

# A COMPARATIVE ASSESSMENT OF INCENTIVE SCHEME BETWEEN INDIGENOUS AND MULTINATIONAL CONSTRUCTION CONTRACTORS IN NIGERIA

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Workmen's productivity is central to cost and time performance of construction project. One of the most important factors that affect the productivity of workmen is the welfare or incentive scheme provided by the contractor. The Nigerian fast developing economy has a burgeoning construction sector with multitudes of Multinational Construction contractors (MNCs) and Indigenous Construction Contractors (ICCs); each of these contractors operates some form of incentive scheme to boost productivity. The study makes a comparative assessment between MNCs and ICCs in terms of their incentive programmes. Data were obtained through structured questionnaire survey in Lagos State of Nigeria. Descriptive statistical tools and Chi-square test were used to analyse the data. The result shows that the MNCs outperformed the ICCs in virtually all types of incentives (financial, semi-financial and non-financial). The study concludes that the ICCs should imitate the MNCs in the management of incentives.

Keywords: incentive scheme, indigenous contractors, multinational contractors, productivity.

## INTRODUCTION

The rate of construction activity has significant effect upon the economic growth and it is inextricably interrelated to the economy (Seeley, 1997). The Nigerian Construction Sector (NCS) accounts for between 40% and 50% of the capital formation in Nigeria (Umo, 1984, Ayandele, 1996). Indeed the significance of the NCS for economic growth and development cannot be overemphasized (Okpala and Aniekwu 1988). Unfortunately, the NCS is underdeveloped in terms of mechanization, productivity and the benefits derivable from industrial progress (Olatunji, *et al.* 2000). The NCS is also characterized by poor time and cost performance, sometimes leading to outright abandonment of the projects (Ajanlekoko, 1987, Okpala and Aniekwu, 1988, Odeyinka and Yusif, 1997, Mbachu, 1998, Elinwa and Uba, 2001, Aibinu and Jagboro, 2002). Elinwa and Buba (1993) showed that projects in the NCS overrun their initial duration by between 50 and 420%. One of the factors responsible for overruns is poor productivity in the sector among others (Mansfield, *et al.* 1994). To remain relevant in the ailing economy the NCS must improve its performance (Okpala and Aniekwu, 1988). The NCS can be broadly

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divided into the formal and informal sub sectors. The large and more organized Multinational Contractors (MNCs) dominates the formal sub sector while the Indigenous Construction Contractors (ICCs) hold sway in the informal sub sector. The construction boom of the 1970s was accompanied by many innovations including incentive schemes to stimulate performance from operatives (Wahab, 1977). The question is whether the ICCs can compare favourable with the MNCs over the years in terms of management of incentive. This paper makes a comparative assessment of the performance of MNCs and ICCs in terms of incentive.

### **Productivity and motivation**

One of the most important challenges facing the NCS is low level of productivity especially in projects handled by the ICCs (Aniekwu and Okpala, 1987, Fagbenle, 2000). Olomolaiye *et al.* (1987) find that the actual working time to be 51% of the working day for bricklayers, 44% for joiners and 56% for steel fixers. Some plausible reasons for the low productivity in the NCS include, short supply of both manpower and materials; complexity involved in the construction process, inclement weather; ineffective supervision and Absenteeism. Other factors include lack of necessary tools and equipment and re-work due to changes in instruction (Wahab 1977, Olomolaiye, *et al.* 1987). The Nigerian ICCs are faced with the problem of workers not ready to work, folding up of organization, abandoned work, incomplete job or contract at the scheduled time. Construction workers are subjected to a work environment which has not encouraged high levels of efficiency. The non-payment of wages, the interruption of work due to lack of materials or tools, and the consequent loss of morale has led to an exodus of traditional craftsmen from the NCS (Olomolaiye, *et al.* 1987). The rate of apprenticeship for trades in the NCS is on the decline; this may be due to the lack of motivation in the ICCs (Uwakweh 2002). The vast majority of project managers do not know how to identify and link operatives' goals with organization rewards in order to motivate the operatives (Nwachukwu 1998). Thus If management can identify and improve motivating elements there is a strong likelihood that productivity can be improved (Olomolaiye, and Ogunlana, 1988).

