EFFECT OF COMPENSATION ON EMPLOYEE PRODUCTIVITY: A CASE STUDY OF AL-HIKMAH UNIVERSITY, ILORIN, KWARA STATE

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Abstract

Compensating employees adequately plays a pivotal role in enhancing their effectiveness within an organization. Consequently, their contribution becomes indispensable to the overall functioning of the company. This study evaluates the impact of compensation on employee productivity in the context of Al-Hikmah University. The research design encompasses both descriptive and inferential methodologies, employing questionnaires as the primary data collection instruments. Data are gathered from Al-Hikmah University and subsequently subjected to analysis using SPSS 20.0 Version. The study encompasses the entire employee body of Al-Hikmah University as its population. Through a method of simple stratified random sampling, a sample of 316 employees is selected. The collected data undergoes various analyses, including descriptive, correlation, and regression analyses. The results of the descriptive analysis reveal a discernible influence of all compensation package variables on employee productivity. The correlation analysis underscores a robust positive correlation between non-financial compensation and employee productivity. In contrast, financial compensation displays a weak negative correlation, which is deemed insignificant in terms of its impact on employee productivity. Moving forward to the regression analysis, it is evident that financial compensation exerts an inconsequential and adverse effect on employee productivity. Conversely, non-financial compensation showcases a noteworthy, positive influence on employee productivity. As a recommendation stemming from these findings, it is advisable for the top management of the organization to periodically review the compensation packages provided to employees. This review process should be accompanied by efforts to heighten employees' awareness and comprehension of the compensation structure. Moreover, making the compensation package guidelines accessible to all employees would bolster transparency, fostering confidence among the workforce.

Keywords: *Compensation, Employee Performance, Al-Hikmah University.*

Introduction

Compensation procedures revolve around Compensation Philosophies and tactics, encompassing the framework of Policies and strategies (Malsch et al, 2012). These encompass guiding principles, frameworks, and processes meticulously crafted and overseen to ensure the provisioning and sustenance of suitable categories and levels of remuneration, perks, and alternative forms of recompense (Bob, 2021). This encompasses the assessment of job valuations, the construction and upkeep of remuneration frameworks, incentivizing performance, proficiency, and expertise, as well as furnishing employee perquisites. However, the management of compensation extends beyond monetary aspects. It also extends to non-financial incentives that offer inherent or extrinsic motivation, encouraging employees to enhance their performance (Bob, 2021).

Compensation encompasses a compensation framework that prioritizes rewarding high-performing employees significantly more than their counterparts who achieve average results (Pearce, 2020). The realm of Compensation Administration involves the creation and execution of strategies and policies with the aim of equitably, fairly, and consistently compensating individuals in alignment with their organizational value (Armstrong, 2015). The challenge within compensation administration lies in shaping policies and protocols that maximize the value of funds expended, focusing on aspects like employee attraction, contentment, retention, and even motivation (Anyebe, 2013).

Over time, certain organizations have grappled with the issue of undercompensated employees or a lack of robust compensation administration programs. This could be a result of delayed employee promotions or the incongruence between their remuneration and their contributions to the organization (Fein, 2020). Occasionally, such scenarios might be intentional on management's part, aiming to discourage employees, or they might stem from a lack of requisite managerial competencies to effectively administer compensation programs (Dyer & Schwab, 2014). However, the days of tolerating or accommodating these challenges are fading; addressing these problems head-on becomes imperative for fostering enhanced employee performance and productivity.

Undeniably, compensation stands as a pivotal catalyst for productivity, as individuals are inherently more motivated to perform when they perceive their efforts will yield substantial rewards. While diverse motivations drive human endeavor, the present competitive economic landscape and consumer-centric society render compensation perhaps the paramount motivational factor. Financial incentives, in their various forms, stand out as the most overt extrinsic rewards, functioning as the enticing carrot for most individuals (Armstrong, 2018). DeNisi and Griffins (2018), define compensation as the collection of rewards that organizations offer individuals in exchange for their willingness to undertake various roles and responsibilities within the organizational.

While compensation undeniably stands as one of the principal catalysts for enhancing productivity and remains a extensively explored domain, Armstrong (2018) has raised questions about its efficacy. The study posits that while its absence can lead to dissatisfaction, the provision of compensation might not necessarily yield sustained motivation. The impact of compensation on productivity exhibits variability across different organizations.

Predominantly, financial incentives hold considerable sway over human motivation, primarily catering to essential needs and desires (DeNisi & Griffins, 2018). The path to employee productivity via pay is complex and includes a range of options, such as raises in salary, commissions, incentives based on performance, profit-sharing, and other amenities like cars, vacations, and material prizes (Campbell, 2017). These payment methods fall into two categories: indirect financial inducements and direct financial disbursements (Dessler, 2014).

