



## Influence of Compensation on Employees' Productivity

Enobun-Nwidi Patience Enyiamaka, Hannatu G. Danbature, Irhibhor Beatrice  
Department of Business Education  
Federal College of Education, Zaria

### ABSTRACT

*The objective of this paper is to investigate how compensation impacts employees' productivity in Shoes Making Company in Aba, Abia State. The study conducted a survey research and gathered opinions from 85 employees using closed-ended structured questionnaires with 5-point Likert scale ratings. To ensure instrument reliability, Cronbach's Alpha coefficient was employed, while face validity was used to determine instrument validity. Data were coded using Statistical Package for the Social Sciences (SPSS) version 23.0 and analyzed through descriptive statistics and multiple regressions. The findings indicate that salary, allowance, fringe benefit, and bonus significantly and positively influence employees' productivity. In conclusion, for organizations to maximize productivity, they must prioritize key compensation variables identified in this study. The implications suggest that providing adequate and timely compensation, including salaries, allowances, fringe benefits, and bonuses, is crucial to boost employee motivation and productivity. Therefore, the paper recommends that company owners and managers continue to prioritize employees' compensation, providing regular salary adjustments, allowances, and fringe benefits tailored to individual needs, along with frequent bonuses to enhance both employee and organizational productivity.*

### ARTICLE INFO

Article History  
Received: March, 2023  
Received in revised form: May, 2023  
Accepted: May, 2023  
Published online: June, 2023

### KEYWORDS

Compensation, salary, allowance, fringe benefit, bonus and employees' productivity

### INTRODUCTION

Compensation has been used as a tool to motivate employees all around the world. Due to the relationship between productivity and human capital, organizations now face issues with regard to productivity. Globally, organizations and institutions depend on the assistance of other employees to function well (Ohene, Twumasi, Sarpong, & Darko, 2020). Such organizations' and systems' success or failure mostly depend on the aptitude, wit, or moral fiber of the people who work there (Ohune et al., 2020). To accomplish their goals, organizations want to draw in, keep, and inspire dedicated people. Human resources are now considered to be the most valuable asset of an organization; thus, they need to be efficient and better managed. Compensation is one of the strategies businesses use to entice, keep, and inspire their workers (Ali, Zainab, & Harith, 2004).

Employees receive compensation, which is an output, as a benefit to help them work more productively. The segment of the relationship between the employer and the employees of an organisation that the employee contracts with is called compensation. According to Rugut and Kipkorirp (2022) compensation is used to entice workers and encourage them to increase their productivity. Compensation is essential to both employers and employees and is the lifeblood of human resource management (Rugut & Kipkorirp, 2022). This is so because most workers rely on their paychecks, which need to be commensurate with the labour they accomplish. The cost of doing business and a manager's ability to sell a product at a competitive price are therefore impacted by pay decisions.

Quality work and staff productivity can be encouraged by a well-managed compensation

Corresponding author: Enobun-Nwidi Patience Enyiamaka

✉ [patiencewidii@gmail.com](mailto:patiencewidii@gmail.com)

Department of Business Education, Federal College of Education, Zaria

© 2023. Faculty of Tech. Education, ATBU Bauchi. All rights reserved



scheme. Similar to how a poorly managed compensation system can result in low self-esteem, ineffectiveness, and even a high rate of staff turnover. A compensation system is effective if the workforce is aware of its primary principles and finds them to be consistent and pertinent. Employee compensation is a tricky business. It can either inspire employees to look into more efficient ways to perform their duties or it can completely deter such attempts (Yamoah, 2013). There are two types of compensation; financial and non-financial compensation (Effiong, Ugbe, Makama, Igbudu & Oyibundu, 2022). However, the focus of this work is on financial compensation which includes; salary, performance allowance, and fringe benefits and bonus.

### 1.1 Statement of the Research Problem

A productive organization is recognized to be the backbone of a developing country, and employees are the centre of gravity around which the entire organization revolves. Any organization's ability to succeed depends on the calibre of its workers, who are vital to the operation of the organization and play a significant role in society's growth. Inadequate employee compensation, according to Akinfolarin and Ehinola (2014) is one of the main reasons for low staff productivity. However, the pay given to them to satisfy their desires might have an impact on the relationship between organizations and their employees, leading to high productivity. Ensuring staff productivity is crucial to the organization's success and staff wish for good compensation packages to boost their productivity (Omar, Selo & Rafie, 2020).

Many studies have been conducted on compensation and employees' productivity (Olatunji, Olufemi & Omotayo, 2021; Ramli, 2019) but the study found that relationship between compensation and employees' productivity is scanty especially in relation with the selected company. Moreover, many researches have been carried out on salary (Ali, Zainab and Harith, 2022), allowance (Mudhofar, 2021; Hasniati, 2017; Simanjorang & Tumbuan, 2016); fringe benefit (Olatunji, Olufemi & Omotayo, 2021; Akpan, 2020; Chukwudumebi & Kifordu, 2018), bonus (April, 2022; Waal & Jansen, 2013; Chung,

Steenburgh & Sudhir, 2014); employees' productivity (Sittenhaler & Mohnen, 2020). But, none of the studies combined all the variables used in this paper at the same time. Additionally, a comprehensive review of literature on compensation and employees' productivity mainly adopted different theories (like Vroom, 1964 Expectancy theory; theory of Herzberg, 1966; McClelland, 1962). But this paper is hinged on Skinner (1953) Reinforcement Theory. This theory states that behaviours of employees that are positively reinforced are likely to be repeated and negatively reinforced are not likely to be repeated. This implies that employees who are adequately compensated put in their best for optimum productivity. While those who are not well compensated produce less. To fill these gaps, this paper tends to investigate the impact of compensation on employees' productivity in Omega Shoes Making Company in Aba.

