EFFECT OF COMPENSATION PRACTICES ON EMPLOYEES' PERFORMANCE OF SELECTED HOTELS IN MAKURDI, BENUE STATE.

[1]Ugban, Timothy Teryima
[1]Department of Business Administration, Nasarawa State University, Keffi, Nigeria
Email:timougban30@gmail.com

Abstract
Employee performance is a critical factor in the success of hospitality businesses, where service quality and customer satisfaction depend largely on workforce motivation. However, organizations often grapple with designing compensation systems that effectively enhance employee engagement and productivity. This study examined the effect of compensation practices measured by employee salary, incentives, and benefits on employee performance of selected hotels in Makurdi, Benue State, Nigeria. The study adopted a survey research design, with the population comprising 216 employees. and utilized questionnaire to collect primary data from 168 employees. Stratified random sampling technique was employed to ensure a representative selection of participants. Data were analyzed using Structural Equation Modelling (SEM). Findings revealed that employee salary had no significant effect on employee performance, indicating that salary alone was not a primary driver of motivation enhancing performance. Employee incentives, however, had a significant and positive impact on performance, suggesting that performance-based incentives such as bonuses and commissions effectively enhanced workforce productivity. Employee benefits did not have a statistically significant impact, implying that the existing benefits system of the selected hotels in Makurdi may not have been effectively structured to drive performance motivating behavior. Based on these findings, the study recommended that hotels implement structured salary reviews linked to performance and industry benchmarks. A well-defined incentive system should be introduced, ensuring transparency in distribution and alignment with employee contributions. Additionally, the hotels should redesign their benefits systems by incorporating health insurance schemes, personalized recognition programmes and professional development opportunities that align with employee aspirations.
Keywords: Compensation, Salary, Incentives, Benefits, Hospitality and Performance

INTRODUCTION

Compensation practices are essential aspects of human resource management in modern organizations, as they significantly influence employee motivation, job performance, and overall organizational success. Compensation practices refer to the policies, proceedures and strategies used by the organization to reward and compensate its employees for their work and contributons to the overall success of the business. Compensation is deemed satisfactory when it meets employee's needs, expectations and industry standards and employees perceive the adequacy and fairness of their earnings, including their salary, incentives, and rewards.(Lawler,2018). When employees feel fairly compensated, they are more likely to be engaged, productive, and committed to their work, leading to improved employee performance (Akpan &Ukpong, 2020). . Globally, organizations across different industries have adopted structured compensation practices, ensuring that employee salary is competitive, incentives are performance-based, and benefits tied to contributions beyond basic responsibilities. Studies have shown that companies that invest in competitive pay structures and meaningful incentives achieve higher employee retention and efficiency, ultimately driving profitability (Dulebohn *et al.,* 2022).

Employee salary, is a core component of compensation, which refers to the fixed wages or salaries that employees receive in exchange for their labour. Salary plays a fundamental role in determining job satisfaction and commitment, as it directly influences an employee's quality of life and perception of fairness within an organization. Research has established that organizations offering competitive salaries are more likely to attract and retain top talent while reducing turnover costs (Armstrong & Taylor, 2022). Employee incentives, on the other hand, encompass financial and non-financial rewards tied to performance, including bonuses, commissions, and profit-sharing schemes. Incentives serve as powerful motivational tools that encourage employees to go beyond their basic job requirements and enhance productivity (Lazear, 2022). Employee benefits, which can be monetary or non-monetary, such as recognition programs, promotions, professional development opportunities, and other perks contribute significantly to job satisfaction and long-term employee commitment. Companies that implement well-structured reward systems tend to foster positive workplace cultures and achieve higher levels of employee engagement (Gallup, 2022).

Employee performance is a crucial determinant of organizational success, particularly in the hospitality sector, where service quality and customer satisfaction rely heavily on the motivation and productivity of staff. Ideally, a well-structured compensation system should foster a motivated workforce that is committed to delivering exceptional service. Employees who feel adequately compensated through competitive pay, performance-based incentives, and meaningful rewards tend to be more engaged, efficient, and willing to exceed customer expectations (Gupta & Shaw, 2022). In a highly competitive industry like hospitality, where customer experience dictates business sustainability, organizations must ensure that compensation satisfaction practices are strategically aligned with employee performance goals.

In Nigeria, effective compensation practices remains a significant challenge due to economic volatility, inflation, and disparities in wage structures. The Nigerian labour market has been characterized by irregular salary payments, inadequate incentive schemes, and limited employee rewards, leading to widespread dissatisfaction among workers. According to the National Bureau of Statistics (NBS, 2023), over 60% of Nigerian employees express dissatisfaction with their earnings, citing low pay and a lack of structured incentive systems as primary concerns. Furthermore, a report by Chukwuemeka and Nwankwo (2023) indicates that Nigeria's private sector, particularly in the service industry, has some of the highest employee turnover rates in Africa, largely due to poor compensation structures. The hospitality industry, which is labour-intensive and highly service-driven, has been significantly affected by these compensation challenges, leading to decreased employee commitment and suboptimal customer service experiences. Research suggests that Nigerian organizations that prioritize employee salary, performance-based incentives, and meaningful rewards experience higher productivity and business stability (Okonkwo & Adebayo, 2023).

