

AN EXAMINATION OF THE CORRELATIVE IMPACT OF
WAGES AND SALARIES ADMINISTRATION ON EMPLOYEE
JOB PERFORMANCE AND SURVIVAL OF FAMILIES IN
NIGERIA: AN OPINION SURVEY

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Abstract

It is no doubt that wages and salaries are the life-blood of the Nigerian economy. Wages and salaries administration program triggers employee performance. This paper aimed at investigating the correlative impact of wages and salaries administration on employee job performance and survival of families in Nigeria. The study adopted both primary and secondary method of gathering reliable and adequate data and information. The primary method includes the personal interview and questionnaire administered to the sampled population; and the secondary methods includes textbooks, journals, news papers and internets. Taro Yamani sampling method was used for the determination of sample size, and Bowler's proportional allocation method to distribute questionnaires in the selected organizations in Nigeria. This study analyzed the data collected with percentage method, tables and used the Likert Scaling method for hypothesis testing. The study revealed that poor wages and salaries administration program can affect employee job performance negatively. The study therefore concluded that wages and salaries administration has a correlative impact on employee job performance and survival of families in Nigeria. The study then recommended that the issue of wages and salaries should be addressed by human resource managers as a key strategic issue, and that wages and salaries policies should reflect the dynamic nature of the economy.

Keyword: Wages and salaries, Administration, Policy, Employee job performance

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Introduction

The issue of wages and salaries is an imperative subject matter of every economy. Wages and salaries of employees form the basis upon which economies premise for survival, whether directly or indirectly. The economies of the countries in most developing countries in Africa are the fact files of how average earnings flow, the level of contentment about pay, clamour for reasonable pay increment and so on.

One sensitive and complex area of human resource function is the compensation of employee. Unlike what is obtainable in developed countries, where money is theorized not to be a motivator, Nigerians survive in their economy with the penny they receive as either wages or salaries. The issue of wages and salaries when tampered with may often provoke industrial action. This is also observable in other developing countries of the world.

Employees and their roles are very essential in goal achievement if managers would be careful of leaving no corpse on their management path, (Sule et al, 2014). These employees form the basic strength required of any organization to compete effectively in a competitive environment. They have their economic interest for providing service necessary for organizational growth and achievement of objective. This particularly muscles struggle by employees to pursue and ensure that such interest is not overridden by their employers.

According to Obisi, et al (n.d), employee compensation is the reward or payment for the services rendered by the employee - which may be in cash or in kind or both. Akoh (2005) buttressed this by saying that wages and salaries to employees are the rewards for work done, therefore, such employees major means of economic survival as well as the major determination of their influences and status in society. The effective administration program of wages and salaries has implication on employee job performances and the economy as a whole.

Objectives of The Study

In the course of ascertaining the impact of wages and salaries administration on employee job performances and how various families cope in line with the dynamic nature of the Nigerian economy, this study therefore investigate whether:

- i. Poor wages and salaries administration program can affect employee job performances
- ii. Change in wages and salaries structure can affect the living standard of families in Nigeria; and
- iii. Wages and salaries are the life-blood of the Nigerian economy

Research Hypothesis

This study drew up a hypothesis which will be tested to ensure a valid argument and divorce the research from been bias concerning the objective one above. The hypothesis therefore states that:

H_0 : Poor wages and salaries administration program cannot affect employee job performances negatively

H_1 : Poor wages and salaries administration program can affect employee job performances negatively

Review of Relevant Literature

The issue of wages and salaries is a central task of human resource manager which can establish good employer-employee relations, enhance tranquility and motivate employees to improve commitment towards achieving organizational objective. According to Faloye (2003), the main functions of human resource department come under seven heading viz:

- i. Staffing
- ii. **Wages and salaries administration**
- iii. Training and development
- iv. Health and safety
- v. Labour relations
- vi. Employee welfare
- vii. Performance appraisal or job evaluation

