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ASSESSING THE RELATIONSHIP BETWEEN COMPENSATION AND EMPLOYEE PERFORMANCE - A CASE OF A BANK IN GHANA

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ABSTRACT

Compensation has gained momentous attention for its impact on employee performance. It covers economic rewards in the form of wages and salaries as well as in various forms of non-wage economic payment such as fringe benefits, indirect compensation or supplementary pay. Compensation is identified to be driving performance among many employees in Ghana. This paper reports on the relationship between compensation and employee's performance in the banking sector. The study espoused a descripto-exploratory research design and stratified sampling technique. One hundred (100) respondents were used for the study. Among other things, the study result revealed that the compensation package available for employees include incentives, commissions, bonuses and recognition for work done; there was very minimum or no employee involvement in the implementation of compensation packages. Management of the bank should put in place effective means of communicating at all levels of the organisation to employees concerning compensation packages.

Keywords: Compensation packages, descripto-exploratory, economic rewards, employee performance, stratified sampling.

1. INTRODUCTION

Many employees in most organisation are motivated by money for a certain period of time. But basically, the power of money as a motivational factor wears away as employees become conversant with their current level of compensation. Conversely many studies have affirmed that, money is not the only factor that leads to an increase in performance if employees are paid well. Additionally, most employees are motivated by the work they do and the environment they work than the money they earn, therefore, compensation designed in organisation should include financial and non-financial compensation (Dessler 2011). Compensation can be explained as the cash and non-cash remuneration provided by an employer to an employee for services rendered by the employee. It could be a financial reward which refers to any monetary rewards that go above and beyond basic employees' salary (Workforce, 2008). These rewards which include financial incentives, bonuses and recognition are separate and not added to employees' basic salary. Compensation can be described as direct and indirect compensation received by employees in an organization that serves to achieve employee satisfaction and retention and as well improve employee performance (Workforce, 2008). Direct compensation includes wages, salaries, bonuses or commission. Indirect compensation includes incentives, medical benefits, housing allowance, annual leave allowances and training opportunities (Osibanjo et al., 2014).

Employees are the organization's key resource and the success or failure of the organization is centered on the ability of the employers to attract, retain, and reward appropriately talented and competent employees. Employees' willingness to stay on the job largely depends on compensation packages of the organization. In an attempt to ensure employees optimal performance and retention, organizations need to consider a variety of appropriate ways to reward the employees to get the desired results. It has been argued that the degree to which employees are satisfied with their job and their readiness to remain in an organization is based on the compensation packages and reward system of the Organization (Nawab and Bhatti, 2011). In both developed and developing countries, there have been several job satisfaction studies of which very few of them have been focused on the job satisfaction and retention of employees in relation to the compensation packages delivered by the Organization. Non-financial compensation comprises compensation stemming from the work environment such as social status, the pride of the employees and a pleasant working environment. Awards given to employees are intended to enable employees succeed in implementing the opportunity to develop their own creative power to job duties, obligations and responsibilities (DeNissi and Graffin, 2001). This was useful for employees in order to enable them work towards achieving maximum results as expected. The award was given for the success of employees who can develop the power of creativity to the task of a good job. Progress in promotion is strengthened by a shift from one position to another higher position accompanied with an increase in salary or wages and other rights. Another compensation which is supplementary according to Khan (2012) is categorized into four as payment of wages for time not worked (time of benefit), period of rest, providing a break in the execution of the work, productivity can be increased.

