



**British Journal of Education, Society &
Behavioural Science**
3(1): 47-64, 2013

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Impact of Fair Reward System on Employees Job Performance in Nigerian Agip Oil Company Limited Port-Harcourt

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Author's contribution

*Author MOA designed and carried out the study, performed the statistical analysis, wrote,
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final editing.*

Research Article

Received 8th November 2012
Accepted 1st January 2013
Published 25th January 2013

ABSTRACT

The purpose of this research is to ascertain the impact of fair reward system on employees' job performance in Nigerian Agip Oil Company limited Port-Harcourt. The research question addressed the extent at which improved employees job performance/reduced rate of industrial action is influenced by the implementation of fair reward system in Nigerian Agip oil company limited Port-Harcourt. The core aspect of the study is the use of cross-sectional survey research design in generating the required primary data. The place of study is the Nigerian Agip Oil Company limited Port Harcourt while the duration of study is between October 2011 and September 2012. A sample of 396(34 managers, 97 supervisors and 259 workmen) respondents determined at 5% level of significance for sample error, using Yamane's formula, was selected from a population of 40,568 employees using stratified random sampling method for the purpose of questionnaire administration. The results indicated that implementation of fair reward system in Nigerian Agip oil company limited Port-Harcourt to a large extent influenced improved employees' job performance(82.05%response rate) and reduced rate of industrial action (80.77% response rate). It therefore recommends among others: regular review of organizational reward system to ensure fairness, maintenance of competitive rates of pay, flexibility in

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reward administration and rewarding people for the value they create.

Keywords: Fair reward system; improved performance; Nigerian Agip oil company; equity theory.

1. INTRODUCTION

Nigerian Agip oil company (NAOC) limited started its operations in Nigeria in 1962, in the upland and swamp areas of the Niger Delta under a joint venture agreement with Nigerian National Petroleum Corporation (NNPC), with concessional areas lying within Bayelsa, Delta, Imo and Rivers states and its operational headquarters in Port-Harcourt. The concessional areas encompass a total of 5,313 square kilometers, comprising of four Oil blocks: OPL 60, 61, 62 and 63. The company's flow stations and gas plants are connected to its export terminal in Brass through a 460km pipeline network while an additional 180 km pipeline network carries NGL and fuel gas to Eleme Petrochemical Company. Nigerian Agip Oil Company with a workforce of 40, 568 employees is increasingly realizing the need to establish an equitable balance between employees' contribution to the company and the company's contribution to the employees, due to the continuous loss of man-hours associated with the incessant strikes/lockouts of its workers, demanding pay rise. Hence, establishing this balance will enable the company to reward its employees fairly, thus finding a lasting solution to its industrial relations challenges.

Reward is the benefits that arise from performing a task, rendering a service or discharging a responsibility [1]. The principal reward for performing work is pay, many employers also offer reward packages of which wages and salaries are only a part. The packages typically include: bonuses, pension schemes, health insurance, allocated cars, beneficial loans, subsidized meals, profit sharing, share options and much more. Reward system is an important tool that management uses to channel employees motivation in desired ways. In other words, reward systems seek to attract people to join the organization, keep them coming to work and motivate them to perform to high levels.

According to Chiang and Birtch [2] the utility and enticement entrenched in an organization's reward system is revealed in a variety of theoretical perspectives. The dichotomy between intrinsic and extrinsic rewards as initiated by Herzberg et al. [3], labelled achievement, recognition and advancement as intrinsic rewards that motivate employees more than extrinsic rewards (salary, job security or working environment etc). Zhou et al. [4] stated that the philosophy of extrinsic rewards originated from the term "utilitarianism" which suggests that people's behaviours is modifiable. Thus, by providing extrinsic rewards their performance could be enhanced, as opposed to the term "Romanticism" which refers to intrinsic motivation that boosts the innovative and creative abilities of the employees.

Vroom [5] in his expectancy theory stated that certain behaviour will be exhibited only when the expectations and consequences are related. Porter and Lawler [6] followed vroom's ideas and further contended that people often determine efforts at work by judging the value of their efforts and the relationship between their efforts and expected rewards. Maslow [7] stated that only unsatisfied needs could motivate further action since it creates disequilibrium. Latham and Locke [8] speculated in their goal setting theory that performance can be enhanced only when the objectives and goals of an organization are difficult and feedback is associated with the elevated performance for the attainment of higher goals.

