Unfairness in Reward Allocation in the Nigerian Public Sector Organizations: A Conceptual and Theoretical Analysis

Olufemi Akintunde¹, Anifowose, S.O.²

Abstract: The paper is a conceptual and theoretical literature review of articles and works that are relevant to reward allocation in public sector organizations. The paper reviews literature on organizations nature and characteristics; unfairness and fairness in reward allocation and notable theories of reward allocation. The paper reveals some of the unfairness in reward allocations to employees in public organizations and the unfairness of the factors in the performance appraisal used for reward allocation to employees in the public sector as: religious affiliation; ethnicity; corruption; intimidation/threat by superior officers; sexual harassment of female employees by superior officers; political pressure; God-fatherism and Federal Character Principle (FCP). The paper recommends that (1) States and Federal Government should address the unfairness and close the wide gap across hierarchical levels in their reward allocation to employees. (2) The Federal Government should increase its supervision on the States' Governor in order to prevent them from their present inhuman practices of diverting to elections campaigns and their personal use, civil servants and teachers' salaries and allowances that are statutorily allocated to them from the federation accounts.

Keywords: Organizations; Reward Allocation; Fairness; Satisfaction; Unfairness; Dissatisfaction

1. Introduction

The study of employees and their importance to the smooth running of organizations has led to the realization of the pivotal role that justice in reward allocation plays in motivating the workforce to high performance (Greenberg, 1982). Justice principles are upheld in all humane and enlightened organizations

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¹ Senior Lecturer, PhD, University of Lagos, Akoka, Nigeria, Faculty of Business Administration, Department of Business Administration, Address: University Rd, Lagos, Nigeria, Tel.: +234 905 362 6159, Corresponding author: oluakintunde@unilag.edu.ng; droluakins@yahoo.com.

² University of Lagos, Akoka, Nigeria, Faculty of Business Administration, Department of Business Administration, Address: University Rd, Lagos, Nigeria, Tel.: +234 905 362 6159, E-mail: nissiyk@yahoo.co.uk.

through management, organizational behavior policies and standardized human resources practices. Blau and Scott (1962) explains that all privately owned organizations tend toward profit making, while public organizations focused on welfare maximization which is aimed at making citizens enjoy free services or at a reasonably low cost. These organizational objectives could only be achieved when employees are motivated with both extrinsic and intrinsic rewards (Maslow, 1954; Herzberg, Mausner & Synderman, 1959) and the motivation is based on equity and expectancy dimensions (Adams 1963, 1965; Vroom, 1964; Porter & Lawler III, 1968). Equitable, fair and equal reward for equal contributions by employees to corporate performance outcome will promote atmosphere of justice and fairness in an organizational set up, with attendant positive influence on supervisors-employees interactional relationship.

Blau and Scott (1962) four classification of organizations based on intended purpose is relevant in understanding organizations. They are: (1) Business - where the owners are the primary beneficiaries. They are set up for profit making. Examples are manufacturing and other service organizations. (2) Nonprofit service - where the clients are the primary beneficiaries. They are set up to selectively screen large numbers of citizens who are potential clients coming for free service. Examples are Universities, Hospitals (nonprofit) and Welfare Agencies. (3) Mutual-benefit - where registered members are the primary beneficiaries. They are set up to provide service to satisfy their members' needs. Examples are unions, clubs, political parties, trade associations and cooperatives. (4) Commonweal where the public at large (i.e. all the citizens) are beneficiaries. They are set up by the government to provide standardized services to large groups of people (i.e. the citizens). Examples are military, air-force, navy, police, fire services and public schools. These classified organizations: Business; nonprofit service; mutual-benefit and commonweal service provides specialized services to the citizens and they are necessary for directing economic and social activities in the nation.