### Research Questions

The following research questions were formulated;

1. To what extent does salary significantly impact on employees' productivity in Omega Shoes Making Company in Aba?
2. To what extent does performance allowances significantly influence employees' productivity in Omega Shoes Making Company in Aba?
3. To what extent does fringe benefits significantly affect employees' productivity in Omega Shoes Making Company in Aba?
4. To what extent does bonuses significantly impact on employees' productivity in Omega Shoes Making Company in Aba?

### Objectives of the Study

The general objective of this paper is to investigate the influence of compensation on employees' productivity in Omega Shoes Making Company in Aba. However, the specific objectives of the paper are to;

---

Corresponding author: Enobun-Nwidi Patience Enyiamaka

✉ [patiencewidii@gmail.com](mailto:patiencewidii@gmail.com)

Department of Business Education, Federal College of Education, Zaria

© 2023. Faculty of Tech. Education, ATBU Bauchi. All rights reserved



1. Determine whether salary has significant impact on employees' productivity in Omega Shoes Making Company in Aba.
2. Examine whether performance allowance has significant effect on employees' productivity in Omega Shoes Making Company in Aba.
3. Determine whether fringe benefit has significant influence on employees' productivity in Omega Shoes Making Company in Aba.
4. Examine whether bonuses have significant impact on employees' productivity in Omega Shoes Making Company in Aba.

#### **Hypotheses of the Study**

The following hypotheses were formulated in null.

1. Salary has no significant impact on employees' productivity in Omega Shoes Making Company in Aba.
2. Performance allowances have no significant impact on employees' productivity in Omega Shoes Making Company in Aba.
3. Fringe benefit has no significant impact on employees' productivity in Omega Shoes Making Company in Aba.
4. Bonuses have significant impact on employees' productivity in Omega Shoes Making Company in Aba.

#### **CONCEPTUAL FRAMEWORK**

##### **Concept of Employees' Productivity**

Employees' productivity is associated with the quality, quantity of work, employees' performance, effectiveness and equity within the organization. Employee productivity, according to Sittenhaler and Mohnen (2020) is a process of assessing employees' efficacy and efficiency in performing tasks. It illustrates how well human resources perform in achieving organizational goals and objectives. Productivity can be used to gauge an employee's or an organization's performance using financial or non-financial criteria.

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

Compensation is the total pay or salaries, employee benefits, one-time financial incentives, and non-pecuniary rewards (Effiong et al., 2022). Compensation is the total of all awards and allowances given to employees in exchange for their services, and does not just refer to money. High organizational productivity is a result of well-managed compensation (Ali et al., 2022). Compensation is the cash or in-kind payment made by an employer in return for job performed (Ali et al., 2022). Compensation is a type of reward given for work well done or for making the necessary efforts to accomplish a certain goal, and it acts as a catalyst for an individual to devote more time or effort to his or her work (Alex, Uno & Lebo, 2020).

The compensation strategy is crucial for both keeping an employee and turning him into a more motivated and productive factor of production. The main objective of compensation in organizations is to motivate employees to act in a particular way. Because of this, a company not only wants to reward workers for remaining with the company, but also wants to support employee accomplishment through adequate and motivating compensation (Effiong, Ugbe, Makama, Igbudu & Oyibundu, 2022).

##### **Salary**

Salary refers to a regular, fixed payment for services, particularly governmental or professional services. According to Ali et al. (2022) salary is referred to as economic remuneration given by the employer to his white-collar employees on a monthly or weekly basis in exchange for their services. The word salary describes compensation given to personnel hired on a monthly or annual basis in exchange for the services provided. Therefore, it refers to the monthly pay rate, regardless of the number of hours worked by employees. Although money has traditionally been used as the main motivator for employee productivity, little is actually understood about how it operates (Effiong et al., 2022). Managers must work hard to convey the relationship between productivity and financial



compensation; it does not just happen (Ali et al., 2022).

**Performance Allowance**

An additional benefit provided by the company to its employees in exchange for their responsibilities is the performance allowance. According to Mudhofar (2021) performance allowance is a benefit provided by the company for its employees. Performance allowance affects how productively employees work (April, 2022). It forms a component of the organization's pay. According to Mudhofar (2021) the larger the performance allowance, the higher the employees' productivity. It can be further defined as a type of appreciation that is provided to employees in recognition of their service or commitment to the company. Organizations adopt performance allowance as a tool to boost worker productivity. Employee productivity in organizations is greatly impacted by performance allowance (April, 2022).