### **Incentives**

Incentive refers to any factor which may be financial or not that enables or motivates a particular course of action or counts as a reason for preferring one choice to the alternatives (Ojo, 2000). Talbot (1976) observed that the wish of most firms to be more efficient in the use of labour has led to the application of financial incentive. However, there are other forms of rewards and punishment for workers performance (Nelson, 1994). For example the use of special motivation programme has been reported (Laufer and Jenkins, 1983, Liskas and Snell, 1993, and Olomolaiye, *et al.* 1998). the power of incentives is immense and pervasive and thus requires careful management (McKenzie and Lee, 1998). Sanders and Thompson (1999) showed that those companies that keep their programme simple with the main objective of the programme in mind are also deemed successful. Incentive schemes may be categorized into three – financial, non-financial and semi-financial incentive schemes.

#### *Financial incentives scheme*

Financial incentive scheme is based on cost motives for its operation. Employees are induced to work smarter and harder with the hope of receiving financial compensation over and above their normal pay. Financial Incentive has been proved to be effective in improving work quality and reducing project time and cost (Laufer and Jenkins, 1983). Laufer and Moore (1983) advocated the use of financial incentive programmes to improve construction labour productivity. Ajayi (2007) attributed the level of

productivity attained in an organization to financial incentives scheme. Especially in Nigeria where the basic wage is low and irregular, workers may be tempted by the prospect of higher take-home-pay for greater effort (Wahab, 1977). However, Olomolaiye, (1990) and Fagbenle *et al.*, (2004) cautioned that financial scheme may be counterproductive. Types of financial incentives scheme includes Premium Bonus, Profit Sharing, Measured Day Work, Simple Piece Work, Geared Incentive Scheme and Group-Incentive Scheme.

#### *Non-financial incentive*

Incentives of this type rely on increasing an employee's sense of satisfaction in his or her work. It is based on Management's recognition that an employee's work is valuable to the business as a whole, and providing employees with the feeling that the project undertaken is inherently meaningful (Edwards and Eckblad, 1984, Ogbona, 1989, Liska, and Snell, 1992). Generally, workers' success in increasing productivity should be reinforced immediately by rewards, not only in the form of money, but also by improved recognition, involvement in policy formulation and learning factors (Adedokun 1997). However, Oxley (1978) cautioned that an ill conceived scheme will be counterproductive. Olomolaiye (1990) enumerated the various non-financial incentives as relationships with mates, safety programme, the work itself, participation of work and decision making, good supervision, promotion, more responsibility, challenging task, job security and choosing workmates.

#### *Semi-financial Incentive*

This kind of incentive lies between the two extreme and it has the characteristics of both financial and non-financial incentives. These sorts of benefits are generally offered to salaried staff whose jobs are difficult to measure in crude productive term. They may involve benefits such health scheme, saving scheme, housing, site welfare provision and Pension scheme. It is generally accepted that programmes combining elements of both financial and psychological incentives are those that produce the most consistently satisfactory results. The relative weight of either component within a specific programme will depend on company goals, existing employee attitudes, and managerial capabilities at the time of a program's implementation (Liska, and Snell, 1992).

#### **Indigenous construction contractors (ICCs)**

Most ICCs are owned and managed by sole trader type entrepreneurs with little knowledge of the workings of the NCS. They operate largely in the informal sector of the economy and are usually small, unregistered, labour intensive and their workers are unprotected. They often don't have premises, equipment or permanent workforce. The ICCs are known for their short-term orientation and unwillingness to employ qualified personnel. This explains the lack of corporate approach to management (Ofori, 1991, Wells, 2001). This casual nature of employment in the ICCs have affected long term plan for the workers. This invariably, affects the motivation and incentive provision by the management to workers and hence poor productivity. On the average, craftsmen receive little or no recognition for their efforts. However, Fagbenle, (2009) finds that non-financial incentives to be more employed by management of ICCs in Nigeria and that the applied non-financial incentives had significant positive effect on worker performance.

#### **Multinational construction contractors (MNCs)**

Multinational Corporations in Nigeria are normally characterized by structured management, huge capital base, wider area of network and cut across various sectors

of the economy including construction (Amao, 2008). One of the basic features of MNCs is that they have well managed human capital bases that are responsible for carrying out the various activities of their corporations. The personnel in MNCs are well motivated with various incentives schemes to boost the commitment of their workers. Incentive design and plan of the MNCs are in long, medium and short terms. The long term incentive plan runs for a good number of years and may be in form of free flight for an employee for ten years. The short terms are mostly financial in nature, like bonuses and the medium term are an intermediate between the long and short term incentive plan and can be the promotion of workers. MNCs usually adopt incentive plan builder which is a step-by-step, on-line incentive plan design tool for managers (Olusola, 1999).

