

**THE IMPACT OF INDIRECT COMPENSATION ON EMPLOYEE  
PRODUCTIVITY: A CASE OF CENTRAL UNIVERSITY COLLEGE**

by

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**DECLARATION**

I hereby declare that this submission is my own work towards the Commonwealth Executive Master of Business Administration and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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## DEDICATION

TO

Prof. Anthony Harry Owusu Mensah,

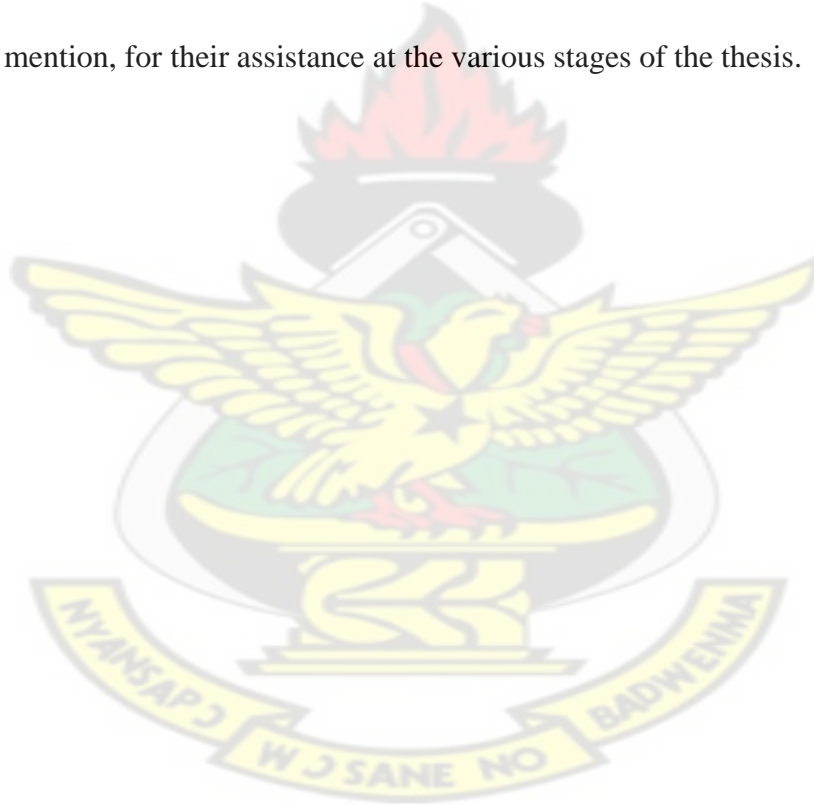
Madam Victoria Laryea

Claribel and Clavenda Addo



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## ABSTRACT

The subject of Compensation and for that matter Indirect Compensation is of immense importance since its impact affects the well being of the individuals in the organizations concerned. It is an important component of Administration and plays a significant role in creating a stable industrial environment, a condition which is vital to national development and economic growth. This study examines the issue of Indirect Compensation by studying a reputable institution, that is, Central University College, which has not experienced any labour unrest so far. It focuses in particular, on the impact of indirect compensation on employee productivity. The study has been accomplished through the use of questionnaires, interviews, administrative and conditions of service manual of Central University College and other sources such as journals, internet resources and text books on management. It was uncovered that though Management implements some of the indirect compensations available, there are other benefits which are not satisfactorily administered and this has contributed to a lack of zeal towards work, which has affected the productivity of staff negatively. The study therefore recommends that Management of Central University College and other organizations should provide the necessary attention that Indirect Compensation deserves, as this will help boost the morale of employees which will in turn result in higher productivity.

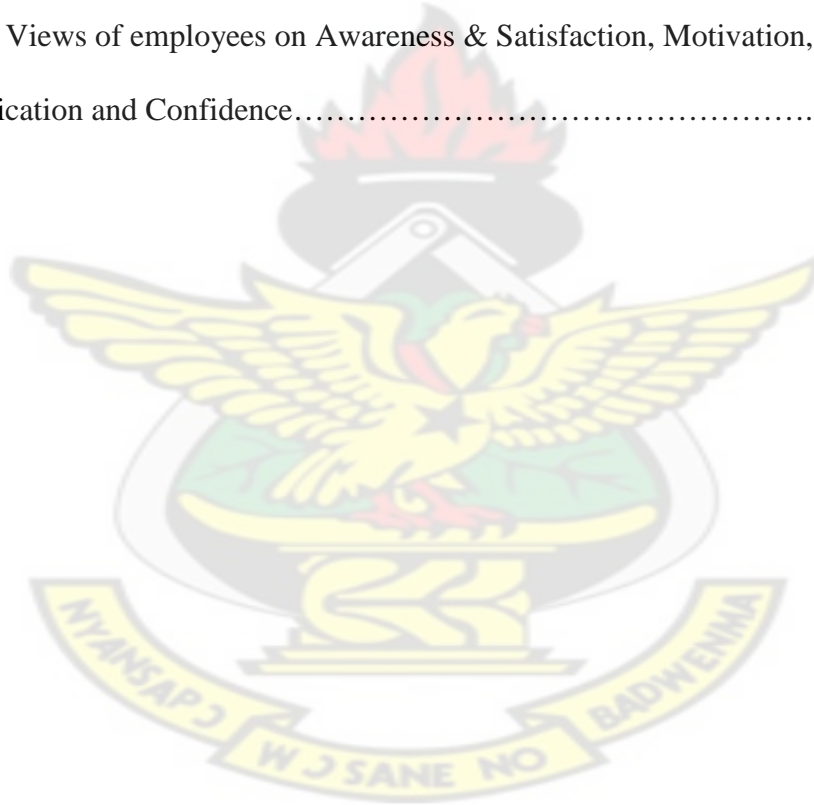
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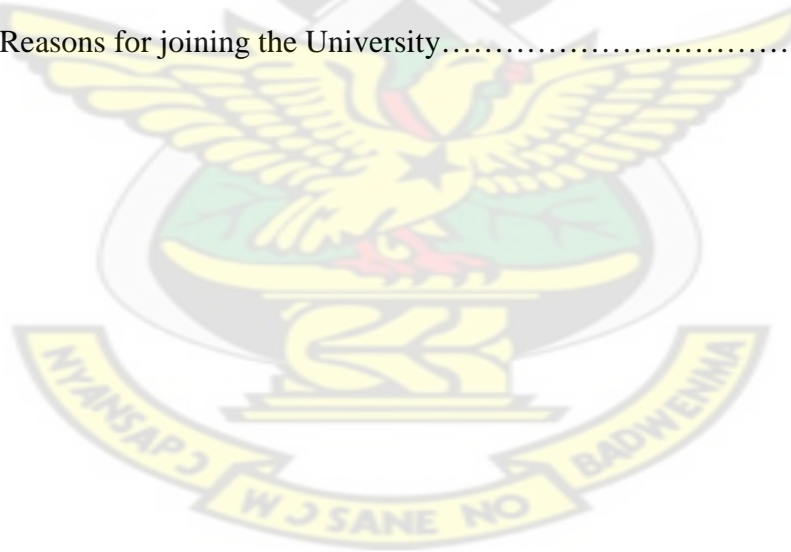
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## CHAPTER ONE

### INTRODUCTION

#### 1.1 BACKGROUND TO THE STUDY

Compensation is an important issue which needs to be addressed because it directly or indirectly affects profitability and competitiveness of an organization as well as the well being of employees. It has a major impact on employees' standards of living and communicates to them the degree to which the employer values their contribution. It is an important tool for employers in influencing employee attitudes such as perceptions of fairness and employee behaviour including whether an employee is attracted to and remains with the employer and how effective the employees use their time at work. The compensation package is normally differentiated into Direct and Indirect Compensation. These comprise financial and non-financial rewards. (Noe *et al*, 1996).

In pre-industrial society where economic relation was one of master and slave, or craftsman and apprentice, the role and position of a labourer was prescribed by custom of law. With few exceptions, economic units expanded and working relation became increasingly depersonalized. Later, more legalistic and contractual attitude toward employment was established to cater for the welfare of the individual worker. It was at this time that theories like Marginal Productivity and Compensation cropped up or were put forward to explain the reward that is due to labour. The reward an employee received for his labour was then seen as the payment of a wage or salary for each unit of time spent on a job. With increasing industrialization, rising income and trade unionism, the reward of employees has widened to include fringe-benefits. The basic salary or wage and fringe benefits are seen as contractual elements of remuneration that an employer provides for employees. This

suggests that, there is always a contract between the employer and employee. The employer always has something to offer which the employee agrees to accept. Between the offer and acceptance, considerations are made such as the employer's ability to provide the remuneration, the employee's mandate to negotiate and the external governmental policies. A documented contract along these lines therefore becomes a formal Conditions of Service (which contains the indirect compensation or fringe benefits).

To remain competitive in today's market place an organization must retain its employees in order to increase productivity. Retaining employees means offering competitive compensation (both direct and indirect) which will encourage its employees to work well and increase productivity on the market. Age, education, job experience, job fulfillment, marital status and family size are all considerations that determine the attractiveness of fringe benefits. Different benefits appeal to different people. It is important for organizations to remember that the needs of employees differ. For example, a younger employee might be motivated by having the use of a company car whereas an older person may want more status like a title or a professional association membership. To achieve maximum value, organizations have to tailor the benefits to suit both the employee and the job as well as to the business requirements and financial capability.

According to Martocchio (2000), there is the need for "quality of work life" programmes in organizations since they take a holistic or complete look at the employee to determine what he/she really wants and need to be productive and then tailor fringe benefits packages to satisfy the needs of employees; the result is increased morale and productivity. For instance, one can reduce unwanted employee turnover and related recruiting, hiring and training costs by shifting these costs from developing new employees to keeping experienced

employees. Or an organization can motivate an employee to increase productivity by providing opportunities for career development and training. The key is to recognize the employee's value and aspirations. By doing this, the organization will have addressed the problem of productivity and morale while at the same time increasing the skill base of the workforce. Ideally, this should exist in all organizations, including a University. However, the focus of this paper will be limited to the indirect compensation system of Central University College.

### **1.1.1 OVERVIEW OF CENTRAL UNIVERSITY COLLEGE**

Central University College (CUC) was set up by International Central Gospel Church (ICGC) and was accredited by the National Accreditation Board in 1998 to run degree programmes in Administration and Theology. With its motto being "Faith, Integrity and Excellence" the University is playing a great role in producing high-caliber workforce with a strong moral and ethical grounding, who find themselves in all sectors of the Ghanaian economy whether as employees or employers.

The academic work of the University is carried out in Schools located on campuses as Mataheko, Dansoman and Miotso near Prampram. The permanent campus is the one sited at Miotso. With a student population of over 6,000, the University runs degree programmes in three faculties/schools. These are the Central Business School, School of Theology and Missions and the Faculty of Arts and Social Sciences. A fourth school, the School of Applied Sciences has been established to run degree programmes in Nursing Studies and Practice, Physician Assistanship, Pharmaceutical Science and Architecture from the 2008/2009 academic year. Besides the degree courses, the University also runs Master of

Business Administration (MBA) programmes and Masters in Theology (M.Th) programmes. The Central University College has special distinctiveness which enhances its appeal to both students and non-students alike.

Employees of CUC are its most valuable assets; firms that seek competitive advantage must be able to leverage on effective and efficient human resource management activities and practices, perhaps with emphasis on proper implementation of compensation.

In recent times, complaints have been received from students of the University about poor performance and unsatisfactory customer relations exhibited by some employees. In today's competitive environment, there is the need to recognize the growing importance of the student customer as a strategic partner to the growth, survival and profitability of tertiary institutions. It is not immediately known whether CUC's indirect compensation system has contributed to the above situation. This is what the study seeks to find.

## **1.2 STATEMENT OF THE PROBLEM**

It is sometimes assumed that there is no positive relationship between indirect compensation and employee productivity, or that if there is at all, it is insignificant. However, in organizations where employees are content with their fringe benefit packages there seem to be high performance because employees know that when they increase their productivity they will be well compensated. This study is motivated by the spate of complaints by some workers in Central University College about the unsatisfactory indirect compensation packages. They are often of the opinion that the effort they put in their work is not commensurate with the indirect compensation they receive and they therefore are not motivated to work hard. In CUC, some workers have opined that they would prefer certain

benefits to what they are being offered and therefore should be given the opportunity to make choices or management should augment the benefits available. Some employees also appear not to be aware of what the Administrative and Conditions of Service manual of the University contains. Since employees most times agitate for better fringe benefit packages a number of problems have been arising, some of which are individual disputes to register their dissatisfaction, low productivity, and low morale.

In recent times, parents, guardians and students have complained about the cold reception they receive from the Front Office of the University, absence of employees in certain offices at a time when they need their services most, and the sluggish unresponsive nature of some employees. In short, students are unsatisfied with the service quality, commitment and performance of employees. From the above grumblings, it could be assumed that because employees are not provided with adequate fringe benefits or those available are not fully implemented, they are not sufficiently motivated and this affects their productivity. The aim of every business organization is to increase productivity and thus maximize profit through its employees. This study therefore seeks to find out what CUC is doing to increase the morale of its employees to get the best out of them, with a view to becoming the best university in Ghana.

### **1.3 OBJECTIVES OF THE STUDY**

The study is aimed at investigating and providing an understanding to the relationship between indirect compensation and employee productivity. Thus the objectives of the study are:

1. To examine the Indirect Compensation System of Central University College.
2. To determine the extent to which the Indirect Compensation System of CUC is being implemented.
3. To find out whether Indirect Compensation motivates CUC employees to perform;
4. To explore how the implementation of Indirect Compensation impacts on the productivity of employees in CUC;

### **1.4 RESEARCH QUESTIONS**

The research seeks to find answers to the following questions:

1. What does the Indirect Compensation System of CUC entail?
2. To what extent is the Indirect Compensation System being implemented in CUC?
3. Does Indirect Compensation play a role in motivating employees of CUC to perform?
4. How does the implementation of Indirect Compensation impact on the productivity of CUC employees?