Wages and salaries administration

Wages and salaries are defined as the total remuneration, in cash or in kind, payable to all persons counted on the payroll (including home workers), in return for work done during the accounting period regardless of whether it is paid on the basis of working time, output or piecework and whether it is paid regularly or not (OECD, 2002). Nwachukwu (2000) and Ogunbameru (2004) opined that wage and salary administration refers to the development, implementation and on-going maintenance of a base pay system. In relation to Nigeria, wage and salary administration activities refer to all those processes, strategies, plans and schemes that give rise to pay policies, (Agburu, 2012). Wages and salaries administration therefore involves the proper and lawful compensation of an organization's employees with regard to an accepted policy and procedures.

An important component of a successful organization's policy for administering salaries and wages is monitoring and evaluating all employees' compensation to ensure that they are being paid appropriately, both with respect to others in the same organization and to the marketplace as a whole, (wiseGEEK,2014). Faloye **ibid** expressed that wages and salaries involve the maintenance of organizationally accepted wages structure, authorization of changes in individual rates, observance of statutory requirement, authorization of deduction from wages, job evaluation, leave pay, collective bargaining, work load and individual efficiencies, etc. Edwards (2014) argued that wage and salary administration includes the following tasks:

- Entering pay changes for individual employees
- Working with salary review groups
- Working with pay grade step administration
- Reviewing the Employee Salary Analysis report

The administrative system of wages and salaries must comprehensively take into consideration some features of wages and salaries in order to achieve its balance. Nwachukwu (2000), and Ngu, (2005) therefore identified these features as follows:

- i. The wage rates that prevail in the local market and in the industry. The main purpose here is that it will ensure that the company remains competitive.
- ii. The internal alignment of wages to ensure equity.

- iii. Recognizing for individual Performance. Although two individual workers may have identical qualification and/or experience, one may earn higher than the other due to his superior performance.
- iv. Taking care of individual incentives. That is, incentives that:
 - i. Are easy to administer;
 - ii. Whose results reflect the efforts of the individual;
 - iii. Make the computation of reward easy; and
 - iv. Equate reward with the effort expected.

Objectives of wages and salaries administration

The primacy of wage and salary administration can be viewed in its establishment and maintenance of fair wage and salary structure. In other words, if wage and salary administration is integrated with viable policy and procedure, it can:

- i. Attract a pool of talents and equally retain them.
- ii. Help to achieve employees pay according to the content and difficulty of the job.
- iii. Help to reward employees according to their performance, commitment and merit.
- iv. Serve as a morale booster and increase the level of productivity (ratio of output to input).
- v. Serve as a tactical performance re-engineering tool
- vi. Serve as a promoter of employee ego and corporate image
- vii. Mechanism for the achievement of corporate objective.
- v. Satisfy employee as to how and why they are paid.

Factors Affecting Wages Policy in Nigeria

Organizations must be proactive rather than being reactive to the issues bordering around wages and salaries. It is much costly to be reactive based on economic pressure. This is because, the organization's budget may be inevitably affected by the financial interruption not dully anticipated. Wages and salaries policy should be flexible enough and correlate with the dynamic nature of the economy. Akoh (2005) listed and explain six factors affecting wages policy as:

- i. **Supply or Demand for Labour.**

This affects the wage policy. From the capitalist point of view, labour among other factors of production is the most essential to get things done and upright. It is viewed