Adams [9] totally negates this notion and conceived the idea of equitable reward. According to him people can only be motivated when they are treated in an equitable manner. If employees feel that their inputs are fairly rewarded they would be happier or not dissatisfied. If they feel unfairly rewarded, they would become dissatisfied with their job and employer. It is important to note that the degree of dissatisfaction depends on the degree of perceived disparity in the reward-to-effort ratio. For some people, any smallest indication of negative disparity is enough to cause massive disappointment and a feeling of considerable injustice, others may reduce effort and become inwardly disgruntled, or outwardly difficult, recalcitrant or even disruptive, yet others may seek to improve their outputs by making claims or demands for more reward or seeking alternative job. It is against this background that it becomes pertinent to discuss the impact of fair reward system on employees' job performance in Nigerian Agip Oil company limited Port-Harcourt.

1.1 Types of Reward Programs

There are different types of reward programs aimed at both individual and team performance:

1.1.1 Variable pay

Variable pay or pay-for-performance is a compensation program in which a portion of a person's pay is considered "at risk." Variable pay can be tied to the performance of the company, the results of a business unit, an individual's accomplishments, or any combination of these. It can take many forms, including bonus programs, stock options, and one-time awards for significant accomplishments. Some companies choose to pay their employees less than competitors but attempt to motivate them using a variable pay program instead.

1.1.2 Bonuses

Bonus programs reward individual accomplishments and are frequently used in sales organizations to encourage salespersons to generate additional business or higher profits. They can also be used, to recognize group accomplishments. Bonuses are generally short-term motivators. By rewarding an employee's performance for the previous year, bonus programs tend to encourage short-term perspective rather than future-oriented accomplishments. In addition, these programs need to be carefully structured to ensure they are rewarding accomplishments above and beyond an individual or group's basic functions. Otherwise, they run the risk of being perceived as entitlements or regular merit pay, rather than a reward for outstanding work.

1.1.3 Profit sharing

Profit-sharing refers to the strategy of creating a pool of monies to be disbursed to employees by taking a stated percentage of a company's profit. The amount given to an employee is usually equal to a percentage of the employee's salary and is disbursed after the business closes its books for the year. The benefits can be provided either in actual cash or via contributions to employees' pension plans.

1.1.4 Stock options

Employees' stock-option programs give them the right to buy a specified number of the company's shares at a fixed price for a specified period of time (usually around ten years). They are generally authorized by the company's board of directors and approved by its shareholders. The number of options a company can award to its employees is usually equal to a certain percentage of the company's outstanding shares.

1.1.5 Group-based reward systems

Group-based reward systems are based on a measurement of team performance, with individual rewards received on the basis of his/her performance. While these systems encourage individual efforts toward common business goals, they also tend to reward underperforming employees along with average and above-average employees. Bonuses, profit sharing, and stock options can all be used to reward team and group accomplishments.

1.1.6 Recognition programs

For small business owners and other managers, a recognition program may appear to be mere extra effort on their part with few tangible returns in terms of employee performance. While most employees certainly appreciate monetary awards for a job well done, many people merely seek recognition of their hard work.

1.2 Statement of the Problem

Effective, fair, timely, and market-driven rewards can be motivational for managers and employees alike. Experience and research in the science of success reinforces the concept that effective and fair rewards can motivate and enhance employee's productivity [10]. For the past 10 years, Nigerian Agip Oil Company limited Port Harcourt has been experiencing problems in implementing its corporate reward system due to the non-residence of its expatriate personnel manager owing to the high incidence of expatriates kidnapping in the Niger Delta. This situation has resulted in the casualization of most workers whose rewards are now based on a daily paid system culminating in fluctuations in organizational output. The corporate reward system of the company is usually determined by top management in the foreign headquarters of the company in Italy, while the expatriate personnel manager implements this reward system locally.

However, the non-residence of the expatriate personnel manager in Port Harcourt creates a managerial gap in the implementation of the corporate reward system thus creating room for the development and implementation of multiplicity of unfair reward systems by local labour contractors resulting in industrial actions (strikes/lockouts) and unpredictable output levels. The local management of the reward system by the labour contractors also results in delays in the formulation of staff development plans. This situation demotivates employees and encourages industrial disputes and fluctuations in output levels. It is this unfair reward system (daily paid system) and its associated industrial disharmony in Nigerian Agip Oil Company limited Port-Harcourt that informed this research.

1.3 Research Objectives

The objectives of the research are as follows:

1. To determine the extent at which improved employees' job performance is influenced by the implementation of fair reward system in Nigerian Agip Oil Company limited Port- Harcourt.
2. To determine the extent at which reduced rate of industrial action is influenced by the implementation of fair reward system in Nigerian Agip Oil Company limited Port-Harcourt.

