POLAC ECONOMICS REVIEW (PER)
DEPARTMENT OF ECONOMICS AND MANAGEMENT SCIENCE
NIGERIA POLICE ACADEMY, WUDIL-KANO

IMPACT OF WAGE AND SALARY ON STAFF PRODUCTIVITY IN SULEJA, NIGER STATE, NIGERIA

Ibrahim Sani IBRAHIM

Department of Entrepreneurship and Business Studies School of Innovative Technology Federal University of Technology, Minna, Niger State

Abstract

This study examined the impact of wage and salary on staff productivity in Suleja Local Government Area, Niger State, Nigeria. In order to achieve the stated objective, this is to examine the impact of minimum wage and salary on staff productivity in the study area. Questionnaire was administered to 100 respondents from various sector of the economy (education, health, power, security etc.) in Suleja Niger state, Nigeria. The data collected by means of questionnaire were analyzed and interpreted using percentage and frequency table. Chi-square (X2) was used to test the hypothesis. The findings showed that there is no significant impact of minimum wage and salary on staff productivity in the study area. The study recommends that the Government should introduce measures which will help identify problems of poor productivity as soon as possible, so as to make better and faster solution (balanced wage/salary and staff productivity).

Keywords: Minimum Wage and Salary, Wages, Salary, Staff Productivity, Standard of Living.

1. Introduction

The work force desires and feels it deserves an opportunity to grow mentally, socially, spiritually and physically, while shaving in the financial recognition and security rewards which come as a result of their growth and effort as part of the labour force (Zig Ziglar). The fixing of minimum wage prevents the exploitation of weak, ill-informed or isolated groups of individuals. Minimum wage affords such people a more comprehensive protection than is available through existing voluntary bargaining machinery (Fapohunda, *et al*, 2013).

A legal imposition of the minimum wage may increase the level of employment (Mario, *et al*, 2010). Workers, through their labour representatives have always asked for improved conditions of services and can go to any length to press home their demands (Okeke, Nwele & Achilike, 2017).

The concept of the wage and salary imply payment for work performed as an employee, which affects the employee's productivity in different ways that ranges from positive (desirable) and negative (undesirable) output. Productivity on the other hand is the rate at which a worker, a company or a country produces goods, and the amount produced compared with how much time, work and money is needed to produce them (Oxford Advanced Learner's Dictionary). Like any cause effect-evaluation, wages and salary entails an assessment of productivity of staffs (e.g. efficiency wage, flexible wages, minimum wage, money wages, real wages, sticky wages and subsistence wages) and the actual expectation comparison.

Wages and salaries serve as motivational tool and has significant relationship with workers performance in Nigerian organization (Olatunji & Sarat, 2014). More so, increase wage enhances the productivity of workers (Lydia, 2015). Meanwhile, Ogunbiyi (2015) recorded that more than a quarter of the 36 states of the federation owed workers' salaries in arrears believed to be over 110 billion naira.

Furthermore, some state governments owed their workers between seven to seventeen months salaries arrears. The situation became worrisome until the Buhari-led administration decided to provide a temporary measure of respite for the troubled states in the form of bail out (Bello, 2017), Empirical study suggests that about 70% of employees deserve a change of job primarily in order to improve their remuneration (National Bureau of Statistics, 2009). Cashell (2004) pointed out that economists normally consider that productivity growth is an opportunity through which living standard and wage growth can be raised, and is projected to track growths when it comes to work productivity. Ajeotomobi and Ayanwale (2005) contributed with the fact that, the size of yam tuber harvested is proportional to the size of the yam set planted, education allocation by government raised to 26% as suggested during ASUU-FGN negotiation of 1992 and 2001 led to marvelous growth in economy outcome. According to Kazeem (1999), teachers and other school workers tend to remain satisfied and practically motivated as long as salaries are paid on time and they are promoted regularly. Moreover, Eton (1984) also acknowledged the payment of salaries, allowances and promotion as the key influencers that form teachers' approaches towards their labour. However, John Black (1997) pointed that wages and salaries affect motivation as well as ability, and employers may well find that paying wages regarded by workers as fair is actually more cost-effective than paying lower wages which are regarded as exploitative. Higher wages can also be expected to reduce quits, saving on recruitment and training costs and reducing shirking and absenteeism. It is very clear that at present, poor wages and salary in Nigeria is a constant source of frustration and has resulted in declines in productivity in different sectors of the economy.

