

THE INTERACTIVE EFFECT OF WAGES AND SALARIES ADMINISTRATION ON WORKERS' PERFORMANCE IN NIGERIA

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Abstract

The study investigates the effects of wages and salaries administration on workers' performances using MTN Communication as a case study. The paper examines the attitude of managements towards wages and salaries administration. It also investigates the relationship between wages and salaries increment and employees' satisfaction and finally determined the effect of wages and salary increment on the achievement of organizational goals. Data collected were from both primary and secondary sources. Questionnaires were administered to obtain the primary data. Analysis was done using descriptive and inferential statistics such as mean scores, frequency distribution, percentages and chi-square test. The findings were that the attitude of managements towards wages and salaries administration was highly positive and supportive. Also, there was a direct relationship between wages and salaries increment and satisfactions; employees displayed satisfaction towards salary increment. Finally it was revealed that prompt payment of wages and salaries and increment as at when due leads to the achievement of organizational goals. The paper concluded that well administered wages and salaries have a positive effect on employees' satisfaction and this would bring about improvement on performances of employees and organization.

Keywords: Interactive Effect, Wages and Salaries Administration, Workers and Performance.

Introduction

The success of any organisation depends on the effective performances of its employees (Ngu, 2005). Such performances will depend on the knowledge and skills possessed by the individual employees. They are important in determining job performance (Agbonifoh, Agbadudu, and Iyayi, 2005). These factors alone are not sufficient. What is most important is to understand what motivates the individual employee and how satisfaction would be enhanced.

There are a lot of motivational factors that could be used to motivate employees, among which are wages and salaries (Agbonifoh et al., 2005). The wages and salaries being paid to an employee at the end of every week or month is very crucial, among these motivational factors, because it is believed to be the starting point when the management of an organisation is intensifying efforts aimed at motivating its employees.

In Nigeria, the issues of wages and salaries have attracted much attention more than ever before due to its ability of determining both the economic and social positions of workers (Agburu, 2005). This is as a result of the fact that wages represent the price of labour. As a result of this, most time employees performing similar tasks come together under a common platform to demand for remuneration, simply because they deserve higher 'pay' to be able to perform well at work. Employers of labour, on the other hand, realizing the fact that wage, which is the price of labour (input in the production process), forms part of the cost of production that must be weighed against other factors to determine its relative value.

They are compelled by the exigency of the situation to come under the same umbrella and present common formidable front, in determining both the absolute and relative wages and salaries of employees.

Statement of Problem and Objectives of the Study

The impact of wages and salaries administration compelled managers to turn around and start looking for a permanent solution towards achieving individual and organizational performance. In order to achieve a positive performance of the workers, a good and encouraging administration of wages and salaries has been argued to be the only option.

The general objective of the study is to determine the effects of wages and salaries on workers' performances, while the specific ones are to:

- (i) determine the attitude of managements towards wages and salaries administration;
- (ii) analyse the relationship between wages and salaries increment and satisfactions; and
- (iii) examine the relationship between wages and salaries increments and achievement of organisational goals.

Literature Review

Akindele (2007), McFarland (1968), Nwachukwu (2000) and Ogunbameru (2000) stated that "pay" is a direct manifestation of the company's general attitude towards its relation with employees. Atchison (2003) and French (1966) stated that wages and salaries could be used interchangeably, even though they have slightly different meaning in popular usage. While distinguishing between these two, he put forward the following:

- (a) In obtaining the right number of qualified persons, the salary level must be attractive enough to motivate workers to the company.
- (b) In retaining workers once hired, the salary level should not be such that employee would see as being less attractive than what is obtainable in other companies.
- (c) The salary and wage(s) should be encouraging to workers, i.e. they should encourage productivity.
- (d) The wages and salaries must be so attractive as to make employee work towards the management objectives.
- (e) In maintaining equity in the organization, the salaries being paid should be equal among workers within the same level.

