

An Exploratory Study of the Relationship of Workforce Compensation and Job Performance in the Federal Teaching Hospitals in Nigeria

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Abstract

In this study, attempt was made to analyze the basis of the low motivation of the health workers in the Federal Teaching Hospitals in Nigeria, with a view to prescribing solutions to the nation wide problem of the Nigerian's attitude to work. The investigating concentrated on how health workers compensation affects job performance in the Federal teaching Hospitals in Nigeria. The study covered the top fourteen Federal teaching Hospitals in Nigeria. The study was based on equity theory of J.S. Adams, which concentrates on people's perception of the fairness of their work outcomes relative to, or in proportion to, their work inputs. A sample of 560 health workers was chosen purposively. The hypothesis was tested using linear regression. The result shows that with a constant value of 0.921, compensation has a positive effect (Coefficient of C = 0.921) on job performance and significant as $t = 25.366$. This suggests that fair and adequate compensation significantly affects job performance in the Federal Teaching Hospitals in Nigeria. It is therefore recommended that to get its health workforce improve work attitude, hospitals management board needs to coordinate its workforce compensation plans with the job performance, because health workers often compare their performance and rewards with those of their fellow workers often and ask themselves whether they are being fair treated. For health workers rewards to have impact on their motivation, they must value these rewards, and also that the compensations are worth the effort.

Keywords: Fair and adequate compensation, Health Personnel Management; Job performance, Federal teaching Hospital, Income topping-up strategies Predatory behavior, Moonlighting in private, Public-to-Private Brain-Drain.

Introduction

It has long been considered politically incorrect to raise the delicate issues of unethical behaviors explicitly in the federal teaching hospitals in Nigeria, but recently, however, some attempts at bringing the debate out into the open, beyond public service rhetoric and ritual condemnations of it, have been made. These have provided a better understanding of how health workers create and use opportunities for pursuing their own interests; an understanding that is the key to developing adequate strategies to deal with the consequence. With current salary levels in federal teaching hospitals in Nigeria, it is also quite surprising that so many people actually do remain in public service, when they could earn much more in private practice. However, money could clearly be one element; other motivators can include social responsibility, self-realization, and access to medical technology, professional satisfaction and prestige. Still, income could remain fundamental. Consequently, health workers generate income topping-up strategies which allow professionals to achieve a standard of living closer to what they expect (Uduji, 2006).

It is common knowledge that predatory behavior by public sector clinicians, such as under-the-counter fees, pressure on patients to attend private consultations and sale of drugs that are supposed to be free, etc. is rampant in the federal teaching hospitals in Nigeria. On top of that, many underpaid public sector clinicians switch between public and private practice to top up their income, whether public service

regulations formally allow it or not. However, health system managers have fewer opportunities for predatory, behavior than clinicians, but they also have to face a working environment that does not live up to their expectation financially or professionally. Some may abuse their position for corruption or misappropriation; and to get extra income, many resort to teaching, consulting for developing agencies, moonlighting in private, or even dabbling in non-medical work. Others still manage to be seconded to non-governmental projects or organizations or to concentrate on activities that benefit from donor-funded per diem or allowances. Together, these practices constitute a set of individual “coping strategies”: the health professional’s ways of dealing with unsatisfactory living and working conditions. The prevalence of these practices has increased in recent years in Nigeria. Even though that not all these strategies can be categorized as predatory behavior and their effects on health care system can be positive as well as negative. They do, however, play an increasing role in how health services function and are perceived, and they cannot be ignored (Adams, 2000).

In any case, the traditional focus of human resources for health development in Nigeria seems to have been on improving planning, education and training; not enough attention have been paid to management and personnel needs of health workers. Improved housing, better working conditions and grater opportunities for continuing education and career development can act as powerful incentives and lead to higher job performance in the federal teaching hospitals in Nigeria. Therefore, this study was an attempt to investigate the personnel motivation in the federal teaching hospitals in Nigeria, with the aim of identifying ways of improving job performance of the health service workers in the sub-region of West Africa. The investigation concentrated on how health workers compensation affects job performance in the federal teaching hospitals in Nigeria. Since the health workforce is the largest and most important resource of the health infrastructure, it merits the priority attention which is now being given to improving its management, as the finding of this study proposes systematic approaches and appropriate strategies for improving job performance in the federal teaching hospitals in Nigeria. The study was predicated on the proposition that fair and adequate compensation does not significantly affect job performance in the federal teaching hospitals in Nigeria.

