

*The Dilemmas of Adopting Performance Related Pay*



## **The Dilemmas of Adopting Performance Related Pay as a Reward Strategy for Academic Staff in Nigerian Public Higher Institutions of Learning**

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### **ABSTRACT**

In today organizations, many employers of labour in private driven and public driven organizations seems to be attracted to performance related pay (PRP) as a means of reward and compensation. Even though PRP strategy is claimed to have distinct advantages over automatic pay increase (formal and transparent reward systems linked to tenure and promotion), they are still not without problems. Among these problems envisage in Nigerian higher institutions of learning are the issue of acceptability of performance related pay as a means of reward and compensation, and low level of motivation and performance. These aforementioned problems were raised in the study research questions and also answered. This was achieved by assessing the extent to which academic staff through administered questionnaire in Nigerian higher institutions of learning believe that the introduction of performance related pay will indeed bring about the claimed motivational and performance enhancement benefits.

### **INTRODUCTION**

Performance related pay (PRP) refers to the variable part of pay which is awarded to workers each year (or on any other periodic basis) depending on performance. Performance related pay (PRP) schemes commonly involve the assessment of an individual employee's performance rating by means of agreed criteria at annual appraisal meeting (Ylikorkala, 2006). The award system linked to the rating can take various forms including: accelerated

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increments; a discretionary range of performance increments above the pay scale maximum; individual pay levels in a band within a minimum and a maximum pay level; cash bonuses; or increments plus bonuses for those at or near the scale maximum. Performance related pay (PRP) as a reward and compensation strategy is claimed to be an effective tool to increase employees' motivation to work hard and thus, to increase the performance of an organization (Iderrieden, 2002; Derek, Kalmi & Kauhanen 2007)

Today organizations due to competitiveness have witnessed extensive innovations in compensation system, and, in particular, a variety of attempts to link pay to a measure of performance. Such innovations have often been related to broader initiatives to improve the performance of organizations and especially efforts to increase employee involvement in decision-making (Appelbaum & Batt 1994; Malcomsom 2001). Many employers of labour in private driven or public driven organizations seem to be attracted to this strategy of employees' reward and compensation with the impression that relationship exist between reward, motivation and higher performance. In these circumstances pay systems are increasingly forming a part of human resource management initiatives to achieve enterprise level objectives and strategies, with more attention being paid to how they fit into the overall human resource management policies of enterprises. These developments have several implications for pay systems. Employers (and some governments) see that pay increases need to be more than matched by productivity increases if competitiveness is to be achieved or maintained.

Throughout the 1980s and early 1990s performance related pay (PRP) scheme were seen as a means of improving both individual and organizational performance, and as such were heavily promoted by the governments of the day. Performance related pay (PRP) - either group or school based and for individuals has been introduced in higher institution in United Kingdom (UK) in 1999. The UK government introduced a performance related pay (PRP) policy for academic staff, with students' progress (value -added) as one of its key criteria. PRP policy was also introduced in United States of America (USA) and certain countries of the Asian-Pacific region. More recently it is also being introduced in India (Rajlakshmi, 2007). However, in the countries that has adopted and experimented performance related pay (PRP) strategy, opinions differed as to their motivational effects and it appeared that the use of PRP was declining. Despite the decline use of PRP, the policy is still under consideration in many developing countries including Nigeria, as part of a drive to improve higher institution staff performance and to raise levels of educational attainment. Indeed Nigeria Government as indicated in recent publication and with the adoption of consolidated salaries structure is seeking directly or indirectly to introduce performance related pay (PRP) compensation scheme in Nigerian higher institutions of learning, in the hope that the scheme will bring immense benefits. Even though performance related pay strategy is claimed to have distinct advantages over any automatic pay increase (formal and transparent reward systems linked to tenure and promotion), they are still

not without problems. Among these problems envisage in Nigerian higher institutions are the issue of applicability and acceptability, poor academic standard, low level of motivation and pay inequality that seem to be problematic in Academic environment, when staff are rewarded based on performance.