Contemporary work environments, as outlined by Nelson and Spitzer (2013), are characterized by heightened change and uncertainty, necessitating empowered employees. Simultaneously, there's a decline in conventional incentives, a surge in non-traditional rewards, and a proliferation of variable compensation structures. Some studies also attest that employee productivity is influenced by compensation programs and the methods employed for their administration (Bowen, 2020). Studies highlight work atmosphere, contentment, and gratitude as motivators for employees in a variety of firms (Kosgei, 2021). To achieve their aims and goals, organizations have made significant investments in learning and development programs, employee perks, and workplace enhancement (Pesaler, 2018).

However, a significant gap exists in terms of comprehending the factors intricately linked with driving employee productivity. Researches often overlook this critical aspect. There remains confusion regarding whether actual productivity is achieved when employees are compensated. In the context of Al-Hikmah University, such an investigation is yet to be undertaken. By throwing light on and offering a greater understanding of the impact of financial and non-financial compensation on staff productivity at Al-Hikmah University in Ilorin, this study closes this gap.

The general objective of the study is to determine the effect of compensation packaging on employee productivity in the case of Al-Hikmah University Ilorin while the specific objectives are as follows:

i. To identify the factors that affect employee compensation packaging at Al-Hikmah University Ilorin.
ii. To examine the effect of the financial compensation and employee productivity at Al-Hikmah University Ilorin.
iii. To examine the effect of Non-financial and employee productivity at Al-Hikmah University Ilorin

Literature Review

Conceptual Review

According to the Journal of Global Business and Economics (2020), compensation is defined as the total of all monetary incentives and a variety of fringe perks that an employer provides to its employees. This makes up the employee's overall compensation package. Chabra (2021),defines compensation as a wide range of monetary and non-monetary benefits given to staff members as a token of appreciation for the services they have provided to the company. This includes compensation in the form of earnings and salary as well as benefits provided to employees, such as paid time off, health insurance, paid time off for pregnancy, access to a company car, retirement benefits, and more. According to Chabra, the term "wage" refers to payment for manual or physical labor, which is mostly assigned to unskilled laborers as a means of acknowledging their efforts. It is possible to calculate wages hourly, daily, weekly, or even monthly. According to DeNisi and Griffin (2021), remuneration is a system of benefits that a company provides to people in return for their willingness to take on different tasks and duties inside the business. Their viewpoint emphasizes the need for appropriate and reasonable rewards, which satisfy workers' expectations and help them feel appreciated when they lend their abilities and efforts to the company.

As the name suggests, compensation administration is the idea of a system of pay in which employees who do better than average are paid more (Hewitt, 2019). Top performers put out more effort as a result of this dynamic, which also creates a competitive atmosphere inside the company. According to Armstrong and Brown (2015), pay administration is a crucial component of the HRM approach to people management, coordinating with corporate goals and taking a strategic stance that tackles long-standing issues with the evaluation of workers based on their goals. As a result, it interacts with other HRM tasks, especially those pertaining to HRD. One aspect of personnel or HRM is compensation administration, which is concerned with organizing, arranging, and supervising the payment of employees' contributions in the form of direct and indirect compensation (Ezeh, 2014). This includes indirect components like vacation pay, deferred payments, and health insurance coverage in addition to direct components like base salary, merit-based pay, and incentive compensation.

Types of Compensation

Pay demonstrates two aspects: monetary and non-monetary. Financial compensation is divided into two categories: indirect financial compensation, often known as benefits, and direct financial compensation, which includes wages, salaries, bonuses, and commissions. This includes insurance benefits (such as coverage for illnesses and accidents related to the job), retirement benefits (such as pensions and profit-sharing plans), and remuneration for services rendered. It also includes compensation for non-worked time (such as sick leave, vacation, and maternity leave) (Dessler, 2018).Conversely, non-cash perks include things like counseling, free or reduced daycare, food, transportation, and awards for outstanding work. Benefits and remuneration for employees can be classified as required or optional. Benefits that are required by law, including workers' compensation and pensions, are known as mandatory benefits. Benefits such as tuition reimbursements and several types of discounts are considered non-mandatory.

Financial Compensation

Salary

Various facets of remuneration have been explored in some researches (Millvier & New-man, 2015), which can be assessed individually or combined in diverse performance pay schemes. Several attributes contribute to the effectiveness of merit-based pay systems, including the degree of alignment between performance and merit-based compensation, performance bonuses, and long-term incentives. Primarily, merit pay functions as a form of recognition, tailored to an individual's performance and appraisal. This compensation structure is widely used, with employee performance appraisals serving as the cornerstone, and recent surveys indicate its adoption by 80 to 90 percent of organizations.