Based on the nature and significance of the relationship between compensation practices and employee performance, this study becomes necessary as employee productivity, retention, and service quality in the Nigerian hospitality sector (including those selected hotels in Makurdi), have faced considerable challenges in recent years. Therefore, it is in the interest of this study to conduct an analysis of how compensation practices, specifically employee salary, incentives, and benefits, have impacted the performance of selected hhotels in Makurdi.

The main objective of the study is to determine the effect of compensation practices on employee performance of selected hotels in Makurdi, Benue State. The specific objectives of the study are to:

i. analyse the effect of salary on employees' performance of selected hotels in Makurdi.
ii. examine the effect of incentives on employees' performance of selected hotels in Makurdi.
iii. assess how employee benefits affect employees' performance of selected hotels in Makurdi.

LITERATURE REVIEW

This section reviewed the key concepts implored in this paper.

Compensation practices

Compensation practices refer to the policies, proceedures and strategies used by the organization to reward and compensate employees for their work and contributons to the overall success of the business. These compensation packages, include ssalary, incentives, and benefits which employees must perceive as fair, competitive, and motivating within an organization. Scholars have long emphasized that compensation satisfaction is a critical factor in employee motivation, job commitment, and overall organizational performance. According to Gupta and Shaw (2022), compensation encompasses both monetary and non-monetary benefits that employees receive in exchange for their labour, and it significantly influences their level of engagement and productivity. When employees feel adequately compensated, they are more likely to be committed to their organization, exhibit higher job performance, and contribute positively to business growth. Conversely, dissatisfaction with compensation can lead to demotivation, absenteeism, and high turnover rates, which negatively impact organizational efficiency (Dulebohn et al., 2022). The three primary components of compensation practices, employee salary, employee incentives, and employee benefits, have been widely studied in the field of human resource management, with researchers highlighting their distinct yet interrelated roles in shaping employee attitudes and behaviours.

Employee salary, often referred to as base salary or wages, is the fixed monetary compensation employees receive for their work. It remains the most fundamental aspect of compensation satisfaction, as it directly affects an employee's financial well-being and perceived job stability. Scholars have argued that competitive and equitable pay structures play a crucial role in attracting and retaining top talent within organizations (Armstrong & Taylor, 2022). When employees believe that their pay aligns with their skills, experience, and industry standards, they are more likely to be satisfied with their jobs and demonstrate higher levels of commitment. According to Okafor and Adebisi (2021), salary disparities and inconsistencies in pay structures often lead to dissatisfaction and high employee turnover, particularly in developing economies where inflation and economic instability frequently erode wages. Additionally, a study by Njoroge et al. (2020) found that organizations that implement transparent and structured salary scales tend to experience lower turnover rates and improved workforce productivity. Therefore, ensuring that employee salary is fair, competitive, and regularly reviewed is essential for fostering a motivated and satisfied workforce.

Employee incentives serve as additional compensation beyond base salary, typically designed to encourage and reward high performance. These incentives may take various forms, including bonuses, commissions, profit-sharing schemes, and stock options. Scholars have consistently highlighted the importance of incentives in driving employee motivation and productivity. According to Lazear (2022), incentive-based compensation structures create a direct link between employee effort and financial rewards, making employees more likely to engage in behaviours that enhance organizational performance. Similarly, a study by Benson and Brown (2021) found that employees who receive regular performance-based incentives report higher job satisfaction and are less likely to seek employment elsewhere. However, the effectiveness of incentives largely depends on how well they are structured and communicated. Poorly designed incentive schemes may lead to unhealthy competition, job stress, or dissatisfaction if employees perceive the criteria for earning incentives as unclear or unfair (Kampkotter & Sliwka, 2021).

Employee benefits encompass non-wage compensations provided to employees in addition to their regular salary or wages like health insurance, retirement plans, stock options, paid time off, recognition programmes, and other perks that acknowledge employees' contributions and achievements.According to Gallup (2022), employees who feel recognized and appreciated are more likely to be engaged and committed to their organization. Furthermore, research by De Gieter and Hofmans (2022) suggests that non-monetary rewards enhance employees' intrinsic motivation by making them feel valued and respected. In the hospitality industry, where job roles are often demanding and customer-focused, effective reward systems can significantly impact employee morale and service quality (Olowookere & Ogunnaike, 2022).

Employee Performance

Employees' performance is a critical concept in organizational behaviour and human resource management, as it directly influences productivity, service quality, and overall business success. Scholars have provided various definitions of employee performance, emphasizing its role in determining an organization's ability to achieve its strategic objectives. According to Campbell and Wiernik (2021), employee performance refers to the effectiveness, efficiency, and quality of an employee's work output in relation to predefined job responsibilities and organizational expectations. It is often measured through key performance indicators (KPIs), such as task completion rates, customer satisfaction levels, initiative and proactiveness, and overall contribution to business growth. Employee performance is not only influenced by individual competencies but also by external factors, such as organizational policies, work environment, leadership style, and compensation satisfaction (Dulebohn *et al*., 2022). High-performing employees are characterized by their ability to complete tasks efficiently, adapt to workplace challenges, and contribute innovative ideas that enhance productivity. Conversely, poor employee performance can result in reduced productivity, increased operational costs, and customer dissatisfaction, particularly in service-oriented industries such as hospitality (Olowookere & Ogunnaike, 2022).

