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Effect of Remuneration on Employees Performance in the Ministry of Internal Security: A Case of Kisii County

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Abstract

Despite the fact that the Kenyan government had made efforts, achievements and remarkable developments in the Ministry of Internal Security for its success, the performance of the workforce was still poor and this could be due to poor remuneration of employees, whereby the salary scale had remained constant for a long time despite of the increasing cost of living in the country. And this had also demoralized the employees leading to poor performance in the Ministry which in the end could result into loss of the credibility of the government. When the cost-of-living rose, there was enormous pressure on employers to raise wages and salaries by the rate of inflation. The problem therefore was how to improve productivity of employees by providing the pay which could enable them to cope up with their purchasing power. It was therefore important for the organization to consider the salary system as a mechanism by which an organization could plan how to attract, retain, reward and motivate its salaried employees in order to enhance good performance in the Ministry. The human resource factor (particularly remuneration) lied at the very heart of the reform program. Subsequently, the need arose to undertake an empirical study to determine the effect of remuneration on employees' performance at the Ministry of Internal Security.

Key words

Salary; Employee's Remuneration; Employee's Performance; Compensation Package.

Introduction

Basic salary is a fixed periodical payment for non-manual employees usually expressed in annual terms, paid per month with generally no additions for productivity. Wage refers to payment to manual workers, always calculated on hourly or piece rates. (Braton & Gold, 2003). Bohan (2004) explains that traditional pay systems were based on the three factors: (i) the job, (ii) maintaining the level of equality in standard pay among employees in the organization, and (iii) paying competitive salaries. In the traditional pay systems, employees were not encouraged to acquire new skills and were not rewarded if they did. Increase of an employee's pay depended on change on the cost of living and employees regarded the increase in pay as entitlement without accounting for their own performance, or that of the organization. This meant on one hand that an employee's salary increase did not in any way change his or her attitude to work such that he or she could put more effort to influence the total output in order to cater for the increase, and on the other hand increase of pay boosted the worker's economic freedom while negating the need to increase the organization's volume of production. It also meant that a worker was likely to increase his skills of the job but the skills accumulated slowly and skills to be acquired were limited thereby leading to redundance and monotony of work thus reducing an organization's volume of output. Swanepoel (2003) describes that employees were rewarded according to the position held without considering their performance. The increments in basic pay depended on internal and external assessment of jobs.

Shields (2007) views basic pay as an important part of total pay that is fixed and mainly time-based, rather than performance-based. Basic pay is the largest fraction of the total pay for non-executive employees. It also acts as a benchmark for other cash incentives such as profit sharing, which is expressed as a percentage of basic pay. Basic pay helps to attract and retain employees. Employees use basic pay to compare their job offers instead of using intrinsic rewards and other rewards not captured in the formal organizational framework up to including job security. In a competitive market, organizations pay above the market rates to retain their employees. Lynch (2000) agrees that basic salary or basic wage is the vital payment made by the employer to the employee for work done. Pay indicates the value that the employer puts on the work performed by its employees.

Employees are paid depending on the skills and competencies that they possess, and not what the job is worth. It is employees who have market value, and not jobs (Shields, 2007). Skills based pay is a payment method in which pay progression is linked to the number and depth of skills that individuals develop and use. It is paying for horizontal acquisition of skills and the vertical development of skills needed to operate at a higher level by undertaking a wider range of tasks. The emphasis on skills development is necessitated by rapid developments in technology and changing manufacturing methods that require flexibility (Stuart, 2011).

According to Armstrong (2003), good practice requires employers to keep pace with inflation by rewarding employees with salaries that are market related to avoid strikes and poor performance by workers. Organizations are under financial strain with salaries continually rising and becoming a major fixed expense. According to Livingstone (2009), regardless of basic pay inefficiencies, it remains a rule that employees should be paid at, or above market rates as negotiated by labour unions who are concerned with the welfare of employees. In a competitive market, higher basic pay is used for attracting and retaining employees. Otherwise contradicting this rule has negative consequences on the part of the organization. Basic pay communicates commitment to employees, and is used as the baseline for assessing other pay systems such as skill and competency pay.

