
The Impact of Compensation on Job Satisfaction among Employees: A Conceptual Analysis

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Abstract

This paper is on the impact of Compensation on Job Satisfaction of Employees: A Conceptual Analysis. It focuses on the relationship between compensation and job satisfaction and how compensation influences the employees feeling towards his job duties in the organization. The paper relied on secondary sources of data such as journal articles, previous studies, newspapers, magazines, bulletins, internet resources, etc. Consequently, Equity theory was reviewed and adopted as the theoretical framework to guide the paper based on its relevance to compensation. Based on the empirical studies, literature reviews, and the theoretical support of the Equity Theory, the findings of this paper revealed that compensation can significantly impact or influence positively, the job satisfaction of employees in an organization. The paper therefore recommended among others that, organizations should institutionalize and utilize equitably fair compensation system to engender job satisfaction among their employees at all levels of the organizational hierarchy.

Keywords: Compensation, Job Satisfaction, Employees, Equity.

1. Introduction

World over, employee job satisfaction has been a concern of every organization, whether public or private, and thus its importance cannot be over-emphasised (Kampkotter, 2014). Though, traditionally the importance of job satisfaction was viewed as a concern for the private sector only, there has been notable change to this view over the last couple of decades, where both the public and private sectors have embraced its value. Like the private sector, the public sector also needs to develop a strong workforce to address various challenges that they face as they strive to improve the performance of their employees towards effective and efficient service delivery to the citizens. Some of the most widely used approaches to employee job satisfaction are compensation, provision of adequate fringe benefits, incentives, etc., (Joshi, 2013).

Recently and over the years, considerable amount of literature has evolved which seeks to harness and improve the understanding of compensation and the extent to which it can influence the levels of employees' fulfilment, commitment, motivation, and eventually, job satisfaction. According to Galanou, et al (2011), in present days, among personnel and human resource managers/directors' tasks is to create a conducive environment where job satisfaction will prevail and moves employees to perform efficiently and effectively in their work. As rightly observed by Tabiu (2021), although performance of employees in any organization be it public or private is very important, still when it comes to public sector organizations, the issue of performance is always attributed to inefficiency and ineffectiveness. Public sector organizations also need to develop a strong workforce to address various challenges facing the

people as they strive to improve the performance of their employees towards effective and efficient service delivery to the citizens, (Joshi, 2013).

Organizations set targets and goals that they work towards achieving. In view of this, management sections of organizations are tasked to employ the use of techniques and expertise in the efficient planning, organizing, directing, and controlling the day-to-day operations to accomplish those set goals and targets, (Akhilif, et al, 2021). An organization is a cluster of people who work to accomplish its goals and objectives and are called employees, who are the assets of the organization. To select, acquire, maintain and retain an employee is mainly no mean task in any organization, (Abujudeh, 2019). They require that personality who can be advantageous for the organization along with employee wants, superior compensation, recompense, holidays, additional benefit, etc.

Compensation plays an important role in determining an employee's level of job satisfaction. According to Muguongo, Muguna and Muriithi (2015), compensation is a fixed amount of money paid to an employee by an employer in an exchange for a productive work performed. If individuals believe they are not compensated well, a state of emotional dissatisfaction develops. This emotional discrepancy grows and accumulates over time making employees to grumble as they render their service to the organization. Worse still, indicators such as, absenteeism, turnover, go slow, picketing and strikes are experienced. Compensation has long been considered one of the most important organizational rewards, because it allows employees to obtain other rewards. Heinemann and Judge (2000) observed that, Frederick Taylor (1911) was one of the earliest to recognize the motivating effects of pay when he proposed that workers put forth extra effort on the job to maximize their economic gains. Although this premise lost favour in the late 1920s with the emergence of the human relations school, money remains the fundamental way that organizations compensate employees.

The effect of compensation on job satisfaction will provide enthusiasm and work motivation significantly. Because compensation is the main factor in terms of employee satisfaction, so that employees will feel valued by the organization for the contribution of energy, thought, and expertise provided by employees to the organization (Muguongo et al, 2015). Compensation is an organization's strategy to be able to significantly improve individual performance and be able to retain employees, so that it will reduce the intensity level of employee turnover. According to Diliantari and Dewi (2019), compensation will not only satisfy employees with their work but will also increase the level of work performance of their employees. They further stressed that, the main reason for keeping satisfied employees is to benefit from their dedication, loyalty, and commitment and one of the ways managers maintain good employees is to provide attractive and adequate compensation in accordance with their needs, preferences, and performance.

