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Salaries and Wages Administration System in Nigerian Banks: Current Trends

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Abstract

The main concern of a manager today is to discover and successfully apply methods of wage and salary payment that will help optimize output of production per man-hour and at the same time accepted as equitable by the employee and their trade unions. Wages and salaries have been regarded as the prime performance motivator and important job factor. It will continue to play a significant role in enhancing workers productivity in this country. It is evident from the way money has been used to reward, penalize, recompense and compensate in various situations. The objective of this paper is to investigate the role of wages and salaries administration along with other compensation packages as a means of enhancing workers productivity. The paper sampled a cross section of employees in the chosen bank through the administration of questionnaires. The collected data were analysed using exploratory and inferential statistics. The findings of the study revealed that wages and salaries occupy a conspicuous place in compensating and increasing productivity of workers. It therefore recommends that total commitment to productivity improvement in Nigeria will be guaranteed if equitable and fair financial rewards are designed for workers.

Introduction

The term wages and salary administration has come to be accepted as the designation for that field of endeavour concerned with the

establishment and implementation of good policies and methods of employees' compensation. It includes such areas as job evaluation, development and maintenance of wage structure, wage surveys, wage incentives, wage changes and adjustments, supplementary profit sharing, control of compensation cost, and other related pay items.

Compensation management is very important to personnel management. The prevailing economic decline in Nigeria that occurred after an experience of economic boom has caused banks like other enterprises to be confronted with the problem of how to motivate their employees to work efficiently and effectively.

A wage is a general term referring to direct monetary compensation. It is also used specially to refer to payment of hourly-rated production and services workers. In the latter sense, wages are distinguished from salaries, which are generally paid to administrative, professional and managerial employees. Salaries are calculated on a monthly or annual basis.

Performance motivation has to do with those elements or variable that motivate, energize employees toward improved or increased productivity. Fashoyin (1979) sees productivity as the relationship of some volume of output to a specific volume. The rise in business standards couple with dynamic movement towards growth has demanded new standards of efficiency from all organizations including bank in the country. Hence, bank management is constantly evolving new ways of motivating its workers through improving the reward system (wages and salary) and the compensation they offer with the intention of making them to put in more effort in performing their tasks.

Employee benefit is essential for the development of corporate industrial relations. According to Herzberg's two-factor theory (motivation and hygiene), an employee benefit programme was a necessary and sufficient working condition. The hygiene factor will affect employees' work-motivation and thus productivity.

The management needs to recognize that individual needs vary from money, security, population, personal growth, status, etc. For manager to achieve higher productivity in the work place he must adequately motivate his workers and understand them very well, he must show appreciation to the worker's positive action and criticize constructively and make sure that there are appropriate rules and

regulations guiding their conducts in the organization.

Those who seek continuous satisfaction of their egoistic need are motivated to better job performance are not often fortunate enough to be employed in organization which try to improve their job dissatisfiers as they do not supply enough job satisfiers to their employees. The enhancement of productivity is directly related to the motivated labour force.

Evidence depicting dissatisfied disenchanted workers abounds in our society. Morale is low, work is over regulated and workers are over burdened with terrifying economic and social problems like rapid price increases, mounting job insecurity, alienation, declining quality of work life in our public and private sector, the nature of work life has become humdrum, boring and unrewarding and there remains a growing emptiness in the work life experience of many Nigerians. In any organization in this country, the aim is to achieve maximum efficiency in production. To achieve this, wages and salaries of the employees should be commensurate with the efforts they put on the work. If wages and salaries of the employees are not equitable to work done or very low, this becomes a problem in production efficiency.

Schein (1994) used this economic exposition of smith to analyse the behaviour of a national economic man. According to Schein, man is primarily motivated by economic incentives and will do that which gets him greatest economic gain and that since economic incentives are under the control of the organization, man is essentially a passive agent.

