

**EFFECT OF COMPENSATION MANAGEMENT ON EMPLOYEE  
PERFORMANCE AT THE ST. MICHAEL’S CATHOLIC  
HOSPITAL, PRAMSO**

By

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## DECLARATION

I hereby declare that this submission is my own work towards the Master of Business Administration (Human Resource Management Option) Degree 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**

This thesis is dedicated to my beloved wife, Naa Darkuaa Larbi and my children, Dromi, Nene and Sinah for the support during the period when I was working on this thesis.

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## ABSTRACT

Total compensation is a concept which is not usually given attention in many organisations. Compensation is mostly viewed as cash and therefore other aspects are neglected. Viewing compensation as a holistic system to manage for productivity is pertinent to organizational development. This study looks at the total compensation system and its management in the St. Michael's Hospital, Pramso. To accomplish this, the study made use of compensation manuals and collective bargaining agreement of the hospital and also solicited responses to questionnaires from a cross-section of the employees. It was found out that though there were a lot of compensation packages available in the manuals of the hospital, employees were not fully aware of them. The study also revealed that communication regarding issues of compensation was poor with no avenues for employees to be heard on issues related to compensation. Policy manuals were not available for employees to educate themselves. The grass root therefore was not involved in any way in the formulation and implementation of the policies on compensation. The study therefore recommended to management to incorporate education on compensation packages in the orientation of new staff and organize periodic education programmes for existing employee. Also making available the compensation manuals to all employees was recommended as a means of self-education to reduce the unawareness. The study also recommended that management creates avenues for the employee to air their concerns on issues pertaining to compensation through periodic staff durbars. These coupled with verbal commendation of employees when implemented the study believes will go a long way to boost the morale of employees and in the long run have a positive influence on their performance and productivity as a whole.

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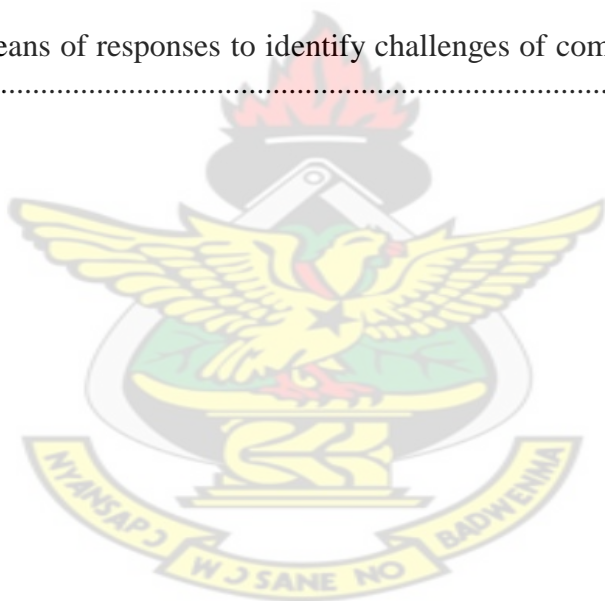
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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.0 Background of the study**

The relationship between employers and their employees, and the organization and its shareholders is expected to be mutually reciprocal. The employer expects employees to give their best in the areas of monitoring their performance, learning to develop themselves, adhere to rules and regulations in the performance of their assigned duties to increase productivity. They also expect their employees to be innovative and take initiative and address problems on their own. Employees on the other hand are also looking up to the employer or management to provide the necessary tools and equipment they need to work with and also get fair compensation for the work they do and the other services they provide.

Many have said, that the most valuable asset of an organization is its human resource and therefore they must be managed efficiently to ensure increased productivity. It has also been said that compensation management is an area of the corporate world that has not been given much attention hence the very rampant industrial actions experienced in industry. Compensation plays an important role in organisations that want to reach their objectives and their goals. It goes without saying that organisations which do not properly manage this aspect of human resource activity very well will have a negative impact on the total performance of their employees and impact on productivity.

The kind of compensation that will motivate employee to give their best to influence performance positively will depend on how much it addresses their need for status, security, and their survival need as postulated by Maslow (1943, 1954) in his hierarchy of needs.

Beer et al. (1984) and Baron (1983) have stated that motivation is a set of processes concerned with the force that energizes behaviour and directs it towards attaining some goal. Kreitner and Kinicki (1992) also postulated that motivation represents those psychological processes that cause the arousal, direction and repeated production of voluntary actions that are goal directed.

For an organization to be able to effectively manage compensation to have a positive influence on the performance of its employees, it must understand the various aspects of compensation as the driving force that motivates the employees and direct their behaviour towards achieving the organisational objectives.

According to Maslow's hierarchy of needs (1943, 1954) people in achieving organizational objectives are motivated to do so by trying to achieve certain individual needs. These needs are what are spelt out in the 5 level hierarchy of need he postulated in the 5 staged model which is well known in the field today. It therefore beholds on the management of an organization to take into consideration the various needs or need levels of its employees in designing compensation packages that will motivate them to influence performance positively.

Research in the past attests to the fact that compensation comprises more than just money. It is also said that since compensation is linked to the organisation's strategy for survival and competitive advantage, constantly changing the strategy of an organisation to achieve competitive advantage and business goals will also mean a

constantly keeping the compensation strategy also in view to meet the human resource at the point of their needs to better motivate them to achieve the organization's goals and objectives. It is important that a rewards program should address the vision of both the company and the individual employee. This cannot be overstated. Personalized incentive programs and compensation packages should be continually assessed, modified, analyzed and adapted to ensure that high-performing employees have their eyes on the same price as the company owners.

Although employees might fully comprehend this vision and recognize the connection between the company's targets and the achievement of their own goals, the bottom line for most employees is likely drawn more with salary, benefits and job security in mind. However, a thorough discovery process may unveil other areas of incentives not considered by company owners. Long-term incentive plans should consist of a number of components to provide a diversified package. A total rewards target represents the ideal blend of pay for different levels of employees. Although it may never actually reach the ideal, it serves as a guideline for management to consider when structuring pay arrangements for employees at different levels within the company.

It must also be noted that a good and successful compensation and incentive package is hinged on a number of factors which one may call indicators. The compensation package should be tied to the vision strategy, culture, business models and goals of the organization. A good communication system must exist to ensure there is a clear understanding of the organisation's future. Employees must understand the roles they place in achieving the objectives of the company and they must feel secure in performing those roles.

As alluded to above, compensation plans must be well defined at various levels of the organization and must be review periodically to keep the motivational levels of employees at desired heights. Also promises made concerning compensation by both employees and management must be honored to ensure a fair relationship between the two parties. It can be guaranteed that to indicators of a good compensation system as discussed above if given proper attention by the management of companies has the tendency of impacting on the attitudes and behaviours of employees positively hence sustaining their motivational levels to achieve corporate organizational goals.

### **1.1 Problem statement**

Compensation is usually narrowed to cash and as a result, employers only have a tunneled vision when it comes to the issues of compensation for their employees. Other aspects of compensation which makes up the total compensation package for the employee are not given much attention. Employees themselves fail to recognize the fact that their compensation is a package and not only related to cash. The by-product of the above understanding of compensation is that it is poorly managed and most of the time performance is affected adversely. Therefore the problem the researcher intends to investigate into is to understand what contributes to total compensation and how it can be better managed and linked to employee performance.

### **1.2 Objectives of the study**

The objectives of the study are divided into two; the general objective and specific objectives.

### **1.2.1 General Objective**

The general objective of the study is to determine the effect of compensation management on employee performance.

### **1.2.2 Specific objectives**

The following are the specific objectives of the research:

- i. To determine the importance of compensation management on employee performance at the St. Michael's Hospital Pramso.
- ii. To identify the compensation packages available at the St. Michael's Hospital Pramso.
- iii. To investigate the problems and challenges associated with compensation management at the St. Michael's Hospital Pramso.
- iv. To identify other forms of compensation and recommendation ways of addressing challenges in compensation management at the St. Michael's Hospital Pramso.

### **1.3 Research Question**

The following questions are what the research seeks to find answers to:

- i. What is the importance of compensation management on employee performance at the St. Michael's Hospital Pramso?
- ii. What compensation packages are available at the St. Michael's Hospital Pramso?
- iii. What are the problems associated with compensation management at the St. Michael's Hospital Pramso?



- iv. What other forms of compensation can be employed and how can compensation be better managed to influence employee performance at the St. Michael's Hospital Pramso?

#### **1.4 Justification for the study**

The study primarily has the responsibility to provide insight into the impact of compensation on employees' performance and productivity at the St. Michael's Hospital Pramso. The outcome of the study will also serve as a knowledge base for a comprehensive look into the lapses in the management of compensation at the St. Michael's Hospital and by extension other similarly structured hospitals. After the study, findings will also serve as a reference source for further research into the field of compensation by future researchers.

#### **1.5 Brief Methodology**

The researcher employed the random sampling method to identify the respondents of the questionnaires. Open lines of communication were established to allow for further clarifications should there be the need for that. The respondents were mainly employees of the St. Michael's Hospitals and the researcher employed the use of a combination of structured interviewing and the administering of questionnaires for the collection of the data for the study. The data was analyzed by the use of SPSS data analysis software.

#### **1.6 Scope of the study**

The research study covers the entire St. Michaels Hospital Pramso located in the Bosomtwi district of the Ashanti region on the Lake Bosomtwe road. All departments



of the organization will be involved and both management and staff of the organization will be sampled in the collection of data for the study. The study will cover a fair balance of male and female employees of the hospital and cut across the entire staff of the organization, thus from junior staff to management staff.

### **1.7 Limitations of the study**

The researcher faced challenges in the retrieval of questionnaires since it was a hospital and employees were constantly seeing clients. Also this limited the contact time the researcher had with respondent to seek clarification for some of the responses. The researcher would have also wanted to analyze the result of the studies into a greater detail with more statistical elements but the inability to understand and manipulate the data analysis software posed a challenge.

### **1.8 Organisation of the study**

The study comprises of five chapters. Chapter one is on the Introduction which captures sub headings from Background of the study, Problem Statement, Objectives of the study, Research Question, Significance of the study, Brief Methodology, Scope of the Study, Limitations of the study and Organisation of the study; chapter two on the Literature Review, chapter three focuses on the Methodology and Organizational Profile, chapter four Data Presentation, Analysis and Discussion of Findings and chapter five deals with the Summary of Findings, Conclusion and Recommendations.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

Compensation systems play a significant role in promoting organizations' strategic goals (Milkovich 1988). Traditionally, compensation systems were designed to strictly reward employees based on the specific jobs they performed. Earlier researches have concluded that employees are the most important resource of the organization, and to satisfy customers, organizations must first satisfy their employee's requirements. And also organizations have in the recent past experimented with this tradition as stated above and with increasingly varied forms of compensation based for example, on the market or on employee skills (Nebeker et al. 2001).

In comparing the traditional system with the skill-based pay systems, the latter rewards employees for the array of skills they possess or the combination of different jobs they can do. Two employees doing the same piece of work could be placed on very different pay levels because one may possess more skills than the other. Which is quite different from the job based pay systems.

The result-based system approach to compensation could however be a very good system to ensure that irrespective of the skills you possess, your compensation is only tied to your output, as proposed by one researcher by the name Aguinis (2007). It is not always true that only the employee who demonstrates the competencies desired will produce the desired output and that makes the argument by Aguinis very valid.

Much heated debate has centered on the philosophical differences inherent in these systems and their purported benefits (Barrett et al., 1991) but few empirical researches have focused on comparing pay structures and outcomes (Gerhart and Milkovich 1992). They also noted that there is virtually no research on the consequences of skill-based and knowledge-based pay structures relative to more traditional job-based pay structures”.

This chapter provides a review of pertinent literature in relation to the management of compensation and how it influences employee performance. It will review works by other researchers on how managing the components of compensation influences performance. We will look at various definitions of compensation and performance and how performance can be measured or has been proposed to be measured by some researchers. In this review the researcher seeks to explore various works related to the study area on the relationship between compensation packages and their management and attempt to establish a relationship between that and the work outputs of employees.

## **2.1 Defining compensation**

Milkovich and Newman (1999) stated that, 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) also 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.” (Chabra 2001) refers to Compensation as a wide range of financial and non-financial rewards given to employees in exchange for their services rendered to the organisation. According to him, 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.

According to DeNisi and Griffin (2001) compensation is a reward system that a company provide to individuals in return for their willingness to perform various jobs and tasks within organizations. They further stated that relevant and commensurate rewards need to be provided to the employees so that they feel valued and their expectations on exchanging their skills, abilities and contribution to the organization are met.

Compensation is the total amount of the monetary and non-monetary pay provided to an employee by an employer in return for work performed as required. It is based on market research about the worth of similar jobs in the marketplace, employee contributions and accomplishments, the availability of employees with like skills in the marketplace, the desire of the employer to attract and retain a particular employee for the value they are perceived to add to the employment relationship, and the profitability of the company or the funds available in a non-profit or public sector setting, and thus, the ability of an employer to pay market-rate compensation.

Compensation also includes payments such as bonuses, profit sharing, overtime pay, recognition rewards and sales commission. It can also include non-monetary perks such as a company-paid car, stock options in certain instances, company-paid housing, and other non-monetary, but taxable income items. Compensation management is a general policy, designed to help an organization maximize the

returns on available talent. The ultimate goal is to reward the right people to the greatest extent for the most relevant reasons.