Wignaraja (2006) and Pigor and Myers (1977) stated that the general wage level is the amount the company pays for jobs. It takes account of all the jobs from clerical posts to those of the directors. Another term for the general wage level, they asserted, is to distinguish it from pay compensation in which jobs are evaluated internally to one another. Pigor and Myers (1977) stated that usually there is a considerable range of wages rate for comparable jobs. This situation permits a company to include in its policy consideration of other factors that affect the general wages level.

Dunn and Rachael (1971) believed generally that wages have been in relationship to production. The reason for this revolves around the fact that wages cannot diverge significantly from productivity without causing either inflation or unemployment. . The implication of this is that dynamic economy with full employment and also inflation might be

achieved by the time wages to productivity changes. Dunn and Rachael (1971) stated that when the cost of living is rising, there would be great pressure from workers on the management to adjust wages to offset reduction in real wages. Pigor and Myers (1977) stated that minimum wages laws place an absolute lower limit on the level of wages that can be paid by any firm subject to these laws. The legal minimum is theoretically based on the concept of a "living wage", although, in practice, the ability of a firm to pay the minimum wage is also considered. Pigor and Myers (1977:340) stated that the discussion for criteria for wages level and changes should not be concluded without again stressing the difficulty of securing agreement on which criteria to use. In many collective bargaining negotiations, management and unions tend to use those arguments, which best support their pre-conceived positions. The arguments that they use vary with business conditions. If management hopes to place wages determination on a mere objective basis, it should be prepared to discuss all the facts affecting the enterprises. It should also frankly recognize the validity of relevant facts presented by the union.

Pigor and Myers (1977) stated that the issue of wages and salaries are very sensitive and so managers have to operate their own wages and salary structure under wages and salaries policies. The issue of payment of wages and salaries to workers is a policy statement that has been customized to suite either a particular business or its widest form. McFarland (1968) stated that the wages and salaries policy of an enterprise explains how the management is expected to pay its workers and also the type of wages and salary structure it will operate. Hence, it is left for the new employees entering the organisation if the wages and salary suite them or not. In reputable and recognized firms, the services of trade unions are often required in the determination of wages and salaries policies (Furth, 2006). Pigor and Myers (1977) stated some guiding principles in formulating wages and salaries policy as follows:

- Wages and salaries policy should be formulated at the highest level of an organization. A knowledgeable spokesman or an industrial relation officer and allied matter should be involved in the process;
 - The detailed administration of this policy must be in the hand of competent personnel, preferably senior management staff members like the personnel manager;
 - It should not be a secret affair, it must be known to all workers;
 - When the workers do not seem to understand the principles guiding the policy, it is the responsibility of the management to make them understand them. This can be achieved by giving the workers explanatory notes on the policies.
- Dunn and Rachael (1977) stated that the wages and salaries policy would contain the following:
- Establishing wages and salaries structure that will enable the company to maintain the production cost, which sometimes could be very competitive;
 - Basic compensation for different cadre of workers;
 - Determination of fair wages and salaries differentials on jobs based on skill, experience, responsibility and working condition;
 - Measurement and recognition of individual merit through incentive methods of payment and employee rating; and
 - Determination of wages and salaries to be paid for holidays and sick leaves for the groups of workers.

Pigor and Myers also stated that many methods are used either to establish the general

level of a company's payment to its employees relative to that of other companies or establish the relative grading or positioning of jobs within a company interim payment. The former is concerned with internal wages structure established in terms of various job grades or levels. Information used to determine wages survey and setting up a wages structure is usually derived from jobs evaluation.

Dunn and Rachael (1971) put forward many methods by which jobs can be evaluated and different authors have used different headings for each method. However, the methods used by different authors are properly examined.

Ranking Method

Dunn and Rachael (1971) stated that the method is considered the oldest and simplest job evaluation scheme. Small firms mostly use it. Jobs are ranked as a whole without break down. It is said to be difficult in large organization. It is also crude and highly subjective and it is based on impression rather than fact. The ranking method of job evaluation first examines the relative worth of the various jobs.

