

# IMPACT OF REWARDS POLICY ON EMPLOYEE PERFORMANCE IN AN INSTITUTION: A STUDY OF ABIA STATE POLYTECHNIC, ABA.

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## **Abstract**

The study examined the impact of rewards policy on employee performance in Abia State Polytechnic, Aba. The engine house of any organisation is its human resource, the workers who do the job. Organizations that are progressive in nature are persistently working hard towards achieving increased productivity through various instruments and strategies characterized by increased investment by employers in their employee. The study adopted descriptive survey research design. The sample size for the study was 450 tutorial and non-tutorial staff of the Polytechnic. The study used structured questionnaire to collect data. A total of 408 questionnaires were returned for analysis of data. Based on the study, the research findings indicate a positive relationship between reward policy and workers performance. The study recommended that employers of labour should ensure that employees rewards are clearly spelt out and vigorously pursued to enable performing workers to do extremely well. The paper therefore concluded that when the out of research in this area [reward policy] on workers performance is transmitted into teaching, learning and practice in any organisation, the gap between the two [research/teaching] will to a greater extent, reduce, hence higher productivity.

**Keywords:** Rewards, policy, workers productivity, performance, Teaching and Research.

The system of reward has been found to be one of the main organizations policies that increases staff performance and the productivity of organization [Ajila, 1997]. Due to the current breakthrough in science and technology, which has helped in fostering the rate of economic growth and development all over the world, many organizations have comprehended the fact that productivity is needed for their organizations to compete favourably and also their worker's productivity is needed in advancing the organization's achievements.

This study provides an examination of the impact of rewards policy on workers performance. A study of Abia state Polytechnic, Aba. Human Resource Management rewards policy is cardinal when workers performance is being reviewed. This is because rewards in any system dictates the pace and direction of performance. These statements are anchor on several empirical studies such as Ugwu and Cocker, [2072]. Mcmillian and Bowbin [2010]. Warani, Ayesha & Edirisonya [2014] and others who have made remarkable studies on the impact of rewards policy on workers performance. For example, Kwenin Daisy, [2013] emphasizes that rewards enable employees to stretch themselves and to outperform others at the work place. The is because it creates a compelling urge among employees to achieve predefined targets, while Jain and Jabeen [2007] contend that the compelling urge created by the organizational rewards creates a positive attitude and a feeling of ownership of the industry goals. All these in turn create high performing units in every organization that determine the overall success and growth of the organization, Razwn and Ali [2010].

Previous studies on rewards policy have consistently found out that there is a strong relationship between rewards and workers performance, Agwu, [2013]. This implies that organization's productivity depends on the level of motivation or compensation Schemes available. Majority of workers therefore, would wish to equate their output in trumps of performance with the level of motivation generated from the incentives they get at work their place. Reward policy and workers performance cannot be divorced, Suzanne & Luthans [2006] and Fehr, Ernst, John & List, [2004]. This is because rewards provide the much needed stamina that propels positive performance of workers in an organization. Organizations with low reward policy, tend to perform dismally, Razwan & Ali [2010].

Secondly it is because performance is supreme to defining and organizations viability and relevance; Armstrong, Brown & Reilly, [2011] and Yamoah [2013]. Consequently, it is incumbent on all stakeholders in the management of any organization to develop strategies to improve performance through the provision of these incentives. Research done by Heng, [2012] found out that worker's performance is dependent on the way they are treated in the organization despite high salary. It is a fact that all employees would wish also to be appreciated and feel valued at their work place. This is what Abraham Maslow referred to as the social affective need at work place which is a very powerful tool in shaping workers behaviour towards better delivery of results. Despite the compelling two ideologies on the most effective form of reward which is more significant to employees there is one major consensus that reward controls employees level of motivation and significantly affect their contribution towards organizational goals and objectives.

