Wage Differentials and Employee Engagement in Federal Agencies in Rivers State

*Dappa, Owajimam Isaiah, **Dr. J.M.O. Gabriel and **Dr. M.D. Tamunomiebi

Postgraduate Student, Department of Management, Faculty of Management Sciences, Rivers State University, Nkpolu-Oroworukwo, P.M.B. 5080, Port Harcourt, Nigeria

**Lecturer, Department of Management, Faculty of Management Sciences, Rivers State University, Nkpolu-Oroworukwo, P.M.B. 5080, Port Harcourt, Nigeria

Abstract: This paper examined the relationship between wage differentials and employee engagement in federal agencies in Rivers State. The study adopted a cross-sectional survey in its investigation of the variables. Primary data was gathered through structured questionnaire. The population of the study was 1019 employees of five (5) selected federal agencies situated in Rivers State. A sample size of 287 was determined using Taro Yamane sample size formula. The reliability of the instrument was achieved by the use of the Cronbach Alpha coefficient with all the items scoring above 0.70. The hypotheses were tested using the Spearman’s Rank Order Correlation Statistics. The tests were carried out at a 95% confidence interval and a 0.05 level of significance. The finding revealed that there is a significant relationship between wage differentials and employee engagement in federal agencies in Rivers State. The study recommends that policies should be designed to address the gender wage gaps within the organization in such a manner that supports the equality of wage distribution across both genders. This can be achieved through a de-emphasis of the gender category and a strengthening of collaboration and cooperation between the gender groups through adequate policies and work arrangements that allow for collaboration and joint effort.

Keywords: Wage Differentials, Employee Engagement, Dedication, Vigour, Absorption

INTRODUCTION

Employee engagement is considered a significant and highly critical aspect of the functionality of organizations, not only because of the benefit it offers the organization, but also due to the implications of its absence within the organization (May, Gilson & Harter, 2004; Sonnetag, 2011). This is as employee engagement is considered a complex and multidimensional issue that affects various stakeholders and organisational outcomes.

The positive relationship between employee engagement and organisational outcomes such as increased performance, organisational effectiveness, customer satisfaction, employee satisfaction, productivity and reduced staff turnover has been widely reported (Hicks, O’Reilly &
Bahr, 2014). According to Wrzesniewski, McCauley, Rozin and Schwartz (1997), individuals spend more than a third of their lives in their work. Engaged employees are willing to involve themselves in their work entirely and employ emotional, intellectual and physical resources to achieve and complete their work tasks (Schaufeli & Bakker, 2004).

In Nigeria, there exists a growing clamour for improved service quality, performance and organizational effectiveness (Omolayo, & Owolabi, 2007). This is most apparent within public agencies at various levels (federal, state and local) which as Ladipo and Olufayo (2011) noted, have gained a notoriety for the lackadaisical behaviour of the workers and as a result, the poor levels of effectiveness of the agencies. This problem, despite the abundance of research in the area has remained a substantial feature of the Nigerian public sector.

Considering the importance of engagement from an organisational and individual point of view, it is clear that serious fluctuations in engagement levels can potentially have serious consequences for business and organizational outcomes as has been observed in several studies (Rothmann, 2015). Research has also shown that engagement levels within most developing nations such as Nigeria are at critical levels (Omolayo, & Owolabi, 2007; Gallup, 2013). This is as Ladipo and Olufayo, (2011) described the features of the workplace and the work itself as a definitive factor, blameworthy for the attitudes of behaviour of employees.

In their study, Ladipo and Olufayo, (2011) observed that in most food companies and organizations of Ogun State, Nigeria where such logical wage and salary differentials have not been established, compensation patterns are often irregular and chaotic since they have evolved from favouritism and arbitrary decisions. In such cases jobs that call for greater effort 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, unfairness and also management cannot explain the inconsistencies on a logical basis. Literature suggests that positive work-related behaviour and attitudes such as employee engagement largely depends on employee perceptions on the extent to which their employer values their contribution and cares about their wellbeing (Allen, Shore & Griffith, 2003). Paying employees fairly is considered to be also in a company’s best interest.