Empirical Review

Employee performance, particularly in relation to compensation satisfaction practices, has been widely studied across various industries and geographical contexts. Researchers have sought to understand how factors such as employee salary, incentives, and benefitss influence workforce motivation, productivity, and organizational commitment. Existing literature has employed different methodological approaches, including survey designs, regression analysis, and structural equation modelling, to explore these relationships. While many studies confirm a positive link between compensation satisfaction and employee performance, variations exist in findings due to contextual and sectoral differences. The following empirical studies provide insights into this subject matter, drawing from both Nigerian and international contexts.

Sembiring and Setyawan (2024) investigated the impact of job satisfaction and compensation on employee performance in a 4-star hotel in Batam City, Indonesia utilizing work motivation as a mediator. Job satisfaction and compensation are recognized as crucial factors influencing both work motivation and employee performance. The data processing involved the PLS (Partial Least Square). Questionnaires were distributed across Batam city through Google Form, strategically targeting hotel employees. A total of 385 questionnaires were distributed in key areas, Batam Centre, Bengkong, Nongsa, and Nagoy to ensure diverse participation, covering various geographical locations and work environments. The administration of a questionnaire to 380 hotel employees in Batam City yielded positive and significant correlations between job satisfaction, compensation, work motivation, and employee performance, as revealed by PLS analysis. Work motivation emerges as a significant mediator in the relationships between job satisfaction and employee performance, as well as between compensation and employee performance. The study is related to the current one but differ in focus, variables and study context.

Kwon and Hein (2022) examined the effects of wage disparities on employee engagement from an Equity theory perspective. Using survey data from 3,000 employees across multiple sectors, the study employed hierarchical regression modeling to assess the impact of perceived pay inequities on workplace behavior. The results indicated that employees who perceived significant wage gaps between themselves and their colleagues exhibited lower engagement levels and reduced organizational commitment. Furthermore, the study found that wage transparency mitigated some of the negative effects of pay disparities, as employees who understood the rationale behind compensation differences were less likely to feel undervalued. Despite providing valuable insights into the role of fairness in compensation, the study relied on self-reported engagement measures, which could introduce response bias. Additionally, while the study explored wage disparities at an organizational level, it did not assess the broader economic factors that influence compensation decisions, such as industry standards and labor market conditions.

Lazear (2022) explored the relationship between performance-based pay and productivity on a global scale, analyzing data from firms in both developed and developing economies. Using a mixed-methods approach, the study combined firm-level productivity measure with employee survey responses to evaluate the effectiveness of performance-linked compensation systems. The findings demonstrated that organizations implementing performance pay structures experienced significant improvements in workforce productivity, particularly in competitive industries such as finance and technology. However, the study also noted that the effectiveness of performance pay varied depending on job issues, employees in highly skilled roles responded more positively to incentives compared to those in routine, low-skilled jobs. While the research provided strong empirical support for the benefits of performance pay, it did not fully address potential drawbacks, such as employee dissatisfaction in cases where performance measures were perceived as unfair. Moreover, the study assumed a direct correlation between incentive structures and productivity without considering mediating factors such as employee motivation and workplace culture.

Miller and Effron (2022) proposed a new perspective on workplace equity, arguing that traditional fairness models, such as Equity Theory, may not fully capture the issues of modern compensation practices. Using experimental research methods, the study tested various compensation scenarios among 500 participants to examine how fairness perceptions influenced workplace behaviour. The findings suggested that employees value not only distributive justice (fairness in pay distribution) but also procedural and interactional justice—how compensation decisions are communicated and implemented. The study also found that employees were more accepting of pay disparities when they perceived opportunities for career advancement and skill development. While the research provided fresh insights into workplace fairness, its reliance on experimental simulations may limit real-world applicability, as workplace dynamics are influenced by multiple factors beyond compensation alone. Additionally, the study did not account for long-term employee reactions to perceived inequities, as fairness perceptions can evolve based on organizational changes and external economic conditions.

De Gieter and Hofmans (2022) examined the psychological mechanisms through which non-monetary rewards influence employee motivation and engagement. The study analyzed data collected from 400 employees in the European retail sector over a four-year period, utilizing a mixed-methods approach that combined survey data with in-depth employee interviews. The results indicated that non-monetary rewards, such as public recognition, career advancement opportunities, and flexible work arrangements, significantly enhance employee motivation, particularly in roles where intrinsic motivation is a key driver of performance. The study also found that non-monetary rewards had a stronger impact on employees who felt undervalued in terms of salary, suggesting that organizations can compensate for lower financial remuneration by strengthening their reward and recognition programs. However, the study primarily focused on the retail industry in Europe, making it difficult to generalize the findings to different economic and cultural contexts. Additionally, while the study established a strong correlation between non-monetary rewards and motivation, it did not explore potential moderating factors such as job workload, or organizational leadership styles.

