

Investigation of Staff Perceptions Regarding the Impact of Remuneration Equity on Job Satisfaction in a Zimbabwean Local Authority: The case of Chaminuka R.D.C.

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Abstract

The research sought to investigate staff perceptions regarding the impact of remuneration equity on job satisfaction and to recommend appropriate strategies for improving the remuneration system as an instrument for enhancing job satisfaction at Madziwa Rural District Council, a local authority in Mashonaland Central province of Zimbabwe. This was accomplished through the use of a case study research design targeting a total population of seventy five (75) permanent members of staff of council. A sample of forty five (45) non managerial and four (5) managerial members of staff was selected for the study. The sample was stratified into categories of executive, supervisory and lower level employees. Semi structured interviews, questionnaires and organizational records such as Collective Bargaining Agreements were used for purposes of data collection. Both qualitative and quantitative data were analyzed through the use of narrative accounts, graphs and pie charts. Major findings highlighted the fact that staffs were experiencing high levels of remuneration inequity, which had impacted negatively on job satisfaction levels. Council has a formalised job evaluation system in place. However, Council was failing to pay staff salaries on time, although the salary levels are fairly competitive for managerial levels of staff though the case was different for lower levels of staff. Moreover, Council is failing to pay staff incentives due to shortage of funds to finance its income generating projects. Although the organisation's remuneration caters for both internal and external equity, the majority of staff members feel a general sense of dissatisfaction with their jobs due to late payment of salaries coupled with salary backlogs. The recommendations from the findings were that CRDC should find strategies for enhancing revenue collection as well as explore options for investments.

Key Words: Remuneration equity, Internal Equity, External Equity, Job evaluation, Collective Bargaining, Remuneration Relativity, Individual Relativity.

Introduction

The issue of remuneration equity is an issue that has grappled the world of work for a very long time as it has an impact on people's levels of disposable incomes and consequently their overall standards of living.

Zimbabwe experienced unprecedented levels of hyperinflation during the first decade of the 21st millennium. The economic meltdown that prevailed in Zimbabwe during the first decade of the new millennium, has had a severe impact on the standard of living of the general populace. The earnings of the majority of working class people were severely eroded. The official introduction of a multi- currency system in 2009 saw the country adopt the United States dollar and the South African rand, as the major forms of legal tender.. Chaminuka Rural District Council (CRDC), was established in 1993 in accordance with the provisions of the Rural District Council Act. The council has jurisdiction over Shamva district of Mashonaland Province of Zimbabwe .The council has a mandate of providing infrastructure such as roads, schools, hospitals, clinics, boreholes and bridges, recreational facilities, social services. It also services land for both commercial and residential purposes within the context of sustainable environmental practices. Council is heavily dependent on traditional sources of revenue which include property and land taxes, user charges, grants, sand sales, beer sales and loans from the central government. The growth of Shamva district, over the years ,has seen an increase in staff being employed by council and currently has a staff compliment of seventy seven (77) permanent and six (6) contract employees. Casual employees are hired as and when the need arises. Recent economic developments in the country have resulted in the Council experiencing numerous staff remuneration related problems. Between 2006 and 2007, Council minutes highlighted that remuneration issues were at the centre of the management- staff discourse. Minutes from exit interviews also indicated that during the same period council lost about 35 (49%) of its staff to other organisations within and outside Zimbabwe. The Zimbabwe Local Government Association (ZILGA) has been involved in job evaluation exercises for all local authorities in the country. In spite of these efforts, Councils in the country continue to experience marginal levels of remuneration inequities that are mainly brought about by differences in council's cash flow situations. The overall benefit structures of local authorities in the country vary significantly as levels of cash flow and resource mobilisation in local authorities has been a significant determinant of the frequency with which staff is remunerated. Late payment of CRDC staff on quite a number of occasions has exacerbated staff dissatisfaction and greatly influenced the staff perception of remuneration equity as reflected in the works council's meetings minutes.

Literature Review

Remuneration

Remuneration is the payment of services offered by a person whether on contract or permanent basis. Remuneration is a component of both financial and non-financial reward (Armstrong 2009). Financially, it is in terms of cash and benefits received and non-financially, it is in terms of status and esteem.

Remuneration Relativity

Equity in remuneration is measured according to internal relativity (between jobs in an organisation), interpersonal relativity (between people in an organisation) and external relativity (between jobs inside and outside the organisation).