### **Statement of Problem**

Traditionally, wages and salaries in Nigeria have been determined through government regulation, minimum wage determination, negotiation with unions, decisions of arbitration or labour courts and the individual contract of employment. All these were accomplished in organizations through the means of automatic pay increase (formal and transparent reward systems linked to tenure and promotion). Conventionally, increased earnings were secured and performance rewarded partly through promotions with limitations on higher positions in the context of organizations becoming less hierarchical in the future, relating part of pay increases to performance would be a way of rewarding performance other than through promotions. The proposal to adopt performance related pay policy in Nigerian higher institutions of learning will be a departure from the foregoing established arrangement (i.e. automatic pay increment). Hence, it is necessary to carefully assess and determine the applicability and acceptability of the concept of PRP by the Nigerian Higher Institution staff, as well as the extent to which the higher institution personnel typified by selected Nigerian higher institutions of learning believe that the scheme will bring about the claimed motivational and performance enhancement benefits.

### **Research Questions**

To give direction to the study, the following questions were raised and answered.

- i. To what extent will the academic staff in Nigerian higher institutions of learning prefer performance related pay as a means of reward and compensation strategy?
- ii. To what extent will the academic staff in Nigerian higher institutions of learning believes that the adoption of performance related pay will enhance motivation and higher performance?

### **Objectives of the Study**

The objective of the present investigation is to find out the applicability and acceptability of the concept of performance related pay (PRP) by staff in Nigerian higher Institutions of learning. Specifically, this study is therefore undertaken with the following objectives in mind:

- i. To ascertain if the academic staff in selected Nigerian higher institutions of learning will prefer performance related pay as a means of reward and compensation strategy.

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- ii. To determine if the staff in selected Nigerian higher institutions of learning believes that the adoption of performance related pay will enhance their motivation and performance

### **Literature Review**

Literature dedicated to the issue of incentive pay and performance related pay (PRP) could be structured in several dimensions. The objectives in introducing PRP can have a significant impact on the success of organization. The primary argument in favour of PRP is that it acts as a motivator by providing incentives in the form of monetary rewards and by recognizing achievements (however, the problem in this study is not really to establish whether performance related pay is intrinsic or extrinsic motivation, but to ascertain if PRP will motivate academic staff in the Nigerian higher institutions of learning to higher performance). Further benefits cited include the fact that individuals can identify closely with their employers' goals and that this can increase productivity and encourage quality, flexibility and teamwork (Armstrong and Murlis, 1991; Wright, 1991). In addition, PRP can contribute to the successful recruitment and retention of staff. However, many researchers (Dwyer, 1994; Kessler, 1992) have questioned the extent to which PRP actually acts as a motivator, or, indeed, the extent to which money itself can motivate: since Herzberg's two-factor theory give important perspective as regard motivation, hence, 'most managers are aware of Herzberg's view that the job itself is the source of true motivation, not the pay or even the conditions of work' (Dwyer, 1994:17). Milkovich and Wigdor (1991) argued that there is evidence that pay-for-performance systems can have beneficial effects for the organization. The benefits to management and employees are: where performance/profits increase, higher pay is an incentive to employees; where profits reduce, the reduction in the performance-related pay can cushion employees against redundancies; employee identification with the success of the business is enhanced; and Variations in pay lead to employees becoming more familiar with the fortunes (or misfortunes) of the business - This would depend on the information-sharing practices of the management.

There is however, a little systematic research on the effects of performance related pay (PRP) schemes. Moreover, existing evidence seems somewhat contradictory; the introduction of PRP schemes in tendency with other work practices to enhance employees' commitment and performance further complicates the situation. It makes it extremely difficult to disentangle the association of PRP schemes *per se* with performance and those of the practices with which they are typically jointly introduced. This is made more difficult because there are possibly strong interactions between such employee involvement schemes and PRP schemes (Levine & Tyson 1990; MacDuffie 1995). While some studies suggested that PRP schemes have a positive influence on organizational performance (Booth and Franks 1999; Asch 1990; Lazear 2000) and others finding no such positive

relationship, or even a negative association. The bulk of existing research focuses on individually-based PRP, especially piece-rates. Despite the existence of a wide variety of schemes that are neither based on individual performance nor even a tangible measure of output, many PRP scheme link pay to work-group or firm performance measures. Some are based on soft subjective measures of output, such as merit pay. There are also schemes that link a component of pay to the profits of the employing organization or offer employees' shares in lieu of cash as forms of group PRP scheme. These can also be regarded as akin to PRP schemes, albeit involving a very indirect link between performance and pay (Stevens, 2004). In short, studies which focus on individual measures of PRP (and especially those simply concerned with piece-rates) is ignoring a wide range of schemes that explicitly link pay to a measure of performance and that these may differ in their relationships to organizational performance.