There is a significant body of research suggesting that organizations with a more balanced and equitable distribution of wages have workers who trust and identify with the organization (Harter, Schmidt, & Hayes, 2002). Turnover intentions may also be reduced, and the hefty cost of replacing an employee may be avoided by paying employees fairly (McMullen, 2010). Worldat Work (2010) reported in a global study that pay and benefits had a weaker relationship to encouraging work engagement than recognition, incentives and intangible rewards. A recent study by Hewitt (2015) also reported that employees’ perceptions of total rewards are related to their levels of engagement. He found that engaged employees had a far more positive view of the total rewards their employer offered in comparison with their less engaged counterparts.

According to McMullen (2010), quality of work, pay equality, career development, organisational culture and work–life balance all have a significant impact on employee engagement. Literature reveals an abundance of studies (McMullen, 2010) which have addressed the relationship between wage differentials and employee engagement, nonetheless, these studies have tended to adopt a broad approach towards investigating the relationship between the
variables. This is as it is evident from Spector and Jex (1991) study that the forms of wage differentials differ on a substantial level and each dimension (nationality-based, gender-based and experience-based wage differentials) has obvious implications for employee within the workplace. Unfortunately, little has been done in assessing the relationship between each of these dimensions effect on employee engagement.

Furthermore, most of the theories and models on the relationship between wage differentials and employee engagement are built and designed based on the lifeworld and experiences of organizations within developed contexts. This is as a significant difference exists between the cultural orientations of organizations, especially between those of developed and developing contexts (Gallup, 2010). It is therefore justified as a point of departure to assess this relationship between experience-based wage differential and employee engagement operationally by examining the effects on measures such as dedication, vigour and absorption, especially within the context of Nigerian federal government agencies based in Rivers State.

This study was guided by the following research questions:

i. To what extent does experience-based wage differential influence dedication in federal agencies in Rivers State?

ii. To what extent does experience-based wage differential influence vigour in federal agencies in Rivers State?

iii. To what extent does experience-based wage differential influence absorption in federal agencies in Rivers State?

![Conceptual framework for the relationship between wage differentials and employee engagement](Image)

*Fig.1 Conceptual framework for the relationship between wage differentials and employee engagement*

*Source: Author’s Desk Research, 2020*
LITERATURE REVIEW

Theoretical Foundation

The Social Exchange Theory (SET)

The Social exchange theory (SET) is among the most influential conceptual paradigms for understanding workplace behaviour (Croponzano & Mitchell, 2005). The theory has its roots in the anthropological works by Malinowski. It was popularised by Blaus (1964) who differentiated between economic and social exchange and is therefore credited as the founder of the social exchange theory. The theory has been advanced by other researchers such as; Das and Teng (2002) who introduced alliance building which are self-centred in to the theory. Similarly, Globerman and Nielsen (2007) introduced trust as the cornerstone of interacting between parties in to the theory.

The Social exchange theory was initially developed to analyse people’s social behaviour in terms of exchange of resources. Blaus (1964) posited that individuals voluntarily exhibit certain behaviour or may do certain things because of motivation of expectation for positive reciprocal behaviour from others. The expectations of payback are not explicitly expressed. Therefore, Blaus (1964) argued that social exchange requires trusting others to reciprocate. Humans in social situations choose behaviour that maximises their likelihood of meeting self interest in those situations.

Eisenberger, Armeli, Rexwinkel, Lynch and Rhoades (2001) posited that employees’ feeling an obligation at work is important as it compels them to repay advantageous treatment received from employer. Perceived organisational support concerns the extent to which employees perceive that their contributions as valued by the organisation. Justice at workplace is perceived as creating conditions necessary for employee engagement. Further, Croponzano and Mitchell (2005) posited that greater justice perception is related to employees performing effectively and contributing to organisational success. Engaged employees invest time and energy in the belief that their investment will be rewarded in a meaningful way.