Job satisfaction is a pleasurable or positive emotional state resulting from one's job experience (Owusu, 2014). This implies that, satisfied employees have positive attitude towards their jobs, which leads to high performance level whereas dissatisfied employees have negative attitude towards work which leads to low performance on their part. Employee job performance on the other hand, comprised apparent behaviours that people observe in their work that are important in achieving organizational goals and these behaviours must be pertinent and imperative to the overall goals of the organization (Rana, 2018). Job satisfaction affects effort of employees, (Dasanayaka, et al, 2021). They explained that, increased performance from satisfaction possibly helps to increase expectations of effective performance which eventually leads to improved output and productivity.

2. Conceptual Clarifications

This section focused on some fundamental concepts and evaluates some literature for proper understanding of how compensation affects job satisfaction of employees. Additionally, empirical studies and literature were reviewed in accordance with predetermined goals.

2.1 The Concept of Compensation

Compensation administration is concerned with the formulation and implementation of strategies and policies that aim compensate people fairly, equitably, and consistently in accordance with their value to the organization. The task is to develop policies and procedures that will attain maximum return on money spent in terms of attracting, satisfying, retaining, and perhaps motivating employees (Armstrong, 2005). Compensation plays an important role in organizations that want to achieve their goals and objectives through improved productivity and output of the organization and employees. Good remuneration to employees has been found over the years to be one of the policies that an organization can adopt to increase their employees' performance and thereby increase productivity with its attendant job satisfaction, (Opaluwa, 2014). Compensation is also something and everything that is received by employees either directly or indirectly in lieu of contributing their services to the organization as remunerations, income, goods, payments or benefits, (Hussain, Rizwan, Nawaz, Hameed & Rizwan, 2013). They further contended that, compensation is a reward system that an organization provide to individuals in return for their willingness to perform various jobs and tasks within the organization.

Compensation is one of the important factors paid much attention to, in many organizations to attract and retain qualified and experienced human resources. This involves the designing and implementation of individual's and organization's pay and benefit schemes, (Touma, 2022). Organizations compete for qualified human resources because the quality of work output is determined by the competence of human resources as required and, the organization's development depends purely upon the effective utilization of their competent skills and abilities, (Muguongo, et al, 2015). According to Rana (2018), any kind of benefit provided to employees is referred to as compensation. It can be in the form of salary, bonus, commissions and fringe benefits and every employee needs proper compensation for his or her work. Rana (2018) further argued that, organizations must provide for a sound compensation system in order to retain efficient and skilled employees. Compensation refers to all the provided financial and non-financial rewards an employee receives from the employer as part of the employment relation. It is a systematic approach to providing monetary value to employees in exchange for work performed, (Abadi and Renwarin, 2017).

Financial compensation consists of indirect compensation and direct compensation. Direct compensation consists of paying employees in the form of wages, salaries, bonuses, or commissions. Indirect compensation or benefit consists of all payments not covered by direct financial compensation including entertainment, various insurance services such as life insurance, disability insurance, etc., (Onyango and Wanyoike, 2014). Non-financial compensation on the other hand is non-monetary rewards such as praise, self-respect and recognition that can affect employee motivation, productivity, and satisfaction. Hameed et al (2014) identified some type of indirect compensation by today's organization as; Social security, retirement plan, paid holiday, and other benefits such as subsidized food services or meal services offered to employees. Other compensations can be given non-financially in the form of appreciation such as more challenging jobs, wider responsibility, flexible working hours, and prestigious offices and takes the form of career rewards (secure feeling, self-development, career stability), (Abadi & Renwarin, 2021).

Compensation may achieve several purposes like assisting in recruitment, job performance, and job satisfaction, (Singh and Tiwari, 2021). It can be said that compensation is the 'glue' that binds the employee and the employer together in both the public and private sector, which is further codified in the form of a contract or a mutually binding legal document that spells out exactly how much should be paid to the employee and the components of the compensation package, (Singh and Tiwari, 2021). Everything that an employee gets in return for their participation through performance is known as compensation, (Aisyiah and Khoirunnisa,

2022). In addition, compensation is one of the best ways for human resource management to enhance employee productivity, motivation and job satisfaction. Organizations can attract, recruit, and retain employees by using an effective and fairly transparent compensation structure. Touma (2022) observed that, compensation is an expense sacrificed by an organization in the hope that it will be reciprocated through improving and enhancing employee performance and productivity. The effectiveness of compensation system however, depends on the individuals involved and the mechanics of the systems within which they work. Good compensation system attracts competent employees; helps to retain competent personnel and satisfies security needs of employees, while inadequate or bad compensation system results in the opposite; that is, it does not attract competent employees and it does not satisfy the security needs of the employee (Adeleye, 2010).