1.4 Research Questions

Previous attempts at implementing a fair reward system in Nigerian Agip Oil Company limited Port Harcourt has been based on the local implementation of corporate reward system by the non-resident expatriate personnel manager without success. The managerial gap occasioned by his absence led to the emergence of multiplicity of unfair daily paid reward system by various local labour contractors thus prompting the following research questions:

1. To what extent is improved employees' job performance influenced by the implementation of fair reward system in Nigerian Agip Oil Company limited Port-Harcourt?
2. To what extent is reduced rate of industrial action influenced by the implementation of fair reward system in Nigerian Agip Oil Company limited Port-Harcourt?

1.5 Research Hypotheses

In view of the above research questions, the following null hypotheses were formulated:

1H₀: Improved employees' job performance is not influenced by the implementation of fair reward system in Nigerian Agip Oil Company limited Port- Harcourt.

2H₀: Reduced rate of industrial action is not influenced by the implementation of fair reward system in Nigerian Agip Oil Company limited Port-Harcourt.

1.6 Literature Review

Employees don't work for free; the notion of rewarding employees for "a job well done" has existed since the 19th century when piece-work systems (reward based on output levels) were first implemented [11]. From these piece-work systems evolved the traditional merit program (reward based on performance appraisals). Performance-based rewards emerged in the 1990's when both public and private employers began to lose faith in the traditional merit programs [12]. Reward systems have three main objectives: to attract new employees, elicit good work performance and maintain commitment to the organization. The primary focus of organizational reward and recognition programs is to define the reward schemes and communicate this in a manner that employees clearly understand the link between reward and performance [13].

Rewards that an individual receives are very much a part of his/her motivation. Several literatures have suggested that rewards affect the satisfaction of an employee, which directly influences his/her performance [14]. In a study carried out by Jibowo [15] on the effect of motivators and hygiene factors on job performance among a group of 75 agricultural extension workers in Nigeria. The study supports the influence of motivators/hygiene factors on job performance. In another study carried out by Centers and Bugental [16], based on Herzberg's two-factor theory of motivation, which separated job variables into two groups: hygiene factors and motivators. They used a sample of 692 subjects to test the validity of the two-factor theory. It was discovered that at higher occupational level, "motivators" or intrinsic job factors were more valued, while at lower occupational levels "hygiene factors" or extrinsic job factors were more valued. They concluded that an organization that satisfies both intrinsic and extrinsic factors of workers could get the best out of them.

Many studies in creativity literature have shown that a firm's reward system plays a critical role in motivating employees to perform creatively [17]. In an effort to stimulate employees' creativity, many managers have used extrinsic rewards (e.g. monetary incentives and recognition) to motivate their employees [18]. While empirical research has also shown that extrinsic rewards help enhance individuals' creative performance. The literature is still divided when it comes to its effects on individuals' creativity [19]. Azasu [20] in his "Principal-agency" theory suggested that most people are opportunist and are always motivated through monetary rewards, while the socioeconomic theorists argue that people are neither inclined towards monetary rewards nor do they have a homogeneous approach but might be fascinated by the cocktail of monetary and non-monetary rewards that have the potential to enhance their motivation and commitment [21].

Employees expect 'fairness' i.e. reward proportional to their contribution from their employers. Perceptions of reward fairness have been found to impact on employees/organizational performance such as absenteeism, individual output and organizational output [22]. Therefore, for an organization, to treat its employees as its most valuable assets, it has to be knowledgeable about what motivates them to reach their full potential [23]. The argument is that people work well in accordance to what they regard as fair reward. Employees consider whether management has treated them fairly, when they look at what they receive for the effort they have made in comparison to referents. Boddy [24] postulated this formula to illustrate this effort/reward comparison.

$$\begin{aligned} \text{Input (A)} &= \text{Input (B)} \\ \text{Reward (A)} &= \text{Reward (B)} \end{aligned}$$

Employee A compares the ratio of his/her input to his/her reward to that of employee B. If he/she feels the ratios are similar, he/she is bound to be satisfied with the treatment received and improve current level of performance. If he/she feels inadequately treated, he or she is bound to be dissatisfied and reduce current level of performance.