Concept of Experience-Based Wage Differentials

The usual starting point for reasoning about a possible wage gap between experienced and unexperienced workers is the theory of compensating wage differentials (Rosen, 1986). According to this theory, different working conditions for workers with the same level of experience should result in a wage premium for those workers with the less favourable conditions. Therefore, experienced workers should be compensated with higher wages given the longer job tenure that is inherent in the employment contracts. Over time, unexperienced workers can also be expected to become more experienced. Since workers in temporary jobs, almost by definition, have relatively short expected job tenures at time of hire, the incentive to invest in training, both by the employer and the workers themselves, will be low (Draca & Green, 2004; Nienhuser & Matiaske, 2006).

Employers may use temporary jobs as probationary or screening device given uncertainty about workers’ abilities (Faccini, 2014). And indeed studies of both the UK and Germany have reported evidence of relatively large fractions of fixed-term contract workers subsequently...
receiving a permanent employment contract with the same employer (Boockmann & Hagen, 2005). Workers will be willing to accept lower wages during the ‘probationary’ period given the prospect of being moved on to a permanent contract based on acquired experience. Second, temporary work might allow workers to accumulate a greater variety of labour market experience. For example, temporary jobs may be part of a search process during which workers, who are still unsure about their career and location preferences, gradually learn about which types of jobs best suit their skills and interests (Booth Francesconi, & Frank, 2002).

**Employee Engagement**

The terms engagement and disengagement were introduced by Khan (1990) who posited that, employees who are engaged immerse themselves physically and emotionally in work while disengaged employees though physically present are psychologically absent while performing their work. Further, Khan (1990) posited that three conditions are necessary for engagement to take place; meaningfulness (feeling the job is worthwhile), safety (feeling that the work environment is one of trust and supportiveness) and availability (having emotional and physical means to engage). According to this line of reasoning, it is only if the three conditions are met that employee engagement take place.

**Dedication**

The term employee dedication has no one distinct definition accepted by scholars in the field. But then, employee dedication simply refers to the type of engagement in which the employee engaged due to the feeling that his services are retained in the organization, and there will be no need to think of looking for job elsewhere (Williams, Maha & Zaki, 2010). Also, employee dedication is characterized by a strong psychological involvement in one’s work, combined with a sense of significance, enthusiasm, inspiration, pride, and challenge (Mauno, et al., 2007, Schaufeli, et al.,2002). Employee dedication is ones’ sense of significance, enthusiasm, inspiration, pride and challenge. Employee dedication is characterized by a sense of significance, enthusiasm, inspiration, pride, and challenge. Employee dedication is about being inspired, enthusiastic and highly involved in your job (Rayton & Yalabik, 2014). Employee dedication is an individual’s ability to derive a sense of significance from work, feeling enthusiastic and proud about the given job, and feeling inspired and challenged by the job (Song, Kolb, Lee & Kim 2012).

**Vigour**

The term vigor also refers to employees’ engagement resulted from the satisfaction derived from key drivers such as leadership style, organizational justice, work policies & procedures of the organization (Williams, Maha & Zaki, 2010). Vigor is characterized by high levels of energy and mental resilience while working, the willingness to invest effort in ones’ work and persistence in the face of difficulty. Vigor also refers to energy, mental resilience, determination and investing consistent effort in job (Rayton & Yalabik,2014). Vigor is one of the aspects of work engagement that implies high levels of energy and mental resilience while working. There is also a determined investment in the actual work, together with high levels of persistence even when faced with difficulties. This aspect can be determined based on Atkinson’s motivational theory. Motivation is strength of doing work or resistance against that. So, strength and
Absorption