### **1.5 SIGNIFICANCE OF THE STUDY**

The stock of knowledge acquired from this study would be of great significance to academia, policy makers, CUC and the economy as a whole. The study will help policy makers to be able to appreciate the fact that inadequate or unattractive indirect compensation can reduce the morale of employees and thereby affect their productivity. By

this study, the author also hopes that the stock of knowledge gathered would provide relevant suggestions to CUC and policy makers to take issues relating to indirect compensation seriously and take measures that will ensure the comfort and satisfaction of employees. The information that was gathered in this study will satisfy all of its objectives and work as a guide that could potentially influence or inspire a struggling organization to consider a re-organization of its current indirect compensation system to make the entity a more customer-driven organization. Again, this study will provide useful knowledge to academicians. It will provide building blocks upon which future research will be made.

#### **1.6 DELIMITATION/SCOPE OF THE STUDY**

The study is designed to examine the impact of indirect compensation on employee productivity. This work was narrowed down to what prevails at Central University College. In order to have finite and clear understanding of the impact of indirect compensation on employee productivity, this research concentrated on the administrative and conditions of service manual of the University and how it has been implemented since the inception of the University.

The time allocated for a study of this nature was indeed very short and inadequate. This reduced the number of persons that were contacted. As such, though CUC has campuses at Miotso, Mataheko, Dansoman, Christ Temple and the National Insurance Commission, this work was limited to Miotso and Mataheko campuses only.

#### **1.7 ORGANIZATION OF THE STUDY**

The study is divided into five main chapters. Chapter one comprised the background of the study, statement of problem, objectives of the study, research questions, significance



of the study, delimitation/scope of the study and the organization of the research report. Chapter two reviewed various literatures in connection with the impact of indirect compensation on employee productivity. Chapter three indicates the methodology used, (that is the research design, study population, sample and sampling procedure, data collection technique and data collection and analysis). Chapter four analyzed the data collected from respondents as to whether implementing indirect compensation will impact on employee productivity. Chapter five presents the summary, conclusion and recommendations of the study.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

In reviewing the relevant literature and documentation on the subject of Indirect Compensation, the author seeks to acknowledge the ideas of other authors and add or bring to light the set of components and their variables that affect Indirect Compensation or Fringe Benefits.

#### **2.2 DEFINITION OF COMPENSATION**

Milkovich and Newman (1999) said Compensation refers to all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship. The Journal of Global Business and Economics (2010) defines compensation as “the combination of all cash incentives and the fringe benefits mix that an employee received from a company which constitutes an individual’s total compensation.”

Chhabra (2001) refers to Compensation as a wide range of financial and non-financial rewards given to employees for their services rendered to the organization. It is paid in the form of wages, salaries and employee benefits such as paid vacations, insurance, maternity leave, free traveling facility, retirement benefits, etc. He indicated that the term 'wage' is used to denote remuneration to workers doing manual or physical work. Thus, wages are given to compensate the unskilled workers for their services rendered to the organization. Wages may be based on hourly, daily, weekly or even monthly bases.

On the other hand, Chhabra said that the term 'salary' is usually defined to mean compensation to office employee, foremen, managers, professionals and technical staff. Salary is generally paid on weekly, monthly or yearly basis. Thus, the time period for

which salaries are paid is generally higher than in the case of wage payments. He further commented that while wages may be based on the number of units produced or the time spent on the job, salary is always based on the time spent on the job.

### **2.3 DEFINITION OF INDIRECT COMPENSATION (FRINGE BENEFITS)**

Dessler (2011) refers to Indirect Compensation as the indirect financial and non-financial payments employees receive for continuing their employment with the company which are an important part of every employee's compensation. Other terms such as fringe benefits, employee services, supplementary compensation and supplementary pay are used.

Armstrong (2009) says Indirect Compensation or Employee benefits are elements of remuneration given in addition to the various forms of cash pay. They also include items that are not strictly remuneration such as annual holidays. Management uses it ostensibly to facilitate its recruitment effort or influence the potential of employees coming to work for a company, influence their stay or create greater commitment, raise morale, reduce absenteeism in general and improve the strength of the organization by instituting a comprehensive programme in this area (Noe *et al*, 1996).

According to Chhabra (2001), Indirect or Supplementary Compensation involves 'fringe benefits' offered through several employee services and benefits such as housing, subsidized food, medical aid, crèche and so on. It involves rewards provided by organizations to employees for their membership, attendance or participation in the organization. Because of the increasing costs of fringe benefits, some people also label them as 'hidden payroll.' Benefits currently account for almost 40 per cent of the total compensation costs for each employee. The basic purpose of fringe benefits or supplementary compensation is to attract and maintain efficient human resources within the

organization and to motivate them.

## 2.4 TYPES OF INDIRECT COMPENSATION

Below are some of the more popular indirect compensations offered by today's organizations (Byars and Rue 2008):

- a. **Social Security:** This is a federally administered insurance system. According to law, both employer and employee must pay into the system, and a certain percentage of the employee's salary is paid up to a maximum limit. How much is paid by employer and employee is calculated on the average monthly wage (weighted toward the later years). It is provided mainly to give financial security to employees when they retire.
- b. **Workers' Compensation:** is meant to protect employees from loss of income and to cover extra expenses associated with job-related injuries or illness. The laws generally provide for replacement of lost income, medical expenses, rehabilitation of some sort, death benefits to survivors, and lump-sum disability payments.
- c. **Retirement Plans:** Retirement and pension plans, which provide a source of income to people who have retired, represent money paid for past services. Private plans can be funded entirely by the organization or jointly by the organization and the employee during the time of employment. One popular form of pension plan is the defined-benefit plan. Under this, the employer pledges to provide a benefit determined by a definite formula at the employee's retirement date. The other major type of retirement plan is the defined –contribution plan, which calls for a fixed or known annual contribution instead of a known benefit.
- d. **Paid Holidays :** These comprise Christmas Day, New Year's Day, Independence

Day, Labour Day, etc. One relatively new concept is the floating holiday, which is observed at the discretion of the employee or the employer. Another relatively new concept is referred to as personal time-off or personal days. Under this concept, organizations give employees a certain number of days with pay to attend to personal affairs. Normally these days can be taken at the employee's discretion.

- e. **Paid Vacations:** Typically, an employee must meet a certain length-of –service requirement before becoming eligible for paid vacation. Also, the time allowed for paid vacations generally depends on the employee's length of service. Unlike holiday policies that usually affect everyone in the same manner, vacation policies may differ among categories of employees. Most organizations allow employees to take vacation by the day or week but not in units of less than a day.
- f. **Other Benefits:** In addition to the previously discussed major benefits, organizations may offer a wide range of additional benefits, including food services, exercise facilities, health and first-aid services, financial and legal advice, and purchase discounts. The extent and attractiveness of these benefits vary considerably among organizations. For example, purchase discounts would be especially attractive to employees of retail store or an airline.

## **2.5 INDIRECT COMPENSATION AND MOTIVATING EMPLOYEES**

On the issue of motivation, Gareth and George (2010) defined it as “a psychological force that determines the direction of a person's behaviour in an organization, a person's level of effort and a person's level of persistence in the face of obstacles.” ‘Efforts’ refer to how hard people work and ‘persistence’ refers to whether when faced with road blocks

people will keep trying or give up.

Maund (2001) says the “process by which an individual wants and chooses to engage in certain specified behaviours” is Motivation. Pinder (1998) relates motivation to work and defines Work Motivation as “a set of energetic forces that originate both within as well as beyond an individual’s being, to initiate work-related behavior, and to determine its form, direction, intensity and duration.” Employers expect that every employee will behave in a way that will promote the welfare of the organization. They look forward to seeing employees perform their best to ensure higher productivity. Understanding and influencing human behaviour require knowledge of human needs. A need is a strong feeling of deficiency in some aspect of a person’s life that creates an uncomfortable tension. That tension becomes a motivating force, causing a person to take actions to satisfy the need, reduce the tension and diminish the intensity of the motivating force. The Need Theory suggests that individuals have certain physical and psychological needs that they attempt to satisfy.

One of the most popular theories of motivation today is Maslow’s Need Hierarchy Theory. Abraham Maslow (1987) posits that the human being is a ‘wanting animal’ motivated to satisfy certain types of needs. His theory is based on two premises – the first is that man’s needs are arranged in hierarchy of importance and thus when a person satisfies one need he will look up to the next higher order of needs. The second premise is that satisfied needs are no longer motivating. That is, as the lower needs of man are reasonably satisfied, they become less of a motivating force in a person’s behaviour. Maslow is famous for classifying human needs into five categories.

As most basic needs, Physiological Needs (e.g. Food, water, air, sex) occupy the first

level in Maslow's hierarchy. People try to satisfy physiological needs before all others. For example, the primary motivation of a hungry person is to obtain food rather than say, gain recognition for achievements. Thus, people work for wages that will allow them to meet these needs first.

Security Needs include the desire for safety and stability and the absence of pain, threat and illness. People deprived of the means to satisfy security needs become pre-occupied with obtaining them. Many workers express their security needs as a desire for a stable job with adequate medical, unemployment and retirement benefits. Organizations that provide stability and such benefits are likely to have relatively low turnover and little dissatisfaction among employees who are striving to meet these needs.

Social or Affiliation Needs are the desire for friendship, love and belonging. This level of Maslow's hierarchy represents a clear step up from the truly basic physiological and security needs. Employees with low affiliation needs may be content to work on tasks by themselves. When an organization does not meet affiliation needs, an employee's dissatisfaction may be expressed in terms of frequent absenteeism, low productivity, stress-related behaviours and even emotional breakdown.

Esteem Needs are the desire for self respect, a sense of personal achievement and recognition from others. To satisfy these needs, people seek opportunities for achievement, promotion, prestige and status - all of which symbolize their competence and worth. Managers may publicly reward through achievement lists, bonuses, praise, lapel pins and articles in the organization's Newsletters. These and other forms of recognition help build employee pride. When the need for esteem is dominant, managers can promote job satisfaction and high quality performance by providing opportunities for exciting,

challenging work and recognition for accomplishments.

Self-actualization Needs are the desire for personal growth, self-fulfillment and realization of the individual's full potential. Traits commonly exhibited include initiative, spontaneity and problem-solving ability. Managers who recognize this motivation in employees can help them discover the growth opportunities available in their jobs, or they can create special growth opportunities.

According to Maslow, the needs which are largely unsatisfied tend to produce tensions within individuals which lead them to behave in a certain fashion in the hope of reducing the tension and restoring the internal equilibrium. The needs are more or less cyclical. Once a need becomes satisfied it loses its potency until it manifests again. For example when a person's physiological need, (for instance food), have been met they no longer motivate behaviour until the person becomes hungry. When the need hierarchy concept was applied to work organizations in general, the implication was that managers had responsibility to create a "proper climate" in which employees could develop their fullest potential. Again organizations should provide employees with adequate fringe benefits (in addition to salary) to motivate or encourage higher productivity.

One however identifies some weakness in Maslow's need hierarchy theory. The meaning of satisfaction for instance is not clear in this theory. This may be true at the physiological level, especially after a heavy meal, yet people live in constant fear of hunger in the future. In talking about the physiological needs it is not clear whether Maslow was looking at it in quantitative or qualitative terms. It is also difficult to predict when a need is satisfied before a new need is satisfied; the time lag cannot be predicted. Another weakness worthy of note is that not everybody goes through the hierarchy the way it is presented by



Maslow – physiological needs, through safety, social/love time, esteem, to self actualization. This however is admitted by Maslow.

Amedzo (2007) discussed Herzberg's Motivation-Hygiene Theory. According to him, Herzberg started his theory with a distinction between motivational and maintenance factors in job situations. A research study was made by Herzberg and his associates based on the interview of 200 engineers and accountants who worked in eleven different firms in Pittsburgh area. On the basis of this research, two job factors were identified, namely, motivators or satisfiers and hygiene or maintenance factors.

The Maintenance or Hygiene factors are Company Policy and Administration, Technical supervision, Interpersonal relationship with supervisors, Interpersonal relationship with peers and Interpersonal relationship with subordinates. The rest are Salary, Job security, Personal life, Working conditions and Status. The Motivational Factors consists of Achievement, Recognition, Advancement, Work itself, Possibility of growth and Responsibility.

Some job conditions operate primarily to dissatisfy employees when the conditions are absent, but their presence does not motivate employees in a strong way. Management traditionally perceives many of these factors as motivators but these are really more potent as dissatisfiers. The dissatisfiers bring motivation up to zero state. The opposite of dissatisfaction is not satisfaction but simply, no-dissatisfaction. To motivate workers to give of their best, managers must give proper attention to the motivators or growth factors.

Herzberg emphasizes that hygiene factors are not a “second-class citizen system”. They are as important as motivators, but for different reasons. Hygiene factors are necessary to avoid unpleasantness at work and to deny unfair treatment. Management should never

deny people proper treatment at work. The motivators relate to what people are allowed to do at work. They are the variables which actually motive people.

The motivation-hygiene theory has extended Maslow's hierarchy of needs theory and is more directly applicable to the work situation. Herzberg's theory suggests that if management is to provide positive motivation then attention must be given not only to hygiene factors, but also to the motivating factors (in this case, the non-financial aspects of Indirect Compensation). The work of Herzberg indicates that it is more likely good performance leads to job satisfaction rather than the reverse. In linking Herzberg's theory to the work situation, management should ensure that they implement their Indirect Compensation System by providing opportunities for further training, recognizing long service, promotion, etc. since these motivate workers, leads to higher performance and productivity and helps in reducing turnover.

Some weaknesses are however inherent in their approach too. The dichotomous nature of satisfaction indicated by the investigations may be an artifact of their method of study. Answers given which relate to good feelings on the part of workers were classified as satisfiers while factors relating to the opposite feelings were considered dissatisfies. Until these findings are corroborated by other methods it seems fallacious to assume that a dichotomy exists. The findings could also be criticized on the grounds that there could be memory lapses and distortion in the recall of such events. That is to say, people may forget some of the things or deliberately distort some of them. Despite the weaknesses of Maslow and Herzberg's various theories, it can still be said that they have gone a long way in assisting management to increase the morale of their employees and have got the best out of them.

