

# NON-MONETARY COMPENSATION AND EMPLOYEES' PERFORMANCE IN THE TRANSMISSION COMPANY OF NIGERIA, ABUJA

## Abstract

The aim of this study is to examine the effect of non-monetary compensation on employees performance in the transmission company of Nigeria. Man is generally perceived as an economic man, as his economic well being is what fuels his desire to give his best for the growth and sustainability of his organisation. Over the years employees have persistently clamoured for better remuneration, thereby leading to agitation between employee union and management. This article identified employee recognition, promotion, praise and office environment as constructs for measuring non-monetary compensation in this study. Through the use of a structured questionnaire, data was collected from a sample size of 214 respondents. Data was analysed using regression analysis via the statistical package of social sciences (SPSS). Findings from the study showed that Praise (PR) = .78-0.63, Promotion (PRT) = .78-0.9, Employee Recognition (ER) = .78-0.24 and Office Environment (OE) = .78-0.14 all have a significant effect on employees performance in the transmission company of Nigeria. The study recommends other non-monetary compensation packages like shopping vouchers, praise dinners and trophies in order to boost productivity in the organisation.

Keywords: Monetary Compensation, Employees Performance, Non-Monetary, Employee Recognition

## Introduction

“The subject compensation is not of recent origin, according to accounts from several literatures, workers’ compensation traces back to about 2050 B.C., when King Uria in ancient Sumeria made a law for financial compensation for injury to workers’ body parts, inclusive of fracture” (ILO, 2020). “In recent history, the most remarkable events in modern workers' compensation occurred in Germany, under the Prussia Chancellor, Otto von Bismarck. His first intervention was the Employers' Liability Law of 1871 which provided limited social protection to workers in

certain factories, quarries, railroads, and mines. Later he pushed further for workers' accident insurance in 1884, the first social insurance in the world. Few years later, public pension insurance was enacted providing a stipend for workers incapacitated due to non-job-related illnesses and public aid providing a safety net for those who were never able to work due to disability” (ILO 2020).

“In the United States of America, the first comprehensive workers compensation law was passed in the two states, Wisconsin and Mississippi in 1911, and 1948. These laws require employers to provide medical and wage replacement benefits for injured workers” (Insureon, 2019). “Nigeria enacted the employee compensation act 2010. This act provides for the payment of compensation to all employees both in the public and private sector except members of the armed forces. It mandates all employers to contribute to the 1% of the total monthly payroll into the compensation fund and entitles all employees to claim compensation for occupational diseases and injuries sustained from an accident at the workplace or during employment” (Resolution law firm, 2021).

The foregoing historical account, displayed the classical perspectives of compensation that sees compensation as reparation for injury suffered by workers in cause of performing their duties. Meanwhile, modern HRM scholars have viewed compensation from the modern neoliberal perspectives. In their view, compensation is the reward received by employees in return for their contribution to the organisation, which can be qualified as direct, indirect and non-financial compensation. Although non-financial compensation appears to be the least popular. It has been argued by scholars that perhaps due to the intangible nature of nonfinancial compensation,

employees might not notice, even when it has been given. Attempts have been made by scholars to explain some of its import to include; job design, the working atmosphere, career improvement, training, cooperation and also acknowledgment.

### **Statement of the Problem**

Studies have effectively brought to the fore arguments on the effect of compensation on employee's productivity. They have argued exhaustively on the constraints and perennial problems associated with compensation management in most organisations. These scholars argued with much emphasis on the inability of many organisations to implement compensation policies that provides for good and equitable remuneration, strategies of ensuring good compensation management, theories of compensation management, and types, policies that improves productivity and efficiency (Mangale, 2017; Chiekezie, Emejulu, and Nwanneka, 2017; Okwudili and Ogbu, 2017; Yen, Chen and Liu, 2014; Uwimpuhwe, Mushabe, and Kajugoro, 2018). But undoubtedly, no attention has been paid to issues of nonfinancial compensation in the Transmission company of Nigeria. Non-monetary compensation has been described as any types of reward given to an employee besides money, that include; creative awards, opportunities for growth, development opportunities, employee recognition, and work life balance benefits. To this end the objective of this study is to investigate non-financial benefits and performance in the Transmission Company of Nigeria using recognition, promotion, praise and Office environment as proxies.

