



# WAGE DIFFERENTIALS IN NIGERIA'S LABOUR INDUSTRY: A CRITIQUE OF REWARD STRUCTURES BETWEEN EDUCATION AND HEALTH SECTORS IN NIGERIA

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## ABSTRACT

Globally, there is a widespread interest in the role money plays as a motivational tool for making people to work for higher productivity and for securing their allegiance to cooperate with the organisations in which they work for. In Nigeria, the administration of reward system is always associated with a number of labour-management relations problems. Wage agitation in form of income inequality between workers and government has a long history in Nigeria. Till today, some professionals especially in the education sector still claim that reward is dead because income inequality and other forms of incentives otherwise known as benefits between them and their counterpart in other sectors seems incomparable. This study set to differentiate the reward structures between education and health sectors using the indices of base and variable pay; pension and benefits; learning and development; and organisation culture. It was concluded that creation of inequality among the variables ultimately reduces performance and increases turnover; encouraging unethical behaviour; and decreasing the feelings of accomplishment and satisfaction of higher interest in the education sector. It is recommended that pay should be used primarily for tasks that are uninteresting to most employees to limit the negative effects and correct the parallel distinction between the reward structures of education and health sectors in Nigeria.

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## 1. INTRODUCTION

Generally speaking, employees in all kinds of works weather private or public organisations exchange work done for rewards. These rewards may take many forms including material and non-material rewards which according to Maslow's theory may be intrinsic (feelings of accomplishment and satisfaction of higher needs) or extrinsic (increased pay, promotion, job securities etc.) in nature (Maslow, 1943). However, one of the most important of such rewards and invariably the most obvious is the extrinsic type usually inform of money paid to workers either as salaries, wages or monitored fringe benefits. The importance of money type of reward otherwise known as wages lies in the fact that it constitutes the better part of benefit which impacts most greatly on the employees' motivation to work and cooperate with their organisation management, thereby creating a stable labour-management relations environment. The efficient and effective management of this wages thus becomes an important issue in all manners of industrial relations system (Michael & Helen, 2004; Henk, 2015). Historically, there is a widespread interest in the role money plays as a motivational tool for making people to work for higher productivity and for securing their allegiance to cooperate with the organisations in which they work for. This kind of interest was first stimulated by the ancient Greek philosophers like Plato and Herodotus. In their pioneering works, they provided the foundation for discussion of money as a motivator in industrial compensation (Salawu, 1995; Bashir, Afees & Ahmed, 2010). In summary, they believed that in acting, human beings usually seek for comfort and pleasure, while at the same time avoid discomfort and pain. Thus, monetary compensation such as wages is seen as a major influencer of work related behaviour.

Taylor (1923) in his scientific management theory emphasized the relationship between wages and the extra effort put forth by the workers in the performance of their jobs. Specifically, Taylor emphatically remarked that workers will put forth extra efforts on the job in order to maximize their economic gains measured in terms of higher wages. The interpretation of this is that wage is a great motivator of work behaviour in any given environment. A motivated workforce can be a significant factor in organisational success. When employees are motivated to work at higher levels of productivity, the organisation as a whole runs more efficiently and is more effective at reaching its goals. This is in contrast to an unmotivated workforce, who can negatively disrupt an organisation and distract employees from their work. For this reason, it is imperative that managers,

administrators, government ministries and agencies and other employers of labour understand the power of reward systems and how they are used to influence employee behaviour (Herzberg, Mausner, & Snyderman, 2010; Lunenburg, 2011).

### **1.1 Wage Problem and its Administration: Historical Review in Nigeria**

In Nigeria, the administration of reward system is always associated with a number of labour-management relations problems. Wage agitation in form of income inequality between workers and government has a long history in Nigeria. However, to properly understand the history of wage agitation in Nigeria, the cost of living award (COLA) agitation of 1941 provides a good starting point for the discussion of the issue of parallel reward structure that now characterized almost every sector in Nigeria. Indeed, the COLA agitation has been seen in many quarters as an economic difficulties created by the British government involvement in the prosecution of the Second World War. This economic difficulty turned out to be affecting the working class more than any other sectors of the urban centers. Thus, because of the economic hardship caused by war prosecution and suffered by the working class, the railway unions demanded a cost-of-living award in 1941. The workers' demand was turned down and a crisis resulted. In order to deal decisively with the situation, the government as at then set up a committee to look into the circumstances surrounding the workers' agitation. Following from the committee's report, the government granted a cost of living allowance (COLA) to all its workers. Thereafter the COLA award, a number of other trade unions emerged in the Nigeria industrial relations system to agitate for and get the COLA allowance. This marked the beginning of unending agitations from every corner of Nigeria sectors.

