratuity is no longer a right of the employees. The general position is that gratuity under the act is no longer a right and might have fuel this perception amongst employees.

## IMPLICATIONS

The findings of this study show significant impact for the design of reward and compensation in Nigeria. There is generally high level of perception of inadequacies amongst the study population with attendant implications for performance effectiveness. While the question of comparability with similar organizations was positive, the level of compensation was considered mostly inadequate and

this translates to dissatisfaction as seen in the question of pay level satisfaction which show only 9% reported to be satisfied and 72% barely satisfied. The need for stretch performance has been seen as a necessity to accomplish goals [Locke and Latham, 1990] but with a low perception of adequacies of compensation level, employees are not likely to be motivated to stretch themselves to provide the necessary push to accomplish goals. It is therefore important that rewards are set at appropriate levels that employees perceive as adequate for required extra efforts to accomplish organizational goals. Also, with a sizeable proportion of employees reporting the need to engage in extra income generating activities to supplement need gap, this might be a key findings for low productivity amongst Nigerian employees. Engagement in such extra income activities in whatever form require time, thinking and activities that are likely to compete with the official activities. There is likely implications for employee concentration at work and optimizing performance under such circumstances are likely to be very challenging except by possible close supervision. The extension here is implications for quality of performance, which might suggest why qualities of finished products are poor and possible increase in waste levels. Furthermore there could as well be effect on quality of managerial decision making because of divided attention that extra activities are likely to engender. The linkage between people and performance has been well established (Shroeder 1989, Armstrong, 2010)

### CONCLUSION

The study findings and the implications discussed are fundamental human resource management issues that need to be addressed across the various sectors of the economy. The study shows a low level of perception of adequacies of the reward and compensation in Nigeria. While the oil and gas sector reported above average perception level, the antecedents of effects of low perception of rewards and compensation on performance (Dy Kam, 2015) compel a need to review the general system for designing the reward and compensation in Nigeria. The design of compensation must have the employees' satisfaction as the core foundation of any compensation plan. Given the implications on performance and employee satisfaction, the quantum of the rewards in areas that this study reveal barely adequate to outright inadequate need to be upgraded. The area of pay for performance should be further researched and developed in Nigeria as the study reveal a higher percentage of respondents that believe that performance should drive compensation increase. Such a system will more likely reduce the perception of inadequacies and promote higher level of satisfaction and performance. The finding of this study is consistent with the previous studies, which have investigated empirically the effects of pay on performance (Güngör, 2011).

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