Hodge, Anthony and Gales (1996) define an organization as a cooperative social system involving the coordinated efforts of two or more people pursuing a shared purpose. Expatiating on this definition Kreitner (1999) explains that when people gather and formally agree to combine their efforts for a common purpose, an organization is the result, and the "coordinated efforts" of Hodge et al. (1996) definition implies a degree of formal planning and division of labor. Schein (1980)

a prominent organizational psychologist, says all organizations share four common characteristics viz: (1) coordinated efforts (2) common goal or purpose (3) division of labor (4) hierarchy of authority. All these four characteristics are essential to enable an organization to function properly. Specialized State organizations also exist such as the four defence organizations namely: The Military, The Air-force, The Navy and The Police. The Military, Air-force and the Navy are charged with the responsibilities of defending the nation and the protection of the citizens against external acts of aggression from enemy nations during war situations. The fourth organization which is the Police is mainly involved in maintenance of civil law and order in the society. Fair and equitable rewards will play a significant role in motivating employees to channel their efforts toward the achievement of the goals and objectives in these various public entities.

1.1. Aims and Objective

The objective of this paper is on the conceptual and theoretical analysis of the articles and works relevant to reward allocation in the Nigerian public sector organizations and offer solutions to the identified problems.

2. Literature Review

2.1. Unfairness in Reward Allocation

Explaining performance appraisal used for reward allocation from the Nigerian perspective, Fagbohungbe (2009, pp. 141-145) identifies some of the negative factors militating against employees organizational commitment in the public service in Nigeria as "(1) religious affiliation (2) ethnicity (3) corruption (4) intimidation/threat by superior officers (5) sexual harassment of female employees by superior officers (6) political pressure (7) God-fatherism (8) Federal Character Principle (FCP) i.e. quota system". The following prevalent negative factors affecting employees' organizational commitment in the Nigerian public service would complement the above list. They are "(1) failure to pay employees as a result of diversion of employees statutorily salary allocation into election campaign by Governors (This is a regular practices by Nigerian States Governor) (2) nepotism (3) politics and political affiliation (4) favoritism (5) perceptual biases from superior officers which may take the dimension of (a) halo effect i.e. rewarding employees based on their trait or (b) stereotyping i.e. rewarding employees based on the group they belong e.g. gender, tribe, state of origin".

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These negative factors cause problem of dissatisfaction among employees in the Nigerian public service. In-fact many employees in the States public Service who have retired are disenchanted with the system. Those employees that are still serving grumble that the system in the service does not encourage employees to be committed to their job, because of the injustice and unfairness in reward allocation in the service where employees below Directors level are being paid salaries that cannot be comparable with the revenue that States are generating internally and the amount of fabulous pay that the Political office holders including the House of Assembly Members are earning.

Comparing Lagos State with other States in Nigeria that are generating about five hundred million naira monthly as Internally Generated Revenue (IGR), and with receipt of about two billion naira monthly from the federation account, the Lagos State public Service explains that Lagos State that is generating about twenty billion naira per month as Internally Generated Revenue (IGR) in addition to about four to five billion naira monthly receipts from the Federation account, has the financial resources potentials to be able to implement just, fair and equitable distribution of reward among its employees across hierarchical levels in the service, that would motivate them to be commitment to work.

There is no fairness in the procedure of reward allocation in the public sector organizations at the Federal, States and Local Government levels in Nigeria where the, Governors Commissioners, Permanent Secretaries, Political office holders and House of Assembly Members earn extraordinary high pay. Since attaining independence 54 years ago (1960), Nigeria has not been able to attain sustainable political and economic development because of the unfairness, inequity and injustice that characterized the reward allocation processes. This is the reason why majority of employees below the management level in the public service are not satisfied with their job. Problem militating against job satisfaction among employees in the States public service in Nigeria generally is the way and manner Governors in the States misuse public funds (which include funds statutorily earmarked for the payment of employees salaries) in the conduct of their personal re-election and also in the sponsoring of their candidates for election into the Senate, Federal house of assembly, State assemblies and Local government chairmanship elections. After the just concluded elections, The Nigerian Punch Newspaper of April 19, 2015 reports and alleged that the former President

embarked on the spending of two trillion naira of tax payers monies on the prosecution of the Presidential election to ensure that his party is voted back to power.