Job Evaluation

Job evaluation methods are used for establishing internal equity. They are used as basis of remuneration system implementation. There are four job evaluation methods which are job ranking, grading, point method and factor comparison.

Job Ranking

Job ranking is the simplest way of evaluating the job. It entails the comparison of jobs with one another without the use of explicit compensable factors. It is a non-quantitative and rather subjective way of

evaluating jobs. The method looks at the job as a whole and is concerned with the rank ordering of jobs. Job ranking is most effective in smaller organisations, as there are problems in handling the number of comparisons if the number of jobs is larger.

The process of job ranking typically assigns more value to jobs that require managerial and technical competencies (Tyson and York, 1996).

Job Grading

Job grading is a non-quantitative job evaluation technique that compares the job with predetermined standards. It is a centralised approach which may best be seen as part of the design of the organisation to which it is applied. Managers write descriptions for a category of jobs, develop standards for each job category by describing key characteristics of the job and finally match all jobs to the categories based on similarity of tasks. The method is simple once managers establish categories they can assign new jobs with changing responsibilities with the existing systems (Fisher et al, 2008).

Point Method

The point method entails the analysis and comparison of jobs according to common factors, which are represented by a number of points. Jobs are then placed in order of their total points rating. Pay is usually determined by reference to benchmark jobs. The point method is a quantitative approach, and as a technique is useful in comparing many different jobs which contain the same job factors.

The point method is less biased as the job evaluation assigns each job's total points before the compensable factors becomes of the equation (Tyson and York, 1996).

Factor Comparison

Factor comparison is the ranking of jobs according to a variety of skills and difficulty factors, then adding up these rankings to arrive at an overall numerical rating for each given job. Jobs are ranked on a few compensable factors such as skill, effort, responsibility and job conditions.

The benefits of the scheme are that in the early stages when benchmark jobs are being evaluated, two different approaches to the same job are reconciled to produce a practical compromise on the value of the job. This however results in greater accuracy (Tyson and York, 1996).

External Relativity

External equity can be established through wage and salary surveys. The idea is to establish what is being offered by other organisations for particular skills. The survey process involves identifying the jobs to be included, selecting the organisations to be surveyed and then actually collecting the data. Data must be interpreted so that wage rates can be set within the context of the organisation's pay policy. Over ninety percent (90%) of all companies regularly use wage and salary surveys data in setting their own pay standards (Fisher et al, 2008).

Individual Relativity

Individual equity can be established by designing pay ranges. The range associated with pay grades sets the upper and lower bounds of possible compensation for individuals whose jobs fall in the grade. There is no optimal number of pay grades for a wage structure (Fisher et al, 2008). A successful remuneration system needs to incorporate the equity concerns of all participants in the employment relationship. This is achieved by establishing a system that includes both external and internal comparisons in setting pay levels.

