



An Analysis of Compensation Policy Implementation and its Effect on Job Satisfaction and Revenue Generation among Employees in Kaduna State Internal Revenue Services (KIRS), Nigeria

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Abstract

This study analyzed Compensation Policy Implementation and its Effect on Job Satisfaction and Revenue Generation among Employees in Kaduna State Internal Revenue Services (KIRS), Nigeria. The study specifically investigates the relationship between compensation policy implementation and employee job satisfaction, as well as its impact on revenue generation. The study is grounded in Adam's Equity Theory formulated in 1963 by workplace and behavioural psychologist John Stacey Adams. The research adopted a descriptive survey research design to explore the effect of different compensation strategies on employee outcomes. The population of the study consisted of 620 employees of the Kaduna State Internal Revenue Services (KIRS). A sample size of 384 respondents was selected using stratified random sampling to ensure proper representation across various departments within the organization. Data was collected from both primary and secondary sources. Primary data was obtained through structured questionnaires, while secondary data was gathered from relevant documents such as employee records and policy manuals. The findings reveal two key outcomes: first, that performance-based compensation has significantly improved employee morale and performance within KIRS, resulting in better job satisfaction and enhanced revenue generation for the organization. Conversely, the study found that competence-based compensation did not lead to any substantial improvement in employee morale or performance.



In conclusion, the study highlights the need for a tailored compensation strategy that emphasizes performance-based incentives to sustain high employee morale and productivity. The following recommendations were made: (i) KIRS should strengthen its performance-based compensation system, tying rewards directly to measurable outcomes to further enhance employee motivation and performance; and (ii) KIRS should reevaluate its competence-based compensation system, possibly integrating more performance-related components to better align with employee expectations and organizational goals.

Keyword: *Compensation, Policy Implementation, Job Satisfaction, Revenue Generation, and Employees in Kaduna State Internal Revenue Services (KIRS)*

Introduction

Globally, compensation policies have evolved as a critical factor in employee motivation, job satisfaction, and organizational performance. Modern compensation systems aim to attract, retain, and motivate employees to enhance productivity and organizational outcomes.¹ In countries with high employee engagement levels, compensation policies are designed to be fair and transparent, providing incentives for high performance and promoting equity. Recent studies have highlighted the relevance of compensation strategies in achieving organizational goals, particularly in government revenue services where employee productivity directly impacts national revenue generation. For example, a study conducted in the United States by Harris and Moran² found a strong positive relationship between structured compensation policies and increased employee engagement and revenue growth in public revenue agencies.

However, contemporary global challenges such as economic downturns, inflation, and labor market disruptions continue to pressure compensation systems, leading to wage stagnation or dissatisfaction. These issues highlight the need for continuous evaluation and reform

¹Armstrong, Michael. 2012. *A Handbook of Human Resource Management Practice*. 12th ed. London: Kogan Page

²Harris, Patrick, and Timothy Moran. 2020. "Compensation Strategies and Revenue Generation in the Public Sector: Lessons from the U.S. Internal Revenue Service." *Journal of Public Sector Management* 29, no. 3: 78–95

of compensation policies to ensure they align with employee expectations and organizational performance goals.³

The issue of compensation and its effects on job satisfaction and income generation in Africa continues to be influenced by economic instability, political turmoil, and insufficiently supported public institutions. Compensation policies in various African countries, such as Nigeria, often receive criticism for their inconsistency and inadequacy in meeting employee needs.⁴ Ndirangu's⁵ study in Kenya's revenue service demonstrated that while basic salary is important, supplementary benefits like performance bonuses, health insurance, and pension plans significantly improve job satisfaction and employee retention, thereby boosting revenue generation. The contemporary African environment faces challenges such as inadequate funding, poor governance, and economic instability, which impede the implementation of effective compensation systems. Organisations and governmental entities in countries like South Africa have developed sophisticated compensation frameworks aimed at improving job satisfaction and boosting organisational performance.⁶ Aboagye and Mbah⁷ observed that in Ghana, effectively structured compensation packages, which include competitive salaries, incentives, and opportunities for professional development, significantly improved revenue maximisation in public institutions. In Nigeria, public sector pay systems, particularly in revenue-generating organisations, have undergone several modifications aimed at addressing low motivation and underperformance. Compensation is a critical concern, with many public sector employees expressing dissatisfaction regarding inadequate pay, delayed promotions, and insufficient