After the independence, the trade unions in Nigeria have continued to be at the center of wage agitation. For example, the Trade Union Congress of Nigeria (TUCN) and the Nigeria Trade Union Congress (NTUC) had in 1961, presented memoranda to the Federal Government pressing for two main issues. These are; (1) a review of wages and salaries and (2) regrouping of all the house unions into twenty-five industrial and general unions. On the issue of wage review, the TUCN and NTUC specifically demanded for the introduction of a national minimum wage. The two demands were vigorously pursued by the Joint Action Committee (JAC) formed in September 1963 by all factions of the existing trade unions (Ubeku, 1983). The magnitude of the strike led the Federal Government of Nigeria to appoint a commission of inquiry to look into the demands of the striking workers. Here too, the workers also gained substantial award from the strike action. Since then nothing much has changed from administration to administration. From the above discussion, it can be seen that practically, every major demand on the part of workers for wage increase or review before and after independence in Nigeria has been settled not through collective industrial machinery, but by special commissions or tribunals. These tribunals might have helped to raise wages in Nigeria but they seem not to have addressed the problem of income and benefits inequality in the Nigeria industrial relations system, which remains a major source of industrial instability. This issue still remains unresolved till today, even with the establishment of a permanent wage commission in Nigeria that is charged with the administration of all wage and related issues.

Strike action continues to linger on, the trend was witnessed from the beginning and end of year 2020 with the Association of Registered Nurse of Nigeria (ARNN); Assembly of Healthcare Professional Association (AHPA); the Joint Health Sector Unions (JOHESU) and ASUU on the issue of peculiarities on the Integrated payroll and personnel System (IPPIS) and early year 2021, Nigerians are still witnessing other unions joining the strike race in Nigeria, such unions include the National Union of Petroleum and National Gas (NUPENG); the Nation Union of Teachers (NUT); the Nigeria Union of Journalists (NUJ); the Nigeria Labour Congress (NLC); and the Nigeria Medical Association (NMA). Their agitation is nothing much different from what others have been fighting for; rather it is based on the recent wage consolidation policy of Buhari administration. This minimum wage policy which was supposed to take effect from 1st of April, 2019 is already breeding its own type of industrial relation problems which include intensification of agitation by aggrieved worker groups and industrial strike by those who thought that the policy has not favoured them (Simona, 2020). Indeed, with the take off of the policy, no sector of the Nigeria economy has been spared from the industrial disputes that characterized the entire national economy. The declaration of industrial disputes by unions in any sector could be attributable to varying factors or demands. However, pay has always been singled out as the most important demands. Although, there is a general salary increase in the salaries of workers in various sectors of the Nigerian economy today, the inequality in salary distribution still remains a feature of the country's wage distribution pattern (Bashir, Afees & Ahmed, 2010). The effect of trade unions in wage determination and the use of political or bargaining power in bringing about wage changes has indeed been a major pre-occupation of some researchers in recent years.

Major gains for workers have been through the deliberations of the various wage tribunals rather than through union bargaining power. However, trade Unions have played a significant role in bringing wage tribunals into being, whose tradition has been to recommend upward movement in wages. Political pressures from trade unions induced government to raise wages especially in the organized markets. This happened in favour of Nigerian Medical Doctors when government forced to make an unprecedented 40% interim award to them, as they protested against Udoji Award. The spate of industrial disputes in the Nigerian economy seems to suggest that the wage determination policies by the Nigerian government before and after independence were and still are administratively inadequate as the most visible features of the Nigeria industrial relation system today remain income inequality and incessant industrial labour strike.