**Fringe Benefit**

Fringe benefits are the additions to basic pay that a business adopts and which, over the long and short terms, are beneficial to the employee and their families (Chukwudumebi & Kifordu, 2018). Any asset or service that an employee receives from an employer in lieu of or in addition to ordinary taxable salary is referred to as a fringe benefit, whether it is labeled a perquisite, perk, or any other name (Akpan, 2020). According to Olatunji, Olufemi, and Omotayo (2021) there are two different kinds of fringe benefits: direct benefits and indirect benefits. Profit sharing, co-partnership, a pension plan, a provident fund, paid holidays, medical care, hospitalization, accident relief, health insurance, life insurance, retirement benefits, disability insurance, and legal insurance are all examples of direct benefits. Cash is frequently used to make the payments. Thus, the goals of indirect benefits are to raise morale and increase job stability. Examples include free meal coupons, sporting or welfare facilities, a car or a mileage allowance, discounted phone purchases, children's

education, a canteen, community services, and training and development. The purpose of fringe benefits, according to Akpan (2020) is to increase employees' productivity, and this effect has been confirmed. Additionally, Chukwudumebi and Kifordu (2018) discovered a significant impact of fringe benefits on worker satisfaction and productivity.

**Bonus**

Companies frequently give bonuses to workers who fulfill their goals or the company's year-end business success. The manager may occasionally have the last say. Bonuses may be given out annually, quarterly, or even after a project is finished (April 2022). Along with piece rate, profit sharing, stock options, and shift differentials, bonuses are considered incentive pay. Bonuses, however, can also be given without the employee hitting a specific goal. For instance, suppose the company decides to award everyone since it had a successful year. In order to retain staff and boost productivity, businesses must use bonus schemes, which are already the norm (Waal & Jansen, 2013). Bonus-supporting businesses contend that using bonuses boosts both employee and business productivity (Waal & Jansen, 2013). According to Chung, Steenburgh and Sudhir (2014) bonuses do increase sales productivity, and regular bonuses (quarterly) support weak employees' productivity growth in order to meet annual sales goals.

**EMPIRICAL REVIEWS ON COMPENSATION RELATED FACTORS**

Effiong et al (2022) empirically examined compensation management and employee performance in selected organizations in Cross River state. The chosen research methodology was a survey. The population of the study was 507 employees. The sample size of the study was 196 respondents selected from the population. To quantitatively examine the relationship between the dependent and independent variables, Pearson Product Moment Correlation was used. The analysis's conclusions

Corresponding author: Enobun-Nwidi Patience Enyiamaka  
 ✉ [patiencewidii@gmail.com](mailto:patiencewidii@gmail.com)  
 Department of Business Education, Federal College of Education, Zaria  
 © 2023. Faculty of Tech. Education, ATBU Bauchi. All rights reserved



showed that every independent variable had a significant impact on employees' productivity in the chosen firms. The study recommended that the management of the organization should make available pay structure that will motivate the top performing employees; also that the organizations should continue providing security benefits to all employees; embark on training that will aid their employee acquire skills, knowledge and competencies as it will positively influence employee productivity and raise overall performance of the organization.

April (2022) studied the effects of performance-based bonus on employees' productivity and motivation in a State College, Philippines. Using descriptive research, the test of significant difference was computed using Chi-Square to test the responses of two groups of respondents. The

Study found that a Performance-Based Bonus (PBB) is a positive driver towards employees' motivation and productivity. The amount of Performance-Based Bonus granted to qualified employees significantly impacts an employee's motivation. Proactive institutional drive leads to affirmative performance, while challenges are associated with a systemic lapse in planning, monitoring, and implementing programs, projects, and activities and a lack of human resources. The study recommended that to enhance and/or sustain PBB compliance, SUCs must strengthen the institution's mechanism in planning, monitoring, and evaluating targets and develop methods to improve performance and replicate tested good practices from other SUCs on PBB implementation.

Rugut and Kipkorirp (2022) examined compensation practices for firm productivity at multinational tea companies in Kericho County in Kenya. Expectancy theory was adopted. A descriptive research design was employed for the study which targeted 99 senior, middle and lower managers of the selected companies. A census of 99 managers was used as respondent. Data was obtained using questionnaires. The data was analyzed using descriptive statistics especially the mean and standard deviation. While inferential statistics was utilized to test significance. The

analyzed data was presented using percentages and frequency distribution tables and chart. The study result indicated that there was significant effect of monetary pay, allowance, fringe benefit and incentive on firm productivity. The study concluded that compensation practices significantly affected on firm productivity. The study recommended that other incentive should be explored based on employee performance which results in firm productivity.

González, Selva and Sunyer (2021) examined the influence of total compensation on job satisfaction. This cross-sectional and confirmatory research has collected data from a sample of 246 employees, including lower-level workers, technicians, and middle managers in manufacturing and service industries in Spain, mainly medium- and large-sized companies in the private sector. Data analysis included reliability and validity tests of psychometric scales and hypotheses testing using multi-group Structural Equations Modelling (SEM). The study results showed that supervisor support, career development, and work-life balance are strongly and positively related to job satisfaction. However, pay satisfaction is positively associated with job satisfaction only for the group of employees who are 40 years of age or younger. The study recommended that managers must conceptualize these factors as part of total compensation and promote work flexibility, career development, and supervisor support policies. The results add to the small literature investigating the growing field of total compensation and its outcomes for job satisfaction and employee performance.