Performance bonuses, in contrast, constitute monetary incentives extended to employees beyond their fixed compensation (Millovian & New-man, 2015). These bonuses primarily hinge on individual performance, distinguishing them from performance-related pay that doesn't necessarily correlate with performance (Suman& shout, 2020). Performance-linked pay significantly influences worker productivity, as it establishes a direct connection between output and compensation, motivating workers to align their efforts with the performance-driven pay structure (Sheer, 2014). Employee performance plays a crucial role in enhancing productivity through performance-linked bonuses, as emphasized by Bandied et al. (2017).

Incentives /Bonus

Nobody engages in work without expecting compensation, nor is it reasonable for them to do so. While pursuing money out of negative intentions can adversely affect one's psychological well-being, this contrasts with seeking financial security and comfort for oneself and one's family. Clearly, employees desire to receive equitable wages and salaries, and it's in the interest of employers that their workforce perceives their compensation in that light. Consequently, it's logical for both employees and employers to perceive money as a primary motivator for satisfactory job performance. The incorporation of monetary or other financial incentives into the traditional work performance framework is fundamentally rooted in reinforcement theory (Hoerr, 2020). This theory centers on the interplay between a targeted behavior (job performance) and its outcomes (compensation). This concept derives from the principles and strategies of organizational behavior modification, a framework that identifies, quantifies, and analyzes employee behaviors based on their functional outcomes (current reinforcements), and subsequently designs interventions using reinforcement principles.

Held (2021) examines thirty-nine research over the course of four decades in a well-known study. The study's conclusion was that workers in both controlled and real-world circumstances and a variety of job kinds, from ordinary to thrilling, are motivated by the prospect of cold, hard cash. Held (2021), however, acknowledges that employees have other concerns besides money. He emphasizes that pay raises over a certain point don't always translate into better performance; they do, however, contribute to employee happiness. In a related study, Diener (2022) cautions employers about the possible drawbacks of merit raises that are smaller than 7% of base pay. Diener claims that little raises could really have the opposite effect of what is intended in terms of motivation, as workers may feel discouraged that their significant efforts have resulted in little reward. She suggests that employers that are required to give marginal raises should carefully assure fairness and carefully relate them to outcomes.

Non-Financial compensation

Rewards and productivity

Employees who exhibit the highest efficiency are inherently driven to perform optimally, as noted by Medina (2022). This association underscores the anticipation theory that binds rewards and employee performance, implying that employees are more motivated to enhance their performance when they expect corresponding rewards and bonuses. These rewards can encompass financial incentives, such as cash, as well as recognition, both of which are regarded as acceptable means of acknowledging the attainment of performance targets, as affirmed by Suesi (2022). Rewards stand as a pivotal motivator, significantly augmenting employee performance, as indicated by Rizwan and Ali (2020), who find that monthly rewards are particularly potent motivators. The receipt of organizational rewards correlates with heightened employee motivation, and recognition within a positive work environment also serves as a motivational catalyst. Employees constitute a vital organizational component, and their performance can be driven by a combination of financial and non-financial benefits, collectively encapsulated within the concept of compensation, a reward mechanism for showcasing their performance.

Effective organizations diligently craft strategies to attract and retain highly skilled and qualified employees by providing motivating environments aligned with their objectives and goals. Inadequate salaries can lead to employee dissatisfaction, lowering goal attainment and consequently increasing turnover, absenteeism, and mental health concerns (Welthel & Davis, 2016). The nature of compensation and its relevance to employees significantly impacts their motivation. Richardson (2019), emphasizes that each organization and manager face the challenge of addressing individual employees' personal needs, including the need for involvement, recognition, and growth.

In a similar vein, Richardson (2019), underscores the dearth of effective incentive systems within many organizations. He posits that the most impactful motivation is achieved when rewards are frequent, immediate, linked to individual contributions, and of substantial value to employees. Common profit-sharing plans and merit-based salary increase schemes often fall short in these aspects, failing to establish a clear connection between payout and performance and offering payouts that are often insignificantly small. Within most organizations, superior performers receive only marginally higher merit increases compared to average performers, symbolically recognizing the difference in skill and effort required for exceptional performance, but without substantial impact.

Recognition and Productivity

Recognition entails acknowledging an individual's specific achievements, actions, or attitudes before their peers. It can be manifested through public appreciation or a blend of recognition and appreciation, wherein individuals are publicly thanked for their positive impact on the organization. Jeffries (2017), emphasizes the importance for organizations to retain their top-performing employees by recognizing their contributions. This recognition, she contends, serves as a motivator by validating employees' efforts, creativity, and willingness to go the extra mile. Curran (2014), underscores the potency of personal, localized, and frequent acknowledgment of employee efforts in boosting motivation and enhancing overall organizational morale.

