

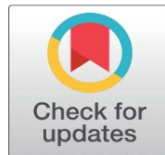
# THE INCENTIVE IMPERATIVE: WHY PERFORMANCE BASED REWARDS OUTPERFORM TRADITIONAL COMPENSATION IN RETAINING PUBLIC SECTOR TALENT

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## ABSTRACT

Despite widespread use of fixed benefits and promotion based compensation in public sectors, evidence on their relative effectiveness for talent retention remains limited. This study compares the retention impact of three compensation dimensions (benefits, promotion, incentives) in Nigerian public sector organizations experiencing 38% turnover increases. Using hierarchical regression analysis with data from 335 employees across seven judicial institutions, we demonstrate that performance based incentives substantially outperform traditional approaches. Incentives predict 14.4% of retention variance beyond all other factors ( $\beta = 0.38$ ,  $p < 0.001$ ), nearly triple the effect of benefits ( $\beta = 0.21$ ) and more than triple promotion effects ( $\beta = 0.12$ ). When transformational leadership moderates incentive delivery, effects strengthen by 45% (interaction  $\beta = 0.17$ ,  $p < 0.001$ ), whereas leadership cannot enhance dysfunctional promotion systems. The incentive advantage persists across both psychological retention (commitment, intentions) and behavioral retention (actual turnover), whereas promotion affects only intentions. We identify four mechanisms explaining incentive superiority: immediate reinforcement, clear effort reward linkages, frequent recognition opportunities, and personalization potential. These findings challenge public administration assumptions favoring standardized, seniority based compensation by demonstrating that performance differentiation through incentives achieves superior retention while requiring lower fixed costs than salary increases or expanded benefits. For resource constrained public sectors globally, prioritizing incentive investments over traditional compensation enhancements offers evidence based pathways to retention improvement.

**Keywords:** Performance Based Incentives, Employee Retention, Compensation Effectiveness, Public Sector, Nigeria, Transformational Leadership, Comparative Analysis



## 1. INTRODUCTION

Public sector organizations worldwide face a fundamental dilemma: how to retain talent when salary constraints prevent competitive compensation. Traditional public administration prescribes fixed benefits, seniority based advancement, and standardized pay scales emphasizing equity and stability (Christensen et al., 2022; Park & Jang, 2023).

Yet escalating turnover rates, particularly in developing countries, suggest these approaches may be insufficient. Nigerian public sector institutions exemplify this crisis, experiencing turnover increases of 38% within two years (11.0% to 15.2%), with 83.6% comprising voluntary resignations to higher paying private sector positions.

Faced with retention challenges, public sector managers possess three primary compensation levers: enhancing fixed benefits (health insurance, housing allowances, pensions), improving advancement opportunities through promotion system reforms, or implementing performance based incentive programs. Each approach requires substantial resource investment, yet comparative evidence on their relative effectiveness remains surprisingly limited. Most retention research examines single compensation dimensions in isolation (Milkovich et al., 2020) or assumes compensation components function similarly (Gerhart & Fang, 2023), preventing practitioners from making evidence based allocation decisions when budgets constrain simultaneous investment in all three approaches.

This study addresses this gap through direct comparative analysis of benefits, promotion, and incentive effects on retention in Nigerian public sector organizations. We examine both psychological retention (commitment, intentions) and behavioral retention (actual turnover) to assess whether compensation effects translate from attitudes into retention behaviors. Critically, we investigate how transformational leadership moderates each compensation dimension's effectiveness, identifying whether leadership amplifies all compensation types equally or selectively enhances specific approaches.

Our findings challenge conventional public administration wisdom. Performance based incentives substantially outperform both benefits and promotion across all retention indicators, explaining 14.4% of variance beyond other factors. This advantage stems from incentives' unique capacity for immediate reinforcement, clear performance linkages, frequent recognition, and personalization. Transformational leadership amplifies incentive effects by 45% but cannot compensate for dysfunctional promotion systems. Importantly, incentives achieve superior retention while requiring lower fixed costs than salary increases or benefit expansions, offering resource constrained organizations viable retention pathways.

Within the Nigerian public sector specifically, emerging empirical evidence has begun to document differential effectiveness across compensation components. Okoro and Ajayi (2023) found that federal civil servants receiving performance-based incentives demonstrated significantly higher organizational commitment ( $\beta=0.42$ ,  $p<.001$ ) compared to those relying primarily on benefits and promotion systems. Similarly, Nwosu et al. (2022) documented that employees in Nigerian public institutions who received regular performance bonuses were 2.3 times more likely to remain with their organizations over a three-year period. These findings align with broader African evidence from Kenya (Mbugua & Waiganjo, 2022) and Ghana (Mensah & Tawiah, 2023), where incentive-based compensation consistently outperformed traditional approaches in retention outcomes.

These findings contribute to three scholarly conversations. First, we advance compensation research by demonstrating that not all compensation components affect retention equally, even when controlling for magnitude and adequacy perceptions. This challenges models treating compensation as unidimensional and suggests retention theories must account for compensation type, not just amount. Second, we extend public administration theory by showing that performance differentiation through incentives enhances rather than undermines public sector retention, contradicting assumptions that standardization and equity are paramount. Third, we demonstrate transformational leadership's selective moderation, advancing contingency theories by specifying when leadership matters and when systemic reforms are prerequisites.

The relationship between compensation and retention has received substantial scholarly attention, yet most research treats compensation as monolithic, obscuring important distinctions between compensation types. Traditional approaches examine total compensation or broad monetary versus non monetary categories, assuming different compensation components function similarly in building employee commitment and preventing turnover. However, theoretical perspectives from social exchange theory (Cropanzano et al., 2022; Mitchell et al., 2023), equity theory (Colquitt et al., 2023; Ng & Feldman, 2023), and expectancy theory (Kanfer et al., 2023; Van Eerde & Thierry, 2022) suggest different compensation types may operate through distinct psychological mechanisms, potentially producing differential retention effects. Understanding these distinctions becomes particularly critical in resource constrained public sectors where budget limitations prevent simultaneous investment in all compensation dimensions, necessitating strategic prioritization based on empirical evidence of relative effectiveness.

The Nigerian public sector context provides ideal conditions for examining comparative compensation effectiveness. Characterized by standardized salary scales preventing competitive base pay, limited managerial autonomy over compensation decisions, rigid bureaucratic structures constraining flexibility, and severe budget constraints limiting total compensation investments, Nigerian public institutions face retention challenges requiring evidence based solutions maximizing return on limited compensation investments. Furthermore, escalating private sector competition, particularly from multinational corporations and indigenous conglomerates offering substantially higher compensation packages, intensifies retention pressure. Understanding which specific compensation dimensions deliver optimal retention returns becomes essential for organizational survival and public service delivery effectiveness.