Kanfer [25] stated that employees are constantly involved in a social exchange process wherein they contribute efforts in exchange for rewards. They also compare the effort or contribution they put, in accomplishing a certain task and acquiring a certain reward in exchange. According to a study conducted by Ahmad et al. [26], employees are likely to feel 'rewarded' and 'motivated' when they know that they would get fair pay for the amount of work done. Past research studies have shown that when it comes to 'individualistic cultures' 'equity-based' reward allocations prevail while 'equality-based' reward allocations are prevalent in a collectivistic culture. According to Babakus et al. [27], the perceptions that employees have about their reward climate influences their attitude towards their employers

and their managers' commitment to the organization. Gouldner [28] mentioned the norm of reciprocity and stated that: in exchange for the rewards provided for employees, they should reciprocate by increasing/sustaining their commitment towards the organization, the work and the 'socio-emotional bonds' with the company and their colleagues.

Siegrist [29] in his the Effort-Reward Imbalance (ERI) Model placed a high premium on the provision of fair reward system as a means of controlling the work systems and its structures within an organization. The main concept of this model is that the organizational effort of an employee is part of the 'socially organized exchange process' to which society is obliged to repay. Thus, effective recognition enhances employees' motivation and increases their productivity [30]. Baron [31] argues that there is a close relationship between fair rewards and job performance. He noted that if successful performance does in fact lead to fair organizational rewards, such performance could be a motivational factor for employees to improve their current level of productivity.

In a study conducted by Probst & Brubaker [32] it was concluded that the difference between job satisfaction and dissatisfaction lies in the amount and the type of rewards provided or given to the employees and the amount and type of rewards that employees expect. This idea is supported by Magione & Quinn [33] who considered both job satisfaction and dissatisfaction to be the result of the perceptions of an employee with regards to their personal expectations about what and how much they deserve for contributing towards achieving organizational goals. According to Shore & Shore [34], employees who are able to experience and receive fair recognition for their effort may have a better perception of their work, their workplace and the people they work for. This idea was also reiterated by Buchanan [35] who adds that fair recognition of contributions has a positive relationship with increased commitment of the employees towards the organization and its objectives.

1.7 Conceptual Framework

A reward system is any process within an organization that encourages, reinforces or compensates people for taking a particular set of actions. It may be formal or informal, cash or non-cash, immediate or delayed [36]. It involves both financial and non-financial reward which consists of an organization's integrated policies, processes and practices for rewarding its employees in accordance with their contribution and skill within the competence framework of an organization's strategy [37]. The only way employees will fulfill their dream is to share in the dream. Hence, reward systems are the mechanisms that make this happen. However, reward systems are much more than just bonus plans and stock options. While they often include both of these incentives, they can also include awards and other recognition, promotions, reassignment, non-monetary bonuses (e.g. vacations), or a simple thank-you."

The reward system is a key driver of the HR strategy, business strategy and the organizational culture. It must also be consistent with other HR systems of the organization as shown in Fig. 1 below:

Strategic Reward Systems I: Need for Consistency with Other HR Systems



Fig. 1. Strategic reward systems

Source: MBAO6030 Human Resource Management

Employee Reward is about how people are rewarded in accordance with their value to the organization. Torrington & Hall [38] noted that people's attitude to pay is bound up in their historical views and their attitude towards capitalism. The concept of 'fair day's pay for a fair day's work' is generally accepted but few people can define the term 'fair'. Armstrong and Mullins [39] suggested that reward management strategies of an organization must:

- ❖ Be congruent with and support corporate values and beliefs.
- ❖ Be linked to organizational performance.
- ❖ Drive and support desired behaviour at all levels.
- ❖ Fit desired management styles.
- ❖ Provide the competitive edge needed to attract and retain the level of skills the organization needs.

The dynamic nature of the work environment has altered the values and expectations of workers thus putting pressure on employers to review upwards the contents of any compensation package. On the other hand, employees through their unions now argue that "if they put in so much effort in helping the organization to create value, it is fair for them, to be given a fair bite of the cake". Steers and Porter [40] stated that an individual's motivation to behave in a certain way is greatest when he or she believes that their behaviour will lead to certain rewards.

Beardwell and Holden [41] made two distinctions in terms of equity in reward allocation: • Internal criteria i.e. assessment of pay within an organization using the relationship between colleagues or employee-employer and • External criteria i.e. assessment of pay by comparison with incomes of individuals or organizations outside the company. Rewards related to performance are concepts that pose a great challenge to modern day managers. The question is whether to make rewards dependent on performance or make performance dependent on rewards. While setting standards that are attainable, Nigerian Agip Oil

Company limited Port Harcourt should discourage dissatisfaction of employees by encouraging behaviors that are goal oriented through adopting a fair reward system.

