

COMPENSATION MANAGEMENT AND EMPLOYEE INVOLVEMENT. (A STUDY OF SELECTED PRIVATE SECONDARY SCHOOLS IN OSOGBO, OSUN STATE, NIGERIA)

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Abstract: The research attempts to gain insight in to the impact of compensation management on employee involvement in an organization. Selected private secondary schools in Osogbo metropolis, Osun State were used as the case study. The study adopted both primary and secondary data. Primary data was collected through self-administered questionnaire. The data collected was analyzed using statistical package for social science, SPSS version 20. The finding of the study reveals that financial compensation has a significant effect on employees' job dedication, this implies that financial compensation components are essential to influencing employee job dedication. The finding of the study also reveals that non-financial compensation significantly affects employee's involvement.

Keywords: Compensation management, Talent management, employee involvement, employee compensation, compensation packages.

1. Introduction

Compensation management is a crucial part of talent management and it goes a long way to determine the degree of involvement of employees and even their commitment to the course of the organization. Compensation management ensures the financial success and well-being of employers and employees. Compensation management is pivotal in stimulating and attracting employees' commitment to the achievement of organizational objectives. By integrating compensation management into an organization's human resources strategy, it helps the organization to reward their employees adequately with market range salaries, well deserved bonuses and incentives to improve their lifestyles. It also send positive signal to employees in the organization that the organization value their contribution towards the success of the organization.

It is a fact that the adoption and implementation of employee friendly compensation management helps in maintaining stability in the work place as it enhances employee job satisfaction and commitment and therefore reduces the rate of attrition in the organization. Compensation packages entails some basic features that tend to make employees become satisfied on their job amongst which include salaries, bonuses, incentives, allowances, promotion and recognition(Werner,2001).It is noteworthy that the most valuable asset of an organization is its human resources and therefore they must be managed efficiently to increased productivity.

Employees after expending their time, effort, energy and labour in helping the organization achieve its goals in return expect adequate compensation and reward in form of money and other entitlements to satisfy personal, economic, psychological, social, self actualization, security and growth needs(Adeniji &Osibanjo,2012).

2. Research Objective

- i. To examine the impact of financial compensation on employees' dedication.
- Ii.To examines the impact of non-financial compensation on employee participation.
- Iii.To determine the relationship between compensation management and employees' absorption

3. Research Hypothesis

Ho1: Financial compensation has no impact on employees' dedication.

Ho2: Non-financial compensation has no impact on employees' participation.

Ho3: Compensation Management does not have significant relationship with employee's absorption.

4. COMPENSATION MANAGEMENT

Compensation management refers to the establishment and implementation of sound policies, programs, and practices of employee compensation. Compensation management looks to manage the funds being disbursed as payment for the services which employees provide during their period of employment (MBA school 2022). According to Armstrong (2005) compensation management is an integral part of human resources management approach to productivity improvement in an organization.

Employee compensation means all forms of pay and rewards going to employees and arising from their employment. It may be direct financial payment which includes wages, salaries, incentives, commissions and bonuses or indirect financial benefits such as insurance (Dessler, 2011). Compensation is a systematic approach to providing monetary value to workers in exchange for task performed. It means the benefits that an employee receives in exchange for the service they provide to their employer.

5. Employee Involvement.

Employee involvement means the direct participation of staff to help an organization fulfill its mission and meet its objectives by applying their own ideas, expertise and efforts towards solving problems and making decisions (Robert Bullock & S contrino Powell 2010). According to Kumar (2014) employee involvement is the process by which employees are empowered to partake in managerial decisions and improvement activities suitable to their ranks in the organization. Zabilakin Chatleska (2013) refers to employee involvement as the participation of employees in decision making and problem solving, and increase autonomy in work process. It entails sharing decision making authority between management and employees in the work situation.

Methodology

A total number of 232 copies of the questionnaire were administered by the researchers out of which 225 copies were returned by the respondents, making a total of 96.98% response rate. Tabular presentation and interpretation of data on responses were adequately given attention for clear understanding. From the models estimated, the research hypotheses formulated were tested.

Analysis of Hypotheses Results

Test of Research Hypotheses I

Financial compensation does not have significant effect on employee's dedication

Model Summary of Financial Compensation and employees job dedication

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.864 ^a	.747	.743	1.93750

a. Predictors: (Constant), Vacation payment, Salary, Incentives

Source: Printout from SPSS, 2022

From the results shown in table 4.38, it can be seen that R is 0.864, R square is 0.747, adjusted R square is 0.743 and the standard error of estimate is 1.93750. The correlation coefficient(R) is observed as 0.864, which means that there is strong positive correlation between the independent variables (Salary, Incentives and Vacation payment) and the dependent variable (Employees job Dedication). In addition, the R square value of .743 implies that 74.3% of variance in job dedication is explained by financial compensation.