## 2.6 INDIRECT COMPENSATION AND PERFORMANCE

Since employees must perform their respective duties for the employer to be able to measure their productivity level, it is important to find out what various authors have said about performance. The need to understand and appreciate what performance is will help us determine how effective it should be measured for its impact in any institution. It has been pointed out by Bates and Holton (1995) that: “Performance is a multi-dimensional construct, the measurement of which varies depending on a variety of factors.” There are divergent views as to what performance really is. It can be regarded as simply the record of outcomes achieved. On an individual basis, it is a record of the person’s accomplishments. (Armstrong 2003).

Casio (1989) discussed the Expectancy Theory. He said this theory emphasizes “perceived relationships” – what does a person expect? According to him, performance is a combination of effort and ability, that is, an individual’s skills, training information and talents. Performance in turn, leads to certain outcomes (rewards). Outcomes (positive or negative) may result either from the environment (example: supervisors, co-workers or the organization’s reward system) or from performance of a task itself (example: feelings of accomplishment, personal worth or achievement). Sometimes people perform but do not receive rewards that are incorporated in the organization’s Conditions of Service. However, as the performance-reward system process occur again and again, actual events provide further information to support a person’s beliefs (expectances) and beliefs affect how people are motivated in the future. The Expectancy Theory also suggests that satisfaction is best characterized as a result of performance rather than as a cause of it. However, Casio stressed that satisfaction can motivate people by strengthening their beliefs about consequences of

performance. In other words, the more people are satisfied in their jobs based on the rewards they expect and receive from managers or the organizations in which they work, the higher they will perform since they believe that their efforts will not be in vain.

## **2.7 INDIRECT COMPENSATION AND PRODUCTIVITY**

Productivity is an economic measure of efficiency that summarizes and reflects the value of the output created by an individual, organization, industry or economic system relative to the value of the inputs used to create them (De Nissi & Griffin 2001). It is an indication of how efficiently an organization uses its resources to produce its output. Productivity is vital for any business organization and employers because it can make the difference between failure and success for the organization, thus organizational productivity is critical for profitability. A primary objective of measuring productivity is to improve operation either by using fewer inputs to produce the same output or to produce more output with the same inputs. Improvement in productivity requires firms to identify benchmark or criteria against which to assess their changes in productivity and to determine needed improvement to attain their goals. Among criteria often used are past productivity measures of the firm, of another division of the firm, or other firms in the same industry, the industry standard or a benchmark established by top managers as the goal for the firm to attain. Organizations around the world have come to recognize the importance of productivity not only to compete but also to survive. However, actually improving productivity takes a major comprehensive approach that relies heavily on the employees, hence the need to provide them with the necessary fringe benefits as a way of encouraging them to give off their best.

Chhabra (2001), says that in the broad sense, the term “productivity” represents goods and services produced in relation to the resources utilized in their production. He defined

productivity as “the ratio of output to input.” He said that productivity represents the balance between all factors of production that will give the greatest output at the smallest effort. The ratio between output and one of the factors of input in generality is known as productivity of factors considered. Thus, productivity means ratio between output and any of the factors of production, say, labour, capital, materials, land, etc.

Since the organization under study finds itself in the service sector, there is the need to find out how productivity is measured in that area. According to Li and Prescott (2009), productivity measurement in service is difficult because it is hard to standardize the inputs and outputs which are highly heterogeneous. The scope of organization in the product concept in the service sector is larger than that in the manufacturing sector and involves an external element from the organizational position – customer. The input elements such as materials, machines and energy in the service sector are not as important as the manufacturing sector. The service sector is labour-intensive relatively speaking to manufacturing. Quality in the service is very important because customers usually evaluate a given service by its quality units and increases the amount of production by raising output, service sector often has less interest in the quantity aspect and is normally increased by the attempt to provide higher quality services to the customer, making customer more satisfied. For this reason, service productivity can be defined as the ability of service organization to use its inputs for providing service with quality matching the expectations of customers (Jarvinen et. al 1996).

Jarvinen et. al 1996 defined productivity of the service sector as:

$$\text{Service Productivity} = \frac{\text{Quantity of output and Quality of output}}{\text{Quantity of input and Quality of input}}$$

In the ratio, the quantity aspect of service productivity is the same as the manufacturing productivity, which consists of material, labour and capital. The actual volume of operations, however, is determined by the variation of demand over time. As a result, the productivity ratio of service operations may vary greatly from one time period to another if it is measured as a quantity ratio. Unlike the quantity for manufacturing output, the value of the service output is not an important issue from the customer's perspective because the customer normally purchases only one unit of output or one package of service.

The drive for higher productivity makes managers conscious about the most economical use of available factors of production. Labour therefore plays a significant role in raising productivity in most organizations. Thus, if the employees or labour force are not adequately qualified and/or not motivated, all steps taken to increase productivity will have little or no result. Again, employee benefits have been proven to improve productivity because employees experience a peace of mind and become more effective if they are assured of security for themselves and their families. While employers traditionally focus on reducing the cost of employee benefits, evidence suggests it may be more important to understand how those benefits affect productivity. Managers must begin to think about the relationship between benefits and productivity and focus on ways to derive the advantages of this relationship. Bond and Gailinsky (2006) said the fact that many smaller employers do, however, provide some, if not all, of these fringe benefits to their lower-wage employees, indicates that they view the investments as worthwhile for purposes of improving recruitment, productivity, and retention. This shows how vital it is for organizations to provide their employees with adequate fringe benefits (in addition to salaries and wages) and ensure that the contents of their Conditions of Service are satisfactorily implemented. This

will go a long way to increase employee morale and will result in better quality of goods and services at lower prices and eventually increase profit.

From the point of view of Tsai et al (2005), since indirect compensation help organizations to recruit and retain high-quality employees that are seen as strategic resources in achieving competitive advantage, one can expect that overall attractiveness of organizations can be enhanced through benefits offerings and that employees will then be influenced to feel greater satisfaction and loyalty. As a result, this should lead to greater effort and productivity. In short, higher indirect compensation may increase organizational productivity by attracting and retaining labour of better quality. In other words, indirect compensation may be a moderating role and enhance the positive effect of labour input on an organization's output through retention and recruitment of competent employees.

Hodgetts (2002) says Productivity is typically measured by the equation:  $\text{Output/Input}$  (output divided by input). He said Productivity is one of the major objectives of modern organizations (the other being, quality). Many companies have found that the easiest way to increase their productivity is to down-size. This helps them to reduce their payrolls so that if they can maintain their sales revenue they have more profit at the end of the year. However, more effective organizations have realized that downsizing can be fraught with problems including loss of personnel morale and failure of the remaining employees to keep up with work loads. As such, organizations are now developing methods to reduce the time needed to do the work by effectively managing technology with people as well as resorting to negotiating properly with their employees and ensuring that the outcomes of the negotiations are adhered to. In order to boost employee morale, enhance performance and increase productivity, Hodgetts said employers should resort to the following:

- a. Value people as human beings and develop policies and procedures that treat employees better;
- b. Develop a support system for recognizing and rewarding good performance;
- c. Create an atmosphere of trust and show that management has confidence in the workers;
- d. Create a spontaneous, fun (recreation centres or club houses), collaborative social environment (end of year parties) in which innovation is recognized;

People are the most important assets of organizations. Hence, they wish to be held in high esteem by their organizations, given the necessary recognition and be provided with the right environment to work in. Once the above measures are put in place in organizations, the goal of high quality, productive and relevant output would be achieved and this will help the organization chalk success.

## **2.8 RELATIONSHIP BETWEEN INDIRECT COMPENSATION AND HUMAN RELATIONS AND HOW IT AFFECTS PRODUCTIVITY**

Achieving integration of the organization is important for the survival and growth of the organization. Consequently, it is imperative that in addition to the compensations employees receive, organizations should take pains to ensure that employees are doing fine at the workplace in terms of the ways they relate to each other. Human Relations at the workplace has to do with interactions, association and involvement between people, and factors that affect or impact these interactions positively or negatively affect performance, productivity, human relations activities, profitability and longevity of the organization.

Human relations are maintained when the employees are satisfied economically, socially and psychologically. Indirect compensation satisfies the worker's economic, social



and psychological needs. Consumer stores, credit facilities, canteen, recreational facilities etc. satisfy workers' social needs, whereas retirement benefits satisfy some of the psychological problems about the post-retirement life. However, most of the benefits minimize economic problems of the employee. Thus, indirect compensation improves human relations [<http://train-srv.manipalu.com>]. Chhabra (2001) quoted W. G. Scott's definition of Human Relations as "a process of effective motivation of individuals in a given situation in order to achieve a balance of objectives which will yield greater human satisfaction and help accomplish company goals." According to him, Human Relations results in benefits such as increased co-operation of employees, high employee morale, higher productivity, lower unit cost of labour, greater loyalty of employees and harmony of individual goals of the employees with the organizational goals. It is therefore imperative that employers maintain good human relations with employees to motivate them to achieve a balance between objectives of both parties. This will create a peaceful atmosphere and would lead to greater performance which will in turn result in organizational productivity.

Under the Human Relations Approach, Hellriegel et al. (1999) discussed the Exchange Concept which looks at the fairness of each person's contribution in an organization and this concept says that in all our relations and interactions with others there are some sort of exchange, that is in a business undertaking, people may exchange their services for financial and non-financial gains or rewards. Thus, there is this notion of 'give-and-take' in every human relation. The Exchange Concept means that people look out for relationships that are mutually satisfying and beneficial. The absence of these benefits may affect their productivity or they may think of exit.

The above view on the exchange concept implies that organizations offering more

voluntary compensation should have a better chance of attracting or retaining talented workers to contribute their skills and knowledge (Noe et al., 2009). A lot of studies contend that indirect compensations are a useful means to motivate, retain and attract qualified employees (Kurlander and Barton 2003). Also, many organizations provide indirect compensation programmes concerning employee-skills development in the belief that such investments will strengthen their work forces (Cantoni, 1997).

## **2.9 PROBLEMS IN THE ADMINISTRATION OF INDIRECT COMPENSATION**

According to Aswathappa (2007), the main problem with indirect compensation is the lack of employee participation. Once an employee benefit programme is designed by the organization, employees have little discretion. For instance, the same pension usually is granted to all workers. Younger employees see pension as distant and largely irrelevant. Older female workers feel that maternity benefits are not needed. The uniformity of benefits fails to recognize workforce diversity. Admitted, uniformity leads to administrative economies, but when employees receive benefits they neither want nor need, these economies are questionable. Since employees have little choice in these benefit packages, most workers are unaware of all the benefits to which they are entitled. This lack of knowledge often causes employees to request for more benefits to meet their needs. And perhaps even worse, employee confusion can lead to complaints and dissatisfaction.

## **2.10 EMPLOYEES' KNOWLEDGE OF INDIRECT COMPENSATION**

Ashatu (2011) discusses the importance of making employees aware about the indirect compensation packages available within an organization. According to him, from a retention management perspective, the major objective of fringe benefit packages is to offer

employees with benefits that are valuable enough to encourage them to stay longer with the company. This is consistent with the practitioner oriented theory which states that, employers need to modify fringe benefits to effectively, recruit and retain a diverse demographic employee base. Whilst money wage is the most generalized force available in organizations to shape employees behavior, fringe benefits are incentives that respond to more specific needs of diverse group of employees in the organization (Balkin and Griffeth, 1993).

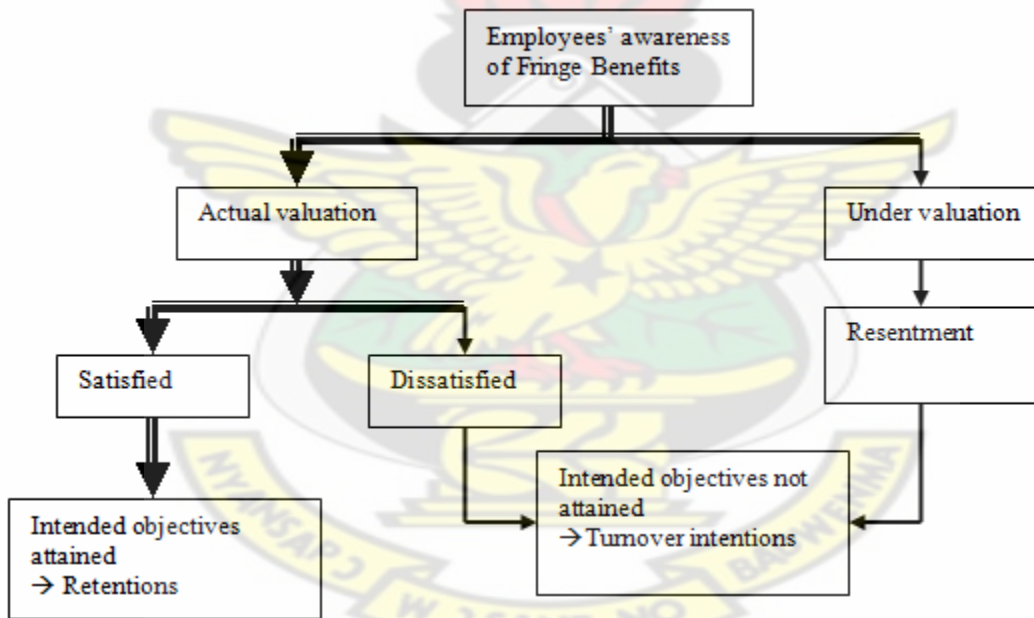
Byars and Rue (1997) discussed communicating the benefits package to employees. They stated that the average employee often has little or no idea of what he or she is receiving. This is because organizations do not make much of an effort to communicate their fringe benefits. Also the descriptive material or benefit, when available is often not easily understood by employees.