1.8 Theoretical Framework

The study is based on Adams [42], Equity Theory of job motivation which states that employees expect fairness when being rewarded for work done; people become dissatisfied, reduce input or seek change/improvement whenever they feel their inputs are not being fairly rewarded. Fairness is based on perceived market norms. The theory essentially refers to an employee's subjective judgment about the fairness of the reward he/she got in comparison with the inputs (efforts, time, education, and experience) when compared with others in the organization. Employees consider whether management has treated them fairly, when they look at what they receive for the effort they have made as shown in Fig. 2 below

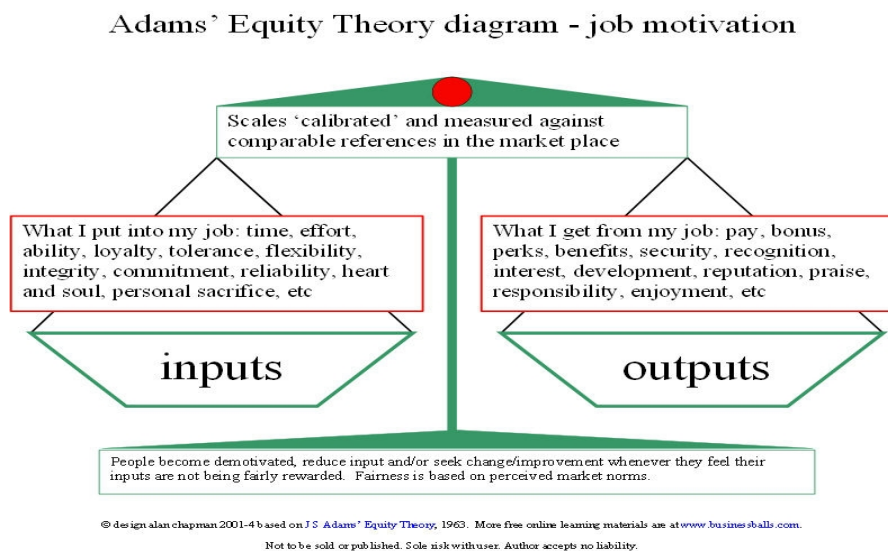


Fig. 2. Adams equity theory on job motivation

Source: Adams J S. 'Inequity in social exchange'. In L. Berkowitz (Ed.), *Advances in experimental social psychology*. New York: Academic Press, 1965, 2(6), 267 - 229.

The theory is based on the following assumptions:

- ❖ People develop beliefs about what is a fair reward for one's job contribution – an exchange.
- ❖ People compare their exchanges with their employer to exchanges with others-insiders and outsiders called referents
- ❖ If an employee believes his treatment is inequitable, compared to others, he or she will be motivated to do something about it -- that is, seek justice.

Is/Os versus Ir/Or

Where:

O = Outcomes: the type and amount of rewards received

I = Inputs: employee's contribution to employer

R = Referent: comparison person

S = Subject: the employee who is judging the fairness of the exchange

We each seek a fair balance between what we put into our job and what we get out of it and we form perceptions of what constitutes a fair balance or trade of inputs and outputs by comparing our own situation with other 'referents' (reference points or examples) in the market place. We are also influenced by colleagues, friends, partners in establishing these benchmarks and our own responses to them in relation to our own ratio of inputs to outputs.

If the employees of Nigerian Agip Oil Company limited Port-Harcourt, feel that their inputs are fairly and adequately rewarded they will be motivated to improve their performance on the job, if they feel otherwise, they become dissatisfied in relation to their job/employer and may embark on industrial action. Generally, the extent of dissatisfaction is proportional to the perceived disparity between inputs and expected outputs. Some employees reduce their effort and become inwardly disgruntled, or outwardly difficult, recalcitrant or even disruptive while others, seek to improve their outputs by making claims or demands for more reward or seek an alternative job.

2. MATERIALS AND METHODS

The scope of this research is limited to the employees of Nigerian Agip Oil Company limited Port-Harcourt. It is assumed that responses obtained from the sample respondents of the company would be representative of the opinions of all employees of the company on the impact of fair reward system on improved employees' job performance in the company. The core aspect of the study is the use of cross-sectional survey in generating the required primary data. The population of study consists of the entire 40,568 (3,560 managers, 10,028 supervisors and 26,980 workmen) employees of Nigerian Agip Oil Company limited Port Harcourt.