Compensation systems, also known as reward systems and pay systems refer to the scheme by which rewards are distributed to an employee (Barr 1998). According to (Thomas 1998) the typical compensation package includes two basic components: direct pay and indirect pay or benefits. Compensation systems vary across organizations and Gerhart and Milkovich (1988, p. 12) suggested that “employers tend to distinguish among themselves through differences in the contingency of compensation.”

Scholars have argued that compensation systems provide outsiders with information about less visible organizational characteristics (Gerhart and Milkovich, 1990) and therefore, they might signal to a job applicant what an organization’s culture, norms, and values are like (Rynes and Barber, 1990). It is further suggested by Rynes (1987, p.190) that “compensation systems are capable of attracting (or repelling) the right kind of people because they communicate so much about an organization’s philosophy, values, and practices.” Organizations could therefore take another look at their compensation packages and redesign them to attract those candidates on the job market who they think are very skilled and can help them reach their goals.

## 2.2 The Importance of Compensation Management on Employee Performance

According to Baker (2002) the output or performance of an employee is a combination of effort, ability and an error margin, providing for all uncontrollable factors, at least from the employee’s perspective. He stated that given the employee’s private information *vis a vis* the employer, the employer must depend on performance measures in order to estimate the effort the employee has put in. Performance

measures are selected based on two criteria: (a) alignment with the organisational objective and, (b) controllability by the employee as proposed by Baker (2002). The performance measure is used to evaluate the performance of the employee, which forms the basis for determining the amount of variable monetary compensation an employee will receive and for making career decisions.

According to him fixed compensation, as opposed to variable compensation, does not induce effort and its role is limited to retention and selection. In practice, completely fixed compensation that is totally unrelated to performance is extremely rare, for instance, the probability of being fired creates an incentive to perform. Further breaking it down, baker identified two forms of fixed compensation as primary compensation and secondary compensation. Primary compensation he stated consists of monetary payments for employees whereas secondary conditions are the non-monetary benefits such as a company car, cell phone and pension benefits.

Thierry (1987) stated that of compensation systems to be effective depended on some 3 perceived features, which are transparency, fairness and controllability.

These perceptions have a linkage with each other which is discoursed below in more detail.

**(a) Transparency:**

According to how a compensation system is seen to be transparent will depend on how it is communicated and the level of complexity. A transparent system not only informs employees who would not want to take risk of the rules of the compensation system, but it also brings them



abreast with the objectives of the organisation. The rules if effectively communicated to these personnel will facilitate their understanding of the system works and create an environment to support the implementation of the compensation system. (Perceived) uncertainty decreases the effectiveness of incentive compensation (Gibbons, 1998).

In short, how employees perceive a compensation system to be transparent will have a positive and propelling effect on their level of motivation to perform. Lessening the risk of working hard and not getting compensated accordingly in return is projected to make employees want to put in more effort and therefore increase performance.

**(b) Fairness:**

According to Prendergast (1999) although economic theory of trust is not well developed, the reliability and trustworthiness of the principal is expected to influence the actions of the employee greatly. Other theories like the Reciprocity theory have also concentrated on the concept of fairness as well, but have used different angles. It mentions that in relation to the employer, employee's compensation should be an amount that is fair. According to this theory in the agency contract any surpluses created must be divided fairly so as to enhance incentives. If the employee perceives that this concept of fairness has not been delivered in anyway, there is the likelihood that their motivation to perform will be reduced hence reducing performance.

Moreover, according to (Locke and Henne, 1986) equity theory emphasizes the fact that employee's need to receive a fair amount of compensation relative to the other employees and that the employee is expected to compare his/her ratio of performance over reward to the same ratio of other employees. Any deviation in this ratio causes a state of inequity. A study by Janssen (2001) has shown that managers who perceive effort-reward fairness perform better and feel more satisfied than managers who perceive under-reward unfairness. In some economic studies conducted by (Prendergast, 1999) some supervisors in evaluating their subordinates tended to evaluate them with relatively high scores which defeat the argument of fairness for a compensation management system to ensure improved performance. Supervisors could not risk telling their subordinates that their performance were below average which in the short run will make both parties unhappy. But inaccurate or untrue and undifferentiated evaluations reduce the effectiveness of incentives in organizations (Prendergast, 1999). Hence, perceived fairness is expected to be a determinant to motivate for performance.

**(c) Controllability:**

The third characteristic we use to evaluate the compensation system's effectiveness is the perceived relationship between effort and (variable) compensation.

Baker (2002) defines controllability as the extent to which the employee is able to control or influence the outcome. The effect on the performance measure should vary as little as possible in order to have control of one's incentive compensation.



Within the cognitive evaluation theory, the controlling and informing elements of a compensation system are expected to have an effect not only on performance but on motivation as well (Frey 1997). Employees perceive controllability and the controlling element of the compensation system as two opposite sides of the same coin. The need for self-determination is the foundation for this dimension (Ryan 1985). An employee, who is involved in determining the performance measures that are used in an incentive program, will perceive the performance measurement itself as less controlling. This is in line with the cognitive evaluation theory where the informing and controlling elements are proxies for the possibilities of self-determination of the employees. Although the underlying theoretical concepts are different for the cognitive evaluation theory and the agency theory, the expected relationship between control (self-determination) and motivation to influence performance is similar.

Compensation combines with effort, ability and with external circumstances to determine actual performance. Looking at it from the other way around, one could infer that managing a compensation system effectively has the potential to motivate employees to improve their effort and ability to perform desirably. How motivated and employee is to perform can be measured by the amount of effort the employee demonstrates in the performance of their job.

From the discussions above two types of compensation have been identified which are direct and indirect compensation. The two put together will determine the total compensation and therefore, both types must be taken into account in the analysis for the optimal amount of effort that can be reached regarding employee performance which according to Aguinis (2007) is not only about the outcome of employees work

but also about what employees do, i.e. behaviours. In other words performance management systems include measures of results or the consequences that we infer are the direct results of employee behaviours. He also presented 2 dimensions of the behaviours we label as performance. Firstly, they can be classified as *evaluative*, meaning that such behaviours can be judged to be negative, positive or neutral for the individual and organizational effectiveness. The behaviour can be valued as either contributing to or hampering individual and organizational goal achievement. Secondly performance should be understood to be *multidimensional*. Which implies that there could be many different aspect of the behaviours that have the potency to advance the achievement of organizational goals.

Employers expect their employees to perform specific tasks by which they can ascertain their performance. It is therefore very important to understand what performance really is and how it can be measured. Several researchers have written on the subject and some of their findings and definitions are discussed below. Performance measurement is a topic discussed extensively but rarely defined. "Literally it is the process of quantifying action and measurement is the process of quantification of an action leading to performance"(Neely et al. 1995, p.80). The performance measurement concept is related to effectiveness and efficiency. Effectiveness refers to the extent to which the firm's goals are attained while efficiency is a measure of how economically the firm's resources are utilized when achieving its targets. Therefore, performance measurement can be defined as the process of quantifying the efficiency and effectiveness of action (Neely 1994).

Flapperetal (1996) states that staff carrying responsibility for certain activities within the system, need performance measurement to see how well they are performing their

tasks. So performance indicators are important for everyone inside an organisation, as they tell what has to be measured and what are the control limits the actual performance should be within. 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 multi-dimensional, and measuring it varies depending on a variety of factors. There are however 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) in discussing the Expectancy Theory stated that this theory emphasizes "perceived relationships" – what does a person expect? According to him performance combines ability and effort, that is, an employees' skill, training information and talents. Performance then produces certain output (rewards). These outputs (positive or negative) may be as a result of either the environment (example: co-workers, the organization's reward system or supervisors) or the completing of a performance task (example: personal worth or esteem and feelings of achievement and accomplishment,). 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, according to Casio people can be urged on by the feeling of satisfaction having performed a task well and this feeling can go a long way to reinforce their beliefs concerning the consequences of their 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 and contribution will be compensated for equitably.

Aguinis an authority in the field of performance management has introduced some three approaches to performance measurement. He supports the Trait, Behavioural and Result approaches to the measurement of employee performance. He alludes that every human being has certain traits which makes them different from other persons. He further suggested that traits such as abilities, aptitude, intelligence, skills, talents and conscientiousness among others can be a source of measurement of one's performance. That is, the extent to which one possesses and demonstrates such traits.

He also makes a case for the behaviours of employees on the job as a means of measuring their performance. By the nature of the job in question certain behaviours are required to make one successful on that particular job. So the more of such behaviours demonstrated would be an indication of whether or not the employee is performing at desired levels.

The result approach as mentioned by Aguinis (2007) emphasizes the outcomes achieved by the employee. In this case the employee's performance is only measured by the results they produce on a job. He also admonished that for a better understanding of the performance of an employee the trait, behavioural and results approaches could be used together to measure performance.

### **2.3 Relating Compensation and employee performance**

It has been found that there is a significant relationship between compensation and employee and organizational performance. (Shin-Rong and Chin-Wei 2012). For

example, Mayson and Barret (2006) found that a firm's ability to attract, motivate and retain employees by offering competitive salaries and appropriate rewards is linked to firm performance and growth. On the other hand, Inés and Pedro (2011) found that the compensation system used for the sales people has significant effects on individual salesperson performance and sales organization effectiveness. Therefore, in an ever competitive business environment, many companies today are attempting to identify innovative compensation strategies that are directly linked to improving organizational performance (Denis and Michel 2011).

According to Nebeker et al. (2001) Customer's satisfaction and organizations performance is the result of its employee's satisfaction. There has been research proving a positive relationship between stock bonus and employee performance. The evidences in Taiwan suggest that there exist positive associations between the amount of stock bonuses and firms' operating performance. It is also found that firms with larger firm size or high growth opportunity tend to adopt stock bonus.

Performance-based compensation is the dominant human Resource practice that firms use to evaluate and reward employees' efforts (Collins and Clark, 2003). Evidently, performance-based compensation has a positive effect upon employee and organizational performance. In a quantitative content analysis of the narrative descriptions of 50 rapid-growth firms and a comparison group of 50 slow-growth companies conducted by Barringer et al., 2005 results demonstrated that employee incentives differentiated the rapid-growth from the slow growth firms. Firms that were rapid-growth oriented provided their employees financial incentives and stock options as part of their compensation packages. In doing so, firms managed to elicit high levels of performance from employees, provide employees the feeling that they

have an ownership interest in the firm, attract and retain high-quality employees, and shift a portion of a firm's business risk to the employees.

Delery and Doty (1996) identified performance-based compensation as the single strongest predictor of firm performance. Both performance-based compensation and merit-based promotion can be viewed as ingredients in organizational incentive systems that encourage individual performance and retention (Cho et al. 2005). Collins and Clark (2003) studied 73 high-technology firms and showed that the relationships between the HR practices and firm performance (sales growth and stock growth) were mediated through their top managers' social networks. Cho et al. (2005) suggested that incentive plans is effective in decreasing turnover rates. Banker et al. (2001) conducted a longitudinal study of the effectiveness of incentive plans in the hotel industry and found that incentive plans were related to higher revenues, increased profits, and decreased cost. In a related study Paul and Anantharaman (2003) found that compensation and incentives directly affect operational performance. To be effective, compensation practices and policies must be aligned with organizational objectives. While performance-based compensation can motivate employees, sometimes employees perceive it as a management mechanism to control their behaviour (Lawler and Rhode, 1976). In such a case, employees are less loyal and committed, thus compensation plans have the opposite than desired outcome (Rodriguez and Ventura, 2003). Employee turnover can significantly slow revenue growth, particularly in knowledge-intensive industries (Baron and Hannan, 2002).

## **2.4 Types of Compensation Packages**

According to Dessler (2011), compensation can be divided into 2 forms- Direct and indirect compensation which are discussed below in detail.



### **2.4.1 Direct Compensation**

He explained that Direct compensation is usually limited to the direct cash benefits that the employees receive on monthly, bi-monthly or weekly basis for the services they render as employees of a particular organization. It could also be in the form of stock bonus compensation, where employees of the organisation are given the opportunity to own shares in the organization they work for and at the end of every year they have the opportunity again to gain some dividend in the form of equity on their shares. This is also referred to as Executive stock options (ESO).

### **2.4.2 Indirect Compensation**

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 terminology such as fringe benefits, employee services, supplementary compensation and supplementary pay are used. According to Armstrong (2009) 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 and to motivate them. From the above literature, it can however be deduced that most researchers who have considered work in this field agree on the definition of the term compensation and also agree on the types of compensation being considered by this review. Some have also classified compensation into fixed and variable compensations. These are term that relate to the concept of direct and indirect compensation; also sometimes referred to as primary and secondary compensation.

Byars and Rue (2008) mentioned the following as some of the more popular indirect compensations offered by today's organizations. Though the list below is not exhaustive it is meant to give a fair idea of the kinds of packages that organisations consider as indirect compensation in the corporate settings today.

**a. Paid Holidays:**

These comprise holidays such as 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. Casual leave days can also be



considered in this category as paid holidays by at the discretion of the employer and the request of the employee.

**b. Workers' Compensation:**

This is meant to protect employees from loss of income and to cover extra expenses associated with job-related injuries or illness. The laws generally provides for replacement of lost income, medical expenses, rehabilitation of some sort, death benefits to survivors, and lump-sum disability payments.

**c. 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 during their retirement.

**d. 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.

**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. 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 in addition to the major benefits previously discussed to motivate employees.

