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The Role of Compensation Management on Employees' Engagement: A Selected University in The South-West Region of Nigeria

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Abstract- Compensation has to do with the receiving of benefits in various forms as an exchange for work done or service rendered. Organizations have a responsibility to compensate their employees who provide services that facilitate the goals and objectives of the organization. Employee engagement, a human resource concept, refers to the connection an employee feels towards their organization that drives their dedication and devotion to work and their organization. This paper generally seeks to assess the role of compensation in driving employees' engagement in a selected university in the south west region of Nigeria. This paper adopted a simple random sampling technique and two theories were used for the study. A total of 220 questionnaires were randomly administered to staffs in the selected university, 200 copies of the questionnaire were retrieved, which amounted to a 91% response rate. This research shows that compensation has a positive and significant influence on employee engagement. The findings also revealed that there is a significant impact between compensation management and employee's engagement. The findings illustrate that compensation management has a moderate relationship with a predictive capacity of R=0.522. This study recommended that employees need to be well compensated and rewarded in order to improve employees' productivity and performance, as well as positive attitudes. This study established that individuals who are well remunerated tend to possess a high level of productivity and attitude to work. The study established that to facilitate employees' engagement, compensation management strategies should be effectively implemented by managers of organizations for the purpose of achieving organizational productivity.

Keywords- Compensation, Employee Engagement, Employee Productivity, Employee Performance, Organizational Performance.

I. INTRODUCTION

Employees are key resources that contribute to the success or failure of organizations dependent on the ability of the employers to appropriately attract, reward or retain talented and competent employees of the organization (Osibanjo, Adeniji, Falola & Heirsmac, 2014). In many organizations, employee engagement increases the performance of employees. In other words, employee engagement equals an increase in employee performance. Employees' willingness to perform well or stay on the job largely depends on the compensation strategies and packages or reward systems of their organizations.

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There are several factors that influence employees' engagements and their performance. One of the major factors among others, is compensation. Compensation is relevant to the subject of human resource management. Compensation is an essential drive to achieving optimum employee performance in organizations. Compensation promotes some positive impacts in yielding employee engagement in organizations.

Therefore, arguments have been raised to buttress the importance of compensation, implying that in discussing mediums and methods of enhancing employee engagement and performance, compensation cannot be omitted. It has been observed that organizations that desist from compensating, rewarding or remunerating their employees, tend to have decreased employee engagement and instead have employees who are either disengaged or actively disengaged; employees who have resorted to think that it is of no advantage to them whether they perform well on their job or not.

II. LITERATURE REVIEW

Compensation Management

Compensation can be defined as a tool utilized by the management of an organization for varieties of purposes and it may be structured to suit a business' goals, objectives and resources. It is also known as a systematic approach towards rewarding an employee in exchange for the work done or service rendered to the organization.

According to the American Compensation Association's – ACA (1995)'s definition of compensation; it explains that "compensation is the cash and non-cash remuneration provided by an employer for services rendered". Compensation refers to all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship (Akter & Moazzam, 2016). Compensation is an essential part of the decision-making process of human resource management, due to the fact that it motivates employees to perform well on their jobs, which further facilitates organizational effectiveness.

Compensation differs from basic financial pay. It is offered based on several factors such as, salaries paid according to the roles by similar organizations, the skills of the employee, the performance and productivity of the employee and the financial capacity and strength of the organization. Compensation packages consists of some basic features that contribute to employee satisfaction on their job and some include: salaries or wages, bonuses, incentives, allowances, promotion, recognition; all of which have significant impact on employees' engagement and performance.

"Compensation can be referred to as the human resource management function that deals with every type of reward individuals receive in exchange for performing organizational tasks, with a desired outcome of an employee who is attracted to the work, satisfied and motivated to do a good job for the employer" (Osibanjo, Adeniji, Falola, & Heirsmac, 2014). Compensation packages can either be in form of monetary terms, material terms or other terms. Compensation is not only limited to monetary rewards, but extends to bonuses, overtime pay, recognition or performance appraisal, an official car, an official house, sales commission, stock opportunities, leaves, holidays and medical insurance, retirement benefits, all expenses paid vacations, sponsored overseas training program, promotion and so on.

