EFFECT OF INCENTIVES ON WORKERS' PRODUCTIVITY IN SEVEN-UP BOTTLING COMPANY, IBADAN, OYO STATE, NIGERIA

AJAGBE, F. A.
Department of Entrepreneurial Studies,
Federal University of Agriculture Abeokuta,
Ogun state, Nigeria.
ajagbefriday@yahoo.co.uk

ADEGBITE, D. O.
Department of Curriculum and Instruction
Emmanuel Alayande College of Education Oyo,
Oyo State, Nigeria.

ABIODUN, J. A.
Department of Business Administration,
Federal University of Agriculture Abeokuta,
Ogun state, Nigeria.
abiodunjay@funaab.edu.ng

ABSTRACT

This study determined the effect of incentives on workers' productivity in Seven-up Bottling Company, Ibadan, Nigeria. The study utilized a structured questionnaire to collect primary data. The stratified random sampling technique was used to draw 110 sample elements from the surveyed population. The analysis of data was done using descriptive and inferential statistics. Specifically, the Logit regression was used to test the impact of incentives (salary, job security, and bonus) on workers' productivity. The regression analysis was facilitated by STATA 11.0. The results revealed that salary with a coefficient of 2.64 positively affects workers' productivity. This result implies that increase in salary will result in higher worker productivity. The results also show that job security has positive impact on workers' productivity with a coefficient of 2.13. This reveals that job security is an important determinant of workers' productivity. The results also show that bonuses with a coefficient of 8.8 also have positive impact on workers' productivity. The study thus concludes that incentives in terms of salary, job security and bonuses increases workers' motivation to invest their best in their job, hence increase organizational productivity. The recommends that Seven-up Bottling Company should contrive policies that translates to adequate financial and non-financial incentives that motivate employees; and results in enhanced organizational productivity and overall sustainability.

Keywords: Incentives, Workers' Productivity, Seven-up Bottling Company Ibadan, Nigeria.

INTRODUCTION

An effectively compensated workforce enhances productivity at the organization and individual levels; and in both the private and public sectors. Remaining vibrant and buoyant in the contemporary intensely competitive milieu, management of firms must establish cordial relationship with employees. Motivation in the form of incentive schemes is essential to establishing such relationships. Human resources (workers) constitute the

backbone of the success of any organization; whether large or small, private or public. Therefore, workers should be well motivated through provision of various incentive schemes for improved performance and productivity.

An organization's performance is a complex phenomenon largely affected by the ability and motivation of its workforce. However, one of the major problems facing most employers in both public and private sectors is how to motivate their employees in order to improve performance. The field of Economics is largely based on the assumption that financial incentives improve performance (Igbaekemem, 2014). All organizations are concerned with what should be done to achieve sustained high levels of performance through workers. Olugbenga (2011) defined incentive as reward given to an individual or group to elicit specific behavioural responses; and provides that incentive may be financial or non-financial. Such rewards may be available to workers or top managers. Whether the incentive is linked directly to such items as safety, quality or absenteeism, the reward follows successful performance.

The success and survival of any organization is determined by the way workers are remunerated and rewarded (Adams, 2013). The reward system and motivating incentives will determine the level of employees' commitment and attitude to work. In the regard, Akerele (2011) noted that poor incentive packages have been a major factor affecting employees' commitment and productivity. Employees occupy a strategic role and position in any organization. They are responsible for converting inputs to productive outputs; and therefore, ought to be adequately compensated. Taking cues first from the Biblical expression that "a labourer deserves his wages;" and bearing in mind that the reward for labour, a factor of production is "wages," it becomes logical that employees must be adequately and fairly compensated if they are to be motivated to increase productivity in any organization.

STATEMENT OF THE PROBLEM

Information obtained about employer-employee relationships in both public and private industrial settings in Nigeria show that employers most times, do not observe or understand the morale of employees; and their behavior towards organizational goals. Basically, the major and widely accepted motivating factor is good pay. Although, most people work because of money, a general notion exist that if management can identify other things that can motivate workers apart from money, probably a dramatic reduction in the demand for pay rises will occur. Cross (2019) mentioned that as a result of this, less time will be spent on the annual ritual of management-workers' union negotiation meetings.

Employees have different needs. So, it is important to know what is important to each of them. This aids in the achievement of individual goals, level of commitment to work and the rewards to align with individuals. In order words, a system of motivation is essential to the success of firms (Olayinka, Abiodun, Daniel, & Raphael 2017). Firms thus depend on highly motivated workforce for effectiveness, efficiency and productivity. Though the Seven-up Bottling Company Ibadan, has established incentives systems, there has been no research efforts to determine the influence of these incentives on employees' performance. This study thus opts to examine the impact of incentives on the productivity of workers in Seven-up Bottling Company, Ibadan.

