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THE REWARDS AND COMPENSATION OF WORKERS IN CONSUMER GOODS MANUFACTURING FIRMS IN PORT HARCOURT

EBERE UHEGBU
REG. NO.: MBA/2000/OP/0687

IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF MBA DEGREE IN MANAGEMENT UNIVERSITY OF NIGERIA NSUKKA

JULY, 2002
Ethere Uhegbu a Post graduate student of the Department of Management with Registration Number MBA/2000/OIP/0687 has satisfactorily completed the requirements of the course and research work for the award of Masters Degree in Business Administration.

The work embodied in this report is original and has not been submitted in part or full for any other Diploma or Degree of this or any other University.

Chief P.C. Unamka
Supervisor

Dr. U.J.F. Ewurrum
Head of Department
DEDICATION

This project is dedicated to God Almighty for all His goodness and to my family for their wonderful support and care.
ACKNOWLEDGEMENT

I wish to express my warm and hearty appreciation to all the people who have in one way or the other made this study a success.

My profound gratitude goes to my supervisor, Chief Uzoma who guided and helped me all through the period of this study.

I am grateful to all the management and staff of those selected manufacturing firms, who provided the necessary data for this study.

Also special thanks goes to Mr. Newman Enyiokwu, who participated fully in carrying out the research work.

Also to all my friends Chinmaye Onwukwe, Meduna Ikem and my friends at Bonny.

I am highly indebted to my husband Uhegbu and my children for their sacrifices and contributions throughout the period of this study. In all, to Almighty God be the glory.

Ebere Uhegbu
ABSTRACT

This study focused on Rewards and compensation of workers in Consumer Goods Manufacturing firms in Port Harcourt.

The study generated the data for the research analysis and discussions within the framework of 95 respondents from 25 Consumer Goods Manufacturing Firms. The answers from the 95 relevant respondents were analysed and tested through the use of statistical tools such as tables, ratios, percentages, scaling, ranking, frequency distribution and chi-square.

The study has basically found that Consumer Goods Manufacturing Firms used such rewards and compensation plans as: straight salary packages, commission, combination of salary/commission, various allowances of housing, accommodation, medical, transportation bonuses, fringe benefits, payment of gratuity and pension schemes. The problems encountered in utilizing these compensation/rewards arrangements include: lack of fund, managers static attitude to change, prevailing wage rate, productivity level of the organisation.
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CHAPTER ONE

1.1 BACKGROUND TO THE STUDY

The economies of the underdeveloped countries of the world are too fragile, erratic and rooted on certain threshold of (some sectors and) activities within their environment. Nigeria, like any other developing nation, has her economic survived highly dependent on the activities of commercial and industrial establishments within the environment. The element responsible for propelling the industrial organisation into productive ventures is the labour. Labourers or employees who work in organisations have been separated from other means of livelihood and are obliged to sell their labour power to the industrialists and business organisers so that they can get compensation and rewards based on their contributions to the organisation.

The concern for reward system/compensation in industrial/manufacturing organisation underscores the importance of human factor in the accomplishment of organisational goals. Labour inputs are vital to every organisation given the significant influence which workers have on corporate effectiveness. With this understanding, it becomes imperative that employees in consumer goods manufacturing firms should be adequately rewarded/compensated for their productive
efforts. The idea of rewarding desired behaviour is very important as it helps to improve work performance. The reward compensation may take the form of promotion, increment in salary, commission, bonus, medical care, public recognition or personal praise.

The need for effective compensation and reward system that would ginger the workforce in an organisation is increasingly necessary because most workers cannot perform willingly without being induced financially. Chester Benard (1938:84) has observed that:

If all those who may be considered potential contributors to an organisation are arranged in order of willingness to serve it, the scale gradually descends from possibly to zero willingness to intense unwillingness or position of hatred. The preponderance of persons in a modern society always lies on the negative side with reference to any existing or potential organisation.

This startling revelation contains more truth than most of the people will admit. In any case without adequate instruments (compensation and rewards system) to motivate workers, performance would decrease and productivity will not be optimal. The managers of organisations should be able to design and encourage reward systems and compensation plans that can induce/energise workers to contribute their quota adequately in the workplace.

The most important asset to organisations is not the amount of money they have in hand, building and modern equipment rather the company's most prized resources are the people working in it. In fact
organisation, which is a going-concern, is people. Money, and material resources in the organisation cannot exist without individuals and, the quality and effectiveness of the organisation is dependent upon the calibre of people who make it up. It is clear that no good thing comes easily so it is with workforce. In order to maintain a quantity labour force the organisation would need to evolve and design the best rewards/compensation plans that can attract the best materials in the labour market. In as much as there are other factors that affect the selection of credible, qualitative and productive employees, the key determinant to achieving a fit in this objective is finance. This is where reward systems and compensation plans come to play. The rewards systems equally help to sustain and increase the performance of employees if properly adopted. This study seeks to examine the Rewards/Compensation instruments of consumer goods manufacturing firms in Port Harcourt.

1.2 STATEMENT OF THE PROBLEM

The need to maintain a high level of performance in consumer goods manufacturing companies in order to achieve the corporate objectives of these companies cannot be over emphasized. The achievement of high productivity or project goal of a firm does not come by chance, but through well tailored and articulated efforts by the management of the organisation through effective and efficient use of the
workforce. This involves designing workable and result-oriented compensation plans and reward systems that motivate employees to contribute their quota in the firm satisfactorily.

There are various types of rewards and compensation instruments that are available for progressive organisations to use in reinforcement of workers. The Consumer Goods Manufacturing Firms are in dire need of the best reward systems that could ginger their workers to perform at optimal level for the betterment of the organisation.

Understandably it is evident that compensation/rewards systems have significant impact on the way workers contribute their quotas in the companies they work. To a large extent there is positive relationship between the performance of an employee and the totality of the pay packages he receives.

However, problems persist that prevent the managers of industries from using the required compensation and reward instruments to achieve the motivational objective of their organisation. The identification of compensation/reward instruments that are effective to be used by consumer goods manufacturing firms and the problems preventing same is of paramount importance to this study.
1.3 PURPOSE OF THE STUDY

Any organisation that wants to succeed must as a matter of necessity design and evolve rewards and compensation plans that will make the workforce happy to perform their duties satisfactorily. Consumer goods manufacturing firms are very essential organisations in the society, so their successful operations have significant impact on the ultimate users of the products, which they manufacture. Therefore, this study attempts to look into how the rewards and compensation of workers are affected in consumer goods manufacturing firms in Port Harcourt. In line with this, the study is guided by the following objectives:

1. To examine the various rewards and compensation strategies available to the consumer goods manufacturing firms.
2. To determine the extent to which the reward/compensation system are used in the consumer goods manufacturing firms.
3. To find out the relationship between adequate/effective rewards/compensation instruments and workers performance.
4. To find out whether consumer goods manufacturing firms use rewards/compensation to motivate their workers.
5. To identify the problems binding the effective use of rewards system/compensation instruments in consumer goods manufacturing companies.

1.4 RESEARCH QUESTION

The following research questions have been addressed in this study:

i) What types of rewards and compensation instruments do the workers in consumer goods manufacturing firms seek?

ii) To what extent do the consumer goods manufacturing firms use the identified rewards and compensation plans?

iii) What are the effects of the use of adequate/effective rewards/compensation instruments on the workers performance?

iv) What are the factors inhibiting the effective use of the rewards/compensation instruments by the consumer goods manufacturing firms?

1.5 RESEARCH HYPOTHESES

As earlier indicated this study is concerned with the examination of the rewards and compensation of workers in consumer goods manufacturing firms in Port Harcourt. Certain tentative statements have been made concerning the assumptions of the study. Accordingly, the following null hypotheses have been tested in this study:
Ho: There is no significant relationship between the rewards/compensation instruments and workers performance in the consumer goods manufacturing firms.

Ho: There is no significant relationship between the motivation of workers and the type of compensation/rewards plans used by the studied firms.

Ho: There is no significant relationship between the growth profile/size of the studied firms and the type of their rewards/compensation plans.

16 SIGNIFICANCE OF THE STUDY

Consumer Goods manufacturing Firms shall aim at satisfy their workers and as well meet the needs and wants of their customers. To achieve these, there should be adequate rewards and compensation instruments that could be used by managers to stimulate the workforce so that they can optimize their performance leading to the increasing of organisational productivity.

A study of this kind has become necessary because it will provide empirical for the proper use of compensation plans and reward system in consumer goods manufacturing firms. The study shall also be of tremendous help to business practitioners, managers, students and scholars as well as organizations to develop their compensation and reward systems that can effectively motivate the workforce.
The study will equally be of great use of companies, employees and all the stakeholders in consumer Goods Manufacturing Firms and other similar businesses.

It is also of invaluable importance to assess the structure and degree at which the involved labour hour is appreciated compensation/reward wise. This study shall be of significance in this regard. In addition, the study shall contribute to the development of knowledge in this area.

1.7 SCOPE AND LIMITATION OF THE STUDY

The study focuses on the rewards and compensation of workers in consumer Goods Manufacturing firms in Port Harcourt. The scope of this study is limited to the consumer good manufacturing Firms in Port Harcourt. Even though the study could have been done to cater for the entire consumer goods manufacturing firms in Nigeria, it is quite impossible to achieve this because of certain constraints. Such constraints as financial resources, time, skills/efforts and non-cooperating attitude of some of the respondents imposed certain limitation on the study.
1.8 DEFINITION OF TERMS

Compensation: The provision to some or something with a balancing effect for some loss or something lacking, to make a suitable payment for some loss. It includes monetary and non-monetary compensation (Onyeche, 1992)

Industry: A combination of firms engaged in production of goods and services performing similar functions.

Plan: A carefully considered arrangement for carrying out some future activities. Laid down guide for an activity toward objective achievement.

Motivation: Drive and efforts to satisfy a want, need and goal.

Motives: The drives, desires, needs, wishes and similar forces that channel human behaviour towards goals.

Policy: Course of action directing affairs. Or a convention or principle for objective implementation.

Remuneration: The payment of or reward for engaging someone's activity, it is usually monetary.
CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter deals with the conceptual framework on motivation, compensation and various reward systems in an organisation. The chapter covers such sub-topics as: Significant factors affecting Compensation Policy, Compensation and Motivation, Conceptual Framework on Motivation, Compensation based on Job, Compensation and financial plans for the workforce, Compensation Management, Problems in implementing wage/salary and incentive schemes, Performance and Reward.

2.2 SIGNIFICANT FACTORS AFFECTING COMPENSATION POLICY

Though a considerable amount of guesswork and negotiation are involved in salary administration certain factors have been extorted as having important bearing upon the final Naira decision. Among these factors are:

1. Supply and demand for employee skills
2. Labour organisations
3. The firm's ability
4. Productivity of the firm and the economy
5. Cost of living and
Each of these will be adequately articulated in order to demonstrate the exceedingly complex nature of compensation. Perhaps on realisation of these complexities will lead to a greater appreciation and acceptance of monetary job evaluation, despite its arbitrariness and scientific failings.