**2.5 Performance Indicators**

Aguinis stated in one of his books on performance management that “..Standards can refer to various aspects of a specific objective, including quality, quantity, and time. Each of these aspects can be considered criteria to be used in judging the extent to which an objective has been achieved.” (Aguinis 2007, p95). In other words to be able to measure performance one must use the quantity of work done (how much unit of a product has been produced), quality on work produced (how well the work has been done) and the timeliness of the work that has been done (meeting due dates, adhering to schedules and deadline) according to Aguinis these will determine how performance can be measured.

In the context of an organizational, performance is usually defined as the extent to which an individual employee or a group of employees contributes to achieving the

goals of the organization and therefore the performance could be measured based on the goals set for those individuals or groups and the extent to which the goals of the organisation have been achieved. Suwignjo et al. (2000) have developed Quantitative Models for Performance Measurement Systems (QMPMS), a model for measuring performance with respect to a factor. The model utilizes cognitive maps and analytic hierarchy process to identify factors affecting performance and their relationships, quantify the effect of the factors on performance, and express them quantitatively. However, the model has the limitation to be used as an evaluation tool.

Meyer (1995) describes the employee evaluation procedure adopted by a nursing home. The criteria considered are: employee's job attitude, communication skills, and clinical skills. The evaluators used the scoring key for each criterion: Excellent = 4, Good = 3, Fair = 2 and Poor = 1. However, the author did not elaborate on how the ratings on various criteria were synthesized and converted into a percentage score.

## **2.6 Challenges associated with compensation management**

The main problem with indirect compensation is the lack of employee participation according to Aswathappa (2007). He mentions that 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 which could adversely affect their performance hence productivity.

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## **CHAPTER THREE**

### **METHODOLOGY AND ORGANISATIONAL PROFILE**

#### **3.0 Introduction to methodology**

This chapter outlines the steps and procedures followed in conducting the research. To be precise, the chapter presents the procedures to be used in selecting research subjects, developing the research instruments, gathering and analyzing data, and making meaning of the data that is collected.

In defining the term 'methodology' it can be said to refer to the sets of structured procedures and instruments used in conducting a research. A framework within which to record facts, document them and interpret them in a piece of research. Two fundamental approaches exist to methodology and researchers are naturally inclined to use either of them, they are the qualitative and the quantitative methods. Qualitative research is more descriptive and quantitative research more often draws inferences based on statistical procedures and often makes use of graphical presentations and figures in its analysis (Ghauri and Grønhaug, 2005). In recent times researchers commonly employ the use of both qualitative and quantitative methods in a single research (Ghauri and Grønhaug, 2005).

This study incorporates the use of both methods to some extent; the researcher however uses more of the quantitative approach than the qualitative approach. The latter was also useful in the aspects of the research which require explanation to observed correlations or relation. The Quantitative research methodology allowed for gathering empirical measurement of the impact of compensation management on

employee performance and the Qualitative approach was more handy whiles probing into and exploiting the views of respondents and clarifying ambiguous responses.

The researcher took to cognizance the importance of the credibility and validity of the research findings and therefore the research methods employed in data gathering, analysis and interpretation, were all accepted methods and procedures that also help make the final report an easy read. The various aspects of the research methodology covering the research design, population and sampling, instruments, data collection procedure and mode of analysis used in this study is detailed below.

### **3.1 Research Design**

A cross-sectional survey was employed for this study. Cross-sectional research is a research method which utilizes different groups of people who differ in the variable of interest, but share other characteristics such as socioeconomic status, educational background, and ethnicity. According to (Fraenkel & Wallen 2006), in using the cross-sectional survey information is collected 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 sample who are part of the main population of St. Michael's Hospital, Pramso. This sample comprises management staff, senior (non-management) staff, middle level staff and junior staff. The objective is to be able to capture some characteristics such as perceptions, and to make relevant inferences from the data collected representative of the entire population.

Data from both primary and secondary sources were used for the study. Primary data was gathered from employees of St. Michael's Hospital with the help of the survey

questionnaire and personal interviews to clarify some responses and secondary data was gathered from sources including various published sources which included books on general organization, human resources management, journals and internet resources as well as the Administrative and Procedural manuals, Conditions of Service Manual (CBA) of St. Michael's Hospital. Data collected was analyzed using frequencies, percentages, tables and graphs.

### **3.2 Study Population**

The entire St. Michael's hospital was the sample population considered for this study. But for efficiency in management the researcher decided to use a cross section of 100 permanent staff of the population of the St. Michael's Hospital which constitutes 36.5 percent of the permanent staff of the hospital. The total population of the hospital is 274. The 100 selected is spread across the management level, senior non-management staff, middle level staff and junior staff.

### **3.3 Sample and Sampling Procedure**

The researcher chose a sample size of 100 for the study. The permanent staff were selected from seven departments (General Administration Department, Nursing Department, Pharmacy Department, Medical Department, Accounts, Estates and Medical records Departments) for the study. The sample size and the departments selected is representative of the entire population of the St. Michael's hospital. To be able to properly manage the data collection the total list of all permanent staff of St. Michaels Hospital in the sampled departments was taken from the Human Resource Office and it was on this that the sample of 100 was selected.



The Stratified Sampling procedure was used in determining the exact sample numbers to use. The formula which shows the relation between the total population and the sample size is shown below and this was used as indicated by the table (also shown below) to determine the actual sample: (source: <http://en.wikipedia.org/wiki/>)

$$n_n = \frac{n}{N} \times N_n$$

**Where      n      =      sample size**

**N<sub>n</sub>      =      the size of a stratum**

**n<sub>n</sub>      =      sample from a stratum**

**N      =      Total population**

**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>
Management Staff	9	3.2	4
Senior non-management staff	58	21.2	21
Middle level staff	83	30.3	30
Junior Staff	124	45.3	45
<b>TOTAL</b>	<b>274</b>	<b>100</b>	<b>100</b>

The researcher selected 100 from the population of 274 and employed the use of the formula to determine for example the number of junior staff as follows:  $124/274 \times 100 = 45$ . These 45 were then selected with the help of the nominal roll in the institution which was obtained from the human resource office in the hospital.

### **3.4 Data collection instruments**

The researcher employed the use of questionnaires and interviews as the instruments for collecting data from the sampled population. These two instruments were used to enable the researcher get clarification for some of the responses obtained from the



respondents. In other words interviewing was used as a support instrument to the questionnaires.

### **3.4.1 Questionnaires**

The questionnaires used by the researcher as an instrument for the collection of data was divided into three sections. The first section covered the bio-data of the respondents and required them to provide data on the type of respondent they were; management, senior non-management, middle level or junior staff. It also required the respondents age, sex and department and their length of service with their organization. The second section addressed the first research question which was to establish the link between compensation management and employee performance. The third and final section captured data on the other three specific objectives of the study, which were to identify the compensation packages available in the St Michael's Hospital, investigate into the challenges associated with the management of these compensation packages and identify other forms of compensation and make recommendations to address the challenges.

### **3.4.2 Interviews**

The researcher used this data collection instruments as a support to the questionnaires to seek clarification on some responses from the respondents and also to ascertain from some key persons in management the existence of certain compensation packages. It was therefore not used for all the respondents.

### **3.5 Data analysis technique**

The researcher employed the use of the Statistical Package for Social Science (SPSS) to analyze the data that was collected for the study. These data was organized with the help of the software into figures and tables to present and discuss the results of the study.

### **3.6 ORGANISATIONAL PROFILE**

#### **3.6.1 History of Organisation**

St Michael's Catholic Hospital was established through the initiative of Dr J.D Vervoon of Holland and with the support of the then Catholic Bishop of Kumasi, Rt. Rev Bronck, Chief and people of Pramso in September 1958 as a clinic and upgraded into a hospital in 1960. It is located 5 kilometres from Kuntanase, the District Headquarters and 20 kilometres from Kumasi on the Kumasi Lake Bosomtwe road.

The vision statement of the hospital is “To continue Christ’s healing ministry in bringing healing to the greatest possible number of people in the provision of total quality patient care through healers of good ethical and moral standards; who are conscious as well as professionally competent, motivated and united in their common respect for fundamental human values”

And the mission statement is that the hospital seeks to provide holistic health care by advancing Christ Healing Ministry to all manner of people with respect, integrity, compassion, excellence and at all times acknowledging the integrity of the patient.

### **3.6.2 Staffing situation**

St Michael's Hospital is currently made up of 274 permanent staff comprising of 96 males and 178 females. This can further be broken down into the various levels of staff as follows: management staff are 9 (3%), senior non-management staff are 59 (22%), middle level staff are 82 (30%) and junior staff are 124 (45%). There are a few ward aids and casual and temporal worker also in the hospital who were not counted for the purposes of this study.

### **3.6.3 Services provided by the hospital**

The Hospital is a general Hospital and provides a wide range of diagnostic, curative and preventive services befitting its status as the District Referral facility. These include; 24 hour Out and Inpatient (OPD) Care, Laboratory Services, X-Ray, Ultra Sound, Surgical Services (both emergency and elective), Ophthalmic Services (Eye Clinic) Child Welfare and Primary Health care facility, Reproductive Health Care and Safe Motherhood, ear nose and throat services (ENT) as well as Specialized Clinic for Diabetic, HIV/AIDS, TB, and other patients with chronic diseases or conditions.

### **3.3.4 Relevance of subject matter to organization**

St Michael's Hospital has a variety of employees who perform various jobs within and sometimes outside the organization. An effective compensation system is therefore needed to be able to keep these employees motivated to sustain their performance. Even though there exist a compensation system that is currently being implemented by the management of the hospital its effectiveness in terms of management in sustaining the motivation of employees to influence performance positively will require a second look, hence the relevance of a study in that regard.

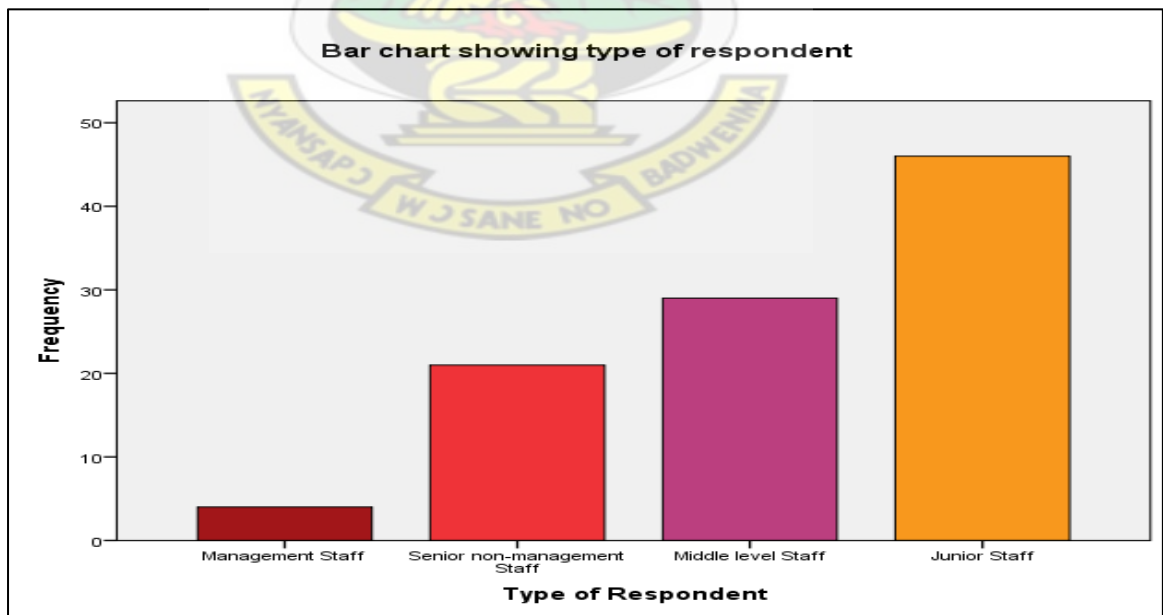
## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

#### 4.0 Introduction

In this chapter the researcher presents the data gathered from the field in the form of frequencies and percentage and pictorially with bar charts and pie charts. All 100 respondent questionnaires were retrieved and the researcher discusses the responses in the light of the research topic on the effect of compensation management on employee performance. These discussions are also done in cognizance of the literature reviewed in chapter two and with relevant modern day global issues identified on the subject matter.