³Burton, James, and Samuel Westen. 2019. "Compensation Systems and Their Impact on Organizational Outcomes in Public Institutions." *Global Journal of Human Resource Management* 38, no. 1: 22–3

⁴Adeola, Olufunmilayo. 2021. "Compensation Challenges in African Public Institutions: A Case for Policy Reform." *Journal of African Development* 36, no. 4: 12–25.

⁵Ndirangu, Mumbi. 2018. "Compensation Systems and Job Satisfaction in Kenya's Revenue Services." *East African Journal of Public Sector Studies* 14, no. 3: 32–49

⁶Meyer, Thandi, and Andile Seabe. 2020. "Compensation Reforms in the South African Public Sector: Lessons for African Countries." *African Journal of Public Policy* 23, no. 1: 60–80

⁷Aboagye, Kwame, and John Mbah. 2021. "Compensation Packages and Their Effect on Public Service Revenue Generation: A Case Study of Ghana." *African Journal of Public Administration* 45, no. 2: 88–102

benefits.⁸Adegoroye and Adeyemi⁹ argue that reforms in compensation policy in Nigeria's public sector are essential for improving service delivery and increasing government revenue. The reforms are often driven by the need to retain skilled employees and enhance job satisfaction, which directly impacts the effectiveness of public institutions like the Kaduna State Internal Revenue Service (KIRS). Current issues such as economic inflation, fiscal constraints, and political interference continue to hinder the effective execution of compensation policies. Research by Nwokocha (2021) and Olaniyi (2022) indicates that despite the existence of compensation policies, their inconsistent implementation and delayed disbursements have led to considerable dissatisfaction, reduced productivity, and lower revenue collection within Nigerian public agencies. This highlights the need for continuous research and evaluation of compensation plans to ensure their alignment with employee needs and organisational objectives.

The Kaduna State Internal Revenue Service (KIRS) plays a crucial role in the collection of revenue and the mobilisation of resources for the state government. The effective implementation of compensation policies in this organisation is essential for enhancing employee motivation and boosting revenue generation. An initial assessment of KIRS's compensation policy reveals deficiencies in equity, timeliness of payments, and benefits, leading to employee dissatisfaction and reduced performance. Studies by Bawa (2021) and Sanni (2022) on public service remuneration in Kaduna State indicate a direct correlation between compensation inadequacies and reduced employee morale, negatively affecting revenue targets. The evolving economic framework of the state and increased revenue targets exert additional pressure on KIRS workers to attain optimal performance. It is essential to assess the current compensation policy to identify areas for improvement that may enhance job satisfaction and, in turn, increase revenue generation. This study aims to provide empirical evidence regarding the effects of pay policy implementation on job satisfaction and revenue generation within KIRS.

⁸Aboagye, Kwame, and John Mbah. 2021. "Compensation Packages and Their Effect on Public Service Revenue Generation: A Case Study of Ghana." *African Journal of Public Administration* 45, no. 2: 88–102

⁹Aboagye, Kwame, and John Mbah. 2021. "Compensation Packages and Their Effect on Public Service Revenue Generation: A Case Study of Ghana." *African Journal of Public Administration* 45, no. 2: 88–102



This study addresses ongoing problems within KIRS, where employee dissatisfaction with current compensation structures has negatively impacted productivity and the organization's ability to meet its revenue targets. This study examines the correlation between the implementation of compensation policies, job satisfaction, and revenue generation, providing insights that may inform policy reforms aimed at enhancing employee satisfaction and boosting state income. This study aims to advance the knowledge of public sector compensation methods in Nigeria, providing recommendations to optimise compensation practices for enhanced performance in revenue-generating entities. The broad objective of the study therefore is to examine staff compensation policy as it affects the performance of public organizations in Nigeria, case studying the in Kaduna State Internal Revenue Service, while specific objectives are to:

- i. Examine the effect of merit-based compensation on employee's morale and performance in Kaduna State Internal Revenue Service
- ii. Assess the effect of competence-based compensation on employee's morale and performance in Kaduna State Internal Revenue Service?