Absorption refers specifically to total concentration on and immersion in work characterized by time passing quickly and finding it difficult to detach oneself from one’s work (Mauno, Kinnunen & Ruokolainen, 2007). Absorption is further defined as “being fully concentrated and deeply engrossed in one’s work, whereby time passes quickly and one has difficulties with detaching oneself from work (Schaufeli et al., 2002). Absorption means concentration and being engrossed in people’s work, whereby passing time will be intangible and being detached from the job has some difficulties for them. Furthermore, it is pleasurable to have job experience for individuals. They do that, only for having that and paying high expenditure for job is not such important issue which it is for the others (Hayati, Charkhabi & Naami, 2014).

Wage Differentials and Employee Engagement

Employees who are engaged in their work and committed to their organizations give companies crucial competitive advantages including higher productivity and lower employee turnover. Thus, according to Vance (2006) it is not surprising that organizations of all sizes and types have invested substantially in policies and practices that foster engagement and commitment in their workforces. Though different organizations define engagement differently, some common themes emerge.

These themes include employees’ satisfaction with their work and pride in their employer, the extent to which people enjoy and believe in what they do for work and the perception that their employer values what they bring to the table. The greater an employee’s engagement, the more likely he or she is to “go the extra mile” and deliver excellent on-the-job performance. In addition, engaged employees may be more likely to commit to staying with their current organization. Clearly, engagement and commitment can potentially translate into valuable business results for an organization (Vance, 2006).

Firms are able to improve worker productivity by paying workers a wage premium- a wage that is above the wage paid by other firms for comparable labour. A wage premium may enhance productivity by improving nutrition, boosting morale, encouraging greater commitment to firm goals, reducing quits and the disruption caused by turnover, attracting higher quality workers and inspiring workers to put forth greater effort (Goldsmith, Veum & Darity, 2000). As a result, people are attracted to well-paying jobs, extend extra effort to perform the activities that bring them more pay, and become agitated if their pay is threatened or decreased (Stajkovic & Luthans 2001).

Financial rewards are used to show that the company is serious about valuing team contributions to quality. The monetary rewards consist of a cash bonus allocated to each team member. The team bonus would be given separately from the salary. On the other hand, team rewards must be used in ways that avoid destroying employees’ intrinsic motivation to do their job. The need for continuous improvement requires employees to be innovators; devising novel solutions that improve a work process or that delight the customer. The use of extrinsic rewards that are tightly
linked to team performance may teach team members to become money hungry and undermine their intrinsic interest in the work itself (Balkin & Dolan, 1997).

Merchant, (2007) argue that a cash bonus is usually based on performance measured on a time period of one year or less. Why a company primarily uses a variable pay is to differentiate it among the employees, so that the most successful employees will be rewarded. They further argue that, by recognizing the employee’s contributions to the company it makes it easier for the organization to encourage excellent performance. They further argue that employees appreciate the possibility of receiving a reward for their performance.

Using the variable pay can also be an advantage for the company in terms of risk-sharing. This means that the expense for compensation vanes more with company performance when the compensation is partly variable, making the cost lower when no profit is made and when there is as profit this can be shared with the employees. Rewards based on performance measures over time periods larger than one year are long term incentive rewards. By using this, a company can reward employees for their outstanding work performance to maximize the firm’s long-term value (Kreitner & Kinicki, 2008).

From the foregoing point the study hypothesized thus:

H₀₁: There is no significant relationship between experience-based wage differential and dedication in federal agencies in Rivers State.

H₀₂: There is no significant relationship between experience-based wage differential and vigour in federal agencies in Rivers State.

H₀₃: There is no significant relationship between experience-based wage differential and absorption in federal agencies in Rivers State.