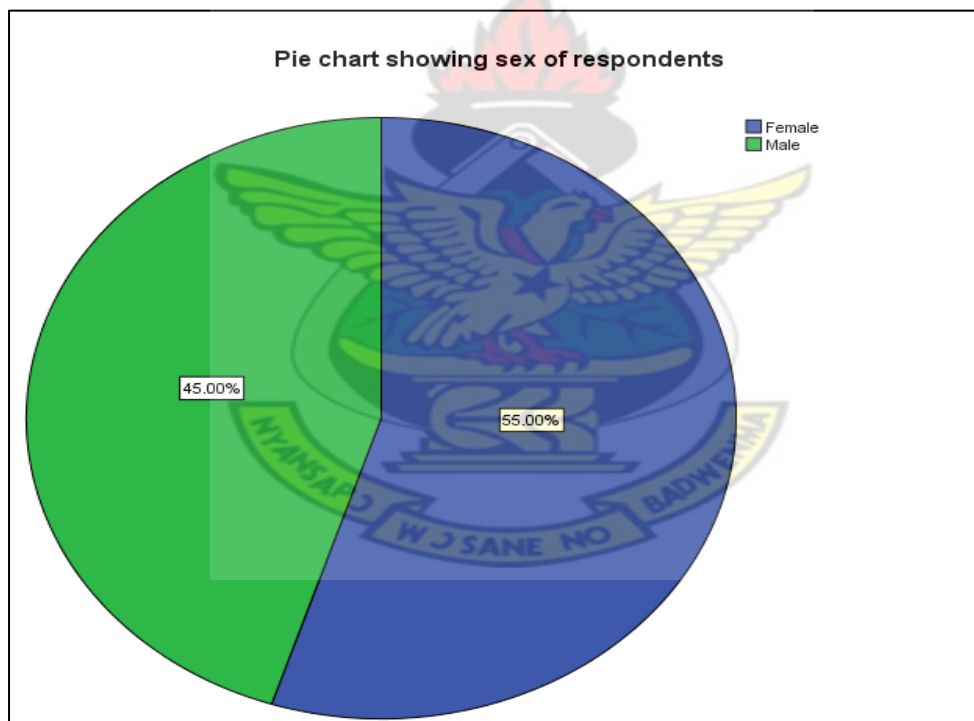
#### 4.1 Type of Respondents



**Figure 4.1.1 Type of Respondents** (Source: field data, 2014)

The categorization of the respondents was done into four groups, thus management staff, senior non-management staff, middle level staff and junior staff. From these respondents 4 (4%) were management staff, 21 (21%) were senior non-management staff, 29 (29%) middle level staff and 46 (46%) were junior staff. It can therefore be observed that most of the respondents were in the junior staff brackets in agreement with the situation on the ground as regards St. Michael's Hospital. In many organizations a greater percentage of the staff are usually in this category of staff. As shown in figure 4.1.1 above.

## 4.2 Background of respondents by Sex



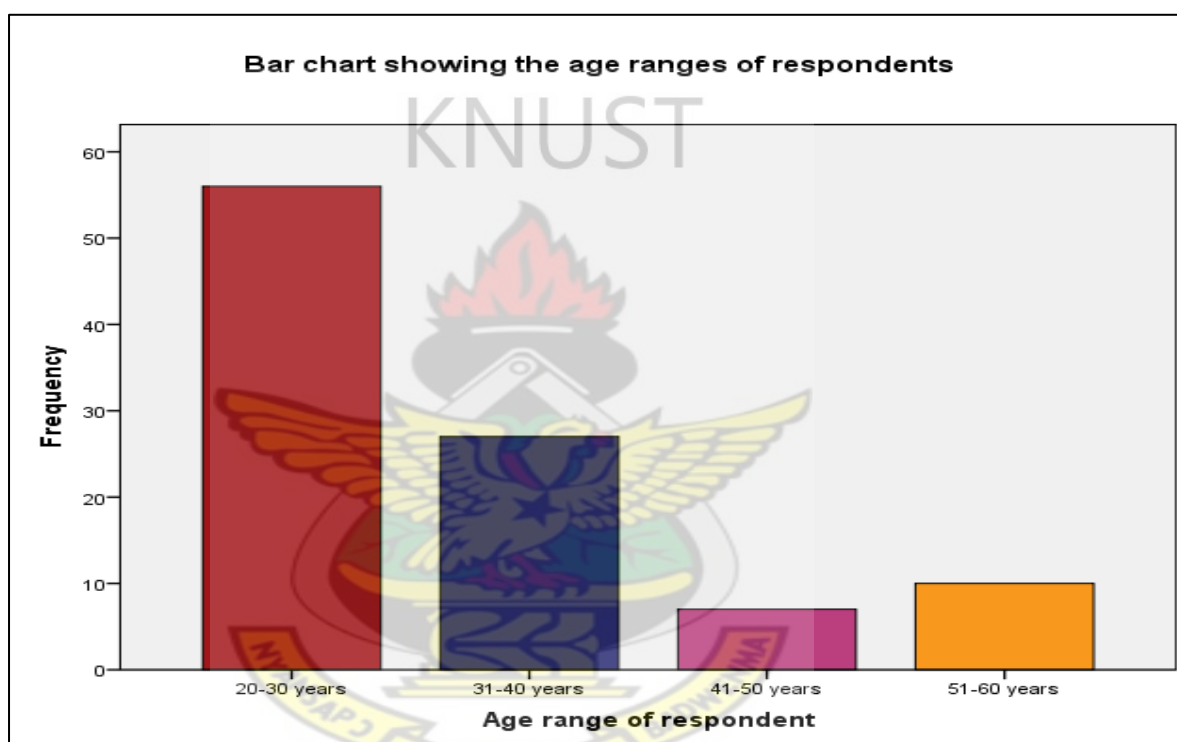
**Figure 4.1.2: Categorization of Respondents by sex**

(Source: field data, 2014)

The researcher collected data on the gender of the respondents. We can see from *figure 4.1.2* above that there were more female 55 (55%) respondents than male 45

(45%). This is expected since the institution is a hospital and is dominated by female gender in the profession of nursing. Also it agrees with the National Population and Housing Census of 2010 which places the population of female higher than that of their male counterparts in Ghana but at variance with the outcome of males being more than females in the formal sector of Ghana [www.statsghana.gov.gh].

### 4.3 Background of respondents by Age



**Figure 4.1.3: Background of respondents by age**

(Source: field data, 2014)

The age of the respondents was classified into four, 20-30, 31-40, 41-50 and 51-60. As evident in *figure 4.1.3* above the bulk of the respondents were between the ages of 20-30 years 56 (56%), a little below half in that number 27 (27%) were between the ages of 31- 40 years and a few 7 (7%) are in the range of 41-50 years. A sizable 10

(10%) of the respondents have at least nine year to compulsory retirement falling between 51 – 60 years.

The figure above shows that the organization has as much as 55 (55%) of its employees within the age range of 20 – 30 years. This is a clear indication that the organization has guaranteed youthful employees. The organization must therefore put in place very good staff retention systems to retain them.

#### 4.4 Department of respondents

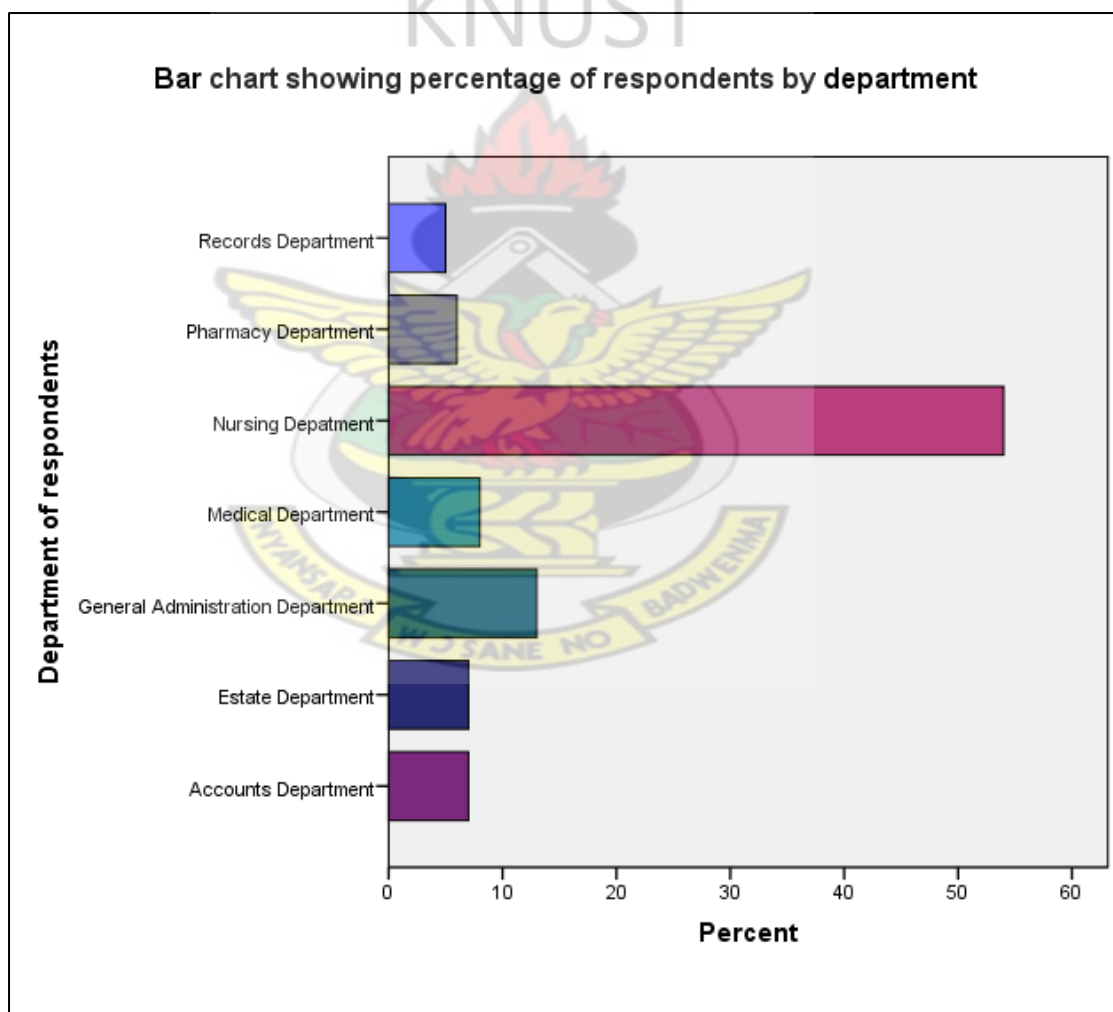


Figure 4.1.4 Department of respondents (Source: field data, 2014)

The respondents were selected and categorized into seven departments, namely General Administration, Pharmacy Department, Estates, Accounts, Records



Department, Nursing Department and Medical Department. Respondents from the various departments are presented in *figure 4.1.4* above.

The results reflect the nature of the healthcare industry in Ghana and globally with nurses dominating the hospitals and the nursing profession also being dominated by females. The St. Michael's hospital is also follows the same trend, dominated by nursing staff who are mostly posted to the institution as junior staff and the crust of them would not have qualified to senior staff by the time this research was being conducted. They constitute the bulk.

#### 4.5 Length of service of respondents

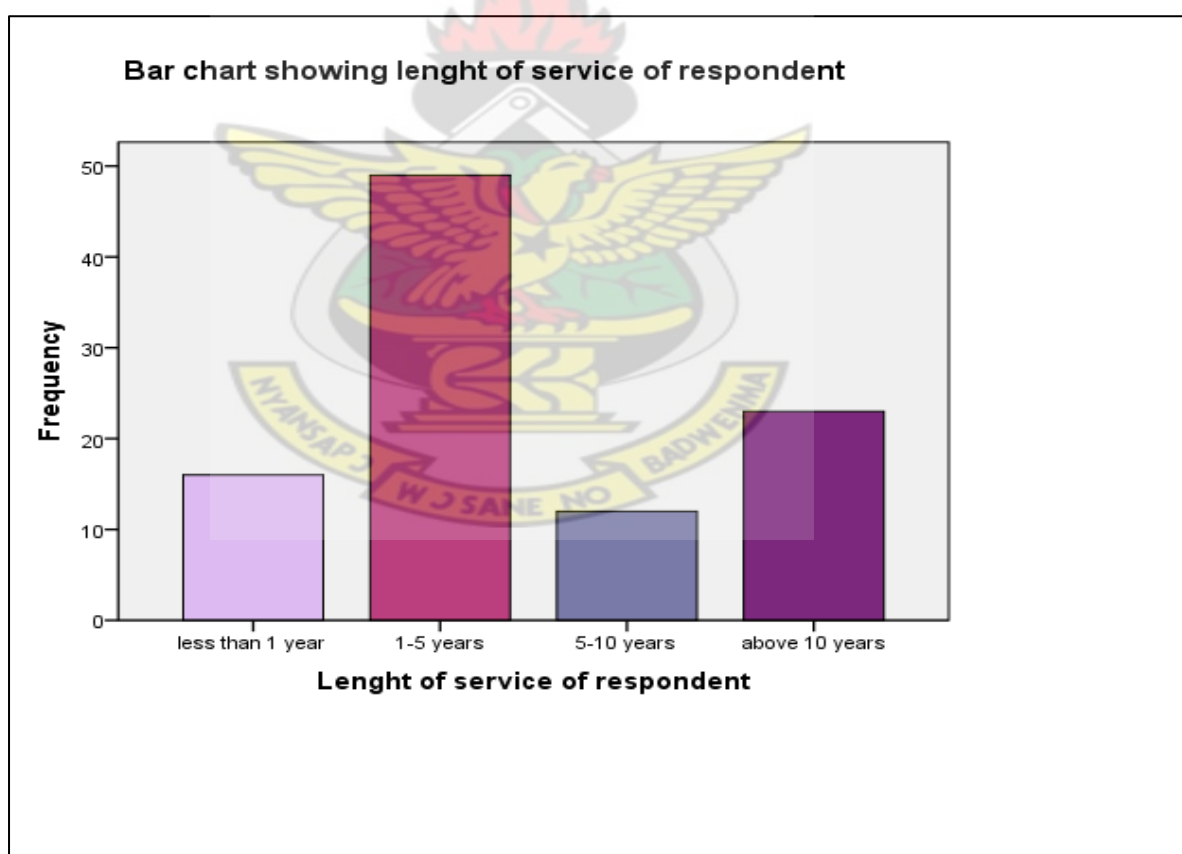


Figure 4.1.5 Length of service of respondents (Source: field data, 2014)

The data indicated that staff who had served between 1-5 years formed the greater number of the respondents scoring 49 (49%), followed by staff who had served above

10 years. They scored 23 (23%). Staff who had served 5-10 years and less than one year scored 12 (12%) and 16 (16%) respectively. Refer to the *figure 4.1.5* above.