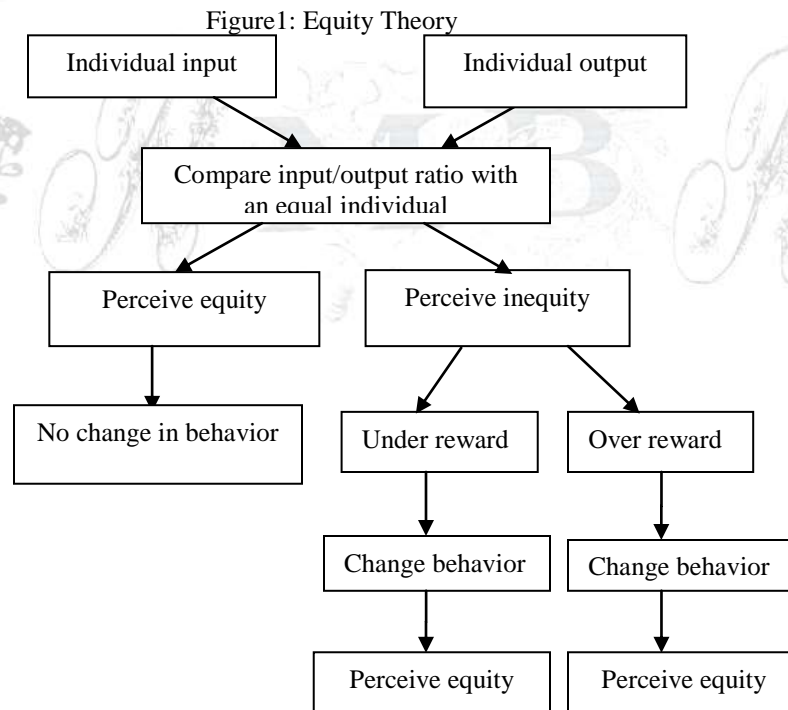
Job Satisfaction

Armstrong (2006) defined job satisfaction as a psychological concept that refers to job related attitudes and characteristics such as pay and reward, policies, leadership behaviours, management styles and co-workers. These characteristics are influenced to a large extent by a person's disposition. For example extroverted individuals have been found to experience greater job satisfaction than their introverted counterparts. The level of job satisfaction can thus be measured by the use of attitude surveys such as structured questionnaires, interviews and the focus groups.

Theoretical Background

Equity Theory

According to Adams (1963), quoted in Daft (2003) people make comparisons of job inputs (effort, experience, education and competency) with outcomes (salary, recognition and rewards). A state of equity exists whenever the ratio of one person's outcomes to inputs equals the ratio of another's outcome to inputs. Adams (ibid) suggests that individuals usually make some attempts to relieve the tension created by any perceived inequity between what they earn and what their referent individuals earn. Inequity exists for a person whenever one's perceived job inputs and or outcomes stand in an obverse relation to what he perceives are the inputs or outcomes of other. The relevant reference group is generally taken to be other employees in the same occupation in the same firm or other employees in other firms.



Source: Smit P.T and Cronje G.J., 2002. Management Principles: A contemporary Edition for Africa (3rd Edition). Juta Company Limited: Cape Town.

The above diagram illustrates the equity theory.

If employees are over - rewarded, they feel an imbalance in their relationship with the employer and seek to restore that balance. They might work harder, discount the value of rewards received and try to convince

other employees to ask for more rewards or might simply choose someone else for comparison purposes. Employees who feel they have been under-rewarded seek to reduce their feelings of inequity through the same types of strategies but some of their specific actions will be reversed. They might lower the quality of their productivity and inflate the perceived value of the rewards received or bargain for more actual rewards. They could find someone else to compare themselves with or might simply quit their job (Newstrom and Davis, 2002)

Martin (2005) identified three implications of equity theory. The first implication is that jobs must match properly in terms of wage or effort bargain. Managers have to be open regarding the basis on which the rewards are made to avoid negative conclusions about equity. Another implication is that there is need for managers to redesign current compensation systems in order to address the performance associated with the perceived inequalities. The last implication is that the redesigned systems do not lead to over rewarding of people as that will not guarantee higher productivity or improved performance.

Herzberg Two factor theory

Herzberg (1959) asserts that job satisfaction and dissatisfaction result from two sets of factors. One set of factors he termed hygiene and the other motivators (Stoner et al 1995). Hygiene factors prevent dissatisfaction even though their presence does not necessarily motivate people. These factors include working conditions, company policies, administration, pay and interpersonal relationships. Company policy is considered as the major cause of inefficiency and ineffectiveness. Motivators are considered as high level needs and they include achievement, recognition, responsibility and advancement (Stoner et al, ibid).

Research Methodology

The researcher employed a case study design. A case study method allowed the researcher to go beyond the quantitative statistical results and understand the behavioural conditions through the actors' perspective. The case study helped to explain both the process and outcome of a phenomenon through complete observation, reconstruction and analysis of the issues under investigation.

The target population was divided into three segments. The first stratum comprised of management team that is the Chief Executive Officer, and executives of the following departments; Administration, Housing and Community Services, Roads, Works and Planning and Finance. The second stratum comprised managerial – supervisory level members of staff consisting of assistant executive officers, supervisors, clerks, bookkeeper, salaries and lease officers, sergeants, plant operators and inspectors. The last stratum comprised lower level members of staff such as cashiers, security guards, preschool teachers, drivers, plumbers, sewer attendances, road gangs and general hands.

The researcher reconstructed information derived from the organisation's salary schedule in order to create the research sampling frame. The population was regrouped according to the researcher's three strata. Having placed the respondents into their respective strata, the researcher reconstructed population lists for the two strata. The managerial – supervisory staff and employees were placed in alphabetical order for the purpose of drawing random samples from the two categories. Random sampling thus enhanced population representativeness.