SUPPLY AND DEMAND

Pippo (1982) argued that the mechanical approach toward personnel, is not completely correct, it is nevertheless true that a wage is a price for the services of a human being. He went on to argue that the firm desires these services, and it must pay a price that will bring the supply, which is controlled by the individual workers or by a group of workers acting in concert. The primary practical result of the operation of this law of supply and demand is the creation of the going-wage rate. This simple statement of the effect that the demand and supply of labour have on wages sets its complexity. It is not practicable to draw demand and supply curves for each joined in an organisation, even though theoretically a separate curve for each job exists. But in general, if anything works to decrease the supply of labour such as restriction by a particular labour union, there will be tendencies to increase the compensation in anything work, to increase the employers' demand for labour, such as war time prosperity, there will be a tendency to increase the compensation. The reverse of each situation is likely to result in a
decrease in employee compensation, provided other factors such as those discussed do not intervene.

Glueck (1982) stressed that the final external factor affecting compensation is the state of the labour market. Although, some feel that forces such as the supply and demand should regulate human labour, it is difficult to ignore labour market pressures. In times of full employment, wages and salaries may have to be higher to attract and retain enough qualified employees in depression, the reverse may be true. Pay may be higher if few skilled employees are available in the job market this may be because unions or accrediting associates limit the number certified to the job. Or it may be true because of recent increase in the demand for skills, while the supply has not had time or been face to catch up.

Labour Organisations.

Ivancic and Glueck (1983) have the view that labour unions have a great influence on employer’s compensation programme. Unions have effect whether or not the organisation employees are unionised, if it is in an area where unionised enterprises exist. For unions have tended to be pacesetters in demands for any benefits and working conditions. There is reasonable evidence that unions tend to increase pay levels, although this is more likely where an industry has been organised by strong unions. If the organisation elects to stay in an area where unions are strong its compensation policies will be affected. The most recent is
the 2002 where Nigerian Labour Union has been demanding for 25% increase in pay compensation package of workers (Akwaowo, 2002).

Series of legal matters have required employees to share compensation information with the unions if employees are unionised.

For example, in Shell Development, an Association of Industrial Scientist - Professional employees USA, Shell was required to provide the union with a written explanation of salary curves and the merit systems as well as copies of current salary curve guides and other necessary compensation policies of the company (Onyeuche, 1992).

Unions do try to bargain for higher pay and benefits. The union is more likely to increase the compensation of its members when the organisation is financially and competitively strong and the union is financially strong enough to support a strike, unions and when generally economic and labour market conditions are such that unemployment is low and the economy is strong. They also bargain over working conditions and other policies that affect compensation. There is a tendency for unions to prefer fixed pay for each job category to commissions. Unions press for time pay rather than merit pay when the amount of performance expected is tied to technology - such as the assembly line (Ellig, 1977).

In the structure of economic relationships, the labour union attempts to work primarily on the supply side. In a strike for higher
wages, the employer’s demand for labour to reach a market need is pitted against a supply withheld by the union.

Union leaders are often very adept in selecting the appropriate time to strike as judged by the markets for the employers (Flippo, 1982) produces.

To strengthen their control over the supply of labour, unions seek such goals as regulated and restricted substitution of capital for labour through technology, and controlled entry into apprenticeship programs. All of these activities serve to restrict the number of alternatives open to the employer who must see that other groups beside labour are properly compensated. All compensations must come from products sold in a market, which is usually competitive in nature. Inequitable compensation to any or all will create trouble in maintaining the health of the organization. The increase in the strength of labour union is due, in part to the fact that the employee’s interest had not been receiving attention equal to that given to other components of the enterprise.
THE FIRM'S ABILITY TO PAY

Labour unions have often demanded an increase in administration on the basis that the firm is prosperous and able to pay.

Filippa (1983) said that the fundamental determinants of the wage rate for the individual firm issue from supply and demand. If the firm is marginal and cannot afford to pay competitive rates, its employer will generally leave it for better paying jobs. Admittedly, this adjustment is neither immediate nor perfect because of problems of labour immobility and lack of perfect knowledge of alternatives. If the firm is highly successful, there is little need to pay for more than the competitive rate to obtain personnel. Such a firm, however, may choose to adopt a policy of paying above the competitive rate in order to attract a superior calibre of personnel. If firms in general are prosperous and able to pay, the tendency is to bid up the price of labour as a whole.

ECONOMIC CONDITIONS AND COMPENSATION

The economic conditions of the industry affect compensation plans, especially the degree of competitiveness. Certain industries are more profitable than others at any one time, which is after related to the degree of competitiveness in the industry. The more competitive the situation, the less able is the organisation to pay higher wages. Ability to pay is also a consequence of the relative productivity, which can be increased by advanced technology, more efficient operating methods, hardworking
or a more efficient labor force or combination of these factors, (Ivancevich and Glueck 1984).

Beginning with the famous General Motors contract with the United Automobile Workers (UAW) in 1949, Fippo (1983) argued that much attention has been paid to the effect of general productivity increases in the economy upon the specific compensation of huge aggregation of employees. In the battle against inflation, representatives of the federal government have attempted to use computed productivity gains as guidelines in the settlement of wage disputes between management and unions. The average annual productivity increased in the United States recently (Belza, 1985).

Productivity advances in services are more difficult to effect than in manufacturing. Though some have hailed the widespread use of productivity index as a major break drawback to its use. Among these are:

i) There is no precise and accurate measure of productivity acceptable to all.

ii) The reported percent increases are generally a long-term average and are not achieved each year.

iii) Not all industries participate equally in productivity gain, and
iv) Use of any index does not materially reduce controversy in bargaining, since the index is used as the book fro which to bargain.

COST OF LIVING

Another formula hailed by many as the answer to compensation arrangement is the cost of living adjustment of wages. Among the problems encouraged by this approach include:

i) Cost of living formula will indicate what the base compensation should be but merely indicates how that should vary.

ii) This approach tends to vary monetary income but freezes real income, a result with which is yet content, and

iii) As in the case of productivity indices, there are certain measurement problems in ascertaining the cost of living increases.

The consumer price index of the bureau of labour statistics is widely accepted and followed by many employers and labour organisations (Enyolo, 2000). Cost of living adjustment of compensation constitutes no fundamental solution to equitable compensation of employees. It is useful as a stop gap device in times of inflation when labour is pressed to keep up with the rise in prices. It is an essential
ingredient of long-term labour contracts unless provision is made to reopen the wage clause periodically.

GOVERNMENT

The varying levels of government often have very specific things to say about wages and salaries despite the theoretical and nebulous nature of equitable compensation. There are, at least, three major federal laws, which deal directly with the subject of compensation. The Workmen compensation Act, the labour Act etc. Most of these laws apply to enterprises engaged in interstate commerce and industry with gross annual volumes of sales, at least half a million (Onyeuche, 1982).

Employees assigned to executive, administrative and professional positions are usually excluded from coverage by most of these Acts. Labour organisation constantly press for increases in the minimum wage, decreases in the standard work hour, and increases in the penalty for overtime hours, all in the interest of increasing total compensation for labour. In addition to these three acts, there are numerous state laws specifying minimum wages. Usually these rates are lower than those placed in federal legislation. It can also be contended that the federal government is instrumental in salary determination through its insistence upon collective bargaining with organised labour as required by Wagner and Taft Hartley Acts (Gathie, 1974).
2.3 COMPENSATION AND MOTIVATION

Compensation is no longer recognised as the prime motivator for senior staff. An appreciation of the factors of motivation is important to every manager, and helps to set compensation in the right perspective. It is still very important that the level of pay for executive should be appropriate for the role he plays. Appropriate that is, in relation to the market value of his services, for his effectiveness in his job, and for the rate in the environment in which he operates. If the pay level is out of line, the executive likely to feel distributed and to allow his dissatisfaction to influence other factors. But pay will only be significant if it is out of line. It does not lead to positive motivation simply by being right, although an effective salary policy, which responds strongly to individual achievement, can provide this, (Lawless, 1972).

The positive motivators are factors like job satisfaction and being able to take credit for one's successes. If these are not present or of the organisation style restricts satisfactions then it is unlikely that high salary will offset these to a lasting extent. Opportunity to advance career (and salary in parallel) is a further major motivator and a deeper sense of compensation. Whenever an individual has or expects to acquire the ability and know-how to advance his career, the opportunity to take the next step up is a positive spur.
In contrast, opportunity to earn a bonus by the achievement of specific targets does not have a great deal of incentive value. The professional manager who reckons that he is working at full strength all the time because his jobs are satisfying does not feel that he has researches to pull out to achieve these objectives, (Ajiona, 1978). He may equally know that success or failure which these targets is not wholly in his hands. Then is salary compensation plan a motivator or potential dissatisfaction? As affecter of job attributes, salary has more potency as a job dissatisfaction than as a job satisfier, (Herzberg, 1959). Investigating the apparent conflict in motivational research findings (Herzberg, 1959) maintained that much of the confusion was to their being two separate group of factors. The first of these groups consisted of factors with the potential to motivate positively. The second group appeared to have the potential to dissatisfy they would not positively motivate. He placed salary in this second category but added a number of comments linking salary to factors in the first list.

The factors (Herzberg, 1959), identified that can motivate positively include some of the non-monetary compensation factors, such as:

Achievement: The personal satisfaction of completing a job and seeing the result of ones efforts

Recognition: of a job well done - the personal accomplishment.
Work itself: the actual contact of the job and the satisfaction from doing that work.

Responsibility: Related to individual control over the work, and the authority to do what the individual considers necessary.

Advancement: The aspect of a job providing opportunity for actual change upwards (which links closely with recognition)

Growth: The opportunity in a job to acquire new skill and in turn increases the possibility of advancement.

The second group of factors, sometimes called 'hygiene or good housekeeping' factors, which do not fall within the environment; they are:

- Company Policy and Administration
- Supervision
- Interpersonal Relationship
- Working conditions
- Security etc.

In essence a full policy of compensation is a motivational instinct in a firm.

2.4 MOTIVATION (CONCEPTUAL FRAME WORK)

Many theories of individuals' motivation to work have been advanced in order to understand how a manager motivates his subordinates behave in a way that will move the organisation towards
achieving its objectives. We need to understand what motivation is in the first place. One can say that motivation is desire to satisfy needs. In order to satisfy these needs the person will have to take certain actions. Management task is to show workers how they can satisfy their needs by working jointly to achieve the organisational objectives. Hence the need for motivation.

Scott and Mitchell (1972) in Opobiri (1993) see motivation as a function, which a manager performs in order to, get his subordinates to achieve job objectives. Thus the question of what motivates workers to perform effectively is not an easy one to answer. This is because, at any given point in time, people vary in the extent to which they are willing to direct their energies towards the attainment of organisational goals (Vroom and Deci, 1977). Before giving the full meaning of motivation, Borelson and Steiner (1964, P.240) have endeavoured to define motive thus: “an inner state that energises, activates or moves (hence motivation), and that directs or channels behaviour towards goals”.

Generally, the differing views about motivation led to a number of conclusions listed fewer than three categories by Ivancevic et al (1976) as cited by Opobiri (1993: 19):

a) The analysis of motivation should concentrate on factors that arose or incite person’s activities
b) Motivation is process oriented, and concerns choice direction and goals.

c) Motivation also concerns how behaviour is started, sustained or stopped and what kind of subjective reaction is present in the person while this is going on.

In analysing most organisational theories of motivation, it is discovered that motivation is anything, which causes, channels and sustains people’s behaviour. It could be anything that compels, propels and energises an individual to behave in a particular way.