Benson and Brown (2021) investigated the impact of performance-based incentives on employee satisfaction and organizational commitment over a five-year period in the financial services industry. Using a longitudinal survey approach, they collected data from 500 employees across multiple financial institutions and employed structural equation modeling (SEM) to analyze the relationships between incentive structures and job satisfaction. The results revealed that employees who received clear, structured performance-based incentives exhibited higher levels of job satisfaction and organizational commitment. The study further found that monetary incentives were more effective in short-term motivation, whereas non-monetary incentives such as professional development opportunities had a more sustained impact on employee retention. While the findings reinforce the significance of incentive-based motivation, the study focused exclusively on the financial sector, limiting its generalizability to industries where compensation structures differ, such as hospitality and manufacturing. Furthermore, the reliance on self-reported employee satisfaction measures introduces potential biases, as respondents may have provided socially desirable answers rather than objective assessments of their job satisfaction. Greenberg (2021) explored the role of transparency in compensation satisfaction, specifically within the framework of Equity Theory. The study analysed compensation policies in multinational corporations (MNCs) over a five-year period, using archival data from corporate reports and employee surveys. Through regression analysis, the study found that organizations with transparent pay structures experienced lower employee turnover and higher job satisfaction. Employees who understood how their salaries and incentives were determined were more likely to perceive their compensation as fair, even when actual pay levels were not significantly higher than industry standards. The study further revealed that lack of transparency in compensation policies often led to distrust in management and reduced organizational commitment. While the findings emphasise the importance of transparency in compensation practices, the study focused primarily on large corporations, overlooking the challenges faced by small and medium-sized enterprises (SMEs) in implementing transparent pay structures. Additionally, the study assumed a direct relationship between transparency and compensation satisfaction without fully accounting for mediating variables such as employee expectations, industry-specific compensation norms, and cultural differences in perceptions of fairness.

Kampkotter and Sliwka (2021) investigated the impact of performance-based bonuses on employee well-being and overall job satisfaction. Covering a five-year period, the study analyzed panel data from over 1,500 employees across different industries, utilizing a combination of regression analysis and structural equation modelling (SEM). The findings indicated that performance-based incentives led to increased short-term motivation and job satisfaction, but their effects on long-term well-being were mixed. Employees who received frequent bonuses reported higher engagement levels; however, they also experienced increased job stress and burnout due to heightened performance expectations. The study highlighted the importance of balancing incentive pay with supportive work environments to maintain employee well-being. While the findings reinforce the positive link between incentive pay and motivation, the study primarily focused on developed economies, limiting its applicability to regions with different compensation structures. Additionally, the study did not account for variations in individual employee preferences, as some may prioritize job security or work-life balance over financial rewards.

Cropanzano, *et al.* (2020) explored how employees form fairness judgments in compensation-related decisions and how these perceptions influence organizational justice. The study covered a 10-year period and employed experimental research methods, using randomized controlled trials with 300 participants to examine how different fairness rules (e.g., equity, equality, and need-based distribution) affected job performance and workplace engagement. Their findings indicated that employees respond most positively to compensation systems perceived as equitable rather than strictly equal, suggesting that performance-based rewards are more effective than uniform pay increases. The study also highlighted the importance of procedural justice—employees were more likely to accept compensation decisions when they believed the decision-making process was transparent and impartial. While the research provided valuable insights into how fairness perceptions shape employee attitudes, the experimental design may not fully capture real-world issues in compensation management. Additionally, the study's reliance on hypothetical workplace scenarios may limit its applicability to actual organizational settings, where multiple external factors influence fairness perceptions.

Expectancy Theory

The study is underpinned by Vroom (1964) Expectancy theory of motivation. According to the expectancy theory (Vroom 1964), an individual's motivation to perform a task is determined by the strength of their expectancy, instrumentality and valance beliefs. If an individual believes that their effort will lead to a desired outcome (high expectancy and instrumentality) and that the outcome is valuable to them (high valance), they will be more motivated to perform the task. This theory claims that people behave in a certain way due to the expected outcome ('behavior is reinforced by consequences'). Porter and Lawler (1968), explained this behavior in terms of the relationship between the effort and the performance of the employee and stated that, in the prediction of the performance of an employee, this relationship acts as a moderator (Navy, 2020). For example, employees will perform better if they are rewarded, but the reward needs to be meaningful. This theory helps managers to identify factors that affect employee motivation and choose among various alternatives (Gvan et al,2014; Zoller & Muldoon, 2018). In the workplace, employees exchange their performance, efforts, or contributions for salary, compensation, or any other reward. This input may also include the qualifications, work experience, and skills of employees. Here, the important outcomes exchanged for inputs are cash and non-cash benefits, titles, and recognition.

There are some empirical evidences in support of Expectancy Theory, for example; Porter and Lawler (1968) showed that expectancy, instrumentality and valence were significant predictors of job satisfaction and performance; and Mitchel (1974) showed that expectancy theory explained employee motivation and performance in a variety of tasks and context. But, on the contrary, other scholars criticized the theory. For example, Heneman and Schwab (1972) quarried the theory's oversimplification of the complexity of human motivation by ignoring important factors like emotions, social norms and environmental influences; and Erez, and Gati (2004) criticized the Expectancy theory over failure to consider context and hence not accounting for values, cultural background environmental or situational factors influencing motivation.