The objectives of this study were based on the effect of basic salary, as part of remuneration, on employee performance and they included the following:

i) To determine current incentive package in the Ministry of Internal Security and comparing them with other organizations' remuneration.

ii) To determine the effectiveness of incentive packages to make the Ministry more efficient.

iii) To discover the factors required to have a complete incentive package, as well as explore possible ways of implementation of the incentive programs.

Methodology

The existing information was gathered from primary data received by use of questionnaires having structured questions or statements distributed to a sample size of 107 respondents and secondary data received from the past annual records; Government publications involving the Ministry's remuneration and performance; periodicals and websites of the Ministry. The data collected was analyzed by using Microsoft Excel Spreadsheet. Besides, the descriptive statistics such as frequency, percentage, the data was described using mean and standard deviation. The data collected was analyzed using the analysis of variance (ANOVA) and bar chart. (Sekaran, 2003). The data was also analyzed using t-test which was implemented using statistical package of social sciences (SPSS).

Findings:

Analysis and interpretation of the demographic information of respondents

The purpose for this evaluation was to categorize respondents into their respective age groups or categories, in order to obtain the average age of the workforce. The results depicted in Table 4 clearly indicate that a young workforce existed within this entity, with almost 80% being less than 36 years of age. Most of the respondents were in the age group of 26-30 year with a percentage of almost 50%.

Table 4 - Grouping of respondents according to age:

Age (Year)	**Number of responses (Frequency)**	**Percentage of responses %**
21-25	12	11.2
26-30	53	49.5
31-35	24	22.4
36-40	10	9.4
41-45	4	3.7
46-50	3	2.8
51-55	1	1.0
Total	**107**	**100.0**

Source: Computed from survey data, 2012

Gender

The information for gender was extracted to determine the ratio of males to females, as depicted in Table 5. The information on the table shows that the number of males outnumbers the females by a ratio of 2:1. Most employees in positions such as in Administration Police and transportation departments were males. Women were mainly occupying the clerical posts in administration and middle management jobs. The employment pattern was determined by traditional operating systems, where there was more manual labour.

Table 5 - Grouping of respondents according to gender:

Gender	Number of responses (Frequency)	Percentage of responses %
Female	35	32.7
Male	72	67.3
Total	**107**	**100.0**

Source: Computed from survey data, 2012

Qualification

Table 6 shows that 48.6% of the respondents had attained tertiary qualifications, while 5.6% had attained postgraduate qualification and 45.8% had neither.

Table 6 - Grouping of respondents according to qualifications:

Qualification	Number of responses (Frequency)	Percentage of responses %
O-Level certificate	37	34.6
A-Level certificate	12	11.2
Diploma	30	28
Degree	22	20.6
Postgraduate	6	5.6
Total	**107**	**100.0**

Source: Computed from survey data, 2012

Figure 1 below gives the cross-tabulation of position held and qualifications obtained. In a rapid-paced global economy, more technological changes were ever taking place. This had pressurized human resource specialists to upgrade the skills level and education of its employees (Ritchie, 2010). It was realized from Figure 1 below that 76% of shop-floor workers had not attained any tertiary education, while 51% of the employees in the technical department had attained such qualifications.