METHODOLOGY
The study adopted a cross-sectional survey in its investigation of the variables. Primary data was gathered through structured questionnaire. The population of the study was 1019 permanent and full-time staff of five (5) selected federal agencies situated in River State, Nigeria. These agencies are: Federal Inland Revenue Service, National Oil Spill Detection and Response Agency, Nigerian Maritime Administration and Safety Agency, National Agency for Food Administration and Control, and National Information Technology Agency. The reliability of the instrument was achieved by the use of the Cronbach Alpha coefficient with all the items scoring above 0.70. The hypotheses were tested using the Spearman’s Rank Order Correlation Statistics. The tests were carried out at a 95% confidence interval and a 0.05 level of significance with the aid of Statistical Package for Social Sciences version 23.0.

DATA ANALYSIS AND RESULTS

Bivariate Analysis
Secondary data analysis was carried out using the Spearman’s Rank Order Correlation Statistics at a 95% confidence interval. Specifically, the tests cover a Ho1 hypothesis that was bivariate and declared in the null form. We have based on the statistic of Spearman’s Rank Order Correlation Statistics to carry out the analysis. The level of significance 0.05 is adopted as a
criterion for the probability of accepting the null hypothesis in (p> 0.05) or rejecting the null hypothesis in (p <0.05).

Table 1: Experience-based wage differentials and employee engagement

<table>
<thead>
<tr>
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<th>WorkExp</th>
<th>Dedication</th>
<th>Vigour</th>
<th>absorb</th>
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<tbody>
<tr>
<td>Spearman's rho</td>
<td></td>
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</tr>
<tr>
<td>WorkExp</td>
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<td>-0.523**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
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<td>0.00</td>
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<td>N</td>
<td>266</td>
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<tr>
<td></td>
<td>Correlation Coefficient</td>
<td></td>
<td>-0.476**</td>
<td>1.000</td>
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<td>Dedication</td>
<td>Sig. (2-tailed)</td>
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<tr>
<td></td>
<td>Correlation Coefficient</td>
<td></td>
<td>-0.523**</td>
<td>0.661**</td>
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<tr>
<td>Vigour</td>
<td>Sig. (2-tailed)</td>
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<tr>
<td></td>
<td>Correlation Coefficient</td>
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<td>0.442**</td>
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<td>absorb</td>
<td>Sig. (2-tailed)</td>
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<td></td>
<td>N</td>
<td>266</td>
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</tr>
</tbody>
</table>

Source: Research result, 2020

**H01: There is no significant relationship between experience-based wage differential and dedication in federal agencies in Rivers State.**

The correlation coefficient (r) shows that there is a significant and negative relationship between experience-based wage differential and dedication. The rho value -0.476 indicates this relationship and it is significant at p 0.000<0.05. The correlation coefficient represents a moderate correlation. Therefore, based on empirical findings the null hypothesis earlier stated is hereby rejected and the alternate upheld. Thus, there is a significant and negative relationship between experience-based wage differential and dedication in federal agencies in Rivers State.

**H02: There is no significant relationship between experience-based wage differential and vigour in federal agencies in Rivers State.**

The correlation coefficient (r) shows that there is a significant and negative relationship between experience-based wage differential and vigour. The rho value -0.523 indicates this relationship and it is significant at p 0.000<0.05. The correlation coefficient represents a moderate correlation. Therefore, based on empirical findings the null hypothesis earlier stated is hereby rejected and the alternate upheld. Thus, there is a significant and negative relationship between experience-based wage differential and vigour in federal agencies in Rivers State.

**H03: There is no significant relationship between experience-based wage differential and absorption in federal agencies in Rivers State.**

The correlation coefficient (r) shows that there is a significant and negative relationship between experience-based wage differential and vigour. The rho value -0.678 indicates this relationship and it is significant at p 0.000<0.05. The correlation coefficient represents a moderate correlation. Therefore, based on empirical findings the null hypothesis earlier stated is hereby rejected and the alternate upheld. Thus, there is a significant and negative relationship between experience-based wage differential and absorption in federal agencies in Rivers State.
DISCUSSION OF FINDINGS
This study using inferential methods, empirically examined the correlation between experience-based wage differentials and employee engagement. The results of the analysis revealed significant and negative relationship between experience-based wage differentials and employee engagement in Federal Agencies in Rivers State. The results of the analysis revealed that an experience-based wage differential is significantly associated with employee engagement; this implies that an experience-based wage differential is considerably important in enhancing employee engagement in an organization.