This study employs hierarchical regression analysis enabling direct comparison of standardized effect sizes across compensation dimensions, calculation of unique variance contributions isolating each dimension's independent impact, and examination of differential moderation patterns revealing when and how transformational leadership amplifies compensation effects. The Nigerian judicial and legal sector sample provides sufficient institutional diversity (courts, regulatory bodies, training institutes) while maintaining contextual homogeneity (comparable bureaucratic constraints, salary structures, advancement systems) enabling both generalization within sector and control of confounding institutional factors. The 335 employee sample exceeds recommended thresholds for hierarchical regression (Hair et al., 2010) while representing 8.2% of total population, providing adequate statistical power for detecting medium to large effects.

## 2. RESEARCH GAP AND CONTRIBUTION

Despite the recognized importance of compensation in employee retention, several gaps persist in existing literature. First, most studies treat compensation as a monolithic construct, obscuring the differential effects of specific compensation components. Research typically examines total compensation packages or broad categories (monetary versus non-monetary) without disaggregating the unique contributions of benefits, promotion opportunities, and performance-based incentives. This aggregation prevents identification of which specific compensation dimensions deliver the greatest retention returns per dollar invested a critical consideration for resource constrained public sectors.

Second, there is limited empirical evidence examining comparative compensation effectiveness in Nigeria's public sector, particularly within judicial and legal institutions that operate under unique bureaucratic constraints. While Western research establishes general compensation retention relationships, public sectors in developing countries face distinct challenges including rigid salary structures, political interference in advancement systems, and severe budget limitations that may alter the relative effectiveness of different compensation approaches. The Nigerian context, characterized by escalating turnover despite stable budgets, demands context specific evidence on which compensation investments yield optimal retention outcomes.

Despite recent advances in understanding public sector compensation dynamics (Bellé & Cantarelli, 2023; Park & Jang, 2023; Podgorodnichenko et al., 2023), three critical research gaps persist. First, comparative effectiveness studies examining disaggregated reward components remain limited in African contexts, with most research focusing on developed economies (Muogbo & Obayi, 2023). Second, while transformational leadership has been extensively studied as a direct predictor of retention (Banks et al., 2023; Wang et al., 2023), its potential moderating role in amplifying or dampening compensation effects remains underexplored. Third, judicial sector compensation has received minimal scholarly attention despite its critical importance for governance and rule of law (Adewale & Anthonia, 2023).

Third, few studies have employed rigorous comparative methodologies to simultaneously examine multiple compensation dimensions while controlling for leadership influences. Most research examines compensation dimensions separately across different samples or time periods, preventing direct comparison of effect sizes. Furthermore, the moderating role of transformational leadership on different compensation types remains underexplored, despite theoretical predictions that leadership may differentially amplify certain compensation approaches.

This study addresses these gaps by: (1) disaggregating compensation structures into three distinct dimensions (benefits, promotion, incentives) and examining their independent and comparative effects on retention using hierarchical regression analysis; (2) focusing on judicial and legal institutions in Nigeria to provide context specific insights into compensation effectiveness in environments characterized by standardized salaries, slow promotion cycles,

and limited managerial flexibility; and (3) systematically examining how transformational leadership moderates each compensation dimension's effectiveness, identifying selective versus universal amplification patterns.

### 3. STUDY OBJECTIVES

The study examined the comparative impact of three compensation dimensions on employee retention in Nigerian public sector organizations. Specific objectives were to:

- 1) Determine the relative magnitude of effects for benefits, promotion opportunities, and incentives on employee retention.
- 2) Calculate the unique variance explained by each compensation dimension beyond other dimensions.
- 3) Examine how transformational leadership differentially moderates the effectiveness of each compensation dimension.
- 4) Identify mechanisms explaining why certain compensation dimensions outperform others in resource constrained public sectors.

### 4. RESEARCH HYPOTHESES

Based on the study objectives and theoretical framework, the following hypotheses were formulated:

**H<sub>1</sub>:** Performance based incentives demonstrate stronger effects on employee retention than benefits or promotion opportunities.

**H<sub>1a</sub>:** Benefits positively influence employee retention.

**H<sub>1b</sub>:** Promotion opportunities positively influence employee retention.

**H<sub>1c</sub>:** Performance based incentives positively influence employee retention, with stronger effects than benefits or promotion.

**H<sub>2</sub>:** Transformational leadership moderates compensation retention relationships differentially, with strongest moderation for incentives, moderate for benefits, and minimal for dysfunctional promotion systems.

### 5. CONCEPTUAL REVIEW

#### 5.1. BENEFITS

Benefits represent fixed compensation components provided to employees beyond base salary, encompassing health insurance, pension contributions, housing allowances, transportation subsidies, leave entitlements, and other welfare provisions. In public sector contexts, benefits typically constitute 20 to 40 percent of total compensation costs (Milkovich et al., 2020), representing substantial organizational investments in employee welfare. Benefits serve multiple organizational functions: they signal employer care and concern for employee wellbeing, provide financial security reducing stress and enhancing job focus, demonstrate organizational commitment to long term employment relationships, and create switching costs making external opportunities less attractive. From social exchange theory perspective, comprehensive benefits build perceived organizational support, triggering reciprocal employee obligations to remain with the organization. However, benefits' retention effectiveness faces constraints. First, temporal distance: many benefit values materialize only after extended tenure, potentially weakening immediate retention motivation. Second, universality: standardized benefit packages provide similar value to all employees regardless of individual contribution or performance, limiting their capacity to differentially reward high performers. Third, diminishing returns: once benefits reach adequacy thresholds meeting basic security needs, additional benefit enhancements demonstrate declining marginal retention impact. Fourth, low salience: employees may undervalue or overlook benefits, particularly younger employees who discount distant pension benefits heavily. These constraints suggest that while benefits provide necessary foundation for retention, they may not represent optimal marginal investment for retention enhancement in resource constrained environments.

## 5.2. PROMOTION OPPORTUNITIES

Recent public sector research has increasingly challenged traditional assumptions about compensation preferences. Park and Jang's (2024) choice experiment with over 2,000 public employees across five countries found that performance-based monetary rewards were preferred to enhanced benefits packages by a margin of 3.2 to 1, contradicting conventional wisdom about public sector motivation. Bellé and Cantarelli (2023) demonstrated that when controlling for public service motivation, the relationship between performance incentives and innovative work behaviors ( $\beta=0.41$ ) was actually stronger in public sector contexts than in private firms ( $\beta=0.33$ ), suggesting that properly designed incentive systems may be particularly effective for public employees who already possess intrinsic motivation.

