THE IMPACT OF REMUNERATION ON EMPLOYEES' PERFORMANCE (A STUDY OF   ABDUL GUSAU POLYTECHNIC, TALATA-MAFARA AND STATE COLLEGE OF EDUCATION MARU, ZAMFARA STATE)

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Abstract

The study explore the impact of remuneration on employees' performance. Eighty three employees of Abdul Gusau polytechnic and state college of education both in Zamfara state were handed structured questionnaire to solicit data on remuneration and performance. The dependent variable is employees' performance while the independent variable is remuneration (salary/wages, bonus/incentives).Pearson correlation and multiple regression model were used to analysed the data using SPSS 22.0 and E-views 9.0. The finding suggested that the is a strong and positive relationship between remuneration and employees' performance and that salary/wage and bonus/incentives also serve as a form of motivation to the employees. The study recommends Prompt payment of salaries, wages and all entitlements and encouragement of employees' participation in pay determination.

Keywords: Remuneration, Employees' Performance, Salary, Wage, Bonus, Incentive

1. INTRODUCTION

In any organization tasks are performed with the help of resources; material, machine, money and most importantly men. All other resources except for human beings as employees are non-living. Employees make use of these resources to generate output without them other resources will be useless, dormant and will not produce anything. Therefore, human resource is the greatest asset any organization can have and should be given the highest priority. (Ojeleye & Okoro, 2016). Similar view is supported by Zaman (2011), he argued that human resource provides basis for an organization to achieve sustainable competitive advantage. Since organizations are operating in a dynamic and competitive business environment, they need to develop strategies to acquire and retain the competent workforce. He also emphasize, nowadays human asset considered to be the most important asset of any organization and in order to get the efficient and effective result from human resource motivation is necessary

Remuneration is traditionally seen as the total income of an individual and may comprise a range of separate payments determined according to different rules. For example, the total remuneration of medical staff may comprise a capitation fee and a fee for services, or it may include a salary and shared financial risk (Buchan, Thompson & O'May, 2000).

Organizations need highly performing individuals in order to meet their goals, to deliver the products and services they specialized in, and finally to achieve competitive advantage. Performance is also important for the individual. Accomplishing tasks and performing at a high level can be a source of satisfaction, with feelings of mastery and pride. Low performance and not achieving the goals might be experienced as dissatisfying or even as a personal failure. Moreover, performance if it is recognized by others within the organization

is often rewarded by financial and other benefits. Performance is a major although not the only prerequisite for future career development and success in the labor market. Although there might be exceptions, high performers get promoted more easily within an organization and generally have better career opportunities than low performers (VanScotter, Motowidlo, & Cross, 2000) Sonnentag & Frese (2001).

These research is aimed at understanding the positive or negative effects of remuneration on employees performance with specific emphasis on two state owned academic institutions in Zamfara state

OBJECTIVES
1. To examine the role of salaries, wages, bonus and incentives play as motivational tools in improving employees' performance.
2. To determine the relationship between remuneration and employee performance.
3. To make suitable recommendations on the important or otherwise of remuneration.

The following null hypotheses will be test

H_{01}: Remuneration does not play any vital role in motivating employees' performance

H_{02}: There is no significant relationship between remuneration and employees' performance.

2.0 EMPLOYEES PERFORMANCE

Hellriegel, Jackson and Slocum (1999) defined performance as the level of an individual's work achievement after having exerted effort. Job performance can be viewed as an activity in which an individual is able to accomplish the task assigned to him/her successfully, subject to the normal constraints of reasonable utilization of the available resources (Dar, Akmal, Akram & Khan, 2011) . Motowidlo, Borman, & Schmidt (1997) defined job performance as the overall expected value from employees' behaviours carried out over the course of a set period of time. This definition according to Bullock(2013) although fairly technical, includes specific ideas that are worth breaking down:

• Performance is a property of behavior, or, plainly stated, what people do at work

• An employee's behavior adds expected value to the organization – that is, an employee's behaviors may be distinguished as helping or hindering an organization, but the outcomes of employee behaviors are rarely measured so their value is merely expected

Performance can further be broken down into two distinct types: Task Performance and Contextual performance. Task Performance are the actions that contribute to transforming raw materials to goods and services, the things that are typically included in job descriptions. Examples include selling clothes, drilling holes, or teaching a class. Contextual performance are the behaviors that contribute to overall effectiveness through supporting the social and psychological climate of the workplace. Examples include cooperating with teammates, diffusing conflicts, and cleaning up the conference room (Borman & Motowidlo, 1993) (Bullocks 2013).

