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Assessment of Pay scale Determination Practices at St. Mary's University

Zelalem Ayalew Eshete¹

Abstract

The purpose of the study was to examine how the pay scale of St. Mary's University (SMU) has been determined or established and to analyze whether the pay scale may serve as a motivational tool. Qualitative and quantitative research approaches and descriptive research design was pursued. Stratified and convenient sampling techniques were employed in administering the questionnaires. Out of 220 senior (serve 5 years and beyond in the University) staff members residing in Addis Ababa, 74 were stratified and 94 copies of questionnaire were distributed for alleviating of disqualified questionnaire and non-responses. Therefore, the response rate of the questionnaire was 69%. Validity and reliability tests were conducted and results (average Cronbach's alpha coefficient of 0.790) proven to be both reliable and valid. Data were subjected to simple descriptive statistics and analysis was made using SPSS 20 for quantitative data and interpretational and reflective for qualitative data. The study will contribute to and expand the frontiers of knowledge in the field of study; enrich the literature and forward directions to the management of the University to identify the areas of pay scale weaknesses and improve pay policy so as to acquire and retain best minds that will enable the University to achieve its goals. The study is limited to the phenomenon of only one institution on the thematic area, hence, practices of other similar institutions does not compared & included that the research could not start with the general research gap in the thematic area. Results of the study shows that pay scale practices of SMU is resulting on intuitive decisions of the top management regardless of proper job evaluation and grading (JEG) processes and lacking commensuration with internal alignment and external market pressures. The researcher concluded that emphasis should be given to periodically review of the pay policy and pay scale up on meeting standardized principles and procedures. Furthermore, pay in-equity and unfairness is also becoming severe. Therefore, the University ought to effort promoting equal pay for work of equal volume and shall seek to provide salaries that attract, retain and motivate competent employees.

Keywords: Pay policy, Pay Scale, Job Grading, Pay Equity, Pay disparity, Compensation, St. Mary's University, Ethiopia

1. Introduction

The Ethiopian Labor Proclamation No. 377/2003 (as amended) article 53/1 defined "Wage" in Amharic "Demewoz" as the regular payment to which the

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worker is entitled in return for the performance of the work that he or she performs under a contract of employment. However, the proclamation has left the determination of salary scale (including the minimum wage level) to the parties themselves (employer-employee) in an organization for which the main reason from the side of the government may be explained away in the light of its economic philosophy. Perceptibly, most individuals choose to spend much of their adult lifetime in paid employment. Payment is therefore, affects an employee or a worker economically, sociologically, and psychologically. For this reason, retaining professional staff with inept pay scale in organizations becomes more turbulent task. As a result, organizations, with varying degrees of success, attempt to harness the powerful forces of pay scale as a motivator to encourage employees to work in ways that lead to the achievement of organizational objectives. Pay scale makes the job offered attractive, meaning it attracts and retains qualified and competent staff members. Accordingly, success of an organization primarily depends on the morale and motivation of its employees. Among the factors that affect the motivation of employees, pay structure is considered to be a prominent one. Paying employees less than the work they perform generates dissatisfaction which in turn leads to low morale Bach (2005).

Different pay establishment practices may result an increase in employee pay satisfaction or vice-versa. Armstrong (2007) noted that among the main problems in human resource functions of many organizations is their failure to carry out job grading and sound pay structure that even when it is done, it scarcely succeeds. Gomez-Mejia, David and Cardy (2001) also argued that mishandling compensation issues in an organization is likely to have a strong negative impact on employees and, ultimately, on the firm's performance.

With this regard, the study is conducted to examine how the pay scale of St. Mary's University has been established and to analyze whether the pay scale even serves as a motivational tool. These job grades and the pay scale of the University has not been yet evaluated to ensure whether it meet the required principles and procedures commensuration with internal alignment and external market pressures. Hanna (2016) also recently conducted a study on the practices of human resource audit at the University and recommended that job grades and the pay scale of the University needs immediate revision and adjustments in accordance with required standards and procedures.

Customarily, weak bargaining power of the University due to uncompetitive pay scale during recruitment process is the prominent challenge of HRM office equipping vacant positions with competent staff members. Consecutively, exhibited pay inequities between similar positions, “academic” and “support” staff, even between departments within the same “academic” division SMU, Pay Scale Documents (2011 and 2016) absence of stakeholders’ participation in job evaluation and pay determination processes including inappropriate titling of few job positions (like Editor-Tutor-Assessor) were indicated on the report as reasons for employees’ turnover. Indeed, high employee turnover has been observed; for example, turnover rate of the University during 2014/15 and 2015/16 were 23% and 25% respectively in which the main reason addressed on employees’ turnover surveys among other reasons is the in-appropriate pay structure of the University, SMU, Employees Turnover Analysis (2014/15 and 2015/16). Even lots of the remaining employees’ pressure for salary adjustment are also a daily phenomenon at HRM office of SMU.