The study seeks to answer the following research questions;

- i. To what extent has the merit-based compensation enhanced employee's morale and performance in Kaduna State Internal Revenue Service?
- ii. How has the competence-based compensation affect employee's morale and performance in Kaduna State Internal Revenue Service?

The following hypothesis was formulated to guide the Study;

- i. There is no significant relationship between merit-based compensation on employee's morale and performance in Kaduna State Internal Revenue Service.
- ii. There is no significant relationship between competence-based compensation on employee's morale and performance in Kaduna State Internal Revenue Service.



Conceptual Clarification

Concept of Compensation

Compensation includes all monetary rewards and tangible services and benefits that workers obtain in a job arrangement¹⁰, such as wages, salaries, incentive payments, bonuses, and commissions. Employee compensation includes all forms of benefits and salary received by employees in exchange for their employment performance.¹¹ Employee compensation, according to Dessler¹² includes all forms of remuneration or rewards given to employees due to their employment. This encompasses direct financial payments, such as wages, salaries, incentives, commissions, and bonuses, as well as indirect financial payments, including benefits like insurance.

Performance-Based Compensation

In 2018, Baker, Jensen, and Murphy highlighted the importance of explicit cash rewards as a fundamental element of performance-based compensation plans for employees. Delery and Doty¹³ identified performance-based compensation as the primary predictor of job performance. A study on payment along with performance by Hamilton¹⁴ established a connection between performance-based incentive programs and all organisational levels. Banker, Lee, and Potter¹⁵ investigated performance-based compensation, which improves an organization's overall efficiency by attracting and retaining more effective individuals. Individual performance assessment may involve discretion and subjectivity, as well as both

¹⁰Gerhart, Barry, and George T. Milkovich. 2010. "Organizational Differences in Managerial Compensation and Financial Performance." *Academy of Management Journal* 33 (4): 663–691

¹¹Gerhart, Wright, McMahan, and Snell."Employee compensation." *Personnel Psychology* 53: 835–854

¹²Dessler, Gary. 2011. *Fundamentals of Human Resource Management*. Pearson Higher Ed

¹³Delery, John E., and Harold Doty. 2006. "Modes of Theorizing in Strategic Human Resource Management: Tests of Universalistic, Contingency, and Configurational Performance Predictions." *Academy of Management Journal* 39 (4): 802–835

¹⁴Hamilton, David P. 1999. "H-P Chief Shuffles Top Roles, Says Server Sales May Pinch Net." *Wall Street Journal*, October 4, A4

¹⁵Banker, Rajiv D., Srikant Y. Lee, Gordon Potter, and DhinuSrinivasan. 2000. "An Empirical Analysis of Continuing Improvements Following the Implementation of a Performance-Based Compensation Plan." *Journal of Accounting and Economics* 30 (3): 315-350.

financial and non-financial performance metrics¹⁶, which are connected to pay policies and strategies. Baker, Jensen, and Murphy (2018) explain that performance-based compensation systems typically incorporate explicit monetary incentives in workers' pay packages. Delery and Doty¹⁷ identified performance-based compensation as the primary predictor of job performance. Furthermore, studies on compensation and performance have associated performance-based incentive programs with enhancements in productivity at all organisational levels¹⁸. Furthermore, performance-based remuneration was the primary focus of Banker, Lee, and Potter (2000). This form of compensation enhances an organization's overall productivity by attracting and retaining individuals who exhibit greater commitment to their roles. Evaluating an individual's performance involves multiple factors, including subjective judgement, financial and non-financial performance metrics, as well as the compensation plan and policy (Bushman, Indjejikian, & Smith, 2016).