The research utilised both primary and secondary sources of data. Questionnaires and interviews were used to collect primary data. Analysis Collective Bargaining Agreements, Works Council Minutes and Performance Appraisal documents provided a basis for secondary data analysis. Thus the use of data and method triangulation enhanced the reliability and validity of data collection processes. Data analysis was undertaken through narratives, tables, pie charts and graphs.

Findings with Tables

Table 1: Managerial Response rate

Item (Interview)	Frequency	Percentage (%)
Response	4	80
Non-response	1	20
Total	5	100

n=5

The researchers managed to interview four (4) members of the management team. The members were the Chief Executive Officer, Housing and Community Services Manager, Civil Engineering Technician and Administration and Human Resources Officer. The Treasurer could not be interviewed as she had commitments elsewhere during the time the interviews were conducted.

Remuneration Equity Challenges

The first question solicited for management views regarding the challenges faced by the organisation in respect of remuneration equity. The main themes emanating from these qualitative questions were identified as follows: shortage of funds ,which was greatly triggered by the economic meltdown in Zimbabwe. In addition, Council had a poor revenue base as it depended heavily on traditional sources of revenue like stand and sand sales.Collective Bargaining Agreements (CBAs) that were in force and agreed at national level, stipulated the basic pay and conditions of service. Council was however failing to pay staff according to the provisions of the CBAs Another challenge was the poor performance of income generating projects. Council could improve its cash flows by engaging in income generating projects. Most Council's income generating projects were not performing properly and this compromised the organisation's financial base.

Existence of a Remuneration Policy

There was a written down remuneration policy in place. The policy was governed by the Conditions of Services and Personnel Procedure Manuals. All the interviewees were members of the executive team and they met regularly either in Committee and Full Council Meetings where they discussed such issues. Remuneration system employed by Council. The respondents confirmed that council employed the Patterson Scale remuneration system. Council had a formalised job evaluation system where job posts were graded on the basis of their relative worth to the organisation based on decision making.

Fringe Benefits Offered by Council

Findings revealed that Council offered fringe benefits and the example are transport, accommodation, loans and assistance in medical aid. The use of Council vehicles was exclusive to the Chief Executive Officer and senior management. These members of the management team had been given authority to use Council vehicles on job related errands. Moreover, the executive members of the senior managing team are entitled to 6000 mileage every year. Other members of staff were assisted with Council vehicles when they had problems.

Accommodation was provided to all senior management staff and their assistants. Other members were provided with accommodation subject to its availability. Council was facing financial problems hence failing to provide accommodation to all its staff members. The organisation valued staff welfare and it is a member of Premier Service. Medical Aid Society (PSMAS). Council covers 80% of the contributions to PSMAS and the employees paid the remaining 20%. Moreover council offered loans to members of staff who wanted to purchase fixed assets.

Management Views on Internal Equity

The remuneration system catered for equity as Council had a formalised job evaluation system where posts were graded with reference to seniority, academic and professional qualifications. Staff in similar pay grades was remunerated equally. However, there were slight differences as some of the staff was paid allowances.

Management Views Regarding External Equity

The remuneration framework in Council catered for external equity as they are bargained at national level. The levels set were applicable to all rural district councils in Zimbabwe. In addition, CRDC were considered as paying better comparable to other rural district councils in Mashonaland Central Province as it was paying its staff on time compared to other councils.

Suggestions for Improvements to the Remuneration System

Respondents suggested that there should be a strategic way of achieving job satisfaction by establishing a corporate culture that encourages more open communication which is directed towards quality work. In addition Council staff should get stands at subsidised rates so as to recognise the services they rendered to Council. Moreover the revenue generated from the traditional sources should be invested in income generating project to improve the financial base of Council. Council should sought government grants and donor funding to finance its income generating projects. Improvements in the financial base would mean that Council would be able to pay enough fringe benefits and hence achieve remuneration equity.