ANOVA table for Financial Compensation and Employees job Dedication

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2445.381	3	815.127	217.141	.000 ^b
	Residual	829.614	221	3.754		
	Total	3274.996	224			

a. Dependent Variable: Employees' dedication

b. Predictors: (Constant), Vacation payment, Salary, Incentives

Source: Printout from SPSS, 2022

From the summary of the ANOVA table, the probability (P) value of 0.000 shown in table 4.39 indicates that the regression relationship was highly significant in predicting how financial compensation (Salary, Incentives and Vacation payment) influences employees job dedication. This is an indication that the regression model statistically significantly predicts the outcome variable. Therefore, given the above results, the null hypothesis which states that financial compensation does not have significant effect on employee's dedication is rejected. Thus, the model is fit.

Coefficients table for Financial Compensation and Employees job Dedication

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-8.740	.896		-9.756	.000
Salary	1.452	.274	.238	5.304	.000
Incentives	1.429	.165	.339	8.663	.000
Vacation payment	1.739	.138	.510	12.557	.000

a. Dependent Variable: Employees' dedication

Source: Printout from SPSS, 2022

As shown in table above, employee's job dedication is equal to -8.740 when all other factors (salary, incentives and vacation payment) are constant. Employee's job dedication would increase by 1.452 when there is a unit increase in the salary while the other independent variables are held constant. Also, the study noted that, a unit increase in incentives would lead to a 1.429 increase in the employee's job dedication when all other independent variables are held constant and a unit increase in the vacation payment when all other variables are held constant will lead to 1.739 increases in employee's job dedication. However, the table Shows that they are all statistically significant as they all have a p-value lower than 0.05. The implication of this is that private secondary schools should improve salary, incentives and vacation payment which will also increases employee's dedication.

Test of Research Hypotheses II

H₀₂: Non-financial Compensation does not have significant effect on Employees job Participation

Model Summary of Non-Financial Compensation and employees job Participation

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.867 ^a	.752	.747	1.52746

a. Predictors: (Constant), Recognition, Health insurance, Opportunity to grow, Promotion

Source: Printout from SPSS, 2022

It was found that R value is 0.867, R square is 0.752, adjusted R square is 0.747 and the standard error of estimate is 1.52746. The correlation coefficient(R) is observed as 0.867, which means that there is strong positive correlation between the independent variables non-financial compensation (Health insurance, Promotion, Recognition and Opportunity to grow) and the dependent variable (employees' job participation). In other words, the R value of 0.867 depicts that health insurance, promotion, recognition and opportunity to grow accounted for 86.7% of the variation in employees' job participation. Furthermore, r square value of .752 implies that 75.2% of variance in employees' job participation can be explained by non-financial compensation.

ANOVA table for Non-Financial Compensation and Employees job Participation

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1555.303	4	388.826	166.653	.000 ^b
	Residual	513.292	220	2.333		
	Total	2068.596	224			

a. Dependent Variable: Employees' participation

b. Predictors: (Constant), Recognition, Health insurance, Opportunity to grow, Promotion

Source: Printout from SPSS, 2022

The table reports how well the regression model predicts the dependent variable significantly well. However, looking at the ANOVA table above, Sig.= .000 which is less than 0.05. This is an indication that the regression model statistically significantly predicts the outcome variable (i.e. it is a good fit for the data). Hence, non-financial compensation is a good predictor of employee's participation. Therefore, given the above results, the null hypothesis which states that non-financial compensation does not significantly have impact on employee's participation is rejected. Thus, the model is fit.

Coefficients table for Non-Financial Compensation and Employees job Participation

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.500	.574		2.616	.010
	Promotion	.928	.100	.447	9.315	.000
	Opportunity to grow	.408	.104	.184	3.940	.000
	Health insurance	1.308	.150	.342	8.714	.000
	Recognition	.336	.087	.138	3.848	.000

a. Dependent Variable: Employees' participation

Source: Printout from SPSS, 2022

As shown in table above, employees' job participation is equal to 1.500 when all other factors (health insurance, promotion, recognition and opportunity to grow) are constant. Employees' job participation would increase by 0.928 when there is a unit increase in the recognition while the other independent variables are held constant. Also, the study noted that, a unit increase in opportunity to grow would lead to a 0.408 increase in the employees job participation when all other independent variables are held constant, also a unit increase in the promotion when all other variables are held constant will lead to 1.308 increase in employees job participation and lastly a unit increase in health insurance when all other variables are held constant will lead to 0.336 increase in employees job participation. However, the table Shows that they are all statistically significant as they all have a p-value lower than 0.05. The implication of this is that private secondary schools should improve health insurance, promotion, recognition and opportunity to grow which in turns increases employee's participation.

