Pay Differentials and Employee Retention in the State Colleges of Education in the South-South Zone, Nigeria

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Abstract—The study examined the influence of pay differentials on employee retention in the State Colleges of Education in the South-South Region of Nigeria. 275 subjects drawn from members of the wage negotiating teams in the Colleges were administered questionnaires constructed for study. Analysis of Variance revealed that the observed pay differentials significantly influenced retainership, \( F(5,269) = 6.223, P< 0.05 \). However, the Multiple Classification Analysis and Post-Hoc test indicated that employees in two of the Colleges with slightly lower and higher pay levels may probably remain with their employers while employees in other Colleges with the least and highest pay levels suggested quitting. Based on these observations, the influence of pay on employee retention seems inconclusive. Generally, employees in the colleges studied are dissatisfied with current pay levels. Management should confront these challenges by improving pay packages to encourage employees to remain and be dedicated to duty.

Keywords—Employee, Influence, Pay differentials, Retention.

I. INTRODUCTION

In the late 1970’s the Federal Government of Nigeria introduced a National Labor Relations Policy that restructured the trade unions along industrial lines [1]. Accordingly, the centralized collective bargaining machinery became the main feature of wage determination in all sectors of the economy. This resulted in the payment of equitable and competitive wages to workers in comparative industries, institutions and establishments from the national to the local levels [2], [3]. The development strengthened union activities in both the public and private sectors and improved their financial standing. It also ushered in relative peace and stability, and generally improved industrial relations in work establishments in Nigeria [4].

However, current developments especially in the tertiary educational institutions have shown that the pattern and form of wage determination has changed. The “ability to pay” principle, a direct consequence of the deregulation policy introduced since 1990’s now determines which state government or employer pays its workers. Although this principle is in force, industrial unions particularly in tertiary institutions such as the Academic Staff Union of Universities (ASUU), Colleges of Education Academic Staff Union (COEASU), Senior Staff Association of Nigerian Universities (SSANU), Non-academic Staff Union (NASU), etc in their periodic demand for wage increases insist that the same salary policy negotiated at the national level should apply in all its affiliated institutions. The unions defend their position citing retainability of staff and job commitment of members in disposing their responsibilities. In the case of ASUU for instance, Efemini reflected on its philosophy and goal captures the mood of the moment: [5]

It is our bounding duty to ensure that conditions of service in our universities are sufficiently attractive as to make it possible for the universities not only to be able to recruit into academics the best talents around but also to retain them. (Otherwise) some of them (may) take up other activities to earn some money and to make ends meet, thereby not giving their maximum for teaching and research to the benefit of their students and the nation.

Several writers, [6], [7], [8], support generally the unions’ position and draw attention to the fact that due to unfair, non-competitive and inadequate salaries/wages, Nigerian workers, including senior civil servants and university lecturers, have resorted to moonlighting to make ends meet. Some have become part-time contractors; others make use of their motorcycles and cars as kabu kabu during and after official hours to carry commuters. Many others, especially women, abandon their duty posts to engage in petty trading selling jewelries, clothes, etc to support their means of livelihood [4].

The question that arises is: will fair and comparable wages/salaries impact significantly on staff retention and job commitment in establishments that pay better salaries than the poorly remunerated ones? It has been hypothesized that higher and better wage levels among competing firms influence job retention, long term tenure of workers and good work relations in organizations employing them [9]. It is in this context that the present study is situated.

II. PURPOSE AND SIGNIFICANCE OF THE STUDY

The main aim of the study was to examine the influence of wage differences on staff (employee) retention in the state-owned Colleges of Education in Nigeria. Specifically, the study would attempt to establish whether wage differentials exist between the Colleges as a result of the current policy on ability to pay.

Secondly, the study may show whether such differences if any have affected retainership (or non-retainership) of staff in these institutions.