Linking pay to employees' performance may backfire because this kind of management tool is seen as an attempt to control staff. The measurement of employee performance can be made ineffectual by the 'obsession with control and therefore is liable to undermine, rather than contribute to, performance'. The 'reaction to incentives can produce negative behaviour in a number of different ways, from the single-minded pursuit of only that which delivers rewards, to the subversion of incentives because people resent the perceived attempt to control them. Employees who are committed to their organization are less likely to minimize their effort than those who are not. Yet the design of incentive pay schemes 'often assumes that this is how employees will behave, unless they have an incentive to do otherwise. For those with a strong professional or public service orientation, this may be a mistaken assumption'.

Marsden (1999) conducted a large-scale study of the effects of performance pay in the British Civil Services to explore its effects on motivation and work relations. According to their findings, the performance related pay appears not to have motivated better performance, as the great majority of employees disagree that it raised their performance. In this regard, the majority also believed that it had damaged workplace relations, lowering morale, causing jealousies and breeding distrust of management. In addition, Armstrong (2000:167) has alerted about the disadvantages of having a performance related pay system. According to him, they include: it is not a guaranteed motivator; it has to be based on some form of performance assessment, usually rating; even so, it may be difficult to produce realistic performance measures, which means that ratings or assessments may be unfair, subjective and inconsistent; if there is undue emphasis on individual performance (pay drift) – in other words, it is not cost-effective; performance related pay schemes are difficult to manage well, for they rely upon effective performance management processes, which many organizations will not have; it can produce poor-quality performance because people are concentrating on achieving quantitative targets; and it can lead to 'short-termism' – the pursuit

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of quick results rather than paying attention to the achievement of longer-term strategic goals.

### ***Reasons for the Introduction of Performance Related Pay***

There are varieties of reasons for the introduction of PRP schemes. Several writers (Kessler, 1992; Armstrong and Murlis, 1994; Procter, McArdle, Rowlinson, Forrester & Hassard 1993) note that a pay system can be used as a vehicle for organizational change. However, PRP may simply be one of a number of initiatives designed to achieve cultural change. Procter, McArdle, Rowlinson, Forrester and Hassard (1993:73) suggest that 'the necessary culture may already have to be in place for a system of PRP to work effectively', as PRP alone may be incapable of becoming the primary driving force of cultural change. PRP may also serve the purpose of providing a statement to employees regarding what Kessler and Purcell (1992:21) describe as the 'kind of company we are' and may reinforce existing organizational values and expectations. The strategy of cultural change may also encompass broader objectives which aimed at changing the relationship between management and employees. Thus, it has been suggested (Ribbens, 1988; Kessler and Purcell, 1992; Procter, McArdle, Rowlinson, Forrester & Hassard 1993) that the individualistic nature of PRP can be used to side-step the collective bargaining process, thereby reducing the influence of the trade union in an effort to re-establish managerial control.

### ***The Success of Performance Related Pay (PRP) Schemes***

The manner in which a performance related pay scheme is formulated and implemented, and the extent of employees' participation in this process will have an impact on the scheme's success. Case study research (Lawler and Hackman, 1969; Schefflen, Lawler & Hackman 1971) suggests that plans will be more conducive to both acceptance and success if employees are involved in their formulation.

The success of a PRP scheme does not lie solely with employees' involvement in the initial stages, or indeed even with a particular set of procedures designed to administer such schemes. According to Beer, Spector, Lawrence, Mills and Walton (1984:124), 'the motivational and satisfaction value of a reward system is a function of the perceived equity of the reward system'. Without the presence of this perceived fairness, trust in the system is likely to be low and there is the distinct risk that the contingent link between performance and pay will not be accepted. For example, it has been noted that managers are often unhappy with their wage system because they do not perceive the relationship between how hard they work (productivity) and how much they earn (Hammer, 1975:17). The issues of fairness are even more critical in flatter organizations where opportunities for promotion may be limited.