A sample of 396 respondents determined at 5% level of significance for sample error, using Yamane's [43] formula, was selected using stratified random sampling method for the purpose of questionnaire administration. The questionnaire was designed to obtain a fair representation of the opinions of the 396 sample respondents from the three categories of employees' (managers, supervisors and workmen) using a three-point Likert type scale. The questionnaire responses of the sample respondents were presented using tables analyzed and interpreted using simple percentages while the formulated hypotheses were tested using the chi-square (χ^2). A total of 396 copies of the questionnaire were administered, out of which 2 were cancelled while 4 were not returned and 390 (98%) were used for analysis.

3. RESULTS AND DISCUSSION

3.1 Distribution of Responses on Research Questions

3.1.1 Question number 1

To what extent does your company implement fair reward system in compensating employees for their contributions to the organization? Table 1 indicates that a total of 39 i.e. 10.00% of the entire respondents across the three categories of employees were of the opinion that their company to a large extent implement fair reward system in compensating employees for their contributions to the organization. 57(14.62%) respondents were of a mild extent opinion while 294(75.38%) respondents were of the opinion that their company to a poor extent implements fair reward system in compensating employees for their contributions to the organization. We therefore conclude that there is a strong evidence that

Nigerian Agip Oil Company limited Port-Harcourt do not implement fair reward system in compensating their employees for their contributions to the organization as buttressed by the 75.38% poor extent response of the sample respondents.

Table 1. Response pattern on the extent Nigerian Agip Oil Company limited Port-Harcourt implements fair reward system in compensating their employees for their contributions to the organization

Category of respondents	Responses provided			
	Large extent	Mild extent	Poor extent	Total
Managers	4	8	22	34
Supervisors	10	17	70	97
Workmen	25	32	202	259
Total	39	57	294	390

Source: Field survey, 2012.

3.1.2 Question number 2

To what extent is improved employees' job performance influenced by the implementation of fair reward system in Nigerian Agip Oil Company limited Port- Harcourt? Table 2 shows that a total of 320 i.e. 82.05% of the entire respondents across the three categories of employees were of the opinion that improved employees' job performance is to a large extent influenced by the implementation of fair reward system in Nigerian Agip Oil Company limited Port-Harcourt.50(12.82%) respondents were of a mild extent opinion while 20(5.13%) respondents were of the opinion that improved employees' job performance is to a poor extent influenced by the implementation of fair reward system in Nigerian Agip Oil Company limited Port-Harcourt. We therefore conclude that there is a strong evidence that improved employees' job performance in Nigerian Agip Oil Company limited Port-Harcourt is influenced by the implementation of fair reward system as buttressed by the 82.05% large extent response of the sample respondents. This suggests that based on Herzberg's two-factor theory of motivation, 82.05% of all the employees of Nigerian Agip Oil Company limited Port-Harcourt would most probably be motivated to improve their job performance by extrinsic (hygiene factors) than intrinsic rewards (motivational factors) since most of them are at low occupation level. This conclusion is supported by the empirical studies of Centers and Bugental [44] which concludes that at higher occupational level, "motivators" or intrinsic job factors were more valued, while at lower occupational levels "hygiene factors" or extrinsic job factors were more valued.

Table 2. Response pattern on the extent improved employees' job performance is influenced by the implementation of fair reward system in Nigerian Agip Oil Company limited Port- Harcourt

Category of respondents	Responses provided			
	Large extent	Mild extent	Poor extent	Total
Managers	21	5	8	34
Supervisors	75	15	7	97
Workmen	224	30	5	259
Total	320	50	20	390

Source: Field survey, 2012.

3.1.3 Question number 3

To what extent is reduced rate of industrial action influenced by the implementation of fair reward system in Nigerian Agip Oil Company limited Port-Harcourt? Table 3 indicates that a total of 315 i.e. 80.77% of the entire respondents across the three categories of employees were of the opinion that reduced rate of industrial action is to a large extent influenced by the implementation of fair reward system in Nigerian Agip Oil Company limited Port-Harcourt. 57 (14.62%) respondents were of a mild extent opinion while 18(4.62%) respondents were of the opinion that reduced rate of industrial action is to a poor extent influenced by the implementation of fair reward system in Nigerian Agip Oil Company limited Port-Harcourt. We therefore conclude that there is a strong evidence that reduced rate of industrial action in Nigerian Agip Oil Company limited Port-Harcourt is influenced by the implementation of fair reward system as buttressed by the 80.77% large extent response of the sample respondents. This suggests that based on Ashenfelter and Johnson [45] model of strike action causes, 80.77% of the employees of Nigerian Agip Oil Company limited Port-Harcourt would embark on strike action if the minimum wage increase offered by the company is below their expectations of fairness. This also implies that majority of the employees are more responsive to hygiene factors than motivational factors since they are at low occupational level. This conclusion is supported by the empirical studies of Jibowo [46] which also concludes that at higher occupational level, "motivators" or intrinsic job factors were more valued, while at lower occupational levels "hygiene factors" or extrinsic job factors were more valued.

