WAGE INEQUALITY AND WORK PERFORMANCE IN THE FOOD INDUSTRY OF OGUN STATE, NIGERIA

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ABSTRACT

This study examines wage inequality on work performance in the food industry of Ogun State of Nigeria with Unilever Nigeria Plc, a multinational company, as a case study. The main objective of the study was to investigate the effect of skill and training on wage differentials and determine the effect of wage disparity on the employees' performance in the food manufacturing companies/organizations. Questionnaire was the main instrument for data collection and analysed using Chi-Square statistical method with the aid of SPSS software. 122 copies of questionnaires were returned from a sample of 150, representing 81.33% response rate which is adjudged to be adequate for analysis. The findings of the study showed that skill and training do not have significant effect on wage differentials (X^2 =59.756,df =45,p<0.05) and that wage disparity and employee's performance are not significantly related (X^2 =101.203,df =45,p<0.05). Though strange, it is perhaps a reflection of the peculiarity and current harsh economic situation with the attendant high rate of unemployment in the country. The study however recommends that food companies/organizations should enhance job satisfaction through equitable recommendations, job structure and promotional system for employees, provision of suitable and enabling work environment, better communication to enhance perception of equity and involvement of employees in policy formulation to enhance better implementation.

Keywords: Wages, Inequality, Equity, Work Performance.

INTRODUCTION

Wages are the total earnings for the performance of services in a given period of time (a day or week); they are equal to the product of an hourly rate times the number of hours worked, plus any bonuses or premiums that may be earned. Thus the rate of a pay may be based on time, output, or a combination of the two e.g., a guaranteed hourly rate plus a bonus ordinarily based on the amount of 'extra' work put out (or time saved) beyond a standard requirement.

Wage inequality has become a topic of discussion in government circles, within corporations and small businesses and in media offices around the globe. Some of the research into this subject focuses on the changes in computer technology that have made certain skills highly desirable, while leaving "unskilled" workers behind in the wage race. There are different perceptions on equity theory. Equity theory proposes that a person's motivation is based on what he or she considers being fair when compared to others (Redmond, 2010). Equity focuses on an employee's work-compensation relationship or "exchange relationship" as well as that employee's attempt to minimize any sense of unfairness that might result. Equity theory deals with social relationships and fairness/unfairness. It is also known as "inequity theory" (Gogia, 2010). Adams 'equity theory talks about the process of striking a fair balance between an employee's inputs (hard work, skill level, tolerance, enthusiasm etc) and an employee's outputs (salary, benefits, intangibles such as recognition etc…

John Stacey Adams developed his job motivation theory in 1963. The theory is based on the belief that employees become demotivated, both in relation to their job and their employer, if they feel as though their inputs are greater than the outputs. We each seek a fair balance between what we put into our job and what we get out of it. Adam calls these inputs and outputs. Individual's perception, correct or incorrect, affects their evaluation of his inputs and outcomes. Equity theory, when applied in organisations, is used in this second sense wherein people compare their performance which others (co workers) receive for doing similar work. Most discussions and research on equity usually centre on money, as it is considered the most important reward in work organisations. Inequity occurs when there is an imbalance between the ratios as a result of the comparison process. There are therefore two possible evaluations: when inputs exceed outcomes (under-reward) and when outcomes exceed inputs (over-reward). Equity theory proposes that under-rewarded employees tend to produce less or produce products of inferior quality than equitably rewarded employees and over-rewarded employees tend to produce more or produce product of higher quality than in equitably rewarded employees.

In the equity process, a person takes a number of steps to reduce the tension caused by perceived inequity. Inequity exists only in the perception of individuals –it may or may not be real. They may take their inputs either upwards or downwards to a more equitable level- overpaid workers may justify overpayment by increased efforts and underpaid workers may reduce their level of efforts and show less interest in work by excessive absenteeism and tardiness; they may alter their outcomes to restore equity- workers may demand better pay and better working conditions for the same input either by staging walkouts and strikes or through organised union negotiations; they can change input-outcome ratio to more favourable and equitable levels by distorting the values of inputs or outcomes- they may artificially increase in their own minds the importance of the jobs that they are doing or decrease the value of their own input by believing that they are not really working very hard; they may resign from their jobs - employees who feel that they have been inequitably treated at a particular job may find another job where they feel that the input-outcome balance is more favourable and equitable to them and they may change the degree or insistence of comparison with other employees - in the face of inequity, employees may believe either that other people get better outcomes because they do work harder at it or because they belong to a different category with which the comparison is not valid or justified.