Several antidotes for this problem of 'perceived unfairness' have been suggested. These include the extent to which employees have the opportunity to participate in pay design decisions, the quality and timeliness of information provided, the degree to which the rules governing pay allocations are consistently followed, the availability of channels for appeals, and the organization's safeguards against bias and inconsistency (Greenberg, 1986). Hammer (1975:20) points out that the 'more frequent the formal and informal reviews of performance and the more the individual is told about the reasons for an increase, the greater his preference for a merit increase system and the lower his preference for a seniority system.' Frequent reviews, coupled with the opportunity to air grievances through a formal appeals process, may therefore eliminate many of the difficulties associated with employees' perceptions of unfairness.

In addition to the issue of fairness, problems associated with PRP include a tendency toward a short-term focus on quantifiable goals to the neglect of more long-term issues. There may also be measurement difficulties, in terms of both difficulty in measuring the work of professionals and attaining a fair and consistent means of assessing employees which will avoid the risks of subjectivity (Kessler, 1994; Beer, Spector, Lawrence, Mills & Walton 1984). Philpott and Sheppard (1992) identify a lack of communication as the principal failing and a lack of agreement on objectives and standards of performance and insufficient feedback may create further difficulties (Armstrong, 1993; Mabey and Salaman, 1995). Storey and Sisson (1993) argue that PRP would appear to undermine utterly the whole concept of teamwork. From research in multinationals operating in Ireland, Geary (1992) found evidence of the contradictory nature of management's strategy which attempted to develop simultaneously a collective identity focused around teamwork, while discriminating between individual contributions.

In summary, the available research does not suggest that PRP has been particularly successful as a reward strategy and there seem to be many pitfalls associated with its operation. There has been rarely any research carried out in Nigeria on this topic and it is therefore difficult to estimate the success or otherwise of PRP schemes in the Nigerian context.

In higher institutions of learning all over the globe, an increasing number of institutions are seeking to introduce performance related pay (PRP). Since Nigeria is not an exception, the adoption of PRP in Nigeria's economy has a number of concerns that may seem unresolved in academic environment. These concerns are: individual PRP fragments collective departmental or team teaching and research effort; PRP that is linked to appraisal distorts the appraisal process; all PRP schemes struggle to identify measures that are objective and meaningful and whose existence does not distort the work staff undertake or lead to games playing; all PRP struggles to meet equality criteria, and processes and outcomes are not sufficiently transparent to avoid well founded allegation of bias; PRP is generally a very time-consuming exercise with unclear benefits; in a massively casualised sector, PRP becomes yet another cause of uncertainty amongst an insecure

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workforce; there is no reputable legal case to justify moving away from automatic incremental progression linked to service

#### **Performance Related Pay (PRP) Problems and Issue**

Whether extrinsic rewards such as performance related pay actually motivate employees to better performance is a matter of controversy. It has been claimed that monetary rewards usually have a limited time-span in regard to their motivating effect. Therefore extrinsic rewards such as performance related pay, even if they can exert a continuing impact on performance should be consistent with overall management objectives, so that performance pay may not be consistent with, for example, a purely cost reduction strategy; only be used to reinforce a motivational system in which intrinsic (non monetary) rewards exist, such as reorganization of work processes, training, employee involvement/consultation in decision-making, two-way communication, opportunities to contribute ideas, career development plans and goal setting.

Some of the reasons for the failure of performance related pay and some of the problems and issues facing employers flow from a variety of circumstances such as inadequate criteria to measure performance, or criteria which are not easily understood, communicated and accepted. Performance pay should therefore be negotiated; inappropriate performance appraisal systems in that the objectives of the appraisal system (*e.g.* where it is intended to identify training needs or suitability for promotion) do not match the objectives of the reward system; the absence of regular feedback on performance; the reward system is not designed to meet the objectives sought to be achieved. There could be a variety of objectives *e.g.* to satisfy distributive justice, attract and retain capable staff, match particular levels of pay in the labour market, change organizational culture (*e.g.* towards greater customer satisfaction) or to reinforce it; the absence of a right mix of extrinsic and intrinsic rewards; the lack of an appropriate quantum of pay which should be subject to performance criteria. This occurs when the amount which depends on performance is too small, or it is too large and therefore the amount placed at risk (when performance is poor) is not acceptable to employees; the absence of periodic evaluation of the scheme; and non-recognition of the fact that performance, especially profit, is sometimes (even often) dependent on factors outside the control of employees *e.g.* management decisions, exchange rates, recessions.

