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Effects of Salary Increment on Employees Productivity: An Example from Selected Nigerian Banks

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Abstract

Job satisfaction and motivation are very essential to the continuing growth and optimum performance of organizations systems around the world. This study assessed the effects of salary and emolument as a means of enhancing productivity in banking industries. The objective of this research work is to critically examine the effect that increment of salary and enhanced emolument has on employees' productivity. The data used were primarily obtained from questionnaire administered to the staff of the randomly selected banks in Nigeria. The regression method of data analysis was used to test the outcome of the feedback of the questionnaire distributed. The study discovered that salary increment and enhanced emoluments has a positive effect on the level of employees' productivity. It was also found out that salary increment and enhanced emoluments is a means to motivate workers. The study therefore recommended that salary increment should be promptly effected by management so as to improve the overall performance of the organization. Also the conditions of service and work environment should be conducive for employees because productivity increases as a result of good working condition. Finally, a bonus system should be introduced to reward efficient and hardworking employees.

Keywords: *Increment, Salary, Employees, Productivity, Banks*

1. Introduction

Employees whether private or public have one thing in common; they want their efforts to be recognized and possibly rewarded. Every individual has a great potential offer to excellent output at his/her working place, the effort exerted by employees in order to enhance new differentiated behavior to ultimately benefit the organization through improved job performance by employees. Putting a glance on organization, the main challenges for the companies is to create and adopt the best Human Resource Management practices and the enhancement of employee performance through the implementation of different strategies. Some of these strategies include training, promotions, compensation to employees, motivation, salary increment and bonus, team empowerment and performance related pay. Despite the efforts of the

management to motivate their employees, the performance of these employees has not improved to the expectation of their employers and therefore the general performance of organizations is nothing to write home about. Salaries and emoluments are ways of compensating employees and to this, compensation is a multi-dimensional construct that may be defined from language and organizational perspective. Compensation can be defined as salary and wage, remuneration, emoluments, reward and/ or pay system. These terms are used interchangeably in organizations but their meanings suggest to the same thing (Ducker and White 2000).

However, several study conducted in this area of study include; Lawler (1971) studied the significant role of pay in work organization, examined the satisfaction with pay to exert a positive influence on employee commitment. He also suggested that pay satisfaction or dissatisfaction is a function of discrepancy between what one feels one should receive and how much pay one does receive. Lawler (1990) went further to say that pay dissatisfaction is a common finding other than job components can be anticipated and even predicted.

They summed up their findings on a factor that work satisfaction should be considered by the organization as important plan which needs to be extended in order to improve employees performance and where employees can put their best performance. It should however be noted that performance level varies according to the level of satisfaction.

Satisfaction of employees and their employers is a mutually beneficial relationship. Employee satisfaction in turn is reflected in the customer satisfaction. This present study assumes that in order to retain employees with a high level of knowledge, skill and abilities, focus should be on effective emolument packages and increased salaries and wages, as such this research study would therefore examine the impact of wages and salary as motivation on the employees' job productivity in an organization.

2. Literature Review

All organizations, be it public or private wants the motivation of its employees, although the abilities of the employees play a role that is crucial in that it helps in the determination of their work performance (Lewis 1995). Locke (1976) also defined job satisfaction as "a pleasurable or positive emotional state resulting from the appraisal of one's job or job experience."

A survey conducted by Ghiselli, La Lopa, and Bai (2001), observed that salary and benefit were the most often stated reasons to leave a job. Velnampy (2008), in his study on job attitude and employees performance concluded that job satisfaction contains positive influence on the performance of the employees has it enhances job involvement and higher performance also makes people feel more satisfied and committed to the organization. According to Kelly (1974), motivation has to do with forces that maintain and alter the direction, quality and intensity of behavior.

Therefore, for any reward system to be successful, it must incorporate financially based sources of motivation especially given that all reward system are designed to attract, retain and motivate workers to improve on their job performance.

2.1. Factors Affecting Job Performance and Satisfaction

Today's corporate world has redefined the slogan "Survival of the fittest" to "survival of the performer". The attributes that contributes to the performance of an employee still lacks clarity. Researchers have identified various factors that contribute to the better performance of an employee. These include external factors like work environment, Job nature, work group and internal factors like motivation levels, job satisfaction and personal benefits.