Mudhofar (2021) analyzed the effect of performance allowance as a determinant of motivation, employees' work achievement and organizational performance in the Ministry of Religion's Office Lumajang City. The study employed quantitative research design. The research population was 153 Ministry of Religion employees. Data was analysed using Structural Equation Modeling (SEM) data analysis tools with AMOS software. The finding showed that improvement in performance of public organizations is directly and significantly affected by work achievement which requires a number of



supporting factors such as performance allowance and motivation. It was recommended that performance allowance and motivation are important elements that directly improve employee work achievement as a medium to improve organizational performance.

Olatunji, Olufemi and Omotayo (2021) examined the effects of fringe benefits on employees productivity in selected food and beverages production companies in Ogun State, Nigeria. The study employed survey research design. Questionnaire was the major instrument adopted for this study. A total of 210 respondents were sampled from three food and beverages production organisations. Data generated through the questionnaires for the study were analysed with Statistical Package for Social Sciences (SPSS). The results showed that highly competitive fringe benefits have impetus for ensuring drastic reduction in labour turnover. Strong fringe benefits were therefore established to be correlated with employees' motivation on the job, job satisfaction; job performance, employee retention and that proper workplace environment helps in reducing the rate of absentees. The study therefore recommended that application of fringe benefits facilitates effective productivity, while it was also discovered that employees' involvement in organization activities contribute to organizational stability.

Tarafdar, Kajol and Sraboni (2021) studied effects of fringe benefits on employee loyalty on university teachers in Khulna City of Bangladesh. The study sample consisted of 100 university teachers who were randomly selected from both private and public universities situated in Khulna city of Bangladesh. Data were collected through a self-administered questionnaire survey. To test the study hypotheses, data were analyzed employing correlation and multiple regression analysis tools. Results of correlation analysis reveal that fringe benefits (insurance & retirement benefits, payments for time not worked, education & development opportunities, flexible working hours, and employee welfare benefits) are positively related to employee loyalty. Regression statistics shows that 25.6% variance of employee loyalty can be explained by the fringe benefits. The

study findings also indicate that flexible working hours ( $\beta = 0.296$ , Sig. = 0.001) has the most significant contribution in explaining employee loyalty among the university faculty members employed in Khulna city of Bangladesh.

Ohene, Twumasi, Sarpong & Darko (2020) conducted research on effect of compensation on employees' performance in a Technical University in Ghana. Descriptive survey design was used for the investigation. The population of the study was 57 Administrators. The sample size of the study was 35 respondents selected from the population. Frequency tables were used to present the responses. The main conclusions were that administrators were not attracted by the monetary aspect of compensation but rather management sensitivity to their needs. The study found that, housing loan and accommodation are the most crucial needs. The recommendation was that Management should create another form of set-off package alongside with the one in the condition of service to encourage workers to put up their best.

Neama and Haitham (2020) investigated the impact of bonuses and increments on employee retention. The study employed quantitative research design. The sample size of the study was 50 respondents selected from the population. Data was analysed using charts, descriptive statistics t-test and Anova. The results showed that bonus has positive and significant impact on employees' retention.

Arti (2018) studied impact of compensation and reward system on organizational performance of Punjab National Bank, Varanasi Uttar Pradesh. The study employed survey research design. The sample size of the study was 270 respondents selected from the population. Statistic tools such as One Way Analysis of Variance: (ANOVA) and Multiple Regression were used for analysis. This study found that reward and compensation strategies have positive significant impact on performance of the bank. The study recommends that banks should embrace the use of both extrinsic and intrinsic rewards in addition to other incentives and



should combined it with overall banks strategy to gain competitive advantage in the industry.

Chukwudumebi, and Kifordu, A. A. (2018) conducted research on significance of fringe benefits on employee morale and productivity in oil companies using Shell Petroleum and Development Company Warri in Southern Nigeria. A total of fifty (50) questionnaires were distributed to the categories of staff in the company. Chi-square test was used to test the hypotheses and the results was significantly accepted. Findings revealed that fringe benefit as an incentive, significantly affects employees' morale and productivity. The study concluded that fringe benefits play a vital role in the level of employees' morale and productivity of companies. The paper also recommended that there should be increase in the various forms of fringe benefits in private and public companies, bearing in mind "that those who promote these benefits will have increased ability in return and those who distant themselves will fail.

Ekwochi, Nwudugbo and Okoene (2018) examined the impact of fringe benefits on employee job performance in United Bank of Africa (UBA) Plc. The research method adopted was the survey research design. The population of the study was 59 while the sample size of 59 was determined by applying the rule governing population and sampling. The sources of data used were the primary and secondary sources of data. The major instrument of data collection was the questionnaire. The hypotheses were tested using the chi-square distribution formula. The findings revealed that medical insurance has a positive relationship with performance of workers of United Bank of Africa Plc; overtime pay has a significant effect on the performance of workers of United Bank of Africa Plc and annual leave has a significant effect on the performance of workers of United Bank of Africa Plc. The researcher concluded that fringe benefits have a positive effect on employee job performance. The study recommended that management of the banking industry should consider medical insurance as it has a positive relationship with performance; management of the banking industry should always reward employees who have stayed

beyond the closing time by giving them overtime pay and annual leave should be made a priority for workers to make them rejuvenate and perform better.