Theoretical Framework

This study is based on Equity theory, a theory of motivation that concentrates on people’s perceptions of the fairness of their work outcomes relative to, or in proportion of their work inputs. Equity theory complements expectancy and need theories by focusing on how people perceive the relationship between the out comes they receive from their jobs and organizations and the inputs they contribute. Equity theory was formulated in the 1960s by J. Stacy Adams, who stressed that what is important in determining motivation is the relative rather than the absolute level of outcomes a person receives and inputs a person contributes. Specifically, motivation is influenced by the comparison of one’s own outcome/input ratio with the outcome/input ratio of a referent. The referent could be another person or a group of people who are perceived to be similar to oneself; the referent also could be oneself in a previous job; or one’s expectations about what outcome/input ratios should be. In a comparison of one’s own outcome/input ratio to a referent’s outcome/input ratio, one’s perceptions of outcomes and inputs (not any objective indicator of them) are key (Adams, 1963; Jones and George, 2003).

Condition	Person		Referent	Example
Equity	$\frac{\text{Outcomes}}{\text{Inputs}}$	=	$\frac{\text{Outcomes}}{\text{Inputs}}$	A worker perceives that he contributes more inputs (time and effort), and receives proportionally more outcomes (a higher salary and choice Job assignments) than his referent.
Underpayment Inequity	$\frac{\text{Outcomes}}{\text{Inputs}}$	< (less than)	$\frac{\text{Outcomes}}{\text{Inputs}}$	A worker perceives that he contributes more inputs but receives the same outcomes as his referent.
Overpayment Inequity	$\frac{\text{Outcomes}}{\text{Inputs}}$	> (greater than)	$\frac{\text{Outcomes}}{\text{Inputs}}$	A worker perceives that he contributes the same inputs but receives more outcomes than his referent

Figure 1: Equity Theory

Source: Jones G.R. and George, J.M. (2003)
Contemporary Management, New York: McGraw-Hill.

Equity exists when a person perceives his or her own outcome/input ratio to be equal to a referent's outcome/input ratio. Under conditions of equity (as shown in table 1), explain that, if a referent receives more outcomes than you receive, the referent contributes proportionally more inputs to be organization, so his or her outcome/input ratio still equals your output/input ratio. Similarly, under conditions of equity, if you receive more outcomes than a referent, then your inputs are perceived to be proportionally higher. Therefore, when equity exists, people are motivated to continue contributing their current levels of outcomes. If people wish to increase their outcomes under conditions of equity, they are motivated to increase their inputs. *Inequity*, lack of fairness, exists when a person's outcome/input ratio is not perceived to be equal to referents. Inequity creates pressure or tension inside people and motivates them to restore equity by bringing the two ratios back into balance. There are two types of equity: Underpayment inequity and overpayment inequity (as shown in table 1). *Underpayment Inequity* exists when a person's own outcome/input ratio is perceived to be less than that of a referent. In comparing yourself to a referent, you think that you are not receiving the outcomes you should be, given your inputs. *Overpayment Inequity* exists when a person perceives that his or her own outcome/input ratio is greater than that of a referent. In comparing yourself to a outcome, you think that the referent is receiving more outcomes than he or she should be, given his or her inputs (Adams, 1963; Jones and George, 2003; Greenberg, 1982; Mowday, 1987; Greenberg, 1988).

In summary, according to equity theory, both underpayment inequity and overpayment inequity create tension that motivates most people to restore equity by bringing the ratios back into balance. When people experience underpayment inequity, they may be motivated to lower their inputs by reducing their working hours, putting forth less effort on the job, or being absent, or they may be motivated to increase their outcomes by asking for a raise or a promotion. When people experience overpayment inequity, they may try to restore equity by changing their perceptions of their own or their referent's input or outcomes. Therefore, motivation is highest when as many people as possible in an organization perceive that they are being equitable treated- their outcomes and inputs are in balance. To contributors and performers, they are motivated to continue contributing a high level of inputs because they are receiving the outcomes they deserve. Mediocre contributors and performers would now realize that if they want to increase their outcomes, they have to increase their inputs. This equity theory is seen as suitable for the analysis of the work attitude in the federal teaching hospitals in Nigeria as much of the discussion is drawn from the model.