Table 3. Response pattern on the extent reduced rate of industrial action is influenced by the implementation of fair reward system in Nigerian Agip Oil Company limited Port-Harcourt

Category of respondents	Responses provided			Total
	Large extent	Mild extent	Poor extent	
Managers	19	8	7	34
Supervisors	76	17	4	97
Workmen	220	32	7	259
Total	315	57	18	390

Source: Field survey, 2012.

3.2 Test of the First Hypothesis

- I. H_0 : Improved employees' job performance is not influenced by the implementation of fair reward system in Nigerian Agip Oil Company limited Port- Harcourt.
- II. H_1 : Improved employees' job performance is influenced by the implementation of fair reward system in Nigerian Agip Oil Company limited Port- Harcourt.
- III. $\alpha = 0.05$.
- IV. Degree of Freedom (df) = $(r - 1)(c-1) = (3-1)(3-1) = 4$.
- V. Decision Rule: Reject H_0 : if $\chi^2_c > \chi^2_t$, Accept H_0 : if $\chi^2_c < \chi^2_t$.
- VI. (v)Chi- square critical table value $(\chi^2_t) = \chi^2_{0.05} = 9.49$.
- VII. (vi)Chi-square critical computed value (χ^2_c) from table 5 = $\chi^2_c = 13.8863$ (see appendix one).

Since $\chi^2_c > \chi^2_t$ i.e. $13.8863 > 9.49$, we reject the null hypothesis and accept the alternative hypothesis that improved employees' job performance is influenced by the implementation of

fair reward system in Nigerian Agip Oil Company limited Port- Harcourt, as buttressed by the 82.05% large extent response of the sample respondents in Table 2.

3.3 Test of the Second Hypothesis

- I. H_0 : Reduced rate of industrial action is not influenced by the implementation of fair reward system in Nigerian Agip Oil Company limited Port-Harcourt.
- II. H_1 : Reduced rate of industrial action is influenced by the implementation of fair reward system in Nigerian Agip Oil Company limited Port-Harcourt.
- III. $\alpha = 0.05$.
- IV. Degree of Freedom (df) = $(r - 1)(c-1) = (3-1)(3-1)=4$.
- V. Decision Rule: Reject H_0 : if $\chi^2_c > \chi^2_t$ Accept H_0 : if $\chi^2_c < \chi^2_t$.
- VI. (v)Chi- square critical table value $(\chi^2_t) = \chi^2_{0.05} = 9.49$.
- VII. Chi-square critical computed value (χ^2_c) from table 7 = $\chi^2_c=12.6786$ (see appendix two).

Since $\chi^2_c > \chi^2_t$ i.e. $12.6786 > 9.49$, we reject the null hypothesis and accept the alternative hypothesis that reduced rate of industrial action is influenced by the implementation of fair reward system in Nigerian Agip Oil Company limited Port-Harcourt, as buttressed by the 80.77% large extent response of the sample respondents in Table 3.

4. CONCLUSION

The paper has discussed the impact of fair reward system on employees' job performance in Nigerian Agip Oil company limited Port-Harcourt. It assumes that employees expect fairness when being rewarded for work done and may become dissatisfied, reduce their input or seek change/improvement whenever they feel their inputs are not being fairly rewarded. The three major findings of the research are as follows:

- ✓ Nigerian Agip Oil Company limited Port-Harcourt to a poor extent implements fair reward system in compensating their employees.
- ✓ Improved employees' job performance is to a large extent influenced by the implementation of fair reward system in Nigerian Agip Oil Company limited Port-Harcourt.
- ✓ Reduced rate of industrial action is to a large extent influenced by the implementation of fair reward system in Nigerian Agip Oil Company limited Port-Harcourt.

Arising from the findings of this paper, it is suggested that Nigerian Agip Oil Company limited Port-Harcourt should take the following measures to ensure fairness in its reward system:

1. Regular review of reward system: This is necessary to ensure that employees keep having a better perception of their work, their workplace and the people they work for, which may dovetail into increased productivity and profitability.