Compensation Management is again one of the most complex and dynamic issues in the field of human resource management. For an organization to achieve its stated objectives, there is the need to effectively manage the human resources aspect of the organization, taken into cognizance one of the core aspect of resource management known as compensation management. The ability of a manager to achieve its stated objectives to a large extent depends on the effective implementation of compensational packages in order to motivate the subordinates and employees within and beyond their expectation. Compensation Management plays a crucial and functional role because it is the heart beat of human resource management. It is also vital to both employees and the employer. This is because employees typically depend on wages and salaries, and must be equivalent to the work done. (DeNissi and Graffin, 2001). However, to managers, compensation decisions influence the cost of doing business and thus, their ability to sell at a competitive price in the product market (Boateng, 2010). It is an obvious fact that effective implementation of favorable compensation management will not only aid in stabilizing and retaining employees but also helps in reducing labor turnover within the organization. Employees' compensation can be seen as all forms of financial returns and tangible benefits that employees receive as part of an employment relationship. It can be referred to as the totality of the financial and non-financial rewards an employee receives in return for his/her labor or services (Ibojo et al., 2014). Compensation management refers to the process of establishing the structure of wages level for the various positions designing incentive systems, setting individual wages and incentives within the established structures. It is an integral part of human resources management that affects the performance of employees because it establishes the degree of relationship between employer and the employee.

The study sought to determine the importance of compensation packages, the types of compensation packages adopted, the perception of employees concerning compensation package and to examine the challenges associated with the compensation by the employees of the banks. The outcome of this paper is expected to benefit many stakeholders including commercial banks, academicians, businesses and government. The commercial banking sector may benefit from the study because it may highlight the problem bankers face due to compensation packages design to enhance employees' performance. The results of the study may also help academic researchers who may be interested in doing further research in the same area of study. The findings of the study may also benefit business as to how compensation packages can aid an organization achieve its objective. This study may make several contributions to both knowledge building and practice improvement in compensation packages practices and employees satisfaction.

2. LITERATURE REVIEW

2.1 Definition of Compensation

Milkovich (2008), asserted compensation refers to all forms of monetary returns and tangible services and benefits employees receive as part of an employment relationship. Ghazanfar et al (2012), also defines compensation as "the combination of all cash incentives that an employee received from a company which constitutes an individual's total compensation." Mikovich and Ojo, (2006) refers to compensation as a wide range of monetary and non-monetary rewards given to employees in exchange for their services rendered to the organisation. Compensation is one of the physical needs that influence motivation which in turn affect employees' performance (Chabra, 2001). Compensation includes the financial returns to the services rendered by employees as part of employment relationships. It is a form of rewards that flow to employees arising from their employment (DeNissi and Griffin, 2001). However, the level and magnitude of compensation should be of concern because the level of compensation will determine the lifestyle, self-esteem, and the value of the company (Dessler, 2011). Armstrong (2008), was of the view that compensation is a tool that may be used to appeal, preserve, motivate and satisfy employees. This comprehends every single investment that an organization makes in its employees and everything its people value in the employment relationship. Compensation and reward practice are drifts of events that regulate the level, forms and disparities of monetary rewards, marginal benefits and non-monetary rewards received by each worker of the organization.

2.2 Types of Compensation

Employee performance and efficiency can be extensively reduced if good Compensation Packages is absent. According to Gerhart, Minkoff and Olsen, (1995) the absent of good Compensation Packages will result in low job satisfaction, a feeling of underappreciated leading to discontent among co-workers and thereby affecting workplace moral and high turnover as low reward and effort ratio can make employees lose incentives and look elsewhere. Employee turnover are known to bring heavy cost to the organization in terms of recruiting new employees, retraining, relocating and time. The battle for talent therefore can only be won through good Compensation Packages. The types of compensation adopted by organizations to improve on the performance of employees. Dessler (2011), asserted that compensation can be divided into 2 forms namely direct and indirect compensation.

2.2.1 Direct compensation

Dessler (2005) explained that direct compensation is usually limited to the direct cash benefits that the employees receive on monthly, bi-monthly or weekly basis for the services they render as employees of a particular organization. It could also be in the form of stock bonus compensation, where employees of the organization are given the opportunity to own shares in the organization they work for and at the end of every year they have the opportunity again to gain some divided in the form of equity on their shares. This is also referred to as Executive stock options (ESO).