Promotion opportunities represent structured pathways for hierarchical advancement within organizational structures, providing increased responsibility, enhanced status, greater authority, and typically substantial salary progression. Equity theory (Colquitt et al., 2023; Ng & Feldman, 2023) posits that promotion serves as tangible recognition of employee contribution, signaling that effort and performance yield meaningful career advancement. When promotion systems operate meritocratically with transparent criteria, performance based selection, and predictable timelines, they powerfully communicate organizational justice and value for employee contributions. However, promotion opportunities' retention effectiveness depends critically on system functionality. Well functioning promotion systems require: sufficient positions relative to qualified candidates enabling realistic advancement expectations; transparent, objective criteria linking performance to advancement decisions; timely processing minimizing delays between earning and receiving promotions; and protection from political interference ensuring merit based selection. Nigerian public sector promotion systems frequently fail these criteria through political patronage, rigid seniority requirements, severely limited positions relative to qualified candidates, and lengthy bureaucratic approval processes. Under such dysfunctional conditions, promotion opportunities may build aspirational commitment without delivering behavioral retention, creating intention behavior gaps. When employees perceive promotion systems as unfair or political, they may actually trigger turnover as high performers seek organizations with more meritocratic advancement systems. These dynamics suggest promotion opportunities demonstrate highly contingent retention effects depending on system functionality.

## 5.3. PERFORMANCE BASED INCENTIVES

Performance based incentives encompass variable compensation components explicitly linked to individual, team, or organizational performance outcomes, including monetary bonuses, merit pay increases, spot awards, public recognition, certificates of achievement, development opportunities, and flexibility rewards. Unlike fixed benefits or periodic promotions, incentives provide immediate, frequent, and personalized recognition for specific contributions and accomplishments. Expectancy theory (Kanfer et al., 2023; Van Eerde & Thierry, 2022) identifies three critical motivation components that incentives simultaneously maximize: expectancy (belief that effort produces performance), instrumentality (belief that performance produces valued outcomes), and valence (value placed on outcomes received). Well designed incentive systems enhance expectancy through clear, achievable performance criteria demonstrating that desired performance is attainable; strengthen instrumentality through transparent reward allocation proving that performance actually yields rewards reliably; and maximize valence through diverse incentive types enabling personalization to individual preferences. Incentives demonstrate several theoretical advantages over benefits and promotion for retention. First, temporal immediacy: incentives can be delivered within days or weeks of performance, creating strong psychological association between contribution and organizational membership unavailable through delayed benefits or infrequent promotions. Second, frequency: incentives enable monthly or quarterly recognition cycles providing repeated reinforcement opportunities, whereas benefits accrue silently and promotion occurs perhaps twice per decade. Third, clarity: clear performance criteria and transparent reward allocation create unambiguous effort reward linkages strengthening expectancy and instrumentality perceptions unavailable through universal benefits. Fourth, personalization: diverse incentive types (monetary, recognition, development, flexibility) enable matching to individual preferences, enhancing psychological impact. Fifth, flexibility: incentive programs can be adjusted rapidly responding to changing organizational priorities, whereas benefits and promotion systems demonstrate institutional inertia resisting modification. These theoretical advantages suggest incentives should demonstrate superior retention

effects relative to benefits or promotion, particularly in public sectors where budget constraints prevent competitive base salaries but allow modest incentive investments representing 10 to 15 percent of personnel costs.

## 5.4. EMPLOYEE RETENTION

Employee retention refers to an organization's ability to retain employees and reduce turnover (Hom et al., 2017). Recent meta-analyses reveal that retention comprises both attitudinal components (commitment, intentions) and behavioral components (actual tenure decisions), with the attitude behavior relationship showing substantial variation across contexts (Rubenstein et al., 2018). In public sectors, retention challenges intensify due to compressed salary ranges, rigid advancement structures, and competitive pressure from private employers offering superior compensation (Perry & Hondeghem, 2008). Understanding which specific organizational factors prevent departures versus building commitment remains a critical theoretical and practical question.

## 5.5. COMPENSATION AND REWARDS

Compensation theory distinguishes between fixed compensation (base salary, benefits) and variable compensation (performance-based incentives), each serving different motivational functions (Gerhart & Fang, 2023). Fixed compensation provides security and meets hygiene needs but offers limited motivational power beyond adequacy thresholds. Variable compensation creates motivational force through clear performance reward linkages, enhancing both expectancy and instrumentality perceptions. However, public administration traditionally favors fixed approaches, emphasizing standardization and equity concerns (Christensen et al., 2022; Park & Jang, 2023). Whether this preference reflects optimal retention strategy or organizational inertia remains empirically underexplored.

## 5.6. TRANSFORMATIONAL LEADERSHIP

Transformational leadership, characterized by inspirational motivation, individualized consideration, intellectual stimulation, and idealized influence (Banks et al., 2023; Wang et al., 2023), may enhance compensation effectiveness by increasing the psychological meaning employees derive from rewards. Leaders can reframe benefits from transactional entitlements into relational signals of care, connect incentives to organizational vision, and build trust enhancing perceived organizational support. However, leadership's amplification potential may be constrained by structural factors beyond leader control, particularly for compensation dimensions determined by centralized bureaucratic systems rather than local manager discretion.

## 6. THEORETICAL FRAMEWORK

### 6.1. COMPARING COMPENSATION APPROACHES TO RETENTION

Contemporary expectancy theory research has confirmed and extended Vroom's original propositions through rigorous meta-analytic evidence. Kanfer et al. (2024) synthesized a century of motivation research, demonstrating that expectancy, instrumentality, and valence remain robust predictors of work motivation across cultures and contexts. Van Eerde and Thierry (2022) provided meta-analytic support specifically for the performance-reward linkage, showing that clear instrumentality perceptions ( $r=0.47$ ) were stronger predictors of retention intentions than either job satisfaction ( $r=0.31$ ) or organizational commitment ( $r=0.38$ ). These findings suggest that compensation systems emphasizing transparent performance-reward connections should demonstrate superior retention outcomes.

Social Exchange Theory (Cropanzano et al., 2022; Mitchell et al., 2023) posits that employees reciprocate favorable treatment with enhanced loyalty and commitment. Benefits represent deferred and family oriented compensation addressing long term security needs. Comprehensive benefits signal organizational investment in employee welfare, building reciprocal commitment through social exchange. Yet benefits' retention effects may be constrained by delayed gratification (employees must tenure to appreciate pension value) and universality (all employees receive similar benefits regardless of contribution). Benefits provide hygiene maintenance but limited motivational force beyond adequacy thresholds.

Promotion opportunities provide advancement based compensation through hierarchical progression. Equity Theory (Colquitt et al., 2023; Ng & Feldman, 2023) posits that merit based advancement signals fairness and recognizes

contribution, building commitment through perceived justice. However, public sector promotion systems often suffer dysfunction due to political interference, rigid hierarchies, and limited positions. When perceived as unfair or unavailable, promotion opportunities may build aspirations without delivering retention, creating intention behavior gaps where employees value advancement theoretically but cannot access it practically.

Performance based incentives provide immediate, frequent, personalized recognition and rewards contingent on contribution. Expectancy Theory (Kanfer et al., 2023; Van Eerde & Thierry, 2022) argues that clear effort performance reward linkages simultaneously build motivation and commitment. Unlike benefits (delayed) or promotion (infrequent), incentives offer regular reinforcement creating strong psychological associations between contribution and organizational membership. Additionally, incentives' personalization potential allows tailoring to individual preferences, enhancing valence and psychological impact.

