

IMPACT OF WAGE DIFFERENTIALS ON PRODUCTIVITY OF CONSTRUCTION COMPANIES IN ABUJA

Abdulmalik, Amin & Y. D. Muhammad

Department of Quantity Surveying, Federal University of Technology Minna

Wages constitute a significant part of the overall cost of operations. In some organizations, wages and salaries constitute over 50% of the operating costs. The 1973 Decree provides that the Ministry of labour and productivity may by Order; direct that an Industrial Wages Board be established. The availability of craftsmen is considered as one of the most critical factors for the effectiveness of the construction industry. Productivity depends significantly on craftsmen but cases of craftsmen turnover is becoming a big challenge to the construction industry. This study aimed at evaluating the impact of labour wages differentials on productivity of medium-sized construction companies in Abuja with a view to suggesting ways of reducing the rate of the differences in the wage of craftsmen in medium size construction companies. Through a survey, a total number of 41 structured questionnaires were administered amongst medium size construction workers and FG craftsmen (carpenter, painter and mason). Descriptive analysis was used to determine the factors responsible for labour- wage differentials in medium size construction companies, using percentages, mean and standard deviation. The findings also revealed that it can be seen that with M.I.S of 4.8 is ranked specialty, technicality, hours of work, success and performance are ranked 2nd, 3rd, 4th and 5th. Job description responsibilities, credentials, industry or employer, Nature of employment, 10, 11, 12, 13, 14 and 15 are ranked 6th, 7th, respectively 16, 17, 18, 20 are ranked 16th and 17th respectively. Therefore, the study recommends that experience and skills are the most important factors responsible for wage differential and they should be emphasized upon before employment. Training and re-training should be done often to improve on skills and specialty, adequate stressors on the benefits should also be emphasized upon. The need for other factors responsible for carpenter mason increased output should be researched into, the wages of tradesmen in the FG should be improved upon.

Keywords: Wage differentials, Productivity, Construction Company

INTRODUCTION

The construction industry plays a vital role in the economy of Nigeria and its social development. It provides social infrastructure and a backbone for economic activities; mainly because of its capacity to provide employment on a large scale (Samsi, 2008). It is expected that this vital role played should ensure job stability, labour retention in addition enhanced worker output; this is hardly the case as a result of inefficiencies in the industry's operations (Akinyemi *et al.*, 2014). According to Nwachukwu (2000) and Ogunbamemu (2000), "wage and salary administration" refers to the development, implementation and on-going maintenance of a base pay system. The central objective or purpose of wage and salary administration is to provide pay that is both competitive and equitable (Atchison, 2003). Previous researches have addressed issues of labour wages and productivity in the construction industry. Fagbenle *et al.* (2004) studied the impact of non- financial incentives on bricklayers' productivity in Nigeria. The study discovered that sites with and without incentives showed that non-financial incentive schemes significantly improved bricklayers' productive time and these schemes accounted for 6% to 26% of the variations in output between the two sites on block laying and concreting activities measured.

amina277@yahoo.com

Abdulmalik & Muhammad, (2018). IMPACT OF WAGE DIFFERENTIALS ON PRODUCTIVITY OF CONSTRUCTION COMPANIES IN ABUJA. Contemporary Issues and Sustainable Practices in the Built Environment. School of Environmental Technology Conference, SETC, 2018

Aina (2011) assessed the performance of incentive schemes in construction projects in Nigeria. The study concluded that the day work schemes, medical allowance, holiday with pay and job finish are incentive schemes with the highest impact on craftsmen productivity **based on project managers' perception**, while disability insurance and food canteens are incentive schemes rated as high performing by craftsmen.

Aghuru (2012) studied the recent trends in wage and salary administration in Nigeria. Adopting a simple cross-sectional survey method using mostly non-parametric methods, the study found that there has been: (1) unwarranted lags between labour (employee) pay and productivity; (2) huge income differentials between the various levels of government where the employees buy from the same market.

The impact of labour wages differentials on productivity of medium-sized construction companies in Abuja was evaluated by the study. This was achieved by examining the factors responsible for wage differentials among medium-size construction companies in Nigeria; and a comparison of the Federal Government scale of wages for tradesmen and the scale of wages for tradesmen in medium-sized construction companies respectively was carried out.