In Abia State Polytechnic the issue of rewards policy and workers performance has been a recent and a dominant debate by all the stakeholders. It was on this basis that the researchers investigated the impact of rewards policy on workers performance with a view to present an empirical data that was meant to mainstream the policy and improve the performance of workers in Abia State Polytechnic in particular and Nigeria in general.

### **Objectives of the Study**

The purpose of this study was to investigate the impact of rewards policy on employee performance in an institution with Abia State Polytechnic, Aba as the case study. However, the study was guided by the following specific objectives:

- a) To examine the impact of empowerment on employee performance.
- b) To examine the impact of pay/salary on employee performance.
- c) To investigate the relationship between bonus/fringe benefit and employee performance.
- d) To determine the impact of promotion on employee performance.

### **Research Questions**

In order to gather sufficient and reasonable data for this work, the following questions were proposed to effectively guide and direct the study:

- a) Does employee empowerment affect his performance in work place?
- b) Does increase in pay/salary affect the performance of employee in his work place?
- c) Does Bonus/fringe benefit affect the employee performance in its work place?
- d) Does employee promotion affect his performance in the work place?

### **Null Hypotheses:**

The following null hypotheses were formulated and tested by this study:

- Hoi: Empowerment does not impact positively on employee performance.  
Ho2: Pay/salary does not impact positively on employee performance.  
Ho3: Bonus/fringe benefit does not impact positively on employee performance.  
Ho4: Promotion does not impact positively on employee performance.

### **Theoretical Framework**

Rewards policy which was the independent variables in this research is a form of motivation and therefore requires a relevant theory of motivation, Ferlato, Aquino & Meira [2009]. These theories include the Need Based theories include the Need Based theories such as Maslow's Theory, Cognitive Process theories such as Equity Theory, Behavioural theories such as Bandura' theory and Job Based theories such as two factor theory, Armstrong [2009].

Maslow's theory could not be used because it emphasizes on the hierarchical attainment of needs whereas this study was only interested on reward aspects which satisfy both higher and lower needs

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simultaneously. The two factor theory was very ideal however it could not have been used because it ignored situational variables like performance which was key for this study.

This study therefore adopted Equity theory. This theory was adopted on the basis of its emphasis on rewards and performance which are the key variables under this study. Equity is the feeling or the belief that one is treated fairly or otherwise. It is a comparative process. The Equity theory postulates that employees seek to achieve a balance between inputs or efforts and outcomes on reward or anticipated. Boxall & Purcel [2006].

This theory also asserts that employees input take the form of work volume and quality, performance, knowledge, compensation, praise and advancement in opportunities, Faems, Sels, Dewinne, & Maes, [2005]. The employee compares his or her input/outcome ratio with the perceived ratio of others in a social context and if the employee believes there is a sense of inequality, the theory posits that the employee adjusts his or her efforts to bring things into harmony. The employees normally adjust their behaviours to attain equilibrium through withdrawal, reduced input, cognitively adjust his or her perception or by addressing the situation with the employer.

### **1.1 Review of Related Literature.**

2.1.1 The Relationship between Rewarding and Performance. Reward system can play an important role in determining the success or failure of an organizational improvement efforts, because they can be key driver of behaviour. Rewarding is essential as an incentive and an unbreakable motivator to realize the organizational performance. In order to support better workers contribution towards the achievement of organizational goals and objectives, the reward systems need to be designed in a way that supports individuals obtaining more information about the business, adding to their skills, and taking more decision making responsibility. In designing organizations reward policy, management should consider the facts that employees differ in many ways, and therefore should design the reward system in such a way that individual employees aspiration in joining the organization would be achieved.

Reward system is composed of all organizational components, which include people, processes, rules and procedures, together with the decision-making activities which involve the process in allocating compensation and benefits to employees, in exchange for their contributions to the organization [Griffin & Moorhead, 2009].

The main purpose of reward system is to attract, retain and motivate qualified employees. This helps to maintain the quality and fairness of rewards being offered towards the employees which are primarily based on their performance and contributions to the organization [Griffin & Moorhead, 2009].