Three basic assumptions are associated with the differentiation between task and contextual performance (Borman & Motowidlo, (1997); Motowidlo & Schmit, 1999), : (1) Activities relevant for task performance vary between jobs whereas contextual performance activities are relatively similar across jobs; (2) task performance is related to ability, whereas contextual performance is related to personality and motivation; (3) task performance is more prescribed and constitutes in-role behavior, whereas contextual performance is more discretionary and extra-role (Sonnentag & Frese, 2001). Measurement of employee

performance is an activity that is very important because it can be used as a measure of success in supporting the success of the organization's employees (Said, 2008).

3.0 REMUNERATION

Maicibi (2005) defined remuneration as pay or reward given to individuals for work done. He further identified the indicators of remuneration include: basic salary, wages, health schemes, pension schemes, transport allowances overtime allowances and responsibility allowances.

Remuneration can also be referred to as monetary or financial benefits in form of salaries, wages, bonuses, incentives, allowances and benefits that is accrued or given to an employee or group of employees by the employer (firm) as a result services rendered by the employee(s),commitment to the organization or reward for employment.

3.1 SALARIES AND WAGES

Different definitions have been advanced on salaries and wages usually to show the differences that exist between both terms. Braton & Gold, (2003) basic salary is a fixed periodical payment for non-manual employees usually expressed in annual terms, paid per month with generally no additions for productivity. Wage refers to payment to manual workers, always calculated on hourly or piece rates. Surbhi (2015) also defined salary as a fixed amount paid to the employees at regular intervals for their performance and productivity whereas wages are the hourly- based payment given to the labor for the amount of work finished in a day. He further argued that while Salaried persons are generally said to be doing "**white collar office jobs"** which implies that an individual is well educated, skilled and is employed with some firm and holds a good position in the society, whereas the waged person are said to be doing "**blue collar labour job"** which implies that an individual is engaged in the unskilled or semi-skilled job and is drawing wages on a daily basis.

One purpose of a person as an employee of a company is to earn income in the form of wages or compensation. Received wages to meet basic needs such as food, clothing and housing. Every company in determining the amount of wages paid to the employee must be feasible, so that the lowest wage that is given to meet the needs of their life (Kanzunnudin, 2007). Agburu (2012) argued for the importance of salaries and wages in Nigeria, he stated that wages should not only be adequate but they must also show some element of equity, this is particularly true from the point of the employees. Anything short of a fair and equitable wage or reward can quickly at tract the wrath of employees in an economy such as Nigeria. For many Nigerian employees, wages or salaries are highly critical issues. They are decisive because without them in sufficient quantities, life becomes extremely precarious for the worker and members of his/her family. As direct financial rewards, wages and salaries are the most emphasized by the employees, thus they sort of take a centre stage in the scheme of things as far as rewards for work is concerned.

3.2 BONUSES AND INCENTIVES

Investopedia (2016) defined bonus as an additional compensation given to an employee above his/her normal wage. A bonus can be used as a reward for achieving specific goals set by the company, or for dedication to the company. Heathfield (2016) bonus pay is compensation over and above the amount of pay specified as a base salary or hourly rate of pay. The base amount of compensation is specified in the employee offer letter, in the employee personnel file, or in a contract. Employers can distribute bonus pay randomly as the company can afford to pay a bonus, or the amount of the bonus pay can be specified by

contract. To Bardot(2014) a bonus is a payment which is backward-looking and usually discretionary or at least not expected from the employee(s). A decision is made to pay it to one, a group or all employees, based on criteria decided by management to reward past achievements, such as reaching a specific profit or some important milestones for the organization, or in a totally discretionary manner but defined an incentive as a plan which is forward-looking. Payment is tied to the achievement of specific objectives that have been pre-determined and communicated to the employees that are on the plan. The purpose of the incentive scheme is to influence behaviour to reach the objectives by providing an incentive to work towards the goals. she further stated that incentive can be paid in cash or in non-monetary award, for example some gifts or travel (especially for sales). The incentive plan is not discretionary : if the upfront, agreed objectives are reached, the payment or award is made.