Table 2: Non- Managerial Staff Responses

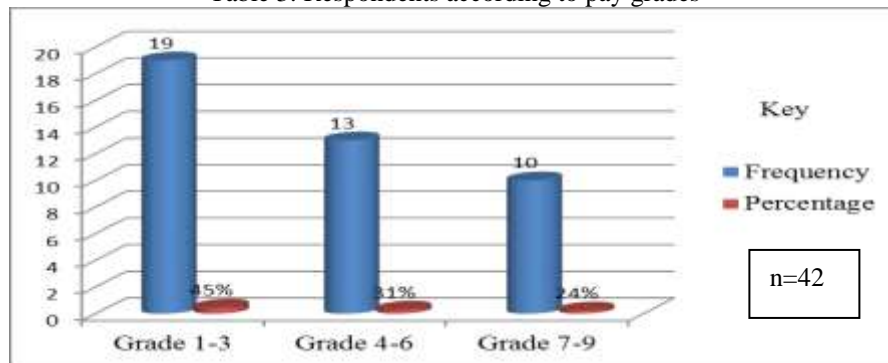
Item (Questionnaire)	Frequency(n)	Percentage (%)
Response	42	76
Non-response	13	24
Total	55	100

n=55

Source: Primary data

The table on the previous page shows that out of fifty five (55) self- administered questionnaires distributed to non-managerial members of staff, forty two (42) were returned thereby giving a response rate of 76%. This was considered to be a high response rate which can form the basis for making conclusions and recommendations on the subject under review.

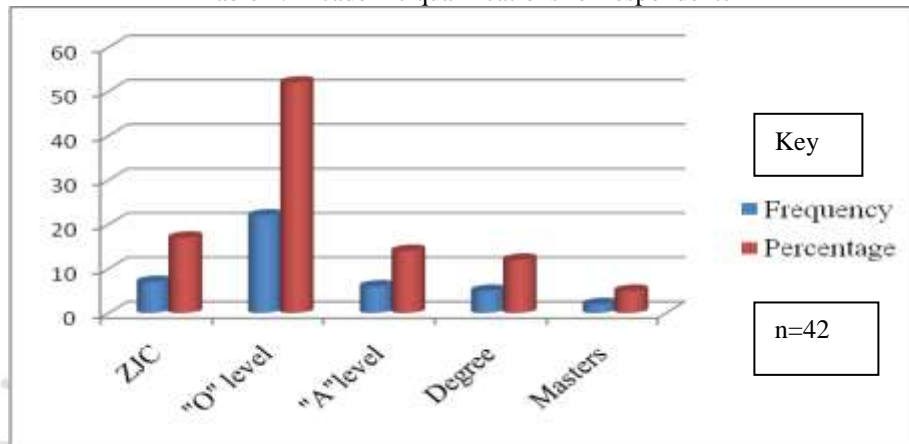
Table 3: Respondents according to pay grades



Source: Primary data

The above diagram illustrates that 45% of the respondents fell in the lowest pay grades of 1 – 3 while 31% of the respondents fell in 4 - 6 pay grades . A further 24% of the respondents fell in the 7 - 9 pay grades. Council employed a sizeable number of lower level employees due to Council's nature of operations. These examples include sewer attendances, road gangs, general hands, security guards and cashiers. Road gangs were responsible for the maintenance of roads and grass cutting. Sewer attendances monitored the sewer systems, general hands were mandated with cleaning offices and the surroundings, cashiers operated council beer outlets and security guards whose mandate is to protect council property.

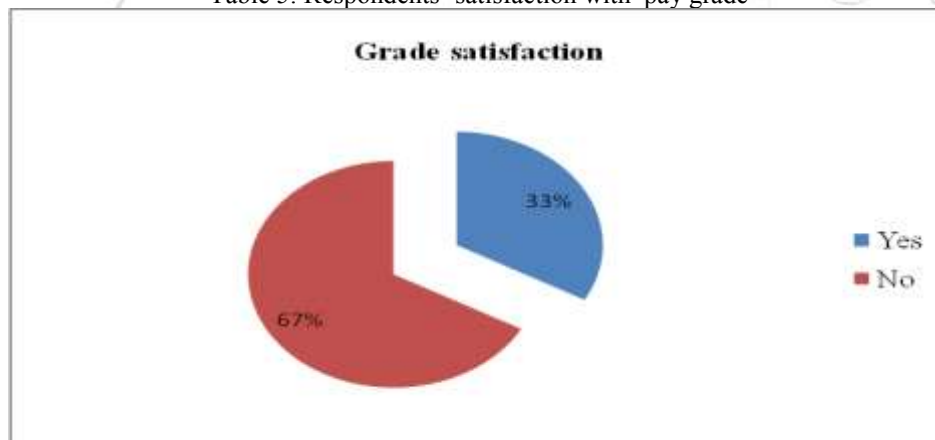
Table 4: Academic qualifications for respondents



Source: Primary data

The above graph illustrates that the majority of the respondents 52% were Ordinary Level holders. 17% of the respondents were Zimbabwe Junior Certificate holders, while 14% of the respondents were Advanced Level Holders. 12% of the respondents were Degree holders and a further 5% of the respondents obtained Masters Degree. Council employed a large number of less educated staff due to nature of its operations.

