

The Moderating Role of Psychological Ownership in the Effect of Financial Compensation on Employee Productivity Among Benue State Civil Servants

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Abstract

The study examined the moderating role of psychological ownership between financial compensation and employee productivity among Benue State civil servants. Cross-sectional survey design was adopted comprising the study population of 15, 160 civil servants in Benue State from where a sample of 400 respondents was randomly selected. Structured questionnaire was used for data collection. The collected data were analyzed using Hierarchical Regression. The study found that staff allowance accompanying salaries will significantly affect employee productivity but psychological ownership will not moderate the relationship. The study concluded that psychological ownership is not a significant moderator of the effect of financial compensation on employee productivity among Benue State civil servants in Makurdi. The study recommended that the Government of Benue State should sustain the payment of salaries of civil servants to motivate them for higher productivity, by making salary payment her top priority. The Government should also clear the backlog of salaries and avoid future accumulation of salary arrears. The Government should at the same time, give orientation to make her staff understand their stakes in government business. While conducting the orientation exercise, the Government should endeavor to include civil servants in decision-making process concerning its policies and programmes to enhance their psychological ownership mentality.

Key Words: Psychological Ownership, Financial Compensation, Employee Absenteeism, Moderation

1.0 Introduction

There is an increasing demand on the government in developing countries to satisfy the various needs of the citizens including payment of staff salaries, provision of basic amenities and infrastructural facilities. In Nigeria, the government is the grand employer of labour, making payment of staff salaries, bonuses and allowances the key role of government. Consequently, the financial compensation of civil servants gulps an average of over 70% recurrent expenditures of annual budgets. For instance, in 2023, N7.76 trillion (%) out of the N8.3 trillion total recurrent expenditure was used for employee compensation (Federal Ministry of Finance, 2023).

The importance of financial compensation has been highlighted by Porter and Steers (1973). Stein (2008) identified pay as being one of five important components of quality of work life, although its categorical classification is somewhat different to Walton and Orpen. However, a study conducted by Reid (2009) on clothing workers confirmed Walton's proposition that compensation plays a critical role in determining quality of work life.

According to Walton (1974), the fundamental driving force behind work regardless of type of organization, is to earn a living. It is therefore plausible that quality of work life is affected by the extent to which this goal is achieved (Walton, 1974). Similarly, Nirenberg (1993) cites Walton's quality of work life determinant of adequate and fair compensation as a factor to consider when wishing to operationalize quality of work life programs. Both the factors of adequate and fair compensation are therefore considered important determinants of employee productivity.

Despite the importance of this dimension to employee commitment and retention, prior research has attempted to contrast hospitality compensation against that of other industries. Sturman (2001) noted that hourly earnings are lower among hospitality workers, of which hotel employees also belong, as compared to similar jobs at various levels in other industries. Namasivayam, Miao, and Zhao (2007) studied the relationship between compensation practices in the service sector and found a positive relationship between the level of pay (both fixed and variable) and employee productivity.

Employee productivity refers to the ability of an employee to transform input into output (Ademakin, 2011). It is also measure of how employees produce input and turn it into output within a given period of time (Agba, 2004). The productivity of employees of a service organization could be measured using the number of tasks performed or the number of customers and clients served in a given time period. These measures are reflected staff efficiency, level of attendance and punctuality to work (Blazovich, 2013).

Studies such as Javed (2017), Davidson (2019) and Blair (2020) suggest that psychological ownership improves employee productivity even when financial compensation is inadequate. The term psychological ownership implies the psychological feeling of belonging to the organization in which the individual works as an employee. It is the intrinsic feeling of holding some stakes in the organization. In Benue State, there is a backlog of staff salaries and pensions owing to the inability of past governments to pay state government workers and retirees. This is capable of lowering the morale of civil servants and consequently impacting negatively on their productivity. The pertinent question is whether psychological ownership could reverse this trend in Benue State. In view of this, the study is embarked upon to examine the moderating role of psychological ownership in the effect of financial compensation on employee productivity among Benue State civil servants in Makurdi.

2.1 Conceptual Framework

Key concepts of the study such as financial compensation, employee productivity and organizational ownership are hereby elucidated.