- from this perspective that its add and less becomes an important factor determining wages policies.
- ii. **Ability to Pay**
The wage policy of an organization is to a large extent determined by his economic standing and the ability to pay. If a firm is highly prosperous it will not only pay the competitive rates but may even choose to adopt a policy of paying above the competitive rate in order to attract a superior caliber of personnel.
 - iii. **Cost of Living**
Cost of living has been and will persistently be major determinant of wage policy. When there is a rise in cost of living, workers also mount pressures on their employers to make up review of wages.
 - iv. **Productivity**
It is generally accepted that wages have to bring some relationship to productivity. If wages diverge significantly from productivity, it causes either inflation or unemployment.
 - v. **Comparable Wages**
Most firms based their wages policy on what obtains in other firms of comparable worth. That is, the wages paid by other employers for the same type of work. The drawback to its use is difference in industries and job contents.
 - vi. **The bargaining theory of wages**
One of the theories enjoying support today is the bargaining theory. This holds that the level of wages is determined by the relative strength of workers and employers in bargaining with each other. Where worker's bargaining strength is weak, wages tends to be low, where a union is strong and employers weak (from a bargaining rather from a financial standpoint) the bargaining theory predicts wage increase, ceteris paribus.

This research paper gathered from the opinions of employees, some of the factors causing variations in the wages and salaries structure of their organizations, and these are:

- i. The analysis of the job
- ii. The demand of the job

- iii. Employee performance evaluation
- iv. Employee credible initiative and innovativeness
- v. Employee commitment
- vi. Employee qualification, prowess and experience.

Impact Of Wages And Salaries Administration On Employee Performance

There is a growing belief due to series of research outcomes that salary has a low effect on employee performance. Chamorro-Premuzic (2013) argued and concluded that pay (wage and salary) has weak effect on employee satisfaction. This may be partly right following the healthiness of the economic situation and the feasibility of survival among individual citizens of a country.

Research outcomes concerning wages and salaries impact on employee performance must take the economy of developing countries into consideration before generalization is made. The case of wages and salaries in Nigeria as one of the developing countries of the world is highly disapproving. This made Egbule (2014) pinpointed that wages and salaries is to a large extent, the life-blood of the economy, and wage related issues are common causes of industrial relations instability in Nigeria. Employees need to defend their economic interest hitherto with the changing index of the economy such as increase in inflation rate, high tax rate, etc. Many employees in developing countries still live on less than one dollar per day, and need to pay up bills. Employees who are lucky working for reputable organizations in Nigeria protect their jobs jealously and increase performances to increase financial rewards. The Nigerian minimum wage of ₦18000 (approximate 110 dollars) indisputably has a mediocre purchasing power to cater for families' daily bills. If employees are motivated with high pay, they will feel relieved and cope with the cost of living. This made Carr (2011) expressed that plentiful evidences in the research literature that poor pay has a negative effect on the performance of public servants, and is a core factor in worker de-motivation.

Methodology

This study used both primary and secondary data for gathering reliable and adequate data and information. The primary sources of data include the personal interview and structured questionnaire administered to the sampled area. The researchers systematically selected four

organizations. The population from which sample size is determined is Achievers Secondary School-25, Shelter-62, Finest Yoghurt- 46, Tarbagin Hotel-45.

Taro Yamani sampling method was adopted to determine the sample size, and Bowler's proportional allocation formula to distribute questionnaires to the selected organization in Sango Ota, Ogun State, Nigeria. This research study analyzed the data collected with Likert Scaling method, percentages and tables.

$$\text{Likert Scale Formula} = \frac{\sum FX}{N}$$

where $\sum FX$ = weighted sum of frequencies and N = Total Response.

$$\text{Mean Point of Scale} = \frac{\sum X}{n}$$

where $\sum X$ = sum of nominal value and n = Number of responses categories

Cut-off Point = Mean + e where e = error term i.e. 5% (0.05)

Taro Yamani formula:

$$n = \frac{N}{1 + N(e)^2}$$

Where n = sample size; N = Population of the study; Error estimate at 5% (0.05); 1 = Constant.

$$= \frac{178}{1 + 178(0.05)^2} = \frac{178}{1 + 178(0.0025)} = \frac{178}{1 + 0.445} = \frac{178}{1.445} = 123.183391 = 123$$