## **1.2 Wage Determination**

From time to time, Nigerian government has used regulatory agencies either to regulate or determine wages in the country. As early as 1942, government established eight labour Advisory Boards to advise it on all areas of labour issues including the adjudication of the impending labour (Wage Fixing and Regulation) Ordinance of 1943. Furthermore, the Boards were empowered to make special investigation on employment in specific trades or industries. Early in the 1960s, Labour Advisory Boards were reconstituted into the Federal Labour Advisory Council. The council was composed of an equal number of representatives from labour and management. In 1965, the National Labour Advisory Council and National Wages Advisory Council were established following recommendation of the Morgan Commission. A further consequence of the Morgan Commission was the re-enactment of the Wages Boards Act into Wages Boards and Industrial Council DECREE (NO. 1) 1973. The philosophy behind this law finds its expression in the oft-spoken premise that government has the responsibility to protect workers in industries or firms where wages are unreasonable low or where no adequate machinery exists for the effective regulation of wages or other conditions of employment of those workers.

The complexities and great difficulties of wages determination arise from application of these factors to specific cases. There are four principal factors involved in wage setting:

- i. Comparability among wage rates, (the relative bargaining power of employers and labour)
- ii. Changes in the cost of living
- iii. Ability of employers to pay, and
- iv. The productivity of employees

## **2. METHODS OF DETERMINING WAGES**

### **2.1 Collective Bargaining**

Wages are determined by collective bargaining. The National Public Service Negotiating Council and or State Negotiating Councils are involved in Public sector, while the plant level takes care of private sector.

### **2.2 Wage Commissions**

Here the government as employer uses the Wage Commission(s) to recommend salaries, wages and other conditions of employment which shall apply to the Public Sector. Examples include: Mbanefo Commission (1959), Morgan Commission (1963), Adebo Commission (1970), Udoji Commission (1974), Williams and Williams Commission, Cookery Commission for ASUU (1981) and Onosode Commission (1982). The consequence of the wage commissions approach is that it undermines the bargaining process in the public service with crippling effect on collective bargaining machinery in the private sector. The approach of wage determination through commissions is not inflationary but also chaotic. Such chaos arises from the desire of each socio-economic group to maximize its level of income relative to others in order to have a larger share of the national income. Therefore, the competition between employees and employers usually results in industrial unrest, work stoppage and lockouts, leading to substantial loss in man-hours annually. Moreover, the announcement and propagation effects of the Commission's award usually jerk up prices of other goods and services, thereby worsening the rate of inflation.

### **2.3 A Critique of the Reward Structures of Education and Health Sectors in Nigeria**

Till today, some professionals especially in the education sector still claim that reward is dead because income inequality and other forms of incentives otherwise known as benefits between them and their counterpart in the health sector is incomparable. Going down the memory lane, there has been misconception in teaching over various issues ranging from unpaid allowances (overtime allowances, hazard allowances and special allowances), pension deduction, and disparity of salary scale, promotion arrears and other entitlements (Ajayi & Oyewale, 2017). Though there are many variables to differentiate the reward structures between education and health sectors but here the distinction will be hinged on the following elements of: base and variable pay; pension and benefits; learning and development; and organisation culture.

#### **2.3.1 Base and variable pay**

This involves "direct monetary payment from employer to employee", such as salaries, bonuses or loans. This direct monetary payment fall into three main categories. First, there are the basic wages and conditions that are offered to staff related to their role description and work classification. Second, there are additional payments or bonuses that are linked to the achievement of performance outcomes, with access to the payment either specified in advance or retrospectively assessed as part of a staff review or supervision process. Such payment is the hazard allowance, for example, in the health sector the payment is uniform among health workers and is even seen as one of the areas of continued disagreement. The NMA believe they can't earn the same amount with other health workers because they are more exposed to the hazards than others and aside the payment is considered as obsolete and should be reviewed upward. To drive in their agitation they even went on strike in the mid September, 2020 for the upward review of the #5,000 monthly hazard allowances. Nevertheless, there is also such payment in the education sector especially in higher institutions of learning but yet they are grossly owed by the government

with accumulated arrears totalling to over sixty-four months of hazard allowance in public universities (Ajayi & Oyewale, 2017).