## **Objective of the study**

The main objective of the study is to determine the effect of non-monetary compensation on employee performance in the Transmission Company of Nigeria. The following hypotheses were deduced

## **Research Hypotheses**

- i. H<sub>01</sub>: Praise has no significant effect on performance in the Transmission Company of Nigeria
- ii. H<sub>02</sub>: Promotion has no significant effect on performance in Transmission Company of Nigeria
- iii. H<sub>03</sub>: Employee recognition has no significant effect on performance in Transmission Company of Nigeria
- iv. H<sub>04</sub>: Office environment has no significant effect on performance in Transmission Company of Nigeria

## **Literature Review**

### **Non-Monetary compensation**

Discussions regarding non-monetary compensation appear to be very scanty as not many literatures are available to juxtapose it import, on like direct and indirect compensation. Although scholars like George & Rastogi, (2007); Mangale (2017) have attempted “to elucidate

some of its import to include; job design, the working atmosphere, career improvement, training, cooperation and also acknowledgment. They also clarified that job design can demonstrate a very good role in encouraging the worker by planning the tasks in a manner that are curiously and challenging as well. A systematically planned work can increase the worker morale and motivation by making monotony and work redundancy less”.

In a clearer explanation, Adeyika and Etim, (2020) described “non-monetary compensation as any compensation awarded to an employee in a non-cash form”. In practical terms, it means a trip awarded to “Salesperson of the Month,” where the award has a value but is not paid out as additional cash to their paycheck (Indeed Careers, 2023). “However, the modern workplace provides many other types of non-monetary rewards, whose total value may be less evident to employees at first glance. In simple term, non-monetary compensation is anything rewarded to an employee beside money” (Ijazi and Khan, 2013). “This can include a variety of creative awards, opportunities for growth, development opportunities, employee recognition, and work life balance benefits” (Narsee, 2012). “Most full-time positions include health and wellness benefits”(Narsee, 2012). “These usually come as insurance benefit that takes care of medical, dental, and visual issues” (Indeed Careers, 2023). “Some employers may include retirement plans”(Yavuz, 2004). “These are particularly valuable when the employer matches their employee's contribution”(Yavuz, 2004). “Larger companies may include income replacement plans in cases of short-term disability, long-term disability, or employee compensation pay” (Indeed Careers, 2023). “Other benefits a company might consider are: pension, tuition reimbursement, child care benefits, pet insurance, company’s parties and off-site events, use of company vehicles, paid business trips” (Indeed Careers, 2023 ; Oigbochie, Obera &Mba, 2023).

## **Types of Non-Monetary Compensation**

The types of non-monetary compensation, identified and discussed in this study includes; employee recognition, promotion, praise and office environment.

### **Employee Recognition**

Employee's recognition usually takes the form of awards and public acknowledgment of major career milestones. They recognise employees who invest considerably more time in their positions. Awards vary from celebratory meals to gift certificates. There are many different types of recognition awards, like peer-to-peer awards, above and beyond performance rewards, employee of the month awards or team of the month awards. Rajapaksa et.al, (2019) stated that Employee recognition is a powerful and effective form of incentive that can contribute to the overall success and morale of a workplace. Recognizing and appreciating employees for their hard work and achievements can have numerous positive impacts on both individuals and the organisation as a whole. Recognizing employees' efforts and achievements reinforces a positive work environment, boosting morale and motivation. Recognized employees are more likely to stay with the company, reducing turnover and the associated costs of hiring and training new staff. Recognition serves as positive reinforcement, encouraging employees to maintain or improve their performance. Recognition programs can inspire healthy competition among employees, driving them to excel in their roles.

### **Promotion**

Employee promotion can be a powerful tool for motivation within an organisation. Promotion acknowledges and rewards an employee's hard work, dedication, and achievements (Yavuz,

2004). It's a tangible recognition of their skills and contributions to the organisation, which provide employees with opportunities for career growth and development (Bird & Frug, 2019). Promotions often come with salary increases and additional benefits. Hence the prospect of financial rewards can be a strong motivator, as it not only recognizes an employee's efforts but also improves their overall quality of life (Bird & Frug, 2019). It's essential to note that promotions should be fair, transparent, and based on merit to maintain a positive and motivating impact. A well-structured and communicated promotion system can contribute significantly to creating a motivated and high-performing workforce.