On the problem that employees in the States public service are facing in respect of unfair reward allocation that result into the non-payment of their salaries and allowances when the political appointees such as Governors, Commissioners and Permanent Secretaries were paid regularly, The Nigerian Punch Newspaper of May 22, 2015 reports that eighteen States in Nigeria (with the exception of Lagos State) are alleged to be owing their employees several months of unpaid salaries and allowances since December 2014. Some States were alleged to owe employees five to six months salaries. This translates to the fact that since November 2014 some incumbent Governors have diverted employees' salaries and allowances into their election campaign spending. This is high level of injustice and man's inhumanity to man that bothers on unfairness in reward allocation in the public service. Employees' perception of unfairness impact negatively on their job performance. This make them not to enjoy job satisfaction.

Procedural justice shows the neutrality of the formal procedures and the rules that control a system (Nabatchi, & Good, 2007). According to Robbins and Judge (2013, p. 109) procedural justice is "the perception of the process that is used to determine outcome (reward) in organizations" Unfair justice climate in organizations are based on rewards allocation procedure that are fraught with bias, inequity, inequality, rule of the thumb approach, ethnicity, mediocrity. This also results into demoralizing employees' morale, job dissatisfaction, low performance, low productivity and failure to achieve organizational goals and objectives. Where a nation adopts unfair rewards allocation that is not based on merit or equity, such nation will not be able to enjoy political and economic growth that result into sustained political and economic development (Fagbohungbe, 2009; George, Owoyemi & Adegboye, 2014).

The devastating impact of unjust and unfair policies in reward allocation in the federal public service was accentuated to by George, Owoyemi and Adegboye (2014) in their study. They cite scholars that define the Federal Character Principle as a "tribal character" (Oyovbaire, 1983, p. 19), "geographical apartheid" (Suberu, 2001) "discriminatory" "inherently discriminatory and counter-productive" and "serves no defensible purpose" (Mustapha, 2007, p. 17). The definitions of the Federal Character Principle (FCP) by these scholars give clear understanding of

what the FCP stand for - which is the elevation of mediocrity above merit. The Nigerian Federal Government's adoption of the FCP is unfair in the reward allocation in terms of employment of employees into the federal public service; promotion of officers in federal public service and in the admission of students into the Federal Universities.

The adoption of the FCP by the Nigerian Federal Government fails to give priority to merit and this has been the clog in the wheel of progress in her economic, educational and political development. George *et al*, (2014, p. 50) recommend that Nigeria should embrace the USA "compensatory opportunity" i.e helping the neediest. They explain "In the case of Nigeria, the States should be granted the autonomy they deserve. Each State should be allowed to develop on its own and competition between States should be encouraged, this will bring about healthy rivalry which will likely bring about the elusive unity".

2.2. Fairness in Reward Allocation

Levennthal, Karjuza and Fry (1980) itemize and explained six criteria that may contribute to employees perceptions of a fair decision process in organizations as follows: (1) Consistency - The same allocations are made across persons, situations and time. This would means, for example that standard criteria are in place for contract terminations and employees are never dismissed on the whim and caprices of the organizations. (2) Neutrality - Decisions are based on facts, not on vested interests or personal feelings of the decision maker. Multiple information sources will help to create a comprehensive and objective view of a situation. (3) Accuracy - The information used to formulate and justify the decision is up to date and correct. Hearsay must be validated and Human Resource policies read up before or either is quoted in a formal situation. (4) Correctability - Provisions exist for challenging and/or reversing ill-advised decisions, such as grievance or appeal procedures. (5) Representativeness - All those whom the outcome will affect have their concerns taken into account. This would mean, for example, consulting both smokers and non-smokers about the implementation of a smoking ban, and considering viable compromises for those whom it will inconvenience. (6) Morality and ethicality - Age, gender, nationality and other extraneous factors have no bearing on the decision that is made. Where these criteria are adopted by organizations in their reward allocation system, employees will perceive justice and fairness and will tend to cooperate with their supervisors to focus on organizational objectives achievement.