This agrees with the trend in environments where unemployment rate is high; people are expected to stay longer in one job as compared with other environments where the unemployment rate is relatively lower and the turnover rate is higher due to the ease with which people can find employment. So the number of employees who have served 5 years and above is significant 35 (35%) to support this assertion.

#### 4.6 Importance of compensation management on employee performance

Respondents were asked to give their opinion on what role they thought compensation played in the organization. They were to select as many as applied to their understanding of the role of compensation in the institution and the results are summarized in the cross tabulations below as per type of respondent.

**Table 4.2.1a**

*To meet organisation's legal obligation / Type of respondent*

Responses	Type of Respondent				Total
	Management Staff	Senior non-management Staff	Middle level Staff	Junior Staff	
NO	0	9	14	28	51
YES	4	12	15	18	49
<b>Total</b>	<b>4</b>	<b>21</b>	<b>29</b>	<b>46</b>	<b>100</b>

Source: Field study 2014

The above *Table 4.6.1.1* shows that 4 (100%) of the management sample stating their position on the fact that they understood compensation as a means of the organization meeting its legal obligation. This tied in with the fact that management is to be the implementers on the policies and must ensure that they are working within the

confines of the laws governing employment in the country where they operate. A slight majority of senior non-management and middle level staff constituting 12 (57%) and 15 (51%) respectively also share the same opinion as the management staff. With the junior staff a lesser number 18 (39%) of them sided with this position. Generally 49% of the respondents see the role of compensation in the organization as a step on meeting the organisation's legal obligation towards its employees.

**Table 4.2.1b**

*To encourage employee to work hard / Type of Respondent*

Responses	Type of Respondent				Total
	Management Staff	Senior non-management Staff	Middle level Staff	Junior Staff	
NO	0	2	5	6	13
YES	4	19	24	40	87
<b>Total</b>	<b>4</b>	<b>21</b>	<b>29</b>	<b>46</b>	<b>100</b>

Source: field study 2014

Concerning whether respondents thought compensation was a means to encourage employees to work hard, *Table 4.6.1.2* again stated 100% of the management respondents, 19 (91%) of senior non-management respondents, 24 (83%) of middle level staff respondents and 40 (87%) of junior staff siding with this statement. This leads to an 87% of the total number of respondents agreeing with the statement that compensation is a means to encourage employees to work hard.

These ties in with the literature reviewed on Cho et al. 2005 who identified performance-based compensation as a means to improving individual performance and retention. It also agrees with the longitudinal study by Banker et al. (2001) in the effectiveness of incentive plans in the hotel industry and found out that the incentive

plans were related to higher revenue, profit increases and lower costs. Paul and Anantharaman (2003) also found that compensation packages were related to effective operational performance which agrees with the find finding discussed above.

**Table 4.2.1c**

*To help employees meet basic needs / Type of Respondent*

Responses	Type of Respondent				Total
	Management Staff	Senior non-management Staff	Middle level Staff	Junior Staff	
NO	3	10	14	23	50
YES	1	11	15	23	50
<b>Total</b>	<b>4</b>	<b>21</b>	<b>29</b>	<b>46</b>	<b>100</b>

Source: field study 2014

From *Table 4.6.1.3*, the general opinions were divided in a 50/50 manner in the understanding of compensation as a means of employees meeting basic needs. Management staff respondents had a 25% supporting the statement and 75% otherwise. Senior non-management and middle level staff both responded in a 48% not supporting the statement and 52% agreeing with it. For the junior staff however, the responses amount to 50% on each side of the statement. This does not agree with Aswathappa (2007) who mentions that employees see the compensation as a means to meet their needs and because of lack of participation the make huge demands to meet those needs.

In the opinion of the researcher employees' continuous working in a manner to keep their jobs is an indication that the cherish it and recognize that it provides them the means to meet their basic needs. Therefore results presented above could have other reasons why there is a split opinion especially concerning junior staff respondents.

**Table 4.2.1d*****To enhance organisational image / Type of Respondent***

Responses	Type of Respondent				Total
	Management Staff	Senior non-management Staff	Middle level Staff	Junior Staff	
NO	2	13	15	23	53
YES	2	8	14	23	47
<b>Total</b>	<b>4</b>	<b>21</b>	<b>29</b>	<b>46</b>	<b>100</b>

Source: field study 2014

Table 4.6.1.4 shows that part of the management staff respondents, (50%) believe compensation as a means to enhance the image of the organization and 38% of senior non-management staff also side with that statement. The middle level staff had 48% supporting and the and for junior staff the opinions were split by 50%. Potential employees have been known to compare the compensation packages of organisations before making a decision to either take appointment into them or otherwise. The kind of compensation package an organization provides for its employee therefore has the potential to enhance the image of the organization hence attracts prospective employees into the organization.

All the responses gathered indicated that employees acknowledged that fact that there was a link between compensation management and the continuous performance of employees within the St. Michael's Hospital. The discussions that follow would try to further establish that fact and also delve into some of the practices of compensation management that has an influence one way or the other on employee performance.

#### **4.6.2 Employee opinion on how effective compensation management influences employee performance**

Respondents were asked again to indicate their level of agreement with some statements in order to try and determine the extent to which compensation management influences on performance. On each of the 10 statements which could pass as performance indicators that the respondents were to either agree or disagree, in all cases the responses were above 65%. Indicating that the majority of respondents representing the majority of staff of St. Michael's hospital either agreed or strongly agreed that compensation had a link with employee performance and that effective compensation management had an influence on employee performance.

Less than 15% either disagree or strongly disagree with the statements. The average number of respondents in percentage who strongly disagreed or disagreed with the statements was 2% and 7.2% respectively while the number of respondents in percentage who either agreed or strongly agreed with the statements was 46.3% and 31.9% respectively. A sizable number of respondents 12.1% remained neutral. The responses for all the types of respondents are in the summaries in the table below.

These finding buttressed the argument by Noe et al. (1996) that management uses compensation to motive its employees to raise their morale, reduce absenteeism and improve the strength of the organization. Also tying in with Chhabra (2001), which according to him the main purpose of compensation is to attract and maintain efficient human resource and to motivate them.

**Table 4.2.2**

*Summary of responses of how effective compensation management influences employee performance*

NO	STATEMENT	SCORING				
	A well designed compensation policy and its effective management and implementation has an effect on employee Performance and it influences performance in the following ways:	SD	D	N	A	SA
1.	Motivates employees to perform better	1 (1%)	4 (4%)	6 (6%)	45 (45%)	44 (44%)
2.	Improves employee punctuality to work and reduces employee absenteeism	5 (5%)	8 (8%)	15 (15%)	52 (52%)	20 (20%)
3.	Improves employee willingness to do extra work and go the extra mile	4 (4%)	8 (8%)	8 (8%)	47 (47%)	33 (33%)
4.	Makes employees committed to the organization and therefore commitment to work increases	-	6 (6%)	12 (12%)	49 (49%)	33 (33%)
5.	Increases employees' readiness to learn new skills and preparedness to transfer skills onto the job	4 (4%)	10 (10%)	19 (19%)	44 (44%)	23 (23%)
6.	Creates a healthy environment for work and improves the health (soundness) of employees	3 (3%)	11 (11%)	15 (15%)	48 (48%)	23 (23%)
7.	Creates very good working relationship between management and employees to improve performance	1 (1%)	7 (7%)	9 (9%)	48 (48%)	35 (35%)
8.	Makes employees feel appreciated and they give their best	1 (1%)	4 (4%)	8 (8%)	40 (40%)	47 (47%)
9.	Attracts and motivates qualified personnel to work better	-	9 (9%)	8 (8%)	50 (50%)	33 (33%)
10.	Rewards hardworking employees to sustain high performance	1 (1%)	5 (5%)	21 (21%)	40 (40%)	33 (33%)
	<b>TOTAL PERCENTAGE</b>	<b>20</b>	<b>72</b>	<b>121</b>	<b>463</b>	<b>319</b>
	<b>AVERAGE PERCENTAGE TOTAL</b>	<b>2.1%</b>	<b>7.2%</b>	<b>12.1%</b>	<b>46.3%</b>	<b>31.9%</b>

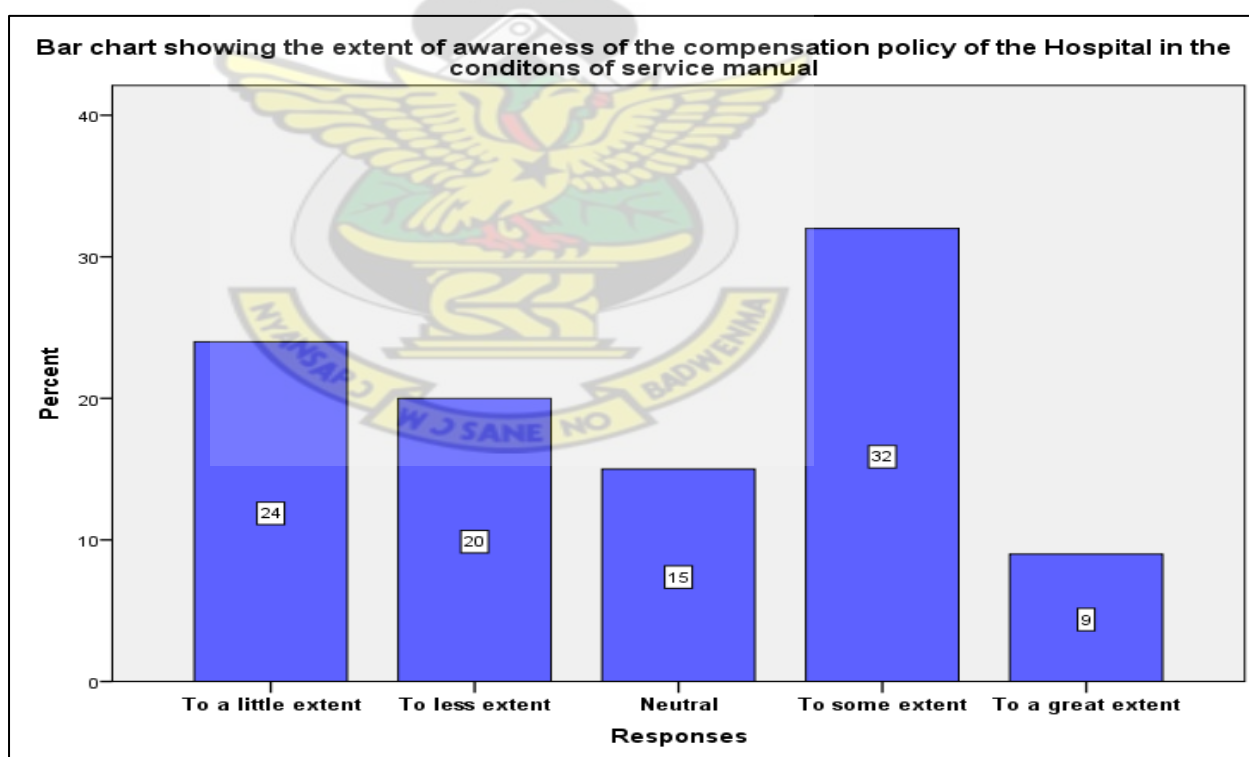
Source: field data, 2014



## 4.7 Employee awareness of compensation packages and satisfaction with their management

### 4.7.1 Awareness of Compensation Packages

Respondents were to indicate to what extent they were in agreement or disagreement to two statements which borders on the fact that they were aware of the compensation policy of the hospital in the conditions of service manual and also their aware of how the compensation packages enshrined in the policy were administered. This was to determine whether they really knew about the management of the policy and therefore the packages therein. The responses to these two questions are represented by the figures below.