Nwachukwu (2000) and Atchison (2003) appropriately observed that wages and salaries constitute a humongous fragment of the overall cost of jobs, and taking clear look into most administrations, wages and salaries create up to 50% of the working outlays. Established institutions that are faced with the problem of lack of payment of wages and salaries frequently are in risk of breakdown.

The Nigeria's educational and health institutions can be safely listed among those topping the list of negatively affected institutions as a result of poor funding (wages and salary included) which brought about the 2013 ASUU strike, 2020 ASUU strike, 2022 ASSU strike, 2014 and 2021 strike of health practitioners, eventually affecting Nigeria's economic growth and plausible adverse effect on employees' productivity. Therefore, it is against these backdrops this study seeks to examine the effect of minimum wage and salary on staff productivity in Suleja, Niger state, Nigeria.

The problem of wage and salary which has led to different strikes in Nigeria by various sectors (education, health, power etc.) especially the just concluded 2022 strikes undergone by Academic Staff Union of Universities (ASUU), Academic staff Union of Polytechnics (ASUP), Judiciary Staff Union of Nigeria (JUSUN), National Association of Resident Doctors (NARD), Medical and health workers union strike and many more which brought about employees' economic downturns and low productivity. With these strike activities that have resulted from wages and salary, Nigeria has recorded negative happenings ranging from breakdown of medical services causing deaths of patients, electricity failure, insecurity, suspension of academic activities in schools (which promotes prostitution, robbery kidnapping) and many other such misdemeanor. Simulation results from previous studies show that a rise in minimum wage would lead to increased productivity in all sectors of the economy. From policy stand point, this is suggestive of improved workers' productivity impact on minimum wage policy (Folawewo, 2007). However, the issue of wage and salary in Nigeria has been recurrent, notwithstanding the introduction of the minimum wage policy and other programmes which results to low productivity. Nigerian Minimum wage was fixed at NGN7, 500 in the year 1999 and later improved to NGN18, 000 in 2010 while the present rate of NGN30, 000 was accepted in 2019 (Fejoh *et al.*, 2022).

Labour productivity can be seen as one of the most important aspects of every organization (private or public), which makes this research very important. Both the public and the private sectors of the economy will find this work useful as it will show the present productivity profile resulting from poor wages and salaries, and suggest better methodologies to improve them. The Federal Government will also benefit from the research because it will help in the formulation of beneficial policies as well as judicious allocation of public fund to the different sectors of the economy.

2. Literature Review

Money Wages and Real Wages

Money wages or nominal wages refers to the amount of money received in cash by workers for their services in production. Real wages includes the various facilities, benefits and comforts which workers receive in terms of goods and service for their work. These are in addition to the money wages of workers. Real wages depend upon the following factors:

i. **Price level:** The purchasing power of money depends upon the price level. When the price level rises, the purchasing power of money reduces, thus adversely affecting the real wages of workers. Every increase in the price level reduces the purchasing power of money. This leads to a fall in real wages of workers.
ii. **Money wages:** The size of the pay packet received by the worker is an important determinant of their real wages. The greater the money wages, the greater the real wages.
iii. **Regularity of work:** A permanent job, even though it carries a smaller money income, is considered to be better than a temporary job which may yield high reward in terms of money.
iv. **Nature of work:** The nature of work also plays an important role in determining the level of real wages. Some jobs are pleasant, while others are not. Similarly, some occupations are enjoyable while others are not. All these have to be considered when determining real wages.
v. **Future prospects:** An occupation carrying the promise of better prospects of promotion in the future is considered to be better than the one which does not do so, even though the money wages offered by the latter may be high.
vi. **Extra benefits:** In some occupations, employees receive some extra benefits in addition to their pay. For example, the manager of a firm gets in addition to his pay, a well-furnished bungalow, free medical care, etc. Such benefits increase the real wage of a worker.
vii. **Trade expenses:** This refers to the expenses one has to incur in the course of one's occupation. These expenses are high in some occupations while it may be moderate in others. These expenses should be deducted from the money income in order to arrive at the real wage.
viii. **Form of payment:** Real wage are influenced by the form of payment. Generally, workers are paid money wages. But in certain occupations, in addition to money wages, workers receive subsidized ration or free lunch, and living quarters. All these facilities increase the real wages or workers.
ix. **Conditions of work:** Conditions of work also affects real wages. In some cases, it is found that conditions of work are not congenial and they adversely affect workers' health. In such cases, the real wages of workers are low.