Thus, it is clear that Taylor's principle advocate for maximum working hours and minimum leisure. The principle of scientific management simply categorize workers as "One of the factors of production" to be manipulated by entrepreneur.

Locke (1977), debunked Taylor's mechanistic argument. His argument was that the theory assumed that human behaviour can be mechanically timed on and off and that man failed to realize the complexities of human beings and the limit to which man could be controlled.

Fredrick Taylor's principles of scientific management though defective and cannot be used in modern day enterprise, but it provided base for the human relation approach to the problem of motivation of workers.

In exploring the role of wages and salaries on workers productivity, the study intends to examine the role of money as compared to the other compensation components.

The objectives of the paper include:

- (i) To investigate the role of wages and salaries as a means of enhancing productivity of Nigerian workers.
- (ii) To examine other compensation package being used and the extent to which they motivate workers.
- (iii) To find out the most preferred motivating factor among the workers.

Theoretical Framework

The ulterior motive of setting up an organization is always embodied in the mission to be accomplished, goals to attain or target to reach. However, the main problem that is confronting a lot of organization is how best to compensate its workers in order to accomplish its mission and realize its stated goals and objectives.

Viteless (1954) stated that it has become increasingly evident that the worker seeks more than financial reward from his job and that the extent to which other needs and wants are satisfied has a strong bearing upon how well a wage system will work in a particular situation. Belcher (1962) identifies compensation (salaries, wages, bonuses, commissions, incentives and fringe benefits) and non-financial reward (job satisfaction and interest, independence, authority, prestige, and privileges).

In addition, Vroom (1995) maintained in his expectation theory that everyone works in expectation of some rewards (both spiritual and material), and welfare is one of them. In other words, the degree of reward influences the quality and quantity of work, and in turn productivity. Therefore, it is important to explore how to give the stimulus (welfare) in order to promote work motivation and productivity.

It will be naïve of us if we pretend that there is no productivity crisis in our country. It would even be more dangerous to think that it constitutes no serious threat to our national economy; the productivity crisis in Nigeria is real. Since the early '80s, there has been a downward trend in productivity and sloppy economic performance with the advent

of structural Adjustment programme in 1986, the capacity utilization of our industrial organization had shrunk to an all time low level. In some quarters the reason has been attributed to declining motivation to work, poor work attitude and work ethic and in other quarters, the reason lies in government or employers insensitivity standards of living.

Recently, compensation management especially (wages and salaries) has gained tremendous importance from the perspective of all the actors in our industrial relation system. As Fashoyin (1979) has rightly pointed out, trade union pressure and the general upheaval caused by periodic wage commission awards are attributable to the rapid increase in wages and compensation elements.

Money (wages and salaries) is a major determinant of the workers way of life and their social status. An increase in pay will boost up a person from one social bracket to another. It is also a symbol of growth in an organization for employees. Money again is critical in conditioning behaviour, and from the perspective of business management, there were three objectives for providing financial benefit: to meet the lowest-level physical and psychological demands of employees so that they could fully engage themselves in work; to compete with other corporations at an equal level, when similar employee benefits had been adopted by competitors, it was necessary to offer the same level of benefit programme in order to maintain competitiveness; and to provide social and traditional welfare to observe cultural and social tradition and values.

The appropriate pay level for a job reflects its relative and absolute worth. The objective of which is to design pay levels and structures that organizational members feel are "fair", and that will help accomplish management's goals (Bratto and Gold, 1999).

It is of great interest to note that among the catalogue of rewards offered by the employer, pay has significantly attracted attention in some studies as regards motivating employees toward improved performance. Baltus (1983) wrote that to motivate people, we must first understand their need and wants. Then they could be made to understand that the desired behaviour will get them their wants. Maslow (1992) structured human needs to five hierarchies which can be classified in a hierarchy order starting from basic needs to the higher order needs (physiological, security, social, self, esteem and self-

actualization).