2.1.1 Components of Compensation

An average employee in an organization is entitled to several benefits – both financial and non-financial compensation. To be specific, typical remuneration of an employee comprises wage and salary, incentives, fringe benefits, perquisites and non-monetary benefits. The components of compensation as outlined by Aswathappa (2013) are;

Wage and Salary: Wages represent hourly rates of pay, and salary refers to the monthly rate of pay irrespective of the number of hours put in by an employee. Wages and salary are subject to annual increments. They differ from employee to employee, and depend upon the nature of job, type of industry, seniority, and merit.

Incentives: Incentives are paid in addition to wages and salaries and are also called ‘payments by results. Incentives depend upon productivity, sales, profit, or cost reduction efforts. There are the individual incentive schemes and group incentive schemes; where the individual incentives scheme is applicable to specific employees’ performance and or productivity, while the group incentives is applicable to group efforts for accomplishing a given task.

Allowances: The different allowances are provided by organizations for their employees such as House Rent Allowance (HRA), Conveyance allowance, Leave Transport Allowance (LTA), Duty Tour Allowance (DTA), etc. also forms part of compensation.

Claims: A part of monthly salary may be made up by billed claims, which will include telephone mobile allowance, internet allowance, medical allowance, etc. These subject to a limit and are generally paid against submission of valid bills.

Gratuity: This is a statutory notional component appearing in the salary break-up, but is paid only at the time of employees exit from the organization after serving more than five years. Gratuity payment to employees at the expiration or their exit from the organization is also another form of compensation to employees and is governed by complex laws, rules and regulations according to statutes of different sectors.

Fringe Benefits: These include such employee compensation benefits such as provident fund, gratuity, medical care, hospitalizations, accident relief, health and group insurance, canteen, recreation and the like.

Perquisites: These are allowed to executives and include such things as, company car, club membership, paid holidays, furnished house, stock option schemes, etc. Perquisites are offered to retain highly competent and experienced executives and are also part of compensation provided to employees by organizations.

Non-Monetary Benefit: These include challenging job responsibilities, recognition of merit, growth prospects, competent supervision, comfortable working conditions, job sharing and flexi time. These benefits come to the employee as compensation from the organization for his contribution to the accomplishment of the goals and objectives of the organization.

2.2 The Concept of Job Satisfaction

Human resource management is concerned with management of organization's workforce, and are responsible for the recruitment and retention of good employees, as well as their training, evaluation and compensation. This is to boost the employees' productivity, efficiency and also their satisfaction, and to resultantly promote the overall success of the organization (Pauwe & Boon, 2009). Hoppock (1935) brought the term job satisfaction into the limelight, after reviewing various research papers; he has observed that, after satisfying the physiological, psychological and environmental needs, a person says "I am satisfied with my job". It simply means that he is happy with his job. It means that, there are many variables that influence job satisfaction. In general, job satisfaction refers to an individual's positive emotional reactions to a particular job; is the condition of establishing healthy, conducive and favourable environment in an organization, (Khan, Yussof, Hussain and Ismail, 2019). Aswathappa (2008) mentions job satisfaction as the end state of feeling. It emphasizes the fact that, the feeling is experienced after a task is accomplished or an activity has taken place, whether it is a highly individualistic effort of writing a book or the collective endeavour of constructing a dam, these tasks/activities can just be experienced. But in all cases, they satisfy a certain need. The feeling on a task can be positive or negative depending upon the needs and opportunities that are made available.