Two widely used forms of recognition are private and public recognition. Private recognition involves quiet expressions of gratitude or gestures like a pat on the back, while public recognition takes on a more formal tone. Public recognition not only fosters loyalty and commitment but also sets a benchmark for improved performance (Syedain, 2015). Public acknowledgment is particularly crucial, as an individual's performance resonates across the organization. When publicly articulating the reasons for recognition and its alignment with organizational goals, it acts as a motivating factor for other employees (Wiscombe, 2022). Esteemed organizations have long recognized the significance of offering awards and incentives that celebrate exceptional work. Recognition programs are designed to maintain employee motivation and productivity, effectively reinforcing company expectations and objectives. The integration of recognition and appreciation stands as a pivotal component of a successful reward strategy, elements that are at times overlooked by business owners (Wiscombe, 2022).

Compensation and Productivity

Numerous factors have been identified as influential drivers of employee productivity. Among these, compensation stands out as a pivotal factor, wielding significant influence over employees' output within the production process. The impact of compensation on employees' productivity can be notably substantial in certain organizational contexts (Stajkoric, 2016). Mohrman (2016), emphasizes that robust employee compensation can serve as a catalyst for generating novel ideas and fostering innovation among employees. This influx of diverse ideas can prove highly advantageous for the company. In a similar vein, research by Mohrman demonstrates that favorable employee compensation contributes to their overall well-being. By maintaining good health, employees can achieve optimal performance levels, thereby maximizing their contributions. This, in turn, results in an increased number of productive hours, effectively enhancing the planning and production processes.

It's worth noting that inadequate compensation may prompt employees to seek alternative avenues, such as starting their own businesses or engaging in side jobs. The pursuit of such side endeavors can disrupt employees' focus and work quality, negatively impacting the company's product quality and overall output. These insights underscore the robust influence of compensation on employee productivity. Rationalizing compensation to a more equitable level tends to correlate with higher employee productivity. Conversely, providing inadequate compensation is likely to lead to decreased employee productivity (Stajkoric, 2016).

Theoretical Review

The Reinforcement Theory

Skinner (1953), a prominent behaviorist, formulates the reinforcement hypothesis, which stands as one of the enduring motivational theories explaining human behavior and the underlying reasons for our actions. This theory, is often referred to as behaviorism or conditioning, postulates that the actions we take are influenced by their outcomes (Administration Consider Direct, 2013). In essence, the theory underscores that an individual's behavior is a product of the consequences it yields.

Similar to Thorndike's Law of Effect, the foundation of the reinforcement theory is the idea that a behavior that results in a reward is more likely to be repeated in the future. When the idea is used to explain pay management, it suggests that when a person performs well and receives remuneration, they are more likely to perform well in the future. On the other hand, the likelihood of a high performance occurring again in the future decreases if it is not rewarded. One important aspect of this idea is that the sensation of really getting the reward is quite important.

Expectancy Theory

Expectancy theory (Vroom, 2014), in contrast to reinforcement theory, focuses on the link between rewards and behaviors, stressing expected results (incentives) as opposed to immediate ones. In this situation, expectancy—the belief that performance and effort are related—and valence—the expected value of results, such as rewards—are the two key determinants of motivation. These motivating factors are influenced to differing degrees by different pay schemes. The influence of payment systems on expectation or the perceived relationship between behaviors and rewards— also known as the "line of sight" in compensation literature—generally varies the most. Different payment systems should maintain a uniform reward result valence. Expectancy perceptions are frequently more correlated with training and work design than with pay structures.

Equity theory

According to equity theory, workers' views of the fairness of their employment relationship are shaped by their perceptions of their contributions to the company, what they get in return, and how their input-output relationship stacks up against others' both inside and outside the company (Adams, 1963). Employees are required to act to restore equity as a result of perceived injustices. Regrettably, the organization may not benefit from some of these activities, including resigning or decreasing attendance. The two parts of equity theory are inputs and results. An employee measures the ratio of inputs to results in their employment. They could act to address the unfairness if they see a difference. This might entail decreasing output or the caliber of the work produced. Long-term injustices may cause employees to leave the company and become more absentee (Greenberg, 2015).

Empirical Review

Ajanarko and Jahroni (2022) investigate the impact of workload and compensation on employee productivity. The study's findings underscore the combined influence of workload and compensation on shaping work productivity. Both these independent variables have been shown to significantly shape the variable of work productivity.

Putra and Mujiati (2022) delve into the substantiality of compensation, work environment, and work motivation's impact on the productivity of employees at Norton Bali Computer & Smartphone. A sample size of 37 individuals is employed, using a saturated sample approach. Data collection involves distribution of questionnaires, and the analysis employed multiple linear regression. The outcomes revealed that compensation, work environment, and work motivation individually have positive and significant effects on the productivity of Norton Bali Computer & Smartphone employees.

With a focus on a digital platform-based outsourcing firm, Azmy (2022) investigates the effects of pay and organizational commitment on the effectiveness of employees working remotely during the COVID-19 epidemic. Partial Least Square is utilized for data analysis on the 100 respondents in the research. The findings demonstrate how important pay and organizational dedication are to worker success. The study suggests paying more to maximize worker performance.