Weathington & Tetrick, (2000) pointed out that, in the era of globalization where information flows are free from one company to another as well as from one country to another, most organizations are at risk of losing the most talented employees. This is because talent employees are free to search and choose employers who have a benefit mix which corresponds to their utility functions. In this respect, organizations are struggling hard to offer and adjust fringe benefit packages so as to meet employees' expectations and preferences. In this respect, the key to positively influencing employees is for the employers to offer benefits that employees view as important. However, organizations cannot realize the full potential of offering competitive fringe benefits unless employees have sufficient knowledge about these packages.

Accordingly, benefits offered by the company need to be positively perceived and valued by employees so as to have the intended influence on employees' behavior and

attitudes. If the benefit is not positively valued by the employee, it falls within the employee's "zone of indifference" and the presence or absence of such benefit in the workplace have little effect to those employees (Kroegeer, 1995).

Literature suggest that, a benefit will be valued more highly if employees have accurate knowledge of the benefits offered to them. Accordingly, employees who have accurate view of their benefit coverage seem to have higher valuation of the benefits they receive and are satisfied with their benefit packages than employees who are less informed of their benefits (Dreher et al., 1988). This boosts their morale and increases their productivity level. This is shown in the figure below:



**Figurer 2.1: Employees' awareness of Fringe Benefits**

(Source: Author's construct: International Journal of Business and Management Studies)

Noe et al (2009) said employers have many options for communicating information about benefits. To increase the likelihood that employees will receive and understand the messages, employers can combine several media such as brochures, questions-and-answer

meetings, intranet pages, memos and e-mail. Some other possible media include retirement or health coaching, training pages and benefits fairs. It must be noted that an investment of creativity in communications to employees can reap great returns in the form of committed, satisfied employees.

## **2.11 FLEXIBILITY IN ADMINISTERING INDIRECT COMPENSATION**

According to Mathis and Jackson (1999), a flexible benefits plan allows employees to select the benefits they prefer from groups of benefits established by the employer. By making a variety of “dishes” or benefits available, the organization allows each employee to select an individual combination of benefits within some overall limits.

In keeping with Snell and Bohlander’s (2010) philosophy, organizations may offer flexible benefits plans, also known as “cafeteria plans” to accommodate the individual needs of employees. These plans enable individual employees to choose the benefits that are best suited to their particular needs. They also prevent certain benefits from being wasted on employees who have no need for them. Furthermore, companies realize they can get a better return on investment by tailoring benefits to an employee’s stage of life or family status; in other words, employees select the benefits of greatest value to them, while employers manage benefits costs by limiting the money employees have to spend.

From the literature, it would be noted that if managers resort to the above, it would result in employees selecting benefits to match their individual needs, they would gain greater understanding of the benefits offered to them and the costs incurred as well as limit benefit costs by allowing employees to “buy” benefits only up to a maximum (defined) amount. Also, employers will maximize the psychological value of the indirect compensation programmes by paying only highly desired benefits and gain competitive advantage in the

recruiting and retention of employees.

## **2.12 GUIDELINES TO MAKE INDIRECT COMPENSATION PROGRAMMES MORE EFFECTIVE**

Aswathappa (2007) outlined five (5) steps to be taken by employers while administering indirect compensation.

- (1) Establishing the objectives of employee benefits:** No benefit plan is properly designed unless it meets the employer's objectives. Managers should ensure that their organizations have specific written objectives that have been approved by the board of directors or by the owners of the firm. These objectives will vary for each individual organization, depending upon such factors as size, location, industry, the results of collective bargaining and the philosophy of the employer. The objectives would also help the organization in determining the types of indirect compensation they should provide to employees and make decisions in this regard.
- (2) Assessing environmental factors:** External as well as internal factors influence an organization's indirect compensation programme. Among the external factors are government policies and regulations (wage regulations, tax policies and specific benefits laws), unions and economic factors. Organizational strategies and objectives, employee preferences and demographics constitute the internal environment of employee benefits. For instance, most employee benefits are tax free, and hence are unlikely to appeal to employees with higher incomes. A vast majority of workers may not be attracted by such tax-free benefits. For them, fewer tax advantages exist, or these employees may have more immediate needs which can be met only by cash benefits. Assessing these factors is essential for Managers to achieve effective indirect compensation programmes.

**(3) Assessing competitiveness:** This has to do with how the organization's benefits compare to other competitors. Managers should do well to ensure that their organizations offer benefits to match or outstrip those offered by competitors. The competitor's benefit packages could be assessed through market surveys conducted by professional associations and consultants. These surveys provide data on the various benefits offered, their coverage, eligibility and costs. The data will help employers to assess the competitiveness of their benefits and costs, with those offered by others.

**(4) Communicating benefit information to employees:** Benefit programmes must be communicated to employees through booklets, brochures, slide presentations and regular employee meetings. An effective technique is to use employee calendars which communicate the total remuneration components. Each month of the calendar shows a company employee receiving a benefit, for example one month may feature a photo of an employee building a new home, made possible through the company's savings plan. Another month may feature the usefulness of the company's medical plan. Communication helps remove ignorance of employees (and of employers too) about indirect compensation. Further, employers might be able to increase the productivity and the advantages of good indirect compensation by making employees aware of what the company does for them that does not appear on their pay slips.

**(5) Controlling employee benefit costs and evaluation:** One way of assessing the usefulness of fringes is to ascertain how far the advantages claimed in favour of indirect monetary schemes have really benefited the employees. At this point Managers need to check whether the earnings of employees have improved, benefits have been able to attract and retain competent people and if the morale of employees has gone up. Again,

there is the need to find out whether industrial relations have improved. The answers to these and other related questions help Human Resource Managers assess the effectiveness of indirect Compensation and also to redefine their objectives where necessary.

The above points made by Aswathappa are steps in the right direction. Once these measures are put in place, organizations would be in positions to provide attractive and competitive indirect compensation packages that would encourage employees to give off their maximum best as far as productivity is concerned.

Armstrong (2006) indicated that in order for organizations to be able to provide their employees with attractive employee benefits, the indirect compensation system should be audited regularly to assess its effectiveness, extent to which it is adding value and its relevance to the present and future needs of the organization. This audit should include assessment of opinions about the system by its key users and those who are affected by it. In reviewing Armstrong's position, one would realize that the above will lead to a diagnosis of strengths and weaknesses and an assessment of what needs to be done and why. Thus, the operation of the indirect compensation system should be monitored continually by the Human Resource Department and external relativities should also be monitored by conducting surveys.

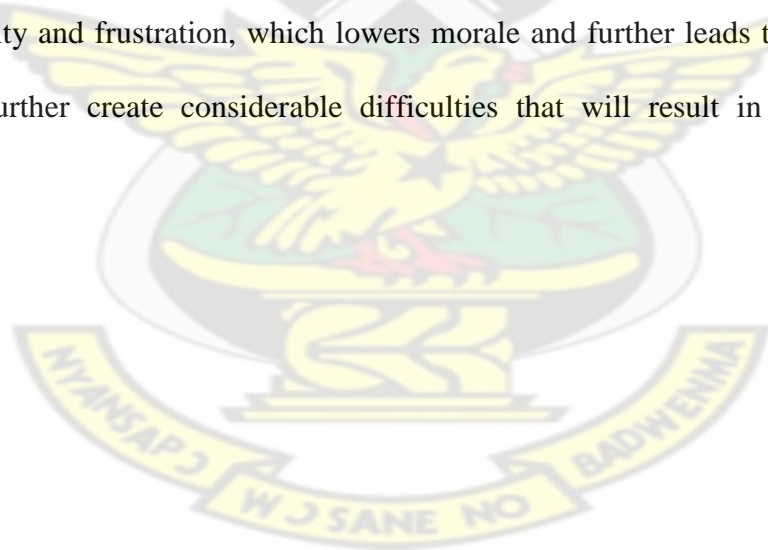
## **2.13 CONCLUSION**

There is no denying that, some extent of research and developments have characterized the very important subject of Indirect Compensation. It may be repeated that the subject has been researched from various perspectives by various authors. Poor or low morale is another form of dissatisfaction in an organization which may bring about low



productivity or even turnover; people will be disposed to stay in an organization when they believe that their efforts will get them what they most want. When organizations provide their employees with attractive rewards it helps in attracting highly qualified employees and retaining them, as well as increasing their morale to perform their best. It is therefore important that organizations will conduct a survey to find out what types of indirect compensation packages are being provided for employees in other organizations and look for data that will be useful in designing competitive benefit packages.

The welfare and concern of workers is fundamental to the day-to-day activities of any organization and are crucial factors that contribute to the success of an organization. This is because if an organization fails to provide adequately for its employees, as far as Indirect Compensation is concerned, people feel insecure and will not give off their best. This could breed insecurity and frustration, which lowers morale and further leads to low productivity. This could further create considerable difficulties that will result in the failure of the organization.



## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 INTRODUCTION**

This chapter sets out the steps and procedures that were followed in conducting the research; in other words, the methodology, which also includes the research design, is presented in this chapter. Specifically, the chapter presents the procedures to be followed in selecting research subjects, developing the instruments, collecting and analyzing data, and finally, making sense of data so collected.

The term 'methodology' refers to the structured sets of procedures and instruments by which research is conducted. It is a framework within which facts are registered, documented and interpreted in a piece of research. The two basic methodological approaches to which different studies might naturally lend themselves are the qualitative and the quantitative methods. Whilst qualitative research is more descriptive, quantitative research more often draws inferences based on statistical procedures and often makes use of graphs and figures in its analysis (Ghuri and Grønhaug, 2005).

In recent years, it has become common to use both qualitative and quantitative methods in a single research (Ghuri and Grønhaug, 2005). In this study, the researcher made use of both methods. However the quantitative approach featured more. On the other hand, the qualitative approach was also needed more in the explanatory aspects of the observed relationships in this study. Quantitative research methodology was used because the impact that indirect compensation has on the productivity of employees required empirical measurements or variables for the purpose. Qualitative approach was also considered appropriate because it allowed for probing and exploring the views of employees on the

whole implementation process, which lead to an understanding of unquantifiable results. Knowing very well that the creditability and validity of any research findings largely depend on the methods employed in data gathering, analysis and interpretation, the researcher adopted conventional methods and procedures that did not only establish the credibility of the findings, but also facilitated easy reading and understanding of the final report.

Given below are the details of the research methodology used. This section focuses on the research design, population and sampling, instruments, data collection procedure and mode of analysis used in this study.

### **3.2 RESEARCH DESIGN**

The research design adopted for this study was cross-sectional survey. According to (Fraenkel & Wallen, 2006), a cross-sectional survey collects information from a sample that has been drawn from a predetermined population and information is collected at just one point in time. This design was adopted to enable the researcher gather information from a group targeted population (sample) who are part of the main population (Central University College). This sample comprises management board, faculty, and non-academic staff. The objective is to describe some aspect of characteristics (such as opinions), and to make relevant inferences from the data collected (representative in nature) about some characteristics, and attributes for the entire population.

Data for this study came from both primary and secondary sources. Primary data was gathered from employees of Central University College using structured survey questionnaire and personal interviews. The secondary data was gathered from sources including various published sources. These published sources were from books on general organization, human resources management, journals and internet resources as well as the Administrative

and Conditions of Service Manual of CUC. Data collected was analyzed with frequencies, percentages, tables and graphs.

### **3.3 STUDY POPULATION**

Although CUC has campuses at National Insurance Commission, Christ Temple and Dansoman, the researcher decided to use the Miotso and Mataheko campuses as the main domain. This is because the entire university is too large to study. CUC's staff strength stands at 391. For the purpose of this study, only 105 staff representing 27 percent out of 391 distributed over two campuses was used for the study.

### **3.4 SAMPLE AND SAMPLING PROCEDURE**

Due to financial, time and material constraints the researcher chose a sample size of 105 for the study. In all staff from five academic departments, (Department of Accounting & Finance, Department of Economics, Department of French, Department of Human Resource Management and Department of Marketing) and five non-academic departments (Accounts, Estates, Library, Public Relations Unit and Registry) was used for the study. These Departments were conveniently chosen due to their proximity to the researcher and accessibility to information. The sample size of 105 from the sampling frame is quite representative of the entire population of staff of CUC. The total list of all staff of Central University College in the sampled departments was taken from the Human Resource Directorate. This formed the sampling units from which the sample of 105 was taken.