### **2.1.2 The Relationship between pay and performance**

Two financial reward types which include suitable earnings [bonus and pay], and job security are the most vital factors between financial and non financial rewards [Kulkami, 1983].

Paying is a vital factor which affects employees morale, [Kalim, 2010]. Both motivation and satisfaction, as the antecedents of job and pay security, are the most important job stimulations to determine the future events and also satisfaction with promotion opportunity is another motivating factor [Clark, 2001]. Rewarding is a first step like any other HR operations, especially when it confronts with salary pay and financial reward system. As Mishave & Vin Glinow [2005] and Henderson [2009] mentioned in a HR Management scope, rewarding is often seen as an employer's system, who designs and runs the different types of wage systems to the workers who provide services or accomplish a confident task. It is important to note that managers plan their reward systems based on their worker's efficiency and effectiveness.

The reward system based on pay is done according to seniority and is a reward when the staff do the job well and tend to receive monetary reward, and in such a system, the pay level is because of the skills of the staff, attempt, and doing their assigned responsibilities as well as the job status [Figart, 2000, Bergmann & Scarpello, 2002, Meshane & Von Glinow, 2005].

In the contemporary period, organisations have changed the rewarding system paradigms from a usual performance-based compensation to a new kind which is based on the firm's strategy and maintains the goals at appropriate levels [Lanker, 2000].

### **The Relationship between Bonus, Fringe benefit and performance:**

The current worker's performance can be nurtured by managing a valid performance evaluation, bonus and reward system [Bretz, 1992]. It should be considered that the amount of fringe benefits and bonuses are varied among well-performing and weak-performing workers in an organisation.

The motivation, which is the result of employees encouragement by cash or other things such as bonuses [eg. Payment increase, housing loan] will lead to workers productivity and better performance. Therefore, it is important to recognize which reward system leads to higher workers productivity and enhanced performance. From the result of this study, it can be determined that different motivating elements like promotion and bonuses, and suitable payment compensation have significant connection with higher performance [Oyebanju, 2009].

### **The Relationship between Promotion and Performance.**

Promotion is an important feature of employee's life style and occupation, affecting other job experience levels [Kostens, 2009, Cobb Clark, 2011, Blau & De Yaro, 2007] and can have an obvious impact on other job aspects like job attachment and responsibilities. In this case, the firms can apply promotions as a compensation factor for high-performance employees, developing and encouraging them to put in their superior effort. Also, promotion can influence the instrument of exerting better attempts, if employees put an important value on it. If not, the organisation would focus on pay increase to reward high effort and productivity.

The advancement of an employee within an organisation's position or job tasks: Workers' promotion may be the result of an employee's proactive pursuit of a higher ranking or as a reward by employers for good performance. Typically it is also associated with a higher rate of pay or financial bonus. That is to say that workers are promoted when they perform greatly in their assigned task and responsibilities in an organisation. Effective and efficient results are expected when employees in an organisation meet their set goals and objectives with the least possible resources.

### **The Relationship between Empowerment and Performance**

According to Deci & Ryan [2000], intrinsic motivation is accessed by a feeling of autonomy, and by not feeling controlled. In this regard, other studies have concluded that intrinsic motivation includes a feeling of competence which can be raised by positive performance feedback; and on the other hand, can be declined by a negative performance feedback.

To reach to that level, leaders should give protection, instruction, advice, instruments, and all other needed resources to ensure that knowledge and development are being well managed. The worker, on the other hand, should have the feeling and attitude toward – 'I can do', and the supervisor must nurture this feeling instead of being distracted, abusive, and a quick criticizer. Indeed, the supervisor must train, support, and help employees improve their competencies. An emotionally-clever manager is able to join with his subordinates emotions and relate this knowledge to the setting of the firm. Similarly, the emotionally-intelligent manager is responsible for generating interest and hope. The emotion will cause intrinsic motivation, which will lead performance to soar in turn [Goleman et al., 2004].