Parsa, M. (2017) evaluated the effect of allowances and job creativity in performance of the teacher in secondary vocational school province of East Nusa Tenggara. The sample selected by random sampling technique of 4 County and 1 City in the Province of East Nusa Tenggara (Province NTT). The instruments used in this study is a questionnaire about: benefits, working and performance and teacher creativity, who each totaled 30 items and 25 reserved. The obtained data were analyzed using path analysis. The study found that; evaluation of the Allowances received by SMK teachers in NTT province did not give a positive direct effect on teacher performance. This can be interpreted that the high performance of a vocational school teacher in NTT Province is not influenced by the size of the allowance received by the teacher; Allowances received by SMK teachers in NTT Province give positive indirect effect on teacher performance through work creativity. Meaning the higher the allowance received by the teacher indirectly through the creativity of the work the higher the performance of the teacher. The research concluded that the allowances do not affect work directly against the performance of teachers. Affect the work will support the work of teachers' creativity that would have an impact on performance, The teacher SMK in Province NTT. Therefore allowances gives an indirect influence on performance through increased teacher creativity works.

Kabiru (2018) analysed influence of compensation systems and employee performance in microfinance institutions in Nyeri County, Kenya. The study adopted a descriptive survey design. The target population of the study was drawn from all deposit taking MFIs operating in Nyeri Central Sub-County. The respondents under consideration were managers, supervisors and employees in the micro finance institutions numbering 389. Systematic simple random sampling was applied to get the respondents. Every second respondent was provided with a questionnaire for a period of atleast 5 days in



every MFI to arrive at a sample size of 189 respondents. Primary data was collected by use of semi-structured questionnaire. Upon collection of data, it was checked for completeness, consistency and errors. The data was further coded and entered for analysis using SPSS. The results of the study were presented using tables and figures. The study found that the variable that influenced the employee performance most is the salary of the employee. The payment of salaries to employees based on performance was highlighted as the most dominant form of compensation as well as the pay on a monthly basis reviewed occasionally. It can be concluded that salary greatly influences employee performance. The study concluded that commission, bonuses and job promotion to a great extent influences employee performance of microfinance institutions in Kenya. The study recommends that firms should consider reviewing the salary pay on a yearly basis. The study also recommends that firms should consider finding a way of paying bonuses based on the time period one has worked in an organization. Finally, the study recommends that microfinance institutions should promote their employees by changing their job roles and tasks.

Yamoah (2013) examined the relationship between compensation and productivity in the banking industry in Ghana. A descriptive survey was carried out to collect data from employees of Ghana Commercial Bank in the Greater Accra Region of Ghana. The population consisted of all employees of Ghana Commercial Bank in the Greater Accra Region of Ghana. Structured questionnaire was the instrument used to collect the data. A sample of 60 respondents was selected for the study using convenience sampling technique. The opinions of respondents were described using simple frequencies and percentages; and a chi square test was done to ascertain the relationship between compensation and employees' productivity. Data was analysed in terms of descriptive statistics. Pearson chi square was used to test the significance of relationship between employee compensation and productivity. The results indicated a significant relationship between compensation and

productivity. The study recommended that with a highly competitive employment market in the banking industry, employers need to offer their employees a compensation package that would enable them attract, retain and motivate employees.

### **Theoretical framework**

This study is anchored on reinforcement theory. Reinforcement theory has important implications for the motivation of employees. According to this theory, employees' behaviours that receive positive reinforcement are more likely to be repeated, whereas those that receive negative reinforcement are less likely to be repeated. This suggests that rewarding workers for exhibiting a desired behaviour suggests a way to inspire them. The desired behaviour can involve devoting more time and effort to a work, assisting peers, coming up with a creative solution, finishing a project exceptionally well, or averting a potential danger. This study relates to reinforcement theory because compensation helps to reinforce/motivate the desired behaviour of employees in a timely manner, following the behaviour. Therefore, compensation is necessary to reinforce the desired behaviours of employees in Omega Shoe Making Company in a timely manner and motivate them to repeat those actions for optimum productivity.

### **METHODOLOGY**

This paper employed survey research design. The population of the study is 85 employees in Omega Shoe Making Company in Aba. Purposive and judgemental sampling was adopted to select respondents whose opinions are relevant and to make valuable decisions as opined by Orji (2022). Thus, 85 samples were arrived at based on value judgement that the respondents are very knowledgeable in the subject matter. The unit of analysis of this paper are the managers and employees of this company. The instrument for data collection was closed-ended structured questionnaire. The study adapted items suitable in measuring the various construct of this study from previous studies. The questionnaire was designed using 5-point likert scales ratings of "strongly



disagree” (1) and “strongly agree” (5). Face validity assessment in this area of academic discipline was also done. The face validity assessment was done by the issuance of a copy of the questionnaire each to experts in the field.

Cronbach’s alpha coefficient was used to determine the reliability of instruments used. Data were coded using SPSS version 23.0. Data was analysed using descriptive statistics and multiple regression as can be seen from the tables.