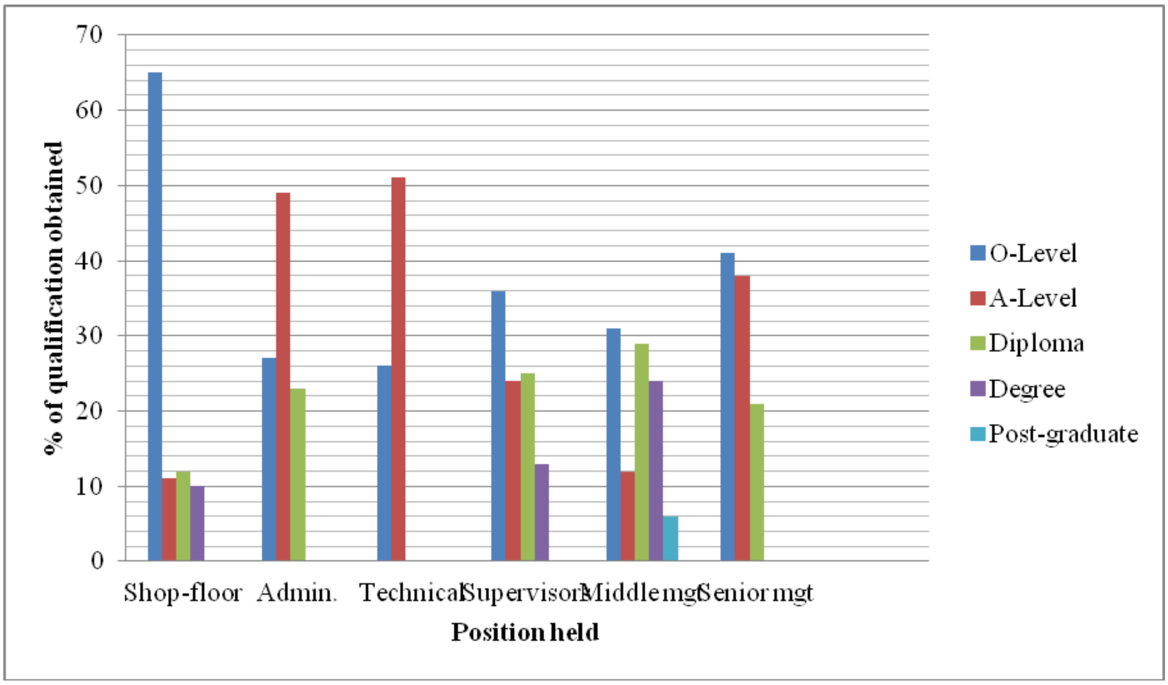

Figure 1: Qualifications obtained by respondents vs position held

Source: Survey data, 2012

Position held

The classification of respondents according to their position within the organization is illustrated in Table 7. The majority of respondents described their position as middle management, which constituted 38.3%. This included employees in the accounting department, statistical as well as procurement departments. This indicated a highly professional environment whose competencies should be rewarded. Competency based pay would be applicable for this environment (Shields, 2007).

Table 7 - Grouping of respondents according to position held:

Position held	**Number of responses (Frequency)**	**Percentage of responses %**
Shop-floor	18	16.8
Administration	12	11.2
Technical	11	10.3
Supervisors	17	15.9
Middle mgt	41	38.3
Senior mgt	8	7.5
Total	**107**	**100.0**

Source: Survey data, 2012

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Analysis of remuneration system:

Perception of the pay system

Table 8 gives a summary of the employees' perception towards the current pay system. In the results shown in Table 8, statements 1 to 5 show that employees did not support the remuneration system that was in place. Analyzing statements 1 to 5 respectively from Table 8, shows that only 20% of the respondents understood how salary increases were calculated. 32% knew their grade and how it was determined. 20% knew the criteria used for promotions. 36% were satisfied with the organization's benefits. Only 10% had input in how their salaries were structured. The analysis shows that the majority were not aware of how salaries were determined and were not contented with what they were getting. Deb (2008) reasons that employees do not trust the management because management makes reward decisions behind closed doors without any explanations of how or why they have been made. Management should communicate pay policies openly, but management seems to be reluctant to communicate openly due to unjustifiable pay policies and actions. Statement 7 data shows that 13% of the respondents had access to salary survey and other job information. Carell (2006) believes that even though a few employees have access to salary surveys, this minority group may still influence the majority of other employees. As shown in statement 8, 46% of employees perceived that their salaries were not equal to their fellow colleagues and 28% were uncertain. These results show that employees had access to internal salary information. In trying to control employee turnover, employers had extracted the information on wages and salaries from the local chambers of commerce, union and trade services. Guffey & Loewy (2012) warn employers to communicate and educate employees on the salaries that they receive and how the decision was reached.