Research Methodology

The study covered the fourteen top federal teaching hospitals in Nigeria. They include the followings:

- Ahmadu Bello University Teaching Hospital (ABUTH), Zaria
- Aminu Kano Teaching Hospital, Kano
- Lagos University Teaching Hospital (LUTH), Idi Araba, Surulere
- Nnamdi Azikiwe University Teaching Hospital, Nnewi
- Obafemi Awolowo University Teaching Hospital Complex, Ile-Ife
- University College Hospital (UCH), Ibadan
- University of Benin Teaching Hospital (UBTH), Ugbowo
- University of Calabar Teaching Hospital, Calabar
- University of Ilorin Teaching Hospital, Ilorin
- University of Jos Teaching Hospital, Jos
- University of Maiduguri Teaching Hospital, Maiduguri
- University of Nigeria Teaching Hospital (UNTH), Ituku-Ozala, Enugu
- University of Port Harcourt Teaching Hospital, Port Harcourt
- Usman Dan Fodio University teaching Hospital, Sokoto

A sample of 560 health workers was purposively chosen for the study. And since the study is much concerned with specific predictions narration of facts and characteristics, a descriptive/diagnostic design was adopted for the study. The research instruments used for data collection included both structured question and interview guide. Data collected were descriptively analyzed, using frequencies, simple percentages, charts, means and standard deviation measures. The data were tested at 5% level of significance, using the Z-test statistics to establish whether the responses were normally distributed. They were done with the aid of the SPSS 17.0 statistical software. The hypothesis was tested using linear regression.

Data Presentation and Analysis

In order to achieve the objective of the study on how workforce compensation affects health workers job performance, the following questions were asked and analyzed as follows:

Question 1: How do you rate the job performance of employees in your teaching hospital?

Table 1: Job Performance of Employees in Federal Teaching Hospitals

teaching hospital	how do you rate the job performance of employees in your teaching hospital?					Total
	Excellent	Good	Average	Poor	Bad	
ABUTH Zaria	6	6	6	18	4	40
	15.0%	15.0%	15.0%	45.0%	10.0%	100.0%
Aminu Kano Teaching Hospital, Kano	7	5	3	21	4	40
	17.5%	12.5%	7.5%	52.5%	10.0%	100.0%
LUTH Lagos	3	7	4	20	6	40
	7.5%	17.5%	10.0%	50.0%	15.0%	100.0%
NAUTH Nnewi	4	5	9	18	4	40
	10.0%	12.5%	22.5%	45.0%	10.0%	100.0%
OAUTH Ile-Ife	3	4	4	22	7	40
	7.5%	10.0%	10.0%	55.0%	17.5%	100.0%
UCH Ibadan	5	4	1	23	7	40
	12.5%	10.0%	2.5%	57.5%	17.5%	100.0%
UBTH Ugbowo	6	7	5	18	4	40
	15.0%	17.5%	12.5%	45.0%	10.0%	100.0%
UCTH Calabar	3	4	4	21	8	40
	7.5%	10.0%	10.0%	52.5%	20.0%	100.0%
UITH Ilorin	4	7	7	12	10	40
	10.0%	17.5%	17.5%	30.0%	25.0%	100.0%
UJTH Jos	7	8	9	10	6	40
	17.5%	20.0%	22.5%	25.0%	15.0%	100.0%
UMTH Maiduguri	5	8	7	14	6	40
	12.5%	20.0%	17.5%	35.0%	15.0%	100.0%
UNTH Enugu	9	8	5	12	6	40
	22.5%	20.0%	12.5%	30.0%	15.0%	100.0%
UPTH Port Harcourt	7	5	9	12	7	40
	17.5%	12.5%	22.5%	30.0%	17.5%	100.0%
UUTH Sokoto	5	5	5	16	9	40
	12.5%	12.5%	12.5%	40.0%	22.5%	100.0%
Total	74	83	78	237	88	560
	13.2%	14.8%	13.9%	42.3%	15.7%	100.0%
Z-value	6.675					
p-value	0.000					

Source: Filed Data, 2013

The table above shows that over 50% of the respondents on an average from each of the sampled 14 teaching hospitals in Nigeria, opined that the health worker job performance in their federal teaching hospitals is either poor or bad. With a Z-value of 6.675 at $p < 0.05$, this distribution is normal, hence, acceptable for further statistical testing.

Question 2: How well are employees in your teaching hospital fairly and adequately compensated?