Job satisfaction plays a significant role in employee interests, aspirations and preferences, as well as organizational success and therefore valuable to all interests in the organization, and can interrupt labour behaviour and influence organizational productivity, (Odongo, 2017). Job satisfaction contributes immensely to organizations through various dimensions. Saputri (2022) asserts that, improved job satisfaction encourages productivity with its inherent humanitarian value and directly impacts organizational performance. He further argued that, the overall performance of an organization is impacted by resourceful and successful individual performance which can be triggered or accomplished through highly motivated and satisfied employees with enhanced productive commitment to the ideals and goals of the organization. According to Rosalia, et al (2020), low level of job satisfaction negatively affects employees' commitment which eventually hinders achievement of organizational objectives and performance. Human resource management is concerned with management of organization's workforce, and are responsible for the recruitment and retention of good employees, as well as their training, evaluation and compensation. This is to boost the employees' productivity, efficiency and also their satisfaction, and to resultantly promote the overall success of the organization (Pauwe & Boon, 2009). The term job satisfaction came into the limelight in 1935, after various research papers were reviewed and has been observed that, after satisfying the physiological, psychological and environmental needs, a person says "I am satisfied with my job". It simply means that he is happy with his job, (Khan, Yussof, Hussain and Ismail, 2019). It means that, there are many variables that influence job satisfaction.

In general, job satisfaction refers to an individual's positive emotional reactions to a particular job; is the condition of establishing healthy, conducive and favourable environment in an organization, (Khan, et al, 2019). Aswathappa (2008) also mentions job satisfaction as the end state of feeling. It emphasizes the fact that, the feeling is experienced after a task is accomplished an activity has taken place, whether it is a highly individualistic effort of writing a book or the collective endeavour of constructing a dam, these tasks/activities can just be experienced. But in all cases, they satisfy a certain need. The feeling on a task can be positive or negative depending upon the needs and opportunities that are made available.

Job satisfaction can be defined as the 'pleasurable' state of emotion resulting from the appraisal of one's job as achieving or facilitating the achievements of one's values. It refers to a person's feeling of satisfaction on the job, which acts as a motivation to work, (Murtiningsih, 2020). He further stressed that, the term relates to the total relationship between an individual and the

employer for which he is compensated. Job satisfaction is a state of feeling that follows the attainment of any goal and may lead to improved productivity. Increased turnover, improved attendance, reduced occurrence of accidents, less job stress, lower unionization and, of course, customer satisfaction, (Khan, et al, 2019). Job satisfaction simply explains attitude of employees toward their job. In other words, it describes the level of happiness of employees in fulfilling their desires and needs at the workplace. Hence it is the pleasurable feelings that result from an employee perception of achieving the desired level of needs. Job satisfaction as an intangible variable could be expressed or observed via emotional feelings.

Furthermore, job satisfaction hinges on the inward expression and attitude of individual employee with respect to a particular job. For instance, an employee satisfaction is high if the job provides expected psychological or physiological needs. However, satisfaction is said to be low if the job does not fulfil the psychological or physiological needs, (Habsy and Madbouly, 2021). Job satisfaction is also called employee satisfaction, it describes whether the employee is happy with his job, work environment, supervision, etc. and is dovetailed with life satisfaction where, people who are satisfied with their lives are also satisfied with their jobs and vice versa, (Handayani and Kasidin, 2022). There are many factors that influence employee job satisfaction, these include pay, promotion, supervision, contingent rewards, fringe benefits, operating procedures, co-workers, nature of work, and communication, (Setiawati and Ariani, 2020).

According to Singh & Tiwari (2021), job satisfaction refers to a type of person's sensation of satisfaction on the job, which acts as an enthusiasm to work. It is not the self-satisfaction, pleasure or self-contentment but the satisfaction on the job. They described job satisfaction as "any uniting of psychological, physiological and environmental situations that cause and person honestly to say, I am satisfied with my job. It is outlined because of the, "pleasurable emotional state resulting from the assessment of one's job as achieving or facilitating the achievement of one's job values". Job satisfaction refers to an employee's general perspective towards his job, it's the favourableness or unfavourableness with which employees interpret their work, (Olufadi, Ringin, and Shuib, 2022). In order to recognize job satisfaction, maybe the first step should be to establish the boundaries among such terms as attitudes, motivation and morale. A job is a significant portion of life and affects one's general life satisfaction. The result is that satisfaction rises from a composite set of conditions in the same way the motivation does, (Naji, Mansour & Leclerc, 2015).

Murtiningsih (2020) explains four factors that affect job satisfaction as follows;

Personality, which is, the nature of a person as a determinant of how he thinks and feels satisfied with his or her job;

Values, this reflects the belief of the employees in accomplishing the results of their work and how they will behave when performing their jobs;

The work situation, that includes an interest in the job, social relations with superiors and the surrounding environment, security, equity and justice in providing compensation to the employees; and

Social influence means the influence of individuals and or groups on a person's attitudes and behaviour.