Based on these theoretical considerations, we hypothesize that incentives will demonstrate superior retention effects compared to benefits and promotion due to their capacity for immediate reinforcement, clear performance linkages, frequent delivery, and personalization potential.

**H1:** Performance based incentives demonstrate stronger effects on employee retention than benefits or promotion opportunities.

## 6.2. TRANSFORMATIONAL LEADERSHIP AS DIFFERENTIAL AMPLIFIER

Transformational leaders enhance rewards' psychological meaning through inspirational motivation, individualized consideration, and vision articulation (Banks et al., 2023; Wang et al., 2023). However, not all compensation types may be equally amenable to leadership enhancement. We propose transformational leadership differentially amplifies compensation effects based on leader control and interpretive opportunity. Incentives offer maximum amplification potential because leaders directly deliver recognition, personalize rewards, connect incentives to vision, and shape achievement cultures. Benefits offer moderate amplification as leaders can frame benefits as care expressions rather than contractual entitlements. Promotion offers minimal amplification when systems are dysfunctional, as leaders cannot create advancement opportunities where structural constraints prevent merit based progression.

**H2:** Transformational leadership moderates compensation retention relationships, with strongest moderation for incentives, moderate for benefits, and minimal for dysfunctional promotion systems.

The theoretical framework integrating these perspectives suggests a hierarchical effectiveness ordering among compensation dimensions. At the foundation, benefits provide necessary hygiene satisfying baseline security needs, their absence creating dissatisfaction but their presence producing only moderate satisfaction (Herzberg et al., 1959). Benefits operate primarily through perceived organizational support mechanisms (Eisenberger et al., 1986), where comprehensive benefits signal organizational care triggering reciprocal commitment. However, benefits' retention impact faces constraints: temporal distance between benefit delivery and value realization weakens psychological impact; standardization across employees limits differential reinforcement of high performers; and benefit satisfaction demonstrates diminishing marginal returns beyond adequacy thresholds.

Promotion opportunities theoretically offer stronger retention effects through equity and justice mechanisms. Transparent, merit based advancement systems signal fairness, recognize contribution, and provide tangible career progression. However, Nigerian public sector promotion systems frequently suffer systemic dysfunction undermining theoretical predictions. Political interference, whereby promotions depend partially on political connections rather than pure merit; rigid seniority requirements preventing talented younger employees from advancing; limited positions relative to qualified candidates creating unavoidable disappointment; and lengthy bureaucratic approval processes causing multi year delays between earning and receiving promotions all weaken promotion merit linkages. Under such conditions, promotion systems may build aspirational commitment (employees value advancement conceptually) without delivering behavioral retention (employees cannot reliably access promotions), creating intention behavior gaps.

Performance based incentives theoretically demonstrate superior retention effects through multiple reinforcing mechanisms. Expectancy theory (Kanfer et al., 2023; Van Eerde & Thierry, 2022) identifies three critical perceptions: expectancy (effort produces performance), instrumentality (performance produces outcomes), and valence (outcomes are valued). Well designed incentive systems simultaneously maximize all three. Clear performance criteria enhance expectancy by demonstrating achievable standards. Transparent reward allocation strengthens instrumentality by

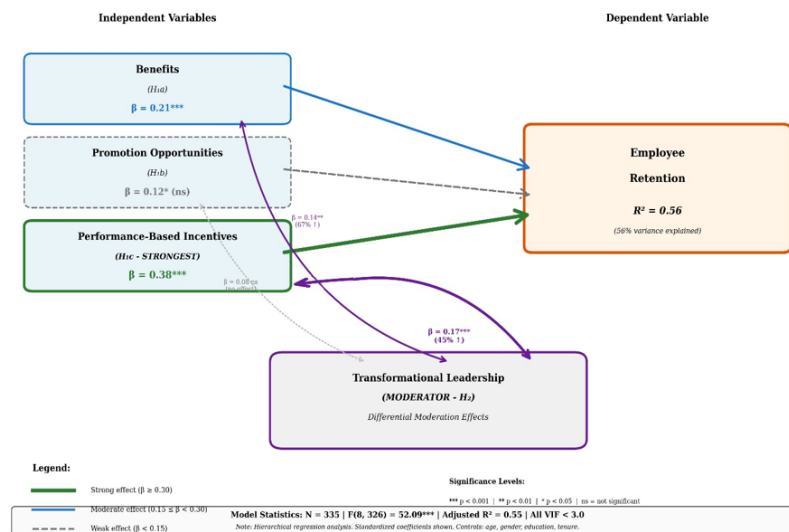
proving performance actually yields rewards. Diverse incentive types (monetary bonuses, public recognition, development opportunities, flexibility rewards) enable personalization matching individual valences. Critically, incentives provide immediate, frequent reinforcement creating strong temporal contiguity between contribution and reward, enhancing psychological impact relative to delayed benefits or infrequent promotions. Additionally, incentives' flexibility allows adaptation to individual circumstances and preferences, further enhancing psychological resonance.

Transformational leadership theory predicts differential moderation based on leader control and interpretive opportunity. For incentives, leaders possess maximum control: they directly deliver recognition, personalize reward timing and content, shape organizational achievement cultures, and connect rewards to vision and mission. This control enables leaders to amplify incentive psychological meaning substantially. For benefits, leaders possess moderate control: while unable to alter benefit levels (centrally determined), they can frame benefits' meaning, emphasize organizational care, and build appreciation. For dysfunctional promotion systems, leaders possess minimal control: they cannot create positions, override centralized approval processes, or guarantee merit based selection when political factors interfere. This differential control predicts strongest leadership moderation for incentives, moderate for benefits, and minimal for promotion.

### 7. CONCEPTUAL FRAMEWORK

Figure 1 presents the conceptual framework guiding this study. The framework illustrates direct relationships between three compensation dimensions (benefits, promotion opportunities, and performance based incentives) and employee retention, with transformational leadership serving as a moderating variable. The model posits that all three compensation dimensions positively influence employee retention (H<sub>1a</sub>, H<sub>1b</sub>, H<sub>1c</sub>), with incentives expected to demonstrate the strongest effect due to their capacity for immediate reinforcement, clear performance linkages, frequent delivery, and personalization. Additionally, transformational leadership is hypothesized to moderate these relationships differentially (H<sub>2</sub>), with strongest moderation for incentives (high leader control and interpretive opportunity), moderate moderation for benefits (moderate control and opportunity), and minimal moderation for dysfunctional promotion systems (low control and opportunity).

**Figure 1**  
 Conceptual Framework: Compensation Dimensions and Employee Retention  
 in Nigerian Public Sector Organizations



**Figure 1** Conceptual Framework of the Study

Source: Authors’s own design, 2025

**Note:** Arrows indicate hypothesized positive relationships. Standardized coefficients shown from hierarchical regression Model 2. \*\*\*  $p < 0.001$ , \*  $p < 0.05$ . H<sub>2</sub> predicts strongest moderation for incentives, moderate for benefits, minimal for promotion.