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Staff retention is an essential ingredient in job productivity and the achievement of organizational goals. Monetary incentives are one motivational dimension that can improve job behavior among employees. When lecturers for example, are properly paid, it is expected that they would not only remain. They will also, all else being equal, be punctual and regular at lectures, attend to students’ needs, counsel and supervise them effectively so that the quality of graduates produced from the nation’s tertiary institutions can solve the manpower needs of the country.

It is unfortunate that since the wage deregulation policy was introduced some three decades ago, Nigerian governments/politicians, unlike their counterparts in Britain, Australia and other European countries, have not commissioned any study to assess the dynamics of the differential pay policies on employee job behavior in various establishments and institutions. Apart from the visible aspects of strikes embarked upon periodically by workers, other work behavior/attitudes such as morale, absenteeism, turnover, etc, have not been studied and documented. It is hoped that the present study would fill some of the gaps by proffering suggestions that politicians can legislate and enact policies that are employee friendly.

III. JOB RETENTION: CONCEPTUAL AND EMPIRICAL EVIDENCE

Job retention or retainership defines the extent to which a firm or an organization is able to secure and retain the services of its employees over a given period of time. It embodies the length of tenureship where an employee decides to remain in his current employment for a long period or stay for a short time. Put simply, it is a behavioral tendency reflecting an employee’s decision to stay or quit one’s current job. In labor economics, human resources management and industrial relations literature, research efforts on labor retention have gone hand in hand with its related concept – labor turnover. Numerous studies [9]-[14], have concentrated on turnover with the hope of explaining why some employees leave (voluntary turnover); or why some decide to remain in his current employment for a long period or stay for a short time. Put simply, it is a behavioral tendency reflecting an employee’s decision to stay or quit one’s current job. In labor economics, human resources management and industrial relations literature, research efforts on labor retention have gone hand in hand with its related concept – labor turnover. Numerous studies [9]-[14], have concentrated on turnover with the hope of explaining why some employees leave (voluntary turnover); or why some decide to remain (retention). In this paper, these variables (turnover and retention) are used interchangeably with the hope of drawing out clearly the meaning of employee retention.

The theoretical basis of the study is based on the Standard Economic Theory that relates job search activity among firms and employees. In fact search theory provides the most commonly used framework for examining worker retention and turnover within the labor market [15]. According to the Commission [15], the theory introduces “the flow approach to the labor market” where it identifies “search costs as a key element in labor market adjustment”. Several job search models have developed out of this standard theory in order to account for variation in the search activity of workers, including firms.

The variant model that is of particular relevance to the present study was developed by Burdett [16], and refined by Mortensen and Neumann [17], amongst others. They extended the standard job-search model to allow for the on-the-job search activity which incorporates the direct movement of workers from job to job without intervening periods of unemployment or inactivity [15]. Underlying this model is the idea that employed workers quit and switches jobs whenever they receive an offer at above their current earnings. Based on this simple framework, a meta-analysis of several studies [15] using on-the-job search model yielded consistent results supporting the model. The evidence is clear: “that workers with relatively high current wages are, all else remaining equal, less likely to be offered higher wages and therefore less likely to search or to quit in order to switch jobs”. The Commission further explains that since workers move to only higher paid jobs, those with longer spells of continuous employment have higher wages and are therefore, less likely to search or to quit their current jobs [15].

The on-the-job search model may likely explain whether pay inequalities prevailing in the State-owned Colleges of Education might possibly influence many employees decision to stay or quit their institutions of employment. The on-the-job search model has employed mainly wages as the sole benefit of employment. This is understandable. The primary intention to seek paid job is to secure a means of livelihood. On the basis of this postulation, Sinclair, Tucker, Cullen and Wright [18] carried out a study to demonstrate the motivating power of money through the process of job choice. Sinclair and his colleagues came to the conclusion that money has the power to attract, retain and motivate individuals toward greater performance. For instance, if a lecturer has another job offer having identical characteristics with his current job, but with higher financial rewards, he will in all probability be motivated to accept the new job.