Table 8 - Perception of the current pay system:

Questions	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
1. I understand how benefits, salaries, and pay increases are determined	8%	12%	31%	34%	15%
2. I understand my pay grade and how the grade was determined	12%	22%	25%	24%	17%
3. I understand the criteria used for promotions	5%	15%	41%	21%	17%
4. I am contented with the organization's benefits (pension, medical aid, leave study,etc.)	9%	26%	19%	32%	10%

5. I have a know-how in how my total pay is determined	2%	8%	17%	44%	29%
6. The basic pay I earn is competitive when compared to other companies	3%	37%	30%	23%	7%
7. I have access to salary survey and other job information	2%	11%	26%	52%	9%
8. I am satisfied that my pay is fair as compared to what I perceive my co-workers in similar position earn	2%	24%	28%	30%	16%

Source: Computed from survey data, 2012

Important factors for evaluating salary increases

Table 9 gives a summary of employees' perception on how salary increases should be determined. It was noted that employees viewed salary increments as entitlements instead of considering their performance and organization's productivity as important factors for reviewing salaries. The use of organization's productivity and employee performance for reviewing salaries makes organization's earning stable because as financial performance falls, variable pay costs fall correspondingly (Schuster & Zingheim, 2007). From the table, the most important factor is the employee's performance in the job since it has the greatest negative t-test.

Table 9 - Important factors for evaluating salary increases:

Factor	N(Sample)	Maximum ranking	Ranking	Mean	t-Test at 95% confidence
i) Qualifications	107	5	2	2.56	-2.02
ii) Cost of living	107	5	4	3.30	1.66
iii) Organization's profitability	107	5	3	2.92	-0.44
iv) Job title	107	5	5	3.64	3.43
v) My performance in the job	107	5	1	2.58	-2.14

Source: Computed from survey data, 2012

Arithmetic means and standard deviations for the independent and dependent variables

Table 11 shows that the means for the basic pay, performance bonus, career advancement, recognition, learning opportunity and challenging work ranged from 3.05 to 7.50. The mean values of independent variables and dependent variable show that employees' performance depends on recognition, challenging work and basic pay compared to other variables. The dependent variable is employee's performance.

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Table 11: Arithmetic means and standard deviations for the independent variables and dependent variables:

Variables	Mean	Standard Deviation
Employee's performance	2.20	1.265
Recognition	3.05	1.425
Challenging work	4.00	1.900
Basic pay	5.25	2.308
Learning opportunity	6.05	3.301
Performance bonus	7.15	3.311
Career advancement	7.50	3.925

Source: Computed from survey data, 2012

Conclusion and Recommendations

In summary, an effective remuneration, especially the compensation package will result in attracting, retaining and motivating the employees who understand the details of the organization. This allows the organization to compete at a much higher level than it currently does. The right compensation package is different for every organization. For the compensation of an organization to succeed, the goals of the organization must be aligned with the goals of the employees whom the organization wishes to attract. The organization must set goals, and educate employees to understand that proper alignment of the goals of the organization with the goals of the individual can be beneficial to both parties. An organization must constantly reassess its needs, and help the employees reassess their needs to constantly motivate them. Compensation packages should be well thought out before implementation, because a bad or unclear package is perhaps better than no package at all. The purpose of the compensation is to drive growth within the organization and make it more competitive, a bad compensation plan may have the exact opposite effect, transforming a once healthy organization to one in financial woes. Regular review of salary and other incentives should be carried out.

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