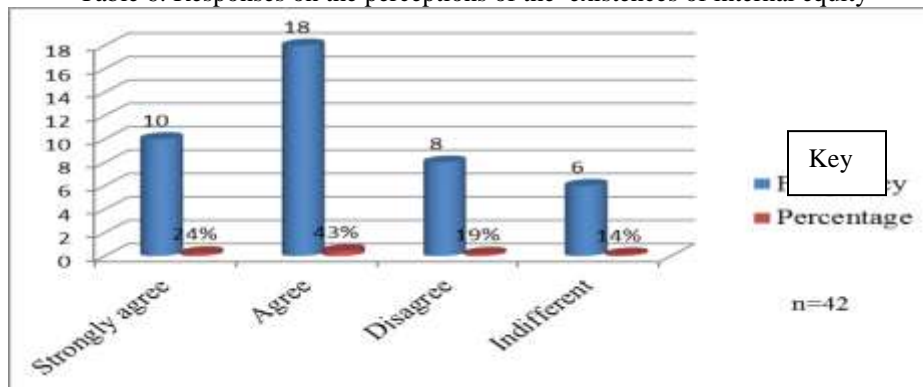
Table 5: Respondents' satisfaction with pay grade



Source: Primary data

The pie chart illustrates that the bulky of the respondents 67% expressed dissatisfaction with their pay grades. 33% of the respondents had a strong feeling that the pay grades were correspondent to their duties and responsibilities. The majority of the respondents were lower grade employees who were not paid incentives.

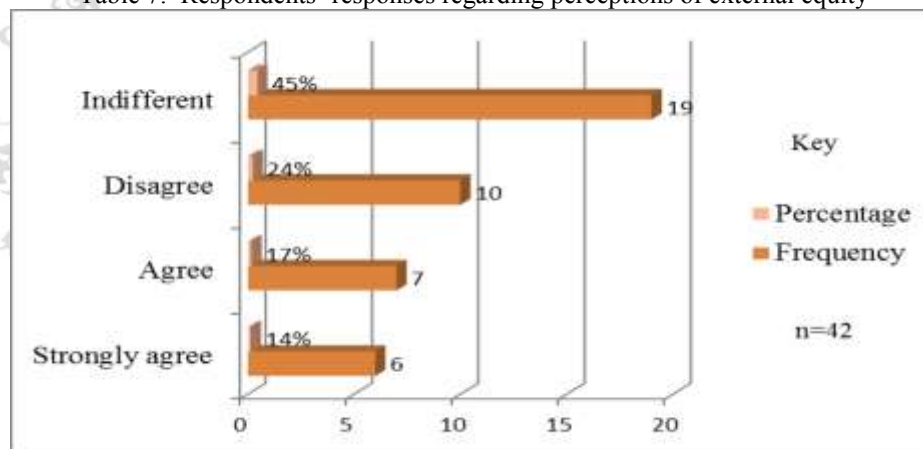
Table 6: Responses on the perceptions of the existences of internal equity



Source: Primary data

The table illustrates that there is remuneration equity within Council as reflected by the cumulatively more than 57% of respondents who shared that sentiment Council had a formal job evaluation system that was employed in salary administration and this brought about a sense of internal equity. Employees occupying similar positions were placed in similar pay grades. Slight differences were seen when an employee got salary adjustments when he or she acquired additional qualifications relevant to the job.

Table 7: Respondents' responses regarding perceptions of external equity



Source: Primary data

The graph illustrates that a substantial number of respondents 45% professed indifference regarding the matters relating to external equity. 31% of the respondents agreed with the fact that there was some form of external equity. 24% of the respondents felt that there were remuneration inequities comparable to others in other rural district councils. Incentives administration for no managerial staff