Statement of the Problem

In most food companies and organisations of Ogun State where such logical wage and salary differentials have not been established, compensation patterns are often irregular and chaotic since they have evolved from favouritism, arbitrary decisions (Ladipo and Olufayo, 2011). In such cases jobs that call for greater efforts skill and responsibility may pay less than jobs requiring fewer of these attributes; and individuals in the same or similar occupations may receive widely varying compensation; morale is consequently low and performance poor since employees keenly see these inequities, and management cannot explain the inconsistencies on a logical basis (Adams, 1965). Therefore, this study examines the effect of skill and training on wage differentials and the effect of wage disparity on the employees' performance in Unilever Nigeria Plc, a multinational food manufacturing company located in Agbara Indusrial Estate of Ado-Odo/ Ota Local Government Area in Ogun State, Nigeria.

Hypotheses of the study

(i) Ho: Skill and Training do not have significant effect on wage differentials.
(ii) Ho: Wage disparity does not have significant effect on employees' performance.

Scope / Significance of the study

Unilever Nigeria Plc is engaged in manufacturing and marketing of foods and food ingredients, and home and personal care products. The company has manufacturing plants in Lagos and Agbara, Ogun state. The company operates in two segments; Home and personal care, and foods. Home and personal care includes sales of skin and hair care products, and oral products. Food segment includes sale of tea, sauces, margarines and spreads, cooking products such as liquid margarines.

This study helps organisations especially food companies, to develop / design wage packages that compensate for skill, training, and other requirements of each job and the management to be abreast of the effects of wage disparity on employee's input in their organisations.

LITERATURE REVIEW

Equity theory, as developed by Adams (1965), considers motivation and job satisfaction as the result of a comparison of a worker's perceived outcomes and inputs to the outcomes and inputs of a referent other (Vinchur& Koppes, 2011).In an organizational context, outcomes may refer to salary, career opportunities, extra-legal benefits, and even to psychological rewards such as feedback and support from colleagues or a supervisor (De Gieter, De Cooman, Hofmans, Pepermans, & Jegers, 2012). Inputs, in turn, refer to work effort and commitment, but also to factors such as age and educational level (Anderson, 1976). According to Adams (1965), a feeling of equity is the result of comparing the inputs and outcomes for the self and for the referent other, and comparing both intra-individual ratios between individuals. When the ratios differ, inequity is experienced, which in turn causes a conflict situation that elicits stress. In particular, equity theory predicts a decrease (increase) in work effort in a situation of underpayment (overpayment), with the exact decrease (increase) in work effort depending on the person's valuation of the effort and the underpayment (overpayment). Equity theories revolve around the balance between efforts and rewards in organisations.

We each seek a fair balance between what we put into our job and what we get out of it. Adams calls these inputs and outputs. We form perceptions of what constitutes a fair balance or trade of inputs and outputs by comparing our own situation with other 'referents' (reference points or examples) in the market place. We are also influenced by colleagues, friends, partners in establishing these benchmarks and our own responses to them in relation to our own ratio of inputs to outputs. Inputs are typically: effort, loyalty, hard work, commitment, skill, ability, adaptability, flexibility, tolerance, determination, heart and soul, enthusiasm, trust in our boss and superiors, support of colleagues and subordinates, personal sacrifice, etc.

People need to feel that there is a fair balance between inputs and outputs. Outputs are typically all financial rewards - pay, salary, expenses, perks, benefits, pension arrangements, bonus and commission – plus intangibles - recognition, reputation, praise and thanks, interest, responsibility, stimulus, travel, training, development, sense of achievement and advancement, promotion, etc. If we feel are that inputs are fairly and adequately rewarded by outputs (the fairness benchmark being subjectively perceived from market norms and other comparables references) then we are happy in our work and motivated to continue inputting at the same level. If we feel that our inputs out-weigh the outputs then we become demotivated in relation to our job and employer. People respond to this feeling in different ways: generally the extent of demotivation is proportional to the perceived disparity between inputs and expected outputs. Some people reduce effort and application and become inwardly dissatisfied, or outwardly difficult, not compliant or even disruptive. Other people seek to improve the outputs by making claims or demands for more reward, or seeking an alternative job.

Adam's equity theory is one of the most famous and prominent theories of social exchange processes. This theory is related to enhancing our perception of behaving in corporate environment. Two main components of Adam's theory in exchanging relations are inputs and outputs. Inputs or investments are each participant's contributions to relational exchange. When an individual exchanges his services with another individual, inputs might include previous job experiences, knowledge and information, job efforts, education and job training and internship.