Table 2: Health worker force compensation in the Federal Teaching Hospitals

teaching hospital	how well are employees in your teaching hospital fairly and adequately compensated?					Total
	very great extent	great extent	undecided	little extent	not at all	
ABUTH Zaria	7	5	4	20	4	40
	17.5%	12.5%	10.0%	50.0%	10.0%	100.0%
Aminu Kano Teaching Hospital, Kano	6	4	8	16	6	40
	15.0%	10.0%	20.0%	40.0%	15.0%	100.0%
LUTH Lagos	6	7	7	16	4	40
	15.0%	17.5%	17.5%	40.0%	10.0%	100.0%
NAUTH Nnewi	4	7	4	21	4	40
	10.0%	17.5%	10.0%	52.5%	10.0%	100.0%
OAUTH Ile-Ife	4	4	13	15	4	40
	10.0%	10.0%	32.5%	37.5%	10.0%	100.0%
UCH Ibdan	7	4	5	17	7	40
	17.5%	10.0%	12.5%	42.5%	17.5%	100.0%
UBTH Ugbowo	5	5	5	20	5	40
	12.5%	12.5%	12.5%	50.0%	12.5%	100.0%
UCTH Calabar	6	6	4	16	8	40
	15.0%	15.0%	10.0%	40.0%	20.0%	100.0%
UITH Ilorin	5	9	6	14	6	40
	12.5%	22.5%	15.0%	35.0%	15.0%	100.0%
UJTH Jos	6	5	8	17	4	40
	15.0%	12.5%	20.0%	42.5%	10.0%	100.0%
UMTH Maiduguri	5	6	6	19	4	40
	12.5%	15.0%	15.0%	47.5%	10.0%	100.0%
UNTH Enugu	7	10	6	13	4	40
	17.5%	25.0%	15.0%	32.5%	10.0%	100.0%
UPTH Port Harcourt	6	8	9	13	4	40
	15.0%	20.0%	22.5%	32.5%	10.0%	100.0%
UUTH Sokoto	5	4	5	20	6	40
	12.5%	10.0%	12.5%	50.0%	15.0%	100.0%
Total	79	84	90	237	70	560
	14.1%	15.0%	16.1%	42.3%	12.5%	100.0%
Z-value	6.509					
p-value	0.000					

Source: Filed Data, 2013

The table above shows that over 50% of the respondents on an average from each of the sampled 14 teaching hospitals in Nigeria, opined that health workers compensation in the teaching hospital is either poor. With a Z-value of 6.675 at $p < 0.05$, this distribution is normal, hence, acceptable for further statistical testing.

Hypothesis

Fair and adequate compensation does not significantly affect job performance in the Federal Teaching Hospitals in Nigeria

The data presented in the above tables, are tested using linear regression. The results are presented and discussed below.

Regression

Descriptive Statistics

	Mean	Std. Deviation	N
how do you rate the job performance of employees in your teaching hospital?	3.3250	1.27509	560
how well are employees in your teaching hospital fairly and adequately compensated?	3.2411	1.25786	560

Correlations

	how do you rate the job performance of employees in your teaching hospital?	how well are employees in your teaching hospital fairly and adequately compensated?
Pearson Correlation	1.000	.732
	.732	1.000
Sig. (1-tailed)	.000	.000
N	560	560
	560	560

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.732 ^a	.536	.535	.86975	.802

a. Predictors: (Constant), how well are employees in your teaching hospital fairly and adequately compensated?

b. Dependent Variable: how do you rate the job performance of employees in your teaching hospital?

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	486.740	1	486.740	643.437	.000 ^a
	Residual	422.110	558	.756		
	Total	908.850	559			

a. Predictors: (Constant), how well are employees in your teaching hospital fairly and adequately compensated?

b. Dependent Variable: how do you rate the job performance of employees in your teaching hospital?

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.921	.102		9.056	.000
	how well are employees in your teaching hospital fairly and adequately compensated?	.742	.029	.732	25.366	.000

a. Dependent Variable: how do you rate the job performance of employees in your teaching hospital?

Model

$$JP = 0.921 + 0.742C$$

$$(t = 25.366)$$

Where; JP = Job Performance
 C = Compensation

$$R = 0.732$$

$$R^2 = 0.536$$

$$F = 643.437 \text{ (sig.} = 0.000)$$

$$DW = 0.802$$

Interpretation

The model shows that with a constant value of 0.921, compensation has a positive effect (coefficient of C = 0.921) on Job Performance and this effect is significant as $t = 25.366$.