Wage Structure Determinants

According to Douty (1980) and Ferris (1985), the main wages and salary structure determinants are as follows:

(1) **Economic value or market value** of an item which is the price it brings in due to the interactions of the forces of demand and supply.
(2) **Job worth**, whose analysis tends to rely more heavily on perceptions of organization members of the relative value of the job.
(3) **Training**: with requirements of jobs in terms of length, difficulty and who provides it. It relates to human-capital analysis and development.
(4) **Employee tastes and preferences.** They are also economic factors. Worker expectations of future earnings strongly influence occupational choice and thus labour supplies. The problem however is that the labour market is not a perfect one.
(5) **Unions** (as noted by Ferris, 1985): Industrial unionism has also been shown by economic analysis to affect wage structures. Large organizations where employees are represented by industrial unions tend to have a highly differentiated wage structures.

Activities in the Role of Unions: ASUU, NLC.

The recent trends in wages and salaries administration have been clearly necessitated by the roles of the various trade unions in the country (Nigeria), specifically, the Nigerian Labour Congress (NLC), the Academic Staff Union of Universities (ASUU), the Senior Staff Association of Nigerian Universities, and a host of others. Previously, and at several times, they went on strike to press home their demands for better conditions of the institutions as well as improved working conditions generally.

The ASUU strike in 2020 took over ten months before it was suspended and the most recent ASUU strike in 2022 has been ongoing for over five months. As part of the administration of wages and salaries, there is a new salary structure and compensation scheme given to the Government by the nation's public Universities in Nigeria before the strike can be called off.

2.1 Theories of Wages

The Marginal Productivity Theory of Wages

The marginal productivity theory of wages is just an application of the marginal productivity theory of distribution.

According to this theory, wages in a competitive market tend to be equal to the marginal product of labour. Marginal productivity is an addition to total productivity resulting from the employment of an additional unit of labour. In a monetized economic system, an entrepreneur is interested not in the marginal physical productivity of labour but in the addition to the size of his total revenue. An entrepreneur, while making a decision regarding the employment of an additional hand takes into account marginal revenue productivity which, in turn, equals marginal physical productivity plus the product price of the product. (Marginal revenue productivity = Marginal physical productivity + Price of the product). The theory asserts that no worker under condition of perfect competition can expect to receive wages greater than the value of marginal product, that is, marginal revenue productivity. For example, if an entrepreneur hires workers at N100 per day to produce goods that are sold for more than N100, he would make a profit by hiring them. The entrepreneur in question would go on hiring additional units of labor till the point of equality between the marginal revenue product and the prevailing wages level is attained. If, on the other hand, the entrepreneur hires workers at N100 per day to produce goods which are sold for less than N100, he would incur losses. It follows then, that the entrepreneur will not pay wages to labourers more than the value of his marginal product. If the entrepreneur is employing less labour, he can increase his profits by employing more labour, on the other hand, if he is employing more labour, he can increase his profits by reducing the employment of labour depending upon the position of the wages rate and the marginal revenue productivity. Thus, the entrepreneur's profits would be maximized or losses would be minimized at a point where the prevailing wage rate equals the marginal revenue productivity.