The research involved the use of Stratified Sampling procedure. Stratified Random Sampling is a modification of random sampling in which the population is divided into two or more relevant and significant strata based on one or a number of subsets. A random

sample is then drawn from each of the strata. It is also more representative, that is it ensures that every characteristic of the population is represented and it is good for small samples. Stratified sampling procedure was used because it is more efficient than simple random sampling and it provides data to represent and analyze subgroups. Even though this procedure has some disadvantages such as being expensive and taking a longer time because of the extra stage in sampling procedure, the researcher still opted for this technique due to the different groups or levels the researcher had to deal with and because the advantages far outweigh the disadvantages. The following equation which shows the relations between strata and population was used to determine the sample from each stratum. (Source: <http://en.wikipedia.org/wik>)

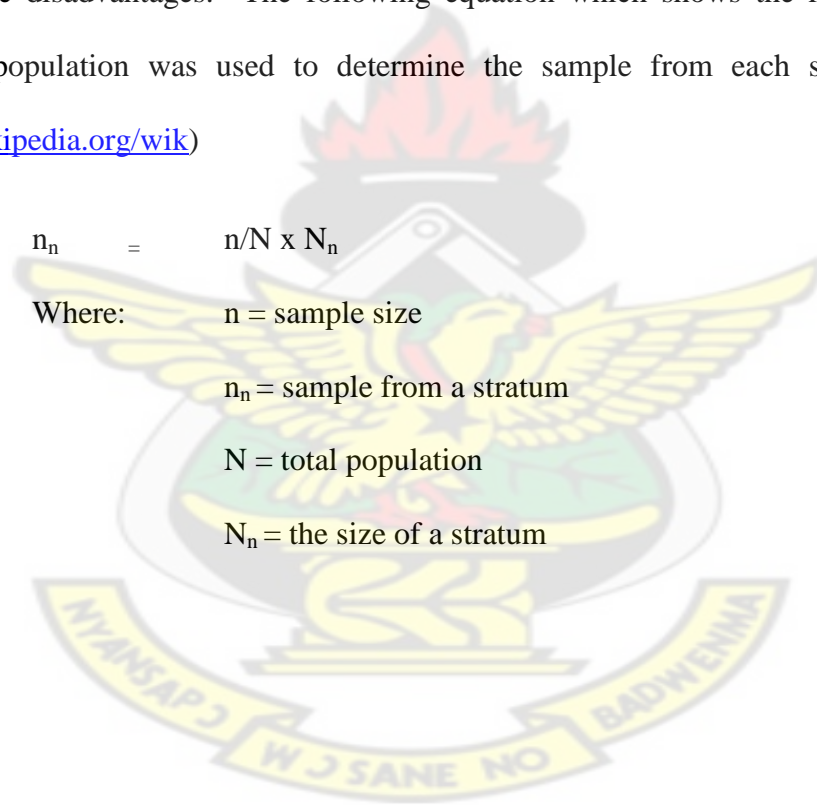
$$n_n = n/N \times N_n$$

Where:  $n$  = sample size

$n_n$  = sample from a stratum

$N$  = total population

$N_n$  = the size of a stratum



**Table 3.1: Sample of Population**

| <b>Population</b>               | <b>Sample Size (n)</b> | <b>%</b>   | <b>Sample from Stratum (n<sub>n</sub>)</b> |
|---------------------------------|------------------------|------------|--|
| Senior Members (Academic)       | 137                    | 35.0       | 36   |
| Senior Members (Administrative) | 43                     | 11         | 12   |
| Senior Staff                    | 115                    | 29.4       | 31   |
| Junior Staff                    | 96                     | 24.6       | 26   |
| <b>Total</b>                    | <b>391</b>             | <b>100</b> | <b>105</b>                                 |

Source: Field data 2012

From the above the researcher selected 105 out of 391 employees in CUC using proportional allocation of stratified random sampling. The sample from Senior Members (Academic) for example was determined as follows:  $= 137/391 \times 105 = 36$  employees. To do the selection, each item within the stratum is given a unique number and a sample was selected at random using the lottery method. The selection was done using the list of employees provided by the Human Resource Directorate. Each employee was assigned a number and the number of each employee was written on a piece of paper and folded so that each employee would have an equal chance of being selected. The folded papers were then placed in a box and the researcher picked one at a time until the required number was achieved.

### **3.5 RESEARCH INSTRUMENTS**

The correct selection of instruments is essential for achieving the research outcome. In particular, the instruments need to be established in what they measure (validity) as well as how they measure (construct and reliability) in order to answer the research questions.

Further, the nature of the instruments needs to support the research design. For this study, the use of questionnaire and personal interview were considered appropriate. Validity refers to the extent to which an instrument measures what it is supposed to measure (Wiersma and Jurs 2005). Reliability of an instrument is concerned with the consistency of its measures (Wiersma and Jurs 2005). In other words, an instrument is seen as being reliable if changes in a respondent's repeated measurements are attributable only to chance. It is important for an instrument to be reliable if, on its basis, conclusions are to be drawn for a wider population.

### **3.5.1 QUESTIONNAIRE**

Questionnaire is a general term which includes all techniques of data collection in which each person is asked to respond to the same set of questions in a pre-determined order (de Vaus, 1991). It includes structured interviews and telephone questionnaires as well as those in which the questions are answered without an interviewer being present. A set of questions were presented to the staff of CUC, specifically the departments selected. One set of questionnaire with four sections was developed. Extra care was taken in choosing the questions and their form, wording and sequence. Open and closed ended questions were used. According to McBurney (1994), the closed ended questions are those questions which limit the respondents to certain alternatives determined in advance by the researcher of the questionnaire. The open-ended questions on the other hand are those that allow the respondents to answer in their own words. The researcher considered these two types of questions on the questionnaire in order to allow the respondents to provide relevant and practical information on indirect compensation issues in the organization. It was realized that the questionnaire as a method of collecting data presented some advantages. It is cheaper,

more impersonal and can be used to collect data from a larger population. It also allowed the respondents to answer questions more frankly and freely.

### **3.5.2 INTERVIEWS**

The researcher also used short personal interview in the data collection process. Interviews are defined as procedure designed to solicit information from a person's oral responses to oral inquiries (Dessler, 2004). This instrument was chosen because it affords the opportunity to have a personal contact with the respondent (s), thus obtaining prompt feedback and a prolonged discussion.

### **3.6 DATA COLLECTION PROCEDURE**

Questionnaires, whose main aim was to gather primary data, were designed to elicit responses on the main constructs investigated in this study. The questionnaire involved questions that extracted information on demographic profile of the respondents and the segments of the University they are associated with, as well as the number of years they have been working with the University. A short personal interview with the Director (Human Resource Management) of the University also provided an opportunity for the researcher to be exposed to some other perspectives on indirect compensation which the questionnaires did not capture. These together with the library and desk research enabled the researcher to fully appreciate some of the responses to the questions in the questionnaires as well as some comments and remarks made on them.

In line with the guidelines by the Research Ethics Committee at Central University College, all the respondents were adequately informed about the purpose of the study and their consent was sought to use the data collected in this particular study. It was stressed, that



participation in this study was entirely voluntary and that their bio-data would be kept in high confidence.

Though the researcher is a staff of Central University College, it was a bit difficult to gain access to the organization and the respondents. The challenge bordered on being able to gain familiarity with their world or share their reality, getting them to speak to the researcher in an open, co-operative, and sincere manner. The researcher had to convince the management of the University that the study was meant for the intended purpose and nothing else. Access was subsequently granted the researcher to the Administrative and Conditions of Service Manual and to the members of the University. Completed questionnaire were then collected for processing. It must however be noted that out of the 105 questionnaires administered, 89 were realized.

### **3.7 DATA ANALYSIS**

Data analysis is the second last step in the research process and provides the arguments for the research discussion and the drawing of conclusions. Further, it should provide the information relevant for answering the research questions. Microsoft Excel Spreadsheet was used in analyzing data gathered from the questionnaire and information gathered from the personal interview was summarized. Data was accordingly entered into the system to obtain various summaries, percentages and frequencies. These were depicted in the form of tables and graphs. Much more details on analysis are presented in Chapter four.

## CHAPTER FOUR

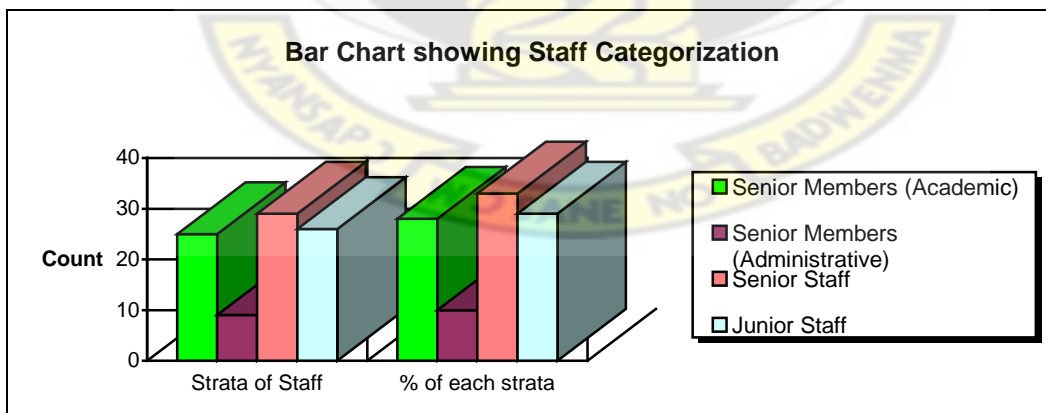
### DATA ANALYSIS AND DISCUSSION OF FINDINGS

#### 4.1 INTRODUCTION

In this chapter, the data obtained from the fieldwork are presented and analyzed in the form of frequencies, percentages, bar and pie charts. The researcher analyzed how indirect compensation impacts on employee productivity and discusses the findings especially in relation to the theories espoused in the literature review (Chapter 2). Out of 105 respondents targeted, 89 were realized, a response rate of 85%.

#### 4.2 STAFF CATEGORIZATION

Respondents were grouped under four main headings namely, Senior Members (Academic), Senior Members (Administrative) Senior Staff and Junior Staff. Out of a total of 89 respondents 28% were senior members (academic), 10% were senior members (administrative), 33% were senior staff and 29% were junior staff. This indicates that most of the respondents were in the senior staff category.

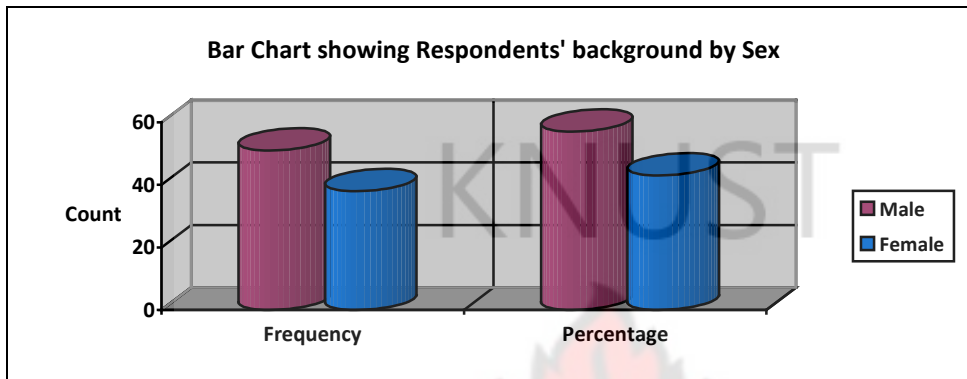


**Figure 4.1 Staff Categorization**

Source: Field data, 2012

### 4.3 RESPONDENTS' BACKGROUND BY SEX

The study assessed the respondents by categorizing them by their gender in order to ascertain the gender basis to see if there was a fair representation among the respondents.



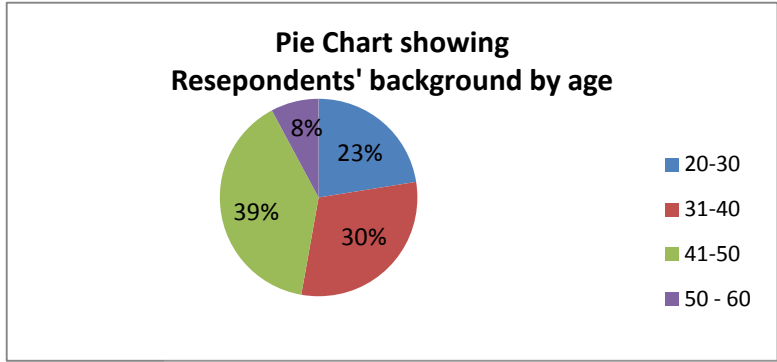
**Figure 4.2 Respondents' background by Sex**

Source: Field data, 2012

As depicted in figure 4.2, it was realized that about 57% of respondents sampled were males while 43% were females. This attests to the National Population and Housing Census conducted in 2010 which indicated that males constitute a greater proportion of gender in the formal sector than females, though the population of females in Ghana is relatively higher than males [[www.statsghana.gov.gh](http://www.statsghana.gov.gh)]

### 4.4 RESPONDENTS' BACKGROUND BY AGE

The age distribution of the respondents ranged from 20 to 60 with the age group 41 - 50 scoring the highest frequency of 35 representing 39% of total respondents. This was followed by the age group of 31 - 40 with a score of 27 representing 30% of total respondents. The age group 20 - 30 scored 20 which represent 23% whilst the age group 50 - 60 recorded the lowest frequency of 7 representing 8%.

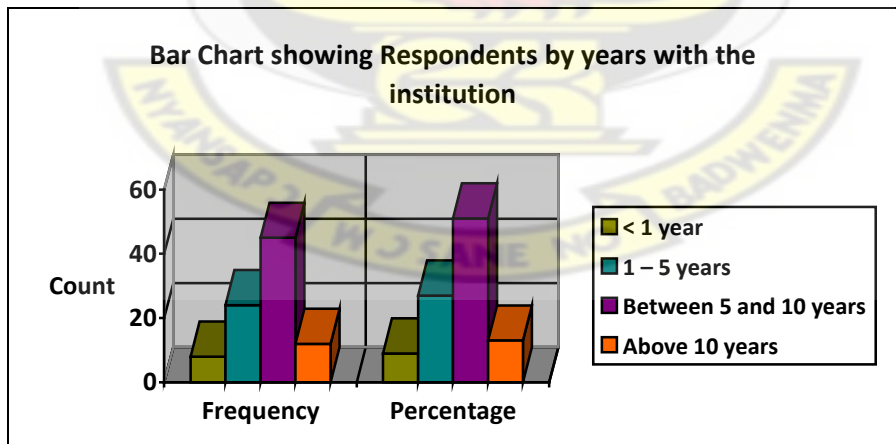


**Figure 4.3 Respondents' background by Age**

Source: Field data, 2012

#### 4.5 RESPONDENTS BY YEARS WITH INSTITUTION

The statistics also indicated that, staff who have worked with the University between 5 - 10 years scored the highest frequency of 45 representing 51% followed by the group between 1 - 5 years, who recorded 24 (27%). The group who have been in the institution for more than 10 years scored 12 (13%) and the least being the group less than 1 year recording 8 (9%).