LITERATURE REVIEW

Different specialists and scholars of business management have given different meanings to incentives. Nnubia (2020) examined effect of monetary incentives on employees' performance in manufacturing firms in Anambra State. The objective of the study was to ascertain the relationship between salary, wages, fringe benefits bonuses and commission and workers' performance in manufacturing firms. The study revealed among others that there is a significant positive relationship between salary and wages and workers performance and there is a significant positive relationship between commission and workers performance. The study concludes that monetary incentive is seen as one of the most important strategies in the human resource management function as it influences the productivity and growth of an organization.

Cross (2019) investigated the effects of incentives on employees' productivity. The findings of this study revealed that there is a positive relationship between incentives and productivity, alongside monetary incentives; and that involving employees in planning and other processes aimed at attaining organizational effectiveness motivates them because it gives an idea that their contribution and co-operation is valued by the organization. Relatedly, Ekwochi and Okoene (2019) reported that remuneration have significant effect on the performance of organizations and recommend that management should design, formulate and implement compensation strategies objectively in order to elicit the contribution and support workers and enhance the attainment of overall organizational goals. This position adequately aligns with the view that the level of motivation received by employees as reflected in the satisfaction with base pay package and other incentives goes a long way to influence their attitude to work, loyalty, performance and job satisfaction (Olayinka, Abiodun, Daniel, & Raphael, 2017). Falola, Ibidunni, and Olokundun (2014) remarked that for any organization to compete favourably, employees' attitudes and commitment is a prerequisite. This remark is premised on the results a study designed to examine the effect of incentives packages on employees' attitudes towards work. The results of the show that strong a relationship exists between incentives packages and employees' attitudes towards work.

THEORETICAL FRAMEWORK

Herzberg Motivation- Hygiene Theory

This theory is one of the most widely used theories of work motivation. Frederick Herzberg studied factors in work environments that cause satisfaction or dissatisfaction among workers. Management training and work motivation programmes are based on this theory. Herzberg, like Maslow utilized the need satisfaction approach to the study of human motivation. The theory argues that two entirely separate dimensions contribute to employees' behavior at work: hygiene factors or extrinsic factors and motivators or intrinsic factors. Hygiene factors are extrinsic job conditions which include salary or pay increase, job security, working condition, status, company policies, quality of interpersonal relations among peers, supervisors and subordinate and fringe benefits. The absence of these factors causes dissatisfaction among employees. According to this theory, monetary systems can at best produce occupational or industrial harmony but have little potential for motivating higher levels of productivity. In this sense, money was counted as a dissatisfier rather than a job satisfier. Theory thus postulates that if people are paid a wage they perceive as fair, paying them would not increase their productivity or morale. Unfortunately, however, the acquisition of wealth is a form of self-actualization for most Nigerian workers.

Intrinsic factors which are often termed satisfiers, motivators or content factors are considered to be capable of building levels of motivations that can result in good performance. Such conditions include achievement recognition, advancement, challenging work, responsibility, personnel growth, learning development. Again it is argued that the absence of these factors does not cause dissatisfaction. In fact, the theory emphasizes that true motivation is intrinsic. Thus, the theory suggests that jobs can be redesigned and enriched to integrate "motivators" to the job, so that employees will be willing to exert effort in their work.

However, this theory has been criticized by some researchers. These criticisms are based on methodology and inconsistency with past evidence concerning employee satisfaction. Another source of criticism was directed at the assumed independence of motivator and hygiene factors. The implication was that time motivators could be obtained only through the provision of motivation in work settings. So, neither the satisfaction nor the motivation conclusion following it, held up to empirical test. Furthermore, the theory creates awareness in the employer of labour to be more concerned with two views of their employees' job attitudes- what makes them happy and motivate them and what makes them unhappy and causes dissatisfaction. This has a direct impact on individual work behaviour, work attitude, job performance and the productivity of industrial organization. To a large extent, some Nigerian work environments are conducive for the application of this theory, depending on the nature of workers, employers, employment contract, and the work environment- these are cooperating factors.