Storey (2000) identifies some cross-cultural variation in the preferred basis for outcome distribution with Americans favouring the principle of equity, Indians of need, and Dutch of equality. There is difference between *equity*, *equality* and *need* dimensions of reward allocation. Equity means the process of rewarding employees based on their ratio of input to output. Equality means the process of rewarding equally employees who are performing similar job and on the same grade. Baldwin (2006) is of the opinion that the notion of need means employees receives reward according to their personal circumstances) especially when the outcome is something that cannot strictly be earned, such as medical insurance benefits. The implications of equity, equality and need dimensions in reward will make organizational to reward employees based on their contribution to organizational productivity when applying equity yardstick; pay equal pay for equal work when applying equality and make the payment of allowance such as food, clothing, medical and other related benefits according to status of employees in the organization.

3. Theoretical Review

Theories are statement providing conceptual framework about something, object or phenomenon. They are ideas that are intended to explain why something occurs. Theories are useful for analyzing situation and problem in the business world; for formulating policies and for understanding a subject matter of interest. For the purpose of this paper Equity Theory and Expectancy Motivation Theory are reviewed.

3.1. Equity Theory

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Greenberg (1990) explains that in view of the recognition of the importance of fairness in organizations, the theories of social interpersonal justice have been applied to understanding behaviour in organizations. The earliest theorist on justice that had direct application to organizations are the Homans (1961) distributive theory and Adams (1965) equity theory. Homans (1961) lays the underpinning conceptualization of distributive justice from which Adams (1965) equity theory was derived. Hellriegel, Slocum and Woodman (1998 p. 160) define equity as the situation when "the ratio of a person's outcomes to inputs equals the ratio of

outcomes to inputs for relevant others" When the situation of equity exists an employee may feel satisfied about his wage and the job when he compared his input and output to be the same with the input and output of his co-workers on the same grade and performing similar job.

Hellriegel *et al.* (1998, p. 160) explain inequity as the situation when "the ratios of outcomes to inputs are unequal" The situation of inequity makes an employee feel dissatisfied about his wage and his job when he receives lower wage than the wage being paid to his co-workers on the same grade and performing similar job. Fairness and justice are the underpinning conceptualizations of the equity theory of Adams (1963 & 1965), which posit that judgments of equity and inequity are derived from comparisons between one's self and others based on inputs and outcomes. Inputs refer to what a person perceives to contribute (e.g., knowledge and effort) while outcomes are what an individual perceives to get out of an exchange relationship (e.g., pay and recognition). Comparison points against which these inputs and outcomes are judged may be internal (one's self at an earlier time) or external (other individuals).

Adams developed the equity theory and states that employees will evaluate the degree of equity between his ratios of input to output of the job he performed. There are two types of perception of equity. (a) Intra personal equity i.e. within person equity (b) Inter personal equity i.e. between one person and the other. Where output = 0 and Input = I.

(a) Intra personal equity (Within person equity)

- i. O > I = Cognitive dissonance i.e. (positive perception of incompatibility) When the output that the employee enjoyed is greater than his input, he perceives incompatibility to his favour i.e. cognitive dissonance. The employee will not complain.
- ii. O = I = I deal situation i.e. equity. Output is equal to input. This is the ideal situation, the employee will not complain.
- iii. O < I = Inequity. i.e. Output less than input. Farrell (1983) explains this as a situation of inequity which will lead to dissatisfied employee demonstrating four behavioral characteristics of E-V-L-N viz (1) *Exit* The exit response directs behavior toward leaving the organization, including looking for a new position as well as resigning. (2) *Voice* The voice response includes actively and

constructively attempting to improve conditions, including suggesting improvements, discussing problems with superiors and undertaking some forms of union activity. The response may include employees complaining bitterly about the injustice. (3) Loyalty - The loyalty response means passively but optimistically waiting for conditions to improve, including speaking up for the organization in the face of external criticism and trusting the organization and its management to "do the right thing" (4) Neglect - The neglect response passively allows conditions to worsen and includes chronic absenteeism or lateness, reduced effort and increased error rate. The employee may reduce his productivity to be at par with what he is rewarded.