Employee job satisfaction is a necessary prerequisite of manpower development, because, it is the main reason why employees stay and remain in the organization. Therefore, based on this, the organization needs to focus on employee welfare, which can affect job satisfaction and job loyalty as well as job commitment, so that employees would also contribute maximally to the achievement of the goals and objectives of the organization (Murtiningsih, 2020). With job satisfaction, an employee can perceive whether his job is pleasurable or not and it is a generalization of attitude on the job. Various attitudes exhibited by individual employees on their job reflect both pleasurable and not pleasurable experiences of the job that will determine

his hope for the future, (Abadi and Renwarin, 2017). On the merits of job satisfaction, Adefulu and Adebawale (2019) asserted that, job satisfaction can appear in any given work circumstance. The job satisfaction stimulates employee relationship at work with colleagues and superiors, acknowledgement of their work, career development, career growth, rewards, working conditions, and organizational environment (work places), all tend to have significant impact on job satisfaction of employees.

Wangechi, Kiragu, and Sang (2018) pointed out that, boosting of employees' job satisfaction significantly affects the productivity of a workforce which is greatly needed in the public service. The significance of job satisfaction is emphasized by its positive and reciprocal relationship with life satisfaction and its impact on personal, social, and work life. According to Nashar, et al, (2018), job satisfaction is an important element in work situation and has been associated with improved performance as well as increased commitment to the organization.

2.2.1 Creating Job Satisfaction

So how is job satisfaction created? What are the elements of a job that create job satisfaction? With these questions, Brief (1998) asserted that, organizations can help to create job satisfaction by putting systems in place that will ensure that workers are challenged and then rewarded for being successful. According to him, organizations that aspire to create a working environment that enhances job satisfaction need to incorporate the following; Flexible work arrangements, possibly including telecommunication; Training and other professional opportunities; Interesting work that offers variety and challenge and allows the employee opportunities to put his or her signature on the success story of the organization; Opportunities to utilize one's talents and to be creative; Opportunities to take responsibility and direct one's own work; A stable, secure work environment that includes job security/continuity; An environment in which workers are supported by an accessible supervisor who provides timely feedback as well as congenial team members; Flexible benefits, such as exercise facilities, bonuses, allowances, child care, etc; Up to date technology and innovations; and Competitive salary and opportunities for promotion.

Probably the most important point to bear in mind when creating job satisfaction is that there are many factors that affect job satisfaction and that what makes employees happy with their jobs varies from one employee to another and from time to time. Apart from the factors mentioned above, job satisfaction is also influenced by, the employees' personal characteristics, the manager's personal characteristics, the management style and the nature of the work itself. Good management in an organization has the potential for creating high morale, high productivity, sense of purpose and meaning for the organization and its employees. Empirical findings by Brief (1998) shows that, job characteristics such as pay, promotional opportunity, task clarity, significance and skill utilization as well as organizational characteristics such as employee engagement, commitment and relationship with supervisor and co-workers, have significant effects on job satisfaction. These job characteristics can be carefully managed to enhance job satisfaction.

2.2.2 Sources of Job Satisfaction

Insight into sources of job satisfaction has descriptive index. According to Edwin (1976), the job descriptive index assesses one's job satisfaction with the following characteristics of the job;

Pay: This refers to the amount of money received and the perceived equity of pay, which is significant to both white- and blue-collar jobs employees. It is related to job satisfaction because it is instrumental to fulfilling human needs. The average human being works not because he/she loves work but, because he/she has needs to satisfy and pay also serves as a status symbol, achievement and a source of recognition

Job (Work itself): The extent to which job task are considered interesting and provide opportunities for learning and for accepting responsibilities with jobs that are challenging will engender employees' job satisfaction. The two most important aspects of a job that are instrumental to job satisfaction, as pointed out by Brief (1998) are; Variety and control over work methods; and Workplace. Jobs with moderate amount of variety produce job satisfaction as against a repetitive and monotonous work, which produce job dissatisfaction. Furthermore, jobs that give employees a measure of autonomy in how they carry out the task tend to give employees some form of satisfaction. In other words, the degree of control exercised by the employee is related to job satisfaction. Excessive control by a supervisor tends to kill employees' initiative and commitment.