**Figure 4.3.1a: Respondents' awareness of Compensation policy**

(Source: field data 2014)

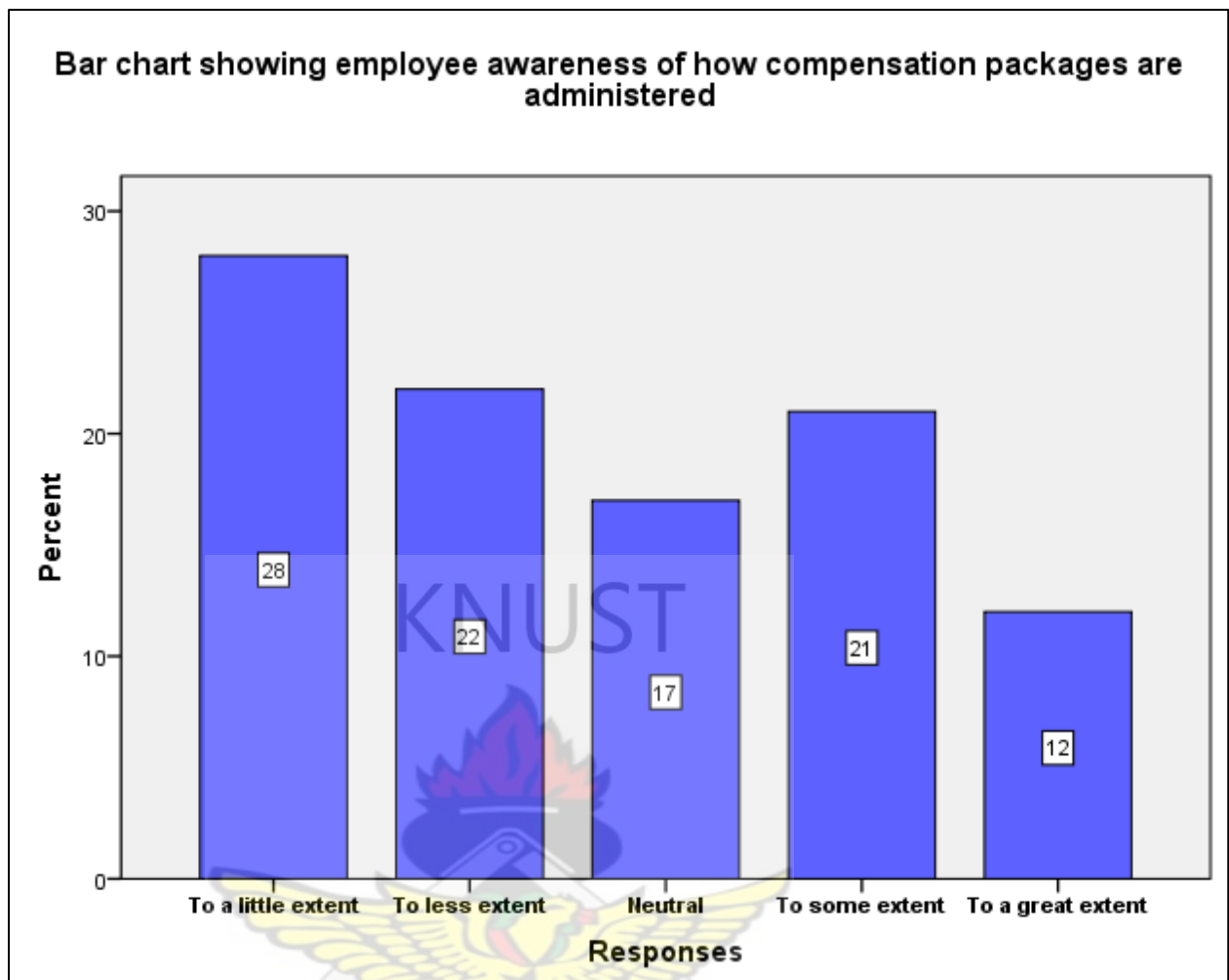


Figure 4.3.1b: Respondents' awareness of administration of Compensation packages  
(Source: field data 2014)

We can see from *figure 4.3.1a* that only 9 (9%) of the respondents were aware of the compensation policy to a great extent, 32 (32%) to some extent, 24 (24%) to a little extent and 20 (20%) to a less extent. There were also 15 (15%) of respondents who were neutral. This indicates that 44% of the respondents were on the lower end as regards their awareness of the compensation policy of the hospital whiles 41% are on the higher end with 15% of them in the middle.

Also from *figure 4.3.1b* concerning employees' awareness of how the compensation packages are administered, 50 (50%) of the respondents knew very little about the

administration of the compensation packages and 33 (33%) of respondents were aware to some extent and greatly knew about how the compensation packages were administered. Some respondents were in the balance as to their awareness of the administering of the packages – 17%. It is worth noting however, that only 12% of the respondents knew greatly about the administering of the compensation packages.

Aswathappa (2007) mentioned that most employees are not aware of the benefits they are entitled to and their lack of knowledge causes them to make requests for more benefits to meet their needs. It is therefore in agreement with the finding that only 12% of the respondents had great knowledge about the administering of the compensation packages.

From interviewing the some of the respondents the researcher gathered that this unawareness could stem from the fact that upon engagement into the institution no proper orientation is organized for the new entrants and the policy manual are only made available to the heads of the department, making it very difficult if not impossible for the other staff to have access to them.

#### **4.7.2 Identifying the Compensation Packages available at the St. Michael's Hospital.**

As far as identifying available compensation packages are concerned, and desiring to know about the ways in which they are managed in the St. Michael's Hospital the researcher consulted the Collective Bargaining Agreement of the institution which was provided by the Human Resource Department and also had brief interviews with some members of the management, namely the health service administrator, accountant and union chairman. The researcher also consulted the

human resource and administrative policy manuals of the National Catholic Health Service for the information required. The findings are as discussed below:

### **Vehicle maintenance allowance**

This was given to management and senior staff who have acquired motor vehicles and junior staff who have acquired motor bikes. A fixed sum is paid to beneficiaries on monthly basis as per the kind of vehicle you have acquired (either four wheeled or motor bike) and your staff categorization respectively. The policy governing this compensation package requires that the vehicle should be registered in the name of the beneficiaries and evidence of complete ownership must be provided. Staff who benefit from this are also required to ensure that all the documents covering the vehicle are renewed annually or face the penalty of not benefiting from the package. This package is a provision by the government for supported facilities.

#### **i. Fuel allowance**

Fuel allowance was only available for doctors and management staff who owned vehicles. This is also a policy that is instituted by the government as concerns the medical officers but has been extended to cover the management staff of the hospital. It is stated clearly that it also depends on the institution's ability to pay such packages

#### **ii. Vacation Leave or Annual Leave**

Every employee is entitled to a minimum of fifteen (15) working days per calendar year as annual leave as per the labour laws but specifically as relates to the practice in the St. Michaels Hospital, depending on your grade and qualification you are entitled to between 21 to 36 working days per year as mandatory annual leave. Employees with the qualification of Higher National Diploma (HND) and above are entitled to 36

working days while those with qualifications below the HND get 28 and 21 working days annual leave per calendar year.

There is also provision for casual leave for staff who require short periods for personal business and would not want to take the full annual leave, but this is however deducted from their entitlements on annual leave. The policy also make provision for staff who might not have work for the mandatory one calendar year to qualify for annual leave by providing compassionate leave,, the amount which left at the discretion of the policy mangers. Male employees also have the benefit of up to 5 days as paternity leave should their wife deliver a baby.

### **iii. Examination Leave**

For employees who may be taking examinations for approved programs, on provision of their examination time table some number of days leave shall be granted to enable them undertake that exercise. But the number however depends on the situation.

### **iv. Free Medical Insurance**

Employees of the hospital get reimbursed for any medical bills they incur during the time they remain employees of the hospital. The service however should be insured by a certified medical insurance company and if it is for a service that is not provided by the hospital it should be certified by a medical officer from the St. Michael's Hospital. Employees also benefit from free registration of themselves and their dependents who are below the age of 21 years. The hospital also provides free medical services for its employees but insist that every employee must ensure to register under a health insurance scheme.

**v. Maternity Leave**

Female employees on delivering and the production of a medical certificate from a certified medical practitioner are entitled to a period in 3 months as maternity leave and 1 hour per day off work for at least 12 calendar months to nurse their baby. This is mandatory by law and is adhered to at the St. Michael's hospital, Pramso.

**vi. Rent Loan**

Staff of the hospital may qualify for a certain amount of money as rent loan depending on their grade by categorization and their income. This is usually not a huge sum of money and as per policy is payable in installment over a 1 year period.

**vii. Sick Leave**

Employees who during the course of their duty fall sick and are not able to come to work are kept on payroll for a maximum of 1 year where they receive various levels of their salary while not at post until the years expires.

**viii. Extra Duty Allowance (Overtime allowance)**

This allowance is paid to the employees who fall within the middle level and junior staff categories that for some reason have to do work outside their normal working hours, instance weekends and holidays. They are paid this allowance on monthly basis if the extra duty is recurring. Management and senior staff however receive an allowance called responsibility allowance which is supposed to take care of any extra duty they perform outside their normal working hours, and this is paid in a monthly basis.

**ix. Provident fund**

At the end of every month employees contribute 11% of the income as provident fund into an account which is managed by the finance department of the hospital. The institution and contributes a matching fund of 4% into the same account with respect to individual employees. This fund is invested on behalf of the employee in an agreed fund and is disbursed after every 2 years for the benefit of employees the avoid it being devalued by inflation.

**x. Rent allowance**

Management members are to be accommodated by the hospital and in lieu of that provision of accommodation a percentage of their basic salary is paid to them as rent allowance on monthly basis. This package only pertains to management members is the institution.

**xi. SSNIT Pension Scheme**

The employer at the end of every month contributes 13% of the employees' salary in addition to a 5.5% contribution by the employee. The total of 18.5% is then lodged with the Social Security and National Insurance Trust (SSNIT) as the employees' social security contribution aimed towards providing basic income during the employees' retirement from active service after working a specified number of years to qualify.

**xii. Study Leave**

Employees who serve in the institution for a period not less than 3 continuous years may be considered for study leave with pay to pursue approved programmes and on



return are bonded to serve the hospital for some specified period before they can resign or seek transfer out of the hospital. For employees who require to undertake programmes from outside the country the programme must not be found in any of the local institution should the employee desire partial of full sponsorship.

#### **xiii. Regularity of Promotion**

There exists a promotion guideline which spells out the period of service until one qualifies for promotion to the next level. This guideline was developed by the Ministry of Health and it is the manual that guides promotion at the St. Michaels hospital. Employees depending on their grade and specialty will serve between 3-5 years to qualify for their first promotion and for a period of between 5- 13 years for subsequent promotions.

#### **xiv. Long service awards**

Periodically at annual staff gatherings, deserving employees and long serving employees are awarded with various presentations. This is an annual event that has been relegated for some time.

#### **xv. Free training workshops**

Employees are occasionally given refresher training in various skill areas pertaining to their job. These trainings are organized in-house or sometimes employees are sponsored to attend ones that are organized by recognized bodies in the training industry. It is a policy of the hospital however that every employee in a year will have some form of refresher training.

#### **xvi. Free accommodation**

Management members and medical officers are provided with this package. As concerns medical officers, they are to be called at any time and therefore must be accommodated on the hospital premises or very close to facilitate that duty. The case of management members is for constant monitoring and decision making on daily and emergency cases. With the above in view, respondents were to indicate which if the compensation packages they were of and also and also to indicate their level of satisfaction with their management. The responses are presented in the table below. In *table 4.3.2* below the actual numbers of respondents are displayed alongside the percentages they constitute for easy reading and making meaning of the data.

It can be observed from the total averages that 3 out of 4 management respondents (77%) were aware of almost all the compensation packages that were available in the institution and 1 out of 4 (23%) were not aware of some of the packages. This in the researcher's opinion is a flaw in the system since management members are the policy makers and also sometimes implementers. It therefore beholds on every management member to be abreast with all policies concerning the institution hence knowledge of the compensation packages available.

The data also showed that the unawareness level of senior non-management staff was higher than their awareness level 53% to 47% respectively. Implying also that this category of staff were not so very abreast with the compensation packages available in the organization. According to the organizational structure of the hospital which the researcher had assessed during data collection, this category of staff formed the direct policy implementers at the middle level, thus representing management at the various

departments. Their role therefore requires that they know and understand the policies to interpret to their subordinates.

The awareness levels of middle level staff and junior staff was not any different from the management and senior non- management staff, however the awareness level of junior staff was slightly higher than their unawareness level with is off the normal trend as stated by Aswathappa (2007) in literature to the tune that they are usually unaware since they are not involved in the policy formulation and therefore make demands to meet their needs. It is however expected that most of the junior staff would be aware of majority of the packages in the Collective Bargaining Agreement (CBA) since it is a document the is put in place to protect their interest and this could explain why their awareness level is slightly higher.

The researcher also noted the as regards awareness of the compensation packages in the institution respondents who said they were aware to a great extent were mostly management staff while those who said they were aware to the less or little extent fell in either the middle level or junior staff category. This as mentioned earlier could be an indication that the policy documents that contain these compensation packages may not be available to all employees as should be the case. The focused groups and grapevine then becomes their source of information concerning these packages. This ties in perfectly with what Byars and Rue (1997) noted; that the average employee does not often have much insight into the total compensation they are entitled to and it is due to the fact that management does not make frantic effort to make that information available to them.

#### **4.7.3 Other compensation Packages**

Nonetheless some respondents made mention of some other compensation packages that were not on the list of packages they were asked to indicate their level of awareness. Therefore as far as identifying other forms of compensation was concerned the researcher identified the following also as packages available in the St. Michael's Hospital.

**1. Provision of Liquid Petroleum Gas (LP Gas)** Management staff and

Medical officers received this package on monthly basis as a form of motivation for the roles they play in managing the organization. They receive one cylinder per month of gas which delivered by the general stores at the end of every month.

**2. The payment of utility bills**

This package is also only for management staff. The institution provides a central water system and therefore supplies management staff residing on the premises with free water. Their electricity bill no matter where they reside are also catered for by the institution.

**3. Paternity leave**

This is not very common in the corporate world in our Ghanaian working environment but St. Michael's offers it to its male staff whose wives deliver. As alluded to earlier, it is a maximum of five working days and it is granted on request of the employee.

**4. Payment of a rural allowance**

This allowance is also known as the local allowance and it is paid to all employees of the St. Michael's hospitals ones you are employed either

permanently or temporarily. It is to motivate the employees to provide quality service to the clients considering the rural environment in which the hospital is located.