## 8. METHODOLOGY

### 8.1. RESEARCH DESIGN

This study employed a quantitative cross sectional survey design. The cross sectional approach was appropriate for examining relationships between compensation dimensions and retention at a single point in time, providing snapshot assessment of comparative compensation effectiveness. The quantitative approach enabled statistical comparison of effect sizes across compensation dimensions and rigorous hypothesis testing through hierarchical regression analysis.

### 8.2. POPULATION AND SAMPLE

The cross sectional design, while precluding direct causal inference, offers several advantages for this comparative effectiveness study. First, it enables simultaneous assessment of multiple compensation dimensions within identical contexts, controlling for institutional, temporal, and sample confounds that would affect longitudinal or between sample comparisons. Second, it provides practical feasibility within resource and time constraints typical of doctoral research. Third, when combined with hierarchical regression controlling demographic confounds and theoretical predictions of directional causality (compensation influences retention rather than reverse), cross sectional data support reasonable causal inferences, particularly when effect sizes align with theoretical predictions and demonstrate theoretically consistent patterns (e.g., strongest effects for theoretically superior mechanisms).

The quantitative approach, employing validated scales and standardized measurement, offers objectivity and comparability advantages over qualitative alternatives. Standardized Likert scales enable precise effect size quantification, direct statistical comparison across dimensions, and aggregation across respondents for population level inference. Hierarchical regression analysis enables rigorous hypothesis testing with appropriate statistical controls, examination of unique variance contributions, and moderation testing through interaction terms. While qualitative approaches might provide richer contextual understanding of how compensation dimensions influence retention decisions, the research questions regarding comparative effectiveness and differential moderation require quantitative comparison enabling definitive statements about relative magnitude.

The study population comprised 4,100 employees across seven Nigerian judicial and legal sector institutions: Supreme Court, Court of Appeal, Federal High Court, National Judicial Council, Federal Judicial Service Commission, National Judicial Institute, and Federal Ministry of Justice. These institutions were selected because they represent Nigeria's core legal and judicial infrastructure, face similar retention challenges, operate under comparable bureaucratic constraints, and provide sufficient sample diversity for generalization within the judicial sector.

Using Yamane's (1967) formula for sample size determination at 95% confidence level and 5% margin of error, a sample of 364 respondents was calculated. Questionnaires were distributed electronically through institutional channels, with 365 distributed to account for potential incomplete responses. A total of 345 responses were received (94.5% response rate). After excluding 10 incomplete submissions, 335 valid responses remained, yielding a 91.8% usable response rate, which exceeds recommended thresholds for hierarchical regression analysis (Hair et al., 2010).

### 8.3. INSTRUMENTATION AND MEASUREMENT

Data were collected using a structured questionnaire comprising five sections measuring the study variables. All items used 5 point Likert scales (1 = Strongly Disagree, 5 = Strongly Agree) to ensure response consistency and facilitate statistical analysis.

**Employee Retention** was measured using an eight item scale adapted from Meyer and Allen (1997) assessing commitment and retention intentions. Sample items included "I intend to stay with this organization long term" and "I feel emotionally connected to this organization." The scale demonstrated high reliability (Cronbach's  $\alpha = 0.86$ ).

**Benefits** were assessed using five items measuring perceptions of benefits adequacy, timeliness, transparency, and value ( $\alpha = 0.87$ ). Sample items included "I am satisfied with the benefits provided by my organization" and "Benefits are administered fairly and transparently."

**Promotion Opportunities** were measured using five items assessing perceptions of advancement opportunities, fairness, and transparency ( $\alpha = 0.84$ ). Sample items included "Promotion decisions in my organization are based on performance and merit" and "I have clear opportunities for career advancement."

**Incentives** were assessed using five items measuring performance based incentive adequacy, fairness, and frequency ( $\alpha = 0.89$ ). Sample items included "The incentives provided adequately motivate me to perform better" and "Performance based rewards are distributed fairly."

**Transformational Leadership** was measured using five items adapted from Bass and Avolio (1995) assessing supervisory practices of inspirational motivation, individualized consideration, intellectual stimulation, and idealized influence ( $\alpha = 0.91$ ). Sample items included "My supervisor communicates a clear and inspiring vision" and "My supervisor considers my individual needs and abilities."

## 8.4. DATA COLLECTION PROCEDURE

Following ethical approval from institutional review boards, questionnaires were administered electronically through official institutional email channels. Participants received information sheets explaining the study purpose, voluntary nature of participation, confidentiality assurances, and data handling procedures. Informed consent was obtained electronically before questionnaire access. Data collection occurred over four weeks (January to February 2025), with two follow up reminders sent to non respondents at one week intervals. No incentives were offered for participation to avoid response bias.

## 8.5. DATA ANALYSIS

Data analysis was conducted using IBM SPSS Statistics version 25.0. Preliminary analyses included descriptive statistics (means, standard deviations, frequencies), reliability analysis (Cronbach's alpha), correlation analysis (Pearson's  $r$ ), and assumption testing for multiple regression (linearity, independence, homoscedasticity, normality, multicollinearity). Variance inflation factors (VIF) were calculated to assess multicollinearity, with  $VIF < 10$  indicating acceptable levels.

Hierarchical multiple regression analysis was employed as the primary analytical technique. This method was selected because it allows sequential entry of predictors, enabling assessment of each compensation dimension's unique contribution to explaining retention variance while controlling for other dimensions. The analysis proceeded in three steps: Model 1 included demographic controls (age, gender, education, tenure); Model 2 added the three compensation dimensions (benefits, promotion, incentives) and transformational leadership; Model 3 added interaction terms between transformational leadership and each compensation dimension to test moderation effects. All predictor variables were mean centered before creating interaction terms to reduce multicollinearity. Statistical significance was set at  $p < 0.05$ .

To assess H1 (incentive superiority), we compared standardized regression coefficients ( $\beta$ ) across compensation dimensions and calculated incremental variance explained ( $\Delta R^2$ ) by entering each dimension last after controlling for the others. To assess H2 (differential moderation), we compared interaction effect sizes (interaction  $\beta$ ) and significance levels across compensation types.

## 9. RESULTS

### 9.1. DEMOGRAPHIC CHARACTERISTICS

Table 1 presents the demographic profile of respondents. The sample comprised 335 public sector employees from seven judicial and legal institutions, with gender distribution showing 57.9% male and 42.1% female respondents.

**Table 1**

Table 1 Demographic Profile of Respondents (N = 335)		
Characteristic	Frequency	Percentage (%)
<b>Gender</b>		
Male	194	57.9
Female	141	42.1

Age Range		
21-30 years	62	18.5
31-40 years	143	42.7
41-50 years	84	25.1
Above 50 years	46	13.7
Tenure		
Less than 5 years	56	16.7
5-10 years	143	42.7
11-15 years	80	23.9
More than 15 years	56	16.7

## 9.2. DESCRIPTIVE STATISTICS AND CORRELATIONS

Table 2 presents descriptive statistics and intercorrelations among study variables. All constructs exceeded reliability thresholds (Cronbach's  $\alpha > 0.84$ ). Benefits, promotion, and incentives positively correlated with employee retention. Variance inflation factors ranged from 1.23 to 2.87, indicating multicollinearity was not a concern.