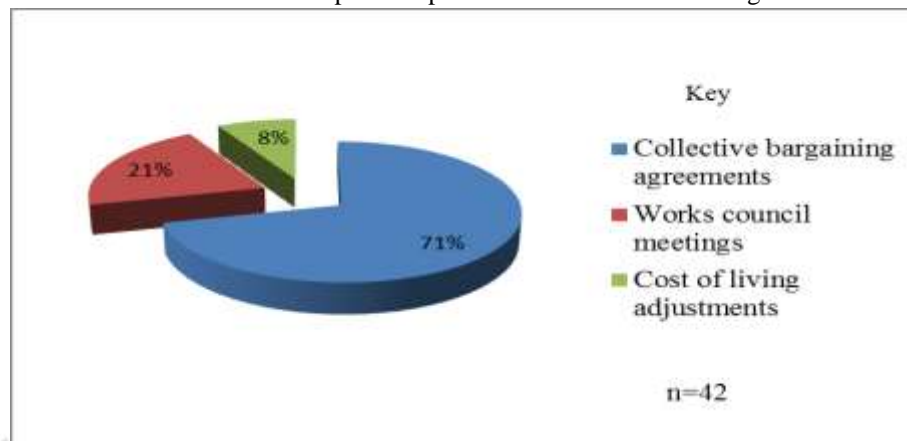
Table 8 Incentives administration n = 42

Incentives	Frequency	Percentage frequency
Yes	15	36
No	27	64
Total	42	100

Source: Primary data

The table above shows that the majority, 64% of the respondents were not being paid incentives. The minority 36% were getting incentives. The examples of incentives the respondents received were housing, telephone, water, transport and commuted allowances. In Council, incentives were given to employees from grades 4 – 9. Council had a limited revenue base as it depended on traditional sources of revenue like sand, beers sales, stadium hires and cannot afford to pay the more incentives.

Table 9: Participants responses on remuneration setting



Source: Primary data

The pie chart shows that the majority, 71% of the respondents thought that remuneration levels were bargained at industrial level whilst 21% of the respondents believed that remuneration levels were negotiated in Works Council meetings. A further 8% responded that Council considered the cost of living in setting remuneration levels.

Conclusions and Suggestions

Factors influencing employees' perceptions of equity had little to do with the broader context of the remuneration system per se, but to do mainly with the late payment of salaries and benefits. However the majority of non-managerial members of staff was experiencing job dissatisfaction as they felt that the pay grades not correspond to their duties and responsibilities. Chaminuka Rural District Council has in place a remuneration framework that caters for both internal and external equity as reflected by respondents' views on the subject.

Collective Bargaining Agreements (CBA's) determined remuneration levels for organizations. In Council, remuneration levels are bargained at national level by Zimbabwe Local Government Association and Zimbabwe Rural District Councils Workers Union. The levels are applicable to all rural district councils in Zimbabwe. However remuneration differences were found to be marginal as other Councils pay more incentives to staff. CBA provided that all staff in similar grades receive similar basic pay as well as incentives. The agreements also provided for the provision of groceries, subsidised accommodation and bonuses to all staff. Council offered fringe benefits such as transport, accommodation, loans and medical aid assistance. Accommodation was provided to all senior management staff and their assistants. Other members were provided with accommodation subject to availability. Council was a member of Premier Service Medical Aid Society. Moreover, Council offers loans when a member of staff wanted to purchase fixed assets although there was a collective bargaining agreement in place, Council was failing to pay its staff some of the incentives covered by the agreement due to poor revenue base. The income generation projects and donor funding were inadequate for purposes of addressing this challenge.

Secondary data sources revealed the existence of different salary scales as well as internal remuneration relativity for the employees. Job posts are graded from one (1) to eleven (11) and employees are paid according to grades. Staff in similar grades was paid the similar salaries. Council employed a notching system where 1 was the lowest the ceiling is 3. Slight differences in salary scales are noticed when an employee moves to a higher notch. However, employees from grade six (6) were paid commuted allowances. Council did not pay incentives for lower grade staff.

The remuneration system catered for equity as reflected by a formalised job evaluation system where employees in similar grades were remunerated equally. Remuneration levels also catered for external equity since remuneration levels were bargained at national level and consequently were applicable to all rural district councils in Zimbabwe.

The majority of the respondents however experienced job dissatisfaction. There was a written down remuneration policy in place which was governed by the Conditions of Services and Personnel Procedure Manuals.

Council needs to formulate strategies to enhance its revenue collection. This will enable Council to pay its staff salaries and benefits on time. Council could improve its cash flows by engaging in income generating projects. Most of Council's income generating projects were not performing well and this resulted in low income levels and the attendant feelings of dissatisfaction among staff.

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