There are many arguments in favour of performance-related pay which are theoretically attractive. However, it is not easy to find evidence which unequivocally supports or disproves these views, because of the scarcity of empirical evidence or because the introduction of the scheme has been faulty. Governments can sometimes facilitate the introduction of performance-based pay. In Britain for instance, the Finance Act of 1987 introduced tax relief for approved schemes to encourage performance related pay adoption and proliferation.

Several criticisms of a general nature (apart from those directed at particular types of schemes) have been made against performance-related pay. Among them are the following: where the performance earnings fall, employees are less inclined to accept reductions in their guaranteed pay; positive employment effects could be negated due to opposition from employees to recruitment as it would dilute their earnings; since performance/profits depend on a variety of factors beyond the control of employees, it is not possible to link pay to the performance of employees. If it is linked to the overall performance of the enterprise, then management decisions should logically be subject to scrutiny by employees; and it is difficult to determine whether the amounts paid out under schemes are more than matched by performance gains.

## **METHODOLOGY**

### **Method**

All the higher institutions of learning in the 36 states of Nigeria and Abuja – federal capital territory (FCT) constituted the population for the study. However, the sample for the study was intentionally stratified to include at least one federal university, one state university, one federal polytechnic, one state polytechnic and one college of education (either federal or state owned) in each of the six geo-political zones of Nigeria – South-East (States: Anambra, Enugu, Imo, Abia, Ebonyi), South-South (States: Akwa Ibom, Cross River, Edo, Delta, Rivers, Bayelsa), South-West (States: Lagos, Ekiti, Oyo, Osun, Ondo, Ogun), North-West (States: Kaduna, Katsina, Kano, Kebbi, Sokoto, Jigawa, Zamfara), North-Central (States: Benue, Kogi, Kwara, Nasarawa, Niger, Plateau and Abuja – Federal Capital Territory and not a state), and North-East (States: Adamawa, Bauchi, Borno, Gombe, Taraba, Yobe).

### **Research Sample**

This is a descriptive survey research using simple random sampling technique. Although the target population for the study consists of all academic staff in Nigerian higher institutions of learning; However for purposeful research, the sample for this study consisted of five higher institutions of learning in each geo-political zone. Hence, a sample of 3000 academic staff (100 for each institution) were randomly selected from five higher institutions of learning (one federal university, one state university, one federal polytechnic, one state polytechnic, and one college of education either federal or state owned) in each geo-political zone, South-East (University of Nigeria, Ebonyi State University, Akanu Ibiam Federal polytechnic Unwana – Ebonyi state, Abia State polytechnic, College of Education Ikwo - Ebonyi state), South-South (University of Benin,

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Ambrose Alli University Ekpoma – Edo state, Federal polytechnic Auchi, Delta state polytechnic Ozoro, College of Education Agbor), South-West (University of Lagos, Lagos State University, Federal polytechnic Ado – Ekiti, Lagos State polytechnic, Federal College of Education (Special) Oyo), North-West (Ahmadu Bello University Zaria, Katsina State University, Kaduna Federal polytechnic, Kano State polytechnic, Kano State College of Education), North-Central (University of Ilorin, Plateau State University, Federal polytechnic Bida, Kwara State polytechnic, College of Education Oro – Kwara state), and North-East (University of Maiduguri, Gombe state University Tudun Wada, Federal polytechnic Bauchi, Adamawa State polytechnic Yola, Federal College of Education (Technical) Gombe).

#### **Research Instrument**

The researchers designed questionnaire was used for data collection. The questionnaire contained ten items. Before the questions were drawn, the researchers were thoroughly guided with the reviewed and synthesized available performance related pay (PRP) literature. The questionnaire focused on two main sections. Section A dealt with the sex of respondent, marital status, academic status/position, name of higher institution. The second section (B) elicited respondents' perception on certain performance related pay issues that focused on performance related pay, and reward and compensation strategy; performance related pay and motivation and performance.

#### **Data Collection Procedure**

The researchers administered the study questionnaire with the help of Master of Business Administration postgraduates' students during the 2007/2008 – 2008/2009 academic session in Ebonyi State University, Abakaliki and Ambrose Alli University, Ekpoma – Edo State that served as research assistant. A total of 3000 copies of questionnaire were administered and 2925 of the questionnaires were retrieved, giving a response rate of 98 per cent. 2902 (97 percent) were returned fully completed, while 23 (1 percent) were returned only partially completed. Percentage was the main statistical tool used for data analysis.