Promotion Opportunities: The availability of opportunities for advancement and management's willingness to promote or demote employees as at and when due obviously leads to job satisfaction. Citing Maslow's theory of motivation, Edwin (1976) asserted that, self-actualization is the highest level of need on the hierarchy of needs as espoused by the needs theory, motivates people. For most employees, this may mean reaching the pinnacle or the top highest level of their careers, which will only come through promotion. Consequently, the absence or lack of promotion of employees will lead to frustration and job dissatisfaction.

Supervision: The concept of supervision here is not limited to supervisors as first line managers but rather to the management and leadership style of the organization as a whole. From this perspective, supervision has two dimensions namely; employee centeredness or consideration and influence. From the employee centeredness dimension, supervisors who establish supportive personal relationship with subordinates and take personal interest in them, contributes to the employee's job satisfaction. On the other hand, managers or supervisors who allow their employees to participate in decisions that affect their jobs, create room or source of job satisfaction for those employees because with participation comes a sense of belonging and ownership.

Co-workers: All employees belong to a team, a department or workgroup. To what extent are these employees relating or want to continue relating with members of the group. Having friendly and co-operative co-workers is also a source of job satisfaction.

Working Condition: The environment, in which employees work therefore, has tremendous effect and influence on employee's level of pride, for themselves and for the work they are doing. Do everything you can to keep your equipment and facilities up-to-date; so that your employees will experience and taste job satisfaction. Even a nice chair can make a world of difference to an individual employee's psyche.

2.3 Job Satisfaction and Employees' Performance

Job satisfaction is a pleasurable or positive emotional state resulting from one's job experience (Owusu, 2014). Employee performance is defined as the ability of employees to do display certain skills, abilities and knowledge to discharge a job responsibility (Citra & Sagala, 2019). Employee or job performance is the achievement and contribution of an individual in practical and quantifiable terms. This implies that, satisfied employees have positive attitude towards their jobs, which leads to high performance level whereas dissatisfied employees have negative attitude towards work which leads to low performance on their part. Employee job performance on the other hand, comprised apparent behaviours that people observe in their work that are important in achieving organizational goals and these behaviours must be pertinent and imperative to the overall goals of the organization (Rana, 2018). Job satisfaction affects effort of employees, (Dasanayaka, et al, 2021). They explained that, increased performance from satisfaction possibly helps to increase expectations of effective performance which eventually leads to improved output and productivity.

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2.4 Job Satisfaction and Compensation

Compensation plays an important role in determining an employee's level of job satisfaction. According to Muguongo, Muguna and Muriithi (2015), compensation is a fixed amount of money paid to an employee by an employer in an exchange for a productive work performed. If individuals believe they are not compensated well, a state of emotional dissatisfaction develops. This emotional discrepancy grows and accumulates over time making employees to grumble as they render their service to the organization. Worse still, indicators such as, absenteeism, turnover, go slow, picketing and strikes are experienced. Compensation has long been considered one of the most important organizational rewards, because it allows employees to obtain other rewards. Heinemann and Judge (2000) observed that, Frederick Taylor (1911) was one of the earliest to recognize the motivating effects of pay when he proposed that workers put forth extra effort on the job to maximize their economic gains. Although this premise lost favour in the late 1920s with the emergence of the human relations school, money remains the fundamental way that organizations compensate employees.

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Several empirical studies have indicated that, there is significant positive relationship between compensation and job satisfaction, (Al-Jalkhaf & Alshaikhmubarak, 2022; Lyimo & Tarimo, 2022; Rana, 2018; Muguongo, Muguna, & Muriithi, 2015; Abadi & Renwarin 2017; Wangechi, Kiragu & Sang, 2018; Singh & Tiwari, 2021; Galanou, Georgakopoulos, Sotiropoulos & Dimitris, 2011). For instance, Akbar & Rohmandiyas (2021) found that compensation positively and significantly influences job satisfaction of employees. The findings of Walewangko, Agusdin & Saufi (2021) also indicated that, compensation has a positive and significant effect on job satisfaction of employees. Similarly, the findings of Lyimo and Tarimo (2022) indicates that there is a strong positive relationship between compensation such as basic pay, job allowances and job satisfaction among employees. The study of Adefulu & Adebowale 2019 revealed in its findings that compensation has positive significant effect on employee job satisfaction. The result of the research by Subekti and Setyadi (2016) on the Implication of Financial Compensation and other variables on Job Satisfaction indicates that, financial compensation has a significant effect on job satisfaction.