Any force that affects or influences a person’s performance level (Bernard, 1936)

Stoner (1978) in his study argues that motivation is not the only influence on a person’s performance level. He emphasizes that two other factors influence how a person performs in a given situation. These factors are the individuals’ abilities and the individuals’ understanding of what behaviours are necessary to achieve high performance known as role perception. The following equation shows how the three mentioned factors relate to performance.

Performance = f (motivation, ability, role perception)

According to Kouhyz et al. (1960) motivation is a general term applying to the entire classes of drives, desires, needs, wishes and similar forces. In this order, to say that managers motivate their
subordinates is to say that they do those things which they hope will satisfy these drives and desires and induce the subordinate to act in a desired manner.

In the same vein, motivation could mean the entire gamut of class of incentives and benefits packaged by a company to induce or stimulate the workforce perform effectively and efficiently. It could equally be defined in another dimension indicating that motivation comprises such variables as the existence of felt needs, the perceived probability that the needs will be met the leadership style and management attitude motivation can be typologised into two approaches, to indicate that.

Those approaches that intend to specify and codify drives that motivate people are seen as AROUSAL while the approaches that describe individual choice of behaviour are termed CHOICE THEORIES (Johnnie, 1997). This can be seen schematically in figure 2.1 below.

Figure 2.1 THEORIES OF MOTIVATION

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<th>Individual motives</th>
<th>Need Classification System</th>
<th>Choice</th>
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<td>2. Achievement</td>
<td>2. ERG theory</td>
<td>2. Equity theory</td>
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Source: Johnnie (1972)
As highlighted by Kotter, 1980, there are two main sources of motivation to work. One is the job as an end in itself and the other is the end towards which the job provides the means. These leads to the concept of intrinsic and extrinsic satisfaction.

i) **Intrinsic Satisfaction:** means deriving satisfaction of one's needs from the worker itself.

ii) **Extrinsic satisfaction:** means deriving satisfaction of one's needs by using work as a means of an end. It is also something termed instrumental approach.

Work provides us with money and money enables us to obtain satisfaction, and this process is called the content theory or model of motivation.

Figure 2.2 shows a content theory/model of motivation as adopted by Johnnie (1997, p. 2).
From the diagram in figure 2.2 we can see that when one has a need, that need will give rise to a drive, the drive activates and gives rise for person to take certain action to quench the need. When the need is satisfied, satisfaction takes place as contentment to desire need. In this connection Koontz et al (1980) further elucidated how motivation could be looked at. The process involves a chain reaction, starting out with self need, resulting in wants or goals sought which give rise to tensions (meaning unfulfilment desires) then causing action toward achieving goals, and finally satisfying wants. This chain is shown below in figure 2.3.
From Figure 2.3 above, we can see a more comprehensive chain reaction explanation of motivation. Needs are rise to wants which cause tensions to rise and these result in actions that finally lead to satisfaction.

2.5 COMPENSATION BASED ON JOB

One of the most difficult functions of personnel management is that of determination of the wage or salary rate. It is one of the most significant to both the organisation because wages and salaries often constitute the greatest simple cost of doing business.

As far as the organisation is concerned employee compensation programmes are designed to do three things:
To attract capable employees to the organisation,

To motivate employees toward superior performance, and

To retain their services over an extended period of time (Geilberman, 1968).

To many workers (if not all) what is derivable from job is what will attract them, retain them, inspire them and stop them from engaging in other jobs. Good compensation policy portrays a suitable equivalence of a justified input of labour hours. The favourable justification of the labour hour input is the most cherished of all labourers. The employee-to-be sees a company with good compensation policy as a gold mine with investing potentialities. In the rush of grabbing the few positions, a thorough screening will be made as to get out the best of them all. In the bid, employees of other firm may want the advantage of the favourable policy, thereby joining for the position. By so doing employees are attracted to such organisation with good compensation programmes. Compensation includes both salary and non-salary (non-monetary) rewards. Maslow (1954) insists that a good compensation that should be effective in the organisation should be programmed based on human hierarchy of needs (physiological, security, social, self esteem and self actualisation).
A good compensation scheme is one which radiates good incentives for motivating employees.

In whatever way incentives come, the bottom line is that, they should motivate employees towards good performance that will eventually lead to the achievement of organisational objectives (Eretoru, 2000).

The major reason why people work is to earn money in order to solve their financial problems. Where it is to be that no money is paid for a job, no body would have loved to do any work because people hate work naturally (Gelferman, 1968). This assertion is supported by McGregor (1966) in his theory X when he says that people hate work ordinarily and they would avoid it if they can. People change jobs mainly because of the money involved in a given job. If an employee thinks that there are flaws or inequities in pay scales serious moral and personal problem result therefrom. This is particularly true if the pay scale is lower than that of similar job with similar firm.

Consequently, a firm should give serious attention to its compensation plan to ensure that it is not a source of employees dissatisfaction and that it positively contributes to motivation, moral
boosting and direction of selling efforts towards/achievement of company objectives.

Employees as fair should perceive the compensation. For compensation plan to act as a motivator, it should be flexible enough to take into account differences in territory that make up one person’s selling job much more different from others. It should be flexible enough to reward outstanding performance that is not tied directly into the compensation plan. Sufficient flexibility should be built in that a period of recession may affect the sales force output.

According to Okwandum (1997) the compensation plan can be the major factor in stimulating or motivating one employee to maximum sales output. Rewards in the form of increased compensation for higher production (or whatever other factors are deemed important) can be a poorly spur. Also Barry and Henry (1981) observed that if a compensation plan is well designed to fit the nature of tasks, and company objectives, it would not only encourage the people to work harder but also direct their efforts towards profitable markets/increased productivity.

Various compensation plans and incentives exist for motivation of workers. They differ from industry to industry. These main types worthy
of note include straight salary, straight commission and combination plans. The combination plan is further subdivided as follows:

queeze Salary and commission
queeze Salary and bonus
queeze Salary and guaranteed drawing account
queeze Salary, commission and bonus
queeze Commission and bonus.

2.6.1 STRAIGHT SALARY

Straight salary is a direct monetary reward paid for performing certain duties over a period of time. The amount of payment is much related to the time rather than to the work accomplishment (Stanton, 1981). A salary is a fixed guaranteed element in a pay plan in that as long as the man is on a given salary, he receives the same amount of money for each pay period regardless of any fluctuation in sales calls, or any other measure of productivity. A straight-line salary payment is a source of motivation to the work force. This is so because there is an assurance of steady pay and the worker in most cases prefers this. The plan has a major advantage of enabling the company to alter its duties assigned to employees without strong objection. It also leads to higher salesmen
morale and less turnover of workers. Equally, there might be higher profit without higher sales expenses experienced in period of boom. A major set back suffered the straight salary is that it does not present the worker with an incentive enough to do better than average (Stanton, 1982 and Eretoru, 2000)

2.6.2 STRAIGHT COMMISSION

The commission plan involves a regular payment calculated based on a given unit of performance. It is different from the salary payment because it is different from the salary payment because it is built on the actual performance or sales output at a given Nigerian time. On the average a worker on commission has a higher level of earnings than one in straight salary except under very poor business conditions.

The implications in adopting this plan are that, if there are no sales, the firm will not be subjected to expend anything, a just as increase in sales will automatically increase expenses. The sales force works harder in order to make more sales and in turn makes more money in reward.

A problem inherent in this plan is that the worker in most cases seems to be frustrated and disappointed since it does not provide for much job security. His moral drops when output drops. (Eretoru, 200)
2.6.3 COMBINATION PLAN

This method involves the integration of two or more approaches of
the compensation arrangement in the payment of the sales persons. As
earlier indicated the combination plan could consist of the following
methods:

- Salary and commission
- Salary and bonus
- Salary and guaranteed drawing account
- Salary, commission and bonus
- Commission and bonus.

Firms that apply this plan experience less salesmen turnover keep
control of their territories and customers and obtain full cooperation of the
sales people. They offer security, incentive and drive to sales people as
they enable them to perform their jobs exceptionally.

We wish to submit that no one compensation plan arrangement is
too good for application rather, the nature of the industry, products and
the people involved should be considered in designing a compensation
plan. The proper and effective use of compensation plan/financial
incentives involving all the ones highlighted from 2.5.1 to 2.5.3 help in stimulating and inducing the sales force to perform optimally.

2.7 THE REMUNERATION RIDDLE

A fundamental question faced by all companies in this era of spiraling wages, prices and government legislation is how much to pay salaried employees. Prior to the first wage freeze of 1942, U.S.A there was minimal concern with job evaluation, job pricing and the granting of salary increases based on explicit criteria. Since that time, the compensation area has experienced a revolution. The compensation manager of today according to Enyioko (2000) needs both a rear view mirror and a crystal ball to keep pace with current developments and to predict future developments in the area of compensation. The problems he currently faces include the following.

ELIMINATION PAY INEQUITIES TO MINIMISE DISSATISFACTION AND GRIEVANCES AMONG EMPLOYEES

An employee expects to receive a fair day's pay in return for a fair day's work. So much has been written concerning the proposition that money does not motivate that the contrary that insufficient money creates dissatisfaction is often forgotten. Additionally, an employee expects his wage to be equitable in relation to wages received by his fellow employees.
Salaries should be sufficient with respect to the skill level required, and they should be competitive with respect to the industry, other local employees and major economic trends. Employees must be paid sufficient salaries to minimize turnover. Annual salary surveys, such as those conducted by the Administrative Management Society, can provide the compensation manager information concerning current salary trends.

**CONDUCTING PERIODIC EMPLOYEE RATINGS TO PROVIDE THE BASIS FOR COMPARATIVE PERFORMANCE REWARDS**

Since employees experience dissatisfaction when a perceived salary inequity exists, salary differentials should be supported by objective appraisals published by the National Industrial Conference Board indicate that most companies use some type of performance appraisal programme to assist in salary determination. A periodic appraisal review enables the employee to know how well he is performing, and insures communication between supervisor and subordinate. If the employee is performing below expectations, he can take corrective action to improve his performance. The current trend toward the use of management by objectives (MBO) places considerable emphasis upon comparable performance within jobs, based on results achieved, and should if structured currently, allow for comparison among
employees. Regardless of the appraisal system used, the company needs one to assist in determining how much to pay.

In administering a successful appraisal system, some companies management have found that the periodic performance appraisal must be divorced from the men’s (pay) question. When performance and money are discussed simultaneously, the naira aspect obscures the effectiveness of the performance appraisal. Therefore, those management supports the administrative concept that a relatively short period of time should elapse between employee discussions concerning performance and pay; that is, salary adjustments should naturally follow performance trends (Flippo, 1984).

CONTROLLING LABOUR COSTS WITH RESPECT TO GAINS IN PRODUCTIVITY, GOVERNMENTAL ECONOMIC GUIDELINES AND GOVERNMENTAL SOCIAL LEGISLATION

Governmental wages guidelines are quickly becoming a “sign of the times”. But be it the old phase II standard of 5.5 percent, phase III, (all in USA) some future phase, or a company’s own budget constraints, aggregate labour costs must be controlled. Forecasts of additional government regulations, particularly in the fringe benefit areas, portend more complications when it comes to the question of how much can be paid.
In summary, the compensation manager must be both a Monday morning quarterback, keeping pace with trends and developments in the compensation area, and a crystal ball gazer, forecasting the future.