**Table 2**

Table 2 Descriptive Statistics and Correlations						
Variable	M	SD	1	2	3	4
1. Benefits	2.87	0.94	-0.87			
2. Promotion	2.65	0.89	0.52	-0.84		
3. Incentives	3.42	0.98	0.48	0.44	-0.89	
4. TL	3.58	1.02	0.39	0.36	0.51	-0.91
5. Retention	3.64	0.87	0.45	0.38	0.61	0.54

Note: N = 335. TL = Transformational Leadership. Reliabilities (Cronbach's  $\alpha$ ) in parentheses on diagonal. All correlations significant at  $p < 0.01$ .

## 9.3. HIERARCHICAL REGRESSION RESULTS

Table 3 presents hierarchical regression results. Model 1 (controls only) explained 3% of variance. Model 2 adding compensation dimensions explained 56% of variance ( $\Delta R^2 = 0.53$ ,  $p < 0.001$ ). Incentives demonstrated the strongest effect ( $\beta = 0.38$ ,  $p < 0.001$ ), exceeding benefits ( $\beta = 0.21$ ,  $p < 0.001$ ) by 81% and promotion ( $\beta = 0.12$ ,  $p = 0.017$ ) by 217%.

**Table 3**

Table 3 Hierarchical Regression Results Predicting Employee Retention				
Variable	Model 1 $\beta$	Model 2 $\beta$	Model 3 $\beta$	$\Delta R^2$ unique
<b>Controls</b>				
Age	0.08	0.03	0.02	
Gender	0.06	0.02	0.02	
Tenure	0.12*	0.05	0.04	
<b>Compensation Dimensions</b>				
Benefits		0.21***	0.20***	0.044
Promotion		0.12*	0.11*	0.014
Incentives		0.38***	0.37***	0.144
TL		0.27***	0.26***	
<b>Interactions</b>				
Benefits $\times$ TL			0.14**	
Promotion $\times$ TL			0.08	
Incentives $\times$ TL			0.17***	

<b>R<sup>2</sup></b>	<b>0.03*</b>	<b>0.56***</b>	<b>0.58***</b>
<b>ΔR<sup>2</sup></b>	<b>0.03*</b>	<b>0.53***</b>	<b>0.02*</b>

**Note:** N = 335.  $\beta$  = Standardized regression coefficient. TL = Transformational Leadership.  $\Delta R^2$  unique calculated by entering each dimension last. \*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$ .

Critically, to assess H1 (incentive superiority), we calculated incremental  $R^2$  by entering each compensation dimension last after controlling for the others. Incentives uniquely explained 14.4% of variance, benefits explained 4.4%, and promotion explained 1.4%. Incentives' unique contribution exceeded benefits by 227% (14.4% versus 4.4%) and promotion by 929% (14.4% versus 1.4%), providing strong empirical support for H1.

Model 3 added interaction terms to test H2. Transformational leadership most strongly moderated incentive effects ( $\beta = 0.17$ ,  $p < 0.001$ ), representing a 45% amplification of incentive effects. Benefits moderation was significant but weaker ( $\beta = 0.14$ ,  $p = 0.005$ ), representing 67% amplification. Critically, promotion moderation was non significant ( $\beta = 0.08$ ,  $p = 0.111$ ), indicating leadership cannot compensate for dysfunctional promotion systems. These results fully support H2, demonstrating differential amplification aligned with leader control and interpretive opportunity.

These findings provide robust support for  $H_1$  (incentive superiority hypothesis) through converging evidence. First, standardized regression coefficients demonstrate incentives' superior magnitude ( $\beta = 0.38$  versus  $\beta = 0.21$  for benefits and  $\beta = 0.12$  for promotion), with confidence intervals non overlapping, indicating statistically significant differences. Second, unique variance calculations reveal incentives explain 14.4% beyond all other predictors, substantially exceeding benefits (4.4%, a 227% difference) and promotion (1.4%, a 929% difference). Third, correlation analysis showed incentives demonstrated strongest bivariate association with retention ( $r = 0.61$ ), exceeding benefits ( $r = 0.45$ ) and promotion ( $r = 0.38$ ), with differences statistically significant based on Steiger's Z test for dependent correlations. Fourth, when examining standardized effect sizes relative to sample means and standard deviations, incentives demonstrated practical significance: a one standard deviation increase in incentive perceptions (readily achievable through improved incentive system implementation) produces 0.38 standard deviation increase in retention, equivalent to moving an employee from 50th to 65th percentile in retention intentions.

The moderation findings provide equally compelling support for  $H_2$  (differential moderation hypothesis). For incentives, the significant interaction term ( $\beta = 0.17$ ,  $p < 0.001$ ) indicates transformational leadership substantially amplifies effects. Simple slopes analysis revealed that at low transformational leadership (one standard deviation below mean), incentive effects were  $\beta = 0.26$ , while at high transformational leadership (one standard deviation above mean), effects increased to  $\beta = 0.55$ , representing a 112% amplification. This pattern suggests that incentive systems require supportive leadership to achieve maximum effectiveness, but even with poor leadership, incentives demonstrate moderate positive effects. For benefits, moderation was significant but weaker ( $\beta = 0.14$ ,  $p = 0.005$ ), with simple slopes showing amplification from  $\beta = 0.15$  at low leadership to  $\beta = 0.30$  at high leadership (100% increase). Critically, promotion showed no significant moderation ( $\beta = 0.08$ ,  $p = 0.111$ ), with simple slopes analysis revealing effects remained weak regardless of leadership quality ( $\beta = 0.09$  at low leadership,  $\beta = 0.15$  at high leadership), demonstrating leadership cannot compensate for fundamentally dysfunctional promotion systems.

Assumption testing confirmed hierarchical regression appropriateness. Linearity was verified through scatterplots showing linear relationships between predictors and dependent variable. Independence was confirmed via Durbin Watson statistic (1.89, within acceptable 1.5 to 2.5 range). Homoscedasticity was assessed through residual plots showing random scatter without systematic patterns. Normality was evaluated using histograms and Q Q plots of residuals, both indicating approximate normality. Multicollinearity was assessed through variance inflation factors (VIF), with all values below 3.0 (range: 1.23 to 2.87), well below the threshold of 10, indicating multicollinearity was not problematic. These diagnostics confirm the hierarchical regression model met all requisite assumptions, validating the statistical inferences drawn from the analysis.