Bowler's Proportional Allocation formula

$$n1 = \frac{n(n1)}{N}$$

Where n = Overall sample size; $n1$ = Population of metropolis; N = The Total Population

$$\text{Achievers} = \frac{123(25)}{178} = 17$$

$$\text{Shelter} = \frac{123(62)}{178} = 43$$

$$\text{Finest} = \frac{123(46)}{178} = 32$$

$$\text{Tarbagin} = \frac{123(45)}{178} = 31$$

Data Analysis and Discussion of Findings

Table 1: Table Showing The Age Bracket Of Respondents

Respondents Age Bracket										
Age	Achievers		Shelter		Finest		Tarbagin		Total	
	Response	%	Response	%	Response	%	Response	%	Response	%
18-25	6	4.87	7	5.69	10	8.13	5	4.06	28	22.78
26-33	8	6.50	10	8.13	15	12.19	13	10.56	46	37.4
34-41	3	2.43	21	17.07	2	1.62	4	3.25	30	24.4
42-49	-	-	5	4.06	-	-	6	4.87	11	8.9
50 and above	-	-	-	-	5	4.06	3	2.43	8	6.5
	17	13.8	43	35	32	26	31	25.2	123	100

Field Survey (2014)

Table 1 above shows the age bracket of respondents in the areas covered. It indicates that 28 respondents (22.78%) fell within 18 to 25 years of age bracket; 46 respondents (37.4%) were within 26 to 33 years; 30 respondents (24.4%) were within 34 to 41 years; 11 respondents (8.9%) were within 42 to 49 year; and 8 respondents (6.5%) were 50 years and above.

It is observed that majority of the respondents taking 37.4% are within the age bracket of 26 to 33, followed by the respondents with the age bracket of 34 to 41. This simply indicates that the two different age classed respondents have assumed family responsibility, and can contribute maximally to the subject matter.

Table 2: Table Showing The Work Experiences of Respondents

Respondents Work Experience										
Years of Experience	Achievers		Shelter		Finest		Tarbagin		Total	
	Response	%	Response	%	Response	%	Response	%	Response	%
1-5	3	2.44	11	8.94	12	9.75	25	20.33	51	41.5
6-10	12	9.76	9	7.32	20	16.26	6	4.87	47	38.2
11-15	2	1.63	15	12.20	-	-	-	-	17	13.8
16-20	-	-	8	6.50	-	-	-	-	8	6.5
21 and above	-	-	-	-	-	-	-	-	-	-
	17	13.8	43	35	32	26	31	25.2	123	100

Field Survey (2014)

The Table 2 above shows that 51 respondents (41.5%) have the work experience of 1 to 5 years; 47 respondents (38.2%) have the work experiences of 6 to 10 years; 17 respondents (13.8%) have 11 to 15 years of work experience; 8 respondents (6.5%) have 16 to 20 years of work experience; and none of the respondents has up to 21 years of work experience.

Table 3: Table Showing Responses to The Questionnaires Administered

S.A – Strongly Agree; A – Agree; N – Neutral ; D- Disagree; S.D – Strongly Disagree

Responses							
S/N	Questions	S.A (%)	A (%)	N (%)	D (%)	S.D (%)	Total (%)
1	Poor wages and salaries administration program can affect employee job performances negatively	59 (48.0)	32 (26.0)	11 (8.9)	15 (12.2)	6 (4.9)	123 (100)
2	Change in the wages and salaries structure has impact on the living standard of various	48 (39.0)	23 (18.7)	8 (6.5)	14 (11.4)	30 (24.4)	123 (100)

	families in Nigeria						
3	Wages and salaries are the life-blood of the economy	49 (39.8)	23 (18.7)	5 (4.1)	19 (15.4)	27 (22.0)	123 (100)

Field Survey (2014)

Table 3 (Question one) above concerning whether poor wages and salaries administration program can affect employee job performance negatively reveals that: 59 respondents (48%) Strongly Agreed; 32 respondents (26%) Agreed; 11 respondents (8.9%) were Neutral; 15 respondents (12.2%) Disagreed; 6 respondents (4.9%) Strongly Disagreed.