Consider, for example, a company presently employing 63 salaried personnel with an aggregate annual salary of N=20,000. The compensation manager wants to administer salary adjustments consistent with the criteria discussed previously, and in response to the latest employee evaluation.

Employees are classified in four grades (A,B,C and D with three performance levels (below Average (BA), Average (AVG), and superior (sup) possible within each grade. Employee summary statistics are maintained according to sex to facilitate measurement of sex discrimination. During the latest evaluation the enumeration of employees by category was as follows:
<table>
<thead>
<tr>
<th>GRADE 'A'</th>
<th>PERFORMANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BA</td>
</tr>
<tr>
<td>Female</td>
<td>2</td>
</tr>
<tr>
<td>Male</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GRADE 'B'</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>1</td>
</tr>
<tr>
<td>Male</td>
<td>2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GRADE 'C'</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>0</td>
</tr>
<tr>
<td>Male</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GRADE 'D'</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>0</td>
</tr>
<tr>
<td>Male</td>
<td>2</td>
</tr>
</tbody>
</table>

The first criterion is for the aggregate salary adjustment not to exceed the current government wage guideline at the time (say 5.5
Because of labour market conditions within the geographical area of the company, management desires to give the maximum salary adjustment possible without violating the guideline. If we let BAF represent the, as yet determined, increase for the below Average Performance level A-female, AAF represent the undetermined increase for the Average performing level A-female, etc., then the government guideline constraint may be expressed as follows: 

\[ 2 \cdot BAF + 4 \cdot SAF + \ldots + 4 \cdot SDM = N=1,000. \]

That is, the sum of each increase multiplied by the number of personnel receiving it must be less than or equal to \( N=1,100. \) (5.5\% of \( N=20,000 \)).

A second criterion is that employees not be discriminated against. (Sex is used in this example; as only one of multiple types of discrimination other than race, which could be considered). Since BAF represents the undetermined increase for the below average performing level A - female, BAM represents the undetermined increase for the below average performing level A - male, etc., discrimination will not occur if \( BAF = BAM, AAF = AAM, SAF = SAM, \) and \( SDF = SDM. \)

In this example there is one complicating factor concerning the problem of discrimination. A recent internal salary survey revealed that in the lowest grade, A, within the average and superior levels of performance, the salaries of females exceeded male by 2 and 4 percent.
respectively. In grade C the average salaries of males exceeded females by 1.3, and 4 percent in the below average, average and superior performance levels—respectively. As the compensation manager wants to eliminate these irregularities in the upcoming salary administration adjustment, five of the twelve equality relationships need to be modified. The following represents the fair current relationship desired. 1.02 AAF AAM, 1.04 SAF Sam, BCM 1.01 BCM, ACM 1.03 ACM and SCF 1.04 SCM.

To summarise the problem, the compensation manager, without violating any of the relationships described above, needs to determine maximum values for BAF, AAF, SAF, etc., certainly no easy task. Fortunately, this problem is easily solved through the computational capabilities of the computer.

The problem just described is in actuality what management scientists call a linear programming problem, and a relatively efficient algorithm (repetitive procedure) exists for solving it. The problem was solved in approximately seven seconds (with a corresponding cost of approximately $11 on a CDC 6600) yielding the following solutions:
<table>
<thead>
<tr>
<th>GRADE/PERFORMANCE LEVEL</th>
<th>ANNUAL SALARY FEMALE</th>
<th>INCRES MALE</th>
</tr>
</thead>
<tbody>
<tr>
<td>BA</td>
<td>N=447.55</td>
<td>N=447.55</td>
</tr>
<tr>
<td>AA</td>
<td>492.30</td>
<td>572.00</td>
</tr>
<tr>
<td>SA</td>
<td>562.11</td>
<td>522.96</td>
</tr>
<tr>
<td>BB</td>
<td>564.02</td>
<td>564.02</td>
</tr>
<tr>
<td>AS</td>
<td>560.42</td>
<td>620.42</td>
</tr>
<tr>
<td>SB</td>
<td>670.05</td>
<td>670.05</td>
</tr>
<tr>
<td>BC</td>
<td>690.29</td>
<td>683.45</td>
</tr>
<tr>
<td>AC</td>
<td>774.35</td>
<td>751.80</td>
</tr>
<tr>
<td>SC</td>
<td>844.42</td>
<td>811.54</td>
</tr>
<tr>
<td>BD</td>
<td>866.64</td>
<td>866.64</td>
</tr>
<tr>
<td>AD</td>
<td>993.04</td>
<td>993.04</td>
</tr>
<tr>
<td>SD</td>
<td>1,084.47</td>
<td>1,082.41</td>
</tr>
</tbody>
</table>

Differences due to the inequity adjustments.

The aggregate annual salary increase (is e.g. $45,510)

This method for solving several common salary administration problems assures that the following company objectives achieved.

41
TOP MANAGEMENT'S PHILOSOPHY CONCERNING SALARY:

In addition to desiring that all other salary-associated objectives are met, top management's paramount concern is with the aggregate cost of labour. This is the cost which must be reconciled with the other costs and revenue of the company. The method presented allows top management to express its desires concerning aggregate labour costs, and comparative levels of remuneration, without, in effect, dictating individual salaries (or adjustments). Although, the method does not guarantee the company a competitive position in the labour market, it provides a practical way to achieve labour market competitiveness at minimum cost. This can be accomplished by changing the aggregate level and/or the comparative levels of remuneration and resolving problem. Thus, top management's community image with respect to salaries paid can be routinely maintained.

EQUITABLE INTERNAL SALARY STRUCTURE BASED PRIMARILY ON PERFORMANCE

If a company has what employees consider to be an objective performance appraisal system, then the method presented for calculating salary adjustments can routinely and efficiently reinforce the appraisal system. There need be no mysticism surrounding the determination of
individual salary adjustments. Anyone, given on identical set of salary constraints and performance appraisal should arrive at an identical salary adjustment for a given individual.

AN ORDERLY PROGRAMME OF SALARY ADMINISTRATION

Given a performance appraisal system and this method for determining salary adjustments, salary administration is such that at any given time, the salary structure is clearly known. Salary adjustments need no longer be based on "gut feeling" or on "oil the hinge that squeaks" philosophy.

Use of this method complements the budgeting process. The compensation manager can quickly and efficiently generate answers to "what if" type questions concerning salaries. It allows him to comply explicitly with the myriad governmental regulations. Probably even more important to him, it provides a systematic method of how compliance was attained and is maintained.

To be successful, compensation policies and programmes must be fair, objective and easily administered. Thanks to the computer this no longer presents the problems formerly faced by compensation managers.
Compensation management is basically concerned with the planning, organising and effective controlling of employees' salaries, wage incentives, bonuses and all other rewards accruing to workers based on their contributions in the organisation, (Enyioko, 1990).

It is a personnel management function that determines wage, salary, incentive bonus, and fringe benefit payable to workers and adjusts them in response to market conditions as well as changed assignments (Drucker, 1965). No company can hope to progress without the effective efforts of the employees. Good wages/salaries contribute greatly towards the attraction of the required employees that help achieve organisation's objectives. On the other hand, workers cannot obtain financial reward and job satisfaction unless the company achieves its objectives. If pay takes a disproportionate share of profits, employees may be content with their gains temporarily, but the imbalance can lead to the failure of the company. Similarly, low pay rates allow higher company profits temporarily, but do not attract or retain competent mediocrity and its possible consequences will be instability (Rock, 1972).

According to Gleck (1985), a good compensation policy must meet certain objectives which include:
i) Retention of present employees: The compensation plan must be competitive enough in order not to give the present employees the chance or excuse to quit.

ii) Acquisition of Qualified Personnel: Compensation need to be high enough to attract potential employees in the organization.

iii) Ensuring Equity: Compensation plan should be able to maintain equal relative pay obtainable from such work elsewhere.

iv) Controlling Cost: Rational compensation programme helps the organisation to obtain and retain its workforce at reasonable cost.

v) Administrative Efficiency: While pay the compensation to workers, the organisation should try as much as possible to maintain administrative efficiency.

vi) Rewarding Desired Behaviour: Compensation should reinforce desired behaviour and act as incentive for each behaviour to occur in future.

It is noteworthy to emphasize that wage or salary alone does not constitute good pay package to motivate workers perform optimally, but
the combined value of the basic salary or wage plus incentive payments. 

Most incentives schemes are additional payments made to employees in order to reward them for past performance and/or to encourage them to do more in future. In some companies (for instance Arthur Anderson and Co) incentive payments are listed and mentioned to workers as they apply and get appointments to work in the firm (Nwachukwu, 1985)

Job evaluation is used to determine the worth of the job so that adequate and equitable compensation could be attached. In this regard, job evaluation is concerned with placing a value on each job and is not concerned with the efficiency of the people carrying out the work (Batty, 1984).

Once job evaluations have been conducted for all the key jobs, it becomes possible to determine the wage/salary structure as well as the incentive schemes accompanying it.

From the works and studies of George (1984) Appleby (1984) Ubeku, (1975 and Aniauzu (1981), the following have been identified as the principal types of incentive schemes:
i) Piece rates: They are used to reward workers according to the number of 'pieces' of work they have done.

ii) Premium bonuses or Sharing plans: They attempt to reward employees for working faster and management for providing the necessary machines and facilities.

iii) Measured day Work: Earnings are directly proportional to time worked but rates are graded. Under this scheme employees are paid a time rate plus a bonus, which depends on their maintaining a predetermined level of output.

iv) Group Incentive Scheme: When employees work in a group and there is difficulty in measuring the contribution made by an individual, the incentive schemes must consider the work group as a whole. For example, a function which involves a whole machine crew — the mechanic, the machine operator, and other less skilled workers who form part of the crew will be difficult to grade according to importance of function and contribution as far incentive scheme is concerned.

v) Incentives for indirect workers such as bonus for managers, incentive payments for workers, bonuses for clerical staff are
also considered in the scheme. Such incentives would be in the form of issue of shares, bonuses on output, commission, etc.

vi) Fringe Benefits: These are general benefits accruing to all calibre of workers but there is the tendency for workers to benefit from the scheme according to their importance and contributions in the company. List of possible fringe benefits include: sickness benefits, medical scheme, house purchase/rent allowance, transport allowance, insurance scheme, house purchase/rent allowance, transport allowance, payment for education of children etc. The list is inexhaustible, the choice is contingent upon the company and its ability to maintain a given combination of the schemes.

2.9 PROBLEMS IN IMPLEMENTING WAGE/SALARY AND INCENTIVE SCHEMES

Generally, the following problems hinge upon the effective implementation of compensation management.

i) Trade Union and Employees Attitudes: Very often trade union officials and employees are very critical in terms of pay. For instance, the Nigerian Labour Congress has
persistently continued to demand for increment of workers pay from time to time.

ii) Getting managers to Change: one of the critical factors in Nigeria business/industry is the reluctance to agree to new methods more especially in terms of wage and incentive schemes. This is particularly the case with small bureau managers who have had business managers who have had no formal education/training in managerial techniques (Nwachukwu, 1986).

iii) Prevailing Wage Rate: Some jobs are paid more than is indicated because of market forces for instance work like a computer analyst would likely attract more pay relative to his counterparts in other fields.

iv) Productivity: A company must make profit to survive without profit the company cannot attract investors therefore, a company cannot pay its workers more than what they produce in the firm (Ogbeide, 1990).

v) Government Regulations: Government makes laws that regulate compensation management such laws include minimum wage rate act, maternity protection act, etc. In
Nigeria presently, the minimum wage rate per month is ₦7,000. Therefore every employer is expected to take this into consideration while looking for a worker.