Employees' Engagement

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Many researchers, companies and scholars have developed several definitions of employee engagement. Employee engagement is a "business management concept that describes the level of enthusiasm and dedication a worker feels toward his/her job. Engaged employees care about their work and about the performance of their company, and feel that their efforts make a difference." – Investopedia. Employee engagement can be defined as "translating employee potential into employee performance and business success" (Storey, Ulrich, Welbourne & Wright, 2009). The Gallup Organization (2006) contributed to the understanding of employee engagement by defining an engaged employee as those who "work with a passion and feel a profound connection to their company and drive innovation and move the organization forward".

The emotional commitment and connection employees feel towards the organization they work for and their working activities that ensure their organization's productivity and success is what is known as employee engagement (Allen, 2014). Employee engagement can also be seen as an emotional state of action where employees combine passion, energy, care, enthusiasm, dedication and commitment towards their work. In other words, their minds, hearts, spirits, body and soul are involved in the work. Engaged employees have the previously listed features and are also result driven. They could stay behind to work overtime in order to get a job done all because they are committed and feel accountable, they defend their company anytime any day, they create solutions or ideas and are innovative to improve their organizations. Engaged employees are loyal and ever productive.

However, it has been argued that how an organization relates with, manages or treats its employees has a direct impact on its employees' engagement. In other words, it can influence employees' performance and productivity which is a key importance in overall organizational success.

Determinants of a Compensation System

- **Job Description**
  This involves the responsibilities, tasks, duties, functions and other aspects of a job. This is a component factor of a compensation system.
- **Job Analysis**
  This involves the analyzation of various jobs and job roles. It includes job description and job specialization. It also includes identifying the right or qualified skillful candidates suitable for the job.
- **Job Evaluation/Performance Appraisal**
  This is a process that entails that act of examining, assessing, reviewing and comparing jobs with employees' performance or a performance appraisal for employees in order to determine the most suitable compensation plan or decision.
- **Individual/Employee's Worth**
  The value of an individual or employee in terms of performance on a job varies based on skill, knowledge, experience, qualification and so on. All of these contribute to the worth of an employee.
- **Pay Structure**
  A pay structure is very useful for a compensation plan. Pay structures usually contain a minimum wage or salary, which enables a proper compensation calculation separate from the minimum wage or salary.
- **Organization's Strategies and Policies**
  Some organizations have policies guiding a compensation system. Therefore, in such cases, the compensation system is structured in such a way that it suits the organization's policies concerning remunerations, rewards and compensations.

Conditional Factors for Compensation

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There are some factors grouped as intrinsic and extrinsic, which are considered for determining and influencing the compensation system of employees in an organization. They include;

Some of the intrinsic factors include: nature of the job or job description, the job requirements and worth, the skills, knowledge and experiences required of the employee by the organization, the organization's capacity to pay, the nature of the human resource, the nature of the working condition, the job risk.

Some of the external factors include: legal provisions as touching minimum wage, the competitors' affordable wage level, the living cost and conditions, socio-economic factors and so on.

Features of Compensation

- It can be direct or indirect, short term or long-term compensation packages.
- Compensation plans are made for all employees to encourage employees to achieve higher efficiency in their performance.
- Compensation is based on job evaluation.
- Compensation is usually in direct proportion to an employee's efficiency, result, performance and productivity. A worker with higher efficiency and performance level is compensated in order to achieve a consistent performance and productivity result.
- Working conditions are considered when deriving the standard of efficiency.
- Compensation is given majorly to skilled and result-driven employees in an organization.
- For organizations with a compensation policy, it is equal pay for equal work, there is no flexibility. However, in organizations without a compensation policy, the compensation system is flexible; allowing necessary changes per time.
- Compensation is a consistent provision made available by organizations to their employees.
- It must not violate any government regulations, local or national trade union law or agreement.
- Compensation systems must usually cooperate with the organization's capacity to pay.