**Table 1:** Demographic Characteristics of Respondents (n=85)

<b>Characteristics</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Gender</b>		
Male	63	74%
Female	22	26%
<b>Age</b>		
21-30 years	32	38%
31-40 years	26	30%
41-50 years	12	18%
51 years and above		14%
<b>Experience</b>		
Less than 1 year	17	20%
1-5 years	28	33%
6-10 years	25	29%
11 years and above	15	18%
<b>Qualification</b>		
Doctorate degree	6	7%
Masters’ degree	16	19%
First degree	29	34%
NCE/OND	34	40%
<b>Status</b>		
Married	46	54%
Single	39	46%
Widowed	-	-
Divoced/Separated	-	-
<b>Ethnicity</b>		
Yoruba	15	18%
Hausa/Fulani	12	14 %
Igbo	35	41%
Others	23	27%

Source: Field Survey, 2023

From table 1, it can be seen that 74% are male and 26% are female. This implies that majority of the respondents are male. In the same table, 38% of the respondents are aged between 21–30years, 30% aged between 31-40 years of age, 18% are between 41-50. While and 14% are in the age 50 years and above. This implies that majority of the respondents are aged between 21-50. Table 1 also indicates that 7% of the

respondents have doctorate degrees, 19% have masters; degrees, 34% have first degree and 40% have NCE and OND. This implies that all the respondents have the necessary qualifications and knowledge to carry out their jobs effectively and efficiently. The table also indicated that majority of the respondents which is 54% are married. Based on the table also, majority of the sampled respondents (82%) have been working in

Corresponding author: Enobun-Nwidi Patience Enyiamaka  
 ✉ [patiencewidii@gmail.com](mailto:patiencewidii@gmail.com)  
 Department of Business Education, Federal College of Education, Zaria  
 © 2023. Faculty of Tech. Education, ATBU Bauchi. All rights reserved



the company between one year and ten years, while some are 11 years and above (18%). This implies that most of the employees are young and

vibrant in the job. Also looking at ethnicity on the Table 1, one can understand that appointment is based on federal character.

## RESULTS AND DISCUSSION

**Table 2:** Cronbach's Alpha Result on Monetary Compensation and Employees' Productivity

Variables	Cronbach's Alpha
Salary	0.834
Allowance	0.782
Fringe Benefit	0.803
Bonus	0.732
Employees Productivity	0.733

Source: Field survey, 2023

Table 2 indicates that salary, allowance, fringe benefit, bonus and employees' productivity had Cronbach's Alpha above 0.7. According to Sekaran (2003) a Cronbach's Alpha co-efficient

greater than 0.7 is deemed to be reliable and accepted. Therefore, the research instrument was reliable and accepted.

**Table 3:** Descriptive Statistics Result on Monetary Compensation and Employees' Productivity

Variable	N	Mean	Standard Deviation
Salary	85	3.2412	0.88004
Allowance	85	3.5206	0.76494
Fringe Benefit	85	3.5471	0.68844
Bonus	85	3.8647	0.37708
Employees' Productivity	85	3.6824	0.46012

Source: Field survey, 2023

Table 3 shows that salary given to employee affects their productivity as evidenced by mean of 3.2412 and standard deviation of 0.88004. The allowance provided in the organization was sufficient as indicated by mean of 3.5206 and standard deviation of 0.76494). There was sufficient evidence that the organizations use fringe benefits as evidenced by

mean of 3.5471 and standard deviation of 0.68844. Bonus was sufficiently provided for employees' productivity as shown by mean of 3.8647 and standard deviation of 0.37708. The result also revealed that there is improvement in productivity in the organisations as shown by mean of 3.6824 and standard deviation of 0.46012).

**Table 4:** Multiple Regression Result on Monetary Compensation and Employees' Productivity

Variables	Hypotheses	B	Standard Error	T	S. G	Decision on Ho
(Constant)		.915	.294	3.109	.003	
Salary	H <sub>01</sub>	.669	.035	19.114	.000	Not Accepted
Allowance	H <sub>02</sub>	.503	.055	9.189	.000	Not Accepted
Fringe Benefit	H <sub>03</sub>	.215	.073	2.966	.004	Not Accepted
Bonus	H <sub>04</sub>	.596	.107	5.559	.000	Not Accepted
R		.849 <sup>a</sup>				
R <sup>2</sup>		.721				
Adjusted R <sup>2</sup>		.707				
P. Value		0.000				
Durbin-Watson Stat.		2.233				

Corresponding author: Enobun-Nwidi Patience Enyiamaka

✉ [patiencewidii@gmail.com](mailto:patiencewidii@gmail.com)

Department of Business Education, Federal College of Education, Zaria

© 2023. Faculty of Tech. Education, ATBU Bauchi. All rights reserved



## DISCUSSION OF FINDINGS

Table 4 revealed that salary has positive significant impact on employees' job productivity at Beta=0.669,  $t=19.114$  and  $p$  value=0.000 at 0.1 significant level. This implies that a unit change in salary will result to 66.9% change in employees' productivity. This result is consistent with a study by Kabiru (2018) which discovered that the employee's salary has the greatest impact on performance. The payment of salaries to employees based on performance was highlighted as the most dominant form of compensation as well as the pay on a monthly basis reviewed occasionally. It also indicated that salary is a form of equity-based compensation program had long term effect on employees' productivity. Thus, the null hypothesis one which says that salary has no significant impact on employees' productivity is rejected.