2.10 **REWARD AND PERFORMANCE**

A great deal has already been said and written about reward and performance. Theoretically, the correlation between them is clear. Reward should serve to motivate performance by satisfying work, related needs. What we often ignore is practice, however, people vary in the importance they attach to various rewards and no universal reward system is available that will motivate all employees equally (Rock, 1972).

In fact, the empirical evidence regarding the influence of specific rewards on work performances is mixed. The most studied reward is money. Studies of the influence of pay as observed by Athauze (1981) has been found to the positively associated with performance. A number of considerations are important in reacting to the finding, first wage incentives are only one of a broad array of rewards important to employees. In cases where a wage incentive would be expected to have little effect on performance. A successful incentive formula depends upon a judgement regarding "a reasonable amount of work for each incentive payment". Time and motion study is used to make this
Another factor in work groups' distrust of incentive formula is the fear of working oneself literally out of job. The belief is that if one works too fast and produces too much in a short period of time, management may have no further use for employees until demand for the work arises again. Group after group to slow the pace of work in order to maintain stable employment. Finally, equity norms can be violated by some members of a group that are on incentive while others remain under their normal time form of payment. In such cases, it is quite possible that an employee who has been earning less than another under the time basis can earn more when placed on an incentive plan. A further consideration regarding the uncertain effect of incentive wage plan on performance is the finding that although many firms believe that they have tied pay to performance. In fact, pay policies tie rewards closely to such factors as age, seniority, qualification, job placement, sex, position, etc (Ogbeide, 1990).

Secrecy is another consideration regarding the influence of reward on performance which may organization continue to uphold as a strict policy. The most common justification for such a policy is that public disclosure of pay package would constitute an invasion of individual's
privacy. A less frequently cited reason for secrecy is that the pay itself is in equitable, and management fears that publicity concerning it would lead to unrest and dissatisfaction among employees. Behavioural scientists have pointed out that secrecy policy crumples the effectiveness with which management can link pay and performance if employees cannot get feedback regarding the relative rewards they have to receive for the effort; pay cannot be expected to have any significant effect on behaviour (Herzberg, 1959, and Bathy, 1994). The problem is made even worse by the assumption that secrecy about pay does not exist people-concertedly misperceive the actual pay rates of others in the organisation. It is equally found that managers tend to over-estimate the income of other managers in the organisation. Such non-perfection can lead to dissatisfaction with pay and negate any motivational impact of a reward system. Theoretically, at least, if a company ants to link pay with performance, it must provide information about relative rate pay.

A popular, although arguably simplistic way of thinking about employees performance is in terms of seeing it as a function of the interactive of ability and motivation. Figures 2.4 show the association relationship between ability performance motivation and opportunity.
From figure 2.4, we have seen that opportunity to perform is a function of ability and motivation as enunciated by Blumberge and Pringe (1982). Symbolically, Performance = f (A x M) which means that performance is a function of ability and motivation. If either is inadequate, performance will be negatively affected. Ability is individuals' intelligence and still if we are to be able to explain accurately and predict employees performance we need to add "opportunity to perform" to our equation - performance = f (A x u x o). Even though an individual may be willing, there may be obstacles that hinder performance, in this case he should be given...
opportunity to prove his worth. This is shown in figure 2.4. When one
attempts to assess why an employee may be performing to the level that
one believes he/she is capable of supporting the management and the
environment it becomes clearer why opportunity should be recognised.

2.11 SUMMARY OF THE LITERATURE REVIEW

Compensation and rewards management in organisation are very
essential elements of personnel function. The management of the
motivating instruments in any firm should be a local concern of every
manager who wants the success of organisational objectives. The design
of wage/salary structure and incentive schemes is necessary requirement
that needs to be perfected by a personnel manager. While compensation
functions/programmes deal mainly with salary and wage administration,
reward systems deal with other incentives and non-monetary instruments.
The harnessing these instruments for use in an organisation so that
employees could be motivated to perform effectively and efficiently is very
critical for achieving organisational objectives.

In using the rewards/compensation plan to motivate workers
problems persist which include: encounter with labour union, government
rules and regulations, lack of fund, market rate of labour, diversity of
workers needs/wants, standard/cost of living, etc.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This study is basically concerned with the examination of rewards and compensation in consumer goods manufacturing companies in Port Harcourt. This chapter therefore, gives details of the research design used here, population of the study, sampling techniques and sample size, research instruments, validation of research instruments, method of data collection, and data analysis techniques.

3.2 RESEARCH DESIGN

Research Design relates to the method adopted by the researcher in collecting and analysing the data for the study. It shows the plan or guideline through the research follows in conducting the study. The term research design refers to "the designated plan for the collection and analysis of data that the relationships hypothesized" Maclayton, 1998:14). Put in another way a research design is a plan of study that guides the researcher in seeking answers to the research questions. The purpose of research design to obtain accurate, objective and valid empirical tests of the hypotheses.
The survey method which studies large and small population by selecting and studying samples chosen from the population to discover the relative incidences in the study is used in this research. He survey research is used here because of its objectivity, relevance, realistic, and accuracy in testing business and social variables.

3.3 POPULATION OF THE STUDY

As the study investigated and examined the rewards/compensation instruments of consumer goods manufacturing firms in Port Harcourt, all the consumer goods manufacturing companies in Port Harcourt constitute the population. Based on the registration figure of consumer goods manufacturing companies obtained from the Ministry of Commerce, Trade and Industry, there are 25 registered consumer goods firms in Port Harcourt. Therefore, the population of the study has been defined based on this figure (25 companies).

3.4 SAMPLING TECHNIQUES AND SAMPLE SIZE

The sample for the study was randomly selected through probabilistic sampling technique involving stratification. The use of stratification mainly applied to the interviewed staff since we studied all the 25 goods manufacturing companies as defined by our population.
We determined our sample size by selecting 5 managerial, supervisory and general staff in each firm. In this case, our sample size was given as $5 \times 25 = 125$ respondents from 25 companies. We administered the questionnaire on General Managers, Accountants, Marketing/Sales managers, PROs, Supervisors and other general staff in the studied firms.

3.5 RESEARCH INSTRUMENTS/METHOD OF DATA COLLECTION

The major research instrument used in collection of data for this study is questionnaire. Questionnaire constitutes a major instrument for generating information from the respondents in a survey research. According to Osuala (1987) questionnaire constitutes the main source of data on the samples of human population. By virtue of the behavioural dispositions of human in relation to their environment.

As most people do not like to answer questions that tend to explore their individual characteristics, the questions have been constructed structurally to maintain this understanding and as well sustain reliability. In essence questions contained in the questionnaire have been structured designed to contain open ended, closed ended, dichotomous and multiple-choice question. In all total of 16 questions have been relevantly designed for this study.
Equally, personal/oral interviews have been conducted on some of the results to get facts that have not been covered by the questionnaire. Personal observations were also used to gather data for the study.

3.6 VALIDATION OF QUESTIONNAIRE/INSTRUMENTS

The supervisor who also made necessary input validated a structured questionnaire that contained 16 questions. Ten copies of the questionnaire were initially administered and few selected staff from among the 25 organisations studied. The pilot study was used to ascertain the level of acceptability validity and relevance of our presumed data for the study.

3.7 DATA ANALYSIS TECHNIQUES

Description and inferential statistics were used to analyse the data for this study. The descriptive statistics have been used to analyse and understand any treatment of numerical data, which does not involve generalisation. While the inferential statistics have been used to make generalisation, predictions or estimations about the data for the study.

Also in testing the hypotheses chi square (X²) statistical tool has been used. The chi square test, which tries to ascertain whether there is any significant relationship between an independent variable and the dependent one, has been used here.
In this case the chi square ($X^2$) test determines if any is any significant relationship between the expected frequency ($e$) and the observed frequency ($o$) on $a(K - 1 \text{ degree of freedom})$.

The chi square test ($X^2$) formula is given as:

$$X^2 = \frac{\sum (fo - fe)^2}{fe}$$

where: $X^2$ - chi square

$\Sigma$ - Summation sign

$fo$ - observed frequency

$fe$ - expected frequency

$k$ - number of observations/columns

$df$ - degree of freedom

This study has chosen the level of significance of 5%.
CHAPTER FOUR
DATA PRESENTATION, ANALYSIS AND DISCUSSIONS

4.1 INTRODUCTION

This study is focused on the examination of Rewards and Compensation Programmes in Consumer Goods Manufacturing firms in Port Harcourt. In this chapter the data collected through questionnaires have been used to analyse and discuss the findings. Therefore, the concern of this chapter is to present, analyse, discuss and test the hypotheses for the study.

4.2 DATA ANALYSIS DESCRIPTION

This study selected a sample of one hundred and twenty five (125) respondents from 25 Consumer Goods Manufacturing firms that were studied. The administration of questionnaire was carried out on five respondents from each of the studied firms. The copies of questionnaire were administered on the directors, general managers, Accountants, Marketing Managers, sales Managers/Public Relations, Supervisors/Accounts Officers or Clerks/Receptionists/Sales attendants of the studied Consumer Goods Manufacturing firms. The administration and collection of data for this study through questionnaire covered a period of six months (December, 2001 – May 2002).
Of the one hundred and twenty five (125) copies of questionnaire administered, one hundred and thirteen (113) respondents returned their copies of questionnaire. However, after editing the copies of the returned questionnaire, 95 copies were found useful for the study, and this figure represents a 75% response rate based on the ones found useful. The findings are presented, analysed and discussed by using the 95 respondents found relevant for the study as follows:

Table 4.1: Administration and Collection of Questionnaire and their Response Rate

<table>
<thead>
<tr>
<th>Group of Respondents</th>
<th>Number of Questionnaire administered</th>
<th>Number of Questionnaire returned</th>
<th>Number of Questionnaire found useful</th>
<th>Response Rate based on Number found useful</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clerk/Reception/Sales Attendants</td>
<td>25</td>
<td>23</td>
<td>19</td>
<td>78%</td>
</tr>
<tr>
<td>Supervisors/Accounts Officers/Sales Officers</td>
<td>30</td>
<td>27</td>
<td>24</td>
<td>80%</td>
</tr>
<tr>
<td>Sales Managers/Public Relation Officers</td>
<td>22</td>
<td>20</td>
<td>16</td>
<td>73%</td>
</tr>
<tr>
<td>Marketing Managers</td>
<td>15</td>
<td>13</td>
<td>10</td>
<td>67%</td>
</tr>
<tr>
<td>Accounts</td>
<td>12</td>
<td>11</td>
<td>8</td>
<td>67%</td>
</tr>
<tr>
<td>General Managers</td>
<td>15</td>
<td>14</td>
<td>13</td>
<td>67%</td>
</tr>
<tr>
<td>Directors</td>
<td>6</td>
<td>5</td>
<td>5</td>
<td>83%</td>
</tr>
<tr>
<td>Total</td>
<td>125</td>
<td>113</td>
<td>95</td>
<td>76%</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2002
Table 4.1 shows that a total of 125 copies of questionnaire were administered on the workers of 25 Consumer Goods Manufacturing firms. Of this number, one hundred and thirteen (113) respondents returned their copies of questionnaire. After going through the returned copies of questionnaire, ninety-five (95) copies were found relevant for the study. This number found useful represents 76% response rate. All the discussions and testing of hypotheses in this study are done based on this figure. Directors, General Managers, Accounts, Marketing Managers, Sales Managers/Public Relations Officers, Supervisors, Clerks/Receptionists and Sales attendants constituted the respondents for the study.