Lesmana et al. (2021) look at the connection between employee performance at PT GraciaPharmindo Medan City and pay, work environment, and work discipline. Employing an associative methodology, the study found that individual employee performance is significantly impacted by remuneration, work environment, and work discipline.

Furthermore, when taken into account collectively, pay, work environment, and work discipline all have a big impact on how well employees perform at PT GraciaPharmindo Medan City.

Setiawan et al. (2021) explore the influence of organizational participation and encouragement on work outcomes in the banking sector. This study examines 100 participants using chi-square analysis and demonstrated a significant relationship between the variables. By employing both quantitative and qualitative methodologies, the research aimed to comprehend the impact of encouragement on employee output across multiple branches.

At the Grand Rocky Hotel Bukittinggi, Safitri and Yudistira's (2020) center their inquiry on how staff productivity was affected by compensation. The study used a causal associative perspective and a quantitative methodology. The study's findings demonstrate that pay had a major impact on workers' productivity, highlighting how crucial equitable pay is to raising output.

Saman (2020) looks at the connection between worker performance in a mining company, pay, and job happiness. The study concludes that pay has a big impact on workers' performance and job happiness and it emphasizes how related these two things are.

In the context of SMK MedikaSamarinda, Rosalia et al. (2020) investigate the relationship between pay, motivation, work satisfaction, and employee performance. The Structural Equation Modeling-Partial Least Square (SEM-PLS) method was used in the investigation, which reveals complex correlations between these variables. Job satisfaction was shown to be positively influenced by motivation and adversely impacted by compensation. Employee performance was significantly improved by work happiness.

At the head office of Jasindo Insurance, Fajarto et al. (2019) discuss how pay and work satisfaction might increase employee productivity, with motivation serving as a mediating factor. According to the research, motivation plays a mediating function between the positive and substantial effects of remuneration and work satisfaction on employee productivity.

Ekhsan et al. (2019) focused on PT Selatan Selabara, a mining and port services firm, to investigate the effects of motivation, work satisfaction, and remuneration on employee productivity. The results of the study showed that all three factors significantly impacted worker productivity, with remuneration and job satisfaction showing the strongest positive correlation.

Widagdo et al. (2018), examine commitment as an intermediary variable in the analysis of the relationship between employee performance and motivation and remuneration. The results of the study showed that employee performance was highly impacted by both motivation and remuneration, with commitment acting as a mediator in this connection.

Drama and Supriyanto (2017) investigate the connection between PT. Telekomunikasi Indonesia employee performance, employee satisfaction, and remuneration. The study shows that performance and employee satisfaction are impacted by remuneration, and that performance and compensation are mediated by employee contentment.

The empirical review reveals that direct monetary compensation which refers to the wages and salaries provided to employees in exchange for their services over a specified period. Labor unions often establish standards to safeguard employees from exploitation by employers, aiming to achieve equitable compensation goals. The literatures, to the best of the knowledge of the researchers, have not provided a comprehensive understanding of how direct monetary compensation precisely influences employee productivity.

On the other hand, indirect monetary compensation encompasses benefits such as leave, insurance, and tuition reimbursement, intended to motivate and retain employees. While these benefits might not immediately impact employee productivity, they contribute to employees aligning with the company's objectives beyond mere wage considerations. However, there seems to be a dearth of information regarding the duration over which such compensation strategies exert their influence on employee productivity.

Non-financial compensation involves non-monetary rewards like a conducive work environment, training, career advancement, and recognition. These factors act as motivational drivers that enhance employee productivity. However, the studies in question fail to elucidate how each of these factors distinctly contributes to ensuring employee productivity.

Total rewards encompass the holistic effect of various compensation components tailored to boost employee motivation, work engagement, and commitment. This concept takes into account elements that employees value within the employment relationship, which is critical for fostering a work environment that catalyzes employees to meet their job-related needs. Yet, the study does not delve into the specific ways in which total rewards can relate to diverse employee needs to effectively enhance their productivity.

Conceptual Framework

The framework outlines the elements utilized by the researcher in their investigation aimed at examining the aspects of compensation and employee productivity. The framework encompasses the independent variables, namely Compensation, categorized into financial and Non-financial components, and the dependent variable, which is employee productivity.