### **Praise**

Employee praise is a powerful and positive tool for motivation in the workplace. Recognition and acknowledgment of employees' efforts and achievements contribute to a positive work environment, increased job satisfaction, and improved overall productivity (Schildberg-Hörisch & Wagner, 2020). Genuine praise and recognition boost employees' morale and make them feel valued (Yavuz, 2004). When employees feel appreciated, they are more likely to be engaged and committed to their work. Regular acknowledgment of a job well done helps employees feel a sense of accomplishment and satisfaction in their roles. This satisfaction can lead to higher job retention rates. When employees receive praise for their efforts, they are more likely to repeat those behaviours or go above and beyond to achieve similar results in the future. Studies have shown that employees who feel appreciated and valued are less likely to seek employment elsewhere. This can result in lower turnover rates, saving the organisation time and resources associated with hiring and training new staff. Motivated and satisfied employees tend to be more

productive (Schildberg-Hörisch & Wagner, 2020). By recognizing and praising their contributions, you create an environment that encourages hard work and dedication.

### **Office Environment**

Creating a positive and motivating office environment is crucial for boosting employee morale, productivity, and overall job satisfaction. By Providing ergonomic furniture and comfortable seating to enhance physical well-being, ensuring proper lighting and ventilation for a pleasant atmosphere, offering flexible work hours or remote work options when feasible and implementing a hybrid work model that allows employees to balance their professional and personal lives (López, Sicilia & Verlegh, 2022). Organisations are able to create a conducive work environment for their employees to thrive, by creating collaborative and social spaces where employees can interact and build relationships, arranging social events, team-building activities, and outings to promote a sense of community and belonging, as well as ensuring that employees have access to up-to-date technology and tools that make their jobs easier is essential (López, Sicilia & Verlegh, 2022).

### **Theoretical Framework**

The expectancy theory is a motivation theory first proposed in the Yale school of management by Victor Rooms in 1964. The expectancy theory was developed by him through his study of the motivation behind decision making. The expectancy theory has three components; expectancy, instrumentality and valence. Expectancy is the belief that one's effort will result in the attainment of desired performance goals. Usually based on individual past experience, self-confidence (self-efficacy) and the perceived difficulty of performance standard or goals. Instrumentality is the belief that a person will receive a reward if the performance expectation is

met. This reward may present itself in the form of a pay increase, promotion, recognition or sense of accomplishment. Instrumentality is low, when the reward for all performance is the same for all performance given. Valence is the value an individual places on the rewards of an outcome, which is based on their needs, goals, values and sources of motivation. Influential factors include one value, needs, goals, preference and source that strengthen their motivation for a particular outcome. Valence is characterised by the extent to which a person values a given outcome or reward. This is not the actual level of satisfaction, rather the expected satisfaction of a given outcome. Valence refers to the actual value an individual places on the reward.

“Critics of the theory have argued that the simplicity of expectancy theory is deceptive because it assumes that if an employer makes a reward enticing enough employees will increase their productivity to obtain reward. Which works only when the employee believes the reward is beneficial to their immediate needs. For instance, a promotion that provides higher status but requires longer hours may be a deterrent to any employee who values evening and weekend time with their children” (Graen 1969; Lawler 1971; Lawler and Porter 1968).

In spite of the forgoing criticisms, the theory still finds its relevance in today’s organisations, where employers are increasingly becoming demanding of their employees, with regard to improving their productivity, most times without commensurate reward, which is most times attributed to the grim economic realities of today, where major economies are slowing down due to wars, pandemics, and climate change. Employees are equally becoming demanding of their employers, to grant them commensurate rewards for performance and sustaining the same. According to Lawler and Suttle n.d, “people make the decision to act in a certain way based on their idea of the expected result”. The core of the theory is that “the motivation for behaviour

selection is determined by the desirability of the outcome”. In other words, the expectancy theory is based on the findings that people make the decisions based on what they expect the action result (Sánchez & Sahuquillo, 2017).

## **Methodology**

The primary method used to gather the data for this study was observation of primary and secondary data sources, specifically questionnaires and interviews. The qualitative method was used to gather documentary evidence, such as official records, books, journals, magazines, online sources, newspapers, and other relevant written records. The respondents were surveyed using a structured questionnaire, commonly referred to as a fixed response questionnaire. The implementation of a fixed response questionnaire allowed for easier data processing and calculation of the instrument's validity and reliability indices. The primary data collection methods used in this study were survey questionnaires and documentary studies. The study extracted responses from 214 respondents who are staff of the transmission company Nigeria, in order to assess the extent of implementation of direct financial compensation. The constructs used for this study are employee recognition, promotion, praise and office environment. Data for this study was analysed using regression analysis.