The Expectancy theory, however, has implications on the effects of compensation practices on employee motivation and performance improvements. It is therefore relevant to understanding the effect of compensation practices on the performance of selected hotels in Makurdi, hence, adopted as the underpinning theory for this study.

METHODOLOGY

The study adopted a survey research design, which is appropriate for examining the effect of compensation practices on employee performance of selected hotels in Makurdi. The survey design enabled the collection of primary data from employees regarding their perceptions of salary, incentives, and rewards and how these factors influenced their performance. This approach facilitated the use of structured questionnaires to gather quantitative responses, allowing for statistical analysis and hypothesis testing.

The stratified random sampling technique was carefully employed to ensure an unbiased and representative data collection process, given the diversity of employees of the selected hotels in Makurdi. This method was particularly suitable for this study, as it allowed every employee, regardless of their department or job role, to have an equal chance of being selected. The initial step involved identifying the total workforce across different sections of the hotel, including housekeeping, front desk, food and beverage, and administration. Employees were then randomly selected from this pool to participate in the study, ensuring that the data collected accurately reflected the varying perceptions of compensation satisfaction.

The population comprised 216 employees of selected hotels in Makurdi (which are Edgewood Manor Hotel, Benue Metropolitan Hotel, Hallyday Hotel, and Doo Palace Hotel).
Using the Taro Yamane formula, the sample size was determined as follows:

$$n = \frac{N}{1 + N(e)^2}$$

Where
n = sample size to be determined;
N = the population of the study;
e = specified margin of error (at 0.05)

Thus, $$n = \frac{216}{1 + 216(0.025)^2} = 140$$

A provision for aattrition rate of 20% (that's 28 extra) was made to increase the sample size to take of unreturned questionnaire, thus bringing the sample size total to ***168.***

The Proportional allocation formula was applied thus:

$$nh = \frac{nNh}{N}$$

Where nh = number allocated to each hotel
n = total sample size
Nh = total population of each hotel
N = total population (216)
Applying the formula, we have:

Table 1: Population and Sample of the Selected Hotels, Makurdi.

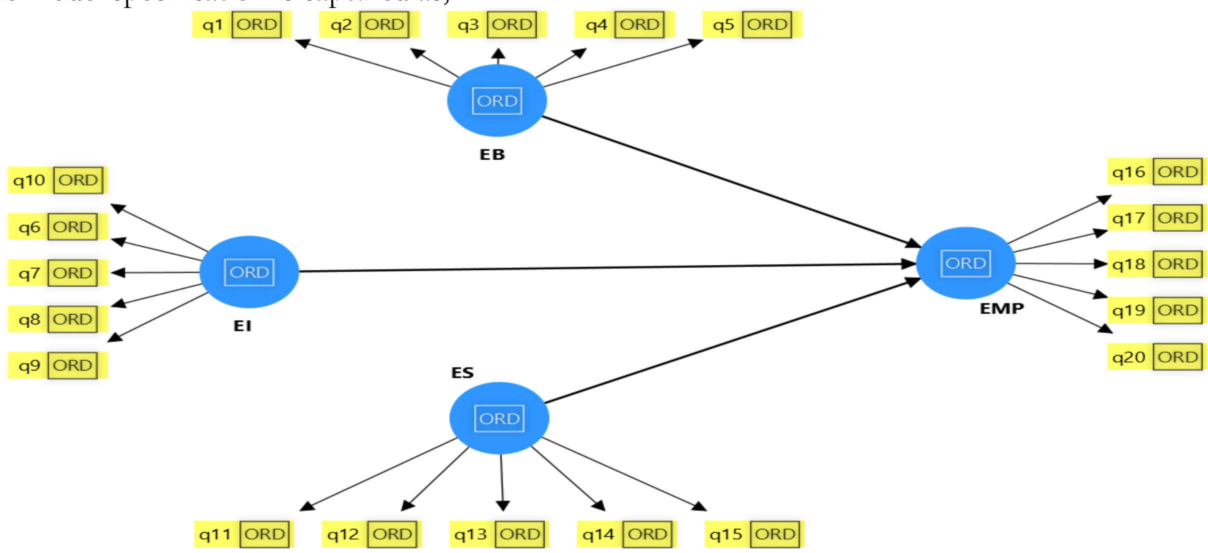
S/N	Hotel	Population	Sample Size Admin.	Food & Beverages	House Keeping	Front Desk Operations	Other support depts.	Total
1.	Edgewood Manor Hotel	56	6	12	11	9	5	43
~~2.~~	~~Benue~~ Metropolitan Hotel	~~60~~	~~6~~	~~12~~	~~12~~	~~12~~	~~5~~	~~47~~
3.	Hallydays Hotel	49	5	11	9	9	4	38
4.	Doo palace Hotel	51	6	12	9	9	4	40
Total		**216**	**23**	**47**	**41**	**39**	**18**	**168**

Source: Field Work, 2025

The study used a closed ended questionnaire as the primary instrument for data collection which was adopted from Heneman and Schwab (1985). It incorporated key variables directly aligned with the study's objectives, focusing on aspects such as salary structures, performance-based incentives, and employee benefits. These variables were quantitatively measured using interval scales through a five-point Likert scale, ranging from "strongly agree" (5) to "strongly disagree" (1). This scale enabled respondents to express their perceptions of'fairness' of compensation practices and the impact on their job performance, providing precise and measurable insights into the relationship between compensation practices and employee productivity (Lawler,1971; Heneman & Schwab,1985). To ensure a fair and representative selection of participants, the stratified random sampling technique was employed, capturing employees from various departments of the selected hotels in Makurdi.