Romanoff (2008) defined bonus as a single payment made at the end of the performance period typically a year to reward extraordinary effort or achievement while incentive is a tangible or intangible reward that is designed to motivate a person or group to behave in a certain way. He further stressed that incentives differ from bonuses in that incentives define both what needs to be accomplished, what the employee will receive in return for accomplishing it. As a result incentives have greater behavioral and motivational impact.

4.0 EMPIRICAL STUDIES

Babagana & Dungus (2015) examined the effects of staff remuneration on the performance of Ramat Polytechnic Maiduguri students from 1995-2011 in Borno state. Questionnaire was served to 45 respondents who are academic staff of the polytechnic from the five schools within the polytechnic (school of environmental studies, school of engineering and applied science, school of agricultural science and technology , school of management studies, and school of vocational and technical education). The data was analyzed using Pearson's Product Moment correlation and regression analysis using Microsoft excel. The findings showed strong positive relationship between staff remuneration(fringe benefits and staff nature of working conditions) and performance of Ramat Polytechnic Maiduguri students

Edirisooriya (2014). examined the impact of extrinsic rewards and intrinsic rewards on employee performance: With Special Reference to ElectriCo Sri Lanka. Self designed questionnaire was used as the primary data collection method. The data was analyzed using descriptive statistics and inferential statistics. The representative sample of 100 employees are selected from a population of 1075 employees in the ElectriCo. The results revealed that there is a positive relationship between extrinsic reward, intrinsic reward and employee performance.

Hameed, Ramzan, Zubair, Ali & Arslan.(2014). examined the impact of compensation on employee performance (empirical evidence from banking sector of Pakistan). A questionnaire was designed to solicit response from the respondents on factors related to compensation like indirect compensation, wages, salaries and employees performance. Approximately 45 banks were included to collect data. 200 Questionnaires were distributed among the full time working employees of banks and they were selected randomly. Correlation analysis and Regression analysis using SPSS 17.0 version to analyzed the collected data. The findings suggest that Compensation has positive impact on employee performance. It is proved from correlation analysis that all the independent variables have weak or moderate positive relationship to each other. Regression analysis shows that all the independent variables have insignificant and positive impact on employee performance

Sajuyigbe, Olaoye & Adeyemi (2013) examined the impact of reward on employees performance in a selected manufacturing companies in Ibadan, Oyo State, Nigeria. Structured

questionnaire was used to collect data from one hundred (100) participants through purposive sampling method and data were analyzed by multiple regression analysis with the aid of statistical package for social science (SPSS) version 16. Result showed that reward dimensions jointly predict employees' performance which accounted for 71% variance of performance.

5.0 THEORETICAL FRAMEWORK

A. Reinforcement and Expectancy Theory

Gerhart, Minkoff & Olsen (1995) reinforcement theory states that a response followed by a reward is more likely to recur in the future (Thorndike's Law of Effect). Aswathappa (2007) asserted that a behaviour which as a rewarding experience is likely to be repeated. The implication for remuneration is that high employee performance followed by monetary reward will make future employees performance more likely. Buchan et al (2000) suggest that behaviour can be modified if individuals receive the reward at the time they exhibit the desired behaviours. An important assumption in this theory is that rewards can become an acquired right if they are delivered on a regular basis**.**

B. Equity Theory

Buchan et al (2000) equity theory posits that because employees in organizations expect to be rewarded like other employees for similar levels of input, the distribution of rewards becomes important. It is the perceived equity of the effort-reward balance that is important in determining the employees' level of motivation. Aswathappa (2007) the theory emphasizes equity in pay structure of employees' remuneration. employees perception on how they are being treated by their firms is of prime importance to them. The dictum "a fair day work for a fair pay" denotes a sense of equity felt by employees. When employees perceive inequity it can result in lower productivity, high absenteeism or increase turnover.

C. Agency Theory

According to Buchan et al (2000) an agency relationship occurs whenever one party (the principal) hires another person (the agent) who possesses specialized knowledge and skills. Agency theory focuses on the divergent interests and goals of the organization's stakeholders and the way that remuneration can be used to align these interests and goals. The remuneration payable to employees is the agency cost and that it is natural that employees expect high agency cost while the employer seek to minimize it. Thus, these theories posit that the remuneration in the form of wages or salaries can be agreed upon on the basis of the outcome or the behaviour of an employee (Aswathappa, 2007).