**5. Free morgue services**

The hospital has a mortuary which offers free services to employees whose close relations expire and are deposited in the morgue. This service is however limited to the employees nuclear family, parents and siblings.

**6. Funeral grant**

Upon the loss of an employees' relative (spouse, child, parents) the hospital has a grant that is given to the employee to help with the process of putting the love one to rest. The hospital also provides free vehicle services to help convey the corpse for burial.

**7. Leave allowance**

A token is paid to any staff who is to go on leave annually and the amount is graduated and categorized into senior and junior staff allowances.

**8. Travel allowance**

Employees irrespective of your level in the organization who travel outside their work station for official duties are paid a travel allowance which is worked on the number of nights they spend out of their station. This amount is fixed and also categorized into senior and junior staff levels.

**9. Annual Christmas bonuses and gifts**

Employees at the end of every year are given Christmas bonuses with gifts of chicken, rice and oil. This is irrespective of your job class or rank in the organization and done for staff both permanent and temporary who have spent at least six months working in the institution.

This implied that staff were satisfactorily aware of the compensation packages the existed in the St. Michael's Hospital.

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**Table 4.3.2**

*Awareness of Respondents of compensation packages*

#	PACK AGES	RESPONSES BY TYPE OF RESPONDENTS							
		MANAGEMENT STAFF		SENIOR NON-MANAGEMENT		MIDDLE LEVEL		JUNIOR STAFF	
		YES	NO	YES	NO	YES	NO	YES	NO
		No.(%)	No.(%)	No.(%)	No.(%)	No.(%)	No.(%)	No.(%)	No.(%)
1	P1	4(100)	-	9(43)	12(57)	10(35)	19(65)	16(35)	30(65)
2	P2	-	4(100)	-	21(100)	-	21(100)	-	46(100)
3	P3	3(75)	1(25)	1(5)	20(95)	8(28)	21(72)	13(28)	33(72)
4	P4	4(100)	-	9(43)	12(57)	9(31)	20(69)	14(30)	32(70)
5	P5	3(75)	1(25)	4(19)	17(81)	6(21)	23(79)	15(33)	31(67)
6	P6	3(75)	1(25)	7(33)	14(67)	7(24)	22(76)	22(48)	24(52)
7	P7	2(50)	2(50)	5(24)	16(76)	11(38)	18(62)	25(54)	21(46)
8	P8	3(75)	1(25)	9(43)	12(57)	19(66)	10(34)	31(67)	15(33)
9	P9	4(100)	-	21(100)	-	27(93)	2(7)	45(98)	1(2)
10	P10	1(25)	3(75)	2(10)	19(90)	-	29(100)	2(4)	44(96)
11	P11	4(100)	-	10(48)	11(52)	7(24)	22(76)	24(52)	22(48)
12	P12	4(100)	-	20(95)	1(5)	27(93)	2(7)	41(89)	5(11)
13	P13	-	4(100)	-	21(100)	-	29(100)	-	46(100)
14	P14	3(75)	1(25)	4(19)	17(81)	1(3)	28(97)	13(28)	33(72)
15	P15	4(100)	-	18(86)	3(14)	22(76)	7(24)	37(80)	9(20)
16	P16	4(100)	-	21(100)	-	24(83)	5(17)	40(87)	6(13)
17	P17	4(100)	-	11(52)	10(48)	19(66)	10(34)	31(67)	15(33)
18	P18	4(100)	-	20(95)	1(5)	26(90)	3(10)	42(91)	4(9)
19	P19	3(75)	1(25)	18(86)	3(14)	20(69)	9(31)	33(72)	13(28)
20	P20	3(75)	1(25)	5(24)	16(76)	6(21)	23(79)	14(30)	32(70)
21	P21	2(50)	2(50)	12(57)	9(43)	8(28)	21(72)	28(61)	18(39)
22	P22	3(75)	1(25)	15(71)	6(29)	24(83)	5(17)	32(70)	14(30)
23	P23	4(100)	-	17(81)	4(19)	26(90)	3(10)	44(96)	2(4)
24	P24	4(100)	-	4(19)	17(81)	-	29(100)	9(20)	37(80)
25	P25	4(100)	-	2(10)	19(90)	1(3)	28(97)	7(15)	39(85)
<b>TOTAL AVERAGE</b>		<b>3(77%)</b>	<b>1(23%)</b>	<b>10(47%)</b>	<b>11(53%)</b>	<b>12(43%)</b>	<b>17(57%)</b>	<b>23(51%)</b>	<b>22(49%)</b>

Source: field date, 2014

On the table 4.3.2 above the follow representation were made to identify the compensation packages

**KEY:**

P1=Vehicle maintenance allowance  
P2=Free recreation  
P3=Retirement Benefit  
P4=Fuel Allowance  
P5=Career Development Opportunity Package  
P6=Vacation Leave  
P7=Examination Leave  
P8=Free Medical Insurance  
P9=Maternity Leave  
P10=Car & Motor Cycle Loan  
P11=Extra duty allowance  
P12=Provident fund  
P13=Crèche for Children

P14=Rent Allowance  
P15=SSNIT Pension  
P16=Casual Leave  
P17=Free Medical Services  
P18=Study Leave  
P19=Regularity of Promotion  
P20=Long Service Awards  
P21=Rent Loan  
P22=Free Training Workshops  
P23=Sick Leave  
P24=Free accommodation  
P25=Free transportation



#### 4.7.4 Challenges in the management of Compensation

As concerns the challenges in the management of compensation respondents were asked to indicate the extent to which they sided with some statements about the management and communication of compensation. Responses were to indicate their levels of satisfaction with the management of the compensation packages as a key of probable challenges that may be inherent in the management of those specific compensation packages.

Discussing the mean frequencies of the responses on continuum from 1 to 5, it can be observed from *table 4.3.3* that the level of satisfaction of management staff which was 3.71 was higher than the other categories of staff. Senior non-management staff also had a satisfaction level of 3.18 which is also above that of middle level and junior staff categories who had 2.92 and 2.99 respectively. Again it is worth nothing that the satisfaction level of junior staff was higher than that of middle level staff by a slim margin. This could be due to the fact the largest union in the health sector is the health service workers union which normally seeks to protect the interest of the junior staff and with a vibrant one at the St, Michael's hospital they could be doing a great job in that regard.

Table 4.3.4 also indicates the level of satisfaction of employee with the management in terms of communication with the compensation of employees. The results indicate that all categories of staff considered in this research were not very satisfied communication as concerns the compensation of employees and is reflected in management, senior non-management, middle level and junior staff scoring mean averages on satisfaction from a of 1.00 to 5.00; 3.23, 2.52, 2.41 and 2.91 respectively.

Again the level of satisfaction of junior staff is slightly higher than that of the middle level staff.

**Table 4.3.3**

*Employee views on level of satisfaction with management of compensation packages*

	COMPENSATION PACKAGES	RESPONDENTS' SATISFACTION LEVELS (Mean Frequency) Range 1.00 – 5.00			
		Management Staff	Snr. Non-Management Staff	Middle Level Staff	Junior Staff
1	Vehicle maintenance allowance	3.50	<b>2.93</b>	<b>2.23</b>	<b>2.58</b>
2	Free recreation	0.00	0.00	0.00	0.00
3	Retirement Benefit	<b>2.50</b>	<b>2.17</b>	<b>2.67</b>	<b>2.24</b>
4	Fuel Allowance	4.33	<b>2.44</b>	<b>2.13</b>	<b>2.64</b>
5	Career Dev. Opportunity	<b>2.67</b>	3.06	3.13	3.22
6	Vacation Leave	3.25	3.06	<b>2.96</b>	3.14
7	Examination Leave	3.00	3.69	3.20	3.16
8	Free Medical Insurance	5.00	3.50	3.28	3.49
9	Maternity Leave	5.00	4.60	4.36	4.09
10	Car & Motor Cycle Loan	5.00	<b>2.73</b>	<b>2.43</b>	<b>2.36</b>
11	Extra duty allowance	<b>2.50</b>	3.32	<b>2.71</b>	<b>2.66</b>
12	Provident fund	4.25	4.50	3.79	3.84
13	Crèche for Children	0.00	0.00	0.00	0.00
14	Rent Allowance	4.33	3.00	<b>2.39</b>	<b>2.40</b>
15	SSNIT Pension Scheme	4.25	4.21	3.66	3.55
16	Casual Leave	4.25	3.89	3.07	3.96
17	Free Medical Services	4.75	3.47	3.76	4.00
18	Study Leave	4.50	3.90	4.00	3.76
19	Regularity of Promotion	4.75	3.95	3.82	3.51
20	Long Service Awards	4.00	<b>2.79</b>	<b>2.64</b>	<b>2.66</b>
21	Rent Loan	4.00	<b>2.87</b>	<b>2.61</b>	3.17
22	Free Training Workshops	3.00	4.10	3.55	3.41
23	Sick Leave	4.25	3.95	3.72	3.88
24	Free accommodation	4.25	<b>2.80</b>	<b>2.36</b>	<b>2.37</b>
25	Free transportation	<b>2.50</b>	<b>2.71</b>	<b>2.18</b>	<b>2.30</b>
<b>TOTAL AVERAGE</b>		<b>3.71</b>	<b>3.18</b>	<b>2.92</b>	<b>2.99</b>

Source: field data, 2014

**Table 4.3.4***Means of responses to identify challenges of compensation management*

	<b>COMPENSATION PACKAGES</b>	<b>RESPONDENTS' SATISFACTION LEVELS/ Mean Frequency (1.00 – 5.00)</b>			
		<b>Management Staff</b>	<b>Snr. Non-Management Staff</b>	<b>Middle Level Staff</b>	<b>Junior Staff</b>
1	The packages of compensation are managed well	3.50	2.71	2.72	3.09
2	Employees receive adequate notice and information on any changes that will affect their compensation packages	3.50	2.38	2.69	3.11
3	Compensation is managed to ensure that all employees receive equal compensation for the same kind of work	4.00	2.71	2.28	2.50
4	My colleague in another department with the same qualification receives more compensation than I do	3.25	2.90	2.96	2.85
5	The managers of compensation packages are well trained to do so	3.75	3.00	2.28	3.07
6	Communication of issues concerning compensation is generally good in the organization	3.25	2.67	2.31	3.02
7	Every detail of available Compensation packages are well communicated to the employees	3.00	2.24	2.10	3.13
8	Employees are well informed and involved in the formulation, discussion and implementation of policies concerning compensation	2.25	1.90	2.03	2.85
9	I do not know what is going on as far as compensation is concerned in this organization	2.25	2.52	2.41	2.43
10	The compensation packages are well defined and explained to employees	3.50	2.19	2.28	3.04
<b>TOTAL AVERAGE</b>		<b>3.23</b>	<b>2.52</b>	<b>2.41</b>	<b>2.91</b>

Source: field data, 2014

Using the range on the continuum from 1.00 to 5.00 in both the table 4.3.3 and table 4.3.4, with 1.00 being the lowest and 5.00 being the highest, means that fell below 3.00 could be an indication of dissatisfaction with the management of compensation

at the St Michael's hospital hence the source of a potential challenge in managing it.

However some of the challenges identified are compiled below:

- i. Issues concerning compensation in the organization were not communicated effectively to all levels of employees in the organization.
- ii. Employees did not have a platform to also communicate their concerns to management on issues concerning their compensation hence their dissatisfaction with the policies formulated by management to manage compensation.
- iii. There was no proper performance management system and an evaluation system in place to facilitate compensation management.
- iv. There was no forum to discuss issues of compensation with the employees
- v. The standard operating procedures and guiding principles on implementation of the compensation policy were not properly followed
- vi. The policy manuals that contain the compensation packages were not readily available to the entire populace.
- vii. The management and review of compensation packages were not abreast with the current economic situation in the county and therefore their intended effect is not fully felt.
- viii. There was no proper training for the direct implementers of the compensation policy and packages.
- ix. There was very minimum or no employee involvement in the formulation and implementation of compensation packages.
- x. Errors in the administering of compensation packages related to cash.

#### **4.7.5 Some employee concerns regarding compensation management**

Apart from the factors stated in the findings above to the effect of compensation management on performance, some of the respondents gave other factors which they considered as equally important to determining the performance of employees. Some respondents believed that management limited Compensation to cash and other material benefits in most cases, but commendation of employees in whichever way and a putt on the shoulder could also go a long way to boost the morale of employees and motivate them to perform. An issue concerning the timeliness of paying whatever compensation also came up and the suggestion was that management made funds available all the time to ensure that these benefits are paid on timely basis. There were concerns also about the lack of recreational facility for the institution and it was suggested that a fraction of the internally generated funds be set aside for that purpose.

Looking at the above presentation and discussion of the research data and findings the researcher believes that all the research questions the study set out to find answers to have been duly answered. However in the next chapter the researcher summaries all the research findings and provides recommendation for addressing the challenges identified for the management of compensation.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0 Introduction**

The study looked into the effect of compensation management on employee performance. In order to address the study objectives the researcher distributed questionnaires to 100 respondents at the St. Michael's hospital and the results analyzed and discussed in the preceding chapter. This Chapter presents a summary and conclusion of the findings of the study and recommendations which are based on the findings.