Outputs are things which are obtained through exchange. For employees, the most important output might be wage. In relational exchange considerations, two points should be taken into account. First, an input or output should be known by one or two sides of relational exchange. Second, an input or output should be related to the exchange that is it should have a side benefit. As long as inputs and outputs are not both identified and are not related to each other, no relational exchange would occur. Adams suggests that individuals assess inputs and outputs based on their importance to them. Inputs are assessed by gathering input data and outputs are considered independently, even though they might be much related to each other. Equity occurs when the ratio of inputs that an individual brings to a job and the outcomes that he receives from it is equal to the perceived inputs and outcomes of others. Inequity happens when the ratio of these ratios are unequal.

Adams equity theory (Adams 1963, 1965) focuses on the issue of fairness and equal treatment in organizations and the effects of perceptions of equities and inequities in inputs and outputs on specific workplace behaviour: The key to equity theory is the ratio of inputs to outcomes. Inputs include all factors (education, effort, experience etc.) that a person perceives as relevant in obtaining some return. Outcomes include all factors seen to be returns on the individual's job investment. The value of the exchange to the individual, then, is a function of the outcomes to input ratio. It is from this ratio that the formulation of equity and inequity arises (Cosier & Dalton, 1983). Adams theory suggests that people working in organizations form notions of the fairness or otherwise of their treatment in a four step process (Moorhead & Griffin, 1998).

Nevertheless, work quality can be difficult to define because it is, to some degree, subjective but it is possible to establish certain criteria to define quality, for example, accuracy and timeliness could all be considered indicators of work quality. Work quality is also the volume of work produced by the employee, along with his or her speed, accuracy and consistency of output. The concept of work quality has a long history in the social sciences dating back to the 18^{th} and 19^{th} century, and several well known and leading theorists have been preoccupied with quality of work. According to Marx (1967) employer's ownership and control of the means of production meant that almost all jobs are bad. He argues that in modern industrial production under capitalist conditions the workers would become alienated because they lose control over the nature of the work tasks, and over the products of their labour (Giddens, 1997).

Neo- Marxists like Braverman (1974) also had a pessimistic view of the development of job quality. He was concerned with the extent to which developments in work organisation, such as closer control of the labour process by the management, destroyed the capacity for individual self-development through the simplification of tasks and the separation of conception and execution in work. Beck (1992) with his de-standardization of labour thesis argued that new forms of work would imply a decline in work quality. Under the standardized mass-production factory regime the trade unions managed to create standards for the working conditions that are difficult to maintain in a world of individualized, flexible and non-standard working arrangements.

Dual labour markets theorists (e.g., Piore, 1971; Edwards, 1979) contend that bad job characteristics tend to cluster in such a way that at a job that is bad on one dimension tends to be bad on others. It is therefore reasonable to talk about a primary sector where jobs are of good quality with for example high job security, good wages and working conditions and opportunities for career development, and a secondary sector with low job security, low wages and bad working conditions few possibilities for career development etc.. in contrast, Adam Smith's (1976) hypothesis of compensating differentials holds that pay is positively associated with undesirable working conditions such an unsafe or unhealthy work environment or undesirable working hours, because workers trade off working conditions and benefits for pay.

To measure which jobs are best and worst is not a simple task as jobs are made up of many components, but there are situations when it is useful to talk about their overall quality (Kalleberg and Vaisey, 2005). Mapping the trend in overall job quality for example makes it possible to say whether inequality in job quality is increasing or decreasing. (We all know that some jobs are better than others, and that some jobs are considered as good both of those who have them and others.) But the quality of a job can in the end be only be decided by the workers, and they may consider a job to be good or bad for many reasons (Jencks et al., 1988), and persons having the same job may have different opinions of how good or bad the job is. Since important components of job quality are in reality primarily to be measured through the reports of workers, comprehensive measures of job quality is affected by the potential limitations (e.g,social esteem bias) as well as the advantages (e.g. first- hand knowledge) of subjective data (Green, 2006). Workers also reduce a vector of the quality associated with different jobs facets to a scalar quantity (good or bad job) when deciding to quit a job (Kalleberg and Vaisey, 2005). Measuring work quality is therefore not a simple task, and there is no agreement as to how it should be done. There are no agreed upon definition on the quality of work, and no consensus on what constitutes a good job (Kalleberg et al., 2000).

