

COMPENSATION AND REWARD SYSTEM IN BUSINESS EDUCATION PRACTICE IN NIGERIA: AN ASSESSMENT

Ezekiel O. Akpan

Gertrude R. Ntuk

Abstract

Human resource has been tagged the most valued asset of any organization. Its strategy emphasizes a “tight fit” between individual needs, rights, ambitions and goals within the organization which make compensation system central in the affairs of emerging students, scholars and Human Resource Management Practitioners the world over. This paper therefore examines and assesses how compensation and reward system can be applied in Business Education practice to improve and achieve its set objectives, which is the training of students to be equipped with the necessary skills needed for successful life in the world of work as well as in classroom management. Specifically, attention was on the concept of Business Education, compensation and reward system, its policies and objectives. The study recommends that government should look into the salary structure of business educators since salary is the basic reward obtained by an employee in an organization or institution.

Introduction

Business Education has its goals as that part of the general education that prepares students to contribute towards national development, become relevant to themselves and their immediate society. The attainment of these goals depends to a large extent on ways and manners through which teachers are vested with the responsibilities of grooming the students and be rewarded. Business Educators’ attitude to work may be positive or negative depending on the way they perceive the reward attached to their jobs.

Reward system is the instrument used to increase employees’ productivity. It seeks to attract and retain suitable employees, encourage good management employee relationship and commitment, and minimize tension and conflict as it deals with all forms of final returns, tangible service and mechanism for good relationship. Furthermore, the major cause of industrial conflict is based on the fact that employees feel their benefits are denied or about to be denied. Thus the main purpose of compensation system is to provide a good platform for equity and fairness. This provides a challenging environment and increased productivity of employees.

Compensation system ensures that both intrinsic and extrinsic needs of employees at all levels are adequately provided since compensation develops organizational integrity, policy, procedures and practices capable of improving organizational productivity. Reward and compensation is concerned with employees and organization performance development through which better result can be achieved by understanding and managing reward and compensation within an agreed framework, planned goals, standard and competency requirements.

Concept of Business Education

For many years, business education has been defined as the courses at the secondary level that prepared students for the business world. While that definition continued to have validity at the beginning of the twenty-first century, by then the range of the courses had expanded to include preparation for additional study at postsecondary institutions. As business

education courses changed over the years, so did the level at which the classes were taught. For example, computer applications courses are often taken at the middle school level and keyboarding may be introduced in the third grade. Secondary level courses include accounting and management, but also branch into technology-based courses such as desktop publishing, multimedia, computerized accounting, and web page design.

Several occurrences in the 1860s hastened the development of business education as an area of study. A turning point regarding business education curriculum occurred in 1946 with the invention of the first electronic computer, ENIAC (Electronic Numerical Integrator and Calculator). National Business Education Association published the first NBEA Yearbook. The year 1965 saw the first minicomputer invented and word processing was then offered as a part of the business education curriculum. This marked the beginning of dramatic curricular change in business education. The 1980s saw an era of standard development and the need for increased accountability.

The 2000 Goals Act, as it is often called, codified into law the six original education goals:

1. School readiness
2. School completion
3. Student academic achievement
4. Leadership in mathematics and science
5. Adult literacy
6. Safe and drug-free school

Two new goals were also added to encourage teacher professional development and parental participation. This act also established the National Skills Standards Board to develop voluntary national skill standards. Federal Legislation as a nation grew and developed, and the economy changed from agrarian to industrial/technological stage. A number of factors consistently influences funding of educational endeavours. A few of these influences include the economy, society, demo-graphics, and technological advances. Clearly, business education at both the middle and high school levels falls under this definition. The value and merit of secondary business education programmes is their ability to enable a student pursue a programme of study, graduate, and successfully move into the workforce or postsecondary education.

The primary mission of business education is to provide instruction for and about business. In the past, courses such as accounting, data processing, economics, shorthand, typing, basic business, business law, business mathematics, office procedures, and business communication were taught as a part of the business education curriculum. Many of these courses continue to be taught, but the content and technology aspect has changed drastically. Common business education courses now include computerized accounting, business management, business law, economics, entrepreneurship, international business, word processing, desktop publishing, multimedia computer programming, and web page design. Keyboarding is still taught in some business education programmes as a separate course or as a four-to six-week part of a semester course in computer applications, but there is a push to teach keyboarding at a much earlier stage in education. Many schools teach keyboarding at the middle school level and some offer keyboarding as early as the third grade.