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However, the findings of Rosalia, Mintarti & Heksarini (2020) differs from the above, as it reveals that compensation has a significant negative effect on employee job satisfaction. Subekti & Setyadi, 2016 also found that financial compensation does not have an effect on job satisfaction among employees. But the preponderance of positive significance arrived at by majority of the empirical studies and the support of the literature review, there is practical and evidence of compensation engendering and ensuring job satisfaction of employees in various organizations, both in the public and private sector firms. The equity theory adopted for this paper also in its proposition stressed that equity brings forth job satisfaction among employees while inequity leads to job dissatisfaction of workers. The equity theory also propositioned that, whether in the public or private sector, when employees believe that they are adequately compensated by the organization, job satisfaction and performance will be enhanced on the part of the employee. The position of the theory is significant in the relationship between adequate and wholesome compensation system or process and the satisfaction derived by employees in the discharge of their job tasks and responsibilities will be positive. Therefore, organizations that provide equitable and fair compensation packages will attract and retain productive employees for improved service delivery. This study reveals a strong and optimistic association between compensation and job satisfaction, and that employees who are truly pleased with the compensation system of their organization would have a higher level of job satisfaction. As a result, the employees would be more self-confident and more able to meet expectations about their jobs and help accomplish the goals and objectives of the organization.

2.5 Theoretical Framework

This study will review and adopt the equity theory as the theoretical framework to guide the study.

2.5.1 The Equity Theory

The equity theory has been extensively studied over decades under the title of distributive justice. The main proponent of this theory, Adams (1963) proposes that workers consider their input (what they put into a job) in relation to their outcome (what they get from a job) and try to evaluate this ratio with the input-outcome ratio of their colleagues in other organizations. State of equity is said to exist if they realize that, their ratio is equivalent to that of their colleagues in other organizations (Robbins, 2005). Similarly, there is inequity if the ratio is not corresponding. Equity brings forth satisfaction among employees while inequity leads to dissatisfaction. Robbins (2005) found those employees' satisfaction increases with rewards only when these rewards are valued and observed as equitable. Stacey Adams who developed this equity theory also holds that, individuals who work in exchange for reward and compensation from organizations are motivated by a desire to be equitably treated at work. According to him, four important components are involved in the equity theory, these are;

Person: the individual for whom equity or inequity is perceived

Comparison other: any individual or group used as a person or group as a reference regarding the ratio of inputs and outcome.

Input: these are the individual characteristics brought to the job by the person.

Outcomes: these are what a person receives from the job or what he/she gets in exchange for his/her inputs (compensation) and they include, pay, bonuses, job security, fringe benefits, incentives, etc.

The equity theory's propositions are geared towards restoring equity, with the exception of inequity so that employees will derive satisfaction and motivation from the compensation they receive for their effort and time invested into the organization. Likewise, the organization also feels that its employees are equitably compensated commensurate to their individual inputs to the organization. The equity theory is relevant to the issue of compensation of employees who are the greatest assets of the organization and to ensure fairness and equitable distribution of rewards. The sense of feeling that arose from the perception of being equitably and fairly compensated creates a sense of happiness, contentment, fulfillment, satisfaction, etc. which all combine to engender job satisfaction among the employees of the organization.

The equity theory tries to re-emphasize the issue and importance of equity, both real and perceived in compensating employees for their time and energy they expended on the job. The compensation given to employees should be commensurate with the effort they put into their job in serving the organization in ensuring effective and efficient service to its consumers or clients. When employees believe that they are adequately compensated by the organization, job satisfaction and performance will be enhanced on the part of the employee. Organizations that provide equitable and fair compensation packages will attract and retain productive employees for improved service delivery.

5. Conclusion and Recommendations

Based on the empirical studies and literature review, as well as the theoretical support of the equity theory, Compensation is one of the significant issues in human resource management, and is likely to provide employees at all levels with feelings of fulfilment, achievement, satisfaction and even pleasure for their jobs. There is a consensus among theorists, scholars, authors, academics, as well as practitioners and managers of human resource management of the effectiveness of compensation and its positive compatibility with job satisfaction among employees. Therefore, the findings of this paper revealed that, employee compensation has significant positive impact on employee job satisfaction. This finding suggests that, equitable and fair compensation can eventually lead to job satisfaction which in turn influences enhanced and improved job performance among employees.

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