This result is strengthened with a further analysis which gives the $r_{cal} = 0.73 > r_{critical} = 0.06$; $F_{cal} = 643.437 > F_{critical} = 3.8415$; $t_{cal} = 25.366 > t_{critical} = 0.2533$; $p = 0.000 < 0.05$. This indicates that the variation explained by the model is not due to chance.

Decision

Based on this result, it is concluded that fair and adequate compensation significantly affects job performance in the Federal Teaching Hospitals in Nigeria. Thus, the null hypothesis is rejected and the alternative hypothesis accepted accordingly.

Discussion of the Major Findings

It is important to know that motivation which is the desire to expand effort is not the only requirement for job performance in the federal teaching hospitals in Nigeria. Health workers must have the ability to do so. The ability to perform by a health personnel can be acquired or learned through training and experience. Some health managers do hire only experienced, proven health workers, who already have the necessary skills. But management must provide the training for them to gain the necessary skills. It is not enough for the health workers to be motivated, they must also know how to do what is expected of them (Uduji, 2006).

Recruiting and selection procedures are also important for job performance in the federal teaching hospitals in Nigeria. If the hospital management boards hire inexperienced health workers, they must be careful to select those with an aptitude for learning health work skills. On the other hand, when health management decide to hire experienced health workers, they must be certain that those selected have the desired set of skills. The findings of the study shows that it is important in both cases to select people whose needs are consistent with the demands and rewards of the health workers job in the hospitals. This suggesting that compensation program must be integrated with the entire health work force management program. A good compensation program will not compensate for poor recruiting, selection, and training in the federal teaching hospitals in Nigeria. Therefore, compensation policies must be a part of a well-planned and executed health workforce management program.

The model summary of 0.921 shows that a compensation program can be used by the hospital management board to influence and direct a health workers behavior. A major purpose of a compensation plan should be to influence the health worker to do what management wants, how they want it done, and within the desire time. But in the federal teaching hospitals in Nigeria, table 2 of this study strongly suggests that health workers are not satisfied with the compensation they earn at the end of the month. The hypothesis of $t = 25.366$ shows that fair and adequate compensation do affect work attitudes positively in the federal teaching hospitals in Nigeria, especially when a health worker sees his job as the main instrument through which he achieves his personal objectives. Therefore, before the hospital management board in Nigeria can design a compensation package to accomplish what they want, they should first of all, have a clear idea of what they want the health workers to do. To determine what aspects of job behavior and performance a new or improved health workers motivation program should be designed to encourage, management should examine three issues. First, they should determine how the health workers are spending their time on the job. On what functions do they spend their time? What proportion of their time do they devote to each activity? How well do they perform on various dimensions of their job? Much of this information can be obtained from job analyses the management conducts as part of its health workers selection procedures, as well as from performance evaluation records.

Secondly, management should carefully assess the organizations objective as outline in their policies for the health care delivery. And finally, in view of priorities in the federal teaching hospitals, management should determine which functions and aspect of performance should be receiving greater attention from the health workers. The new compensation program can then be designed to reward the health workers to redirect their effort. Management must decide which aspects of the health service job performance will be given the highest instrumentalities in the compensation program. One common mistake in designing health workers compensation plan, however, is to rely solely on such plans to motivate health workers to perform all the desired function. Plans that try to motivate health workers to do too many things at once tend to be ineffective. When rewards are tied to many different aspects of job performance, the health

worker motivation to improve performance drastically in any single area is 'watered down'. Also, when rewards are based on many different aspects of job performance, the health worker is more likely to be uncertain about how total performance can be obtained as a result of that job performance. In other words, complex compensation programs may lead to inaccurate instrumentality perceptions by the health worker. Consequently, coefficient of $C = 0.921$ of this result recommend that compensation plans, link rewards to only two or three aspects of job performance. They should be linked to those aspects consistent with the firm's highest-priority in the health delivery systems objectives. Other aspects of the health workers behavior and performance should be directed and controlled through effective training programs and supervision by the management of human resources for health (Uduji, 2006).