In 1995 the NBEA determined the following standards that exemplify what students should know and be able to do in business:

1. Function as economically literate citizen through the development of personal consumer economic skills, a knowledge of social and government responsibility, and an understanding of business operations.
2. Demonstrate interpersonal, teamwork, and leadership skills necessary to function in multicultural business settings.

3. Develop career awareness and related skills to enable them make viable career choices and become employable in a variety of business careers.
4. Select and apply the tools of technology as they relate to personal and business decision making.
5. Communicate effectively as writers, listeners, and speakers in social and business settings.
6. Use accounting procedures to make decisions about planning, organizing, and allocating resources.
7. Apply the principles of law in personal and business settings.
8. Prepare to become entrepreneurs by drawing from their general understanding of all aspects of business.
9. Understand the interrelationships of different functional areas of business and the impact of one component on another (Hosler, 2000).

Compensation and Reward System

Compensation is a reward for services rendered by people at the work place (Dunn and Rachel, 2012). According to Stahl (2009), compensation is the monetary payments (wages, salaries, emoluments, bonuses, current and deferred) used to reward employees. Similarly, Cascio (2010) considers in the compensation reward as “including direct financial payments plus indirect payments in the form of fringe benefits”. The above definition appears to be narrow because it equates compensation with only monetary income. Compensation is more than monetary income. Besides, Cascio’s use of the term “fringe benefits” can be called to question. As Sathl (2009) rightly observed, “now that benefits typically add about one third or more of payroll to an organization’s costs, benefits are not fringe and it is not fair to refer to them as “fringe””.

Compensation can best be described as all rewards i.e financial payment plus non-compensation rewards (all those aspects of the pleasant work environment) that serve to enhance their sense of self-respect and esteem by others (Cascio, 2010). In other words, it is the money and benefits that organizations give employees in exchange for work. Pay is the basic compensation an employee receives. It is the money that a person receives for performing a job. It is usually a wage or a salary. Salary refers to a fixed regular payment usually made every month to employees. Wage on the other hand, means a regular, usually weekly payment made or received for work or services. Benefits are additional monetary rewards in the form of allowances (other than basic pay). These include quarter maintenance, furniture, utility, meal subsidy, transport and rent subsidy and retirement pensions that an organization provides to her employees to make it more attractive. Incentives are rewards designed by organizations to encourage and reimburse employees for efforts beyond normal performance expectations.

Metagoals of Compensation and Reward System

Goals according to Cascio (2010), are broad, open-ended ideas that help to shape the effective planning and administration of compensation and reward system. Cascio identified eight of such metagoals are as follows:

1. **Adequacy:** This refers to the fact that there is a “floor” and a “ceiling” to adequacy of compensation. Federal regulations on minimum wages provide the floor while the ceiling is determined by managerial policies, or in a unionized situation, by the relative power of the union in collective bargaining. It should be noted however, that the idea of an “adequate” minimum wage changes over time and is influenced by factors both internal and external to the organization.
2. **Equity:** This refers to a “fair day” work for a “fair days” pay and there are several theories for determining equitable conditions and report that determine inequitable

payment for work. One thing that field tests have revealed is that individuals attempt to attain equitable conditions are distressing.