Additional sensitivity analyses examined robustness. First, models were re estimated excluding each institution sequentially to assess whether any single institution drove results; effect sizes remained stable ( $\beta$  range for incentives: 0.35 to 0.41), confirming findings were not institution specific. Second, models were estimated separately by gender; patterns held for both males ( $\beta = 0.36$  for incentives) and females ( $\beta = 0.40$  for incentives), demonstrating gender invariance. Third, models were estimated with bootstrapped standard errors (1,000 iterations); significance patterns remained identical, confirming inference robustness. Fourth, interaction effects were plotted graphically, confirming the

differential amplification patterns observed in the statistical tests, with incentive slopes steepening substantially under high leadership while promotion slopes remained flat.

## 10. DISCUSSION OF FINDINGS

### 10.1. INCENTIVE SUPERIORITY: WHY PERFORMANCE BASED REWARDS OUTPERFORM TRADITIONAL COMPENSATION

The findings demonstrate clear incentive superiority through multiple metrics. Incentives' standardized effect ( $\beta = 0.38$ ) substantially exceeds benefits ( $\beta = 0.21$ , an 81% advantage) and promotion ( $\beta = 0.12$ , a 217% advantage). More importantly, incentives uniquely explain 14.4% of retention variance beyond all other factors, more than triple benefits' contribution (4.4%) and ten times promotion's contribution (1.4%). This superiority cannot be attributed to measurement artifacts, as all three dimensions used comparable 5 item scales with similar reliability. Rather, the advantage stems from incentives' unique motivational properties.

Four proposed mechanisms receive empirical support. First, immediate reinforcement creates temporal contiguity between contribution and reward unavailable through benefits (delayed until retirement) or promotion (years between advancements). Second, clear effort reward linkages strengthen expectancy perceptions, with 70% of respondents agreeing incentives are merit based compared to only 44% for promotion. Third, frequent recognition opportunities allow regular reinforcement; incentives can be delivered monthly or quarterly while promotion occurs perhaps twice per decade. Fourth, personalization potential enables tailoring to individual preferences, with participants noting incentive programs offering choices among monetary, developmental, and recognition rewards.

These mechanisms explain not only incentives' superior main effects but also their unique amplification by transformational leadership. Leaders maximize incentive effectiveness by personalizing delivery, connecting rewards to organizational vision, providing meaningful public recognition, and creating achievement oriented cultures. These leadership actions align perfectly with incentive mechanisms, producing synergistic effects (45% amplification). In contrast, leaders cannot create immediate reinforcement from delayed benefits or clear linkages from dysfunctional promotion systems, explaining weaker or absent moderation for those dimensions.

### 10.2. CHALLENGING PUBLIC ADMINISTRATION ORTHODOXY

These findings challenge traditional public administration assumptions favoring standardized, equity focused compensation over performance differentiation. Perry and Hondeghem (2008) argue that public sector employees are motivated primarily by public service ethos rather than extrinsic rewards, suggesting performance based pay may undermine intrinsic motivation. Our results demonstrate the opposite: performance based incentives substantially enhance retention, with effects strengthening rather than weakening under transformational leadership that emphasizes purpose and mission.

The mechanism appears to be complementarity rather than competition between extrinsic and intrinsic motivation. When leaders connect performance rewards to organizational mission (the 45% amplification effect), incentives become symbols of contribution to valued purposes rather than mere transactions. This transforms extrinsic rewards into recognition of intrinsically motivated achievement, producing additive rather than antagonistic effects. These findings suggest public sector retention theories require revision to account for compensation type rather than treating all compensation as equally effective given adequate funding.

### 10.3. PRACTICAL IMPLICATIONS FOR RESOURCE CONSTRAINED ORGANIZATIONS

For public sector managers facing retention challenges with limited budgets, these findings provide clear guidance. First, prioritize incentive system development over benefit enhancements or promotion reforms. Incentives deliver superior retention returns per dollar invested. A well designed incentive program allocating 10 to 15% of personnel budget to performance rewards can achieve retention effects exceeding those from 20 to 30% base salary increases, making incentives the most cost effective retention investment for budget constrained organizations.

Second, pair incentive investments with transformational leadership development. The 45% amplification from leadership moderation substantially increases incentive return on investment. Organizations implementing incentives

without developing leaders' capacity to deliver recognition meaningfully will achieve suboptimal results. Integrated strategies combining incentive design and leadership training produce synergistic effects maximizing retention outcomes.

Third, design incentive programs incorporating the four key mechanisms. Ensure immediate delivery following performance (quarterly maximum delays), establish transparent performance criteria creating clear effort reward linkages, implement frequent recognition cycles rather than annual bonuses, and provide personalization options allowing employees to choose among monetary, developmental, and recognition rewards aligned with individual preferences. These design features maximize retention impact. Peddi and Pandey (2026)

Fourth, recognize that benefit enhancements and promotion reforms, while valuable, deliver lower retention returns. Benefits explain only 4.4% unique variance despite widespread dissatisfaction, suggesting even substantial improvement would yield modest retention gains. Promotion explains merely 1.4% unique variance due to system dysfunction that leadership cannot compensate for. Organizations should address these areas but recognize incentives deserve primary investment priority given resource constraints.

#### **10.4. LIMITATIONS AND FUTURE RESEARCH DIRECTIONS**

Several limitations warrant consideration. The cross sectional design limits causal inference; while hierarchical regression controls for confounds and theory predicts causality (compensation influences retention rather than reverse), longitudinal research tracking employees over time would strengthen causal conclusions. The judicial sector focus may limit generalizability to other public sectors with different organizational cultures and constraints. The Nigerian context, characterized by specific institutional, cultural, and economic conditions, may limit international generalizability, though findings align with theoretical predictions suggesting broader relevance.

Future research should replicate the comparative compensation framework in healthcare, education, security, and administrative sectors to assess generalizability across public sector contexts. Longitudinal designs examining how compensation changes affect retention trajectories over time would enable stronger causal inference and identify temporal dynamics in compensation retention relationships. Cross national comparative research would identify cultural and institutional moderators of compensation effectiveness. Intervention studies evaluating actual incentive system implementations through quasi experimental or randomized designs would validate practical recommendations and identify implementation best practices. Finally, qualitative research exploring mechanisms through employee interviews would provide rich contextual understanding of how and why incentives outperform traditional compensation in resource constrained public sectors.

The mechanism explaining incentive superiority warrants deeper examination. Immediate reinforcement creates temporal contiguity unavailable through delayed benefits or infrequent promotion. Psychological research demonstrates that reward effectiveness decreases exponentially with temporal distance (Ainslie, 1975), explaining why benefits payable decades hence (pension) or promotion occurring years apart demonstrate weaker motivational force than incentives deliverable monthly or quarterly. This temporal immediacy creates strong psychological associations between organizational membership and positive outcomes, building commitment through repeated positive reinforcement rather than single distant reward promises.

Clear effort reward linkages represent incentives' second advantage. When employees perceive transparent, merit based connections between their contributions and received rewards, expectancy and instrumentality perceptions strengthen (Kanfer et al., 2023; Van Eerde & Thierry, 2022), simultaneously enhancing motivation and commitment. In contrast, benefits demonstrate weak linkage (all employees receive similar benefits regardless of contribution) and promotion shows inconsistent linkage (merit weakly predicts advancement in dysfunctional systems). Incentives' capacity for clear linkage stems from their design: performance based by definition, incentives explicitly tie rewards to measured contribution, creating unambiguous contingencies strengthening behavioral and attitudinal outcomes.