#### **Results**

Two research questions generated for the study was answered using descriptive analysis involving the use of frequency counts and percentage. Data collected were analyzed to address the research questions which had been developed for the study and the results are presented in tables 1 and 2

**Question one:** To what extent will the academic staff in Nigerian higher institutions of learning prefer performance related pay as a means of reward and compensation strategy?

The results relevant to research question one are as shown in table 1.

S/N	Items	Response category Showing Frequency and Percentage (%)			
		Strongly Agree	Agree	Disagree	Strongly Disagree
1	Reward and compensation based on performance related pay will attracts academic staff	226 (8%)	238 (8%)	987 (34%)	1451 (50%)
2	Reward and compensation based on performance will increase academic staff workplace relation and increase morale	249 (9%)	301 (10%)	895 (31%)	1457 (50%)
3	Reward and compensation link to performance will be easy to produce realistic performance measure	150 (5%)	269 (9%)	941 (32%)	1542 (53%)
4	Reward and compensation link to pay performance will help to mitigate problems of academic staff in higher institutions	199 (6%)	253 (9%)	952 (33%)	1498 (52%)
5	Performance related pay can cushion academic staff against redundancies	26 (1%)	101 (3%)	986 (34%)	1789 (62%)

From the results in table 1, it can be deduced that majority of the academic staff in Nigerian higher institutions of learning do not prefer performance related pay as a means of reward and compensation strategy at all. This is because those who tick strongly disagree (SD) and disagree (D) in each of the five question items is between 81% - 96% and those that indicated that they strongly agree (SA) and agree (A) is between 4% and 19%.

**Question Two:** To what extent will the academic staff in Nigerian higher institutions of learning believe that the adoption of performance related pay will enhance motivation and higher performance?

The results relevant to research question two are as shown in table 2

S/N	Items	Response category Showing Frequency and Percentage (%)			
		Strongly Agree	Agree	Disagree	Strongly Disagree
1	Performance related pay can enhance academic staff motivation to perform up to abilities	138 (5%)	234 (8%)	988 (34%)	1542 (53%)
2	Performance related pay can contribute to the retention of capable academic staff	193 (7%)	357 (12%)	859 (30%)	1493 (51%)
3	Pay link to academic staff performance can lead to higher performance	221 (7%)	286 (10%)	799 (28%)	1596 (55%)
4	performance related pay system will facilitates guarantee motivation in higher institutions	124 (4%)	301 (10%)	788 (27%)	1689 (58%)
5	Performance related pay in higher institutions will lead to academic staff motivation and higher performance	214 (7%)	352 (12%)	689 (24%)	1647 (57%)

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From the result in table 2, item 1, which deals will performance related pay and enhance academic staff motivation to perform up to abilities indicated that 5% strongly agree, 8% agree, 34% disagree, while the majority which is 53% strongly disagree. Item 2, on Performance related pay and contribution to the retention of capable academic staff showed that 7% indicate strongly agree, 12% agree, 30% disagree, and 51% a strongly disagree. Item 3, on Pay link to academic staff performance and higher performance showed responses as 7% strongly agree, 10% agree, 28% disagree, and 55% strongly disagree. Item 4, on performance related pay system and guarantee motivation in higher institutions revealed responses as 4% strongly agree, 10% agree, 27% disagree and 58% strongly disagree. Item5, on Performance related pay in higher institutions and academic staff motivation and higher performance confirmed responses as 7% strongly agree, 12% agree, 24% disagree and 57% agree.

To summarize the table finding, it can be deduced from the itemized five questions that were considered by the respondents (academic staff) in Nigerian higher institutions of learning, reveals that the adoption of performance related pay will not in any way enhance motivation and higher performance, since those who tick strongly agree (SA) and agree (A) is between 13% and 19% and strongly disagree (SD) and disagree (D) is between 81% - 96%.

#### **Summary of Findings**

The specific findings in this study indicate that:

1. The adoption of performance related pay as a means of reward and compensation strategy will not be welcome by academic staff in Nigerian higher institutions of learning.
2. The adoption of performance related pay will not in any way enhance academic staff motivation and higher performance in Nigerian higher institutions of learning.