3. Methodology

The study employed the quantitative approach using descriptive survey method to acquire data from civil servant in Suleja, Niger State, Nigeria. Suleja is a city in Niger State, Nigeria, it was established in the early 19th century by Mohammed Makau. As at 2006, the population of Suleja Local Government Area was 216,578, with the city of Suleja being located north of the Federal Capital Territory. For purpose of this study, a total of 80 random samples were drawn from the sample population for examination. The data collection method for the research study is primary data, collected from sources such as the working force individuals from various sector of the economy (education, health, power, security etc.) in Suleja Niger state, Nigeria. A test-statistics was used to measure the disparity of observed responses of labour force and labour employers in the economy.

Therefore, the statistical analysis of primary data collected with the survey instrument (questionnaire) will be the chi-square statistic (X^2). This is used for measuring the significance of deviation of the observed responses from expected responses.

The significant level that defines the critical region of the test

The chi-square is given by formula:

$$X^2 = \frac{(O_{ij}-E_{ij})^2}{E_{ij}} \quad \text{------------------------------------}1$$

Where X^2 = chi-square

O_{ij}=observed value

E_{ij} = expected value

$$E = \frac{n_i-n_j}{N} \quad \text{--}2$$

Where n_i =row, n_j=column, E=expected

T-Test

4. Data Presentation and Analysis of Results

Analysis of Data

Section A

Table 1: Formal Education

	Frequency	Percent	Valid Percent	Cumulative Percent
No formal education	1	1.4	1.4	1.4
Arabic or Primary education	1	1.4	1.4	2.7
Secondary or Technical_ education	10	13.5	13.5	16.2
NCE or OND	14	18.9	18.9	35.1
HND or BSC degree	35	47.3	47.3	82.4
Postgraduate degree	13	17.6	17.6	100.0
Total	74	100.0	100.0	

Source: Field Survey, 2022

From the above table 5, out of 74 respondents only 1 of them ticked No formal education representing 1.4% of total respondents. Only 1 out of 74 ticked Arabic/primary education which represents 1.4% of total respondents. A total of 10 out of 74 ticked secondary/technical which represents 13.5% of total responses. 14 respondents ticked NCE/OND which represents 18.9% of total respondents. A total 35 out of 74 respondents ticked HND/B.Sc. representing 47.3%. 13 Respondents out of 74 ticked post graduate representing 17.6% of total respondents. The implication of this is that there is lower result due to low availability of qualified individuals.

Table 2: Sector of Work

	Frequency	Percent	Valid Percent	Cumulative Percent
Education	9	12.2	12.2	12.2
Health	9	12.2	12.2	24.3
Security	27	36.5	36.5	60.8
Power	12	16.2	16.2	77.0
Business	17	23.0	23.0	100.0
Total	74	100.0	100.0	

Source: Field Survey, 2022

From the above table 6, out of 74 respondents, 9 of them ticked Education representing 12.2% of total respondents. A total 9 out of 74 respondents ticked Health representing 12.2% of total responses. 27 respondents out of 74 ticked Security which represents 36.5% of total responses. A total 12 out of 74 respondents ticked Power representing 16.2%. 17 Respondents out of 74 ticked Business representing 23.0% of total respondents. There is unbalanced involvement in the sectors.

Table 3: Work Experience

	Frequency	Percent	Valid Percent	Cumulative Percent
Below 5 years	21	28.4	28.4	28.4
5-10 years	27	36.5	36.5	64.9
11-20 years	23	31.1	31.1	95.9
21 years and above	3	4.1	4.1	100.0
Total	74	100.0	100.0	

Source: Field Survey, 2022

From the above table 7, out of 74 respondents, 21 of them ticked less than 5years representing 28.4% of total respondents. A total of 27 of them ticked 5-10years which represents 36.5% of total respondents. 23 out of 74 respondents ticked 11-20years which represents 31.1% of total respondents. 3 out of 74 respondents ticked 21 years and above which represents 4.1% of total respondents. The implication is high level of low experienced staffs.

Analysis of Questionnaire Questions

Section B

Question 4: Has your wages/salary been increased over the past years in your line of work?

Respondent shows wages/salary has been increased over the past years in their line of work, 67.6% agreed on (Yes), while 32.4% agreed on (No). The implication of this shows an average staff consideration when it comes wage/salary increase.

