

# Compensation Administration: An Imperative for Employee Performance among Private Universities in North-Central Nigeria

Ifeoma Perpetua Iloka, Nasamu Gambo

Department of Business Administration and Entrepreneurship, Nile University of Nigeria, Abuja

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**Abstract:** *Compensation administration is widely recognized as a strategic lever for attracting, motivating, and retaining talent, yet evidence on its direct influence on employee performance remains mixed. This study examines the effects of compensation administration on employee performance in private universities in North-Central Nigeria. Employing a descriptive survey design, we sampled 1,312 staff from a population of 1,903 across eleven private universities using simple random sampling. Data were collected through a structured questionnaire whose reliability and validity were established via pilot testing, face validity, and content validation. Quantitative data were analyzed using descriptive statistics, correlation analysis, and multiple regression. Results show that competitive salaries, indirect financial compensation, and non-financial compensation each exert positive effects on performance outcomes. Specifically, indirect and non-financial compensation significantly predict job satisfaction, while direct and non-financial compensation significantly predict employee productivity. We conclude that well-designed compensation systems—integrating direct, indirect, and non-financial elements—enhance motivation, reduce turnover intentions, and strengthen productivity. Policy and managerial implications for university administrators are discussed.*

**Keywords:** compensation administration, direct financial compensation, indirect financial compensation, non-financial compensation, job satisfaction, employee productivity, private universities, Nigeria

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## INTRODUCTION

Universities in Nigeria operate in increasingly dynamic and competitive environments where high-performing staff are pivotal to institutional effectiveness. Compensation administration—encompassing the design and governance of direct, indirect, and non-financial rewards—remains one of the principal mechanisms through which organizations attract and retain qualified personnel and foster high performance. Prior studies generally affirm that robust compensation systems are associated with higher motivation, lower turnover, and improved productivity, although findings on the magnitude and pathways of these effects vary across contexts. Against this backdrop, this study investigates how

compensation administration relates to employee performance in private universities in North-Central Nigeria, focusing on two core indicators of performance: job satisfaction and employee productivity.

### **Objectives of the Study**

- Examine the impact of direct financial compensation on job satisfaction.
- Evaluate the impact of direct financial compensation on employee productivity.
- Examine the impact of indirect financial compensation on job satisfaction.
- Determine the impact of indirect financial compensation on employee productivity.
- Examine the impact of non-financial compensation on job satisfaction.
- Evaluate the impact of non-financial compensation on employee productivity.

### **Research Hypotheses**

1. H01: Direct financial compensation has no significant impact on job satisfaction in private universities in North-Central Nigeria.
2. H02: Direct financial compensation has no significant impact on employee productivity in private universities in North-Central Nigeria.
3. H03: Indirect financial compensation has no significant impact on job satisfaction in private universities in North-Central Nigeria.
4. H04: Indirect financial compensation has no significant impact on employee productivity in private universities in North-Central Nigeria.
5. H05: Non-financial compensation has no significant impact on job satisfaction in private universities in North-Central Nigeria.
6. H06: Non-financial compensation has no significant impact on employee productivity in private universities in North-Central Nigeria.

## **LITERATURE REVIEW**

### **Conceptual Review**

Compensation administration refers to the integrated set of policies and practices through which an organization designs and delivers rewards in exchange for employee contributions. It comprises: (i) direct financial compensation (e.g., salaries, wages, bonuses, commissions); (ii) indirect financial compensation (e.g., benefits such as health insurance, retirement schemes, paid leave, housing and meal subsidies); and (iii) non-financial compensation (e.g., job design, recognition, career development, supportive work environment). Within higher education, the balance of these elements can shape employees' motivation, commitment, and retention, thereby influencing performance outcomes such as job satisfaction and productivity.

### **Work Environment as a Moderating Variable**

Work environment—covering physical (e.g., ergonomics, lighting, temperature) and psychosocial conditions (e.g., collegiality, participation, managerial support)—may condition the relationship between

compensation and performance. Comfortable, safe, and enabling environments can strengthen the motivational effects of compensation by reducing strain, supporting collaboration, and signalling institutional respect for staff.