Independent variables Dependent variable

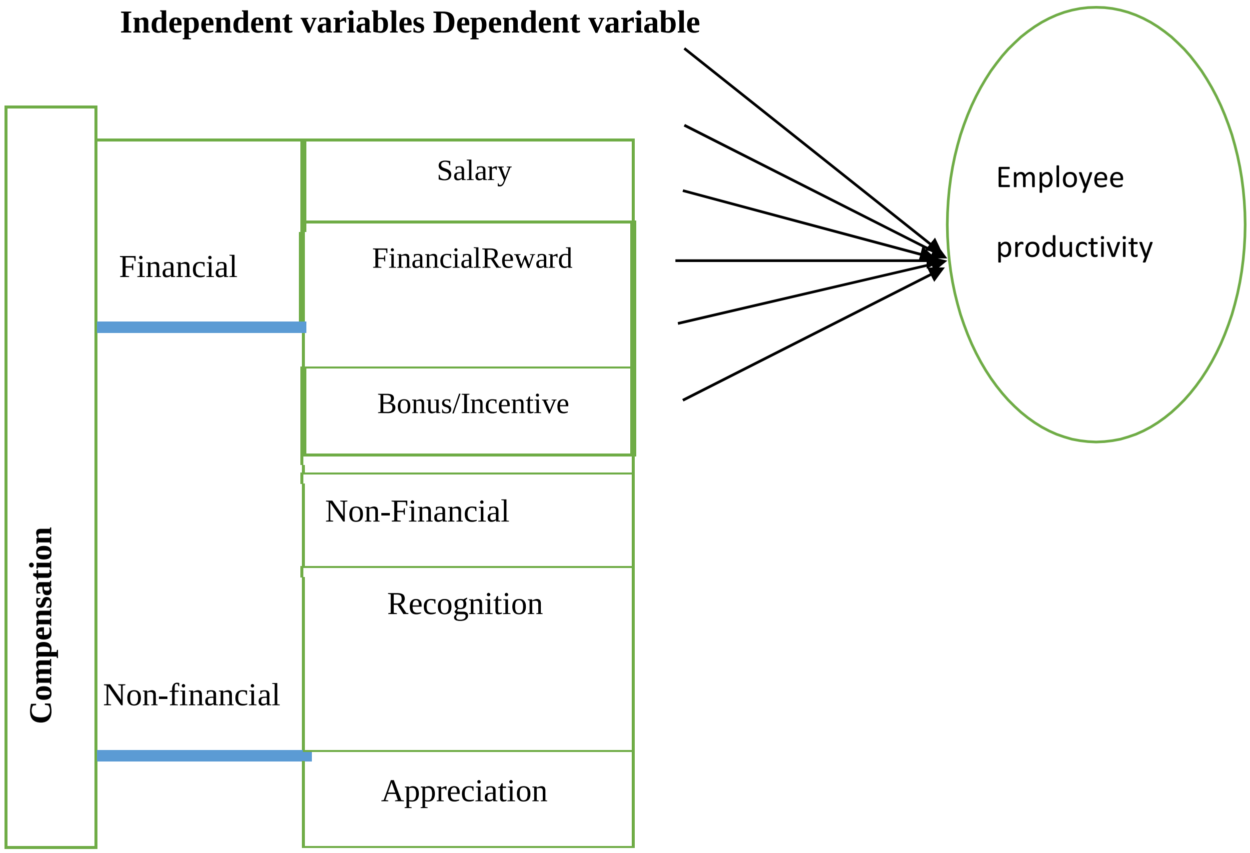

Figure 1. Research model

Methodology

The research design employed for this study revolves around the utilization of a survey technique. This approach is selected to efficiently collect data from a predetermined subset of participants, aiming to gain comprehensive insights into the subject matter. By implementing a standardized procedure, the intention was to ensure equitable response conditions among respondents, thus mitigating potential biases that could influence the overall conclusions of the research. The study comprises employees of Al-Hikmah University in Ilorin. Based on the ICT records available from December 2022, the university boasted a workforce of 1500 individuals, encompassing both academic and non-academic staff members. Given the practical constraints associated with accessing and surveying the entire population, the research sample was drawn using a combination of stratified sampling and basic random sampling techniques. To estimate the sample size from the given population, the Taro Yamene (1967) formula will be employed, as presented below. This methodology aims to ensure a representative sample that can offer meaningful insights into the research variables.

The sample size for the study is determined by the formula; n =
N/1+N(e)^{2}
Where; n = sample size, N = total population, e = margin of error.

$$\frac{1500}{1+1500(0.05)2}$$

= 1500 /4.75 = 315.78 ≈316

Upon applying the formula, the calculated sample size designated for the execution of this research study amounts to 316 respondent staff members from Al-Hikmah University Ilorin. This respondents cut across both academic and non-academic staff with the use os purposive sampling technique.

The primary data source employed for gathering the requisite information was the survey method. A meticulously designed questionnaire is employed to collect data from participants, aiming to establish substantial evidence for the research inquiry. Participants are tasked with completing and submitting the surveys, which were then subjected to descriptive statistical analysis to assess the influence of motivating variables on their performance. The questionnaires distributed contained specific queries tailored to obtain data from respondents. The questionnaire is divided into two sections, structured to ensure swift comprehension and facilitate accurate answers. Section 1 encompasses demographic inquiries, eliciting personal information, while Section 2 incorporates a 5-point Likert scale comprising "strongly disagree, disagree, uncertain, agree, and strongly agree" options to ensure an unbiased response format that effectively addresses the research questions.