According to Friedlander (1966), he identifies two basic types of needs to be satisfied in the work place or between two contrasting kinds of motivation toward work. The first one is self-actualization (ego-involving or intrinsic internalized motivation). The second one is extrinsic externalized motivation. It is imperative to mention here that any reward factor that satisfies individual need is capable of motivating the individual.

Exploring the attitudes that employees hold concerning factors that motivate them to work is important to creating an environment that fosters employee motivation. Aremu (2005) posited that good motivation can only be established if the needs of an individual are satisfied and his work is adequately stimulated. By the 1930s, employee attitude surveys were being used frequently in business to assess employee morale (Schneider, Ashworth, Higgs and Carr, 1996). In 1949, Bellows reported that employee attitude surveys constituted a useful means for comparing the effectiveness of supervision and as diagnostics for supervisory training. They are still a direct approach to finding out what employees perceive as job-related motivational factors. With the results of surveys, an organization is likely to gain information that can be used by managers to improve employee motivation (Kovach, 1980) and employee performance.

The issue now is that can we assume wages and salary as the motivator. This is a relevant but controversial question. Perhaps as identified in the introductory part of this paper, performance motivation has to do with those elements or variable that incites or encourages employees towards improved or increased productivity. Blunt and Popoola (1985) noted that workers who hold instrumental orientations to work attached great importance to the amount of money they receive from their labour. In the short run, money provides satisfaction, but in the long run, people tend to seek higher goals to meet their complex innate needs. Fashoyin (1979) concludes that the extent to which employees are motivated to increase their productivity will depend on the assurance of visible benefits forthcoming from their efforts. Consequently, in most cases salary policies are based on the theories of motivation and the role of money as motivator.

The Role of Money as Motivator

Competitive pressures, both national and global, are major factors affecting pay levels. An employer's ability to pay is constrained by her or his ability to compete, so the nature of the product market affects external competitiveness and pays level the organization set (Bratton and Gold, 1999).

Reward management policies are based implicitly or explicitly on assumptions about the role of money as a motivator. Money is clearly a major inducement, but because of the complexity of motivating process involving many different needs and goals, it is dangerously simplistic to adapt the old 'economic man' theory, that money is the only motivator, intrinsic rewards are also important.

Money serves as motivator for those already in employment. We only work if people are in a position to anticipate the rewards they will obtain in return for certain degree of achievement. In other words, there must be a clear link between effort and reward. People will also be better motivated by money if they can exercise direct control over their rewards (Belcher, 1962).

Motivation theory also supports the case for a fully disclosed pay system. How can money be motivator if people do not know what they can earn? This applies not only to the amount of bonus they can obtain if they achieved a defined level of performance, but how they can progress according to merit either within salary scale, or through promotion to even more rewarding jobs.

Motivation through Wage and Salary Structure

The main concern of a manager today is to discover and successfully apply methods of wage and salary payment that will help optimize output of production per man-hour and at the same accepted as equitable by the employee and their trade unions. However, economic, technical and organizational trends and changes in social structures and ideas makes it possible that some assumption which until now have seemed appropriate to the discussion of wage payment system are out dated, or are rapidly to become so. The basic problem is the time honored concept of wage costs being a variable cost, i.e. wages directly related to the amount of work completed. The factory system ultimately made this untenable, employees had to be paid for their time attendance.

What might be termed the classical incentive bonus scheme attempted to restore the position? This would appear to be rapidly becoming untenable due to:

- Commitment to full employment
- Power of unions seeking to secure earnings to meet stable Commitment
- Technological advancement, which is changing work itself
- Advance education, which has narrowed the gap between employees and manager's knowledge.
- Government entry into wage level negotiations.

Thus, wage costs are tending to become a fixed cost of running a business partly as a result of Elton Mayor's work the Hutton Experiments there is growing acceptance that system of wage payment is not the only important factor improving workers performance; two further points are:

- Market force, which determine acceptable level of earning.
- Fairness or equality, as sought by the shop floor.