## **METHOD**

The study uses a survey research design to achieve its objectives. When a study is designed primarily to describe what is going on or what exists, then survey research design is considered very appropriate. Surveys can be divided into two broad categories: the questionnaire and the interview. Questionnaire survey was adopted because it was deemed less bias and appropriate (Trochim, 2000). The questionnaires were self delivered by hand (because of the difficulties with the Nigerian postal system) to the respondents who fill them out at their own convenience. Structured questionnaires were designed as instrument to collect data on incentive management from both ICCs and MNCs.

Convenient and purposive sampling methods were used to select the sample of ICCs and MNCs. The sampling method took into consideration a fair distribution among building, civil and heavy engineering construction contractors. The sampling is among construction workers from selected construction contractors in Lagos state which is the economic heart of Nigeria. Altogether, one hundred and ten (110) questionnaires were distributed; ninety eight were received (98) while only eighty one (81) were properly completed.

The incentive is divided into sub-groups; incentive under each group is listed out for assessment. The data collected from the questionnaire were analysed using descriptive statistics (tabulations, frequencies, central tendencies, dispersion) and inferential statistics (Chi-square). Descriptive statistics are used to describe the main features of a collection of data in quantitative terms and to present quantitative descriptions in a manageable form. Chi- square an inferential statistics was used to test whether there is significant difference in incentives between indigenous and multinational firms.

## **RESULT**

### **Financial incentives: comparison between ICC sans MNCs**

The result indicates that in the MNCs premium bonus system form of financial incentive with a mean of 51.05 is most effective and the proportion of wages given to workers as bonus is the least with a mean of 31.76. In the ICCs the proportion of wages given to worker with a mean of 50.01 is the most effective and the premium bonus system with a mean of 31.20 is the least effective. The overall result shows that MNCs with a group mean of 43.26 provide better financial incentive than the ICCs with a group mean of 38.79 (see Table 1).

Table 1: Financial incentive of MNCs and ICCs

Form of Incentives	Type of firm	Mean	Mean rank	ICCs Rank	MNCs Rank	Group mean		Group mean rank	
						ICCs	MNCs	ICCs	MNCs
Monthly pay	ICCs	34.68	2	6		38.79	43.26	2	1
	MNCs	47.48	1		3				
Proportion of wages	ICCs	50.01	1	1					
	MNCs	31.76	2		8				
Premium bonus system	ICCs	31.20	2	8					
	MNCs	51.05	1		1				
Profit sharing	ICCs	36.23	2	5					
	MNCs	45.89	1		4				
Measured day work	ICCs	37.59	2	4					
	MNCs	44.50	1		5				
Simple piece work	ICCs	40.51	2	3					
	MNCs	41.50	1		6				
Geared incentive	ICCs	34.59	2	7					
	MNCs	47.58	1		2				
Group incentive	ICCs	45.56	1	2					
	MNCs	36.33	2		7				

Table 2: Chi test result financial incentives

	Monthly Pay	Proportion of wages	Premium bonus	Profit sharing	Measured day work	Simple piece	Geared incentive	Group incentive
Chi-square	14.432	15.325	16.895	1.035	2.806	17.523	7.732	4.173
P value	.000	.000	.000	.309	.094	.000	.005	.041

The Chi square test indicates significant difference between the MNCs and ICCs in Monthly pay, proportion of wages, Premium bonus system, Geared incentive, Simple piece and Group incentive. Profit sharing and measured day work tested not significant which shows that there is no significant difference between MNCs and ICCs (see Table 2).

#### **Semi-financial incentives: comparison between the ICCs and MNCs.**

The result shows that pension scheme is the most effective semi-financial incentive in MNCs with a mean of 58.41 while welfare is rated the least effective with a mean of 39.78. In the ICCs holiday pay package is ranked the most effective semi-financial incentive with a mean of 40.1 while pension scheme is ranked the least with a mean of 24.01. The overall performance show that the MNCs with a group mean of 47.68 is better than the ICCs with a group mean of 33.24(see Table 3).

Chi square test shows Promotion policy, Site welfare provision, Housing, saving scheme, subsidized catering and Health scheme are significant which shows that there is difference between MNCs and ICCs. However Transport and Holiday pay are not significant which show that there is no significant difference between MNCs and ICCs (see Table 4).

#### **Non-Financial Incentives: Comparison between ICCs and MNCs**

A comparative analysis of non-financial incentive shows that in the ICCs working condition is the most effective with a mean of 37.55 while information flow is the least effective with a mean of 26.26. In the MNCs information flow to employees is ranked the most effective with a mean of 56.11 while working condition is ranked the least with a mean of 44.54. The overall result suggests that the MNCs with an overall mean of 51.42 are better than the ICCs with a mean of 30.83 (see Table 5).