## **Data Presentation and Analysis**

### **Regression Analysis**

#### **Table 1. Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.721 <sup>a</sup>	.749	.746	.39946

a. Predictors: (Constant), PR, PRT, ERG, OE

**Table 2. Results of ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	213.184	4	53.296	333.999	.000 <sup>b</sup>
	Residual	37.977	238	.160		
	Total	251.161	242			

a. Dependent Variable: IMS

b. Predictors: (Constant), PR, PRT, ERG, OE

**Table 3. Results and correlation Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-.039	.095		-.405	.686
	PR	-.396	.100	-.383	-3.950	.000
	PRT	.793	.054	.725	14.814	.000
	ERG	.496	.164	.444	3.021	.003
	OE	.170	.117	.149	1.453	.002

a. Dependent Variable: IMS

The model summary values in the table above revealed,  $R = 0.721$  which is the correlation indices of non-monetary compensation on implementation strategy in the transmission company of Nigeria. This implies that non-monetary compensation (independent variable) which was

measured using the proxies praise, promotion, employee recognition and office environment correlated with implementation strategy (dependent variable). The estimate of the strength of this relationship is revealed in the  $R^2=0.749$  termed the "coefficient of determination which indicates the proportion of variance in the implementation strategy that is accounted for by non-monetary compensation.

The  $R^2$  of 0.749 is suggesting that about 74.9% of the variability of the implementation strategy can be "explained" by the relationship with non-monetary compensation. Only just 25.1% of the variability is yet unexplained, suggesting that there must be 1 or more other relevant factors that are related to implementation strategy.

Also in this table is the ANOVA table, which reports how well the regression equation fits the data (i.e., predicts the dependent variable). This table indicates that the regression model significantly predicts the dependent variable. The  $p < 0.05$  and indicates that, overall, the regression model statistically significantly predicts the outcome variable at  $R=0.721$ ,  $R^2=0.749$ ,  $f(4,242) = 333.999$ ,  $p < 0.05$ . This implies that non-monetary compensation has a significant influence on performance.

The Coefficients table shows the required statistics to forecast changes in implementation strategy from non-monetary compensation, and also determine if non-monetary compensation contributes statistically to the model. The values in the "B" column under the "Unstandardized Coefficients" column revealed that implementation strategy =  $0.039+0.396+0.793+0.496+0.170$  (praise, promotion, employee recognition and office environment).

**Decision:** the level of significance below 0.05 connotes a statistical confidence of above 95%. Therefore, non-monetary compensation has a significant effect on employee's performance. This means that the null hypotheses (Ho) were rejected and the alternate hypotheses were accepted.

### **Discussion of Findings**

The study findings show that employees who are recognised for their efforts will significantly improve performance. Thus respondents also confirmed that promotion as and when due has a significant effect on employees performance. Respondents strongly believed that a conducive working environment for staff will also transcend to improved performance. The findings of this study reflects the view of Ichniowski, Shaw & Prennushi, (1997); Gomez-Mejia, Balkin and Cardy (2004); Parker, (1990); (Falola et al., 2014) and Osibanjo et al., (2012) were they opined that the degree to which employees are satisfied with their job and their readiness to remain in an organisation is a function of compensation packages and reward system of the Organization. Armstrong, (2003) explains that Employees' willingness to stay on the job largely depends on compensation packages of the organisation. The study has shown that in an attempt to ensure employees optimal performance and retention, organisations need to consider a variety of appropriate ways to reward the employees to get the desired results (Falola et al., 2014).

### **Conclusion**

The very essence of establishing public organisation is for the efficient delivery of public services, premised on rapid socio-political and economic transformation of a society. Over the

year's most public organisations in Nigeria have fallen below expectations, thereby leading to public outcry about their inability to meet basic expectations. However, with the ever-growing criticism of the opaque and slow nature of government activity, attention has been shifted to the lack of capacity by government officials. For a while now government officials, mostly civil servants, seldom complained of poor compensation, which they consider to be quite demotivating and uninspiring. For instance, this study showcased that recognition, promotion, praise, and office environment informs non-financial compensation will have a significant effect on employee's performance in the Transmission company of Nigeria. In the foregoing regards, it has become quite auspicious for the government to ensure that compensatory issues in terms of non-financial compensation are given adequate attention in order to stem the unwholesome tide of inefficiency in the Transmission Company of Nigeria.

### **Recommendations**

The findings of this study contain some important policy implications that can be drawn for compensation packages in the Transmission Company of Nigeria. The policy implications can also be generalised in other public sector organisations in Nigeria. The Policy implications are presented in respect to each of the objectives stated in this study.

Rewards for employee recognition like shopping vouchers, praise dinners and trophies should not be premised on as the main motivators for employee productivity. A conducive working environment with sufficient seating space, proper lighting and due promotions should be facilitated for effective employee productivity.

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