Recent studies have led to the belief that internal or biographical factors play a major role in the performance of the employee at the work place. The general belief is that performance decreases with age though the older workers bring immense positive qualities like experience and judgment to the job. Other factors include; Relationship between boss and colleague, Advice, support and guidance from team, Goal orientation, Work culture and the company's self or team oriented, Accountability or credit one receives on accomplishing a task, Job satisfaction and chances to get fruitful results in one's career, Loyalty towards one's work, and Division of labor.

2.1.1. High Salary and Job Satisfaction

Lawler (1971) studied the significance of the role of pay in work organization and examined the satisfaction with pay to exert a positive influence on employee commitment. He also suggested that pay satisfaction or dissatisfaction is a function of the discrepancy between what one feels one should receive and how much pay one does receive.

Taveggia & Hedley (1976) assumed that workers in highly specialized jobs experience less autonomy or discretion and, consequently, they are more dissatisfied with work than those in less specialized jobs. The above findings clearly make career advancement an uphill task in an organizational culture that has trust and freedom to make choices.

2.1.2. Clear Job Description and Job Satisfaction

An increase in production can be achieved with job redesign. A job can be redesigned in an effective way by increasing the levels of control and support an employee perceives within an organization. High demands are not detrimental as long as the employee has high levels of control (Dollard and Winefield 2000).

2.1.3. Compensation Policy and Job Satisfaction

Companies must be responsive towards policy changes. If managers are not in support of policies such as extended maternity leave and in-house child care, it is impossible for the employees to use these resources. Employees do not want their boss to reprimand them in any way for utilizing programs that the boss may not be in agreement with. Therefore, managerial behaviors must be adapted to correlate with the newly formed policies.

2.1.4. Emolument Packages and Job Satisfaction

Satisfaction of employee and employer is a mutually beneficial relationship. Employee satisfaction, in turn reflects upon the customer satisfaction. The present study assumes that in order to retain employees with a high level of KSA (Knowledge, Skill and Abilities), focus must be on Effective Emolument Packages.

2.1.5. Career Advancement and Job Satisfaction

Another way to improve job satisfaction is by varying tasks assigned to employees. Repetitive tasks make satisfaction difficult. Therefore, employees need independence to be fully satisfied within their jobs Anderson, (1984). Taveggia & Hedley (1976) assumed that workers in highly specialized jobs experience less autonomy or discretion and, consequently, they are more dissatisfied with work than those in less specialized jobs.

Luthans (1938) asserts that motivation is the process that arouses, energizes, directs and sustains behavior and performance. Motivation is that thing that encourages people internally towards the actions which helps them to achieve a preferred task. Simon (1997) has clearly defined in his research work; why motivation is mandatory, the essential confront for all companies nowadays which is to motivate their staff towards work for the organizational goals. Knowing how to build importance of work and having satisfied personnel in their organization is a way to organizational effectiveness.

Thus, job performance depends on the ability and environment as well as motivation. This relationship can be stated as follows; $P=f(M, A \& E)$ where P = performance, M = motivation, A = ability, and E = environment. To reach higher level of performance, an employee must want to do the job (motivation), be able to do the job (ability) and have the materials and equipment needed to do the job (environment). A deficiency in any of these areas will affect performance and therefore, a manager must strive to ensure that these three conditions are satisfied.

2.2. Theoretical Framework

Adams' (1963 & 1965) equity theory and Allen & White's (2002) equity sensitive theory. These theories state that the individual perception of justice about the distribution and change of resources may affect their attitude and behavior (Robert et al 1999; Sweeney & McFarlin, 1993). Equity theory developed by J.S Adams proposes that employees compare what they get on the job situation (outcomes) in relation to what they put into the job. Outcome ratios of relevant others are shown in the table below:

Perceived ratio comparison

a) Outcomes A < Outcomes B

b) Outcomes A = Outcome B

c) Outcome A > Outcome B

Employee assessment

Inequality (under-rewarded)

Equity

Inequality (over-rewarded)