Job Classification Method

Dunn and Rachael (1971) stated that it is mostly used in the civil service. An initial step here is to pre-define the grades that management wants to form the ranking, and judgment is required both in defining each grade and in placing each position into appropriate grade. The classification starts with one paragraph, verbal description of a number of levels, grades or classes of jobs. The features of these descriptions include responsibility, skill required, etc. The job descriptions are examined and jobs are classified into grades or levels most appropriate for them.

The Point System

Dunn and Rachael (1971:176) stated that the system focuses attention on specific job features. It is held to be the most popular of all job evaluation systems. There are several steps involved. Firstly, certain job variables to be compared must be defined. Such variables include skill, responsibility, effort, working condition etc. Secondly, arrangement of points that many jobs can possibly have on each factor must be determined, e.g. the range of skill may be set between 100-400 points. Thirdly, each factor should be broken down into a number of degrees with which jobs will be compared. Educational factors could be broken down into: 50 points – school certificate required, 100 points – two years college or its equivalent required, 150 points – college required, 200 points – graduate degree required. When the scales are applied to different jobs, the points are to rally up for job to determine its relative worth.

Factors Comparison Method

Dunn and Rachael (1971) stated that this method is of the assumption that jobs can be broken into such factors as skill, education, etc. Unlike in the point system where degrees serve as yardstick, jobs are compared directly with each other on different factors. It involves several steps. Firstly, a number of representations of key job (15-20) selected for comparison. Secondly, the jobs selected are ranked on the factors. Thirdly, determination of what portion is the correct. Fourthly, a comparison of the factor ranking with the wages apportionment ranking is considered. The advantage here is that, it provides a tailored plan for a firm and permits jobs factors to be specifically compared with one another.

Job Component Method

Dunn and Rachael (1971) stated that this method is used to determine the job

relatedness. It entails using certain yardsticks to determine the relative worth of various jobs. Once the relative worth of a job is to be determined by job evaluation, the actual amount to be paid must be determined. A major factor in making such decision is the survey of wages and salaries. Since wages and salaries particular to other firms have an effect on the selection, moral and retention of employees, attention is ordinarily given to the prevailing wages level in the community or jobs, while industries are compared for determining management salary.

Wages Criteria

Dunn and Rachael (1971) stated that is necessary to have a yardstick for establishing an organization wages level and this is what the various wages criteria attempt to provide, among others:

- The result of wages survey conducted either in the geographical area or in the industry.
- The consumer price index published by the government. It is commonly used to adjust wages level to cost of living changes on a periodical basis.
- Various ideal family budgets that specify the living wages level required to maintain a standard of living judged to be adequate.
- Company's profit figures for the immediate preceding period which is considered indicative of the ability to pay.
- Index of physical productivity for certain industries and for the economy as a whole.
- Company turnover statistics, position, data and unemployment rates in the area. The combination provides information relative to recruiting difficulties and labor shortages.

The normal structure can be established entirely on the basis of these surveys. The difference here is that the pay for any given job would vary from company to company, depending largely on the significance of the job for the operation of the particular company.

Methods of Wages and Salaries Payment

There are two main methods of payment in the British industry (Agburu, 2012 and Jackson, 1958). Workers may be paid according to "the length of time they work", or according to the "amount they produce", with the possibility of some combination of the two methods. For most workers there is a basic time rate of pay. Many manual workers, however, are on payment by results (PBR), and their earnings under piecework, or other PBR schemes, maybe far greater than their basic time rates. Nearly all manual workers and many of the lower grade white collar workers are paid overtime, but in the higher ranks of the white collar workers a man may be expected to work whatever hours are necessary in return for the appropriate salary. Overtime is not the most important factor in explaining the gap between basic rates and earnings neither are such special payments given to shift workers in recompense for the inconvenience of this type of work. The most important factor is payment by results. Often PBR schemes have been introduced to provide an incentive for the workers to increase their output, but in many instances the real purpose would seem to be that of raising wages to a reasonable level when the basic rates negotiated are unrealistically low.