Types of Compensation Packages

- Financial Compensation
- Direct Financial Compensation – This is a monetary type of compensation made to an employee in exchange for work done. Direct compensation includes wages, salaries, bonuses or commission (Osibanjo, et al, 2014). Direct financial compensation includes basic pay: which takes the form of wage or salary. Examples of basic pay are overtime pay, travel/meal/housing allowance, and commissions. Incentives on the other hand, are linked to performance, productivity or profitability of an individual or team in an organization. Examples of incentives include: bonuses, profit sharing, variable pay, stock options and so on.
- Indirect Financial Compensation – Indirect financial compensation includes benefits such as pensions, insurance, paid vacations or holidays available to employees in an organization. Benefits differ from wages, salaries or incentives. Indirect financial compensations are not always performance based. Examples of indirect financial compensation are: medicals leave, maternity leave, paid vacations/holidays, retirement benefits/pensions, health/life/accident insurance, paid transport/meal/training and so on.

Non-Financial Compensation

These rewards are known as psychological rewards given to employees based on their skills recognition, excellent services rendered or long-term dedication and commitment to the organization. Examples of these rewards include: recognition awards, service awards, appreciation awards, participation awards, leadership awards and so on. Some of these awards could be in form of cash, gift certificates, travel concessions to famous locations and so on.

The Role of Compensation in Driving Employees' Engagement

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Compensation is a relevant and significant tool for human resource management. Since humans are the most important resource in every organization, it is impossible to rule out factors that can help manage humans in business. Compensation is one strategy for managing employees that cannot be ignored or overlooked, especially in areas of human resource management in organizations such as recruitment and selection, performance appraisal, promotion, training and development, motivation, etc. Compensation is strategic to the organization's goals and thus should be able to promote employee engagement, employee satisfaction, employee retention and employee development (Osibanjo, et al, 2014). What makes compensation an essential part of managing businesses is because all spheres; social, economic, legal, political forces all engage in compensation management to drive their businesses and operations.

The competition that exist globally in the human resource market contributes not only to the retention of employees, but also the engagement of employees within organizations. Affordability, motivating employees, employee turnover and productivity are common issues that arise from an employer's point of view when thinking compensation. Managers believe that compensation can influence employee behavior and performance. In attracting qualified and competent employees and retaining the best talents with the present competition, it is necessary to offer lucrative remuneration to the potential candidates in order to be at the top of the game where companies are competing for getting the best candidates.

Employees are human beings with expectation, emotions, ambitions and ego. They have expectations concerning their shares in the business processes. Employees should not be taken for granted but appreciated for their contributions to the organizations. Therefore, it is essential to compensate employees for their skills, hard work and achievements no matter how little in order to motivate, encourage and positively engage them to perform better on their jobs, knowing fully well that they will further be rewarded as they work harder. If performance appraisals are done for employees in an organization and they become aware that the result of higher level of performance equals compensation or reward, employees will be motivated to perform better.

Employee engagement can be promoted by several factors, but research has shown the increasing contributions of compensation to achieving optimum employee engagement. Scholars have argued the need for organizations to engage in having a standard compensation system, policy or strategy that can enhance the engagement, efficiency and performance of employees in organizations.
Generally, compensation contributes largely to the facilitation of employee motivation, employee performance, employee turnover, employee productivity, employee retention, which will further enhance organizational productivity, performance and profitability. Therefore, compensation is a significant tool in organizations or businesses in relating with, managing and engaging their employees.

Theoretical Review

- Expectancy Theory

The theory was propounded by Victor Vroom in 1965, it is based on motivation and management of employees in the workplace. It suggests that employees' perceived view of workplace outcomes determines the level of motivation they have when working (Fremstad, 2013). Vroom's definition of motivation explains the force compelling a person to perform a particular job as determined by their expectations of the outcome. Vroom's expectancy is explained as; higher or increased effort will yield better performance.