Table 4.2A: Size of the Respondent Companies (Number of Employees)

<table>
<thead>
<tr>
<th>Options (Number of Employees)</th>
<th>Number of Companies</th>
<th>Number of Respondents</th>
<th>Percentage Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-30</td>
<td>3</td>
<td>16</td>
<td>12%</td>
</tr>
<tr>
<td>31-46</td>
<td>2</td>
<td>10</td>
<td>8%</td>
</tr>
<tr>
<td>47-62</td>
<td>3</td>
<td>15</td>
<td>12%</td>
</tr>
<tr>
<td>63-77</td>
<td>3</td>
<td>12</td>
<td>12%</td>
</tr>
<tr>
<td>78-93</td>
<td>4</td>
<td>20</td>
<td>16%</td>
</tr>
<tr>
<td>93-108</td>
<td>6</td>
<td>30</td>
<td>24%</td>
</tr>
<tr>
<td>109 and above</td>
<td>4</td>
<td>20</td>
<td>16%</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
<td>126</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2002.

Table 4.2a shows that majority of the studied firms operate within the staff strengths of 47 employees to 108 employees. The breakdown of the data are as follows:
3 of the respondent organisations operate within the staff range of 15 - 30 employees representing 12%, and this has been indicated by 15 respondents that is, 12%

2 of the studied firms have staff strength of 31 - 46 staff indicated by 16 respondents representing 8%

3 of the studied firms have staff range of 47 - 62 employees, this has been indicated by 15 respondents representing 12%

Equally, 3 of the respondents firms operate within the staff range of 63 - 77 employees indicated by 15(12%) of the respondents.

4 of the respondent organisations have staff strength of 78 - 92 employees, indicated by 20(16%) of the respondents.

5 of the studied firms operate within the staff strength of 93 - 108 employees as indicated by 30(24%) of the respondents, while 4 of the respondents firms operate within the staff strength of 109 and above employees, this has been indicated by 20(16%) of the respondents.
indicated that the sales volume range of N 22 million to N 150 million per annum, as more than 70% of the respondent organizations operate within this range. The details of the data are as follows: 5(4%) of the respondents indicated that one of the respondent organizations operate within the sales range of N 6 million to N 21 million per annum; 15 (12%) of the respondents indicated that 3 of the respondent organizations have the sales range of N 22 million to N 37 million per annum. While 10(8%) of the respondent organizations operate within the sales range of N 38 million to N 53 million per annum, from the facts given by the
While 30 (24%) of the respondents indicated that 6 of the surveyed firms operate within the sales volume of N 101 million to N 150 million per annum and above per annum.

Table 4.3 Position/Office Held by the Respondents

<table>
<thead>
<tr>
<th>Position/Office of the Respondents</th>
<th>Number of Respondents</th>
<th>Percentage Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clerk/Receptionist/Sales attendant</td>
<td>19</td>
<td>20%</td>
</tr>
<tr>
<td>Supervisors, Account Officers/Sales Officers</td>
<td>24</td>
<td>25%</td>
</tr>
<tr>
<td>Sales Managers/Public Relations Officer</td>
<td>16</td>
<td>17%</td>
</tr>
<tr>
<td>Marketing Managers</td>
<td>10</td>
<td>11%</td>
</tr>
<tr>
<td>Accountants</td>
<td>8</td>
<td>8%</td>
</tr>
<tr>
<td>General Managers</td>
<td>13</td>
<td>14%</td>
</tr>
<tr>
<td>Directors</td>
<td>5</td>
<td>5%</td>
</tr>
<tr>
<td>Total</td>
<td>95</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2002.

Table 4.3 shows the positions or offices held by the respondents who filled the copies of the questionnaire for the study. Details of the data show that 19 (20%) of the respondents are clerks/receptionists or sales attendants, 24 (25%) of the respondents are supervisors/accounts officer or...
sales officers: 16 (17%) of the respondents are sales managers or public relation officers, 18 (11%) of the respondents are marketing managers, 81 (8%) of the respondents are Accountants; 13 (14%) of the respondents are General Managers and 5 (5%) of the respondents are Directors of the studied firms.

Table 4.4: Salary Level of the Respondents

<table>
<thead>
<tr>
<th>Options(salary level)</th>
<th>Number of Respondents</th>
<th>Percentage Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>01 - 05 level</td>
<td>10</td>
<td>10%</td>
</tr>
<tr>
<td>06 - 09 level</td>
<td>32</td>
<td>34%</td>
</tr>
<tr>
<td>10 - 15 level</td>
<td>41</td>
<td>43%</td>
</tr>
<tr>
<td>16 level and above</td>
<td>12</td>
<td>13%</td>
</tr>
<tr>
<td>Total</td>
<td>95</td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey Data, 2002.

Table 4.4 shows that 10 (10%) of the respondents are in the salary grade levels 01 - 05; 32 (34%) of the respondents are in the salary levels of 06 - 09. Equally, considerable number of the respondents are found in salary Grade levels 10 - 15 as 41 (43%) of the respondents indicated this. While 12 (13%) of the respondents indicated 16 salary grade level and above.
Research Question 1:

What types of rewards and compensation instruments do the workers in Consumer Goods Manufacturing Firms seek?

The opinions of the respondent with respect to the types of rewards/compensation instruments sought by the workers in Consumer Goods Manufacturing Firms are shown in Table 4.5 and 4.6.

Table 4.5: Types of Rewards Sought by the Respondents

<table>
<thead>
<tr>
<th>Options</th>
<th>Number of Respondents N=95</th>
<th>Percentage Performance</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in pay</td>
<td>93</td>
<td>98%</td>
<td>1st</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>72</td>
<td>76%</td>
<td>3rd</td>
</tr>
<tr>
<td>Bonuses</td>
<td>63</td>
<td>69%</td>
<td>4th</td>
</tr>
<tr>
<td>Allowance</td>
<td>90</td>
<td>95%</td>
<td>2nd</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2002

Table 4.5 shows the responses of the respondents on the types of rewards systems used by the respondent organizations. Increase in pay came 1st in the rating as 93 (98%) of the respondents indicated this option. Third in the rating of the option is "fringe benefits" as indicated by 72 (76%) of the respondents. Allowances are the other reward systems.
being used by the respondent organizations as 90(95%) of the respondents indicated this placing the option 2nd in the rating. Bonuses are equally used by the respondent firms as 65(66%) of the respondents indicated this placing the option 4th in the rating.

Table 4.6: Types of Compensation Plans in the Respondent Firms

<table>
<thead>
<tr>
<th>Options</th>
<th>Number of Respondents</th>
<th>Percentage Performance</th>
<th>Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary (Straight Package)</td>
<td>86</td>
<td>91%</td>
<td>1st</td>
</tr>
<tr>
<td>Commission</td>
<td>52</td>
<td>55%</td>
<td>3rd</td>
</tr>
<tr>
<td>Combination</td>
<td>68</td>
<td>72%</td>
<td>2nd</td>
</tr>
<tr>
<td>Weekly wages</td>
<td>21</td>
<td>22%</td>
<td>4th</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2002.

Table 4.6 shows the types of compensation plans available in the respondent firms. Salary (Straight Package) has been identified as the mostly used compensation package in the consumer Goods Manufacturing Firms; this is because 86(91%) of the respondents indicated this, placing the option first. Second in the compensation plans used by the studied firms is a combination of (salary, commission and weekly wages) indicated by 68(72%) of the respondents.
was selected third by the respondents as $52(55\%)$ of them indicated this option, while $21(22\%)$ of the respondents indicated 'weekly wages', placing the option $4^{th}$ in the rating.

Research Question II

To what extent do the Consumer Goods Manufacturing Firms use the identified rewards and compensation plans?

As a major research plan of this study is to find out the extent of the use of the identified rewards/compensation plans in the respondent firms, the responses in table 4.7 shows the respondents' opinion on this.

Table 4.7: The Extent to which the Respondent Organisations use the identified Reward/Compensation Plans.

<table>
<thead>
<tr>
<th>Options</th>
<th>Number of Respondents</th>
<th>Percentage Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>To a large extent</td>
<td>39</td>
<td>41%</td>
</tr>
<tr>
<td>To a considerable extent</td>
<td>29</td>
<td>29%</td>
</tr>
<tr>
<td>To a moderate extent</td>
<td>17</td>
<td>18%</td>
</tr>
<tr>
<td>To a low extent</td>
<td>11</td>
<td>12%</td>
</tr>
<tr>
<td>Total</td>
<td>95</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2002.

Table 4.7 shows that $39(41\%)$ of the respondents indicated that "to a large extent" the identified reward/compensation plans are used in the studied firms. Equally, "to a considerable extent" the respondent firms use
Rewards/compensation plans identified in this study is because 28(29%) of the respondents indicated the option. Also 17(18%) if the respondents, indicated "to a moderate extent to the question" while 11(12%) of the respondents indicated that "to a low extent" the respondent firms use the identified rewards/compensation plans.

Research Question III:

What are the effects of the use of adequate/effective rewards/compensation instruments on the workers performance?

Table 4.8 and 4.9 shows the responses of the respondents on the effects of effective reward/compensation instruments on the workers performance in the respondent organizations.

Table 4.8: The effects of the Use of Effective Rewards/Compensation plan on the Performance of Workers

<table>
<thead>
<tr>
<th>Options</th>
<th>Number of Respondents</th>
<th>Percentage of performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased/improved Performance</td>
<td>73</td>
<td>77%</td>
</tr>
<tr>
<td>No effect</td>
<td>13</td>
<td>14%</td>
</tr>
<tr>
<td>Negative/reduction in Performance</td>
<td>9</td>
<td>9%</td>
</tr>
<tr>
<td>Total</td>
<td>95</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2002.
Table 4.8 shows that 73(77%) of the respondents indicated that the effects of the use of effective rewards/compensation plans in the respondent organization is increased or improved performance. Only 9(9%) of the respondents indicated negative or reduction in performance to the question, while 13(14%) of the respondents indicated 'no effect' to the use of effective rewards/compensation plans in Consumer Goods Manufacturing firms studied.

Table 4.9 The Extent to which the Rewards/Compensation Policy of the Respondent Firms affect Workers Performance Positively.

<table>
<thead>
<tr>
<th>Options</th>
<th>Number of Respondents</th>
<th>Percentage Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>To a large extent</td>
<td>48</td>
<td>51%</td>
</tr>
<tr>
<td>To a considerable extent</td>
<td>35</td>
<td>37%</td>
</tr>
<tr>
<td>To a moderate extent</td>
<td>8</td>
<td>8%</td>
</tr>
<tr>
<td>To a low extent</td>
<td>4</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2002.

Table 4.9 shows that 48(51%) of the respondents indicated that "to a large extent" the rewards/compensation policy of the respondent firms affects workers performance positively. Also 35(37%) of the respondents indicated "to a considerable extent" to the question while 8(8%) of the respondents indicated that "to a moderate extent" the
rewards/compensation policy of the studied firms affects workers' performance positively. Only 4(4%) of the respondents indicated 'to a low extent' to the question.