2.2.2 Indirect compensation

Dessler (2011), refers to Indirect Compensation as the indirect monetary and non-monetary payments workers receive for continuing their work with the company which are an important part of every employee’s compensation. Other terminology such as incentives, employee services, supplementary compensation and supplementary pay are used. According to Armstrong (2008) Indirect Compensation or Employee benefits are elements of remuneration given in addition to the various forms of cash pay. They also include items that are not strictly remuneration such as annual holidays. Management uses it ostensibly to facilitate its recruitment effort or influence the potential of employees coming to work for a company, influence their stay or create greater commitment, raise morale, reduce absenteeism in general and improve the strength of the organization by instituting a comprehensive programme in this area (Chabra, 2001). The basic purpose of incentives or supplementary compensation is to attract and maintain efficient human resources and to motivate them.

2.3 Employees Perception of Compensation

Employees' perceptions about compensation in an organization can be very different from reality. How individuals regard, interpret or understand compensation is often based upon individual sources of information (or misinformation), personal biases, rumors and just plain lack of knowledge and silence from leaders can perpetuate misconceptions and add to confusion around compensation and rewards. So why do many organizations take the ostrich approach and bury their head in the sand instead of acknowledging and addressing these perceptions. The only way to increase employees' understanding of pay practices is to ask, listen and be prepared to explain. Focus groups, exit interviews, surveys and even simply keeping an ear to the ground are great ways to learn how employees view compensation practices in your organization (Workforce, 2008). The value employees give to the compensation and benefit package have an influence on human resources outcomes namely, performance, productivity, satisfaction, retention, and attraction. With an increasingly educated workforce who desire more information about pay and benefit practices, it will be essential to communicate far more effectively than today and effective understanding and acceptance of compensation policies lead employees to contribute their maximum effort for the achievement of organizational objectives. When setting pay rates, compensation managers must take into consideration the employees' perception of fair, equitable compensation. The work contributes to emerging industry level perspective by investigating the relationship between the compensation and benefit package available and employee's perception, help the government in establishing wage control and guidelines and eases the mediating activity between organizations and the labour union representing the employees (Noe et al., 1996).

2.4 Employee Performance

The management of individual performance within organizations has traditionally centered on assessing performance and allocating reward, with effective performance seen as the result of the interaction between individual ability and motivation. It is increasingly being recognized that planning and an enabling environment have a critical effect on individual performance, with performance goals and standards, appropriate resources, guidance and support from the managers all being central (Torrington, Hall & Stephen, 2008). Human resource policies and practices indeed do affect organizational as well as individual performance. Job satisfaction for example, has for a long time been seen as a key to affecting business performance as well as commitment. In addition, researchers have also identified motivation as the mediating mechanism and some identify trust and morale. In spite of more recent attention to commitment, motivation is still considered to be an important influence to performance (Torrington et al, 2008). Employee are the important part of any organization increasing the performance they can be motivated through financial and non- financial benefits they can designing that you can says that composition is reward which is receiving by the employee to show their performance. Employee concentrated pay or wages and similar to non-monetary exchange for the employee performance (Holt, 1993). Good organization are maintain to design and enable the organizations to attract the highly skilled and qualified employee retain and motivation towards objective and goals achieve and most employee getting is pay (Decenzo and Robbins,1999).If the employee free that they have not getting good salary they cooking for better employee dissatisfaction with the compensation towards goal attainment towards goals done to be lower .Dissatisfied employee increasing the turnover, Absents am and poor metal health (Torrington et al., 2008).

2.5 Relating Compensation and Employee Performance

It has been observed that there is a strong correlation between compensation and employee and organizational performance. For example, Widmier (2002) stated that when employees feel their efforts are appreciated and the company introduced a system of fair compensation and satisfaction, the company has optimized the motivation. By encouraging employee’s motivation to work there will be increased employee performance. Boateng (2010), indicated that every behaviour has a certain consequence, whether compensation or punishment. If an employee behaves in a certain way, then he/she will get certain results. This is the description of the expectation-achievement-acquisition, and each acquisition has a valence or value to the person concerned.