Payment by results is clearly an important element in our wages structure and call for closer examination. For the most part, they have been ignored in the theoretical models of wages determination. These tactically assume a time rate method of wage payment, a simple rate of so much per hour, day, week or month, as the case may be. The models take no account of the possibility that a man's productivity is not fixed, but may vary according to the degree to

which he shares the benefits of any increased output. An incentive to increase output can only be effective if a man is free to adjust his rate of work. A worker who has all the tools and materials at hand, and is left to get on with the job at his rate, may feel it is worth his while to make extra effort if by doing so he can increase his earnings. If, however, his job contains or performing certain operations on a product as it moves along the production line, he is powerless to work at any other rate than that determined by the line. If he cannot complete the required operations on one article before the next reaches him, he will disrupt the work of the whole production line and he will probably be sacked.

There are several factors that explain the gap between the basic time rate negotiated by collective bargaining and the amount men actually earn. Employers may sometimes pay time rates that are higher than the minimum or basic rates negotiated. Overtime rates may supplement earnings. Not only are men paid more, because they have worked longer hours, they are paid a premium for the hours of overtime. Hours worked beyond the normal length of the working week may be paid at a time and a quarter or time and a half with perhaps double time for sundry work. The overtime premium may be paid for working beyond the normal day, or on Sunday, even when total hours worked are not in excess of the normal week.

Methodology

This study deals basically with the effects of wages and salaries administration on workers' performances, using MTN Communication Limited as a case study. The research work is extended to every department of the company and it also cuts across all the levels of the workers (i.e. the people in the executive positions, middle level managers and supervisors).

The population of the study is the entire work force of MTN Telecommunication in South Western Nigeria totaling four thousand seven hundred and twenty. Due to the constraints like time, money and some others, a sample size of four hundred (400) workers were randomly chosen.

The sampling procedure employed is the random sampling technique, whereby every member of each department was given equal opportunity of being chosen. The sample unit was made up of the employees of MTN Communications in South Western Nigeria. MTN was chosen because of its wider coverage, relative greater number of subscribers and being in existence for more than five years of operation within and outside Nigeria. The staff of the company could be categorized into two: the junior staff and senior staff. The study is aimed at interviewing five respondents from each department. The number sample is 400 and this was because it would be a waste of time and money working on the whole population. Primary data was collected through the questionnaires distributed to the staff of MTN Communications and personal interview with head of units. Secondary data were gathered from works that have been done in this subject area.

The research instruments used in obtaining the relevant information in respect of this study were questionnaire and interviews. A descriptive method of statistical analysis was carried out to examine the effects of wages and salaries administration on workers performances. The non-parametric statistical test chi-square was used to test the formulated hypotheses. The symbolic representation of chi-square is given below:

$$X^2 = \sum (oi - ei)^2 / ei$$

Where: oi represents observed value

e_i represents expected value.

Results

The first objective that considered the determination of attitudes of management towards wages and salary administration was analyzed through chi-square.

Table 1 Chi-square Test Statistics

Attitude of Managers

	Frequency	%	Mean	Standard	Standard Dev.
Lower level Managers	147	97.5	15.50	0.484	2.256
Middle level Managers	148	99.3	16.21	0.185	2.391
High level Managers	149	100	18.24	0.197	2.256
Total Score					

Table I Observed

Level	Highly	Moderately	Lowly	Total
Low level	120	80	0	150
Middle level	100	40	10	150
High level	100	10	0	100
Total	320	80	10	400

Source: field work 2016

Table 2 Expected

Level	Highly	Moderately	Lowly	Total
Low level	120	20.6	9.4	150
Middle level	120	20.6	9.4	150
High level	80	10.8	9.2	100
				400

Conclusion and decision-making

Since $\chi^2_c = 29.08$

$\chi^2_{t(4, 0.05)} = 9.48$

Findings: From the χ^2 distribution table, the value of χ^2 @ 5% level of significance and df is 9.48. Since χ^2 observed or calculated (29.08) is greater than $\chi^2(0.05)$: 9.48, the alternative hypothesis that the management has a positive attitude towards wages and salaries administration, is accepted while the null hypothesis is rejected.