6.0 RESEARCH METHODOLOGY

Figure: 1
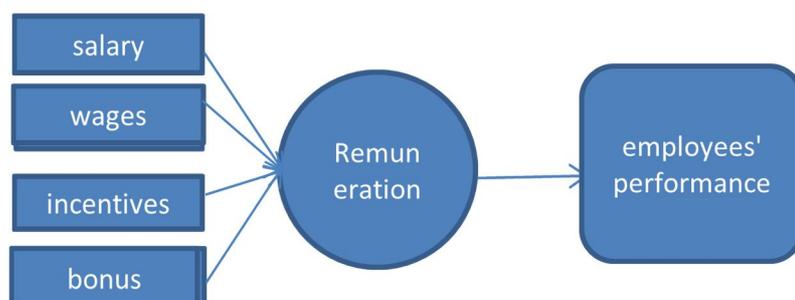
 Source: Designed by the Researchers

The dependent variable is employees' performance while the independent variable is remuneration (salary/wages, bonus/incentives). The main purpose of this research is to investigate the impact of remuneration on the performance of employees in state owned Abdul Gusau Polytechnic Talata-Mafara and State College of Education, Maru, Zamfara state. One hundred (100) questionnaires were randomly distributed to both the academic and non-academic staff of these institutions of which eighty three (83) questionnaires were successfully filled and returned. The questionnaire used Five-scale (0=Highly Disagreed, 1=Disagreed, 2=Undecided, 3=Agreed, 4=Highly Agreed) likert. Descriptive data analysis, Regression analysis and correlation analysis were to test the impact of the variables on employees' performance. The data were analyzed using SPSS version 22.0 and E-views 9.0 The simply regression model is stated below:

$$EP = \beta_0 + \beta_1 SAW + \beta_1 BOI + \mu \ldots\ldots\ldots\ldots\ldots\ldots\ldots \ (1)$$

Where EP= Employees performance, SAW= Salaries & Wages, BOI = Bonus & Incentives, μ= Error term capturing, other explanatory variables not explicitly included in the model, β_0 = Constant Parameter

7.0 PROFILE OF ZAMFARA STATE

Zamfara State was carved out of Sokoto State on October 1, 1996 by the then regime of General Sani Abacha. Its capital is Gusau. Situated in the North Western flank of Nigeria, Zamfara State occupies 39,762 square kilometres. Zamfara State shares borders with Sokoto State and Niger Republic to the north, Katsina State to the east and Kaduna, Niger and Kebbi States to the south. It's major towns are Gusau, Kaura-Namoda, Anka, Talata-Marafa, Gummi. The state was the first in Nigeria to introduce the Sharia law. It has a population of 3,278,873 according to the 2006 census and contains fourteen local government areas.

8.0 PROFILE OF THE RESPONDENTS

Table 1: Gender of the Respondents

	Frequency	**Percentage**	**Cumulative Percentage**
Male	70	84.3	84.3
Female	13	15.7	100
	83	100	

The majority of the respondents are male 84.3 % as against female 15.7%. We can conclude that the two state owned institutions is male dominated against female and this is in tandem with the work of Babagana and Dungus (2015).

Table 2: The Respondents Marital status

	Frequency	**Percentage**	**Cumulative Percentage**
Married	75	90.4	90.4
Single	8	9.6	100
	83	100	

The majority of the respondents are married 90.4% as against 9.6 % single.

Table 3: The Respondents Age Group

	Frequency	**Percentage**	**Cumulative Percentage**
30-40 years	25	30.1	30.1
41-50 years	44	53.0	83.1
51-60 years	13	15.7	98.8
60-above	1	1.2	100
	83	100	

The majority of the staff are people in the middle age grade 41-50 years with 53. 0%, followed by young adults 30-40 years 30.%. Age grade 51-60 years with 15.7% and finally 60-above is 1.2%

Table 4: Educational level of Respondents

	Frequency	**Percentage**	**Cumulative Percentage**
HND/BSC	52	62.7	62.7
Masters	28	33.7	96.4
PhD	3	3.6	100
	83	100	

The majority of the respondents working in the institutions have HND/BSc 62.7%. 33.7% possess master degree in their respective fields while 3.6% have PhD