### **Employee Performance: Job Satisfaction and Productivity**

Employee performance in this study is operationalized using two indicators. Job satisfaction captures the affective evaluation of one's job and its facets (e.g., pay, recognition, advancement), while employee productivity reflects self-reported effectiveness and output. Compensation strategies—especially when perceived as fair, transparent, and aligned with job demands—are theorized to elevate both indicators by satisfying needs, affirming organizational support, and reinforcing desired behaviors.

### **Theoretical Review**

Two motivational perspectives inform this study. First, Herzberg's Two-Factor Theory distinguishes hygiene factors (e.g., pay, working conditions), which prevent dissatisfaction, from motivators (e.g., achievement, recognition), which promote satisfaction. This suggests that both financial and non-financial elements are necessary for sustained positive attitudes toward work. Second, Vroom's Expectancy Theory posits that motivation depends on expectancy (effort–performance linkage), instrumentality (performance–outcome linkage), and valence (value of outcomes). Compensation systems that are credible, contingent, and meaningful should therefore elicit stronger performance.

### **Empirical Review (Selected Evidence)**

Empirical studies across sectors show heterogeneous relationships between compensation components and performance. Several studies report that both financial and non-financial rewards are positively associated with performance and commitment, while others find mixed or context-dependent effects. Evidence from Nigerian and international settings highlights the salience of recognition, equitable pay structures, benefits, and career development opportunities in shaping motivation and productivity in knowledge-intensive institutions such as universities.

### **Literature Gap**

Despite abundant research on compensation and performance, relatively few studies simultaneously examine direct, indirect, and non-financial compensation within private universities in Nigeria while modelling job satisfaction and productivity as distinct outcomes and considering the moderating role of work environment. This study addresses this gap using a large multi-institution sample from North-Central Nigeria.

## **METHODOLOGY**

A descriptive survey design was adopted. The target population comprised management and academic staff across eleven private universities in North-Central Nigeria. Using Taro Yamane's (1967) formula at a 5% margin of error, a sample size of 1,312 was drawn from a population of 1,903 via simple random

sampling. Data were collected using a semi-structured questionnaire (five-point Likert scale). Validity was ensured through face and content review and a pilot study; reliability was assessed prior to the main survey. Data were analyzed in SPSS using descriptive statistics, correlation analysis, and multiple regression.

### Characteristics of the Study Population

Study Universities	Population (Staff)
Baze University, Abuja	269
Nile University of Nigeria, Abuja	245
Veritas University, Abuja	140
African University of Science and Technology, Abuja	142
Bingham University, Karu (Nasarawa State)	154
Salem University, Kogi State	163
University of Mkar, Benue State	154
Landmark University, Kwara State	208
Al-Hikmah University, Kwara State	153
Summit University, Kwara State	135
Anan University, Plateau State	140
Total	1,903

### Sample Size by Institution (Taro Yamane, $e = 0.05$ )

Study Universities	Population (Staff)	Sample Size
Baze University, Abuja	269	161
Nile University of Nigeria, Abuja	245	152
Veritas University, Abuja	140	104
African University of Science and Technology, Abuja	142	105
Bingham University, Karu (Nasarawa State)	154	111
Salem University, Kogi State	163	116
University of Mkar, Benue State	154	111
Landmark University, Kwara State	208	137
Al-Hikmah University, Kwara State	153	110
Summit University, Kwara State	135	101
Anan University, Plateau State	140	104
Total	1,903	1,312

### Model Specification

Employee performance (EMPER) is modelled as a function of compensation administration (CA), with two outcome indicators: job satisfaction (JS) and employee productivity (EP). Compensation administration is proxied by direct financial compensation (DFC), indirect financial compensation (IFC), and non-financial compensation (NFC).

Model 1 (JS):  $JS = \beta_0 + \beta_1DFC + \beta_2IFC + \beta_3NFC + \varepsilon$

Model 2 (EP):  $EP = \beta_0 + \beta_1DFC + \beta_2IFC + \beta_3NFC + \varepsilon$

### RESULTS

#### Correlation Matrix (N = 1,290)

	DFC	EP	JS	IFC	NFC	WE	EMPER	N
DFC	1.000							
EP	-0.036	1.000						
JS	-0.004	0.047	1.000					
IFC	-0.098*	0.281**	-0.076*	1.000				
NFC	0.146**	0.083*	-0.060	0.078*	1.000			
WE	0.038	0.232**	-0.105**	0.274**	0.322**	1.000		
EMPER	0.061	0.258**	-0.117**	0.632**	0.624**	0.719**	1.000	
								1,290

\*  $p < 0.05$ ; \*\*  $p < 0.01$ . DFC = Direct financial compensation; IFC = Indirect financial compensation; NFC = Non-financial compensation; WE = Work environment; EP = Employee productivity; EMPER = Employee performance.