2.1.1 Financial Compensation

Financial compensation refers to the act of providing a person with money or other things of economic value in exchange for their goods, labor, or to provide for the costs of injuries that they have incurred. Financial compensation include: damages, legal term for the financial compensation recoverable by reason of another's breach of duty; nationalization compensation, compensation paid in the event of nationalization of property; payment; as well as remuneration such as deferred compensation, executive compensation; royalties, salary, wage and employee benefits (Namasivayam, Miao & Zhao, 2007)

2.1.2 Employee Productivity

Employee productivity is generally understood as the ability of an employee to transform input into output within a given period of time (Ademakin, 2011). It is also measure of how employees produce input and turn it into output within a given period of time (Agba, 2004). The productivity of employees of a service organization could be measured using the number of tasks performed or the number of customers and clients served in a given time period. These measures are reflected staff efficiency, level of attendance and punctuality to work (Blazovich, 2013).

2.1.3 Psychological Ownership

Psychological ownership is the feeling of having a stake in an organization as a result of commitment and contribution. It is often derived from learning about an organization and investing time and effort in it. Psychological ownership is associated with positive outcomes for the organization, including increased motivation, organizational stewardship, and loyalty (Davidson, 2019).

Psychological ownership entails reciprocity between the organization and the employee. However, it can also have negative effects, including territoriality and reluctance to share knowledge which can result from leadership and management. This can be overcome by giving employees the opportunity to contribute their knowledge and creativity to decisions making process of the organization (Javed, 2017).

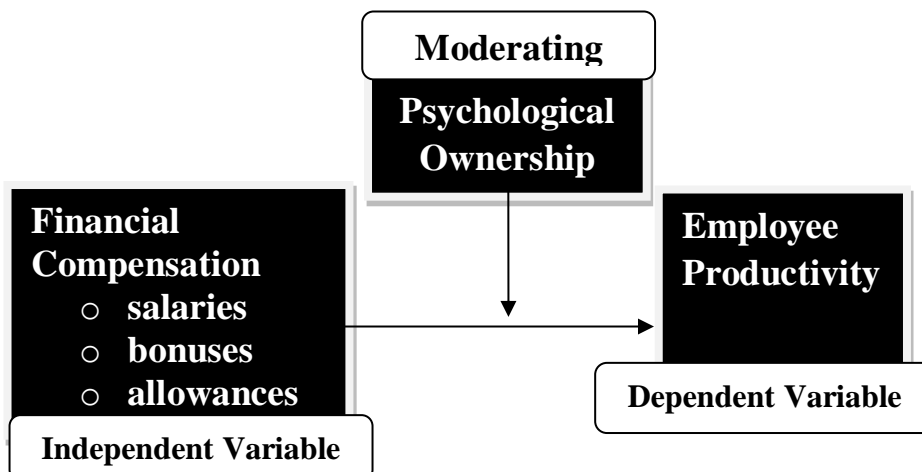


Figure 1: Theoretical Model showing the Moderating Role of Psychological Ownership in the Effect of Financial Compensation on Employee Productivity

Source: Author's Construction

The theoretical model presented in Figure I shows that financial compensation which is reflected in payment of salaries, bonuses and allowances affects employee productivity. However the effect of financial compensation on employee productivity could be moderated by psychological ownership.

2.2 Theoretical Framework

The study is anchored on three theoretical underpinnings that explain the moderating role of psychological ownership between financial compensation and employee productivity. These theories are Maslow's theory, Herzberg's Two-Factor model and Equity theory. These theories guide explanation on the motivation imbedded in psychological ownership that drive higher productivity in employees.

2.2.1 Maslow's Hierarchy of Needs Theory

Abraham Maslow according to professor's Lawler and Suttle (1972), believed that motivation could be explained by organizing human needs into five levels. He made his theory sufficiently broad to address human behaviour in all settings. Not to his surprise his theory was quickly applied to the narrower range of human behaviour in organizational settings.