Based on this theory, it is arguable that employees tend to believe that their increased efforts will produce a better pay or a reward. For example, an employee may reason that; "If I work harder, they will recognize me or they will increase my pay or they will reward me or I will get promoted." This can further be explained that when employees are aware that they can be compensated or rewarded for a better work performance, there will be an increase in their level of engagement and performance based on this expectation. For example, if an employee is aware that after three years of committed hard work including exceeding annual targets will result in him or her getting an official car and house from the organization,

Therefore, Vroom's expectancy theory proposes that employees are usually motivated when they have an expectation of an achievement and they value the outcome of their efforts. This implies that there must be a certain reward and what must be done to achieve it. This theory is very vital to the context of this work, especially when designing employee engagement programs (Onuorah, Okeke, & Ibekwe, 2019). In other words, an employee's low expectancy level of a particular reward or outcome equals low employee engagement and performance on their job. This theory helps to highlight reasons an employee would feel confidence that their input is relevant to their organization, improve in their engagement and performance level at work and not have interest exiting their organization for another. Therefore, managers should encourage and build the confidence level of their employees that improved performance will yield valuable rewards and compensation. Therefore, it can be argued that this theory is suitable for discussing the role of compensation in driving employee engagement in organizations and businesses.

Reinforcement Theory of Motivation

The theory was propounded by B.F. Skinner in 1957. Skinner as a behaviorist, brought up the reinforcement theory, which is one of the oldest theories of motivation that explains behavior and how humans act and react. He explains how an individual's behavior is a function of the consequences or reactions propelled. In other words, a behavior is influenced by its consequences.

Reinforcement theory of behavior reveals an individual's state of mind (Amutan & Gordan, 2014). It describes particularly how people learn behavior and how they act. It also proposes that a person's behavior can be changed by using reinforcement. In this context of this work, the theory is similar to operating with a condition; if a person is rewarded based on a particular behavior, that person is likely to repeat their actions again. A positive reaction or outcome can motivate an employee to repeat the same actions again because he or she would be anticipating getting the same or similar reaction or outcome, especially when that outcome is a reward or a compensation.

So based on Skinner's reinforcement theory, a medium for organizations to effectively control, shape or manage the actions and behaviors of their employees is by motivating them; and the factor of motivation in this context is compensation. Compensation and rewards systems put in place in organizations can help shape the actions and behaviors of employees in that organizations; particularly, getting all workers engaged, busy and involved with their job duties.

For example, an employee who was awarded an all-expenses paid trip to England for a training and development program and vacation because of his contributions and achievements towards the productivity and success of his organization this can consequently propel and influence the other employees' mindset, actions and behavior positively towards their job in order to acquire the same or similar compensation. The rewarded employee himself will be motivated to work harder and be more committed to his job and the organization. It can therefore be argued that Skinner's theory does reveal the relationship between and the role of compensation in driving employee engagement.

III. METHODOLOGY

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The survey design method was adopted for the study and it was descriptive in nature. The study investigated the employees in a selected university in the South West Region of Nigeria, for the research design, a descriptive research approach was used. A total of 200 of the 220 questionnaires issued were returned with a total of 12 questions. Using a five-point Likert scale, the questionnaire was created in accordance with the availability of literature. Experts in the area verified the research instrument's validity, and Cronbach's alpha was used to determine the research instrument's reliability which gave a score of .838. To achieve the ethical requirements, the respondents were told about the study's aim, given anonymity, and the confidentiality of the information they gave was assured. The data was coded and analyzed using the Statistical Package for Social Sciences (SPSS) software version 23.0, which demonstrates the role of compensation management on employees' engagement in a selected university in the South-West region of Nigeria.

STATISTICAL PACKAGE FOR SOCIAL SCIENCE

Model Summary

Model	R	R Square	Adjusted R Square	Std, Error of the Estimate
1	.522[a]	.273	.269	.47727
Predictors: (Constant), COMPENSATION_MANAGEMENT				

Decision rule: R is very weak when it has a value between 0.0 and 0.20, weak when it has a value between 0.20 and 0.40, moderate when it has a value between 0.40 and 0.60, strong when it has a value between 0.60 and 0.80 and very strong when it has a value greater than 0.80.