Ensuring the accuracy and reliability of the research instrument is of paramount importance. To meet this objective, two crucial principles for measuring quality validity and reliability must align with the research outcome. According to Yin (2019), validity pertains to the degree of congruence between a concept, conclusion, or measurement and its real-world counterpart. Both validity and reliability served as critical metrics to validate the credibility of the research undertaking. To ensure the instrument's validity and reliability while minimizing potential bias, the questionnaire is meticulously constructed by adapting Lawal et al, (2019). The instrument underwent validation to ensure both content and construct validity. To achieve this, a preliminary version of the questionnaire is shared with a supervisor for meticulous scrutiny before its final deployment. Subsequent to feedback incorporation, necessary adjustments was made and a pilot survey with Cronbach Alpha coefficient of 0.82, 0.88, and 0.89 is obtained for the variables. The research field data obtained is analyzed using the Statistical Package for the Social Sciences (SPSS) software version 26.0. This analysis involved creating a frequency distribution table to portray demographic data percentages, as well as to exhibit the extent of agreement and disagreement in response to the research statements within the closed-ended questionnaire. This analytical approach aimed to illuminate the interplay between motivating factors and employee performance.

Model Specification

The independent variable (X) = Compensation.

The dependent variable (Y) = Organizational performance (OP).

The proxies used to measure the independent variable compensation were financial and non-financial compensation.

Y = f(X) where;

X = (x_1, x_2,).

Y = Organizational performance (OP).

X = Compensation.

OP = f (COMP) ………………………. µ

Measuring the proxies of compensation and Organizational performance (OP)

OP = f (COMP) ……………………... i.

OP = f (FC, NFC) …………………... ii.

Where; X_1 is (FC) financial compensation.

X_2 is (NFC) Non-financial compensation.

Analysis and Interpretation of Result

The measures, together with the associated means and standard deviations, have been combined by the paper to investigate respondents' overall opinions on the selected effect of compensation on productivity in the studied firm. As a result, the mean indicates the average degree to which the sample group concurs or disagrees with the various claims. The lower the mean, the more people disagree with the statements. When the mean is higher, the statement is agreed upon by more respondents. However, standard deviation, in the words of Marczyk et al. (2015), shows the variability of an observed response from a single sample. The mean values and standard deviation values for each variable are shown in table 1.

Table 1. Employee compensation and productivity

	N	Minimum	Maximum	Mean	Std. Deviation
FINCOMP	350	23.00	31.00	26.3600	1.98030
NFINCOMP	350	24.00	37.00	29.3000	2.87639
EMP	350	9.00	17.00	12.3400	1.90651
Valid N (listwise)	350				

Author's computation, 2023.

The above descriptive statistics display the arithmetic mean and standard deviation for each variable. Employee productivity is therefore over the usual cut-off point of 3, as seen by its mean value of 12.34 and standard deviation of 1.90. The mean of non-financial compensation is 29.30 with a standard deviation of 2.87, whereas the mean of financial compensation is 26.36 with a standard deviation of 1.98. This data makes it possible to conclude that the company's incentive programs are successful in raising employee productivity, which will have a positive impact on the accomplishment of its strategic goals and profitability.

Correlation between compensation package (FC & NFC) and employee productivity

Checking the correlation between the many variables used in the study before the regression results is crucial. The link between the independent and dependent variables, such as financial compensation, non-financial remuneration, and employee productivity, is also being investigated using Pearson's Correlation analysis.

Table 2.: Correlation between the compensation package and employee productivity

		FINCOMP	NFINCOMP	EMP
FINCOMP	Pearson Correlation	1	-.135*	-.091
	Sig. (2-tailed)		.011	.089
	N	350	350	350
NFINCOMP	Pearson Correlation	-.135*	1	.289**
	Sig. (2-tailed)	.011		.000
	N	350	350	350
EMP	Pearson Correlation	-.091	.289**	1
	Sig. (2-tailed)	.089	.000	
	N	350	350	350

*. Correlation is significant at the 0.05 level (2-tailed).

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

Table 2 first Give us the amount of correlation between each variable's compensation package and the variables' relationships to one another. At a significance threshold of 0.10, there is a negative correlation between financial pay and employee productivity ($r = -0.91$, $p > 0.05$).

Employee productivity and non-financial remuneration have a strong positive link that is statistically significant at the level of 0.01 ($r = 0.289$, $p =.000$). Employee productivity generally has a weak negative insignificant association with financial pay and a high positive significant relationship with non-financial compensation package, according to Pearson's Correlation Coefficient Matrix table 7.