Physiological needs are to do with the preservation of the human body. Safety needs are about putting a roof above our heads and custody us from damage. If we are rich strong and powerful, or have good friends we can make ourselves safe. Belonging needs introduce our tribal nature. If we are obliging and type to others they will want us as friends. Esteem needs are for a higher place within a collection. If people respect us, we have greater power. Self-actualization needs are to become what we are able of becoming which would our greatest achievement.

The need hierarchy tends to parallel employee career development. Early career stages are characterized by security concerns and learning organizational values. After five years or so the employee's concern shifts to the establishment of a professional identity in the firm and in his chosen profession both forms of recognition help to meet esteem needs. At the same time that esteem needs

become active the employee will pursue increased autonomy via promotion and choice project assignments. Increases in authority and responsibility at the expected times on a career path will help employees satisfy esteem needs. Self-actualization is active during career progress but it evolves in scope.

2.2.2 Herzberg's Two Factor Theory of Motivation

A content theory of work motivation which is closely related to Maslow's hierarchy is Professor Herzberg's two factor theory or the motivator hygiene theory. In this study of engineers and accountants, Herzberg discovered that the reasons these professionals gave for experiencing motivation were quite different. The employee's motivation range from: unmotivated dissatisfaction: to neutral: to motivation/satisfaction with the job. The level of experience job motivation/satisfaction depends on the availability of hygiene and motivators. It is apparent that hygiene by them is insufficient to sustain motivation and satisfaction.

2.2.3 The Equity Theory

Equity theory as developed by Professor Stacy Adams (1965) makes a contribution to understanding how employees react to incentives and outcomes in the context of the performance job satisfaction relationship. On its own equity theory is a prominent process theory of motivation. The theory proposes that employees gauge the fairness of their work outcomes in comparison to the work outcomes received by others who perform comparable jobs. To the extent that employees feel that their rewards are inadequate they experience a state of imbalance or perceive inequity. Felt or perceived inequity motivates the employee to take action to address his dissatisfaction. Inequities at work exist whenever employees feel that their rewards for their efforts are less than the rewards or inducements received by others for their efforts or contributions. Both of these mental states are motivating and the employee in question seeks to remove the felt inequity and return to a state of balance or equity. To restore a state of equity and employee might: change work inputs and reduce performance efforts; change the outcomes received; exist the circumstances; change the people who are used for comparison; mentally distort or alter the comparison; and take a decision to alter the inputs or outcomes of the comparison other.

2.3 Empirical review

Several empirics relate to the effect of financial compensation on employee productivity. Abayomi and Ziska (2019) investigated the relationship between compensation management and hotel industry effectiveness in Nigeria. The instrument used in information gathering was questionnaire. In all, 250 questionnaires were administered to the customer respondents, 213 were retrieved and 212 were found usable for response rate of 84.4%. The statistical analysis revealed that compensation management and employees' job satisfaction are significantly correlated though weak and that compensation management significantly impacts on hotel industry effectiveness, motivation and job satisfaction of employees'.

Namasivayam, Miao, and Zhao (2017) studied the relationship between compensation practices in the hotel industry and corporate performance. The study found that there was indeed a positive relationship between the level of pay (both fixed and variable) and hotel performance. When it comes to benefit, the relationships were positive, yet weaker. It was proposed that for managers, monetary compensation (both fixed and variable) is a better motivator and for hourly employees, benefit are of greater concern.

Sinha (2013) noted a strong, positive correlation ($r = .39$) between manifest anxiety and absence behavior in a sample of industrial workers in India. Using Pearson Correlation The study found that the Anxiety factor from the 16PF predicted absence in two samples of salesmen ($r_s = .25$ and $.21$ in the two samples). As a result of the conceptual foundations of the neuroticism construct and the limited

empirical evidence linking this construct to undesirable work-related behaviors, we expected that Neuroticism would be positively related to absenteeism.

Bernardin (2014) tested this hypothesis on the basis of a sample of male sales professionals and found support only for the effects of extreme anxiety levels on absence. The absence reflected inherent and long-standing personality characteristics that account for the stability of absence over time and across situations. Absence proneness emerged as the explanatory concept. However, unlike most other personality characteristics, which are measured through conventional psychological scales, absence proneness typically has been inferred through less conventional methods.