3. **Security and Estate Building:** Security refers to protection against the risks or contingencies; unemployment, sickness, retirement, and industrial accidents and diseases. While the concern for security is vital to employees in the lower ranks of organizations, the building and preservation of an estate is the concern of the executive.
4. **Acceptability:** This metagoal suggests that organizations can attract and retain loyal and competent employees if the total compensation and reward system is acceptable to the employees. In other words, the technical soundness and strengths of a compensation system is not a sure guarantee of its succeeding except such a system is endorsed by the employees.
5. **Cost Control:** This suggests that there should be a careful control of payroll cost. This may be achieved through reduction of unnecessary expenses and the avoidance of overly generous pension and the benefit agreements that could make a company bankrupt. There should also be a constant attention to improvements in the efficiency of operations.
6. **Balance:** Balance refers to the optimal combination of direct and indirect compensations of financial and non-financial rewards, for example, there should be a balance in pay relationships between hourly and salaried employees and, between supervisors and subordinates. This is because pay relationship like feelings of inequity, produce tension. Therefore if compensation strategies are processed smoothly, balance must be restored.
7. **Incentive:** Effective compensation and reward systems must provide incentives to employees so that they can be productive and contribute to their organization. Financial and non-financial incentives are inducements to keep employees behaviours directed towards goals that the organization considers important.
8. **Pay and Effort Bargain:** In the world of work, employees exchange their effort and labour for pay. Whatever the pay and effort, bargain is struck collectively (as in a unionized work force) or individually, with a feeling of equity regarding pay. If the employee feels that bargain is only marginally acceptable to them, they may decide to quit or reduce their contributions.

Compensation Policies and Objectives

Policies are guidelines for decision-making. A number of guidelines for compensation decision making have been suggested by (Cascio, 2010). They are:

- a) That compensation should have a relationship to the developmental stage of the organization. The idea is that during the start-up phase, both basic pay and benefits should be low so as to conserve cash and control costs, while incentives should be high to emphasize unit and individual performance and to share the results of growth. The opposite should be the case in a stable or declining organizations.
 - b) The nature, culture and value of an organization should be considered in designing a compensation system. For example, highly centralized and confidential pay system does not fit an organization that is open and decentralized.
 - c) The compensation should be related to employees needs.
 - d) The system should take into cognizance the concerns for external equity-comparisons with outside organizations.
 - e) The relationship of the compensation system should have concern for individual equity.
- Compensation and reward system in organizations are designed to achieve certain objectives. Some of the objectives are to:

- a) Attract competent employees
- b) Retain or hold employees in the organization
- c) Motivate employees to work
- d) Positively influence the attitudes and behaviours of employees
- e) Enhance the performance of the organizations control of labour cost
- f) Comply with Federal or state labour laws and regulations

Assessment of Compensation and Reward System in Business Education

Reward system in any organization is a means of sustaining the worker on the job. It is a motivating factor that influences the attitude of the worker on job. According to International Labour Organization (ILO) (2008), rewarding employees when appropriate shows them that they are valued and that their hard work and achievements are noticed. A critical issue to consider both in developing an effective reward system and improving Business Education practices is that of motivation through prerequisite training, performance appraisal, job evaluation and promotion.

- a) **Motivation:** Theories of motivation provide a theoretical basis for reward management though some of the best known ones have emerged from the psychology discipline. Perhaps the first and best known of these comes from the work of Abraham Maslow's Hierarchy of Needs. It describes a pyramid comprising a series of layers of most fundamental physiological needs such as food, water, shelter and sex, rising to the apex where self-actualisation needs are met. Maslow saw these levels of needs being fulfilled one at a time in sequence from bottom to top. Employment and the resources it brings are classed under 'safety needs' (level 2) while the workplace may also contribute to a sense of 'belonging' (level 3) and recognition at work can satisfy the need for 'self-esteem' (level 4).
 - i. Frederic Herzberg's motivation-hygiene theory, first published in 1959, argues that an employee's job satisfaction or dissatisfaction is influenced by two distinct sets of factors and also that satisfaction and dissatisfaction were not at opposite ends of the same continuum but instead needed to be measured separately. The two sets of factors are motivator factors and hygiene factors. According to Herberg, real motivation comes from the work itself, from completing tasks, while the role of reward system is to prevent dissatisfaction arising from business educators.
- b) **Job Evaluation:** Job evaluation is closely related to reward management. It is important to understand and identify a job's order of importance. Job evaluation is the process which job's are systematically assessed to one another within an organization in order to define the worth and value of the job, to ensure the principle of equal pay for equal work. In the United Kingdom, it is now illegal to discriminate worker's pay levels and benefits, employment terms and conditions and promotion opportunities. Job evaluation is one method that can be adopted by companies in order to make sure that discrimination is eliminated and that the work performed is rewarded with fair pay scales. This system carries crucial importance for managers to decide which rewards should be handed out, by what amount and to whom. Job evaluation provides the basis for grading, pay structure, grading jobs in the structure and managing job and pay relativities. It has been said that fairness and objectivity are the core principles using an assessment of the nature and size of the job each worker is employed to carry out.
 - i. There are also many different methods of job evaluation which can be used, but the three simplest methods are ranking, classification and

factor comparison. However, there are more complex variations of methods such as the point method which uses scales to measure job factors. This method does not rank employees against one another but looks at the job as a whole. A disadvantage of this method of job evaluation is that it is very static and it would be very difficult to perform a job evaluation quickly if it was needed.