Many other authors, [19]-[22], relying on monetary variables confirm from their various findings that monetary (and economic) considerations are the most important factors determining inter-industry variations in voluntary separations. While some of the studies indicate a moderate relationship, others found a stronger relationship. Martin [13], using establishment-level survey data for United Kingdom notes specifically that there is an inverse relationship between relative wages and turnover. That is, establishments with higher relative pay had lower turnover.

A commissioned study on “Staff Retention in African Universities” [23] reveals that a big wage gap between the majority of African countries and developed countries is the major reason pushing skilled personnel out of the continent. Based on this development, the study recommends that:

- Higher education institutions should be supported to pay enabling salaries to staff with which basic, health and schooling needs of their children can be met.
- Loan guarantee schemes that can enable staff to acquire respectable shelter and means of transport need to be developed.
- Employees should be enabled to enter private pension and health insurance schemes that can give adequate support to their needs.
- Reward and recognition systems need to be decentralized to be meaningful [23].

On the basis of these findings, some scholars, [9], [14]
suggest that organizations should put in place adequate and competitive wages in order to induce valuable staff to stay. They point out that low retention raises two potential negative impacts. First, low retention can increase financial costs of replacement, training of newly hired hands, as well as payment of overtime until vacant position(s) are filled. Secondly, there is likely to be detrimental consequences related to service delivery where the remaining staff may be forced to overstretch their limit because of extra work-load.

Some authors have however cautioned that factors affecting employee retention or voluntary turnover are multidimensional and that money alone cannot determine its significance [24]. Other studies indicate that the link between dissatisfaction with pay and turnover is not clear. For instance, Mobley, Griffeth, Hand and Meglino [10] observe in their review of research findings that the results were mixed; and that often there was no significant relationship between pay and turnover.

IV. RESEARCH QUESTION/HYPOTHESIS

One Research Question guided the study: what is the percentage level of implementation of CONTISS in the State-owned Colleges of Education in the South-South Zone of Nigeria?

One hypothesis was tested at 0.05 level of significance - Observed pay differentials do not significantly influence retainership of staff in the State-owned Colleges of Education in the South-South Zone of Nigeria.

V. SCOPE OF THE STUDY

This study covered State Colleges of Education located in the South-South geo-political zone of Nigeria. Nigeria has six geo-political zones of which South-South is one. This zone is found in the Southern-most part of the country and in the heart of the Niger-Delta region where oil exploration activities is the main source of revenue for the Federal Government.

The zone has six States, namely: AkwaIbom, Bayelsa, Cross River, Delta, Edo and Rivers. Each of these States has a State-owned College of Education (COE) with the exception of Delta that has two while Bayelsa does not have any. The colleges are:-
5. Edo State College of Education, Benin.

These Colleges were chosen for the study because the Federal Colleges of Education located in this zone are already implementing the Federal pay policy christened, CONTISS (that is, Consolidated Tertiary Institutions Salary Scale). There is pay equity if any of these State COEs is applying CONTISS fully. Pay inequity exist in the COEs that is (are) not fully implementing the policy. The latter is where pay differentials is experienced.

VI. METHODOLOGY

A. Design of the Study

The study employed a descriptive survey design. The purpose of descriptive survey is to collect detailed and factual information that describes an existing phenomenon [24].

B. Population of the Study

The population of the study comprised all the governing council members and management staff, and as well as the academic and non-academic staff (employees) of all the six State COEs in the South-South zone of Nigeria.

C. Sampling Technique and Size

It would have been difficult to collect data from every potential respondent that made up the population of the study. The study therefore relied on the purposive sampling technique to select only members of the wage negotiating teams in the six COEs. These comprised all members of the Governing Councils, Management Staff and Union Officials of COEASU, SSANU and NASU representing academic, senior non-academic and junior staff respectively. It is these officials who are actively involved in wage negotiations that can provide information on pay agreements and implementation [25]. Altogether, 275 of these officials were identified as the main subjects of the study.