As mentioned earlier, all health workers may not find the same rewards equally attractive. Health workers may be more or less satisfied with their current attainment of a given reward, and this may cause them to have different valences for more of that reward. Similarly, peoples need for a particular reward vary depending on their personalities, demographic characteristics, and lifestyles. Consequently, no single reward including money is likely to be effective for motivating all the health workers in the federal teaching hospitals in Nigeria. Similarly, a mix of rewards that is effective for motivating a health work force at one time may lose its appeal as the member's personal circumstances and needs change and as new health workers are hired. In view of this, a wise preliminary step in designing a health workforce compensation package is for a management to determine its health workers current valences for the various rewards that might be incorporated in such a package. This could be done with a simple survey in which each health worker is asked to rate the attractiveness of specific increase of various rewards on a numerical scale, say from 0 to 100. Also, one of the techniques specifically aimed at assessing a person's preference could be used, such as conjoint analysis. But in Nigeria, the health management board scarcely carry out such survey when designing motivation programs because the believe they know the health workers needs and desire well enough. Yet, when health workers actual valences for rewards have been compared with their perceptions of those valences, the hospital management board's perception turns out to be very inaccurate as shown in regression descriptive statistics of this study. Therefore, rather than offering the unfair and inadequate rewards that the hospital management board assume the health workers in the federal teaching hospitals will find attractive, it may well worth the time and trouble to conduct a study of the health worker's actual valences for reward before designing a motivation program. This is because the correlations result, shows that the total amount of compensation a health worker receives affects his or her satisfaction with pay and with the hospital, as well as his or her valence for more pay in the future. Thus, the decision about how much total compensation (base pay plus other allowances) a health worker may earn is crucial in designing performance an effective motivation program for job performance in the federal teaching hospitals in Nigeria.

Conclusion and Recommendations

An issue that is standing out from this study is that fair and adequate compensation do affect work attitudes positively in the federal teaching hospitals in Nigeria, especially when a health work sees his job as the main instrument through which he achieves his personal objectives. This is because, money is an instrument for gaining desired outcomes, and it is an anxiety reducer. And a way of supplementing this is to provide good fringe benefits, safety measures and other factors that would give the health workers the feeling that federal teaching hospitals in Nigeria is a good place to work in. All these are within the embrace of equity theory of Adams (1963). This shows that a significant factor in health workers evaluation of rewards is whether or not they feel the rewards are equitable. Health workers often compare their performance and rewards with those of their fellow health workers and ask themselves whether they are being treated fairly. In agreement with the equity theory, the findings shows that if a health worker feels that colleagues whose efforts and performance are not as good as his are receiving greater rewards, he may decrease his efforts. Therefore, rewards perceived to be inequitable are unlikely to be a motivating force in the federal teaching hospitals in Nigeria. And there is a strong possibility that where significant in equities are perceived to exist as shown in this model summary, health workers will leave rather than

continue to be treated unfairly. Henced the public-private drain and out-of-the country migration of health workers in Nigeria.

It is therefore recommend that health workers should be paid fairly and adequately for their contributions to the federal teaching hospitals in Nigeria. The three key objectives of the compensation system should be to attract high-quality health workers from the labour market; retain the best health workers the organization already has; and motivate health workers to work harder and to help the organization achieve its strategic goals. It is also recommended that a health worker's total compensation should be made up of three components. The first should be the base compensation which is the fixed amount of money the health worker expects to receive in a pay cheque as a monthly salary into his bank account. The second should be the pay incentives, which should be a compensation that rewards the health worker for his good job performance. The incentives could be based on the health workers own contribution or the performance of the team, or the entire organization, and they should be generally paid out as a percentage of the base compensation. This can be categorized as variable pay because the amount is contingent on or varies according to changes in the job performance. The last component of the total health worker compensation should be benefits, or indirect compensation, which should include health insurance, pension plan, vacation, sick leave and the like. The compensation of the health workforce should be the single most important cost in the federal teaching hospitals in Nigeria. The design of the health workforce compensation system needs to take into account fit with the federal teaching hospitals strategic objectives in Nigeria; fit with the hospitals unique characteristics and environment; the internal equity; and health worker contribution.

The reward system should help implement the hospital's strategy for health care delivery. The perceived fairness of the pay structure in the organization is very important to the health workers. A rational, orderly, and systematic judgment of how important each job is to the hospital and how each should be compensated is very necessary. Applying a set of evaluation criteria called compensable factors, such as responsibility, educational requirements and problem-solving potential, the hierarchy of jobs in terms of their relative importance is recommended. The perceived fairness of the hospitals compensation of its workforce package relative to what other health institutions pay for similar work is needed. To attract, retain and motivate high health personnel performers, and to be fair to all health workers, the federal teaching hospitals in Nigeria need to reward health workers based on their relative performance in the job. Merit pay increase, which are based on supervisor's ratings of the health workers performance and normally given once a year are mostly recommend for use in the federal teaching hospitals in Nigeria.

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