Job Performance

Job performance is essential for advancement of both employees and organisations. Performance on the job cannot be defined in a singular way. The determination depends on the corporation's size, policy, and strategy. It relates to routine procedures linked to an individual's tasks and responsibilities. Various authors provide multiple definitions of performance. Hellriegel, Jackson, and Slocum¹⁹ defined performance as the extent of an individual's work achievement resulting from the application of effort. Assessing employees' job performance requires consideration of various factors, including communication, job knowledge, creativity and innovation, technological proficiency, problem-solving abilities, attitude,

¹⁶Bushman, Robert M., Raffi J. Indjejikian, and Abbie Smith. 2006. "CEO Compensation: The Role of Individual Performance Evaluation." *Journal of Accounting and Economics* 21 (2): 161-193.

¹⁷Delery, John E., and Harold Doty. 2006. "Modes of Theorizing in Strategic Human Resource Management: Tests of Universalistic, Contingency, and Configurational Performance Predictions." *Academy of Management Journal* 39 (4): 802-835

¹⁸Karr, Arnold R. 2009. "Work Week: A Special News Report About Life on the Job and Trends Taking Shape There." *Wall Street Journal*, April 6, A1

¹⁹Hellriegel, Don, and John W. Slocum. 2009. *Administración: Un Enfoque Basado en Competencias*

accountability, and cultural fit²⁰. This aspect of Human Resource Management²¹ relates to an individual's job performance and its relationship with organisational outcomes and success. Campbell²² define job performance as an individual-level variable from a psychological perspective. The demand of a job affects job performance, a critical dependent variable in industrial and organizational psychology²³ Williams & Anderson²⁴ have suggested different parameters for evaluating work performance. The previous discussion demonstrates that job performance can be evaluated through various metrics, including quantity, quality, accuracy of work, employee efficiency, adherence to work standards, commitment to superior quality, achievement of work objectives, and alignment with organisational policies and strategies.

Theoretical Framework

This research's theoretical analysis was grounded in equity theory. The concept known as "Adam's Equity Theory" was formulated in 1963 by workplace and behavioural psychologist John Stacey Adams. This perspective posits that when employees observe or endure inequitable treatment in the workplace, their motivation significantly declines. Adams was influenced by Herzberg's Two Factor Theory and Maslow's Hierarchy of Needs in formulating his concept of equity. According to Adam's Equity Theory, workers' perceptions of fair treatment in the workplace influence their motivation levels. Equity in hiring, performance evaluations, and compensation and benefits are standard elements of this framework. Applying equity theory in the workplace enables managers to comprehend employee dynamics more effectively and promote a fair and equitable work environment, thereby enhancing performance and productivity. Equity theory posits that individuals strive to rectify perceived imbalances in relationships when they experience feelings of

²⁰Becker, Brian E., and Barry Gerhart. 2016. "The Impact of Human Resource Management on Organizational Performance: Progress and Prospects." *Academy of Management Journal* 39: 779-801

²¹Borman, Walter C. 2004. "Introduction to the Special Issue: Personality and the Prediction of Job Performance: More Than the Big Five." *Human Performance* 17 (3): 267-269

²²Campbell, John P., John J. McHenry, and Lawrence L. Wise. 2010. "Modeling Job Performance in a Population of Jobs." *Personnel Psychology* 43 (2): 313-575

²³Jones, Eli, Lawrence Chonko, Deva Rangarajan, and James Roberts. 2007. "The Role of Overload on Job Attitudes, Turnover Intentions, and Salesperson Performance." *Journal of Business Research* 60 (7): 663-671

²⁴Williams, Larry J., and Stella E. Anderson. 2011. "Job Satisfaction and Organizational Commitment as Predictors of Organizational Citizenship and In-Role Behaviors." *Journal of Management* 17 (3): 601-617.