Third, there may be additional financial incentives that are not directly related to the performance of the person's duties, such as access to financial services or fellowships. Here, workers in the health sector are seen as core professionals when compared to their counterpart in the education sector where majority sees and engaged in it as "second choice" non-employment activities, primarily because job opportunities are not available at the levels of education already attained or the educational institutions become "employers of last resort". Workers in the education sector see their profession as all comers, where many entered it not as a chosen career but as a means of survival. Hence, there are no distinctive criteria to differentiate between professional educator and quasi educator.

Going by this professionalism, the health sector have a uniform luxury pay pack as reflected on their salary scale such as Consolidated Medical Salary Structure (CONMESS) for Doctors and Consolidated Health Salary Structure (CONHESS) for Nurses and all other hospital workers including those in the administration and accounts. These salary scales are in line with general standard and expectations but when compared to the education sector, especially in public primary and secondary school level, the salary scale differs even between the tiers of government using Teachers Salary Scale (TSS). It is known that teachers' salaries also vary depending on the state of the country where they are employed since some of them are still battling with the issues of minimum wage.

These differences made an average Nigerian teacher to be used to the term: "teachers' reward is in heaven" even though they are never comfortable with this statement but sometimes take it as part of jokes. The phrase is expected to be a prayer for their efforts as child moulders and developers, but many of the teachers' sees it as a reminder of the situation they have found themselves in terms of salaries and welfare package.

**Table 1**

A Comparison of average salaries in different sectors of the Nigerian economy

S/N	Sector	Salary per annum {N}
1	Public sector (oil)	450,000 - 600,000
2	Public sector (iron and steel)	300,000 - 400,000
3	Nigerian economy (Average)	100,000 - 200,000
4	Public sector (Education)	30,000 - 54,000
5	Public sector (Health)	150,000 – 350,000

**Source:** Adapted from Oni, (2010)

Today, the situation is worse to the extent that a first degree holder who secures a fresh appointment in the health sector earns more than a one hundred thousand naira (N100, 000.00) per month while his counterpart in the federal or state teaching service commission earns less than sixty thousand naira (N60, 000.00) per month. The situation is even worse in a private organization where there is a huge discrepancy in the payment of teachers. Many employed by private primary and secondary schools earn as little as ten thousand to fifteen thousand naira (N10, 000.00 - N15, 000.00) a month, it could be confirmed the more organized the school is, the better the welfare package (Eromosele, 2020). There is no doubt that the discussion above indicates some kinds of mal-distribution of income in the Nigerian economy, which of course has not helped to enhance peaceful industrial relations environment in Nigeria. Most industrial agitations as shown earlier always have at their center, wage related issues and which in most cases have culminated into serious industrial crisis and further dissatisfaction among the Nigerian workers especially in the education sector.

### 2.3.2 Pension and benefits

This adds additional triggers for individuals to come and work in the health sector when compared to the commitment received from the education sector. Most people in the health sector enjoy flexibility and choice when it comes to pensions and benefits. Benefit offerings are expected to meet employees' individual needs, irrespective of which stage they are at in their careers or personal lives. However, majority of workers in the education sector falls within the armpit of state and local government as their employer. The resultant effect is that the state controls their retirement fall back. It is sadden to note that the level of implementation of the Contributory Pension Scheme (CPS) by states as at September, 2020, was not encouraging. There are seven states still at the bill stage and about 25 have enacted laws on CPS while 15 states are with pension bureau/boards. Also, only 10 states are remitting employer (ER pension) and employee (EE pension) contributions to the pension pot. Furthermore, only eight states have conducted actuarial valuation and only seven states have Retirement Benefits Bond Redemption Fund Account (RBBRFA). It is surprising to also note that six states have funding of accrued rights while five states are under payment of pension using CPS. Also, only five states are with valid group life while only one state is remitting only EE pension contributions and five states are with other pension schemes (National Pension Commission, 2020).