However, these two factors alone are not sufficient to secure acceptable standards of performance, consider the range of employees' attitude and performance in different companies.

To get satisfactory standard of performance, management must manage in a positive sense and not just live it to the system of wage payment. This involves planned and continuous action to:

- Secure employee's support in advising company's goals
- Increase job satisfaction and pride in achievement
- Improve morale by building up confidence in the future of the Company.
- Work together in finding solution to problems, which affect the interest of both parties.

Many employers now regard their workers more as valuable productive resources to be carefully husbanded and less "hand" to be hired and fired at will. In large companies according to Wofford 2001, it may be said that this has less to do directly with current high levels of employment than with the growth in the scale of enterprises and in their self-perpetuating capacity. It also does not have much to do with the response of economic force and new technical possibilities, with the emergence of professional mergers and with development of a business

ethnic which stress the social responsibilities of the enterprises. The need to find ways to integrate the desires, aspiration and chain of the individual with the tasks objective of the enterprise is increasingly recognised.

Although, there are some evidence that satisfied workers are not necessarily the most productive or dissatisfied ones are the least productive, there is a good deal of evidence that attention to the kind of organization structures and supervisory and management styles which are centered on the employees and his needs is likely to bring about higher performance than over anxious concern with formal procedures for controlling work flow. On his argument, the employee deserves to be treated in a mechanistic way to suit the requirement of machine lay out and administrative procedure. If he is so treated then he will behave as mature human beings i.e. he will be comparative and helpful and will give freely of such skills and capabilities as possesses and will respond willingly to any opportunity the enterprise might offer him to develop these skills capabilities Nogbonna 1999”.

Motivation is not about the amount of effort it has to do with directive and quality of effort continuing research on motivation shows that individual's needs are still much like those observed decades ago by Maslow, Herzberg, McClelland and Akurson. In the mid 1950s, Abraham Maslow a noted psychologist, presented the view that a person's basic needs act as motivation. The minimum needs that motivate people are their psychological, safety and social needs. In order to perform adequately and have any measure of pleasure on a job, these basic needs must be met after they are met, esteem needs emerge and serve as motivators. These include the need for recognition, respect and status, workers who seek to have needs might usually aspire to do their jobs more proficiently or more creatively. The highest level need for self-actualization is the desire to live up to potential, to realize one's ability and to exercise creativity, because these needs form the center of motivation. Managers and organization must provide the condition for needs satisfaction if their employees are to strive for achievement. In the 60s Fredrik Herzberg proposed a two factor theory of motivation. In this research Herzberg found that there were five main factors that use job satisfaction, achievement, recognition, work itself, responsibility and achievement, these were called motivator factors, because they are all

what identified with the actual work being done. Herzberg also found what he labeled hygiene factors, factors that relate to the environment in which work is performed and include such items as company policy, supervision, interpersonal relation, salary and general working conditions. These factors were all dissatisfying because they had to exist at an adequate level or employees would be dissatisfied with their working situation.

Methodology

This study was carried out among the workers of Intercontinental Bank of Nigeria, Plc, Ilorin Branch, which made up the sample population. The questionnaire instrument was used to elicit information on the influence of wages and salaries as a motivating factor to enhance productivity of Nigerian workers. It was designed to investigate the extent to which workers in the organization were influenced by the current wages and salaries being paid by their bank. A five point likert scale was used in the questionnaire, where 5 represents strongly disagree, 4 represents agree, 3 represents disagree, 2 represents strongly disagree and 1 represents uncertain. The purpose of this scale is to establish an interval measure data for this investigation. The data source for this investigation is primary and secondary data source. Chi-square statistical technique was used to analyse the formulated hypotheses for the investigation.

The research used stratified sampling technique to administer the fifty questionnaires. The entire population was divided into six strata and the questionnaires were randomly distributed to the workers with everyone given the opportunity of being included in the sample.