underreward. The primary aim is to determine whether the distribution of assets is fair for both parties involved in the relationship. Determining the degree of equity in a relationship requires an analysis of the partners' respective contributions and benefits. Partners are not obligated to receive equal benefits, such as love, care, and financial security, nor to make equal contributions in terms of effort, time, and financial resources, provided that the ratio of benefits to contributions remains equivalent. Equity or inequity typically stems from compensation, whether in the form of an hourly wage or a salary. Individuals seek equitable compensation for their contributions, irrespective of their job titles. Employees perceiving inadequate compensation are more inclined to express their frustrations towards the organisation and colleagues, subsequently diminishing productivity. The sense of fairness in individuals is significantly shaped by various nuanced factors. Expressing gratitude, such as by saying "thank you" to an employee for their efforts, can enhance their sense of appreciation, subsequently improving their morale and productivity.

Empirical Review

A study by Adetayo and Oluwaseun²⁵ examined the "Effect of Compensation Packages on Employee Retention in Selected Public Hospitals in Lagos State, Nigeria." The study employed structured questionnaires to collect data, adhering to a survey design. The chi-square test served as the primary analytical method. The findings indicated that compensation levels significantly influenced the retention of hospital personnel. Public hospitals should conduct regular evaluations of their compensation structures to ensure competitiveness and motivation for their personnel. The study focused exclusively on healthcare in Lagos State, employing chi-square analysis, while neglecting other regions and sectors, such as revenue services. This study focusses on the implementation of compensation policies within a revenue-generating organisation, differing from the work of Adetayo and Oluwaseun, which addresses hospital staff retention.

In their 2022 study, Ahmed and Musa²⁶ examined the "Influence of Wage Policy on Employee Productivity in Nigerian Manufacturing

²⁵Adetayo, Femi, and Mariam Oluwaseun. 2023. "Effect of Compensation Packages on Employee Retention in Selected Public Hospitals in Lagos State, Nigeria." *Journal of Human Resource Management* 15, no. 2: 112-128

²⁶Ahmed, Abdullahi, and Hassan Musa. 2022. "Influence of Wage Policy on Employee Productivity in Nigerian Manufacturing Firms." *Nigerian Journal of Management Studies* 12, no. 1: 89-105

Firms." Data were collected using structured questionnaires in this study, adhering to a cross-sectional survey methodology. The chi-square test was utilised for data analysis. Researchers identified a positive correlation between pay policies and workplace productivity, recommending adjustments to wage regulations to align with contemporary economic conditions. The research failed to consider service-related businesses and did not employ more advanced analytical methods, such as multiple regressions; it was limited to the industrial sector. This study examines the correlation between job satisfaction among public sector revenue services employees and their compensation practices, as well as the impact of these policies on both variables.

In 2021, Olawale²⁷ examined the effects of bonuses and incentives on employee satisfaction within small and medium enterprises (SMEs) in Oyo State, Nigeria. The study employed a descriptive survey methodology, utilising questionnaires for data collection and chi-square analysis for data analysis. The findings indicated that incentives and bonuses were the primary factors in enhancing employee happiness levels. To enhance morale, it is recommended that SMEs implement regular bonus programs.

The study is limited as it focused solely on small and medium-sized enterprises (SMEs) within a single state and employed chi-square tests to analyse salaries, neglecting additional factors such as salary structure and workplace diversity. This study advances previous research by examining the financial generation of a government agency alongside employee satisfaction.

The research conducted by Nwachukwu and Onyeka²⁸ focused on the "Effect of Salary Structure on Employee Performance in Federal Ministries in Abuja, Nigeria." A survey research approach was employed, utilising structured questionnaires for data collection, with chi-square analysis applied to the results. The results indicated a significant correlation between pay scale and productivity. A recommendation was made to reevaluate compensation structures considering the new responsibilities and obligations.