### **The Gap between Research and Teaching in Human Resource Management.**

A teacher and a researcher in the same class have different goals. The teacher's goals vary from general educational goals, relating to values and norms, through general goals which are related to human resource management itself [such as gaining competent skills in managing people and effective communication skills], to goals relating to specific content knowledge. The teacher's aims include students understanding, students success in examinations, students interest and involvement in decision making process. The researcher's goal is to answer a research question [or questions] he posed by collecting and gathering relevant and reliable data for the research.

The gap between a researcher and a teacher in human resource management is very slim. That is to say that research and teaching [at any level] can be understood as distinct [and sometimes opposed] elements or ingredients of a process leading to a common shared conclusion, 'improving the quality of life through improving teaching and learning'.

However, the above is really at best nothing more than an optimistic interpretation of the definition. Certainly, there should exist a relationship between research and teaching, but all too often they tend to diverge. The reason for this lies, at least partially, with the members of each camp. Sometimes, researchers lose touch with current problems in teaching and with the teachers themselves, whilst on the other hand, teachers fail to give due credit to the researcher produced by the former.

Teaching, the teacher, likewise needs those ties with research, as this offers a means of systematising approaches to professional problems in current day human resource management without which it would be difficult to make progress.

It is common to associate research with theory and teaching with practice. Although such an association is not entirely correct given that both research and teaching have their respective theories and practice, it is not a groundless supposition. Within the area of teacher-training, it is assumed that research should provide results applicable to teaching. However, the concepts of applicability differs between researcher's and teachers, in fact, it is precisely at this point that a distance between the two stances begins to emerge, whilst researchers complain of undue demands for immediacy from teachers, the latter are equally dissatisfied with the ambiguity in which proposals from the former seem to be couched, rendering them incapacitated for solving their day-to-day problems. Research has its theory, in particular its fundamental framework, and its practice, primarily its methods and development which, in their turn, integrate theory.

Teaching has its theory, in particular [general theories] of teaching and learning and those related to the teaching and learning of the subject matter [Human Resource Management], and its practices, made up by the day-to-day life in the classroom and the school, which throws up, it must be noted, innumerable occasions where decisions have to be taken.

## **Methodology**

### **The Design of the Study**

This study used descriptive research design to enable it collect numerical data from the population needed for testing the null hypotheses [Fowler, 2009].

### **The Area of Study:**

Abia State Polytechnic is located at Eziamma Aba, Aba North Local Government Area. Therefore the area of this study is Aba where the Polytechnic is sited.

### **Population of the study**

This study targeted the tutorial and non-tutorial staff of Abia State Polytechnic, Aba. The population of the tutorial staff is 565 while the population of the non-tutorial staff is 700, giving a total population of 1265 workers of Abia State Polytechnic, Aba. [www.abiapoly.com.edu.ng.].

The key respondents include the Rector, the Registrar, Deputy Rectors, Administration and Academics, and other tutorial and non-tutorial staff of the Polytechnic. However, the study did not collect data from the students and other stakeholders of the polytechnic.

### **Sample Size and Sampling Method**

Simple random sampling strategy was used to select 234 tutorial staff and 255 non-tutorial staff giving a total sample size of 489 participants. This method of selection was used to give each respondent equal opportunity to be chosen in the study.

### **Data Collection Instruments**

The study used structured questionnaire to collect data from the sampled tutorial and non-tutorial staff of the polytechnic.

The questionnaire had 5 point Likert scale where the respondents were requested to tick answers based on statement given. The scale had 1 indicating strong disagreement and 5 strong Agreement to the statements.

Reliability and Validity of Research Instruments- test-retest technique was used to achieve reliability. This was during piloting where the questionnaire was administered to respondents randomly selected from the tutorial and non-tutorial staff of Abia State health technology, Aba. The suggestions and corrections were incorporated and the tool was again piloted within a span of two weeks at the same school to test its reliability. Factor analysis was used to compute the co-efficient with a Cronback's Alpha of 0.837 being achieved.