MATERIALS AND METHODS

This study examined the effect of incentives on workers' productivity in Seven-up Bottling Company, Ibadan, Nigeria. A well-structured questionnaire was used to obtain relevant information from 110 respondents drawn through stratified sampling techniques of workers from each of the departments which include the administrative department, sales department, marketing department, security department, mechanical department and production department. This is to ensure that every worker was given the opportunity to be part of the sample. Descriptive statistics (tabulation, percentage, frequency distributions) were used at the primary level of data analysis; while the Logit regression was employed to test the association between incentives and workers' productivity. The Logit regression was used because of the quantitative nature of most of the variables. Logit model is presented thus:

The model is in explicit form:

$Y = f(X_1\ X_2\ X_3 - - - - - X_n) + e$ …… (1)

Where Y = productivity

X_1 = Age (years of existence)

X_2 = Level of Education (formal (1) informal (0))

X_3 = Gender (Dummy variable, male (1) female (0))

X_4 = Management level (Top management (1) otherwise (0))

X_5 = Salary increase (Naira)

X_6 = Job Security (Dummy variable, Job security (1) otherwise (0))

X_7 = Opportunity for advancement (Opportunity for advancement (1) otherwise (0))

X_8 = Bonus (Dummy variable, Bonus (1) otherwise (0))

Ui = error term

RESULTS AND DISCUSSION

Table 1: Respondents Socio - demographic Data

Socio-demographic Data	Frequency	Percentage(%)
Sex		
Male	80	(72.7)
Female	30	(27.3)
Total (%)	110	(100.0)
***Age group (years)**		
20-29	20	(18.2)
30-39	50	(45.5)
41-49	35	(31.8)
50 above	5	(4.5)
Total (%)	110	(100.0)
Marital status		
Single	40	(36.4)
Married	70	(63.6)
Total (%)	110	(100.0)
Educational Levels		
SSC/NCO	55	(50.0)
OND/NCE	30	(27.3)
HND/BSC	20	(18.2)
MBA/MSc/Ph.D	5	(4.5)
Total (%)	110	(100.0)
Years of Experience		
1-5years	30	(27.3)
6-10year	45	(40.9)
11-20years	25	(22.7)
21year above	10	(9.1)
Total (%)	110	(100.0)
Management Levels		
Top management	15	(13.6)
Middle Management	35	(31.8)
Lower Management	60	(54.6)
Total (%)	110	(100.0)

Source: Field survey, 2021

Table 1 represents the sex distribution of respondents. 27.3% of respondents were females, while 72.7% were males. This implies that the number of males outnumbered that of the females. This shows that more males work in the surveyed firm. Table 1 also shows that 18.2% of the respondents were in the age bracket of 20-29years. 45.5% were within 30-39 age groups, while 31.8% were in the 41-49 age bracket; while 4.5% were more than 50 years of age. This reveals that the population sampled was predominantly middle aged. These age groups are known to be youthful, energetic and therefore expected to be economically active in exploring avenue for opportunities. Also, the middle age people were able to consider their strengths and weaknesses in choosing the best alternative to achieve increase in organizational productivity.

Table 1 further indicates that 36.4% of the respondents were single, while 63.6% were married; and that 27.2% of the respondents were between 1- 5years in terms of experience. 40.9% were between 6-10year in terms of experience, 22.7% were between 11-202years in terms of period of service while 9.1% were 21years and above in terms of period of service. Additionally, Table 1 reveal that 50% of the respondents obtained SSC/NECO, 27.3% of the respondents obtained OND/NCE, 18.2% of the respondents obtained educational level of MBA/MSc/MPA while the remaining 4.5% of the respondents have a Ph.D.

Table 2: Regression for Impact of Incentives on Workers' Productivity

Dependable variable: Efficiency

Explanatory variable	Coefficient	Std. Err.	Z	p>/z/	(95% conf.)	Interval
Ln(education)	1.662174	1841849	.087	0.02	.287088	1.01726
Salary	1.637681	0.6195183	2.64**	0.009	2865674	.4096884
Job security	5	.0.2405853	2.13**	0.035	.0347055	.9652945
Bonuses	1.724638	.195107	8.8***	0.000	2.111375	.1.3379
Constant	3.188406	.7258878	4.39	0.000	1.74957	4.627241
Number of Obs.	110					
F (11, 108)	88.92					
Prob. > F	0.0000					
Pseudo R2	0.9006					

Source: Field Survey, 2021

** Significant at 5%

*** Significant at 1%

Table 2 shows regression of incentives on workers' productivity. The result of regression model shows coefficient of 3 variables that were statistically significant at 1%, and 5% probability levels. The variables were salary, job security and bonuses. Salary (2.64) positively affects incentives on workers' productivity. This result implies that an increase in workers' salary will result in greater productivity; which invariably, will result in increased organizational performance. It also shows that in most industrial establishments, the desire to achieve optimum productivity is central to managerial objectives. This desire has in most cases informed managerial decisions to introduce incentive packages to boost workers' morale (Cross, 2019). According to Falola *et al*. (2014), effective incentive systems are

based on three assumptions: individual employees and work teams differ in how much they contribute to the organization, not only in what they do but also in how well they do it; the organization's overall performance depends to a large degree on the productivity of individuals and groups within the organization; to attract, retain, and motivate highly productive workers and to be fair to all employees, an organization needs to reward employees on the basis of their relative productivity.