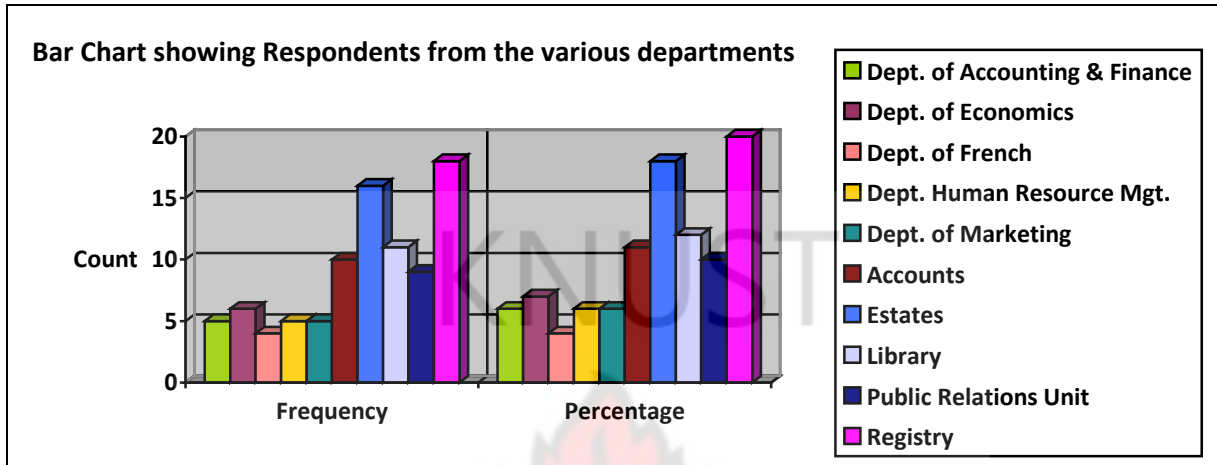


**Figure 4.4 Respondents by years with the Institution**

Source: Field Data (2012)

## 4.6 NUMBER OF DEPARTMENTS

The figure below indicates that most of the respondents came from the Registry.



**Figure 4.5 Respondents from the various Departments**

Source: Field survey, 2012

## 4.7 ANALYSIS & DISCUSSIONS OF RESEARCH QUESTIONS

### 4.7.1. THE INDIRECT COMPENSATION SYSTEM OF CUC

In seeking an answer to what the indirect compensation system of CUC entails, the Director (Human Resource Management) explained that the human resources policies and practices of CUC which is a series of declared mode of actions that provide the framework for the decisions relating to the human resource of the University are captured in the Administrative and Conditions of Service Manual. This includes all indirect compensation packages provided by the institution. He added that the manual is designed to be used in conjunction with other CUC documents such as Statutes, University Calendar and other reports. He further mentioned and explained what some of these packages really entail. Details of these are below:

### **i. SSNIT Pension Scheme**

Management ensures that the social security contributions of employees (which is legally mandatory) is paid by CUC. According to the Director (Human Resource Management), at the end of every month, 5.5% of an employee's pay is deducted and the University adds 13% of the employee's pay making 18.5%. This amount is paid to the Social Security and National Insurance Trust (SSNIT) as the person's social security contribution which provides basic retirement income to those who have worked in the employment for a specific number of years. According to him, the reason behind the payment is to provide income to persons who have ceased working as a result of retirement, so as to provide funds to live on until they become deceased.

### **ii. Vacation & other Leaves**

According to the Director (Human Resource Management), Senior Members are entitled to 36 days leave to be taken when students are on vacation (July to August) and year round (in the case of administrative staff). Senior Staff are entitled to 28 days while Junior Staff are permitted to take 22 days leave. He added that leave may not be deferred to accumulate except by approval of the President of the University. As far as possible, earned leave shall be granted at a time most convenient to the employee and the University. If the exigencies of the service do not make it possible for the University to grant the leave, the employee shall have the option to commute it to cash, subject to approval or accumulate the leave.

Casual Leave is granted when an employee applies in writing to enable him/her attend to urgent personal affairs. For instance, an employee may apply for Casual Leave

when a close relative is seriously ill and there is the need for that relative to be attended to. It is granted only after an employee has exhausted his/her earned leave. A maximum of five (5) days is granted within a year.

The University may on application, grant an employee leave of absence to sit an examination. Such leave shall not exceed seven (7) working days in his/her annual leave. Such additional leave shall be deducted from the Employee's outstanding earned leave, or future leave.

### **iii. Rent Loan**

An approved rent allowance is paid to staff contractually entitled to University accommodation who live in rented apartments. Where the University is expected to advance loan to the staff involved, the laid down procedure must be followed through the University's Projects Office.

### **iv. Provision of Medical Services**

The University endeavours to safeguard the health of its employees. It therefore provides free medical and partial dental facilities to all employees and their families (i.e. spouse and four (4) children of not more than twenty-one (21) years and still in school) at the University's Clinic or any recognized medical facility approved by the University. Where an employee is involved in an accident arising out of and in course of his/her official duty, his subsistence cost is paid by the University. Also, if a Government Medical Board certifies the necessity for treatment outside Ghana for an employee, the University shall grant such expenses as may be determined by the Board of Regents.

#### **v. Regularity of Promotion**

Promotion is moving from a lower level to a higher level on the ladder of progression. In CUC it is done through supervision of work and sometimes attendance of courses. According to the policy, employees are to be promoted after they have stayed on a particular grade for not less than four (4) years.

#### **vi. Study Leave**

By granting study leave, an employee's performance and efficiency are enhanced after he has finished his course. In addition, it enables some employees to take higher positions in the absence of those occupying such positions. The Director (Human Resource Management) explained that the University grants 50% and 100% scholarships to employees (administrative staff) who have worked with the institution for three (3) and five (5) years respectively and are pursuing first degree programmes. However, there is keen competition since the University can grant scholarships to only a few employees per year. Again, the University encourages all employees in this category to enroll and study in Central University College in order to get the scholarship.

#### **vii. Training**

Another indirect compensation that employees enjoy is training which could be received internally or externally. On first joining the University, employees are given orientation to acquaint themselves with their new work environment. Subsequently, seminars, workshops and conferences are organized periodically for employees. It was explained to the researcher that this benefit is provided because training is a supplement to the trainee's academic education. It prepares him to perform better and enables him to



undertake higher responsibilities. Training is also beneficial to both the employee and employer as it improves efficiency and morale, affords the employee an opportunity to learn new techniques and provides for succession and qualified replacements to be available.

#### **viii. Motor Car & Motor Cycle Loans**

To assist an employee to acquire a means of transport for the efficient discharge of his/her duties, CUC grants, subject to availability of funds, a loan for the purpose where it considers it necessary and the repayment of such a loan attracts a 5% interest which is spread over a maximum of five (5) years. To qualify for a loan, an employee must have been confirmed in his/her position and must require a means of transport for the efficient performance of his/her duties. This category of staff are also provided with fuel and vehicle maintenance allowance. Again, the University recognizes the problems of transportation and therefore employees who work on the Miotso campus who do not own vehicles are transported to and fro on daily basis. Transport allowance is also payable to staff who work on other campuses and do not own vehicles to assist them in commuting. At the moment, 5 senior members and 3 senior staff are given car loans while 3 junior staff are given motor cycle loan per year.

#### **4.7.2. IMPLEMENTING INDIRECT COMPENSATION SYSTEM IN CUC**

Below are the findings of the researcher as far as the extent of implementation is concerned.

**Table 4.1: The extent to which employees are satisfied with the implementation of the indirect compensation packages indicated below:**

The following scales were used: 5: To a great extent; 4: To some extent;  
3: Neutral; 2: To less extent 1: To little extent

| INDIRECT COMPENSATION          | SCORES (Frequency & Percentages) |             |             |             |              |
|--------------------------------|----------------------------------|-------------|-------------|-------------|--------------|
|                                | 1                                | 2           | 3           | 4           | 5            |
| SSNIT Pension Scheme           | -                                | -           | -           | -           | 100%<br>(89) |
| Vacation Leave                 | -                                | 28%<br>(25) | -           | 10%<br>(9)  | 62%<br>(55)  |
| Casual Leave                   | 13%<br>(12)                      | 17%<br>(15) | 17%<br>(15) | 35%<br>(31) | 18%<br>(16)  |
| Examination Leave              | 12%<br>(11)                      | 23%<br>(20) | 28%<br>(25) | 37%<br>(33) | -            |
| Provision for Medical Services | -                                | -           | -           | 11%<br>(10) | 89%<br>(79)  |
| Regularity of Promotion        | 9%<br>(8)                        | 26%<br>(23) | -           | 20%<br>(18) | 45%<br>(40)  |
| Study Leave                    | -                                | 26%<br>(24) | 7%<br>(6)   | 10%<br>(9)  | 57%<br>(50)  |
| Training                       | -                                | 36%<br>(32) | -           | 9%<br>(8)   | 55%<br>(49)  |
| Motor Car & Motor Cycle Loans  | 12%<br>(11)                      | 41%<br>(37) | 5%<br>(4)   | 15%<br>(13) | 27%<br>(24)  |
| Rent Loan                      | 6%<br>(5)                        | 16%<br>(14) | -           | 47%<br>(42) | 31%<br>(28)  |
| Long Service Award             | 68%<br>61                        | 24%<br>21   | 8%<br>7     | -           | -            |

Source: Field data 2012

The results showed that all 89 employees (100%) are fully satisfied with the SSNIT Pension Scheme because it is being fully implemented by Management. This amply supports the point put across by Bratton and Gold (2003) that employees turn to work in a relaxed

atmosphere when they know that their future has been well taken care of in the form of pensions and retirement benefits.

From the above table, 62% said they were satisfied with the vacation leave to a great extent, while 10% are satisfied to some extent. 28% of the population said they were satisfied to a less extent. However, the study revealed that, some employees (especially faculty members) are not able to proceed on leave because they mark examination scripts while students are on holidays or they still have to teach within that period since the University runs a trimester system. This does not conform to what the Director, Human Resource Management said. Respondents further pointed out that as a result of not proceeding on leave annually (as should be the case), they do not get enough time to rest their minds and bodies. Thus, they become stressed and feel tired both physically and mentally and this affects their performance sometimes.

As far as Casual Leave is concerned, 18% say it is implemented to a great extent, 35% to some extent, 17% to less extent, 13% to little extent while 17% remained neutral. According to 37% of the sampled population, examination leave is implemented to some extent, 23% to less extent and 12% to little extent. 28% of the respondents however remained neutral. Although Ashatu (2011) laid emphasis on the importance of making employees aware about the indirect compensation packages available in an organization, some employees noted that they are not even aware that benefits such as Examination and Casual leaves exist and therefore do not take advantage of such benefits. For this reason, urgent personal issues are not attended to by employees who have exhausted their annual leave and this may result in loss of concentration while at work.

As shown in the table, 22% of the population said rent loan is implemented to a less

or little extent. However, though 78% (larger percent) say it is being implemented to a great or some extent, some employees said that the processes through which one has to go in applying for the rent loan is a bit cumbersome and bureaucratic. This sometimes delays the time the applicant receives the money and leads to running into problems with landlords. Others also opined that they would prefer the University building small accommodation units at the Miotso campus and renting them out to staff at reasonable rates (as it is in some public universities) as this will aid punctuality and save them from getting stressed (since majority of workers live in Accra central), as well as protect them from running into issues with accommodation agents.

With regards to provision of medical services, 89% of respondents said it is implemented to a great extent and 11% said it is implemented to some extent. Some employees however stated that in cases where an employee has to attend a government hospital and come for a refund of hospital bills later, it takes a while for one to recoup that money due to the bureaucracies in the system.

65% of the respondents said they agreed to the regularity of promotion to a great or some extent whereas 35% agreed to a less or little extent. Other respondents (especially administrative staff) believed promotion is irregular, since some employees remain on the same grade for too long a period with the excuse that their promotion is subject to vacancy on the next level of their career ladder. This does not tally with what the Director, Human Resource said. Others were of the opinion that management is sometimes biased since they promote their “favourites” out of turn even when they do not deserve it. Also, Holders of Master of Administration (MA) feel it is unfair for them to be placed on a lower rank as compared to those who possess Master of Business Administration (MBA). Advancement

plays a major role in all spheres of human activity. Every person acknowledges advancement in his working life; hence if promotion is delayed it serves as a de-motivator and affects productivity.

On the issue of study leave, some employees are of the view that some programmes that they are interested in pursuing are not offered in the University, for instance Library Studies. In addition some feel it is about time the University started sponsoring employees to pursue Masters Degree programmes. As shown in table 4.5, 57% believe study leave is granted to a great extent, 10% to some extent, while 7% remained neutral. 26% of respondents however said it is implemented to a less extent. They mentioned that the above concerns affect their efficiency and performance which further affects general organizational productivity. It must however be noted that the university has started giving full scholarships to lecturers to further their education at the PhD level in a university of their choice.

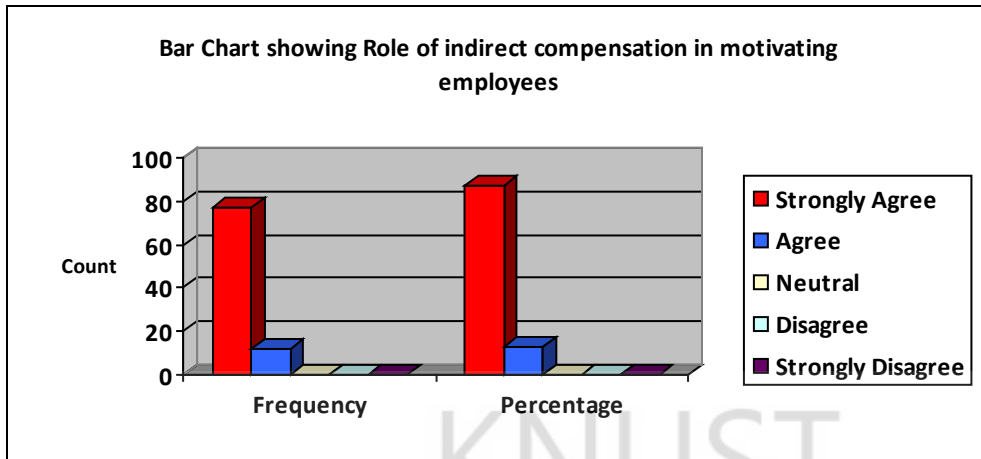
The table illustrates that 64% of the respondents are pleased with the way training programmes are organized. However, 36% of the respondents think otherwise. This latter group opined that though some forms of training like conferences, seminars and workshops are organized for employees these are not done regularly. Employees believe insufficient training contributes to low efficiency and thus, affects their work output.