Table 3 Observed

Questions		Optimum	Low level	Middle level	High level	Total
4		Yes	15	10	0	25
4		No	0	5	10	15
6		Yes	3	1	1	5
6		No	0	0	0	0

8		Yes	0	1	1	2
8		No	3	0	0	3
11		Yes	9	12	10	31
11		No	6	3	0	9
			36	32	22	90

Source: field work 2016

Table 4 Expected

Low level	Middle level	High level	Total
10	8.9	6.1	25
6	5.3	3.7	15
2	1.8	1.2	5
0	0	0	0
0.8	0.7	0.5	2
1.2	1.7	0.7	3
12.4	11	7.6	31
3.6	3.2	2.2	9
			90

Conclusion and decision making

Since $\chi^2 = 37.8$

$X_t(14, 0.05 = 23.68)$

Findings: From the χ^2 distribution table, the value of χ^2 @ 5% level of significance and 14 df is 23.68. Since χ^2 observed or calculated is 37.8 i.e. greater than $\chi^2_{(0.05); 23.68}$, the null hypothesis that there is no relationship between wages and salaries increment and satisfaction was rejected, while the alternative will be accepted.

Table 5 Observed

Level	Yes	No	Indifference	Total
Low level	110	20	20	150
Middle level	140	10	0	150
High level	100	0	0	100
	350	30	20	400

Table 6 Expected

Level	Yes	No	Indifference	Total
Low level	130	10	10	150
Middle level	130	10	10	150
High level	80	10	10	100
				400

Findings: From the χ^2 distribution table, the value of χ^2 @ 5% level of significance and 4 df is 9.48. Since χ^2 observed or calculated is 5.53 i.e. less than $\chi^2_{(0.05); 9.48}$; the null hypothesis that there is no relationship between the motivational factor and the achievement of organizational goals.

Summary, Conclusion and Recommendation

The main purpose of this study is to evaluate the effects of wages and salaries administration on workers' performances, using MTN Telecommunications in South Western Nigeria. The problems, roles, advantages and the impact of wages and salaries administration have been highlighted and critically examined. In the course of the research, it was discovered that management's attitude towards the administration wages and salaries is positive, that wages and salaries increments have impact on satisfaction, and that there exists a relationship between the motivational factor (wages and salaries administration) and the organizational goals.

Data for the study area were collected from the respondents, a questionnaire was drafted and copies were distributed to each department of the company. The questionnaires, after being administered, were then analysed using descriptive and inferential statistics methods. It was revealed that wages and salaries administration is an important type of motivation, which can encourage or discourage workers to give their best to their organisation, thereby increasing or decreasing the performance, as the case may be. The following conclusions were drawn from the study:

- That the management's reactions have always been moderately positive towards wages and salaries increment.
 - Those in the sales department are being paid bonus for a specific number of sales met, and this has a positive effect on their performances.
 - Those in the cost control department are being paid bonus for being able to minimize the cost of the production of a specific output and this has a positive effect on their performances.
 - A greater percentage of the workers admitted that they are being paid their allowances as at when due.
 - A greater percentage of the workers admitted that the wages and salaries increment have impact on their satisfaction.
- From the above conclusions, therefore, the following recommendations were made:
- That the management should improve on its attitude towards the administration of wages and salaries.
 - In view of the fact that wages and salaries are motivational tools, all managers and employers of labor should endeavor to employ it at all times in order to achieve the set objectives. It is also recommended that the management of MTN should continue to pay equitable wages and salaries to employees of the same level. This is necessary if the company is to achieve the best from them.
- In the light of the fact that employees are satisfied with their present wages and salaries, management should do everything possible to keep this pace in order to further boost the morale of the employees.
- Management should make it a point of duty to review the salary structure periodically in order to bring it in line with the cost of living. If this can be done, there would be a reduction in the trade dispute and the rapport between the management and the employees would also be improved.
 - Job evaluation should be carried out as regular as possible. This would encourage standard and uniform way of remuneration.

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