Table 2 also shows that job security has positive influence on workers' productivity (2.13). This means that job security is important determinant of workers' productivity with high stimulating power (Cross, 2019). Apart from this, it often shows that non-monetary incentives and rewards motivate, and help in building feelings of confidence and satisfaction of workers'. According to Mehta (2014), the purpose of non-monetary incentives is to reward workers for excellent job performance. Non-financial incentives are however, effective as supplement to financial incentives to lower level employees. For supervisors and those above them, such incentives serve as morale boosters, and spur them on to being more effective in their organizations.

The results further show that bonuses (8.8) also have positive influence on workers' productivity. This implies that increase in the level of incentives in terms of bonuses to workers increases workers motivation to put in their best thereby increasing organizational productivity. It also reveal that non-monetary incentives are earned, and as a result, are highly valuable. Non-monetary incentives are known to be higher order needs for status and recognition and ego in the society (Okwudili, 2015). Today's world of work focuses on non-monetary incentives such as bonuses. This is based on the conviction that white collar workers prefer non-monetary incentive to monetary incentives as their primary needs have been satisfied already. Therefore incentives such as promotion, opportunity advancement, job security, more authority, award, participating in the management, promotion, holidays, better working environment, written recognition, gifts, formal dinners, informal parties, plaques, etc. (Mehta (2014).

CONCLUSION AND RECOMMENDATIONS

This examined the impact of incentives on workers' productivity in in Seven-up Bottling Company in Ibadan, Nigeria. Based on the results of the analyses conducted, the study observes that incentives (salary, job security, bonuses) have positive impact on workers' productivity. The study thus, concludes that financial and non-financial incentives are instrumental to workers' productivity; and recommends that Seven-up Bottling Company in Ibadan, Nigeria should contrive policies that translate to adequate financial and non-financial incentives that motivate employees; and results in enhanced organizational productivity and overall sustainability.

REFERENCES

Adams, J. S. (2013). Toward an understanding of inequity. *Journal of Abnormal Psychology*, *67*, 422-436.

Akerele, A. (2011). Role of labour in productivity, industrial relation and financial performance. *Academy of Management Journal, 33*(9), 663-691.

Cross, O. D. (2019). Effects of incentives on employees productivity. *International Journal of Business Marketing and Management,* 4(1), 41-48.

Ekwochi, E. A., & Okoene, C. N. (2019). Effect of monetary incentives on workers performance in organization: Nigerian situation. *Journal of Theoretical & Applied Statistics 7*(2), 1-14.

Falola, H. O., Ibidunni, A. S., Olokundun, M. (2014). Incentives packages and employees' attitudes to work: A Study of selected government parastatals in Ogun State, South-West, Nigeria. *International Journal of Research in Business and Social Science*, 3(1), 2147-4478.

Hertzberg, F. (1956). *The motivation at work*. 2nd Edition. John Wiley & Sons Inc.

Igbaekemem, G. O. (2014). Monetary incentives motivates employee's organizational performance. *Global Journal of Arts Humanities and Social Sciences, 2*(7), 61-69.

Mehta, A. M. (2014). Impact of Monetary rewards employee performance and job satisfaction: An empirical study of the insurance sector of Pakistan. *Interdisciplinary Journal of Contemporary Research in Business*, 5(11).

Nnubia, A. L. (2020). Monetary incentives and employee performance of manufacturing firms in Anambra State. *International Journal of Innovative Finance and Economics Research* 8(1), 10-22.

Olayinka, C. O., Abiodun, S. O., Daniel, O. B., & Raphael, A. O. (2017). Incentive package, employee's productivity and performance of real estate firms in Nigeria. *European Scientific Journal April*, 13(11) ISSN: 1857-7881 (Print) e - ISSN 1857- 7431.

Olubusayo, F. H., Stephen, I. A., & Maxwell, O. (2014). Incentives Packages & Employees' Attitudes to work: Study of selected government parastatals in Ogun state, South-west, Nigeria: *International Journal of Research in Business and Social Sciences,* 1(3). (ISSN): 2147-4478.

Olugbenga, O. A, (2011). Impact of methods of selecting incentive schemes on incentive performance in construction project in Lagos State, Nigeria.

Okwudili, B. E. (2015). Effect of non-monetary rewards on productivity of employees among selected government parastatals in Abia State, Nigeria. IOSR *Journal of Business and Management, 1*(2), 6-11.

Osibanjo, A. O., Abiodun, A. J., & Fadugba, A. O. (2012). Executive perception of the impact of flextime on organizational performances: Evidence from the Nigerian private sector. *International Journal of Applied Behavioural Economics*, 1(3).