The table also shows that about 42% of respondents opined that the car and motor cycle loan is implemented to a great or some extent, 5% remained neutral while 53% said it is implemented to a less or little extent. Most of these respondents stated that the number of people given these loans per-annum is small and should therefore be increased. They added that the amount involved should also be augmented to enable employees purchase stronger and more efficient vehicles or motor cycles.

In responding to whether workers are honoured or given Long Service Awards, 82 respondents (92%) said it is done to a little or less extent, while 7 respondents (8%) remained neutral. Researcher learned that employees are supposed to be honoured for excellence and long service to the University by being given cash, certificates and gifts. Long Service Awards are to be given on yearly basis. Incidentally, this is not the case. It is not done on yearly basis and the first and last time long serving employees were honoured was in 2009 during CUC's 10<sup>th</sup> Anniversary celebrations. As suggested by Hodgetts (2000) that organizations should develop a support system for recognizing and rewarding good performance, management of CUC is acting contrary to that. Long Service Award is not being implemented as should be the case. This directly or indirectly de-motivates employees because they expect management to show appreciation for being loyal to the University.

#### **4.7.3. ROLE OF INDIRECT COMPENSATION IN MOTIVATING EMPLOYEES**

Asked whether respondents believe a well cut out policy on indirect compensation and its proper implementation affects morale of employees, 87% said they strongly agree while 13% agreed. This is a strong indication that indeed, indirect compensation plays a significant role in boosting the morale of employees and results in higher productivity. They also agreed strongly that morale of employees are affected positively because it creates more efficiency, provides job security and job satisfaction, frustration is reduced and employees remain loyal to the organization.



**Figure 4.6 Role of Indirect Compensation in motivating employees**

Source: Field data 2012

#### **4.7.4. IMPACT OF INDIRECT COMPENSATION ON PRODUCTIVITY OF CUC EMPLOYEES**

All 89 respondents strongly agreed to an initial question posed to them as to whether there is a link between a well implemented indirect compensation and high productivity. They were subsequently asked to indicate their degree of agreement or disagreement to a number of statements with regards to the above research question. The table below shows their reactions. All put together, the table shows that all respondents (100%) agreed or strongly agreed that indirect compensation impacts positively on productivity by improving punctuality, creating job security, making employees willing to learn new skills, improving the health of employees and motivating them to perform better (which scored 100% in the Strongly Agree category).

**Table 4.2 Impact of indirect compensation on employee productivity**

| STATEMENTS   | SCORES (Frequency & Percentages) |        |        |             |             |
|--|----------------------------------|--------|--------|-------------|-------------|
|  | 1<br>SD                          | 2<br>D | 3<br>N | 4<br>A      | 5<br>SA     |
| I believe indirect compensation impacts on productivity in the following ways: |                                  |        |        |             |             |
| Motivates employees to perform better  |                                  |        |        | (3%)<br>3   | (97%)<br>86 |
| Improves punctuality   |                                  |        |        | (20%)<br>18 | (80%)<br>71 |
| Creates job security and therefore commitment to work                          |                                  |        |        | (9%)<br>7   | (91%)<br>81 |
| Readiness to learn new skills and willingness to go the extra mile             |                                  |        |        | (22%)<br>20 | (78%)<br>69 |
| Brings improvement in the health of workers to keep them cheerful              |                                  |        |        | (6%)<br>5   | (94%)<br>84 |

Source: Field data 2012

#### **4.8 EMPLOYEES' VIEWS ON AWARENESS AND SATISFACTION, MOTIVATION, COMMUNICATION & CONFIDENCE IN THE INDIRECT COMPENSATION SYSTEM**

Generally, employees' views were sought on specific dimensions such awareness and satisfaction, motivation, communication and confidence. The analysis indicated that the extent of awareness & satisfaction of indirect compensation as well as the level of motivation is average since respondents scored 3.11 and 3.08 respectively out of 5.0. Extent of communication scored 3.18 while confidence in the system scored 3.23.

As far as awareness & satisfaction and communication are concerned the researcher noticed that most respondents who agreed to a great or some extent were senior members



whiles most of those who agreed to a less extent belonged to the senior or junior staff category. This is an indication that the contents are either not available or communicated to employees. Some respondents further explained in the questionnaire that the conditions of service manual is mostly made available only to senior members and are therefore not aware of some of the benefits available. As such, they get to know of some of the available benefits through the grapevine. This is a typical of example of what Byars and Rue (1997) noted that the average employee often has little or no idea of what he or she is receiving because organizations often do not make much of an effort to communicate fringe benefits to employees.

For employees' views on Motivation, they were asked how often they receive praises, recommendations or given citations at special functions. Some employees noted that though the University instituted a worker of the month award, it is not done often. Besides, they have no idea of what criteria is used; others mentioned that almost all workers who have won this award are from the Miotso campus. Thus, they believe the system is not objective since in their opinion there are equally hard working employees on other campuses. This opposes what Chhabra (2001) has said that it is important to maintain good relations to motivate a balance of objectives between both employer and employees.

**Table 4.3 Views of employees on Awareness & Satisfaction, Motivation, Communication and Confidence**

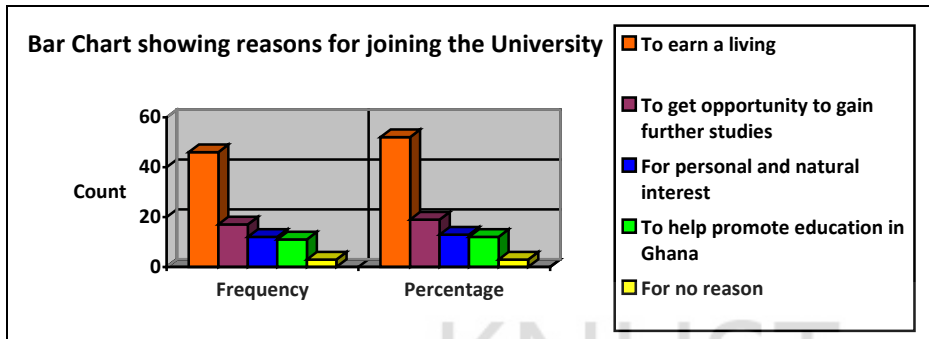
| DIMENSIONS                          | MEAN FREQUENCY |      |      |      |      |
|-------------------------------------|----------------|------|------|------|------|
|                                     | 1.00           | 2.00 | 3.00 | 4.00 | 5.00 |
| <b>Awareness &amp; Satisfaction</b> | -              | -    | 3.11 | -    | -    |
| <b>Motivation</b>                   | -              | -    | 3.08 | -    | -    |
| <b>Communication</b>                | -              | -    | 3.18 | -    | -    |
| <b>Confidence</b>                   | -              | -    | 3.23 | -    | -    |

Source: Field data 2012

## **4.9 ADDITIONAL MATTERS**

### **4.9.1 RESPONSES ON REASONS FOR JOINING THE UNIVERSITY**

Asked whether the respondents have special reasons for joining CUC, 52% said they joined to earn a living, 19% joined to get opportunity to gain further studies, 13% joined for personal and natural interest, 12% joined to help promote education in Ghana whiles 3% joined for no reason. From the above statistics, it can be deduced that only 12% of the population really want to assist in promoting education in the county. And only 13% have personal and natural interest in the jobs they are performing. A larger part of the population, that is, 52% joined to earn a living. This is a clear indication that majority of them expect the contents of the university's Administrative & Conditions of Service manual to be rich and adequate and that management would make it a point to implement it.



**Figure 4.7 Reasons for joining the University**

Source: Field data 2012

#### 4.9.2. OTHER ISSUES THAT AFFECT PRODUCTIVITY

Some respondents are of the view that there are other factors which contribute to low productivity. They mentioned that sometimes vehicles are not available to take employees on errands. Employees are expected to pre-finance such errands and come and claim their transport costs later, something which usually takes a while for the employee to recover his/her money. This they say sometimes de-motivates the employee from going to accomplish the assignment on time. Other respondents expressed the fact that the bureaucracy in the system sometimes affects productivity. For instance, students' application for result transcripts are submitted at the Examinations Unit at the Mataheko campus and then forwarded to the Miotso campus for final processing. This increases the number of days it takes for students to get their transcripts. Students then become agitated and complain about the unsatisfactory performance of staff.

From the above discussion so far, it can be said that answers to the research questions have been realized. To emphasize the main findings in this study, one can state without equivocation that indeed, indirect compensation impacts on the productivity of employees.

The next chapter provides concluding remarks and recommendations based on the research findings.

# KNUST



## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 INTRODUCTION**

This study investigated the impact of indirect compensation on employee productivity. In addressing the objectives, questionnaires were administered to 89 employees of the University. This chapter thus presents a summary and conclusion of the main findings of the study, based on which recommendations will be made.

#### **5.2 SUMMARY OF FINDINGS**

Employees were grouped into four categories such as, senior members (academic), senior members (administrative), senior staff and junior staff. Most of the respondents came from the Registry.

The first objective was to examine the indirect compensation system of Central University College. The Director (Human Resource Management) revealed that the human resource policies and practices of CUC are captured in the Administrative and Conditions of Service Manual of the University and includes all benefits provided by the university. He further mentioned and explained what some of these packages entail.

The second objective sought to determine the extent to which the indirect compensation system was being implemented. For benefits such as SSNIT Pension Scheme and Medical Services, almost all respondents were satisfied with the extent of implementation. A few however complained that the bureaucracies in the system sometimes made it difficult for employees who visit government hospitals to reclaim the bills they paid. With regards to regularity of Promotion, Study Leave, Training and Rent Loan about two-

thirds of the sampled population was satisfied to a great or some extent with the implementation. On the other hand, the remaining one-third of respondents was either neutral, satisfied to a less or little extent; an indication that they had issues with the extent of implementation. For Casual and Examination Leave, only half of the respondents were pleased with the level of implementation. Some respondents among the other half complained that they were not even aware of the existence of examination leave and therefore have not been benefiting. 42% of respondents were pleased with the Motor Car and Motor Cycle Loans and 5% remained neutral. Conversely, the other 43% believed that the benefit is being implemented to a less or little extent since the number of beneficiaries per annum is too small. With the exception of 7 respondents who remained neutral, all others said Long Service Awards are implemented to a less or little extent. Although employees are to be honoured for excellence and long service, the researcher learnt that the first and last time long serving employees were honoured was in 2009. Respondents also expressed the fact that certain packages like free lunch, interest free loans, and uniforms should be introduced or added to the already existing ones to make the benefits more attractive.

To find out whether indirect compensation plays a role in motivating employees was the third objective. It was evident that indeed a well cut out policy on indirect compensation and its proper implementation affects morale of employees since all respondents agreed and strongly agreed to this. Employees further indicated that their morale is negatively affected since they are not directly involved in the formation, discussion and implementation of indirect compensation; this, they say does not bring the best out of them since their productivity level is reduced.

Objective four was to explore how the implementation of indirect compensation

impacts on the productivity of employees. It was realized that it impacts positively on punctuality of employees, creates job security, makes employees willing to learn new skills and improves the health of employees. The study however showed that the strongest impact is that it motivates employees to perform better. Thus, it was finally revealed that there is a direct link between a well implemented indirect compensation and high productivity.

The views of respondents were also sought on their level of awareness and satisfaction of the existing benefits, whether these benefits are communicated to them, how it motivates them and their level of confidence in the system. It was realized that all these dimensions scored between 3.08 and 3.23 which was average on a scale of 1-5, meaning there is room for improvement.

Finally, it was highlighted that though the extent of implementation of benefits could affect the level of productivity, other miscellaneous factors such as non-availability of vehicles to run errands and the delays in re-claiming pre-financed transportation costs as well as the bureaucracies involved in processing students' requests also contribute to employees not performing satisfactorily sometimes.

### **5.3 CONCLUSION**

Generally, results of the research showed that certainly, indirect compensation plays a significant role in motivating employees. However, based on the findings of the study, it is concluded that though management of CUC implements some of the indirect compensation packages, there are other benefits that are not satisfactorily administered and this has an unenthusiastic effect of reducing morale of employees; thus, their productivity level is negatively affected.

It is worth noting that indirect compensation is not a form of employer's goodwill to workers but are facilitative services to build and maintain the morale of employees to achieve the objectives of the organization. Consequently, it is in the interest of various employers to provide them for enhanced organizational dreams. This will create efficient, healthy, loyal and satisfied labour-force.