Hypotheses

H1: Wages and salaries do not significantly enhance workers' productivity

H2: Other compensation packages do not significantly enhance workers productivity

Summary of hypothesis tested 1

χ^2 calculated	χ^2 critical	df	Level	Decision
0.489	0.0158	1	0.90	reject

Source: Administrated Questionnaire, 2006

Summary of hypothesis tested 2

χ^2 calculated	χ^2 critical	df	Level	Decision
0.171	0.0158	1	0.90	Reject

Source: Administrated Questionnaire, 2006

Analysis and Discussion

The investigation revealed that the amount of workers' take home at the end of the month has a great impact on their productivity. It was noted from investigation that workers saw increase performance as a means to satisfy more important personnel needs.

From the two hypotheses tested, it can be depicted that all null hypotheses (H_0) are rejected and all alternative hypotheses (H_i) are accepted. The first hypothesis on the enhancement of workers productivity by increase in wages and salaries was tested. As in Table 1 the Chi-square calculated is greater than the table value, i.e. χ^2 calculated 0.489 χ^2 table 0.0158. The implication of the result is that adequate wages and salary will enhance workers' productivity. It therefore means that workers will be induced by high pay. With improved pay package workers will perform their work excellently. The study also revealed that inadequate promotion coupled with poor pay has accounted for the mass drift of able employees for a "greener pasture".

The research findings revealed that material benefits, promotion, advancement, opportunities and bonus are some factors that could affect the employees' productivity positively or negatively. The paper is of the view that if all these factors are adequately taken care of there is bound to be increase in productivity.

The second hypothesis tested revealed that other compensation package apart from wages and salaries will enhance workers productivity. The calculated χ^2 is greater than the table value, that is χ^2

calculated 0.171 χ^2 table 0.0158. This shows that productivity of the bank will be increased if they increase other compensation package along with increase in wages and salaries. One can conclude that the respondents preferred high and better pay as confirmed by the hypothesis tested; however, they still did not see themselves increasing productivity for the sake of monetary reward alone. One does not intend to disprove the instrumentality of money to performance improvement as well as high productivity, going by the hypothesis, there is not enough evidence to justify the claim that money is the prime motivator of workers behaviour and the most important job factor.

Conclusion

Economists believe that human wants are insatiable, however, if adequate financial compensations are given to workers, better attitude to work will be achieved and this will lead to increase in productivity. The development and operation of an effective salary administration system in an organization is definitely not an easy task. It requires the conviction and full commitment of both the workers and management (Akintunde, 1993).

Wages and salaries are still a powerful force in motivating workers. The workers still pressurizes their employers for increase in salaries and the introduction of various financial schemes because they are linked directly or indirectly to the satisfaction of their basic needs. The strike by Nigerian Labour Union between 12 and 14 October, 2004 cannot be overlooked. Also, in Oyo State immediately the new Governor Alao Akala was sworn in May 29, 2007 the worker demanded for increase in their salaries i.e. demanding for minimum wages which made worker to down tools because they are not satisfied with the current wages and salaries in the state. In Nigeria, it has been noted that workers simply work to earn their living. This implies that Nigerian workers appear not to be motivated to perform better on the job thus impairing the productivity of the nation. There is no doubt that wages and salaries occupy a conspicuous place in compensating and increasing workers productivity and in realizing this fact, most organizations tend to pay a lot of attention to pay bonus and money incentive because they are easiest to manipulate. The present economic situation in Nigeria with particular reference to inflation and

devaluation of the Naira must have greatly affected the attitude of Nigerian to money. One might safely postulate that workers might prefer increased wages and salaries as they would require more money to buy the same quantity of goods and services they bought few years ago.

In conclusion, commitment to productivity improvement in this country largely depends on the extent of financial and non-financial rewards to the participants. Hence, reward system must be designed in such a way that it will positively affect performance.

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