Looking at reasons for unscheduled absence, a survey conducted in Pakistan by Waziri (2009) found only 34 percent were for individual illness but more than two out of three 66% were for other reasons including family issues 22% personal needs 18% right attitude 13% and workplace demands said Wolf. Another key finding of the review was how important employee confidence was in the workplace. The survey identified a strong link between employee morale and absenteeism. "For example, twice as many employers with poor or fair morale view absenteeism as a serious problem (44%), in contrast with 21 percent of employers whose firm has employees with good or very good morale," said Wolf. Not surprisingly, absenteeism is higher in companies where morale is low. In 2007, the higher rate was 2.7 percent, and the average was 2.3 percent. The future of a company's absenteeism is also conditioned by employee morale. The survey found one in three companies (36%) with low or poor employee morale expected an increase of absenteeism in the next two years, whereas only 19 percent of firms with good morale expected such an increase

3.0 Methodology

The study adopted the cross-sectional research design. From the study population was 15,160 civil servants in Benue State, a sample of 400 respondents was drawn through stratified sampling technique as determined by Taro Yamane formula. The sample was drawn from six randomly selected Ministries, comprising the Ministry of Agriculture and Solid Minerals, Ministry of Water Resources and Environment, Ministry of Science and Technology, Ministry of Rural and Urban Development, the Ministry of Youth and Sports and the Ministry of Education and Knowledge Management.

Hierarchical Multiple Regression (HMR) was used for data analysis with and without organizational ownership in the estimated model. The functional model was premised on the assumption that employee productivity is a function of financial compensation..

The econometric relationship is stated as follows:

$$EPP = \beta_0 + \beta_1SSL + \beta_2SAW + \beta_3SBN + U \quad \dots \quad (1)$$

Where EPP = employee productivity is the dependent variable;

Given that the dimensions of financial compensation as the independent variable used are staff salaries (SSL), staff allowances (SAW) and staff bonuses (SBN).

The indicators of EPP comprising employee work attendance (EWA), level of employee punctuality (LEP) and extent of ICT skill acquisition (ICT) were modeled using weighted average (WEPP). Thus, the model becomes:

$$WEPP = \beta_0 + \beta_1SSL + \beta_2SAW + \beta_3SBN + U \quad \dots \quad (2)$$

While introducing organizational ownership (OGO) as the moderator variable, the moderator model is specified as follows:

$$WEPP = \beta_0 + \beta_1SSL + \beta_2SAW + \beta_3SBN + OGO + U \quad \dots \quad (3)$$

With the a-priori expectations: $b_i > 0$

4.0 Results and Discussion

Table 1: Normality Inspection of the Data Set

Variables	N	Minimum	Maximum	Mean	Standard	Skewness	Kurtosis		
		Statistic	Statistic	Statistic	Deviation	Statistic	Std. error	Statistic	Std. error
WEPP	400	2	28	25.0	8.9	0.387	0.122	0.150	0.221
SSL	400	2	25	18.5	5.0	0.317	0.150	0.166	0.220
SAW	400	4	24	14.0	5.6	0.250	0.291	0.109	0.237
SBN	400	3	19	10.0	7.4	0.500	0.150	0.212	0.260
OGO	400	3	25	12.0	4.1	0.481	0.150	0.233	0.221

Source: *Output from SPSS (V. 21)*

The normality results test presented in Table 1 show that data range of 2 – 28 for employee productivity, 2 – 25 for staff salaries, 4- 24 for staff allowances, 3 – 19 for staff bonuses and 3 – 25 for psychological ownership. The table indicates a normal distribution as the values of skewness of all the variables used are close to zero. Kurtosis scores were slightly above zero for all variables. This means that the distribution is slightly peaked exhibiting a slightly leptokurtic distribution. However, the kurtosis values as reported do not make the variable distribution curve non-normal. The evidence as reported by the skewness and kurtosis value cannot be said to violate the assumptions of normality.