Acquisitions can be either financial compensation or non-financial or other things that have different values to different people. If this compensation value is used to motivate, the employee will direct the effort to achieve a high level of performance (Widmier, 2002). Rewards have been shown to motivate performance when certain conditions exist. Individuals are best motivated when they believe that the behaviour will lead to certain outcomes that are attractive and that performance at a desired level is possible. Motivation therefore best explains element of reward and the effect it has on performance. This study will be based on the following motivational theory. Vroom suggested that individuals will choose behaviours they believe will result in the achievement of specific outcomes they value. In deciding how much effort to put into work behaviour, individuals are likely to consider three things; valence, instrumentality and expectancy. Research has proven that when human being are appreciated and praised they tend to improve their performance. This is another way an organization can apply as a reward so as to improve performance (Choong and Wong, 2011).

2.6 Conceptual Framework for the Study

The conceptual framework for this considered all potential dynamics from both literature and observations to develop dependent, independent and mediating variables for both descriptive and inferential analysis. The dependent variable is employee work performance whereas the independent variables are the various components of compensation (Work force, 2008).

Compensation packages

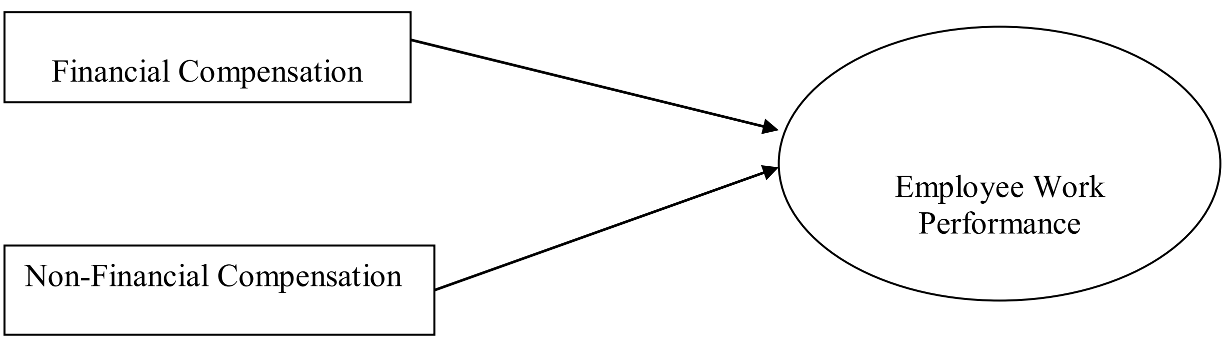

Figure 1: Conceptual Framework for Relationship Between Compensation and Employee Performance

Compensation is one of the most powerful tools used to enhance organizational performance. Effective compensation as a tool is used to attract, motivate and retain employees. Employee's willingness to stay on the job depends on the compensation offered basically, employee work performance is determined by both personal characteristics and job characteristics. These characteristics together form both financial and non-financial compensation. Compensation factor the study considers consist of all the cash and non-cash items including base pay, commissions, overtime payment, profit sharing, bonuses, stock, recognition, opportunity for advancement, professional growth, satisfaction with salary and benefits, presence of core values and job security. (Workforce, 2008). Conversely some employees will be satisfied with the little meagre salary and the direct compensation they receive, whilst other employees will be dissatisfied with this money but may be satisfied with the kind of environment in which they work, responsibility and recognition accord to them and the benefits they receive in relation to vacation, meals allowance, holidays this then has a positive bearing on job satisfaction making employees happier and healthy leading to an increase in productivity. Therefore, in designing compensation for organisation it must include both monetary and non-monetary items for employees to strive harder to achieve organisational goals. It is obvious that when compensation is fairly manage and made available to all employess, the propensity to impact on employees' performance or get employees to do more of what they are doing.