Allowance also has positive significant effect at Beta=0.503,  $t=9.189$  and  $p$  value=0.000 at 0.01 significant level. This means that the more the increase in employee' allowance the more they produce. This finding is in line with Mudhofar (2021) who found that improvement in performance of public organizations are directly and significantly affected by work achievement which requires a number of supporting factors such as performance allowance and motivation. The finding is also in line with the study of Rugut and Kipkorir (2022) which found that there was significant effect of monetary pay, allowance, fringe benefit and incentive on firm productivity. Kamau (2013) which found that used house, transport and meal allowance have positive significant effect on employee productivity. On the other hand, this finding contradicts the study of Parsa (2017) which found that allowance does not give a positive direct effect on teacher performance. Allowances received give positive indirect effect on teacher performance through work creativity. Meaning the higher the allowance received by the teacher indirectly through the creativity of the work the higher the performance of the teacher. Hence, we fail to accept the null hypothesis two which states that allowance has no significant influence on employees' productivity.

Fringe benefit has positive significant influence on employees' job productivity as evidenced from table 3. This finding is supported by Olatunji, Olufemi and Omotayo (2021) who found that application of fringe benefits facilitates effective productivity. This implies that provision of fringe benefits by the management of an organisation has positive roles to play in motivation of employees to higher productivity. It also defined the degree to which an employee identifies with the organization and wants to continue participating actively in it. It is also supported by Nisar and Siddiqui (2019) and Tarafdar, Kajol and Sraboni (2021) found that fringe benefits (insurance & retirement benefits, payments for time not worked, education & development opportunities, flexible working hours, and employee welfare benefits) are positively related to employee loyalty.

Also, Kamau, (2013) who found that fringe benefits inform of leave, health benefits, recreation, insurance cover and retirement benefits improve employees' productivity. Also, Chukwudumebi and Kifordu (2018) found that fringe benefit as an incentive significantly affects employees' morale and productivity. We fail to accept the null hypothesis three.

Bonus also has positive significant impact on employees' productivity at Beta=0.596,  $t=5.559$  and  $p$  value=0.000 at 0.01 significant level. The result supports the study of April (2022) which found that a Performance-Based Bonus is a positive driver towards employees' motivation and productivity. This study is also in line with the study of Neama and Haitham (2020) who found that bonus has positive and significant impact on employees' retention. This implies that the more the employees are given bonus the more they are motivated towards high productivity.

The R2 value of 0.721 indicates that the coefficient of determination 72.1% of variation in employees' productivity are attributed to salary, allowance, fringe benefits and bonus. Other compensation factors not considered in the study contributed to 27.9% of the variation in employees' productivity.



## CONCLUSION

This study has shown that salary, allowance, fringe benefit and bonus have positive significant influence on employees' job productivity. However, this can be achieved if there is transparency in the compensation system and if the compensation meets the aspirations of the beneficiaries who are the employees. Hopefully, the results of this study will enhance the understanding of management on issues bordering on the perception of employees about compensation and productivity. The result also will help managers in developing policies related to these Employees' compensation and job productivity.

## RECOMMENDATIONS

Based on the findings of this research, the following recommendations are made;

1. The owners and managers of the company should continue to pay employees' adequate salaries at the right time because salary has been the major mechanism for working and rewarding employees' productivity.
2. They should continue to provide allowance to employees because it boosts their motivation level which results to optimum productivity.
3. They should also continue to give fringe benefit bearing in mind the status of individual employees; for instance, fringe benefits like study leave with pay may not necessarily be of significance to a cleaner, whereas to an account clerk it is a great opportunity.
4. They should continue to provide frequent bonus because it attracts employees, hence increases both employees' and organisational productivity

## REFERENCES

- Akpan, U.I. (2020). "The impact of fringe benefits on employees' performance and development in Nigerian Banking Sector," *International Journal of Creative Research Thoughts (IJCRT)*, 8(6): 10-11.
- Alam, M.N., Hassan, M.M., Bowyer, D., & Reaz, M. (2020). "The effects of Wages and Welfare Facilities on Employee Productivity: Mediating Role of Employee Work Motivation," *Australasian Accounting, Business and Finance Journal*, 14(4): 38-60.
- Alex, B. E., Uno, L. A. & Lebo, M. P. (2020). Impact of Reward system as a motivating tool on employees' performance. A study of University of Uturu, Abia State, Nigeria. *Journal of Management and Interdisciplinary Studies (JOMANS)*, 2(1), 92-103.
- Ali, I. A., Zainab, F. M. & Harith, A. M. (2022). The effect of compensation management on employee performance: an empirical study in North Gas Company. *World Bulletin of Management and Law (WBML)*, 7;59-70
- April, Z. L. (2022). Effects of performance-based bonus on employees' productivity and motivation in a State College, Philippines. *Int J Edu Sci*, 36(1-3): 41-53
- Arti, V. (2018). Impact of compensation and reward system on organization performance: an empirical study. *IJRAR- International Journal of Research and Analytical Reviews*, 5(4); 136-140
- Chukwudumebi, & Kifordu, A.A. (2018). "The Significance of Fringe Benefits on Employee Morale and Productivity," *Romanian Economic Journal*, 21(68), 78-92.
- Chung, D., Steenburgh, T. and Sudhir, K. (2014). Do Bonuses Enhance Sales Productivity? A Dynamic Structural Analysis of Bonus-Based Compensation Plans. *Marketing Science*, 33(2), 165-187.
- Effiong, C. Ugbe, F. A., Makama, L. L., Igbudu, N. I. & Oyibundu, J. M. (2022). Empirical study on compensation