According, to Kalleberg and Vaisey (2005), there two approaches as to how to conceptualize and measure overall quality of jobs. The first strategy evaluates the quality of jobs along a variety of specific dimensions of work such as earnings, intrinsic rewards, promotion opportunities and security and then combines them into an overall measure of job quality. The second approach is to ask workers directly to provide a global or general assessment of their jobs. The most frequent example of this is when workers are asked about their degree of job satisfaction.

Methodology

The research design was the survey design with questionnaire as the main instrument for data collection measured on 6-point Likert scale. The population for the study were 600 employees of Unilever Nigeria Plc, in Agbara Industrial Estate of Ogun state. Asmple of 150 employees were randomly selected, comprising the senior and junior staff of the company across diverse age groups, educational qualifications etc.

RESULTS AND DATA ANALYSIS

Hypotheses 1

H_0: Skill and Training do not have significant effect on wage differentials.
H_1: Skill and Training have significant effect on wage differentials.

Table 1: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	59.756[a]	45	.069
Likelihood Ratio	42.649	45	.572
Linear-by-Linear Association	.413	1	.520
N of Valid Cases	122		

Source: Field Survey, 2015.
a. 52 cells (86.7%) have expected count less than 5. The minimum expected count is .04.

Table 2: Symmetric Measures

		Value	Asymp. Std. Error[a]	Approx. T[b]	Approx. Sig.
Nominal by Nominal	Phi	.700			.069
	Cramer's V	.313			.069
Interval by Interval	Pearson's R	.058	.101	.641	.522[c]
Ordinal by Ordinal	Spearman Correlation	.011	.094	.119	.906[c]
N of Valid Cases		122			

Source: Field Survey, 2015.
In table 1, the value of Chi-square (X^2_{Cal} =59.756, df =45) at 5% level of significant is less than X^2_{tab} (61.656). We therefore conclude by accepting the null hypothesis that skill and training do not have significant effect on wage differential with the Cramer's V value of 0.313 in table 2 showing the effect magnitude of skill and training on wage differentials.

Hypotheses 2

H_0 : Wage disparity does not have significant effect on employees' performance.
H_1: Wage disparity has significant effect on employees' performance.

Table 3: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	101.203[a]	81	.064
Likelihood Ratio	92.959	81	.171
Linear-by-Linear Association	3.042	1	.081
N of Valid Cases	122		

Source: Field Survey, 2015.
a. 97 cells (97.0%) have expected count less than 5. The minimum expected count is .02.

In table 3, the value of chi-square (X^2_{Cal} =101.203, df=45) at 5% level of significant is less than X^2 tab (101.5) and we therefore conclude by accepting the null hypothesis that wage disparity does not have significant effect on employees' performance.

DISCUSSION

Firstly, the analysis showed that skill and training do not have significant effect on wage differentials due to personnel crisis in the organisation. The conclusion was arrived at after due consideration of the results from the Hypotheses. Secondly, it was revealed from the analysis that wage disparity and employee's input are independent. i.e., other incentives have larger effect on employee's input than wage such as job security, reward system, cordial relationship between employees and employers.

Obviously, this result appears strange but perhaps it is a peculiarity of the economic situation in the country where unemployment is very high and employers of labour no longer care about professionalism and higher qualifications. This is creating a lot of personnel crisis in the labour market and the government and even the employers of labour, most especially the management of Unilever Nigeria Plc, should take this seriously. We can conclude that wage disparity do not have significant effect on work performance, in other words, other incentives like job security and perhaps cordial employer-employee relationship have bigger impact on work performance in the company. Therefore, management of Unilever Nigeria plc should develop other incentives that would improve work performance other than wage.

Efficient and effective work performance is very important in achieving organization corporate objective which is geared towards development and growth. Since employee remain the only tool for achieving the development of every organization, more should be done to sustain and improve the life of the employees. Organizations and manufacturing companies should endeavour to achieve these objectives without neglect to the welfare and the general needs of their employees in other to reduce the labour turnover. Generally, more should be done to guarantee employees commitment to their employers or organizations by making the work more interesting through effective and efficient reward system.

Therefore, the study suggests and recommends that Unilever Nigeria plc and other food companies should enhance job satisfaction through equitable recommendations, job structure and promotional system for employees, provision of suitable and enabling work environment,

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better welfare packages in terms of bonuses and allowances, encouragement of constant and effective communication between the management and the employees to enhance employee perception of equity in remuneration and involvement of employees in policy formulation to enhance better implementation.

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