3. METHODS

This paper applies descripto-exploratory and stratified sampling technique. A sample of 100 respondents were selected for the study using stratified sampling. The respondents were drawn from all the six branches (Bonso Nkwanta, Enchi, GREL Apemanim, Sefwi Essam, Sefwi Wiawso and Takoradi) of the bank. The formula which shows the relation between the total population and the sample size is shown below and this was used as indicated by Table 1 below to determine the actual sample (Krejcie & Morgan, 2008). The formulae used in determing the actual sample is shown below as:

$$n_n = \left(\frac{\mathrm{n}}{N}\right) N_n$$

Where

$n_n = sample from\ a\ stratum\ n$

$N_n = size\ of\ a\ stratum\ n$

$N = total\ population$

$n = sampl\ size$

Table 1: Sample of Population

Branches	**Population (N)**	**Sample size (n)**	(%)	**Sample from Stratum (N_n)**
Bonso Nkwanta	15	0.132	13.0	13
Enchi	17	0.149	14.9	15
GREL Apemanim	16	0.140	14.0	14
Sefwi Essam	19	0.166	15.6	17
Sefwi Wiawso	21	0.184	18.4	18
Takoradi	26	0.228	22.8	23
Total	**114**			**100**

The researcher arrived at a sample size of 100 out of a population of 114 from the six (6) branches from the use of the formula. For example the number of employees selected at the Takoradi branch of the bank is given as $\frac{26}{114} \times 100 = 22.81 \equiv 23$. These 23 were then selected with the help of nominal roll from the branch manager.

4. RESULTS AND DISCUSSION

A reliabilit test using Cronbach Alpha; resulting in a reliability coefficient of 0.928 which is above the recommended minimum of 0.7 (Santos & Reynolds, 1999) was conducted on all 46 items (variables) used in the study (see Table 1).

Table 2: Reliability Test

N	%	Cronbach's Alpha	Number of Items
110	100	0.928	46

It can be inferred from Table 2 that variables assigned for the study were about 93% reliable to be used for descriptive-exploratory analysis of the study. The study achieved a response rate of 96% indicating an appreciable response rate. In relation to the the educational qualification of the respondents 44% were first degree holders, followed by 38% who reported as HND holders, 12% were masters holders, whiles 7% indicated other certificates. The result reflects the nature of the business operated by the institution. In terms of the position held in the bank, 36% out of the total respondents were tellers or customer service representatives, 27% posited back-office staff, 18% reported as Agric finance officers, operations/credit officers were 14% whilst 5% were branch managers. In view of the number of years worked, respondents were skewed towards 6-10 years. This accounted for 40% out of the total employees. 33% however, indicated they have been working for 1-5 years, 20% indicated 6-10 years whilst 7% put forward they have been in the service for more than 20 years.

The results show that motivation to employees comes first amongst the importance of compensation as affirmed by 86.4% of the employees. 83% out of the respondents (employees) were of the view that compensation encourages employees to work hard, followed by bonus giving as reported by 80%. Also, 76% embraced retention of employees whilst the least 50% asserted to enhance organizational image. The reported multiple response counts presented in Table 3 shows the extent to which respondents embrace or attached importance to compensation.

Table 3: Importance of Compensation

Importance	Responses N	Responses Percent	Percent of Cases
1. Retention of employees	83	17.40	75.66
2. Motivation of employees	95	19.92	86.36
3. To encourage employees to work hard	91	19.10	82.72
4. To help employees meet basic needs	65	13.60	59.10
5. To enhance organization's image	55	11.53	50.00
6. Bonus giving	88	18.45	80.00
Total	**477**	**100**	**433.74**

Dichotomy group tabulated at value 1.

In an organisation the driving force behind every human activity is compensation. The results on Table 3 is consistent with Noe et al. (1996) who maintained that management uses compensation to motivate employees to raise their moral, improve the strength of the organization and to retain employees. The results on Table 3 also reinforce argument by Noe et al (1996), which according to them the importance of compensation is to maintain and attract efficient employees and to motivate them.