- c) **Performance Appraisal:** Performance appraisal is the method in which an employee's job performance is evaluated and reviewed. This compares employee work behaviour with the organizations pre-set standards to provide feedback on job performance. In business education, performance appraisals are a form of motivation through either positive or negative reinforcement, depending on outcome. Typically, this information is gained through interview and questionnaire functions annually, executed among management of larger organizations primarily, as a method of motivation to gain full potential of staff. The goal is to align and manage all organizational resources to achieve highest possible performance from staff through encouragement, setting targets and improving on past mistakes. Performance appraisal was set up in the first place, as a justification for the pay of an employee. If his performance was seen as insufficient, his pay would be cut down. However, if it was seen of a higher quality, he could receive a pay rise. There are various appraisal methods in business education practices. Some of these include "rank and yank" by which an institution ranks its employee against each other and terminates the employment of the employee who finishes at bottom level. There is also the critical incident technique by which the management collects information and observes human behaviour that have a strong impact either positively or negatively on an activity or procedure.
- d) **Promotion:** Promotion is the advancement of an employee to a higher job better in terms of greater responsibilities, more prestige or status, greater skill, and especially, increased rate of pay (wages and salaries). Promotion raises the status of business educators who receive it, and is a visible sign of esteem from the employer. It is seen as a form of recognition for employees or lecturers who make significant and effective work contributions. It is powerful communication tool about what is valued within the organizations. Therefore, promotion entails higher salary, more authority, more responsibility, more privileges, higher status, increased benefits and greater potentials. These are necessary for any organization to succeed and, retain its workers especially in the teaching profession.

Conclusion

On the basis of the discussion highlighted in this paper, some conclusions were drawn. Compensation and reward system is seen as dividend-yielding employment relationship. Thus, it may help improve the practices of business education in our educational sector. Good motivation (intrinsic and extrinsic), proper job evaluation and appraisal as well as regular promotion can enhance the achievement of cherished business education practices in Nigeria. Therefore the provision of adequate and functional reward system in our educational sector in general is a step in the right direction that need be nurtured to an enviable height.

Recommendations

The following recommendations were made from the study:

1. Government should look into the salary structure of business educators, since pay is the basic reward obtained by an employee in an organization or institution.
2. Fringe benefits should be properly spelt out to encourage business education practice in our country.

3. Any programme without evaluation seems to fail with time. Job evaluation should be done from time to time to bring about valued judgement on whether business education practice is growing or not.
4. Job appraisal should be done to enable the educational boards and ministries know the quality and types of knowledge obtained through business education.
5. Promotion should be granted as at when due, and infrastructural facilities should be provided for proper running of business education programmes.

References

- Cammilus, B. B. (2014). Reward system initiatives and agricultural science teachers' work disposition in Calabar education zone. *Journal of Research and Development in Education (JORDE)*, 5(1), 28-35.
- Cascio, E. (2010). *A publication of the Alabama Department of Industrial Relation*, London.
- Dunn, J. D. and Racheal, F. M. (2012). Compensation system in engineering. *Wikieducators*, 3(4), 25-38.
- Hosler, M. M. (2000). *A chronology of business education in the United States*. Reston VA: Business Education Assessment Publishers.
- International Labour Organization (ILO) (2008). *Global Wage Report*. Geneva, pp. 35.
- Maslows, A. H. (2000). A theory of human motivation. *Psychology Review*, 50(8), 370-396.
- Peretomode, V. F. and Peretomode, O. (2011). *Human resources management*. Lagos: Obara and Ogbanaka Publishers Ltd.
- Scott, J. and Sarkeas (2011). *Overflow of vocational and applied technology education*. Homewood: Longmans Green Ltd.
- Stahl, G. K. (2009). *Human resource management*. London: Sage Publishing.