Test of Research Hypotheses III

H₀₃: Compensation Management does not have significant relationship with Employee's Absorption

Correlation matrix Compensation Management does not have Significant Relationship with Employee's Absorption

Correlations											
		Immer sion	Attach ment	Conten tment	Salari y	Incen tives	Vacatio n paymen t	Prom otion	Opport unity to grow	Health insuran ce	Recog nition
Immersion	Pearson Correlation	1	.490**	.833**	.620*	.661**	.662**	.771**	.692**	.732**	.310**
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.000	.000	.000	.000
	N	225	225	225	225	225	225	225	225	225	225
Attachment	Pearson Correlation	.490**	1	.368**	.387*	.275**	.540**	.523**	.403**	.347**	.086
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.000	.000	.000	.197

	N	225	225	225	225	225	225	225	225	225	225
Contentment	Pearson Correlation	.833**	.368**	1	.548*	.525**	.559**	.630**	.589**	.604**	.259**
	Sig. (2-tailed)	.000	.000		.000	.000	.000	.000	.000	.000	.000
	N	225	225	225	225	225	225	225	225	225	225
Salary	Pearson Correlation	.620**	.387**	.548**	1	.500**	.553**	.525**	.638**	.323**	.476**
	Sig. (2-tailed)	.000	.000	.000		.000	.000	.000	.000	.000	.000
	N	225	225	225	225	225	225	225	225	225	225
Incentives	Pearson Correlation	.661**	.275**	.525**	.500*	1	.287**	.465**	.355**	.379**	.230**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.000	.000	.000	.001
	N	225	225	225	225	225	225	225	225	225	225
Vacation payment	Pearson Correlation	.662**	.540**	.559**	.553*	.287**	1	.712**	.682**	.302**	.302**
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.000	.000	.000	.000
	N	225	225	225	225	225	225	225	225	225	225
Promotion	Pearson Correlation	.771**	.523**	.630**	.525*	.465**	.712**	1	.669**	.506**	.272**
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000		.000	.000	.000
	N	225	225	225	225	225	225	225	225	225	225
Opportunity to grow	Pearson Correlation	.692**	.403**	.589**	.638*	.355**	.682**	.669**	1	.423**	.334**
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000		.000	.000
	N	225	225	225	225	225	225	225	225	225	225
Health insurance	Pearson Correlation	.732**	.347**	.604**	.323*	.379**	.302**	.506**	.423**	1	.141*
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000		.034
	N	225	225	225	225	225	225	225	225	225	225
Recognition	Pearson Correlation	.310**	.086	.259**	.476*	.230**	.302**	.272**	.334**	.141*	1
	Sig. (2-tailed)	.000	.197	.000	.000	.001	.000	.000	.000	.034	
	N	225	225	225	225	225	225	225	225	225	225

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

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

The table above presents the correlation coefficient of the relationship between Compensation management (Salary, Incentives, Vacation payment, Health insurance, Promotion, Recognition and Opportunity to grow) and Employee's absorption (Immersion, Attachment and Contentment). The correlation matrix reports the correlation coefficients which shows the strength and direction of relationship that exist between the variables under study as well as the significance of each these relationships (sig. 2-tailed).

From the correlation matrix above, the strongest relationship exists between Immersion, and Contentment, Immersion and promotion as well as Immersion & health insurance, as evidenced from their correlation coefficients of 0.833, 0.771 and 0.732 respectively. Given that Immersion and Contentment are both dependent variables in this study, a coefficient of 0.733 suggests a possible multicollinearity problem which could imply that both variables measure the same thing. In the case of Immersion and promotion, the relationship examined is between a dependent variable and an independent variable as such a coefficient of 0.771, is desirable. In furtherance, the relationship between Immersion and Health insurance is also that of a dependent and an independent variable. Thus, a coefficient value of 0.732 indicates a strong relationship and is desirable.

Discussion of Findings

The main objective of the study is to examine the impact of compensation management on employees' job involvement. Specifically, it aims to examine the impact of financial compensation on employees' dedication, examine the impact of non-financial compensation on employees' participation and lastly to determine the relationship between compensation management and employees' absorption. The result of the analysis above shows that compensation management is an essential instrument for employee's job involvement in private secondary schools.

Concerning the second objective of the study, it was found that non-financial compensation impacts employees' participation with an R^2 value of .752 which implies that non-financial compensation is responsible for 75.2% variance in employees' participation as depicted by the table above.

Conclusion

Based on the findings of this research, it was concluded that financial compensation has a significant impact on employees' job dedication; this implies that financial compensation components are vital to stimulating employee job dedication.

It was also discovered that compensation management is positively related to employee absorption. This implies that as compensation increases, employees' absorption increases.

Recommendations

An assessment of the effect of compensation management on employees' absorption in the private secondary schools in Osogbo produced the results of the findings presented in the previous section. Therefore, based on those findings, the following recommendations were made:

1. Management of private secondary schools should ensure that salaries, incentives, and vacation payments are reviewed frequently and ensure that it measure up to the inputs of employees as this will encourage them to be more dedicated.
2. Employees with good performance should be given due recognition. There should also be continuous training and workshop to expose employees to new and more efficient ways of carrying out tasks.
3. Given that compensation management has significant relationship with employees' absorption, school management should ensure that they provide a conducive work environment where employees feel appreciated by adequate and adequately reward employees.

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