Another question that helped the researcher in testing of one of the hypotheses is whether the use of rewards/compensation plans motivates workers in the respondent firms. Tables 4.10 and 4.11 show the responses of the respondents on this.

Table 4.10: Whether the Use of Rewards/Compensation Plans motivates Workers in the Studied Firms

<table>
<thead>
<tr>
<th>Options</th>
<th>Number of Respondents</th>
<th>Percentage Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>83</td>
<td>67%</td>
</tr>
<tr>
<td>No</td>
<td>12</td>
<td>13%</td>
</tr>
<tr>
<td>Total</td>
<td>95</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2002

Table 4.10 shows that 83 (87%) of the respondents indicated 'yes' that the use rewards/compensation plans motivates workers to perform optimally in the respondent organizations. Only 12(13%) of the respondents indicated 'No' to the question.
Table 4.11: The Extent to which the use of Rewards/Compensation Plans Motivates Workers in the studied firms.

<table>
<thead>
<tr>
<th>Options</th>
<th>Number of Respondents</th>
<th>Percentage of Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>To a large extent</td>
<td>42</td>
<td>51%</td>
</tr>
<tr>
<td>To a considerable extent</td>
<td>25</td>
<td>30%</td>
</tr>
<tr>
<td>To a moderate extent</td>
<td>10</td>
<td>12%</td>
</tr>
<tr>
<td>To a low extent</td>
<td>6</td>
<td>7%</td>
</tr>
<tr>
<td>Total</td>
<td>83</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2002 (see also table 4.10 for “Yes”)

Table 4.11 shows that 42 (51%) of the respondents indicated that “to a large extent” the use of rewards/compensation plans motivate workers in the respondent organizations. Also, 25 (30%) of the respondents indicated “to a considerable extent” to the question, while 10 (12%) of the respondents indicated, to a moderate extent to the question. Only 6 (7%) of the respondents indicated “to a low extent” that the use of rewards/compensation plans in the studied firms motivates workers.

Table 4.12 and 4.13 show the responses of the respondents on whether the size or growth rate has any relationship with the type of rewards/compensation plans used by the studied firms and the extent of their relationship.
Table 4.12: Whether the size or the Growth Rate has any relationship with the Type of Rewards/Compensation Plans of the Respondent Firms

<table>
<thead>
<tr>
<th>Options</th>
<th>Number of Respondents</th>
<th>Percentage Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>78</td>
<td>82%</td>
</tr>
<tr>
<td>No</td>
<td>17</td>
<td>18%</td>
</tr>
<tr>
<td>Total</td>
<td>95</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2002

Table 4.12 shows that 78(82%) of the respondents indicated 'Yes' that the size or growth rate has significant relationship with the type of rewards/compensation plans of the respondent firms. Only 17(18%) of the respondents indicated 'NO' to the question.

Table 4.13: The Extent of the Relationship Between the Size/Growth Rate and the Type of Rewards/Compensation Plans of the studied firms.

<table>
<thead>
<tr>
<th>Options</th>
<th>Number of Respondents</th>
<th>Percentage Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>To a large extent</td>
<td>35</td>
<td>45%</td>
</tr>
<tr>
<td>To a considerable Extent</td>
<td>27</td>
<td>35%</td>
</tr>
<tr>
<td>To a moderate Extent</td>
<td>10</td>
<td>12%</td>
</tr>
<tr>
<td>To a low Extent</td>
<td>8</td>
<td>8%</td>
</tr>
<tr>
<td>Total</td>
<td>78</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2002
Table 4.13 shows that 36 of the respondent (representing 45% of those who indicated ‘Yes’) have indicated that to ‘large extent’ there is significant relationship between the size/growth rate and the rewards/compensation plans of the studied firms. Also 27 (that is, 35% of ‘Yes’) of the respondents indicated “to a considerable extent” to the question, while 10 of the respondents (that is, 12% of ‘Yes’ indicators) indicated “to a moderate extent” to the question, only 6 respondents (representing 8%) of the those who had earlier indicated ‘Yes’ have indicated that “to a low extent” there is significant relationship between the size/growth rate and the rewards/compensation plans of the respondents firms.

Research Question IV:

What are the factors militating against the effective use of the Rewards/Compensation instrument by the Consumer Goods Manufacturing firms.

This study has equally sought to ascertain the factors that hinder the effective use of rewards/compensation instruments in the studied firms. The responses of the respondents on this are shown in table 4.14.
Table 4.14: Major Factors Militating Against the Effective use of Rewards/Compensation Plans in the Respondent Firms.

<table>
<thead>
<tr>
<th>Options (militating Factors)</th>
<th>Number of Respondents</th>
<th>Percentage Performance</th>
<th>Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour Union</td>
<td>48</td>
<td>52%</td>
<td>7th</td>
</tr>
<tr>
<td>Government Policies/Laws</td>
<td>64</td>
<td>67%</td>
<td>5th</td>
</tr>
<tr>
<td>Lack of fund</td>
<td>88</td>
<td>93%</td>
<td>1st</td>
</tr>
<tr>
<td>Level of productivity</td>
<td>75</td>
<td>79%</td>
<td>2nd</td>
</tr>
<tr>
<td>Cost/Standard of living</td>
<td>69</td>
<td>73%</td>
<td>3rd</td>
</tr>
<tr>
<td>Prevailing Market wage rate</td>
<td>66</td>
<td>69%</td>
<td>4th</td>
</tr>
<tr>
<td>Getting Managers to Change</td>
<td>59</td>
<td>62%</td>
<td>6th</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2002.

Table 4.14 shows that 88(93%) of the respondents indicated that 'lack of fund' is one of the key factors militating against the effective use of rewards/compensation plans in the respondent firms. This places the option first in the rating.

Other factors militating against the effective use of rewards/compensation instruments in the studied firms include:

- Levels of: indicated by 76(79%) of the respondents placing the option 2nd in the rating.
- Cost/Standard of Living: indicated by 69(73%) of the respondents, placing the option 3rd.
Prevailing Market Wage rate; indicated by 66(69%) of the respondents, placing the option 4th.

Government Policies/Regulations; indicated by 64(67%) of the respondents placing the option 5th.

Getting Managers to change positively towards implementing effective rewards/compensation plans, this was indicated by 59(62%) of the respondents, placing the option 6th.

Labour Union: indicated by 49 (52%) of the respondents placing the option 7th in the rating.

4.3 TESTING OF HYPOTHESES

4.3.1 INTRODUCTION

Having presented and analysed the data for this study, it is now the concern of this section for testing of the hypotheses for the study. In this section the hypotheses for the study are statistically tested through the use of chi square tools drawing from the facts contained in tables 4.8, 4.9, 4.10, 4.11, 4.12 and 4.13. The hypotheses are tested as follows:

4.3.2 TESTING OF HYPOTHESES I (H01): There is no significant relationship Between the Rewards/Compensation Instruments and the Workers Performance in the Consumer Goods Manufacturing Firms.
Table 4.15: The Significant Relationship Between Rewards/Compensation and Workers Performance

<table>
<thead>
<tr>
<th>Option</th>
<th>Number of Respondents</th>
<th>Increased/Improved Performance</th>
<th>No Effect</th>
<th>Negative Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>To a large extent</td>
<td>48</td>
<td>(0)</td>
<td>(8)</td>
<td>(7)</td>
</tr>
<tr>
<td>To a considerable extent</td>
<td>35</td>
<td>31</td>
<td>(27)</td>
<td>3 (4)</td>
</tr>
<tr>
<td>To a moderate extent</td>
<td>8</td>
<td>1</td>
<td>(8)</td>
<td>7 (1)</td>
</tr>
<tr>
<td>To a low extent</td>
<td>4</td>
<td>1</td>
<td>(3)</td>
<td>1 (4)</td>
</tr>
<tr>
<td>Total</td>
<td>85</td>
<td>73</td>
<td>13</td>
<td>9</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2002 (See also tables 4.8 and 4.9)

\[ \chi^2 = 49.49 \] (see detailed Calculations in appendix C)

\[ \chi^2 \text{ Crit @ 6; 0.05} = 12.59 \]

The calculations in Table 4.15 show that the computed chi square is 49.49 while the value of the chi square obtained from the table is 12.59.

From the above figures, it is obvious that the computed chi square is greater than the chi square obtained from the table, therefore, the study has rejected the null hypothesis \( H_0 \) and accepted the alternative hypotheses \( H_1 \) which states that there is a significant relationship between the
### 4.3.3 TESTING OF HYPOTHESIS 1 (H0): There is no Significant Relationship Between the Motivation of Workers and the Type of Rewards/Compensation Plans used by the Studied Firms.

<table>
<thead>
<tr>
<th>Options</th>
<th>Motivation of Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>To a large extent</td>
<td>(0)</td>
</tr>
<tr>
<td></td>
<td>(42)</td>
</tr>
<tr>
<td>To a considerable extent</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>(20.75)</td>
</tr>
<tr>
<td>To a moderate extent</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>(20.75)</td>
</tr>
<tr>
<td>To a low extent</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>(20.75)</td>
</tr>
<tr>
<td>Total</td>
<td>83</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2002. (See also tables 4.10 and 4.11)

\[
X^2 = 38.686 \text{ (See Appendix I for detail Computations)}
\]

\[
X^2 \text{ crit @ 3; } 0.05 = 7.815
\]

Table 4.14 and its subsequent calculation show that the computed chi-square (38.686) is greater than the chi-square obtained from the table (7.815) at corresponding level of significance. Therefore, the study has rejected the null hypothesis (H0) which states that: "there is significant relationship between the motivation of workers and the type of rewards/compensation plans used by the studied firms."
4.3.4 TESTING OF HYPOTHESIS III (H03): There is no significant relationship between the size/growth rate of the studied firms and the type of their rewards/compensation plans

Table 4.17: Significant Relationship Between the Size/Growth rate of the studied firms and the type of their rewards/compensation plans.

<table>
<thead>
<tr>
<th>Options</th>
<th>Observed Frequency (n)</th>
<th>Expected Frequencies (e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>To a large extent</td>
<td>35</td>
<td>(19.5)</td>
</tr>
<tr>
<td>To a considerable extent</td>
<td>27</td>
<td>(19.5)</td>
</tr>
<tr>
<td>To a moderate extent</td>
<td>10</td>
<td>(19.6)</td>
</tr>
<tr>
<td>To a low extent</td>
<td>6</td>
<td>(19.5)</td>
</tr>
<tr>
<td>Total</td>
<td>78</td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey Data, 2002 (See also tables 4.12 and 4.13)

$X^2 = 29.180$ (See detailed computations in Appendix E)

$X^2 \text{ crit } @ 3.0.05 = 7.815.$

Based on the data in table 4.17 and the chi square computation, the chi square computed is greater than the critical value of chi-square obtained from the table. Therefore, the study has rejected the null hypothesis III (H03) and in its place the study has accepted the alternative hypothesis III (H3) which states, "There is significant relationship between the size/growth rate of the studied firms and the types of their rewards/compensation plans."
5.1 INTRODUCTION

Rewards and Compensation packages are critical/real instruments used by managers of organisations to stimulate their workers for them to perform optimally. The success of the organisation depends mostly on how effective the manager is able to use the human resource. Since compensation/rewards management is basically concerned with the planning and controlling of employees salaries, wages, incentives bonuses and other rewards of workers in order for them to perform effectively and efficiently this study has become necessary.