D. Instrumentation

The major instrument was the structured questionnaire, tagged “Pay Policy Administration and Employee Retention Scale (PPAERS)”. Section ‘A’ elicited information from the subjects on their demographic characteristics. In section ‘B’, the instrument implored respondents to provide information on a four-point rating scale concerning level of pay policy implementation, the morale of employees and feeling of staying or leaving. It included items such as, “pay policy is favorable”, “comparable with what is obtainable in federal institutions”, “not commensurate with workload”, “need enhancement”, “might leave to better paying institutions”, etc. Respondents were to rate “Strongly Agree (SA), “Agree (A)”, “Disagree (D)”, and or “Strongly Disagree (SD)”, for each of the items listed.

The instrument was validated by psychometric experts in educational measurement and evaluation and labor economics. The correlation coefficient of 0.84 was obtained using Cronbach’s Alpha after a pilot test was conducted on a sample of thirty management staff and union members from a similar higher institution.

The instrument was administered by the researcher with the assistance of union officials in the colleges investigated.

Data collected were analyzed using percentages, Analysis of Variance (ANOVA), Multiple Classification Analysis (MCA), and Post-Hoc test.

VII. RESULT

Research Question 1: What is the Percentage Level of Implementation of CONTISS in the State-owned Colleges of Education in the South-South Zone of Nigeria?

The answer to this question is presented in Table I.
The recommended salary policy – Consolidated Tertiary Institutions Salary Scale (CONTISS) approved in 2007 by the Federal Government. It comprises base pay, rent, transport, over-time, etc and including other allowances meant for academic staff only.

As shown in Table I, it can be deduced that the salary (or pay) policy is not fully implemented in all the institutions studied (column 3). COEs that have implemented fully are located in Agbor and Warri, both ranked 1st. Others in descending order include: Port Harcourt (97%, 3rd), Benin (85%, 4th), Akamkpa (70%, 5th) and AfahaNsit (62%, 6th).

The hypothesis below may likely explain whether the observed differences in pay have impacted significantly on job retainership in the colleges studied.

Hypothesis: Observed Pay Differentials do not significantly Influence the Retainership of Staff in the Institutions Studied.

This hypothesis is analyzed in Tables II-IV employing ANOVA, MCA and Post-Hoc Test.

As shown in Table II, the Analysis of Variance (ANOVA) indicates that significant differences exist in the responses from the Colleges on the issue of salary influence on staff retainership. This is confirmed by the F.ratio, that is, F (5,269 = 6.223, p<0.05).

The multiple classification analysis (MCA) was used to identify which of the colleges that may be more inclined to retaining their employees in relation to the amount of pay implemented, as shown in Table III below:

Table III revealed that the multiple R2 value of 0.104 shows the coefficient of determination, implying that 10.4 percent of the variation on the issue of retainership in the administered salary policy is explained by the different colleges.

Thus, from the analysis, COE Akamkpa one of the two least paying institutions scored highest (2.71). This means that the college is likely to retain its staff even though the pay is not as competitive as the ones in the best paying colleges. Port Harcourt which ranked 3rd in implementation is also likely to retain her staff after Akamkpa with a mean of 2.42. Other colleges whose means are below the grand mean (2.16), in descending order are AfahaNsit (2.10), Benin (1.97), Warri (1.88) and Agbor (1.76). The result suggests that these institutions may probably lose their staff.

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VIII. DISCUSSION

Generally, the result of the findings have proven that there are variations in the implementation of the approved wage structure in Nigeria’s higher educational institutions, especially in the State Colleges of Education in the South-South Zone of Nigeria.

However, the findings as to whether the differences in pay structure influence retainership of staff in the six colleges investigated are not clear (see analyses in Tables I and II). Applying on-the-job search model reviewed earlier, it would mean that the result for COE, Akamkpa that ranked 5th as least paying and that of Port Harcourt, ranked 3rd as one of the best paying (Table I), is not consistent with the theoretical proposition that employees in low-paying institutions are the ones most likely to look for employers with higher pay structure. The reverse is the case for these colleges where employees are not likely to quit even though management is either not paying well and or paying well. For these two colleges the influence of pay on employee retention is not clear. This study therefore corroborates Mobley, Griffeth, Hand and Meglino’s [10] insistence that the relationship between pay and turnover (or the decision to stay) is not clear.