Table 3 (Question two) concerning whether change in the wages and salaries structure has impact on the living standard of various families in Nigeria reveals that: 49 respondents (39%) Strongly Agreed; 23 respondents (18.7%) Agreed; 8 respondents (6.5%) were Neutral; 14 respondents (11.4%) Disagreed; and 30 respondents (24.4%) Strongly Disagreed. With the highest percent of respondents that strongly agreed, it can be deduced that handsome pay can reflect a good living standard of families in Nigeria, ceteris paribus.

Table 3 (Question three) concerning whether wages and salaries are the life-blood of the economy reveals that: 49 respondents (39.8%) Strongly Agreed; 23 respondents (18.7%) Agreed; 5 respondents (4.1%) were Neutral; 19 respondents (15.4%) Disagreed; 27 respondents (22%) Strongly Disagreed. It is strongly believed by respondents taking 39.8% that without wages and salaries, the economy will collapse with alacrity. This may be true because one good reason why some Nigerians remain in stinking poverty is lack of job that pays wages and salaries.

Table 4: Table Showing The Tested Hypothesis below

H₀: Poor wages and salaries administration program cannot affect employee job performances negatively

H₁: Poor wages and salaries administration program can affect employee job performances negatively

Responses	Frequency					Scaling/Rating	FX
	Achievers	Shelter	Finest	Tarbagin	Cumulative (F)	X	
S.A	5	30	15	9	59	5	295
A	4	9	8	11	32	4	128
N	1	-	5	5	11	3	33
D	4	2	3	6	15	2	30
S.D	3	2	1		6	1	6
	17	43	32	31	123	15	492

Field Survey (2014)

$$\begin{aligned}
 \text{Likert} &= \frac{\sum FX}{N} \\
 &= \frac{492}{123} \\
 &= 4.00
 \end{aligned}$$

$$\begin{aligned}
 \text{Mean Point of Scale} &= \frac{\sum X}{n} \\
 &= \frac{15}{5} = 3.00
 \end{aligned}$$

$$\text{Cut-off Point} = \text{Mean} + e = 3.00 + 0.05 = 3.05$$

Decision

From the Likert method used to determine whether poor wages and salaries administration program can affect employee job performances negatively or not. The mean point of the response was 4.00, while the cut-off was 3.05. The decision rule states that where the calculated mean point is above the cut-off point of 3.05, the statement is regarded as effective. Since the calculated mean point of 4.00 is greater than the cut-off point of 3.05 (mean point > cut-off point). Therefore, poor wages and salaries administration program can affect employee job performance negatively.

Conclusion

Strategic recruitment and selection process can get a pool of talents for an organization, but attractive wages and salaries will keep the talented employees on the job, make them feel valued and improve their performance. Wages and salaries dialectically relate with employee job performance in such a way that changes in the former (wages and salaries) have a direct proportionate effect on the later (employee performance). When an effective wages and salaries administration program equates the economic interest of Nigerian employees, the I-will-do-better-spirit is reinforced and reappears again.

Wages and salaries administration, if properly done, can go a long way to shape economic life and standard of living. Wages and salaries are the two Siamese that forms the bedrock of economies of developing countries in Africa. They are the life-blood of the Nigerian economy. It is no doubt that poor wages and salaries administration program can affect employee job performance negatively. Therefore, wages and salaries administration has a correlative impact on employee job performance and survival of families in Nigeria.

Recommendations

This study therefore recommended that

- i. Though wages and salaries administration program may not ensure total income equity, but organizations should ensure fair pay system.
- ii. The issue of wages and salaries should be addressed by human resource managers as a key strategic issue.
- iii. The wages and salaries policies should reflect the dynamic nature of the economy.
- iv. The policies should be reviewed over time by organizations, including the government owned organizations, as a proactive measure for future wages and salaries related issues.
- v. Wages and salaries should have a step-up as an extra compensation plan, apart from the policy baseline, for employees who performed their job well.

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