Factors Responsible For Wage Differentials

According to Olateju (1992), experience and skill of workers is the biggest determinant of pay at the end of the day. Employers look at years of experience as a good indicator of a worker's skill level and productivity. National Policy on MSMEs (2006) provided for **inter-firm differentials**. Differences in quality of labour employed by different firms, imperfections in the labour market and differences in the efficiency of equipment's and supervision result in inter-firm wage differentials. **Education and training:** limit the supply of labour in that they take a certain amount of time to complete and require a certain level of skill. In many cases, people who attend college or training school do not have the time to work a full-time job. **On location the policy provided for wages for workers in the same occupation, and position which can vary drastically from one state to another.** This is usually a function of cost of living (Olateju, 1992). **Credentials:** Professional certifications, licensing and advanced education all contribute to wage disparity within an occupation. Obviously, those with advanced education, professional licensure and industry certifications typically earn more than those without similar credentials (Olateju, 1992). **Job description and responsibilities:** Even within the same occupation, workers may have varying jobs and responsibilities.

METHODOLOGY

Both quantitative and qualitative methods (mixed method) were used since they have a tendency to shade into each other. It is also very difficult to find research works that do not include both numbers and words (Blaxter *et al.*, 2006).

Quantitative research by definition, measurement must be objective, quantitative and statistically valid. **Simply put, it's about numbers and objective hard data. The sample size for a survey is calculated using formula to determine how large a sample size will be needed from a given population in order to achieve findings with an acceptable degree of accuracy.**

Data was collected from both primary and secondary sources. Data on the Federal Government (FG) and the **medium-size construction companies' scale of wages for the tradesmen** was obtained from the record published and kept by the FG and medium-sized construction companies (Archival Data) and this constituted the secondary data for the study. The factors responsible for wage differentials in medium-size construction companies as well as the strategies for reducing these wage differentials were identified from extant review of literature and examined using questionnaire and this constituted the primary Data. The questionnaire consisted of four parts namely;

- General information of respondents.
- Factors responsible for wage differentials in medium-size construction companies.
- Information on company wages per year.
- Information on company wages per day.

For the purpose of this study, population comprised the construction companies registered with the Federation of Construction Industry (FOCI) comprising medium construction company registered in category D with the Federal Ministry of works.

The research was conducted in Abuja, the capital city of the nation because it is the major centre of construction activities and concentration of medium sized construction companies. And most practitioners have either their head offices or regional headquarters in the capital city. The study's population was 55 while the sample size was 41. This is based on Dorothy (2008) sample size computation.

Table 1: Factors Responsible for Wage Differentials among Medium-Sized Construction Companies

S/No.	Factors Responsible for Wage Differentials	MIS	St. Dev	Rank	Decision
1	Experience and skills	4.8250	0.3800	1st	Most Important
2	Specialty	4.0250	0.7579	2nd	Very Important
3	Technicality	3.8500	0.7263	3rd	Very Important
4	Hours of work	3.6750	0.8182	4th	Very Important
5	Success and performance	3.6250	0.6591	5th	Very Important
6	Job description responsibilities	3.4500	0.8352	6th	Fairly Important
7	Credentials	3.2000	0.6782	7th	Fairly Important
8	Industry or employer	3.1750	0.5426	8th	Fairly Important
9	Nature of Employment	3.1500	0.5723	9th	Fairly Important
10	Occupational differences	3.0000	0.7071	10th	Fairly Important
11	Regularity of employment	2.8500	0.6910	11th	Fairly Important
12	Inmobility of labour	2.7250	0.8363	12th	Fairly Important
13	Location	2.6750	0.6476	13th	Fairly Important
14	Political and social environment	2.6000	0.7000	14th	Fairly Important
15	Scope for extra earnings	2.5750	0.7710	15th	Fairly Important
16	Inter industry differences	2.3500	0.4770	16th	Less Important
17	Profitability difference	2.2000	0.9000	17th	Less Important
18	Compensation differentials	2.1500	0.5268	18th	Less Important
19	Insider / outsider privilege	1.9000	0.4890	19th	Less Important
20	Discrimination	1.7250	0.8058	20th	Less Important

Source: Researcher's Analysis of Data (2017)

From Table 1, factors which were also very important and ranked 2nd to 5th with MIS ranging from 0.6591 - 0.7579). The next nine (9) factors were shown to be fairly important. These range from job description responsibilities (MIS = 3.4500) to scope for extra earnings (MIS = 2.5750). The last five factors, as shown on Table 4.1, are of less importance. These are Inter industry differences (MIS = 2.3500), Profitability difference (MIS = 2.2000), Compensation differentials (MIS = 2.1500), Insider / outsider privilege (MIS = 1.9000) and discrimination (MIS = 1.7250).