The research failed to consider additional compensation components,

²⁷Olawale, Tunde. 2021. "Impact of Bonuses and Incentives on Employee Satisfaction in Small and Medium Enterprises (SMEs) in Oyo State, Nigeria." *African Journal of Business and Economic Development* 10, no. 3: 67-82

²⁸Nwachukwu, Charles, and Adaobi Onyeka. 2020. "Effect of Salary Structure on Employee Performance in Federal Ministries in Abuja, Nigeria." *Journal of Public Administration and Policy Research* 8, no. 1: 55-71



such as bonuses or incentives, focussing solely on salary structures within federal departments in Abuja. This research expands the scope to examine the impact of compensation policy on employee satisfaction and organisational performance, rather than restricting the analysis to income levels exclusively.

The research conducted by Kelechi and Ibrahim²⁹ focused on the role of employee benefits in job satisfaction within public service institutions in Enugu State, Nigeria. Questionnaires were utilised as the main instrument for data collection in this survey-based study. Chi-square analysis indicated a positive correlation between employee benefits and work satisfaction. The study found that government agencies ought to regularly evaluate the competitiveness of their employee benefit packages.

The research findings are not generalisable to other sectors, as the study was confined to public service institutions in Enugu State. The analysis did not employ regression or other advanced methods. This research extends prior studies by incorporating income creation into the existing performance indicators within the job satisfaction survey.

Methodology

A study design utilising survey and documentary data was employed. This design was implemented to examine the utilisation of information communication technology in the operations of the Kaduna State Internal Revenue Service (LIRS), Nigeria. The study design employed was documentary data analysis, since it aims to examine the contributions of previous researchers and official records from the Kaduna State Internal Revenue Service (LIRS), Nigeria. The researcher employed a secondary data analysis strategy, examining a portion of the data not acquired by her, while other segments were gathered through her observational efforts. Existing data refers to information gathered for research purposes, such as the total amount of taxes collected within a specified timeframe. The methodology employed to examine existing materials was a study of documents obtained from relevant agencies.

The demographic of the research, the target population for this study comprises personnel of the Kaduna State Internal Revenue Service (LIRS). The entire population of the study comprises Three Thousand

²⁹Kelechi, Oluchi, and Rukayat Ibrahim. 2019. "Role of Employee Benefits in Job Satisfaction in Public Service Institutions in Enugu State, Nigeria." *International Journal of Public Sector Management* 11, no. 4: 33-47

Seven Hundred Forty-Five (3,745) staff from the Kaduna State Internal Revenue Service (LIRS) in Kaduna State. This number was sourced from the Human Resource Department of the Kaduna State Internal Revenue Service (LIRS), Nigeria. A sample of 323 was established for the investigation, utilising the simplified statistical sampling procedure devised by Krejcie and Morgan (1970). The research employed a purposive and simple random sample method to pick the participants for the investigation. The simple random sampling technique was employed to choose responders from the full population of staff members at the Kaduna State Revenue Service. The entire population of women's cooperative organisations from the Six Area Councils was refined to ascertain the sample size utilising the Robert & Krejcie sample size determination formula.

:

$$n = \frac{X^2 NP (1-P)}{d^2 (N-1) + X^2 P (1-P)}$$

s = required sample size.

X^2 = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841).

N = the population size.

P = the population proportion (assumed to be .50 since this would provide the maximum sample size).

d = the degree of accuracy expressed as a proportion (.05).

$$\begin{aligned} n &= \frac{3.84(3,745) (0.5) (1-0.5)}{0.0025(2892 -1) + 3.84(0.5) (1-0.5)} \\ &= \frac{3.84(3,745) (0.5) (0.5)}{0.0025(3,745) + 3.84(0.5) (0.5)} \\ &= \frac{3595.2}{9.36+0.96} \\ &= \frac{3595.2}{10.32} = 348 \end{aligned}$$

This resulted in 348 staff members who served as the respondents of the survey.

The study employed a basic random sampling method to select a subset from the overall population. This strategy was implemented to ensure equitable opportunity for all members of the population. This indicates that each individual possesses an equal likelihood of being chosen under this sampling method.

Data Analysis

Test of Hypothesis I

There is no significant relationship between merit-based compensation on employee's morale and performance in Kaduna State Internal Revenue Service (LIRS), Nigeria.