Question 5: On a scale of 1-10. How negatively has the strike in Nigeria affected the economy in general?

Rating 1-10 by respondents shows how negatively the strike in Nigeria affected the economy in general. 2.7% of the respondent rated 1, 4.1% rated 2, 6.8% rated 3, 8.1% rated 4, 20.3% rated 5, 16.2% rated 6, 12.2% rated 7, 8.1% rated 8, 9.5% rated 9, 12.2% rated 10. The implication of this is that educational system will not be balanced.

Question 6: Rate from 1-10.How effectively has the Nigerian minimum wage policy improved the country's economy?

Rating by respondents shows how effectively the Nigerian minimum wage policy has improved the country's economy. 12.2% of the respondent rated 1, 12.2% rated 2, 5.4% rated 3, 17.6% rated 4, 21.6% rated 5, 16.2% rated 6, 8.1% rated 7, 2.7% rated 8, 2.7% rated 9, 1.4% rated 10. The implication is that minimum wage policy has little impact on improvement.

Question 7: Your wage/salary is sufficient for your basic needs.

Responses shows that 31.1% of the respondents strongly disagree, 29.7% of the respondents Disagree, while 33.8% of the respondents Agree, and 5.4% strongly agree. The implication of the result is that it shows that basic needs of the majority staff are met but withstanding, there is a high percentage to resolve.

Question 8: Wage/salary increase will boost your productivity

Responses shows that 2.7% of the respondents strongly disagree, 5.4% of the respondents Disagree, while 28.4% of the respondents Agree, and 63.5% strongly agree. The implication of this is that majority of the staff are in need of salary increase.

Question 9: Money does not motivate anyone. What we can do with the money is what really motivates us and others.

Responses shows that 9.5% of the respondents strongly disagree, 18.9% of the respondents Disagree, while 23.0% of the respondents Agree, and 48.6% strongly agree. The implication of this result is that more staff are motivated by role the money plays and not the money itself.

Test of Hypothesis and Interpretation of Result

Hypothesis one

H_0: There is no significant impact of minimum wage and salary on staff productivity in the study area.

H_1: There is significant impact of minimum wage and salary on staff productivity in the study area.

Table 4: Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	23.094[a]	20	.284
Likelihood Ratio	27.939	20	.111
Linear-by-Linear Association	3.246	1	.072
N of Valid Cases	74		

30 cells (90.9%) have expected count less than 5. The minimum expected count is .62.

Field Survey, 2022

Decision Rule:

The X2 tab> X2cal (31.4>23.093), we accept null hypothesis and reject the alternative (H1) hypothesis. This implies that Minimum wage policy has no impact on the level of staff productivity.

5. Conclusion and Recommendations

This study was conducted to examine minimum wages and salaries, the effect on staff productivity in Nigeria, with Suleja Local Government Area of Niger State as a case study, using questionnaire to collect data which were analyzed using chi-square analysis. The result of the study has shown that the present minimum wages and salary system has no impact on staff productivity in the economy.

The wage/salary remains one of the ultimate ways to enhance the level of staff productivity in the economy given its potential means of improving the general standard of living, for self-sustenance. In recognition of its economic importance in the promotion of adequate labour production, public and private organizations will have better and increased output (proper resource utilization) through the enhanced self-esteem of the labour force to put in more effort. With the increasing rate of demand for basic needs of life today, we can strongly agree with this statement “Money does not motivate anyone. What we can do with the money is what really motivates us and others.”

Seeing that Minimum wage and salary has no significant impact on the level of staff productivity, we therefore accept null hypothesis and reject the alternative (H1) hypothesis.

The conclusion of this research suggest that the improvement of staff wage/salary will increase their level productivity in their different field of work and this can only be possible if their wage/salary is adequate to satisfy their basic needs.

According to Amartya Sen (1980) “Capability to function is what really matters.” It is not enough to have access to wage/salary but is what you can do with the wages/salary that matters.