#### Regression Results: Job Satisfaction as Dependent Variable

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.398	.158	.155	1.06145
Model	Sum of Squares	df	Mean Square	F
Regression	144.157	3	48.052	42.650
Residual	766.140	680	1.127	
Total	910.297	683		
Predictor	B	Std. Error	Beta	t
Constant	1.476	.167		8.828
Direct financial compensation	.044	.033	.048	1.329
Indirect financial compensation	.176	.036	.179	4.822
Non-financial compensation	.242	.029	.306	8.478
				Sig.
				.000
				.000
				.000

H01 is not rejected: Direct financial compensation shows a positive but statistically non-significant association with job satisfaction ( $p = .184$ ).

H03 is rejected: Indirect financial compensation positively and significantly predicts job satisfaction ( $p < .001$ ).

H05 is rejected: Non-financial compensation positively and significantly predicts job satisfaction ( $p < .001$ ).

### Regression Results: Employee Productivity as Dependent Variable

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.437	.191	.188	1.17099
Model	Sum of Squares	df	Mean Square	F
Regression	220.458	3	73.486	53.591
Residual	932.435	680	1.371	
Total	1152.893	683		
Predictor	B	Std. Error	Beta	t
Constant	1.367	.184		7.413
Direct financial compensation	.077	.037	.074	2.091
Indirect financial compensation	.030	.040	.027	.749
Non-financial compensation	.373	.032	.419	11.824
				Sig.
				.000
				.037
				.454
				.000

H02 is rejected: Direct financial compensation positively and significantly predicts employee productivity ( $p = .037$ ).

H04 is not rejected: Indirect financial compensation exhibits a positive but non-significant association with employee productivity ( $p = .454$ ).

H06 is rejected: Non-financial compensation positively and significantly predicts employee productivity ( $p < .001$ ).

## DISCUSSION

The findings reveal differentiated effects across compensation components. Non-financial compensation—recognition, opportunities for growth, supportive work systems—shows the strongest and most consistent associations with both job satisfaction and productivity. Indirect compensation significantly predicts job satisfaction but not productivity, suggesting that benefits reinforce positive attitudes yet may be more distal to immediate output. Direct financial compensation significantly predicts

productivity but not job satisfaction, indicating that pay influences effort and performance intensity more than affective evaluations. Collectively, these results underscore the importance of a balanced total-rewards portfolio that blends monetary and non-monetary levers.

## **CONCLUSION**

Compensation administration, when holistically designed and credibly implemented, is associated with improved employee outcomes in private universities in North-Central Nigeria. Administrators should integrate competitive salaries, strategically designed benefits, and robust non-financial rewards to enhance job satisfaction and productivity while curbing turnover intentions.

## **Recommendations**

- Adopt market-aligned salary structures and communicate pay philosophy transparently to signal equity and value.
- Strengthen indirect benefits (e.g., medical cover, retirement plans, paid leave, housing and meal subsidies) to support employee wellbeing and job satisfaction.
- Institutionalize non-financial rewards—formal recognition, developmental opportunities, enriched job design, participatory decision-making—to drive sustained motivation and productivity.
- Invest in safe, comfortable, and well-equipped work environments to amplify the effects of compensation on performance.
- Routinely review the compensation system using staff feedback and benchmarking to ensure internal equity and external competitiveness.

## **Contribution to Knowledge**

This study contributes context-specific evidence by jointly estimating the effects of direct, indirect, and non-financial compensation on two distinct performance indicators within a multi-institution sample of private universities in North-Central Nigeria, while explicitly considering the moderating influence of the work environment.

## **Limitations and Areas for Further Study**

The cross-sectional design limits causal inference. Future research should employ longitudinal or mixed-methods approaches to unpack mechanisms and temporal dynamics. Comparative analyses with public universities and alternative sectors would further illuminate contextual contingencies.

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