Table 1 Reliability Statistics

Items tested	Cronback's Alpha	No of items
Empowerment	0.856	1
Pay/Salary	0.792	1
Bonus/Fringe benefit	0.822	1
Promotion	0.876	1
All Variables Mean	0.837	4

Source: Survey Data, 2015.

Content Validity was attained by consultation with specific area experts. The experts included experienced researchers at the department of Human Resource Management, Michael Opara University of Agriculture, Umudike. This procedure was repeated until there was a total agreement with a validity index of 0.837 being attained.

### **Method of Data Analysis**

The data collected from the variables of interest were analysed using tables and simple percentages. The hypotheses were tested with Chi-square [ $X^2$ ] test statistics.

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**Presentation and Analysis of Data.**

**First Statement:** The Institutions empowerment Policy on Employees is very adequate and satisfactory.

Table 2: Distribution of Data for Empowerment

Option	Tutorial	Non-Tutorial	Total	Percentage of Responses
SA	65	90	155	38
A	50	86	136	33.3
N	25	18	43	10.5
D	30	23	53	13.
SD	10	11	21	5.2
Total	180	228	408	100

Source: Survey Data, 2015.

Table 2 indicated that 291 representing 71.3% of the respondents [Tutorial and non-tutorial staff] agreed to the first statement while 74, representing 18.2% disagreed to the statement and 43 representing 10.5 were neutral. The result shows that empowerment of employees in Abia State Polytechnic, Aba is very adequate and satisfactory and hence impact positively on the workers performance.

**Second Statement:** The institutions implementation policy on pay/salary of employees is adequate and satisfactory.

Table 3: Distribution of Data for Pay/Salary.

Option	Tutorial	Non-Tutorial	Total	Percentage of Responses
SA	59	87	146	35.8
A	49	88	137	33.6
N	29	20	49	12
D	35	21	56	13.7
SD	8	12	20	4.9
Total	180	228	408	100

Source: Survey Data, 2015.

In the case of table 3, 283 representing 69.4% of the respondents affirmed to the second statement, 76 representing 18.6% disagreed to the statement while 49 representing 12% were neutral. This revelation concludes that implementation policy on pay/salary of employees in Abia State Polytechnic is adequate and satisfactory which by implication impact the workers positively.

Third statement: the institutions Bonus/fringe benefit policy on employees is adequate and satisfactory.

Table 4: Distribution of Data for Bonus/Fringe benefit.

Option	Tutorial	Non-Tutorial	Total	Percentage of Responses
SA	10	13	23	5.6
A	15	10	25	6.2
N	25	30	55	13.5
D	60	80	140	34.3
SD	70	95	165	40.4
Total	180	228	408	100

Source: Survey Data, 2015.

Table 4 showed that 48 representing 11.8% affirmed to the statement above while 305 or 74.7% of the respondents disagreed to the statement and 55 or 13.5% were neutral. In other-words, the results showed that institutions Bonus/fringe benefit on employees is not adequate and satisfactory.

**Fourth Statement:** The Institution's Promotion Policy on Employees is adequate and satisfactory.

Tables: Distribution of Data for Promotion

Option	Tutorial staff	Non-tutorial staff	Total	Percentage of Responses
SA	60	80	140	34.3
A	55	70	125	30.6
N	30	18	48	11.8
D	25	36	61	15
SD	10	24	34	8.3
Total	180	228	408	100

Source: Survey Data, 2015.

265 or 64.9% of the respondents agreed to the fourth statement as we can see from table 5.48 or 11.8% were natural while 95 or 23.3% disagreed. The findings indicate that promotion Policy on employees in Abia State Polytechnic is adequate and satisfactory and by implication enhances the performance of workers in their work place.