Corresponding author: Enozun-Nwidi Patience Enyiamaka

✉ [patiencewidii@gmail.com](mailto:patiencewidii@gmail.com)

Department of Business Education, Federal College of Education, Zaria

© 2023. Faculty of Tech. Education, ATBU Bauchi. All rights reserved



- management and employee performance in selected organizations in Cross River State. *Journal of Contemporary Research (JOCRES) Research Article*, 1(1); 117-127.
- Ekwochi, E. A., Nwudugbo, P. C. & Okoene, C. N. (2018). The impact of fringe benefits on employee's job performance in United Bank of Africa (Uba) Plc. *IAA Journal of Scientific Research* 4(1):34-62.
- González, F., Selva, C. & Sunyer, A. (2021). The Influence of Total Compensation on Job Satisfaction. *Universitas Psychologica*, 20. DOI: <https://doi.org/10.11144/Javeriana.upsy20.itcj>
- Hasniati, (2017). The Effect of Performance Allowance on Public Servant Performance at Agricultural Extension College Gowa. *Jurnal STIE AMKOP. Makasar*. 4 (1): 362-372.
- Ileka, N.O., & Muogbo, U. (2020). "Wages and Salary Administration and Employee Performance in Selected Government Ministries in Anambra State," *International Journal of Innovative Development and Policy Studies* 8(1):70-80.
- Kabiru, C. N. (2018). *Compensation Systems and Employee Performance in Microfinance Institutions in Nyeri County, Kenya*. Been a Research Project Submitted in Partial Fulfilment of the Requirements for the Award of the Degree in Master of Business Administration (Human Resource Management Option) of Kenyatta University.
- Memorandum Circular No. 2016-1*. Guidelines on the Grant of Performance-Based Bonus for FY 2016 under EO No. 80 and EO No. 201. Manila. Philippines.
- Mudhofar, M., (2021). Effect of performance allowance, motivation, employees' work achievement and organizational performance at among government employees. *Jurnal Administrasi Publik (Public Administration Journal)*. 11 (1): 101-110
- Neama, T. & Haitham, M. A. (2020). The Impact of Bonuses and Increments on Employees Retention. <https://www.researchgate.net/publication/340547427>. Access date: 14/07/2023
- Nisar, S., & Siddiqui, D.A. (2019). "A Survey on the Role of Fringe Benefits in Employee Satisfaction – An Analysis of Organizations of Pakistan," *International Journal of Human Resource Studies*, 9(1):233-38.
- Nuray, A. & Moazzam, H. (2016). Effect of compensation on job performance: an empirical study. *International Journal of Engineering Technology, Management and Applied Sciences*, 4(8); 103-116.
- Nurul, M. Z., Mamunur, R., Saad, D., Faisal, E. A, Vitalii, N. & Anwarul, I. (2022). The Power of Compensation System (CS) on Employee Satisfaction (ES): The Mediating Role of Employee Motivation. *Economies*, 10(11), 290; <https://doi.org/10.3390/economies10110290>
- Ohene, A. E., Twumasi, A., Sarpong, E. & Darko, L. O. (2020). The effect of compensation on employees' performance: a case of a Technical University in Ghana. *International Journal of Managerial Studies and Research (IJMSR)*, 8, (6); 44-54
- Olatunji, K.A., Olufemi, L.M., & Omotayo, R.S. (2021). "Effects of fringe benefits on employee's productivity in selected food and beverages production companies in Ogun State, Nigeria." *Annals of Spiru Haret University. Economic Series*, 21(2), 55-72
- Parsa, M. (2017). Evaluation study effect of allowances and job creativity in performance of the teacher in secondary vocational school province of East Nusa Tenggara. *International Education Studies*, 10(8);96-107
- Rugut, H. B. & Kipkorir, S. C. S. (2022) Compensation practices for firm productivity: empirical study at multinational tea companies in Kericho



- County in Kenya. *European Journal of Business and Innovation Research*, 10(3); 54-68,
- Simanjanong, M.I., and Tumbuan, W.J.F.A. (2016). The influence of performance allowance and employee development to employee performance in State Assets and Service Office Manado. *Jurnal EMBA* 4(1): 156-1165.
- Tarafdar, P., Kajol, K. & Sraboni, A. (2021). Effects of fringe benefits on employee loyalty: a study on university teachers in Khulna City of Bangladesh. *Business and Management Research* 10(3); 1-10
- Waal, A. D. & Jansen, P. (2013). The bonus as hygiene factor: The role of reward systems in the high-performance organization. *Evidence-based HRM Evidence-based HRM: A Global Forum for Empirical Scholarship*, 1(1), 41-59.
- Yamoah, E. E. (2013). Relationship between compensation and employee productivity. *Singaporean Journal of Business Economic, and Management Studies*, 2(1); 110-114