Table 3: Semi-financial incentives of MNCs and ICCs

form of Incentives	Type of firm	Mean	Mean rank	ICCs Rank	MNCs Rank	Overall Group mean		Overall Group mean rank	
						ICCs	MNCs	ICCs	MNCs
Promotion Policy	ICCs	31.85	2	7		33.24	47.68	2	1
	MNCs	50.38	1		3				
Site welfare Provision	ICCs	28.56	2	8					
	MNCs	39.78	1		10				
Housing	ICCs	34.04	2	6					
	MNCs	48.14	1		4				
Transport	ICCs	39.11	2	2					
	MNCs	42.94	1		8				
Saving Scheme	ICCs	34.82	2	5					
	MNCs	47.34	1		5				
Subsidized Catering	ICCs	31.85	2	7					
	MNCs	50.38	1		3				
Holiday Pay	ICCs	40.10	2	1					
	MNCs	41.93	1		9				
Health Scheme	ICCs	28.38	2	9					
	MNCs	53.94	1		2				
Pension Scheme	ICCs	24.01	2	10					
	MNCs	58.41	1		1				
Finish and Go/hr Plan	ICCs	36.26	2	4					
	MNCs	45.86	1		6				
system	ICCs	36.72	2	3					
	MNCs	45.39	1		7				

Table 4: Chi square test result semi-financial incentive

	Promotion policy	Site welfare provision	Housing	Transport	Saving scheme	Subsidized Catering	Holiday with pay	Health scheme
Chi-square	18.869	8.771	9.099	.830	5.583	17.869	1.998	34.545
P value	.000	.003	.003	.362	.018	.000	.157	.000

Chi square test indicates that Working condition and Production award are not significant which show that there is no significant difference between MNCs and ICCs. However the test is significant in Job security, Morale, Safety, Information flow to employees and Freedom of association which shows significant difference between MNCs and ICCs (see Table 6).

## DISCUSSION OF RESULT

The MNCs generally outperformed the ICCs in virtually in all types of incentives assessed. This may not be unconnected with the informalization and casualization of employment by the ICCs (Wells, 2001 and Ofori, 1991). One of the most important challenges facing the NCS is low level of productivity by the ICCs (Aniekwu and Okpala, 1987, Fagbenle, 2000). This is also supported by Awodele (1997) that poor management structure of most ICCs negatively affects the incentive and productivity of workers as most of the ICCs in Nigeria are established to make quick profit for the owners and less is done to ensure good welfarism for their operatives. If the ICCs can identify and improve motivating elements there is a strong likelihood that productivity

can be improved (Olomolaiye and Ogunlana, 1988). On the other hand according to Olusola (1999) the MNCs have corporate approach and usually adopt incentive plan builder which is a step-by-step, on-line incentive plan design tool for managers.

*Table 5: Non-financial incentives of MNCs and ICCs*

Form of Incentives	Type of firm	Mean	Mean rank	ICCs Rank	MNCs Rank	Overall Group mean		Overall Group mean rank	
						ICCs	MNCs	ICCs	MNCs
Job security	ICCs	30.51	2	3		30.83	51.42	2	1
Morale	MNCs	51.75	1		5				
Safety	ICCs	30.45	2	4					
	MNCs	51.81	1		4				
Working condition	ICCs	36.32	2	2					
	MNCs	45.80	1		6				
Production Award	ICCs	37.55	2	1					
	MNCs	44.54	1		7				
Information flow to employee	ICCs	27.02	2	6					
	MNCs	55.33	1		2				
Freedom of Association	ICCs	26.26	2	7					
	MNCs	56.11	1		1				
	ICCs	27.73	2	5					
	MNCs	54.60	1		3				

*Table 6 Chi square test result non-financial incentive*

	Job security	Morale	Safety	Working condition	Production award	Information flow	Freedom of association
Chi-square	25.648	13.047	4.076	3.698	2.102	18.800	20.437
P value	.000	.000	.043	.054	.147	.000	.000

## CONCLUSIONS

The result has shown that MNCs are better than ICCs in managing incentive of all kinds. Therefore in order for ICCs to improve on productivities of their workers there is the need for them to emulate the MNCs practices. First there is need for formalization and corporate approach to construction by the ICCs. ICCs can use management techniques like benchmarking and imitation to bridge the gap between them and the MNCs.

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