Table 4a: Types of Financial Compensation

S/N	Statement/Item Financial compensation	Rating SD	 D	 N	 A	 SA	MRV
1	I am satisfied with my salary and benefits.	0 (0%)	30 (27.3%)	0 (0%)	60 (54.5%)	20 (18.2%)	3.632
2	Bonuses are paid to hardworking employees.	0 (0%)	5 (4.5%)	5 (4.5%)	65 (59%)	35 (32%)	3.785
3	Commissions are used as additional compensation package to enticed employees of the bank	0 (0%)	5 (4.5)	0 (0%)	75 (68.2%)	30 (27.3%)	3.971
4	Incentives are given to exceptional employees of the bank	0 (0%)	0 (0%)	0 (0%)	84 (76.4%)	26 (23.6%)	4.434

An assessment on the types of compensation involved a set of statement which the respondents were asked to indicate the extent to which they agree or disagree. The findings in Table 4a show that respondents were generally satisfied with the salary and benefits provided by the bank as noted by about 73% of the respondents and confirmed by a mean response value of 3.632 out of 5. In relation to non-financial compensation, respondents embraced agree and strongly agree to the various statement/items. For instance, I am given a due recognition for my work at the bank accounted for agree (65.5%) and strongly agree (35.5%). Also about 73% posited strongly agree to the statement: I work in a pleasant work environment whilst the remaining 27% indicated agree.

This is in support of Workforce (2008) who postulated that compensation consist of all the cash and non-cash items including base pay, commissions, overtime payment, profit sharing, bonuses, stock, recognition, opportunity for advancement, professional growth, satisfaction with salary and benefits, presence of core values and job security (see Table 4b).

Table 4b: Types of Non-Financial Compensation

S/N	Statement/Item	Rating					MRV
	Non-financial compensation	**SD**	**D**	**N**	**A**	**SA**	
1	I am giving due recognition for my work at the bank	0 (0%)	0 (0%)	0 (0%)	72 (65.5%)	38 (34.5%)	4.105
2	My work itself is interesting and challenging at the bank	0 (0%)	0 (0%)	0 (0%)	89 (81%)	21 (19%)	4.52
3	My advancement (promotion) on the current job is satisfactory at the bank	0 (0%)	25 (22.7%)	0 (0%)	65 (59.1%)	20 (18.2%)	3.779
4	I work in a pleasant work environment	0 (0%)	0 (0%)	0 (0%)	30 (27.3%)	80 (72.7%)	4.634
5	The bank has an attractive healthcare policy for its employees	0 (0%)	0 (0%)	0 (0%)	75 (68.2%)	35 (31.8%)	4.215

There was a general satisfaction with all aspect of financial compensation and non-financial compensation with respect to the types of compensation as demonstrated by a high mean response value ranging from 3.62 to 4.634 out of a total score of 5. Chabra (2001) established that when Compensation Packages are fairly made available to employees it has the propensity to impact on employee's performance or get employees do more of what they are doing or expected to do.

Employee’s willingness to stay on the job mainly depends on the compensation packages of the organization.

Dessler (2011) also posited that compensation can be divided into two types, namely financial compensation and non-financial compensation. He indicated that financial compensation consists of direct financial compensation and indirect financial compensation. Direct financial compensation consists of salary, wages, bonuses and commissions. Mikovich and Newman, (2008) also referred to compensation as a wide range of monetary and non-monetary rewards given to employees in exchange for their services rendered.

Table 5 presents perception of employees concerning compensation, most respondents emphasized the organization motivates employees with better remuneration 86.4). Also, all the respondents noted the existing reward system is applicable to all the employees in the organization. More than 90% out of the total respondents suggested the existing compensation system in the organization is enough to influence the performance of the employees. The statement: additional inputs of the employees get rewarded by the organization was emphasized by more than 80% of the respondents as they endorsed agree. It was also observed that employees affirmed to the fact that the salary received by staff meet the immediate needs of the staff. About 93% were of the respondents were of the view that promotions system in the organization affects the morale of the employees. These were demonstrated by a high mean scores all above 3.9 out of the total score of 5.