#### **5.1 Summary of findings**

Outlined below are the findings of the research study:

##### **5.1.1 Lack of awareness of total compensation packages**

The study has revealed that there are a lot of compensation packages that are enshrined in the manuals on compensation of the hospital but employees (even some management staff) are not aware of these compensation packages which they are entitled to. This was found to be as a result of the fact that the compensation manuals were not readily available to the employees for their reading and reference. The study also showed that there were either no avenues for the available compensation packages to be communicated to employees or the avenues existed but were not being managed properly.



### **5.1.2 Inefficient or no communication on compensation issues**

The study revealed that issues concerning employee compensation were not communicated effectively through the institution and employees also did not have a forum to be heard on the issues they have concerning their compensation packages and their management. Employees therefore were not involved in the formulation and implementation of policies concerning compensation in the hospital.

### **5.1.3 Lack of a system to measure employee performance**

According to the study the hospital did not have an effective performance management system with which to manage, monitor and measure the performance of the employees. And since a good compensation system works hand in hand with a good performance management system its absence hampers the smooth administration of the compensation in the hospital.

### **5.1.4 Delays and human errors compensation management**

The study found out that the managers of compensation do everything manually and therefore generate many errors and omissions. The entire compensation system is run manually which also delays the timely payment of such compensations hence its effectiveness.

### **5.1.5 Lack of social events and other non-financial compensation**

The study has showed that employees not only desire the financial compensations and benefits but also would appreciate commendations from their supervisors in appreciation for the effort they put into their work. There was also no social event



where employees could interact with the other employees from other departments and also their subordinates and superiors.

#### **5.1.6 Lack of proper categorization on compensation packages.**

The study revealed that some of the employees had equity issues with the distribution of compensation packages which stemmed from the fact that their colleagues on the same scale and with the same qualification had more in relation to some compensation packages.

#### **5.1.7 Lack of attention towards certain compensation packages**

The research revealed that the management of the compensation packages had focus on certain aspects and had completely neglected some of the packages which employees found to be equally important. Some of which were the Retirement benefit package and Long service award package.

### **5.2 Conclusion**

The results of this study have mapped a link between total compensation and its management and the performance of employees. Employees usually do not have the whole picture of their entitlement when it comes to compensation and this could be as a result of their employer's not providing them with the relevant policy manuals to read and educate themselves or their own lack of interest in reading those manuals when they are provided for them. Whichever reason can be attributed to this lack of awareness of the total compensation package of employees, it beholds on management to ensure that they create the avenues for the employees to get abreast with the policies and compensation packages as they also do same themselves.

It can be said that management's burden in dealing with some of the industrial unrests that has plagued many countries including Ghana could have turned out different if the employees were well educated on the policies on managing their compensation and also if there were very effective communication lines established between managers and their employees.

An effective performance management system which is absent in many organisations including the St. Michael's hospital goes a long way to ensure equity in the distribution of compensation packages and in the actual evaluation of the whole compensation system for its review to be abreast with the situation on the job floor and hence achieve the desired outcome.

This study sets the tone for further research into the link between compensation systems, performance management and the productivity of employees. It could also be the basis for comparing data from similar institutions on the subject matter.

### **5.3 Recommendations**

Based on the study findings the following recommendation could be considered to address the issues revealed by the study.

#### **5.3.1 Awareness of compensation packages**

It was found out from the study that though there were many compensation packages available the employees were not aware of these packages because no avenues were provided to educate them on such packages. It is therefore recommended that the management of the institution should provide for every new employee a copy of the compensation manual and discuss the items therein during orientation. And for

existing employees periodic workshops and training should be organized to get them educated on the compensation policies and packages.

### **5.3.2 Inefficient or no communication on compensation issues**

The study showed that general communication within the institution was satisfactory but as concerns compensation it was not as desired. It is based on this that the researcher recommends that communication should be improved to cover issues that have to do with compensation by involving the various heads of units in the formulation and implementation process of policies concerning compensation. The entire employee populace could also be involved by organising quarterly staff durbars where issues concerning compensation in general could be discussed.

### **5.3.3 Lack of a system to measure employee performance**

The study revealed a lack of performance management system in the hospital hence a deficiency in the administering of performance. It is therefore recommended that management prioritizes the implementation of a performance management system to measure the output of employees and that should be used as a tool to award the compensation packages to employees. The researcher believes this will ensure fairness.

### **5.3.4 Absence of software for compensation management**

It has emerged from the study that all administration and implementation of compensation was done manually which caused delays and errors in the management of compensation. It is based on the views of the respondents that the researcher

recommends that management should consider acquiring software to facilitate the administering on the compensation packages and also eliminate the human errors.

#### **5.3.5 Lack of social events and other non-financial compensation**

The study revealed also that employees did not only desire financial benefits as compensation to motivate them to perform but also non-financial benefits as well. It is in the light of this that the researcher recommends that verbal commendations and a putting the shoulders of deserving employees should be added to the culture of the organization and social events like staff annual get-together showing be introduced to afford the employees the opportunity to interact with superiors and colleagues from other departments

#### **5.3.6 Lack of proper categorization on compensation packages.**

It was found out from the study that there was no clear cut categorization of compensation packages and employees did not know how they were administered. It is therefore recommended that management should develop a manual that clearly spells out the categorization of the compensation packages and their administrative procedure and copies of this manual should be made available to the entire employee population to allay their fears in that regard.

#### **5.3.7 Lack of attention towards certain compensation packages**

The study revealed that some compensation packages had been neglected and it is in this light that the researcher recommends that a review of all compensation packages should be instituted and undertaken periodically to ensure all packages are given equal attention and developed to be abreast with current economic situation.

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## APPENDIX: RESEARCH QUESTIONNAIRE

I am an MBA student of the School of Business KNUST, and I kindly request your assistance in providing me with the necessary responses towards my research on “**The Effect of Compensation Management on Employee Performance: A study of St. Michael’s Hospital, Pramso.**” I will like to assure you that this study is purely for academic purposes and all the answers you provide here will be treated with the highest level of confidentiality. I therefore covet your objectivity and clarity to make this study a good one.

(Please tick (✓) the box which is applicable

### SECTION 1: Bio-Data

1.1 Type of Respondent: Management staff [ ] Senior (non-management) Staff [ ]

Middle level Staff [ ] Junior Staff [ ]

1.2 Sex: Male [ ] Female [ ]

1.3 Age: 20 – 30 [ ] 31 – 40 [ ]

41 – 50 [ ] 51 – 60 [ ]

1.4 Department: Gen. Admin Dept. [ ] Records Department [ ]

Pharmacy Department [ ] Nursing Department [ ]

Estates [ ] Medical Department [ ]

Accounts [ ]

1.5 Length of Service: Less than 1 year [ ] 1 – 5 years [ ]

5 – 10 year [ ] Above 10 years [ ]

## **SECTION 2: Importance of compensation management on employees' Performance**

### **2.1 What role do you think compensation plays in your organisation?**

*(please tick (✓) as many as are applicable)*

To meet the employer's legal obligation ☐

To encourage employees to work hard ☐

To help employees meet basic needs ☐

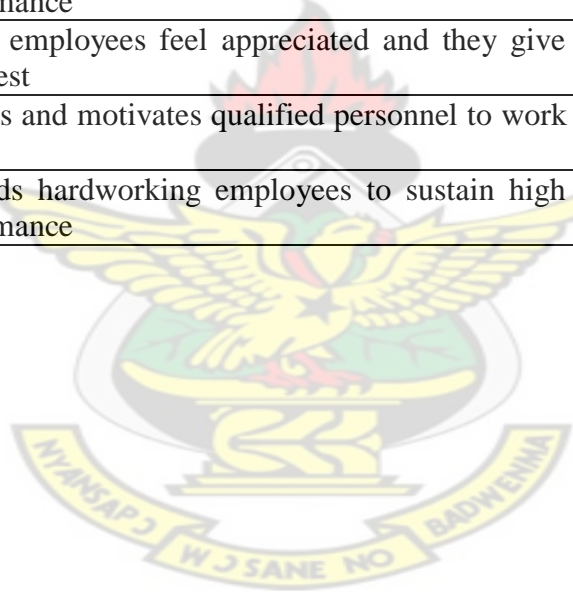
To enhance the organization's image ☐

All the above ☐

### **2.2 Employees' opinion on how effective compensation management influences employee performance**

Kindly indicate your level of agreement or disagreement with each of the statements using the following scale: where **1** = Strongly Disagree (SD); **2** = Disagree (D); **3** = Neutral (N); **4** = Agree (A); and **5** = Strongly Agree (SA),

NO	STATEMENT	SCORING				
		SD	D	N	A	SA
	A well designed compensation policy and its effective management and implementation has an effect on employee Performance and it influences performance in the following ways:					
11.	Motivates employees to perform better					
12.	Improves employee punctuality to work and reduces employee absenteeism					
13.	Improves employee willingness to do extra work and go the extra mile					
14.	Makes employees committed to the organization and therefore commitment to work increases					
15.	Increases employees' readiness to learn new skills and preparedness to transfer skills onto the job					
16.	Creates a healthy environment for work and improves the health (soundness) of employees					
17.	Creates very good working relationship between management and employees to improve performance					
18.	Makes employees feel appreciated and they give their best					
19.	Attracts and motivates qualified personnel to work better					
20.	Rewards hardworking employees to sustain high performance					



**SECTION 3:** Employees awareness of compensation packages and satisfaction with management of compensation packages in policy manuals.

**3.1** To what extent do you agree with the following statements as they apply and as listed below?

**1:** To little extent; **2:** To less extent; **3:** Neutral **4;** To some extent **5:** To a great extent

NO	STATEMENT	SCORING				
Awareness of Compensation Packages		1	2	3	4	5
1.	I am aware of the compensation policy of the hospital in the conditions of service manual					
2.	I am aware of how the compensation packages are administered					

**3.2** Which of the following compensation packages exist in this organization that you are aware of: *(please tick (✓) as many as are applicable)*

- |                                       |                                 |
|---------------------------------------|---------------------------------|
| 1. Vehicle maintenance allowance [ ]  | 11. Extra duty allowance [ ]    |
| 2. Free recreation [ ]                | 12. Provident fund [ ]          |
| 3. Retirement Benefit Package [ ]     | 13. Crèche for Children [ ]     |
| 4. Fuel Allowance [ ]                 | 14. Rent Allowance [ ]          |
| 5. Career Development Opportunity [ ] | 15. SSNIT Pension Scheme [ ]    |
| 6. Vacation Leave [ ]                 | 16. Casual Leave [ ]            |
| 7. Examination Leave [ ]              | 17. Free Medical Services [ ]   |
| 8. Free Medical Insurance [ ]         | 18. Study Leave [ ]             |
| 9. Maternity Leave [ ]                | 19. Regularity of Promotion [ ] |
| 10. Car & Motor Cycle Loan [ ]        | 20. Long Service Awards [ ]     |
| 21. Rent Loan [ ]                     | 22. Free Training Workshops [ ] |
| 23. Sick Leave [ ]                    | 24. Free Accommodation [ ]      |
| 25. Free Transportation [ ]           |                                 |

**3.3** Please provide a list of other compensation packages available in your organization which are not listed in the above

.....

.....

.....

.....

**3.4** To what extent are you satisfied with the compensation packages you have selected above and their management in your organisation?

Please tick appropriately as follows? **1:** To little extent; **2:** To less extent; **3:** Neutral; **4:** To some extent; **5:** To a great extent;

NO	STATEMENT	SCORING				
		1	2	3	4	5
1.	Vehicle maintenance allowance					
2.	Extra duty allowance					
3.	Free recreation					
4.	Provident fund					
5.	Retirement Benefit Package					
6.	Crèche for Children					
7.	Fuel Allowance					
8.	Rent Allowance					
9.	Career Development Opportunity					
10.	SSNIT Pension Scheme					
11.	Vacation Leave					
12.	Casual Leave					
13.	Examination Leave					
14.	Study Leave					
15.	Free Medical Services					
16.	Free Medical Insurance					
17.	Regularity of Promotion					
18.	Car & Motor Cycle Loan					
19.	Long Service Awards					
20.	Rent Loan					
21.	Free Training Workshops					
22.	Maternity Leave					
23.	Sick Leave					
24.	Free accommodation					
25.	Free transportation					

### 3.5 Challenges in the management of Compensation:

To what extent do you agree with the following statements as they apply and as listed below? Kindly indicate according to the rating as follows:

1: To little extent; 2: To less extent; 3: Neutral; 4: To some extent; 5: To a great extent.

Management and Communication		1	2	3	4	5
1.	The packages of compensation are managed well					
2.	Employees receive adequate notice and information on any changes that will affect their compensation packages					
3.	Compensation is managed to ensure that all employees receive equal compensation for the same kind of work					
4.	My colleague in another department with the same qualification receives more compensation than I do					
5.	The managers of compensation packages are well trained to do so					
6.	Communication of issues concerning compensation is generally good in the organization					
7.	Every detail of available Compensation packages are well communicated to the employees					
8.	Employees are well informed and involved in the formulation, discussion and implementation of policies concerning compensation					
9.	I do not know what is going on as far as compensation is concerned in this organization					
10.	The compensation packages are well defined and explained to employees					

3.6 Briefly suggest ways in which the compensation Packages can be better managed.

.....  
.....

3.7 In your opinion how do you think the challenges in compensation management can be overcome to influence the performance of employees?



.....  
.....

**3.8** Any other comments for the researcher?

.....  
.....

Thank you for your time.

KNUST