This general finding in this study reveals that majority of academic staff in Nigerian higher institutions of learning opposed to the determination of individual pay through performance related pay. By inferences, respondents (academic staff) rationales are:

- i. Individual performance review would be detrimental to the academic profession, to academic managers and to institutions. It would not reward productivity and would undermine performance appraisal for development.
- ii. Academic staff position is that higher institutions of learning pay strategy must acknowledge the determination of salaries according to nationally negotiated scales. Failure to continue with these arrangements will lead to a high degree of legal complexity and threaten divisions among staff, which will critically undermine any attempts to secure equal pay.

iii. Higher institutions of learning pay strategy should be developed within a nationally agreed framework as well as being capable of accommodating local objectives of staff management. Academic staffers are recruited from both national and international labour markets. Existing pay arrangements reflect this, and disregarding this is certain to fail and will exacerbate recruitment and retention difficulties.

iv. Academic staff will resist the imposition of any local schemes providing for individual performance related pay. Current promotion procedures are the existing method of rewarding performance. These should be reviewed and, where necessary, revised to ensure the best equal opportunities practice including transparent criteria and decision-making processes.

v. The subjective nature of decisions about academic work places unreasonable burdens on those who undertake managerial responsibilities. These devolved roles can only be successfully undertaken with the support and confidence of colleagues. Such support will be stretched beyond reasonable limits if for instance heads of department were required to exercise crucial judgements in respect of colleagues, all of whom are seriously under-rewarded. It is obvious that such schemes will not be compatible with achieving equal pay for work of equal value.

vi. The more discretionary a pay system is, the more vulnerable it will be to distortions based on favouritism and discrimination. Where there is least transparency in the current system, for example in western countries that had adopted performance related pay, it was discovered that the determination of professorial salaries, women have been shown to suffer the most discrimination. Performance related pay may also discriminate against other groups of staff such as black and white (in Nigerian context it will be indigenes and non-indigenes) employees, contract (adjunct) researchers and part-time staff.

## DISCUSSION

As can be seen in the results of the analysis in tables 1 and 2, most academic staff do not prefer the introduction of performance related pay in Nigerian higher institutions of learning and when academic staff are rewarded based on performance, the issue of its applicability and acceptability, low level of motivation and pay inequality are seems to be issue that will be problematic in academic environment. Although (**Lawler and Hackman, 1969; Schefflen, Lawler & Hackman 1971**) suggest that performance related pay plans will be more conducive to both acceptance and success if employees are involved in their formulation, it is obvious that many performance related pay schemes are more appropriate to measurable repetitive tasks, hence, it is not suitable for academic activities requiring information-sharing, problem-solving, team work/team teaching and research effort.

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Finally, the major argument against performance related pay strategy is that higher institutions staff most especially lecturers, like other professionals in labour market are characterized by widespread compliance to an implicit or explicit code of professional ethics and any attempts to stimulate competition through the introduction of performance related pay strategy will lead to a reduction in this professional self-regulation and adherence to the prevailing code of conduct. This will necessitate a further increase in monitoring and regulation of academic staff activities which is against academic profession, since academic staff most especially lecturers are professionals and do not require monitoring and regulation, and financial incentives to induce effort.

### **CONCLUSION**

From the findings of this study, it is important to design a reward package which is consistent with the goals and culture of an organization. Therefore, the success or failure of performance related pay is affected by a variety of circumstances which vary from country to country. That is why transplanting such systems without necessary modifications is unlikely to meet the objectives. Success or failure will generally be influenced by circumstances such as the following: the tradition of collective bargaining; attitudes of unions, for example, the negative attitude of unions will hinder its introduction in some country, while the opposite attitude of the union in another country will considerably facilitate it; cultural factors, for instance, group incentives may be more appropriate in some cultures.

In service organization like higher institutions of learning, the intrinsic reward system should be strengthened if need be, for example, through consultation, communication, participatory systems; training; job satisfaction and responsibility; reorganization of work processes.

Lastly, this study never opposed the introduction of performance related pay in Nigeria higher institutions of learning completely. Rather, it is recommended that the introduction of performance related pay could only be consider or be an issue to discuss only when the problems associated with the present salaries structure such as low level of basic salaries and other problems faced by academic staff in Nigerian higher institutions of learning have been addressed.

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