Over the past several decades in many developed countries, there has been an effort to tie experienced workers and top executive compensation more closely to metrics of firm performance. In particular, across many countries, compensation schemes increasingly include equity compensation, whereby options to purchase shares of stock at a set price are granted to management on the basis of firm performance (Murphy, 2013). Where firm performance outpaces wage growth – such as in the US where between 1990 and 2005 when average worker wages increased 4 percent while corporate profits increased 107 percent – inequalities in income will increase. Specifically, the upper tail of the income distribution will shift outward.

Potentially, a firm could set wages for all its workers via external benchmarking; however, for a number of reasons, it is unlikely this would curb rising income inequality. First, in many settings, because compensation is tied more closely to firm performance than it is for most workers, to the extent that corporate profits exceed workers’ returns to their marginal product, income inequality will increase.

Second, because the wages of experienced workers are considerably higher than those of the recent or new workers, new worker wages would have to increase at a higher rate than that of experienced workers to prevent inequality from growing. Third, the incentive for firms to set worker wages above the median and to use a biased benchmark group is likely to be lower than when benchmarking for experienced or older staff. Therefore, to the extent that firms use external benchmarking to set pay, we should see higher rates of income inequality at the societal level as the right tail of the income distribution will grow and shift outward.

Much in the same way that external hiring of workers alters the demand for observable skills, the utilization of external hiring represents a shift in the reliance on general managerial versus firm specific skills. Such a shift increases competition for skilled labour in the executive labour market, driving up wages (Murphy & Zabojnik, 2008). To compensate executives for the loss in future value of their firm-specific investments, the hiring organization may also need to pay a premium to entice an executive to switch firms (Harris & Helfat, 1997). In fact, many of the more generous executive compensation packages have been the result of contracts negotiated with external candidates at the time of hire, not deals reached with incumbents (Murphy, 2013).

CONCLUSION AND RECOMMENDATIONS
The findings of this study signify that although there exists a significant relationship between experience-based wage differentials and employee engagement, the relationship is a negative one and as such suggests that actions and practices which tend to recognize or prioritize particular groups or categories of workers over others in terms of wages, has a negative impact on the engagement levels of the workers within the organization. This is also as the culture of the
organization is noted to support such practices as norms of the organization, thus amplifying their influence on the engagement levels of the workers within the organization.

In view of the above, the study concludes that the practice of experience-based wage differentials has a negative impact on employee engagement, hence for organizations to effectively drive and stimulate their employees to be more dedicated, vigorous and absorbed in their work, there is the need for the adoption of practices and processes that emphasize on equity and equality in wage distribution even on basis such as nationality, gender and experience. In the same vein, the organizational culture should focus on offering workers a conducive work environment premised on wage equity and as such equal levels of recognition within the workplace.

Based on the discussion and conclusion above, the following recommendations are hereby made:

i. Policies should be designed to address the gender wage gaps within the organization in such a manner that supports the equality of wage distribution across both genders. This can be achieved through a de-emphasis of the gender category and a strengthening of collaboration and cooperation between the gender groups through adequate policies and work arrangements that allow for collaboration and joint effort.

ii. The organization should emphasize more on work outcomes using appraisal methods that focus on workers actual contributions rather than the length of time spent with the organization. The Work arrangement between recent and older staff should be supportive and allow for mentoring and supervision in a way that recent or younger staff are able to learn from older and more experienced staff, while the older ones are able to gain the support and assistance of the younger staff.

REFERENCES