From Table 4.1, it can be seen that with M.I.S of 4.8 is ranked specialty, Technicality, hours of work, success and performance are ranked 2nd 3rd 4th and 5th. Job description responsibilities, credentials, industry or employer, nature of employment, 10,11,12,13,14, and 15 are ranked 6th, 7th to 15 respectively are ranked 6th, 17, 18, 19, 20.

DISCUSSION

According to Morenikeji (2006), it can be said that experience and skill having M I S of 4.8 is the most important factor to medium sized construction companies in Abuja. It can also be seen that the specialty 2,3,4,5 are very important; 6, 7, 8 are important factors while 16, 17, 18, 19, 20 are fairly important factors to medium sized construction companies.

Obitayo (1991), stated that skill and ability are a result of experience. It was further stated that workers with both experience and in-demand skills usually come more than workers in the same occupation thereby making this factor most important to medium sized construction workers.

CONCLUSION AND RECOMMENDATIONS

The study revealed that the most important factor responsible for wage differentials among the medium sized construction companies in Abuja is experience and skills while discrimination and insider/outsider privilege are less important factors. It was also revealed that other factors are responsible for higher output of the carpenters but not wages, so also for the masons the null hypothesis were accepted but for the painters, output increase as wages increase thus the null hypothesis is rejected. It was further revealed that there is a difference between wages paid to different tradesmen, there was no statistical significant difference between them, and thus the null hypothesis was rejected.

From above, it can be concluded that experience and skills is the factor that determine the difference in payment of wages of workers in medium sized construction companies in Abuja. This means that if a worker is experienced and skilled, he is likely to be paid better than a less experienced and skilled counterpart. Based on the findings, the study hereby recommends that:

- I. Since experience and skills are the most important factors responsible for wage differential this should be emphasized upon before employment.
- II. Factors responsible for increase carpenter and mason output be researched into.
- III. Training and re-training should be done often to improve on skills and specialty.

REFERENCES

- Agburu, J. I. (2012). Recent Trends in Wage and Salary Administration in Nigeria: A Synopsis on Theoretical and Empirical Challenges. *International Journal of Basic and Applied Science*, 1(2), 257-268. Available on www.insikarub.com
- Aina, O. O. (2011). Performance of Incentive Schemes in Construction Projects in Nigeria. *Global Journal of Management and Business Research*, 11(10), 39 - 44.
- Akinyemi, A. T., Aina, O. O. and Ayanigade, J. A. (2014). Impact of Methods of Selecting Incentive Schemes on Incentive Performance in Construction Projects in Lagos State Nigeria. *Global Journal of Management and Business Research: Administration and Management*, 14(8), 15 - 24. Available on <http://creativecommons.org>
- Atchison, T.J. (2003). *Wage and Salary Administration*, in *Personnel Administration* January, 2003.
- Blaxter, L., Hughes, C. and Tight, M. (2006). *How to research*, 3rd Edition, Berkshire, England, Open University press.
- Fagbenle, O. I., Adeyemi, A. Y. and Adesanya, D. A. (2004). The impact of non- financial incentives on bricklayers' productivity in Nigeria. *Construction Management and Economics*, 22, 890-911. Available on <http://www.tandf.co.uk/journals>
- John I. Agburu (2012). Recent Trends in Wage and Salary Administration in Nigeria. Department of business management, Benue State University, Makurdi, Nigeria
- Krejcie, R. V., & Morgan, D. W. (1970). Determining sample size for research activities. *Educ Psychol Meas.*
- Morenikeji, W. (2006). Essentials of research method obtainable at dpace.futminna.edu.ng/bitstream/11:1; retrieved, June, 2017.
- Nwachukwu, C. C. (2000). *Human Resources Management*. Port- Harcourt, University of Port-Harcourt Press
- Obitayo, K.M (1991). Government Industrial Policies in Respect of small and Medium Enterprises in Nigeria. *Central Bank of Nigeria Bulletin*, 15(2).
- Olateju, O. T. (1992). Effective contract management in Construction Industry. Obtainable @ www.Unaab.edu.ng
- Samsi, D. (2008). General Overview of the Construction Industry; Massachusetts Institute of Technology - Department of Civil and Environmental Technology.