Result Interpretation: The table shows that (R) in the model summary table indicates a .522 relationship of compensation management on employees' engagement which signifies a moderate relationship. The table presents the results that revealed the extent to which the variance of the dependent variable (employees' engagement) is explained by the independent variable (compensation management). This is denoted by R square which equals .273 and expressed as 27.3%. this shows that compensation management only accounts 27.3% of the variance in employees 'engagement. Hence, other factors not included in the model explains 72.7% i.e (100%-27.3%) of the variance in employees' engagement. The standard error estimate is .47727 which signifies error term.

Decision: Compensation management has a moderate impact on employees' engagement.

Anova a

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	16.148	1	16.148	70.890	.000[b]
1	Residual	43.052	189	.228		
	Total	59.200	190			
Dependent Variable: EMPLOYEES'_ENGAGEMENT Predictors: (Constant), COMPENSATION_MANAGEMENT						

The ANOVA is used to determine the significance level. The decision level is that 5% (0.05) significance level and 95% confidence level.

Decision rule: When the significant result is less than 0.05, the null hypothesis should be rejected. When the significant result is higher than 0.05, the null hypothesis should be accepted.

Interpretation of result: The ANOVA table shows that the F value 70.890 at .000b level of significance. The inference is that compensation management has a significant influence on employees' engagement. Therefore, an increase in compensation management will lead to an increase employees' engagement.

Decision: The Null hypothesis is therefore rejected because the significant value is below 0.05.

Therefore, there is a significant influence of compensation management on employees' engagement.

Coefficienta Table

Model	Unstandardized coefficients		Standardized coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.263	.115		10.941	.000
Compensation_Management	.349	.041	.522	8.420	.000
a. Dependent Variable: EMPLOYEES'_ENGAGEMENT					

Interpretation of result: The constant B=1.263 is the intercept in the regression equation. This means that when compensation management is at point 0, employees' engagement is 1.263. B value for compensation management is .349 which is the slope of the regression equation, every unit increase in compensation management will lead toa 0.349 increase in employees' engagement. The table above shows that compensation management has an effect on employees' engagement with the level of significance at 0.000. (β=.522, t=8.420: $p<0.05$).

Decision: Since the significant level of the model is less than 0.05, the null hypothesis should be rejected. Hence, it can be inferred that compensation management has an effect on employees' engagement.

IV. RESULTS AND DISCUSSIONS

The statistical findings revealed that R=.522, a t-value of 8.420, and a p-value of 0.000 all support the tested hypothesis. This indicates that compensation management and employees' engagement have a significant and positive relationship.

The main objective of the study was to examine the role of compensation management on employees' engagement in a selected university in the South-West region of Nigeria. The study revealed that compensation strategies either the financial or non-financial motivates employees and drive optimal engagement for the desired achievement of goals. Employees are humans with feelings, emotions and expectations; therefore, they should not be taken for granted or taken advantage of, rather their well-being and satisfaction should be considered (Osibanjo, et al, 2014). Most importantly, managers should ensure that compensations and rewards are proportional to employees' skills, performances, needs and preferences. Also, compensation systems, policies and strategies should constantly be reviewed or be re-evaluated.

V. MANAGERIAL IMPLICATIONS/RECOMMENDATIONS AND CONCLUSION

Managers must make sure that employees are aware of the rewards or compensations attached to each performance target so that the employees are aware of the expectations they can have for their efforts or inputs at every level of their performance. Also, organizations should incorporate training and development programs to improve employees' skills and abilities in order to encourage employees to perform better on their job.

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The present era is characterized by increasing changes in terms of complexity and challenges in the business environment, it is only essential to design an effective compensation program or system for

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the purpose of retaining and engaging present employees and attracting new employees towards achieving organizational effectiveness.

Compensations and remunerations contribute to keep employees happy and satisfied on their job, because the well-being and morale of employees go a long way to keep employees engaged and dedicated to their jobs. It is only natural to have employees delivering their best to their organizations that are committed to the well-being, growth, development and satisfaction of their employees; organizations that see their employees as assets and have their employees' best interests at heart will continue to have a record of actively engages, dedicated, committed and loyal employees. However, when employees are not well compensated, rewarded or recognized for their work done, they may be actively disengaged and end up performing poorly on their job, which will eventually and negatively affect organizational performance, productivity, profitability and success altogether.

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