The results were interpreted based on coefficients, p-values, and R-squared values to determine the strength and significance of the relationships between compensation variables (employee salary, incentives, and benefits) and employee performance. The choice of SEM in SmartPLS was particularly suitable due to its robustness in handling complex models and ensuring accurate estimations, thus providing valuable insights into how compensation influences workforce motivation and productivity in the hotel sector of the hospitality industry.

The model specification is captured as;



Where;

EB: Employee benefits
EI: Employee incentives
ES: Employee salary
EMP: Employee performance

ORD: ' Ordinal' measurement scale for the variables.
q1-q20: Questions examined using Likert scale

RESULTS AND DISCUSSION

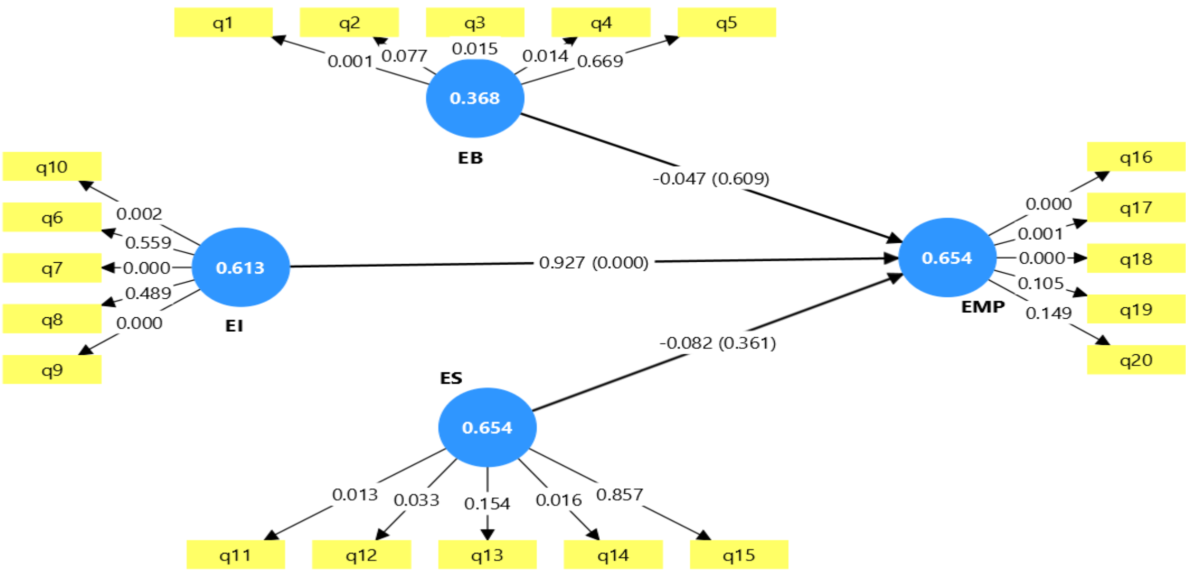
SEM Regression Results

Structural Equation Modelling (SEM) regression analysis was conducted to examine the impact of compensation practices, measured as employee salary, benefitss, and incentives on employee performance of the selected hotels in Makurdi. The SEM results presented in Table 2 offer empirical evidence on the extent to which different compensation components influence employee performance.

Table 2: SEM Regression Output

SEM Regression Output				
Dependent Variable: EMP				
Path	Path Coefficients			
Model	**Beta**	**Standard deviation (STDEV)**	**T statistics (|O/STDEV|)**	**p-value**
ES -> EMP	-0.082	0.090	0.909	0.361
EB -> EMP	-0.047	0.083	0.563	0.609
EI -> EMP	0.927	0.084	11.005	0.000
Quality Criteria				
R-Square	0.654	Wald:	F-value	4.112
Adjusted R-Square	0.6214		p-value	0.049

Source: Smart-PLS 4.0 Output (2025)



Source: Smart-PLS Output (2025)

The SEM regression results revealed that employee salary (ES) had a negative and statistically insignificant effect on employee performance, with a path coefficient of -0.082, a standard deviation of 0.090, a t-statistic of 0.909, and a p-value of 0.361.

Similarly, employee benefits (EB) showed a negative and insignificant relationship with employee performance, with a path coefficient of -0.047, a standard deviation of 0.083, a t-statistic of 0.563, and a p-value of 0.609.

In contrast, employee incentives (EI) had a strong positive and statistically significant effect on employee performance, with a path coefficient of 0.927, a standard deviation of 0.084, a t-statistic of 11.005, and a p-value of 0.000.

Quality Criteria

The Quality Criteria demonstrated strong explanatory power, with an R-square value of 0.654, indicating that approximately 65.4% of the variation in employee performance can be explained by the combined effects of employee salary, benefits, and incentives. The adjusted R-square value of 0.6214 further confirms the model's robustness by accounting for potential biases associated with additional predictor variables. Additionally, the F-statistic of 4.112, with a corresponding p-value of 0.049, suggests that the model is statistically significant at a 5% level, reinforcing the reliability of the estimated relationships.