If an employee perceives his/ her ratio to be equitable in comparison with those or relevant others, he/ she perceives the situation is fair then justice prevails. However, if the ratio is inequitable, the employee views himself/ herself as under or over rewarded and this causes discomfort. When inequities occur, employees attempt to do something about it. When employees perceive that other employees are rewarded more for the same effort, they will react negatively to correct the output to input imbalance. Adams (1963), Allen & White (2002). Relying on these theories, feelings of equity or inequity about pay structure may act as an antecedent of job satisfaction (Bloom 1999; Tang & Sarsfield-Baldwin, 1996) and organizational commitment (Coyle-Shapiro et al, 2002; Mani, 2002). Equity theory proposes what employees can do when they perceive inequity as follows:

1. Employees distort either their own or others input or outcomes.
2. Employees behave in some ways to induce others to change their input or outcomes (influence others).
3. Employees behave in some ways to change their own inputs or outcomes.
4. Employees choose a different comparison person.
5. Employees quit the job.

This type of employee reaction has generally proved to be correct. A review of research consistently confirms the equity thesis: Employee motivation is influenced by relative reward as well as by absolute rewards. Whenever employees perceive inequity, they will act to correct the situation. The result might be higher or lower productivity, improved or reduced quality of output, increased absenteeism and voluntary resignation.

3. Methodology

Five hundred questionnaire were drawn and on a 5 likert scale and were distributed randomly to staffs of the selected banks. These questionnaires were code name ESJP and subjected to rigorous analysis through the use of regression analysis to test the effect of increment of emolument on employees' productivity.

4. Discussion of Finding

Model Summary of the Simple Regression for Employee Productivity

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.983 ^a	.966	.949		2.92770

a. Predictors: (The selected Banks)

Summary of Analysis of Variance for Employee Productivity

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	482.857	1	482.857	56.333	0.05
	Residual	17.143	2	8.571		
	Total	500.000	3			

a. Predictors: (The selected Banks)

The model summary tables provide useful information about the regression analysis. The R^2 column is the relation between the actually observed independent variables and the predicted dependent variable (i.e., predicted by the regression equation). R^2 also known as the 'coefficient of determination'. It states the proportion (percentage) of the (sample) variation in the dependent variable that can be attributed to the independent variable(s). In this study, the coefficient of determination 96.6% of the variations in employees' productivity could be accounted for, by the provision of emolument. The 'adjusted R^2 ' refers to the best estimate of R^2 for the population from which the sample was drawn. Finally, the 'standard error of estimate' indicates that, at above ninety percent, observed employees productivity deviate from the predicted regression line by a score of 2.92770. The $R=0.983$, coefficient of correlation between the regressor and shows that there is 98.3% level of dependency of employees' productivity on salary and wages increment, on staffs of the selected banks which implies that the higher the salary and wages the higher the productivity level of employees.

The overall significant of the estimate parameter revealed that the F-value is 56.333. This indicates that there is a positive relationship between employees' productivity and salary and wages increment and enhanced emolument which is in agreement with the theoretical basis.

5. Conclusion and Recommendations

Employees are the vital resource of the organization and at times, they are often neglected at their jobs which results in their failure to perform effectively and efficiently. Thus here we need to understand what motivates people and how they get satisfied from their job which will lead to organizational performance. Motivation could be described as a driving force that makes people want to willingly put in their best in what they do.

Conclusively, increment on productivity would be achieved when an employee is motivated to work on his/her own will. Therefore, if organizations want to raise their overall level of performance, they must consider all aspects to improve the motivation level of employees.

Recommendation

To increase the productivity level of employees, the management should concentrate mainly on the incentive and reward structure. The following recommendations are also relevant;

- 1) The management should give promotion to those employees who deserve it;
- 2) All indicators point towards a need for employees pay revision;
- 3) A bonus system may be introduced to reward efficient and hardworking employees after establishing an effective productivity evaluation;
- 4) Work load should be adequately distributed by analyzing various positions and posts;
- 5) Salary increment should be promptly effected by management so as to improve the organizations overall performance level; and
- 6) Productivity increases as a result of good working condition. Therefore, the management is advised to make the conditions of service and work environment conducive for their employees so as to improve the general performance of the organization.

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