Regression Analysis Result

The effect of compensation package on employee productivity

With a two-tailed significance threshold of 5% (=.05), the impact of the pay package on employee productivity is examined. The results are assessed and the model's interpretation is based on (table 4.19) for the model.

Table 3.: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.293[a]	.860	.810	1.82791

a. Predictors: (Constant), NFINCOMP, FINCOMP

Employee productivity was estimated using a linear multiple regression model, which had an R2 of 0.860 and substantially predicted employee productivity, F (16.330), p.000. A strong fit of the model is demonstrated by the fact that the predictor variables—financial and non-financial compensation—account for 86.0% of the variance in employee productivity and are well explained. Other variables not included in this study account for 14% of the variation in the dependent variable.

Table 4: Anova[a] test

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	109.125	2	54.562	16.330	.000[b]
	Residual	1159.415	347	3.341		
	Total	1268.540	349			

a. Dependent Variable: EMP

b. Predictors: (Constant), NFINCOMP, FINCOMP

Table 5: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.217	1.763		4.662	.000
	FINCOMP	-.051	.050	-.053	-1.021	.308
	NFINCOMP	.187	.034	.281	5.433	.000

a. Dependent Variable: EMP

Author's computation, 2023

To predict worker output for Model 1, linear regression is performed. With an R2 of 0.86, it demonstrated a significant ability to do so, F (16.330), p.000. It may be said that the model is well fitted because the predictor variables—financial and non-financial compensation—account for 86% of the variance in employee productivity. In the Employee Productivity Model, financial pay was statistically insignificant (ß = -.051, p =.308), but non-financial compensation was statistically significant (ß =.187, p =.000).

The predictive model is: Employee Productivity=8.217– 0.051(financial compensation)+0.187 (Non-Financial compensation)

According to Table 4, which presents the employee productivity model, a one unit standard deviation increase in non-financial remuneration will results in a 0.034 unit standard deviation increase in employee productivity, provided that no other parameters change. On the other hand, employee productivity will drop by -0.53 unit of standard deviations if the financial remuneration package is improved by one unit. The model shown above generally demonstrates that non-financial pay has a positive effect on employee productivity whereas financial remuneration has a negative influence.

Conclusion

The findings highlights that Non-financial compensation plays a direct and influential role in enhancing employee productivity. However, the realization of this impact hinges on factors such as transparency in the reward system and alignment of rewards with the recipients' aspirations. It is anticipated that the outcomes of this research will contribute to a deeper comprehension among management regarding employee perceptions of compensation and its correlation with productivity. Moreover, these findings can aid managers in devising pertinent policies aimed at addressing these pertinent matters.

The study reveals a robust and positive correlation between employee productivity and Non-financial compensation. This correlation is strengthened when there is a clear alignment between rewards and employee preferences. However, in contrast, the analysis shows that financial benefits exhibit a weak and inconsequential relationship with employee productivity. This implies that it's crucial for the company to identify the nuanced interplay between different benefits and their influence on employee productivity. Furthermore, the results of the regression analysis affirm the substantial and positive impact of Non-financial compensation on employee productivity, while indicating a negligible and unfavorable effect of financial compensation on the same.

Recommendations

The following recommendations are forwarded to the H.U.I based on the findings in the study.

Approaches to Determining Employee Compensation Strategies given the significant and positive impact of compensation on employee productivity, is imperative for the organization's senior management to conduct regular reviews of the compensation package offered to the workforce. This entails enhancing employees' understanding of the package's components and disseminating a comprehensive compensation package manual that is easily accessible to all staff members. These measures are aimed at fostering transparency, bolstering employees' confidence, and subsequently elevating overall organizational performance.

The Role of Direct Financial Compensation in Enhancing Employee Productivity. The study underscores a heightened awareness among employees regarding both their fundamental and supplementary financial compensation. A notable proportion of respondents displayed a specific interest in their basic pay, and there was an overwhelming positive correlation observed between changes in basic pay and improvements in employee productivity. It is recommended that the organization undertake a thorough salary survey and job evaluation, comparing total rewards received to ensure equity both internally and externally. This step ensures that compensation is aligned with appropriate benchmarks. Regarding contingent pay, although the research did not delve deeply into the various forms it takes within the organization, the overall sentiment toward compensation was favorable. Thus, a more comprehensive investigation is suggested, ideally at a departmental level, to unveil specific dynamics and guide necessary adjustments. Furthermore, while team rewards and whole-organization recognition were briefly touched upon, it is advisable to conduct further research to enhance understanding in these areas.

Proposed Avenues for Future Research Considering the considerable proportion of the youthful workforce within the organization and their tenure, it is recommended that future studies delve into understanding the motivational factors that inspire this demographic to deliver their best performance and the anticipated duration of their tenure within the organization. This exploration would provide valuable insights for tailoring strategies to attract, retain, and harness the potential of young employees.

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