2. Rewarding people for the value they create: When employees are rewarded for the value they create, they would be encouraged to be more creative, innovative and entrepreneurial in discharging their duties. At this juncture, intrinsic factors are valued more than extrinsic factors.

3. Alignment of reward practices with business goals and employee values: The appropriate alignment of reward practices with business goals and employee values will create room for industrial harmony between the two parties in the employment contract because their expectations would be integrated and satisfied.

4. Reward the right things: When the right things are rewarded, it would convey the right message about expected behaviours and outcomes to the employees, since reinforced behaviours have a greater probability of being repeated.

5. Allow a reasonable degree of flexibility in the operation of the reward system and the choice of benefits by employees: This suggests that organizations should provide a variety of both intrinsic and extrinsic rewards to their employees, so that they would be choice in reward allocation, due to differences in preferences among the employees.

6. Devolve more responsibility for reward decisions to non-expatriate line managers: The devolution of responsibility for reward decisions to non-expatriate line managers will facilitate the quick resolution of reward allocation challenges and ensures that no single individual holds the company to ransom in the execution of functional duties.

7. Involvement of employees' representatives in the determination of 'fair' day's pay: When employees' representatives are involved in the determination of the fair reward, it would minimize the chances of any industrial conflict since the employees participated in the collective bargaining process that produced the fair reward.

8. Maintain competitive rates of pay: when organizations maintain competitive pay rates, it would go a long way in reducing dissatisfaction associated with reward allocation since employees usually compare their rewards with both internal and external referents.

ACKNOWLEDGEMENTS

The author expresses his gratitude to the management and staff of Nigerian Agip Oil Company limited Port-Harcourt for their co-operation and support in carrying out this research, especially those that completed and returned the research questionnaire.

COMPETING INTERESTS

The author has declared that no competing interests exist.

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APPENDICES

APPENDIX ONE

Computation of Expected Frequencies and Calculated Chi-Square Critical Computed Value (χ^2_c) for The First Hypothesis

Table 4. Observed and expected frequencies of question number 2 (from Table 2)

Category of respondents/workers	Responses provided			Total
	Large extent	Mild extent	Poor extent	
Managers	21(27.90)	5 (4.36)	8 (1.74)	34
Supervisors	75(79.59)	15 (12.44)	7(4.97)	97
Workmen	224 (212.51)	30 (19.92)	5 (13.28)	259
Total	320	50	20	390

Source: Field survey, 2012.

Table 5. Computation of Chi-square critical computed value (χ^2_c) from Table 4

Fo	Fe	(Fo-Fe)	(Fo-Fe)/Fe	(Fo-Fe) ² /Fe
21	27.90	-6.90	-0.2473	0.0612
5	4.36	0.64	0.1468	0.0215
8	1.74	6.26	3.5977	12.9435
75	79.59	-4.59	0.0577	0.0033
15	12.44	2.56	0.2058	0.0423
7	4.97	2.03	0.4085	0.1668
224	212.51	11.49	0.0541	0.0029
30	19.92	10.08	0.5060	0.2561
5	13.28	-8.28	0.6235	0.3887
				$\chi^2_c=13.8863$

APPENDIX TWO

Computation of Expected Frequencies and Calculated Chi-Square Critical Computed Value (χ^2_c) for The Second Hypothesis

Table 6. Observed and expected frequencies of question number3 (from Table 3)

Category of respondents/workers	Responses provided			Total
	Large extent	Mild extent	Poor extent	
Managers	19(27.46)	8(4.97)	7(1.57)	34
Supervisors	76 (78.35)	17 (14.18)	4(4.48)	97
Workmen	220(209.19)	32 (37.85)	7 (11.95)	259
Total	315	57	18	390

Source: Field survey, 2012.

Table 7. Computation of Chi-square critical computed value (χ^2_c) from Table 6

Fo	Fe	(Fo-Fe)	(Fo-Fe)/Fe	(Fo-Fe) ² /Fe
19	27.46	-8.46	-0.3081	0.0949
8	4.97	3.03	0.6097	0.3717
7	1.57	5.43	3.4586	11.9619
76	78.35	-2.35	-0.0300	0.0009
17	14.18	2.82	0.1989	0.0395
4	4.48	-0.48	-0.1071	0.0115
220	209.19	10.81	0.0517	0.0027
32	37.85	-5.85	-0.1546	0.0239
7	11.95	-4.95	-0.4142	0.1716
				$\chi^2_c=12.6786$

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Peer-review history:
 The peer review history for this paper can be accessed here:
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