#### **5.4 RECOMMENDATION**

This study tried to identify the impact indirect compensation has on productivity of employees. Findings from the analysis of data from respondents of this study have detailed concerns about the adequacy, flexibility, implementation and communication of benefits to employees as well as the general bureaucracies in the system. It is an undeniable fact that though Management of CUC has been implementing the benefits outlined in their conditions of service manual, they are not administered to the fullest as expected by employees. In view of the observations and conclusion of the study, the following recommendations are suggested by the researcher:

1. Indirect compensation or fringe benefits are important rewards and therefore influence employees' motivation and subsequently, productivity. Employees' preferences for different benefits vary with their ages, marital status, etc. Management should therefore be flexible with the benefits packages they provide, "customize" them and use them to their employee's best advantage.
2. CUC, and for that matter Management, should do well to avoid cumbersome procedures that employees go through before being granted certain benefits. They should also ensure that the contents of the Administrative and Conditions of Service manual are implemented, and fully, as this boosts the morale of employees. Items

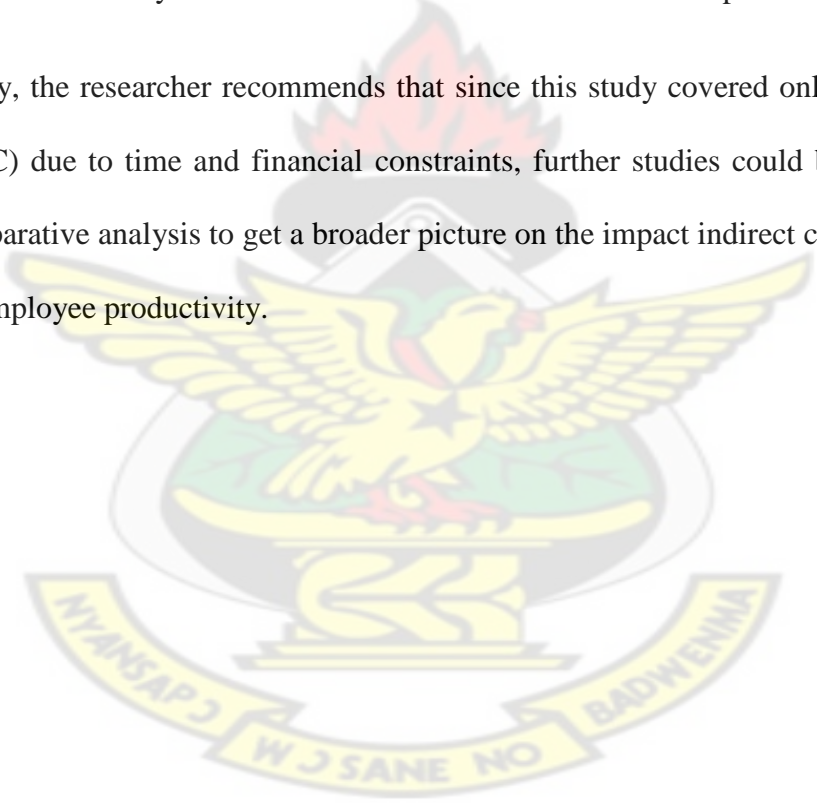


like Interest Free Loans, Free Lunch and Uniforms should be in-corporated in the conditions of service to make it more attractive.

3. Specifically, the benefits to be derived from training by both the employer and employee have been emphasized in chapter four. Educational facilities for training and developing the personnel of the University should be provided. Although some training is given to employees, periodic in-service and out-service training programmes should be drawn up for the staff more frequently. These trainings should take the form of lectures, conferences, workshops and so on. This will go a long way to increase productivity.
4. To encourage employee commitment and involvement, CUC must place great importance on empowering its employees. Employees are empowered if they have adequate information about organizational performance and are rewarded adequately for contributing to the productivity of the organization.
5. The broader spectrum of the working population should be given adequate education into the factors that go into indirect compensation and productivity, as this will curb undue tension, unreasonable demands and labour unrests in the society. CUC should do well in this regard to organize periodic talks and durbars to educate particularly its Junior Staff as this will enlighten them to their role in ensuring acceptable conditions of service and putting in their maximum best to ensure higher productivity. Again, to communicate fringes to employees, conditions of service manuals should be printed for and made easily available to senior and junior staff.
6. Management should not consider indirect compensation as the only motivational tool, which influences employees. There are other factors such as job satisfaction and the

relationship between supervisors and non-supervisory staff. Management should therefore consider or take a critical look at other motivational tools (examples of which are, delegation, open-door policies, clearly conveying how employee results contribute to organizational results, letting employees hear from their customers - in this case students) since they motivate employees to give off their best. In addition, the fleet of vehicles available in the University should be augmented to ensure prompt availability of means of transport to run errands. The bureaucracies and long processes in the system should be curbed to enhance services provided for students.

7. Lastly, the researcher recommends that since this study covered only one university (CUC) due to time and financial constraints, further studies could be conducted on comparative analysis to get a broader picture on the impact indirect compensation has on employee productivity.



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## APPENDIX A: RESEARCH QUESTIONNAIRE

I am a graduate student of the Institute of Distance Learning, KNUST. I kindly request you to provide me with the necessary assistance towards a study on **the Impact of Indirect Compensation on Employee Productivity: A case of Central University College**. This study is purely for academic purpose and the answers will be treated very confidential.

### SECTION 1: Biodata

#### 1.1 Type of Respondent

Senior Member (Academic) [  ] Senior Member (Admin.) [  ] Senior Staff [  ]

Junior Staff [  ]

#### 1.2 Department

Dept. of Accounting & Finance [  ] Dept. of Economics [  ] Dept. of French [  ]

Dept. of Human Resource Mgt. [  ] Dept. of Marketing [  ] Accounts [  ]

Estates [  ] Library [  ] Public Relations Unit [  ] Registry [  ]

#### 1.3 Sex

Male [  ] Female [  ]

#### 1.4 Age

20 – 30 [  ] 31 – 40 [  ] 41 – 50 [  ] 51 – 60 [  ]

#### 1.5 Length of Service

< 1 year [  ] 1 – 5 years [  ] Between 5 – 10 years [  ] Above 10 years [  ]

**SECTION 2: Employees' views on Awareness and Satisfaction, Motivation, Communication and Confidence in the indirect compensation system.**

2.1 To what extent do you agree with the following statements as they apply in each of the various clusters categorized below? 5: To a great extent; 4: To some extent; 3: Neutral; 2: To less extent; 1: To little extent.

| NO.                           | STATEMENT  | 1 | 2 | 3 | 4 | 5 |
|-------------------------------|--|---|---|---|---|---|
| <b>Awareness/Satisfaction</b> |  |   |   |   |   |   |
| 1                             | I am aware of what the Conditions of Service Manual contains                 |   |   |   |   |   |
| 2                             | I am satisfied with the indirect compensation I receive                      |   |   |   |   |   |
| 3                             | The indirect compensation we receive are as good as most other organizations |   |   |   |   |   |
| 4                             | The indirect compensation package we have is equitable and well satisfying   |   |   |   |   |   |
| 5                             | There are indirect compensations we do not have which we should have         |   |   |   |   |   |
| <b>Motivation</b>             |  |   |   |   |   |   |
| 1                             | Employees receive praises, recommendation and citations at special functions |   |   |   |   |   |
| 2                             | Employees are given enough respect and this motivates me to do well          |   |   |   |   |   |
| 3                             | There is a clear path for career advancement                                 |   |   |   |   |   |
| 4                             | The indirect compensation package is attractive and boosts my motivation to  |   |   |   |   |   |



|                                 |  |  |  |  |  |  |
|---------------------------------|--|--|--|--|--|--|
|                                 | work   |  |  |  |  |  |
| 5                               | Adequate skills training are provide and this makes me put in more effort to perform better              |  |  |  |  |  |
| <b>Communication</b>            |  |  |  |  |  |  |
| 1                               | Communication seems good within the organization   |  |  |  |  |  |
| 2                               | The indirect compensations available are well communicated to employees                                  |  |  |  |  |  |
| 3                               | Employees are involved directly in the formation, discussion and implementation of indirect compensation |  |  |  |  |  |
| 4                               | I often feel that I do not know what is going on as far as indirect compensation is concerned            |  |  |  |  |  |
| 5                               | The indirect compensation packages are not well explained  |  |  |  |  |  |
| <b>Confidence in the System</b> |  |  |  |  |  |  |
| 1                               | I have confidence in the indirect compensation system  |  |  |  |  |  |
| 2                               | The indirect compensation package as a whole is adequate   |  |  |  |  |  |
| 3                               | Management solicits feedback from employees on indirect compensation                                     |  |  |  |  |  |
| 4                               | Management does not play favoritism  |  |  |  |  |  |
| 5                               | Accessing indirect compensation is easy  |  |  |  |  |  |

2.2 The reason why I joined CUC was

- To earn a living [ ]
- To get opportunity to gain further studies [ ]
- For personal and natural interest [ ]
- To help promote education in Ghana [ ]
- For no reason [ ]

2.3 The above reason I have given continue to boost my morale to stay with CUC.

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

**SECTION 3: Employees' extent of satisfaction with CUC's indirect compensation package**

3.1 To what extent are you satisfied with the following indirect compensation (fringe benefits) in the conditions of service manual? Please tick as follows? 5: To a great extent; 4: To some extent; 3: Neutral; 2: To less extent 1: To little extent

| INDIRECT COMPENSATION | SCORE |   |   |   |   |
|-----------------------|-------|---|---|---|---|
|                       | 1     | 2 | 3 | 4 | 5 |
| SSNIT Pension Scheme  |       |   |   |   |   |
| Vacation Leave        |       |   |   |   |   |
| Casual Leave          |       |   |   |   |   |

|                               |  |  |  |  |  |
|-------------------------------|--|--|--|--|--|
| Examination Leave             |  |  |  |  |  |
| Provision of Medical Services |  |  |  |  |  |
| Regularity of Promotion       |  |  |  |  |  |
| Study Leave                   |  |  |  |  |  |
| Training                      |  |  |  |  |  |
| Motor Car & Motor Cycle Loan  |  |  |  |  |  |
| Rent Loan                     |  |  |  |  |  |
| Long Service Award            |  |  |  |  |  |

3.2 If you are satisfied to a less or little extent with any of the indirect compensations listed above kindly explain why.

.....

.....

**SECTION 4: Role of indirect compensation in enhancing morale of employees and how it impacts on productivity.**

4.1 What do you think is the purpose of the indirect compensation policy?

- To meet basic social/legal obligation [ ]
- To encourage employee commitment [ ]
- To minimize employee's tax burden [ ]
- To enhance organizational reputation [ ]
- All the above [ ]

4.2 The following statements describe the views of employees about their motivational

factors. In the continuum of Strongly Disagree to Strongly Agree where 1 = Strongly Disagree (SD); 2 = Disagree (D); 3 = Neutral (N); 4 = Agree (A); and 5 = Strongly Agree (SA), kindly indicate the level of your agreement with each of the statements.

| NO.   | STATEMENT  | SD | D | N | A | SA |
|---|--|----|---|---|---|----|
| 1   | A well cut out policy on indirect compensation and its proper implementation affects morale of employees |    |   |   |   |    |
| 2   | There is a link between a well implemented indirect compensation and high productivity                   |    |   |   |   |    |
| <b>In my opinion, morale of employees are affected in the following ways:</b>         |  |    |   |   |   |    |
| 1   | Creates more efficiency  |    |   |   |   |    |
| 2   | Employees gain job security and have a sense of job satisfaction   |    |   |   |   |    |
| 3   | Frustration is reduced   |    |   |   |   |    |
| 4   | Productivity level is increased  |    |   |   |   |    |
| 5   | Employees remain loyal to the organization   |    |   |   |   |    |
| <b>I believe indirect compensation impacts on productivity in the following ways:</b> |  |    |   |   |   |    |
| 1   | Motivates employees to perform better  |    |   |   |   |    |

|          |  |  |  |  |  |  |
|----------|--|--|--|--|--|--|
| <b>2</b> | Improves punctuality to work                                       |  |  |  |  |  |
| <b>3</b> | Creates job security and therefore commitment to work              |  |  |  |  |  |
| <b>4</b> | Readiness to learn new skills and willingness to go the extra mile |  |  |  |  |  |
| <b>5</b> | Brings improvement in the health of workers to keep them cheerful  |  |  |  |  |  |

4.3 In your view, what other factors negatively affect productivity of staff?

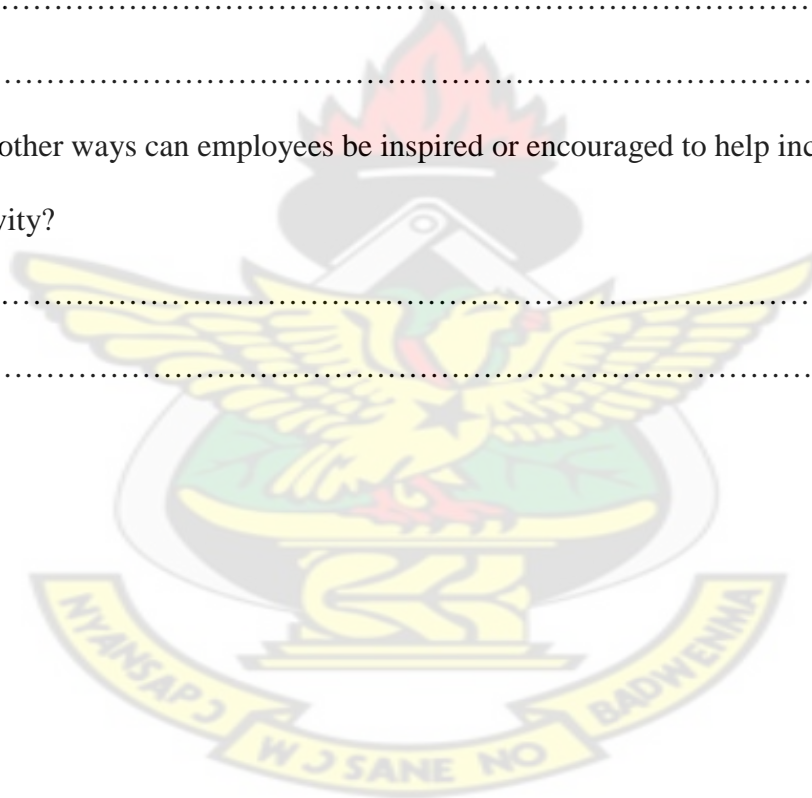
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4.4 In what other ways can employees be inspired or encouraged to help increase productivity?

.....

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## **APPENDIX B: INTERVIEW GUIDE**

(For Interview held with Director, Human Resource Management)

1. Does Central University College have a Policy on Indirect Compensation?
2. If yes, what is the purpose of the Indirect Compensation Policy?
3. What does the Indirect Compensation system entail?
4. Do you communicate the indirect compensation packages available to employees?
5. Do you think the packages available are adequate for employees?
6. In your opinion, do they impact positively on the productivity of employees?