9.0 GENERAL FINDINGS OF THE HYPOTHESES

H$_{01}$:   Remuneration does not play any vital role in motivating employees' performance
Correlations

		performance	salary/wage	Bonus
Performance	Pearson Correlation	1	.804**	.589**
	Sig. (2-tailed)		.000	.000
	N	83	83	83
salary/wage	Pearson Correlation	.804**	1	.547**
	Sig. (2-tailed)	.000		.000
	N	83	83	83
Bonus	Pearson Correlation	.589**	.547**	1
	Sig. (2-tailed)	.000	.000	
	N	83	83	83

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

The table above showed the relationship that exist between the Independent variables Remuneration (salaries/wages and bonus/incentives)and the dependent variable (employees' performance). The correlation analysis showed that there is positive correlation between salaries and wages(.804**) and bonus (.589**) and employees performance revealing that an increase in remuneration will lead a positive increase in employees' performance. In other words a positive change in remuneration from the employer will encourage or motivate the employees to increase their performance. This supports and reinforces the reinforcement and

expectancy theory of remuneration. Therefore, we reject the null hypothesis because remuneration plays a vital role in motivating employees' to perform.

H$_{02}$: **There is no significant relationship between remuneration and employees performance.**

Dependent Variable: PERFORMANCE
Method: Least Squares
Date: 08/26/16   Time: 18:24
Sample (adjusted): 1 83
Included observations: 83

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.515267	0.234344	2.198762	0.0308
BONUS	0.219632	0.078470	2.798938	0.0064
SALARY	0.710085	0.078167	9.084257	0.0000
R-squared	0.678251	Mean dependent var		3.289157
Adjusted R-squared	0.670207	S.D. dependent var		1.273847
S.E. of regression	0.731540	Akaike info criterion		2.248145
Sum squared resid	42.81204	Schwarz criterion		2.335573
Log likelihood	-90.29801	Hannan-Quinn criter.		2.283269
F-statistic	84.32040	Durbin-Watson stat		1.829556
Prob(F-statistic)	0.000000			

Source: Data output using E-view, 2016
1% level of significance, 5% level of significance
The table shows the result of the regression analysis. The coefficient of bonus and salary are positive and significant at 1%. The p-values of bonus and salary is 0.0064 and 0.0000 is less than the t-statistic value of 2.799 and 9.084 and the standard error value of 0.0785 and 0.0782 is less than the t-statistic value respectively. The adjusted R^2 0.67 or 67% which revealed that the variables in the equation jointly explained 67% of the variations in the equation while the remaining 33% is explained by other variables not included in the equation. In other words, the R-square value of 67% expresses the percentage effect of remuneration dimension on employees' performance jointly explained by salaries/wages and bonus/incentives on employees performance. Therefore will reject the null hypothesis because there exist a significant relationship between remuneration and employees performance.

10.0 DISCUSSION OF FINDINGS

The following findings are discussed below;
1) The result showed that remuneration is a source of motivation on employees performance. This is in tandem with the work of babagana et al (2015), Edirisooriya (2014). Hameed et al (2014) and Sajuyigbe (2014) which also showed that rewards have positive and significant effects on employees' performance
2) The result also revealed that there is a positive and significant relationship between remuneration and employees performance which reinforces the reinforcement and expectancy

theory of remuneration especially the concept of Thorndike's Law of Effect meaning a response followed by a reward is more likely to recur in the future.

11.0 RECOMMENDATION AND CONCLUSION.

The following recommendations are forwarded

1) The employers of labour both private and government must not take the remuneration of their employees for granted because it will result in low productivity. The research showed that there is a positive significant relationship between remuneration and employees' performance.

2) The reason for frequent workers strike is borne out of poor remuneration and condition of services which the government must see as a twin scourge destroying the economy.

3) Participation of employees should be encouraged and allowed in pay determination both in the private and public sector.

4) Since employees usually take the issue of equity in pay at work seriously, employers of labour should ensure that their pay is competitive when compared to firms in the same or similar industry.

5) Prompt payment of salaries, wages and all entitlements.

The study concludes that there is a significant and positive relationship between remuneration and employees' performance. It recommends employees' participation in pay determination, prompt payment of salaries, wages, bonuses and incentives to prevent negative effects on performance of employees and issues of equity in pay.

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