In line with this, the study set the task of probing into the rewards and compensation of workers in consumer goods manufacturing firms in Port Harcourt. This chapter summarises the findings, recommendations and conclusion of the study.

5.2 SUMMARY

The major findings revealed in chapter four of the report are summarized here as they provide answers to the purpose/objectives research questions and hypotheses of the study. Majority of the Consumer Goods Manufacturing Firms studied operate within the staff strength of 47 employees to 108 workers, over 52% of the
respondent firms operate within this range. Also over 72% of the studied firms operate within the sales volume of N 22 million to N 100 million per annum. Equally the study concentrated on junior staff, supervisory and senior management staff in generating the data for this study. Most of the staff interviewed in this study is mainly of grade levels 06 to 15 salary structure.

From the study it is found that the types of rewards mainly sought by the respondents in consumer goods manufacturing firms include: increase in pay, allowances of various kind such as housing, medical, transportation, accommodation etc. fringe benefits and bonuses including pension and gratuity. The major type/compensation plans available in the organisation include: salary payment (straight Package), commission, and combination of salary, commission and weekly wages.

To a large extent the Consumer Goods Manufacturing firms use these rewards systems and compensation plans in their organisation. It is equally noted that to a considerable and moderate extent the use of these instruments is prevalent in the studied firms. Revealed in the study is the fact that the use of effective rewards/compensation plans helps in increasing/improving performance of workers. To a large and considerable extent the rewards/compensation policy of the consumer goods manufacturing firms has significant and positive effect on workers' performance.
In essence, the study has vividly found that effective use of rewards/compensation plans helps in motivating workers in the studied firms. To a large and considerable extent the use of rewards/compensation plans effectively achieves the motivational objectives of the respondent firms. The study has also discovered that the size or growth rate of the consumer goods manufacturing firms studied has significant relationship on the type of rewards system and compensation plans introduced by the firm. The larger the firm, the more liberal and assortment oriented the compensation/rewards plans.

To a large and considerable extent the size/growth rate of the studied firms has positives and significant impact on the rewards/compensation plans adopted by the studied firms.

The major factors identified in this study that constitute hindrances to the effective use of rewards and compensation plans include:

- Lack of fund
- Level of productivity of the firm
- Cost/standard of living in the country
- Prevailing Market wage rate
- Government policies and rules/regulations
- Getting managers to change positively toward adopting equitable compensation plan
In the light of the findings of this study, the following recommendations are evident:

i) Consumer Goods manufacturing firms should embrace and adopt effective use of necessary rewards/compensation packages that are result oriented.

ii) Government should evolve progressive policies that could adequately encourage the private sector to use compensation/reward systems for greater productivity in this sector.

iii) Consumer Goods Manufacturing firms should minimise the quest for "higher profit" and "the exploitation of employees" which lead to workers turnover and the eventual collapse of such firms. They should recognise the importance of human resource and utilise same appropriately through the best rewards and compensation arrangement.

iv) Managers of manufacturing firms should not constitute stumbling blocks to progressive changes that can see for the betterment of workers through the progressive use of rewards/compensation plans.
5.4 PROBLEMS ENCOUNTERED IN THE COURSE OF THE STUDY

This study concentrated on rewards and compensation of workers in consumer goods manufacturing firms. The scope of the study has been limited to the consumer goods manufacturing firms in Port Harcourt.

During this study the researcher had problems in areas of finance, skills and efforts required to do a vigorous and elaborate work like this. There were also the problems of non-cooperation from some of the respondents/staff of the studied firms. The dearth of literature in this area equally constitutes a problem for this study. No minding these limitations, the findings of this study are generalizable enough as we use representative data.
6.5 CONCLUSION

Rewards and compensation plans are very necessary for effective motivation of the workforce, which is the most important asset in any business organisation. However, problems such as lack of money, union activities, level of productivity and cost of living affect the effective and efficient use of compensation/reward systems in consumer goods manufacturing organisation.

Workers in consumer goods manufacturing firms normally seek for rewards/compensation plans such as straight salary package, commissions, weekly pay and combination of these. On the account of reward they seek such benefits as: housing, accommodation, medical and transport allowance. Others are bonuses, fringe benefits, gratuity of good package and pension schemes.

From the testing of the hypotheses for this study, it is very clear that:

1. There is significant and positive relationship between the rewards/compensation instruments and workers performance in the consumer goods manufacturing firms.

2. There is significant and positive relationship between the motivation of workers and the type of compensation/rewards plan used by the studied firms.
There is significant and positive relationship between the size/growth rate of the studied firms and the types of their rewards/compensation.

5.6 Since compensation/reward systems are necessary to motivate all cadre of staff, this study is suggesting a further study on the specific impact of compensation/reward systems on management staff of consumer goods manufacturing firms.
REFERENCES


APPENDIX A
REQUEST LETTER FOR COMPLETION OF QUESTIONNAIRE

Faculty of Management Sciences
University of Nigeria, Nsukka
Nsukka, Enugu State
1st December 2001

Dear Sir/Madam,

I write to request your candid help and assistance on completion of the attached question.

I am an MBA student from the above named university. Presently, I am conducting a research work on Compensation and Rewards of Workers in Consumer Goods Manufacturing Firms in Port Harcourt.

Your firm has been carefully selected for the study and your response is highly solicited. The information you give shall be treated most confidentially.

Thanks immensely in anticipation of your cooperation

Yours faithfully,

Ebere Uwegbu
APPENDIX B
RESEARCH QUESTIONNAIRE

SECTION A: PERSONAL/COMPANIES CHARACTERISTICS

1. Name of your Company (optional)

2. Size of the company

A) Number of employees
   a) 15 - 30 employees
   b) 31 - 46 employees
   c) 40 - 62 employees
   d) 63 - 77 employees
   e) 78 - 93 employees
   f) 93 - 108 employees
   g) 109 and above

B) Volume of Sales Per annum
   a) Less than N5 million
   b) N5 million - N21 million
   c) N22 million - N37 million
   d) N38 million - N53 million
   e) N54 million - N100 million
   f) N101 million - N150 million
g) N 151 million and above

3. Position / officer held in the company
   a) Clerk/Receptionist/Sales attendant
   b) Supervisor/Account officer/Sales officer
   c) Sales manager/Public Relation Officer
   d) Marketing Manager
   e) Accountant
   f) General manager
   g) Director

4. Which of these salary levels do you fall in?
   a) 01 – 05
   b) 06 – 09
   c) 10 – 15
   d) 16 and above

B. COMPENSATION / MOTIVATION / REWARDS

5. What type of reward(s) is/are mostly sought by individuals in your company?
   a) Increase in pay
   b) Fringe benefits
   c) Bonuses
   d) Allowances
6. Which of the following compensation plans does your company use?
   a) Salary (straight package)
   b) Commission
   c) Combination
   d) Weekly wages

7. To what extent does your organization use these rewards/compensation plans?
   a) To a large extent
   b) To a considerable extent
   c) To a moderate extent
   d) To a low extent

8. What are the effects of the use of this rewards/compensation plan on the performance of workers?
   a) Increased/improved Performance
   b) No effect in performance
   c) Negative/reduction in performance

9. To what extent does the reward/compensation policy affect the performance of workers in your firm?
   a) To a large extent
   b) To a considerable extent
   c) To a moderate extent
10. Does the use of a reward/compensation plan motivate workers in your firm more than any other programme?
   a) Yes □
   b) No □

11. If yes to question 10 above, to what extent is the relationship between compensation/reward plan and motivation of workers?
   a) To a large extent □
   b) To a considerable extent □
   c) To a moderate extent □
   d) To a low extent □

12. The size/growth rate of your company has it any relationship with the type of compensation/reward plan paid to the workers?
   a) Yes □
   b) No □

13. If yes to question 12, to what extent is the relationship between the size/growth rate of your company and the type of compensation/reward plan of your company?
   a) To a large extent □
   b) To a considerable extent □
   c) To a moderate extent □
   d) To a low extent □

14. What are the major factors militating against the effective use of reward/compensation plans in your firm?
15. How does a reward or compensation structure take care of individual varying needs in your organization?


16. Please kindly suggest ways to solve or minimize the problems identified in question 14.
\[
= 0.243 \times 3.571 + 1.000 \\
+ 0.593 \times 0.250 + 1.333 \\
+ 4.157 \times 0.000 + 1.000 \\
+ 1.333 \times 0.000 + 0.000 = 49.490 \\
\]

\( \chi^2 \text{ calc @ } 6.0.05 = 12.59 \) \( \chi^2 = 49.49 \)
### APPENDIX D: COMPUTATION OF CHI SQUARE FOR TESTING OF HYPOTHESIS II

Table 4.16B: The significant relationship between Reward/Compensation Plans and Motivation of Workers

<table>
<thead>
<tr>
<th>Options</th>
<th>Observed frequency</th>
<th>Expected Frequencies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>(Unit) (e)</td>
</tr>
<tr>
<td>To a large extent</td>
<td>42</td>
<td>(20.75)</td>
</tr>
<tr>
<td>To a considerable extent</td>
<td>25</td>
<td>(20.75)</td>
</tr>
<tr>
<td>To a moderate extent</td>
<td>10</td>
<td>(20.75)</td>
</tr>
<tr>
<td>To a low extent</td>
<td>6</td>
<td>(20.75)</td>
</tr>
<tr>
<td>Total</td>
<td>63</td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey Data, 2002 (see also tables 4.11 and 4.12)

\[
X^2 = \sum (o_i - e_i)^2 / e_i = \frac{(42 - 20.75)^2}{20.75} + \frac{(25 - 20.75)^2}{20.75} + \frac{(10 - 20.75)^2}{20.75} + \frac{(6 - 20.75)^2}{20.75}
\]

\[
= 21.702 + 0.070 + 5.560 + 10.485
= 38.388
\]

\[X^2 = 38.388 \quad (X^2 \text{ cut off at } 3.05 = 7.815)\]
**APPENDIX E: COMPUTATION OF CHI SQUARE FOR TESTING OF HYPOTHESIS**

Table 4.17: Significant Relationship Between the types of Rewards/Compensation Plans used and the Size/Growth Rate of the Respondent firms.

<table>
<thead>
<tr>
<th>Options</th>
<th>Observed frequencies on Compensation and Growth Rate</th>
<th>Expected Frequencies (TNP)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>To a large extent</td>
<td>35</td>
<td>(19.5)</td>
<td></td>
</tr>
<tr>
<td>To a considerable extent</td>
<td>27</td>
<td>(19.5)</td>
<td></td>
</tr>
<tr>
<td>To a moderate extent</td>
<td>10</td>
<td>(15.5)</td>
<td></td>
</tr>
<tr>
<td>To a low extent</td>
<td>6</td>
<td>(19.5)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>78</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey Data, 2002 (see also tables 4.12 and 4.13)

\[ X^2 = \sum \frac{(o - e)^2}{e} \]

\[ = \frac{(35 - 19.5)^2}{19.5} + \frac{(27 - 19.5)^2}{19.5} \]

\[ = 12.321 + 2.68 + 4.628 + 9.346 \]

\[ = 29.180 \]

\[ (X^2 \text{ crit} @ 3; 0.05 = 7.815) \]

\[ \Rightarrow \]

\[ N \]