Many of the sates have registered their employees with Pension Fund Administrators (PFAs) and only remitting the 7.5% of employee portion of pension without the employer pension contributions which is a violation of the state pension law and Pension Reform Act (PRA, 2014). Even the agreeable amount is still inconsistent and resulting into huge backlog of



unremitted pension contributions and arrears of accrued rights. Even at that, some states are yet to establish pension bureau, nor register their employees with PFAs. Some states still left their employees with no group life insurance policy and have never open RBBRFA or even commence the remittance of pension contributions talk less of conducting actuarial valuation and commence funding of accrued rights (National Pension Commission, 2020). Thus, the observed dichotomy between Federal and State government on pension and benefits implementation level brings about the parallel reward structures as been witnessed between the education and health sectors in Nigeria.

### 2.3.3 Learning and development

This third element focused on career aspirations such as provision of work autonomy, flexibility in working time and recognition of work. This approach requires a significant investment of time and energy, as well as commitment (Fatile & Oyewale, 2019). It is developed through consultative planning that aligned with strategic objectives, local and personal norms, values and circumstances. Once the monetary elements have met expectations, workers will turn their attention to growth and development opportunities. They will start to look at the opportunities their organisation offers. They make decisions about their next steps and whether they want to stay in their current position or look for a career change or advancement (Owusu-Acheaw, 2010). Then there is the question of what their organisation can actually offer them and what opportunities are available to support their personal development. This again brings about the parallel distinction between the rewards structures in the health and education sector. For example, in the health sector workers have a great opportunity to link learning and development to the already bogus and uniform reward offering which make it an integral part of the employee value. On the other hand, the education sector especially in state schools also give workers great opportunity to learn and develop but linking and incorporating the knowledge advancement into their promotional criteria is not as effective as it is in the health sector, in fact some states like Osun state is just implementing promotional arrears for her workers in the teaching service and this promotion does not even follow with the expected consequential pay effect on their salaries.

### 2.3.4 Organisational culture

This represents all what the organisation have to offer besides money, learning and development. The question of what is it like to work for in a profession? How do people interact with each other? What management behaviour is common practice? Can employees relate to the hallmarks of the organisation, for example its history, financial performance, reputation and corporate social responsibility policies? For a lasting and fruitful relationship with their employer, however long or short this relationship may be, it is important that employees feel at ease and have a sense of belongingness in the workplace to perform to the best of their abilities (Rajkuar, 2014; Tsui & Cheng, 2009; Ambrose, Biwott, Tarus & Christine, 2013). Answers to the above questions account for why the health sector have higher ratio of talent retention when compared to the education sector. For instance, a candidate may have multiple offers for employment in the health and education sector, and decided to choose the health sector to work for. In this situation, the candidate would not only focus on the monetary elements of the offering this will satisfy in the short term, but in the long term learning and development as well as organisational culture are the main components to trigger the intrinsic motivation of people.

## 3. CONCLUSION

Reward systems exist in order to motivate employees to work towards achieving strategic goals which are set by entities. Reward management is not only concerned with pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, training, development and increased job responsibility. The good results generated by the distinct elements of base and variable pay; pension and benefits; learning and development; and organization culture in the health sector needed to be weighed against the bad in the education sector. The bad identified in the education sector includes: creation of pay inequality that ultimately reduces performance and increases turnover; encouraging unethical behaviour; and decreasing the feelings of accomplishment and satisfaction of higher interest in the work. Therefore, it is one thing for government to institute reward processes and it is another thing for them to evaluate whether the reward processes are being effective or not.

## 4. RECOMMENDATIONS

To limit the negative effects and correct the parallel distinction between the reward structures of education and health sectors in Nigeria, it is recommended that pay should be used primarily for tasks that are uninteresting to most employees, so that they do not undermine the feelings of accomplishment and satisfaction. In other words, government need to constantly increase savings ratios and evaluate whether their reward processes are serving the purpose for which they were instituted. The easiest way to do this would be to obtain feedback from the employees about whether they are satisfied with the rewards and whether their contributions are being matched by the rewards. Only then would government have an idea whether their reward processes are doing the job.

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