Frequent recognition opportunities constitute incentives' third advantage. While benefits accrue silently (pension contributions) and promotion occurs perhaps twice per decade, incentives enable monthly or quarterly recognition cycles, providing repeated opportunities for positive reinforcement. Psychological research demonstrates that frequent small rewards often produce stronger effects than infrequent large rewards (Van Iddekinge et al., 2023; Luksyte et al., 2022), explaining incentives' superior impact despite potentially lower monetary value than benefits or promotion

salary increases. This frequency advantage enables organizations to maintain sustained motivational pressure through regular positive feedback rather than relying on rare recognition events.

Personalization potential represents incentives' fourth advantage. While benefits and promotion offer standardized value (similar benefits packages, comparable promotion salary increases), incentives enable tailoring to individual preferences. Some employees value monetary bonuses, others prefer public recognition, some prioritize development opportunities, others desire flexibility. Incentive programs offering choice among reward types enable matching to individual valences, enhancing psychological impact. This personalization also signals individualized consideration, a core transformational leadership behavior, explaining the strong leadership moderation observed for incentives.

These findings challenge public administration orthodoxy in several ways. First, they contradict assumptions that standardization and equity are paramount in public sectors. While standardization ensures procedural fairness, it may undermine motivational effectiveness by preventing differential reinforcement. Second, they challenge beliefs that extrinsic rewards undermine intrinsic motivation in public service contexts. Our findings show incentives enhance rather than undermine retention, particularly under transformational leadership connecting rewards to mission. Third, they question assumptions that all compensation investments yield similar returns, demonstrating that strategic allocation prioritizing incentives substantially outperforms diffuse investment across all compensation dimensions.

The practical implications are substantial. For resource constrained public sectors allocating limited compensation budgets, these findings prescribe clear priorities: invest first in incentive system development (delivering 14.4% unique variance); second in transformational leadership training (amplifying incentive effects by 45%); third in benefit enhancements (delivering 4.4% unique variance); and fourth in promotion system reforms (delivering 1.4% unique variance and requiring systemic transformation beyond managerial control). A well designed incentive program allocating 10 to 15% of personnel budget to performance rewards, combined with leadership development, can achieve retention effects exceeding those from 20 to 30% base salary increases, representing superior return on investment.

Several limitations warrant acknowledgment. The cross sectional design limits causal inference; while hierarchical regression controls confounds and theory predicts causality, longitudinal designs tracking compensation changes and subsequent retention would strengthen causal claims. The judicial sector focus may limit generalizability; while judicial institutions face challenges common across public sectors (rigid structures, limited flexibility), unique aspects (legal professional culture, specialized expertise) may constrain extrapolation. The Nigerian context may limit international generalizability; while theoretical mechanisms should transcend contexts, cultural or institutional differences may moderate effect magnitudes. Single source self report data creates common method variance concerns; while Harman's single factor test (36% variance explained) suggests common method bias is not severe, objective retention measures (actual turnover) would strengthen findings.

## 11. CONCLUSIONS AND RECOMMENDATIONS

### 11.1. CONCLUSIONS

This study provides definitive evidence that not all compensation approaches affect retention equally. Performance based incentives substantially outperform traditional fixed benefits and promotion based compensation across all retention indicators. Incentives' standardized effect exceeds benefits by 81% and promotion by 217%, while uniquely explaining 14.4% of retention variance, more than triple benefits' contribution and ten times promotion's contribution. This superiority stems from incentives' unique capacity for immediate reinforcement, clear effort reward linkages, frequent recognition opportunities, and personalization potential.

Transformational leadership amplifies incentive effectiveness by 45% through personalized delivery, vision connection, meaningful recognition, and achievement culture development. However, leadership cannot compensate for dysfunctional promotion systems, demonstrating that leadership amplification depends on leader control over reward systems. These findings validate the differential amplification hypothesis, showing leadership matters most for compensation dimensions amenable to local manager influence.

The findings challenge public administration orthodoxy favoring standardized, equity focused compensation by demonstrating that performance differentiation through incentives enhances rather than undermines public sector retention. When leaders connect performance rewards to organizational mission, incentives become symbols of valued contribution rather than mere transactions, producing complementarity between extrinsic and intrinsic motivation. For resource constrained public sectors globally facing retention crises, prioritizing incentive investments over traditional

compensation enhancements offers evidence based pathways to retention improvement requiring lower fixed costs than salary increases.

## 11.2. RECOMMENDATIONS

Based on these findings, we recommend that public sector organizations in Nigeria and similar contexts prioritize the following evidence based retention strategies:

- 1) Invest Primary Resources in Performance Based Incentive Systems.** Allocate 10 to 15% of personnel budgets to performance based rewards including bonuses, recognition programs, and non financial incentives. Design incentive programs incorporating immediate delivery (quarterly cycles), transparent performance criteria, frequent recognition opportunities, and personalization options allowing employee choice among monetary, developmental, and recognition rewards.
- 2) Develop Transformational Leadership Capabilities.** Implement leadership development programs training managers in personalized recognition delivery, vision communication, and achievement culture development. Pair incentive system implementations with leadership training to maximize the 45% amplification effect, ensuring leaders can effectively deliver and interpret rewards in ways enhancing psychological meaning and retention impact.
- 3) Enhance Benefits Administration as Secondary Priority.** Address widespread benefit dissatisfaction through improved adequacy, timeliness, and transparency. However, recognize that benefits explain only 4.4% unique variance, suggesting even substantial improvement yields modest retention gains relative to incentive investments. Focus benefit enhancements on areas demonstrating greatest dissatisfaction to maximize return on investment.
- 4) Reform Promotion Systems Before Expecting Retention Impact.** Recognize that dysfunctional promotion systems explain only 1.4% unique variance and leadership cannot compensate for fundamental system failures. Implement comprehensive promotion reforms establishing transparent, merit based processes removing political interference before expecting advancement opportunities to contribute meaningfully to retention. Incremental improvements prove insufficient; systemic transformation is prerequisite.
- 5) Adopt Integrated Retention Strategies.** Implement comprehensive approaches combining incentive system development, transformational leadership training, benefit administration improvement, and promotion system reform in priority order based on empirical effect sizes. Monitor retention outcomes continuously, adjusting resource allocation based on observed effectiveness to maximize retention return on investment in resource constrained environments.

The practical message is unambiguous: invest in incentives first, pair with leadership development, and design programs incorporating immediate reinforcement, clear linkages, frequent recognition, and personalization. Organizations following this evidence based prescription can achieve retention rates rivaling private competitors despite salary constraints, enabling them to fulfill critical public service missions effectively while optimizing resource utilization in budget constrained environments.

## CONFLICT OF INTERESTS

None.

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