Model Fit Result in SEM

Model fit analysis was conducted to evaluate how well the Structural Equation Modelling (SEM) framework aligns with the observed data in examining the impact of compensation practices on employee performance of the selected hotels in Makurdi. Various model fit indices, including the Standardized Root Mean Square Residual (SRMR), Chi-square, Normed Fit Index (NFI), Comparative Fit Index (CFI), Goodness of Fit Index (GFI), and Adjusted Goodness-of-Fit Index (AGFI), were assessed to determine the adequacy of the estimated model as shown in Table 3.

Table 3: Model Fit Result

Model fit indices	Estimated model
SRMR	0.0089
Chi-square	1.285 (0.111)
NFI	0.891
Comparative Fit Index CFI	0.979
Goodness of fit index, GFI	0.927
Adjusted goodness-of-fit index AGFI	0.960

Source: Smart-PLS 4.0 Output (2025)

The SRMR value of 0.0089 falls well below the recommended threshold of 0.08, indicating an excellent fit between the estimated model and the observed data. SRMR measures the average discrepancy between the observed and predicted correlations, with lower values signifying better model fit. This strengthens the credibility of the regression findings and shows the robustness of the compensation-performance framework in the hospitality sector.

The Chi-square statistic of 1.285, with an associated p-value of 0.111, indicates that the model does not significantly deviate from the observed data. In SEM analysis, a non-significant Chi-square ($p > 0.05$) suggests that the estimated model fits the actual dataset well, as significant Chi-square values often imply model misspecification.

The NFI value of 0.891, while slightly below the conventional threshold of 0.90, suggests a reasonably good model fit. NFI compares the Chi-square value of the hypothesized model to a null model, where values closer to 1 indicate a stronger fit.

The CFI value of 0.979 further supports the model's strong fit. CFI assesses model fit by comparing the discrepancy between the hypothesized and null models while adjusting for sample size. A CFI value above 0.95 is generally regarded as indicative of excellent model fit, confirming that the SEM framework accurately represents the compensation-performance relationship.

Similarly, the GFI value of 0.927 and the AGFI value of 0.960 further corroborate the overall model fit. GFI assesses the proportion of variance explained by the model, with values exceeding 0.90 indicating an acceptable fit. The AGFI, which adjusts for degrees of freedom, refines this assessment by penalizing dynamic models. The high AGFI value suggests that the model is not only well-fitted but also parsimonious, meaning it effectively captures the compensation-performance relationship without unnecessary issues.

Statistical Test of Hypotheses

The validity of the three hypotheses was evaluated using the p-values derived from the t-statistics (or t-value) from the SEM regression results presented in Table 2. The criteria for decision-making were as follows: if the p-value is below 0.05, the null hypothesis is rejected. However, if the p-value exceeds 0.05, we do not reject the null hypothesis.

H_{01}: Employee salary have no significant effect on employees' performance of selected hotels in Makurdi. For the first hypothesis (H01), which posits that employee pay has no significant effect on employee performance, the SEM results generated a p-value of 0.361. Since this value is greater than 0.05, the null hypothesis fails to be rejected. This indicates that employee salary does not have a statistically significant effect on employee performance of the selected hotels in Makurdi

H_{02}: employee Incentives have no significant effect on employees' performance of selected hotels in Makurdi.

For the second hypothesis (H02), which states that employee incentives have no significant effect on employee performance, the SEM analysis generated a p-value of 0.000. Since this value is less than 0.05, the null hypothesis is rejected at the 5% significance level, indicating that employee incentives have a strong and statistically significant effect on employee performance of the selected hotels in Makurdi

H_{03}: Employee Benefits have no significant effect on employees' performance selected hotels in Makurdi. For the third hypothesis (H03), which states that employee benefits have no significant effect on employee performance, the SEM results generated a p-value of 0.563. Since this value is greater than 0.05, the null hypothesis fails to be rejected. This indicates that employee benefits do not significantly influence employee performance of the selected hotels in Makurdi

Discussion of Findings

Findings from the study revealed that salary had no significant effect on employee performance of the selected hotels in Makurdi. This insignificant relationship suggests that while salaries are a fundamental component of compensation, they may not be the primary factor driving employee motivation and productivity in the hospitality sector. It showed that employees of the selected hotels in Makurdi may perceive their salary as inadequate or misaligned with their workload, leading to disengagement. Alternatively, salary alone may not provide sufficient motivation unless complemented by incentives or benefits. This finding is consistent with the work of Kampkotter and Sliwka (2021), who found that salary satisfaction had a diminishing effect on employee engagement over time, as employees placed greater emphasis on career growth and job security. Similarly, De Gieter and Hofmans (2022) noted that while fair wages contribute to job satisfaction, they do not necessarily translate into improved performance unless employees perceive additional value in their overall compensation package. However, the outcome contradicts the findings of Kwon and Hein (2022), who discovered a significant positive relationship between salary increases and employee performance in the retail sector, suggesting that industry-specific factors may influence the role of pay in motivating employees.