Table 5: Employees Perception Concerning Compensation

S/N	Statement/Item	Rating					MRV
		SD	D	N	A	SA	
1	The organization motivates employees with better remuneration	0 (0%)	10 (9.1%)	5 (4.5%)	75 (68.2%)	20 (18.2%)	3.922
2	The existing reward system is applicable to all the employees in the organization	0 (0%)	0 (0%)	0 (0%)	80 (72.7%)	30 (27.3%)	4.321
3	The existing compensation system in the organization is enough to influence the performance of the employees.	0 (0%)	10 (9.1%)	0 (0%)	70 (63.6%)	30 (27.3%)	4.137
4	Additional inputs of the employees get rewarded by the organization.	0 (0%)	10 (9.1%)	5 (4.5%)	65 (59.1)	30 (27.3%)	4.105
5	The salary received by staff meets the immediate needs of the staff	0 (0%)	0 (0%)	0 (0%)	77 (70%)	33 (30%)	4.235
6	Promotion system in the organization affects the morale of the employees.	0 (0%)	0 (0%)	8 (7.3%)	72 (65.4)	30 (27.3)	4.109
7	The reward system in the organization is poorer than what operates in other organizations	0 (0%)	80 (72.7%)	20 (18.2%)	10 (49.1%)	0 (0%)	2.141

Employees' perceptions about compensation in an organization can be very different from reality. How individuals regard, interpret or understand compensation is often based upon individual sources of information, lack of knowledge and silence from leaders can perpetuate misconceptions and add to confusion around compensation and rewards as indicated by DeNissi and Griffin (2001). Perception of employees concerning compensation, established that organization motivates employees with better remuneration and reward and this concise with statement made by Aguinis, (2007) and DeNissi and Griffin (2001) that if an individual is assessing whether one is being fairly compensated, the first step will be to compare oneself to another individual who is deemed comparable. If the individual decides that one compares well with his peer, then the individual will be more likely to view the pay as fair. However, if the individual does not compare well, or if there isn't enough information to do a comparison, the individual will attend to additional information to inform an opinion.

Relationship Between Compensation and Employee's Performance

The level of employee's performance of the bank was determined relative to their satisfaction with the compensation packages. The main impetus for this study has been the supposition that compensation packages affect employee's performance. The postulation is that these compensation packages when fairly provided have the propensity to impact on employees' performance or get employees to do more of what they are expected to do or more of what they are doing (see Table 6).

Table 6: Relationship between Compensation and Employee's Performance

Statement/Item	MRV	SD
1. The extent to which the bank takes care of your taxes	3.85	0.927
2. The extent to which you are given your base pay	3.83	0.931
3. The extent to which the bank prepares for your retirement	3. 82	0.935
4. The extent to which you are paid housing allowance	3.72	0.957
5. The extent to which you are insured (insurance), e.g. risk/injury insurance	3.57	0.973
6. The extent to which the bank takes care of your medical expenses	3.54	0.982
7. The extent to which you are paid travel and meal allowance	3.41	0.994
8. The extent to which you are paid bonuses at workplace	3.01	1.146
9. The extent to which you are paid commissions in workplace	2.96	1.217
10. The extent to which you are given overtime pay	2.91	1.225
11. The extent to which you are paid base on merit (merit pay)	2.74	1.307
12. The extent to which the bank takes care of your vacation and leave	2.71	1.373
13. The manner in which profit sharing is done in the bank	2.23	1.436

Results on Table 6 shows that there is a direct relationship between the mean score and the standard deviation for employees' performance with tax relief (MRV = 3.85; SD = 0.927); satisfaction with base pay (MRV = 3.83; SD = 0.931). Satisfaction with retirement (MRV = 3.82; SD = 0.935) and through to satisfaction with commission with travel and meal allowance (MRV = 3.41; SD = 0.994). The results also showed that employees were to some extent dissatisfied with their bonuses at workplace, commission in workplace, overtime pay, paid on base merit, vacation and leave and profit sharing is done with the bank as they produced a relatively low mean response value and a corresponding higher standard deviation. Based on the results, it can however be inferred that compensation affects performance of employees (see Table 6).