Table 1: z-test on the merit-based compensation on employee's morale and performance in Kaduna State Internal Revenue Service (LIRS), Nigeria.

Source of variation	N	Mean	SD	Df
z-cal. Z-crit. Decision				
Merit-based Compensation	342	2.92	1.27	341
Employee's morale and performance	342	2.75	1.18	
1.96 Sig				

The data presented in Table 17 indicate that the computed z-value (1.81) is below the critical value (1.96) at an alpha level of 0.05 with 341 degrees of freedom. This indicates that merit-based compensation has a negligible impact on employee morale and performance within the Kaduna State Internal Revenue Service. The null hypothesis is thus accepted. Thus, we conclude that merit-based compensation did not enhance employee morale and performance at the Kaduna State Internal Revenue Service.

Test of Hypothesis II

There is no significant relationship between Performance-based compensation on employee's morale and performance in Kaduna State Internal Revenue Service (LIRS), Nigeria.

Table 18: z-test on Performance-based compensation on employee's morale and performance in Kaduna State Internal Revenue Service (LIRS), Nigeria.

Source of variation	N	Mean	SD	Df
z-cal. z-crit. Decision				
Performance-based Compensation	342	2.42	1.09	341
Employee's morale and performance	342	2.75	1.18	

Table 18 indicates that the computed z-value (2.73) exceeds the critical value (1.96) at an alpha level of 0.05 with 341 degrees of freedom. The performance-based compensation significantly impacts employee morale and performance within the Kaduna State Internal Revenue Service. The null hypothesis was not rejected. In conclusion, performance-based compensation has improved employee morale and performance within the Kaduna State Internal Revenue Service.

Discussion of Findings

1. The research reveals that performance-based compensation has significantly improved employee morale and performance within the Kaduna State Internal Revenue Service. The performance-based compensation package in LIRS serves as a significant motivator, fostering improved morale and enhanced performance. A significant proportion of the personnel at LIRS concurred that a compensation package tied to performance, as a recognition of diligent effort, would enhance overall performance and facilitate the attainment of the annual revenue target.
2. The research reveals that competence-based compensation did not improve employee morale and performance within the Kaduna State Internal Revenue Service. The competence-based compensation package in LIRS fails to serve as a motivator that elevates morale and enhances performance. The consensus among the staff at LIRS is that the competence-based compensation package, intended as a reward for diligent effort, has failed to foster enhanced performance.

Conclusion and Recommendations

Conclusion

Compensation schemes based on performance and outcomes, such as rewards for hard work, career advancement programs, paid study leave, medical care, housing allowances, transportation allowances and training allowances, influence the morale and performance of

LIRS employees. This study demonstrated that financial resources can serve as a predictor of performance. The research corroborates equity theory, indicating that fair compensation and advancement contribute to enhanced workplace performance. Welfare is essential for enhancing organisational performance within the Kaduna State Internal Revenue Service (LIRS), Nigeria. This report indicates that both companies and employees should prioritise worker welfare packages. The findings suggest that the Kaduna State Internal Revenue Service (LIRS) in Nigeria has the potential to enhance performance through the implementation of appropriate compensation structures. The results indicate that workers prioritise compensation. In the absence of these benefits, workers exhibit dissatisfaction through decreased performance and lack of commitment to their tasks. Improper application of compensation rules can adversely affect performance and productivity. The LIRS should assess its employee compensation practices to ensure industrial harmony.

LIRS management should prioritise compensation policy as a critical performance indicator, along with additional rewards that can enhance employee performance. This study urges employers to ensure adequate compensation to enhance employee motivation and facilitate the attainment of organisational objectives..

Recommendations

Based on the findings, the following recommendations were made:

- (i) Management of Kaduna State Internal Revenue Service should strengthen its performance-based compensation system, tying rewards directly to measurable outcomes to further enhance employee motivation and performance; and
- (ii) Management of Kaduna State Internal Revenue Service should reevaluate its competence-based compensation system, possibly integrating more performance-related components to better align with employee expectations and organizational goals.

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