(b) Inter person equity (Between one person and the other)

Where: Output is = O and Input is = I Employee 'A' and Employee 'B' are involved

1. OA > OB = favorable inequity

IA IB

i. OA = OB = ideal situation (equity)

IA IB

ii. OA > OB = unfavorable inequity

IA IB

The situation where $\underline{OA} = \underline{OB}$ is the ideal situation, the employee will still nose around to

IA IB

find out whether what he is paid is relevant to others. The idea of relevant others implies that employees have the same qualification; they are on the same level and performing the same job. Equity principle is already being upheld in organizations to a large extent by standardized human resources policies, such as predetermined job grades and salary bands, universal training and development opportunities and avoidance of favoritism in showing approval (Baldwin, 2006).

3.2. Expectancy Motivation Theory

Vroom (1964) Expectancy Motivation Theory identifies three variables in his model as follows:

FORCE = VALENCE X EXPECTANCY

Figure 1. Victor Vroom Expectancy Motivation Model

Where:

FORCE = this is the strength of a person's motivation

VALENCE = this is the strength or value of an individual preference for an outcome i.e. power to motivate = the perceived value of the outcome or rewards.

EXPECTANCY = this is the probability that a particular action will lead to a desired outcome or rewards. This ranges from 0 to 1.0 i.e. (0 < 1). The propositions of the Vroom model is: if an employee perceives a greater reward when he performs a certain job, he will be highly motivated, he will develop positive valence towards the performance of the job. In the other hand if the employee perceives no appreciable reward, a valence of zero occurs, and he is not motivated to do the job.

Chowdhury (1993) identifies the following six factors that influence an – employee's expectancy perceptions: (i) Self-esteem (ii) Self-efficacy (iii) Previous success at the task (iv) Help received from a supervisor and subordinates (v) Information necessary to complete the task (vi) Good materials and equipment to work with. These factors will go a long way to impact on employees' efficiency and effectiveness in the work place. The underlying goal of Vroom theory is what the organizational behavior practitioners are focusing on in organizations i.e. to ensure that management reward employees appropriately and motivate them to develop positive value for their productive outcome.

4. Methodology

The paper is a literature review. It is a conceptual review of articles, works and review of theories that are relevant to reward allocation in organizations. It is based on secondary sources of data. Ember and Levinson (1991) are of the opinion that secondary data are usually historical and already collected data that does not necessitate access to respondents or subjects. On the disadvantage of secondary data, Cowton (1998) warns that a lot of care must be taken in making use of secondary sources because the data were not collected with the present study in mind.

5. Discussion and Conclusion

The paper is a literature review of articles and works that are relevant to conceptual and theoretical analysis of reward allocation in the public sector organizations. The paper reviewed literature on organizations definition, classification and characteristics; unfairness in reward allocation and notable theories of reward allocation. The paper reveals some of the unfairness factors in the performance appraisal used for reward allocation to employees in the public sector as: religious affiliation; ethnicity; corruption; intimidation/threat by superior officers; sexual harassment of female employees by superior officers; political pressure; Godfatherism and Federal Character Principle (FCP).

6. Recommendations

The paper recommends that (1) States and Federal Government should address the unfairness and close the wide gap across hierarchical levels in their reward allocation to employees. (2) The Federal Government should increase its supervision on the States Governor in order to prevent them from their present inhuman practices of diverting to elections campaigns and their personal use, civil servants and teachers' salaries and allowances that are statutorily allocated to them from the federation accounts (3) The Federal Government should come up with a legislation, that will check mate States Governor from diverting employees' salaries to their personal use, thereby owing civil servants and teachers several months of salaries and several years of pensions and gratuities that leads to the alleged death or stroke of these employees.

7. Direction for Further Research

Further research can be conducted on (1) reward allocation in the public sector and also on the solution to the problem of the recklessness in the way States Governor divert funds allocated to them from the federation accounts and funds they generate internally to their elections campaigns and their personal use (2) the impact of unpaid salaries, gratuities and pensions on States civil servants and teachers.

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