This is in consistent with Widmier (2002) who posited that if employees feel their efforts are been appreciated and the company introduced a system of fair compensation and satisfaction, the company has optimized motivation. By encouraging employee's motivation to work, there would be an increase in employee performance. Widmier (2002) stated that if employees feel their efforts are been appreciated and the company introduced a system of fair compensation and satisfaction, the company has optimized motivation. By encouraging employee's motivation to work, there would be an increase in employee performance. According to Armstrong (2008), management practices concerning reward systems relate to both the kind of rewards offered to employees for their services and the manner in which such rewards are administered in performance contingent manner. Management practices related to reward are critical in determining the level of employees' performance. Because organization structures indirectly affect the commitment and morale of employees through authority patterns and leadership styles, they have implications for employee performance in an organization.

When managers take time to meet and recognize employees who have performed well, it plays a big role in enhancing employees' performance (Torrington & Hall, 2006). Organizations should reward employees more often. This greatly improves performance compared to having the rewards maybe only once a year. This is because frequent rewards are easily linked to the performance. (Thomson & Rampton, 2003). Another way through which organizations can use reward systems to increase output is by personalizing the reward. When rewards tend to be so general, employees do not value them. Organizations can use rewards to improve employee performance by incorporating appraisal or promotion for employees who have a good record of performance.

5. CONCLUSION

The result for this study have planned the link between compensation and performance of employees. Employees usually do not have the full knowledge of their entitlement when it comes to compensation and this could be as a result of their employer's not providing them with the relevant policy manuals on compensation to read and educate themselves or their inability in reading or requesting for those manuals when they are provided for them. This can be attributed to this lack of awareness of the compensation package for the employees to get abreast with the totality of policies and compensation packages. It has been found out that management's problem in dealing with some of the industrial unrests that plagued many institutions bank could have turned out different if the employees were well abreast and educated on the policies on managing their compensation and also if there were effective communication lines established between managers and employees

According to the findings from this study, a good number of compensation packages were received by the employees of the bank. These include but not limited to base pay, tax reliefs, medical expenses, anticipated retirement package, free health insurance, housing allowance, travel and meal allowance, vacation and leave allowances and bonuses, merit pay and profit sharing which they hardly ever receive. As a result, the employees of the bank were some how satisfied with these compensation packages. The study further shows that employees satisfaction with these compensation packages had a positive effect on their performance. Management of the banks adopts both financial (salary, benefits in the form of cash, bonuses and fringe benefit) compensation and non-financial (recognition of work done and working in a pleasant environment) compensation to motivate employees to raise their moral, improve the strength of the organization and to maintain and attract efficient employees. Employees of the bank perceived the existing compensation system in the bank as being adequate to influence the employee's performance as the bank motivates employees with better remuneration and salary to cater for the needs of all employees within the organization. There is a strong direct relationship between compensation and employee's performance, thus as the working conditions of employees becomes better, the more their performances also improve to ensure the growth and development of the bank. The main goal of fulfilling this study was to establish a link between compensation and performance of employees at bank and to establish a link between compensation and performance with the motivation that huge awareness will be created by management of the bank, stakeholders and board of directors to understand that employee compensation, when fairly designed, lead to increased job satisfaction and employee performance.

Ways of Improving Compensation Packages at the Bank

As a growing bank, it makes sense to develop an improved compensational packages or mounts strategies to develop the compensational packages of the organization. Employees however suggested that the two main ways by which compensation packages can be improved were: performance based on promotions: when employees understand that the only way they can earn more is to perform, they are generally motivated to give out their best to enhance the growth of an institution.

Recognition awards: employees thrive in a work environment when there is a frequent feedback and praises from their employers or superiors they are generally motivated to give out their best to help improve organizational performance. Educational funding: giving employees the tools and resources to develop themselves by achieving industrial certification and degrees can help to elevate the quality of work produced and provide a meaningful career and incentives that is recognized by all. Supple and collective work option was also posited by employees as a tool for improving compensation. Employees are looking for ways to improve their work-life balance, therefore offering the ability to work a flexible schedule or from a collaborative environment can be viewed as major plus and help organizations improved their recruitment and retention rates extremely.

Corporate wellness program: a healthy work environment means a productive environment. When employees are given the resources to maintain health at the workplace, they tend to make an effort to be more aware of their personal health. Studies have proven that corporate wellness programs are used to boost compensation strategies and eventually help reduced many health related cost to the institution.

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