Table 2: Inspection of Multi co-linearity in the Data Set

	WEPP	SSL	SAW	SBN	OGOGO
WEPP	1.00				
SSL	.995	1.00			
SAW	.990	.484	1.00		
SBN	.985	.385	.390	1.00	
OGO	.991	.272	.282	.271	1.00

Source: *Output from SPSS (V. 21)*

Result presented in Table 2 shows that the correlation between the dependent and the independent variables range from 0.985 to 0.991. This implies that the study models were well formulated since there was strong relationship between the dependent and the independent variables. Also, the relationship between the independent variables ranged between 0.1271 and 0.484, with most values falling under 3.00. Thus, the model is free from multi co-linearity. Pallant (2004) and Kwahar and Onov (2017) suggest that if the relationships among independent variable is 0.9 and above, the independent variables are highly correlated and therefore suffers from multi co-linearity. Iheanacho and Iheanacho (2012) therefore, suggested that to be free from the problem of multi co-linearity, the relationship among the independent variables should be 3.00 and below.

Table 3: Hierarchical Multiple Regression Results of the Effect of Financial Compensation on Employee Productivity

Predicted Variable: WEPP								
Predictor Variables	Model 1 (β)		Model 2 (β)		Model 3 (β)		Model 4 (β)	
	β	T	β	T	β	T	β	T
Staff Salaries (SSL)	.37*	5.5	-.39*	-1.4	-.39*	-1.4	-.39*	-1.4
Staff Allowances (SAW)			-.55*	-6.8	-.55*	-6.8	-.55*	-6.8
Staff Bonuses					-4.36	-2.13	-5.33	-
Organizational Ownership (OGO)							-4.11	-
R²	.21		.24		.29		.19	
Δ R²	.22		.21		.23		.12	
F Δ	19.8		20.6		23.9		13.2	
Sig F Δ	17.1		-3.6		-3.6		-3.6	

Source: Computed using SPSS (V.21). **NB:** *indicates significance at 0.05 Level

Result of hierarchical regression presented in Table 3 shows that in Model 1, staff salaries has significant independent prediction of employee productivity ($\beta = .37$, $p < .05$) with joint prediction of 0.21 ($R^2 = .21$, $F = 19.8$, $p < .05$). This means that staff salaries accounted for 21.0 percent variation of employee productivity. With the inclusion of staff allowances in Model 2, the variance for employee productivity was 24 percent ($R^2 = .24$, $F = 20.6$, $p < .05$) which accounted for .3 percent variance change in employee burnout ($\Delta R^2 = .12$). This means that staff allowance accompanying salaries will significantly affect employee productivity.

With further inclusion of staff bonuses in Model 3, the variance for employee productivity was 29 percent ($R^2 = .29$, $F = 23.9$, $p < .05$) which accounted for .5 percent variance change in employee productivity ($\Delta R^2 = .5$). This means that staff bonuses accompanying allowance and salaries will significantly affect employee productivity.

As psychological ownership was assessed and included in Model 4, the variance for employee productivity was 19 percent ($R^2 = .19$, $F = 13.2$, $p > .05$) which accounted for -.10 percent variance change in employee productivity ($\Delta R^2 = .5$). This means that psychological ownership does not moderate the effect of financial compensation on employee productivity among Benue State civil servants. This finding is attributed to the negative attitude of civil servants towards government work in Nigeria generally and Benue State in particular. The finding is consistent with that of Waziri (2009) who identified a strong link between employee morale and absenteeism.

5.0 Conclusion and Recommendations

The impetus to this study was to find out the moderating role of psychological in the effect of financial compensation on employee productivity among Benue State civil servants in Makurdi. The study concludes that psychological ownership is not a significant moderator of the effect of financial compensation on employee productivity among Benue State civil servants in Makurdi. In view of this conclusion, the following recommendations are suggested:

1. The Government of Benue State should sustain the payment of salaries of civil servants to motivate them for higher productivity, by making salary payment her top priority. The Government should also clear the backlog of salaries and avoid future accumulation of salary arrears.
2. It is imperative for the Benue State Government to give orientation to make her staff to understand their stakes in government business. While conducting the orientation exercise, the Government should endeavor to include civil servants in decision-making process concerning its policies and programmes to enhance their psychological ownership mentality.

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