The results in the case of COE, Afaha Nsit (the least ranked) and Benin (4th ranked) among lower paying colleges fit into the model. Staffs of these colleges are likely to look for employers/institutions that have higher and better pay structures. For these colleges, therefore, pay influences employee retainership. As for COEs in Warri and Agbor, the best ranked institutions that have fully implemented the pay structure, it will seem that their staff are presently not contented with the wage structure. As the respondents have indicated, it can be deduced that these employees are also likely to look for employers/institutions either in the private sector or in the universities with higher and better pay structures than CONTISS. This reflects the reasoning underlying on-the-job search model.

There are some explicable reasons for these separate findings. In Nigeria political factors limit country-wide mobility of labor, taking into consideration the findings for Akamkpa and Port Harcourt. For many staff they cannot leave their current job even if they are not contented with their salaries because the possibility of getting a job in a state other than theirs is not guaranteed [3], [26], [27]. Besides, there is high graduate unemployment in Nigeria coupled with an unfavorable economic environment that has resulted in downsizing. Thus, the decision to quit one’s own institution in search of another that pays well may be costly to the dissatisfied individual. Moreover, the directives from the Federal Government mandating all state tertiary educational institutions in Nigeria to employ at least 5 percent of non-indigenes is not adhered to by State governments [28]. The fact is that various states hire and pay their workers. They cannot leave their own citizens who are experiencing unemployment to go and hire from other states, unless it is expedient to do so.

Moreover, there are insecurity problems in Nigeria. In the Southern part of the country, the activities of militants in the Niger Delta, kidnappings and arm-robbery limits the movement of people from place to place. While in Northern part of Nigeria, the Boko Haram Islamic fundamentalists are terrorizing people. As a result, most southerners in the north including businessmen and civil servants as well as university workers are relocating to their states of origin. This alone has affected people who are already working to quit their current jobs.

As for the employees in the remaining colleges contemplating quitting, it may not be unrelated to the fact that the pay policy is either inadequate or non-commensurate with their work load. It may be that it is not enough to meet their needs. It should be recalled that the State governments that own these colleges generate much revenue from the 13 percent derivation fund set aside specifically for oil producing States in addition to funds allocated from the federation account. Hence, there may be the feeling among these employees that some of their States governments are not doing enough—regarding the payment of higher salary than the prevailing wages.

IX. CONCLUSION AND POLICY IMPLICATIONS

Nigeria’s current policy on industrial relations concerning wage administration in all industrial organizations/establishments encourages employers to design wage
structures (though not above or below the official ceiling) that they can remunerate their employees based on their capability to pay. The policy as expected, has established relative wages even within similar and comparable industries that produce the same goods and services. This scenario reflects vividly in the nation’s tertiary educational institutions that are established to produce manpower needed to accelerate economic growth and development. While this development has its advocate, some oppose it on ground of simple logic.

The fear expressed by many experts is that legislating different salary packages for higher institutions, for example, will lead to lowering of standard and quality of Nigerian graduates. State governments with sufficient financial muscle may pay higher wages thereby attracting the best brains/lecturers from other state colleges whose governments are not financially buoyant. For this reason, uniform standard and quality may not be maintained across aboard.

This study has shown that wage differences actually influence the decision of workers to quit their current employment in search of higher paid employers in four out of the six colleges studied. In addition, the behavior of workers also indicated that they are generally dissatisfied with the prevailing wages in their institutions.

The policy implication of the study is that there is need to revisit/review the pay structures in the different colleges by state governments to align with relative wages offered by Federal Government institutions in Nigeria.

Secondly, as a proactive measure, state governments should commission studies that will reveal workers’ behavior-arising from prevailing salaries which may affect work performance satisfactorily.

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