With the present condition of wages/salary in Nigeria, there is a major problem of underpayment of staff which eventually leads to strike in some of the major sectors of the economy (Education, Health, Power etc.).

There is need for the improvement of minimum wage policy in Suleja, Niger state to guarantee a very high level of staff productivity in order to increase national output. The study therefore recommends as follows:

a) There is need for the public and private institution to provide a performance standard policy that is realistic, understandable and measurable i.e. the working hours should be measurable with the wage/salary.
b) Government should introduce measures which will help identify problems of poor productivity as soon as possible, so as to provide better and faster solution (balanced wage/salary and staff productivity).
c) Government should enforce a periodic illuminating seminars to both the public and private institution, mainly on labour force productivity (to boost performance i.e. criticize the performance not the performer)

d) Government should prioritize labour in public and private organizations by introducing policies that will periodically increase and stabilize wage/salary budget.

REFERENCES

AFGN-ASUU. (2009). *Being Agreement between the Federal Government of Nigeria and the Academic Staff Union of Universities.*

Agburu, J. I. (2012). "Recent Trends in Wges and Salary Administration in Nigeria: A Synopsis on Theoretical and Empirical Challenges". *International Journal of Basic and Applied Science,* Vol 01, No. 02, Oct 2012.

Aminu. A. (n.d.). *Government Wage Policy And The Dynamics of Public-Private Sector Wage Differential in Nigeria.* Ibadan. Nigeria: Department of Economics University of Ibadan.

Atchison, T. J. (January, 2003). Wage and Salary Admistration, in Personnel Administrator. *International Journal of Basic and Applied science, Vol 01, No. 02, Oct 2012*, pp.257-268.

Black, J. (1997). *Oxford Dictionary of Economics.* 2nd Edition.

Cashell, B. W. (2004). *"Productivity and Wages.".* Cornell University : Congressional Research Service.

Das J, S. T. (2007). Variation in Doctor Effort:Evidence from Paraguay . *Health Affairs*, pp. 324-337.

Douty, H. (1980). *The Wage Bargain and the Labour Market.* Baltimore: John Hopkins Ltd.

Eton, E. (1984). "Causes of Indiscipline in Teachers". *Journal of Cross River Educator*, Vol. 3 (1) pp. 39-45.

Ferris, B. (1995). *"Informal Survey of San Diego County Compensation Practices Group".* Unpublished.

Fajoh, J., Abdul, A.W., & Onanuga, P.A. (2022). "Impact of Minimum Wage Administration on Industrial Peace and Employees' Productivity in Public Secondary Schools in Ogun State, Nigeria". *BERJAYA Journal of Services & Management e-ISSN: 2716-5949 Vol.17, 42-57.*

Greenhouse, S. a. (2006). *"Real Wage Fail to Match a Rise in Productivity.* The New York Time.

Jhingan, M. (n.d.). Micro Economic Theory. In M. Jhingan, *Micro Economic Theory* (pp. p.651-657). Vrinda Publication (P) Ltd.

Kazeem, S. (1999). *Correlate of Job Motivation of Workers in Selection Public and Private Secondary School in Ife-Ijesa Zone, Osun State, Nigeria.* Obafemi Awolowo University, IIe-Ife, Nigeria: Master of Arts in Education thesis. Department of Education Foundations and Counselling, Faculty of Education. .

Kushner A, K. T.-D. (2010). Improving Access to Surgery in a Developing Country:Experience from a Surgical Collaboration in Sierra Leone. *Journal of Surgical Evaluation*, p. 270-273.

Li, Z. (2013). *Study on the Consensus Salary System for Modern, Enterprises, Springer Briefs in Business.* DOT: 10.1007/978-3-642-29872.

MacLachlan M, C. S. (2010). *The Aid Triangle:Recognizaing the Human Dynamics of Domiance, Justice and Identity.* New York:Zed Books.

Nwachukwu, C. (2000). *Human Resources Management.* Port-Harcourt: University of Port-Harcourt press.

Statistics (NBS), N. B. (2009). *Labour Force Survey March.* Www.nigerianstat.gov.ng: ISSN 0794-1954.