The study also found that incentives had a significant and positive effect on employee performance of the selected hotels in Makurdi. This suggests that incentives such as bonuses, commissions, and profit-sharing schemes serve as strong motivators that drive employees to perform better. In the hospitality industry, where service quality is critical, employees are more likely to be engaged and efficient when they perceive a direct link between their performance and financial rewards. This finding aligns with Expectancy theory of Motivation (Vroom, 1964), which argues that employees feel motivated when they are fairly compensated for their contributions. The result is supported by the work of Lazear (2022), who found that performance-based incentives significantly enhance employee productivity in service-oriented industries. Similarly, Benson and Brown (2021) concluded that organizations that implement structured incentive programs experience higher employee engagement and lower turnover rates. The significance of incentives in this study further confirms the argument made by Ryan and Deci (2020), who emphasized that extrinsic rewards tied to performance are effective in sustaining motivation, particularly in competitive work environments. However, the findings differ from those of Miller and Effron (2022), who suggested that intrinsic motivation, such as job autonomy and meaningful work, has a stronger impact on performance than external incentives.

Additionally, the study found that benefits had no significant effect on employee performance of the selected hotels in Makurdi. One possible reason is that employees may not view existing benefits systems as fair or consistent, reducing their impact on motivation. This finding is in line with the study by Ambrose and Schminke (2019), who argued that recognition-based rewards only enhance performance when employees perceive them as genuine and fairly distributed. Similarly, Greenberg (2021) found that organizations with poorly structured reward systems failed to achieve higher employee engagement despite implementing various recognition programs. However, the outcome contradicts the findings of Cropanzano *et al.* (2020), who discovered that employee recognition programs significantly improved job performance in organizations that embedded a strong culture of appreciation and career development.

CONCLUSION AND RECOMMENDATIONS

This study aimed to examine the effect of compensation practices, measured through employee salary, incentives, and benefits on employee performance of selected hotels in Makurdi. The findings provided critical insights into how different components of compensation influence workforce productivity. First, the study revealed that employee salary had no significant effect on employee performance, implying that salary alone may not be sufficient to drive motivation in the hospitality industry. Second, employee incentives demonstrated a significant and positive impact on performance, highlighting the importance of performance-based compensation in boosting employee engagement and productivity. Lastly, employee benefits had no significant effect, suggesting that recognition programs, retirement plans, health insurance and other perks of the selected hotels in Makurdi may not be effectively structured to enhance motivation. These findings thus showed that while compensation is essential, its effectiveness depends on how well it aligns with employee expectations and employee performance.
Based on these findings, the following recommendations were made:

i. Salaries should be designed to align with performance to ensure a performance-driven system of compensation.

ii. Similarly, performance-based incentives system should be adopted in order to ensure that incentives are awarded and tied to measurable performance measures in recognition of performance instead of a general award.

iii. Since employee benefits did not have a significant effect on performance, it is crucial to redesign the benefits system such that employees should enjoy health insurance, public recognition, career advancement opportunities. and other perks taking into account what forms of benefits they value most and ensuring that the benefits are relevant and impactful.

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Questionnaire

Table A: Compensation Practices

	Questions	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
Employee Pay	The salary structure at my organization is competitive compared to industry standards.	☐	☐	☐	☐	☐
	My salary is reviewed periodically to reflect economic changes and cost of living.	☐	☐	☐	☐	☐
	The organization provides clear information on how salaries are determined.	☐	☐	☐	☐	☐
	My salary reflects my level of experience, skills, and job responsibilities.	☐	☐	☐	☐	☐
	The payment process (e.g., prompt salary payments) in my organization is efficient and reliable.	☐	☐	☐	☐	☐
Employee Incentives	My organization offers financial incentives such as bonuses and commissions.	☐	☐	☐	☐	☐
	Performance-based incentives are fairly and transparently distributed among employees.	☐	☐	☐	☐	☐
	I am well informed about the criteria used for awarding incentives in my organization.	☐	☐	☐	☐	☐
	Non-monetary incentives (e.g., additional leave, training opportunities) are available in my organization.	☐	☐	☐	☐	☐
	The organization regularly evaluates and updates its incentive programs.	☐	☐	☐	☐	☐
Employee Rewards	My organization has a structured employee recognition program.	☐	☐	☐	☐	☐
	Employee rewards are given based on merit rather than favoritism.	☐	☐	☐	☐	☐
	The organization provides opportunities for career growth and advancement as part of its reward system.	☐	☐	☐	☐	☐
	I feel that the rewards given in my organization are meaningful and motivating.	☐	☐	☐	☐	☐
	The management actively seeks feedback from employees to improve the reward system.	☐	☐	☐	☐	☐

Table B: Employee Performance

	Questions	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
Employee Performance	I consistently complete my assigned tasks within the required deadlines.	☐	☐	☐	☐	☐
	I actively seek ways to improve my efficiency and productivity at work.	☐	☐	☐	☐	☐
	I adhere to workplace policies, procedures, and service quality standards.	☐	☐	☐	☐	☐
	I take initiative in solving problems and making decisions within my role.	☐	☐	☐	☐	☐
	I collaborate effectively with colleagues and contribute positively to teamwork.	☐	☐	☐	☐	☐