Table 4: Results of test of significance using Chi-square

Tested Variables	X <sup>2</sup> Cal Values	Table values of X <sup>2</sup> at 0.05, 4df	Decision
Empowerment	10.17	9.488	Reject Ho
Pay/Salary	17	9.488	Reject Ho
Bonus/Fringe benefit	2.89	9.488	Accept Ho
Promotion	9.88	9.488	Reject Ho

Source: Survey Result, 2015.

In table 6, hypothesis One X<sup>2</sup> Cal [10.17] is greater than X<sup>2</sup> tab [9.488] which indicates that we reject Ho and accept Hi and therefore conclude that empowerment of employees significantly impact on their performance.

In the case of hypothesis two, X<sup>2</sup> Cal [17] is greater than X<sup>2</sup> tab [9.488]. This equally indicated that we do not reject alternative hypothesis [Hi] rather we reject null hypothesis and conclude that pay/salary of employees affect their performance positively.

The results in table 6, hypothesis three further indicated that X<sup>2</sup> Cal [2.89] is less than X<sup>2</sup> tab [9.488] which means that null hypothesis is not rejected. Therefore, we conclude that Bonus/fringe benefit does not affect employee performance in Abia State Polytechnic, Aba.

In the case of hypothesis four X<sup>2</sup> Cal [9.88] is greater than X<sup>2</sup> tab [9.488]. This shows that null hypothesis is rejected while alternative hypothesis was accepted, hence we conclude that promotion in Poly affects the employee performance in Abia State Polytechnic, Aba.

### Discussions of Findings

Four variables of rewards policy namely empowerment pay/salary, bonus/fringe benefit and promotion were investigated. The overall responses for each factor was analysed using percentages. Data was analysed to identify the factors that have relatively high tendency towards increasing employee performance in work place as well as to determine the extent of increase in performance.

The prime factor which affects the employee performance according to the results is pay/salary. Next to pay/salary is empowerment and to empowerment, promotion. [see table 6]. These finding support the current research study done by Wanmi [2014] who investigated the impact of rewards on employee performance in Sri Lanka. The Pearson correlation coefficients showed strong relationships in the

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intrinsic [ $r=0.567$ ] and extrinsic rewards [ $r=0.637$ ] and employee performance in the Electrical Companies in Sri Lanka. It is of necessity to note that the findings of these studies support the findings of Ugwu & Coker [2012] who investigated incentive schemes, employee motivation and productivity in organizations in Nigeria. This study specifically revealed the existence of a strong relationship between employees incentives policy and organisation's performance.

In the case of Bonus/fringe benefits, the results indicated negative or insignificant relationship between them and employee performance. This finding is not surprising especially in Abia State Polytechnic where backload of salary arrears are the order of the day. However, the result contracted earlier studies done by Oyebanju, [2009] where he found out a strong and positive relationship between bonus/fringe benefit and employee performance.

### **Concluding Remarks and Recommendation:**

In conclusion, this study revealed that employee rewards policy especially pay/salary, empowerment and promotion positively and significantly affected the performance of employees in the institution, while bonus/fringe benefits showed a negative relationship. To this end, the study concludes that management of firms/institutions should better have a good rewards policy in the organisation/institution and to evaluate its impact on the employee's performance to know more about its strength and weakness and to improve on it.

This is necessary because, today, the world is experiencing a human resource competition among companies and institutions, thus, to be more successful in this kind of market, considering the best motivations to make the employee satisfied and more qualified, hard work is essential.

Based on the findings the following policy recommendations are proffered.

- Employers of labour should ensure that employees' rewards policy are clearly spelt in the remuneration policy and vigorously pursued to enable performing workers to do extremely.
- Management should consider the employees preferences of the rewards types to be more successful in motivating them, and should know that this evaluation is very necessary if they want to be successful in the human resource development of their companies/institutions.
- The relevant authorities in the education sector should adequately make use of research findings such as this in preparing curricular for education and improve on it where necessary. This will bridge the gap that exists between teaching, learning and research especially in human resource management in Nigeria.

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