Meanwhile, the institution has modified its organizational structure several times in its life history; from being a Language Center to University level together with merger and separations of several work units. Accordingly, job grading and pay scale adjustment would be necessary as a result of significant organizational structural changes. However, none of evidences of such practices in the University so far exhibited.

On the other hand, the nature of a pay scale is a strategic alliance with goal and objectives of an organization. Pay scale is not part of a routine task and established to serve usually for Five years and beyond keeping in mind subsequent amendments based on external market pressure and significant internal organizational changes. While the actual trend of the University on the theme seems to be the reverse; the pay establishment practices of St. Mary’s University clearly indicate that results of spinning intuitive decisions made by the top-level management. For instance, more than 20 circulars are exhibited in the period of 2008 – 2016 towards pay adjustments.

The study is therefore, encompasses the assessment of pay policy and strategy of the University, frequency of pay structure changes, the extent to which job evaluation and grading could be used as a means of pay establishment,

alignment of the pay scale with significant organizational structural changes, participation of major stakeholders on job grading and pay establishment processes, pay equitability and fairness issues including theoretical explanations and empirical validations for the linkage between job grading-pay scale-employee motivation are comprehended in the study through descriptive research design using both primary and secondary data with the help of the following basic research questions.

- 1) Why pay policy & strategy matters at St. Mary's University?
- 2) To what extent pay structure of the University meet the required principles and procedures?
- 3) How pay scale of the University is aligned with significant organizational changes?
- 4) How much pay scale of the University enables acquiring and retaining of best minds?

It is envisaged that this study contributes to and expand the frontiers of knowledge in the field of study. It will also launch a new area for future debate in the management of compensation and motivation at St. Mary's University and beyond. The study underscores the sound features and importance of pay establishment practices and sets major compensable factors appropriate for the University. The management of SMU should therefore, endeavor to identify the areas of pay scale weaknesses and improve pay policy so as to acquire and retain best minds that will enable the University to achieve its goals.

2. Literature Review

2.1. The Notion of Job Grade and Pay Structures

Grade and pay structures provide a framework within which an organization's base pay management policies are implemented. Base pay management can involve the design and operation of formal grade and pay structures that define where jobs should be placed in a hierarchy, what people should be paid for them and the scope for pay progression. Base pay management enables pay practices to be monitored and controlled, facilitates the management of relativities, and helps to communicate the pay and sometimes the career opportunities available to employees Snoeker (2010). According to Armstrong (2007) pay structures are defined by the number of grades they contain and, especially in narrow or broad-graded structures, the span or width of the pay

ranges attached to each grade. They define the different levels of pay for jobs or groups of jobs by reference to their relative internal value as determined by job evaluation, to external relativities as established by market rate surveys, and sometimes to negotiated rates for jobs. They provide scope for pay progression in accordance with performance, competence, contribution or service.

Determination of an equitable salary structure is one of the prominent phases of employer-employee relations. For good industrial relations, each employee should; receive sufficient salaries to sustain him/herself and his/her dependents; and feel satisfied with a relationship between his/her wages and wages of other people performing the same type of work in some other organization. The primary objective of salary administration program is that each employee should be equitably compensated for the services rendered by him/her to the enterprise on the basis of; the nature of the job, the present worth of that type of job and the effectiveness with which the individual performs the job.

2.1.1. Job Evaluation and Grading (JEG)

Poels (1997) argued that job evaluation and grading process in an organization is a strategic alliance with medium or long term strategic directions of the organization. And the author recommends conducting job evaluation usually when: A new job is created, before recruitment; substantive functions are added or removed from a job and substantive organizational restructuring process. Of course, it is not always necessarily to evaluate every job. In the case where other similar jobs exist, that have already been evaluated, the evaluator can benchmark the new job against these existing jobs. Besides how often jobs are evaluated, the right method of job evaluation and grading depending on the nature of the organization Armstrong (2010) and criteria for choosing the best job evaluation scheme are also most fundamental processes in JEG.

2.1.2. Pay Structure

People join organizations expecting rewards. Firms expect their employees to perform, increase productivity, and contribute their part to the organizations short and long term success. A prime objective of effective people resourcing is to have “the right people, in the right place, at the right time, doing the right

thing”. This cannot be achieved without integrated reward strategies that meet the required procedures, Pilbeam and Corbridge (2006). Accordingly, of several steps in determining a pay structure: job analysis; job evaluation; pay survey analysis; pay policy development; and pay structure formation are fundamental for assuming a sound pay system; should also be synchronized and aligned each other.

2.2. Empirical Review

Plenty of evidences show that sound pay system in an organization affects not only the relationship between the employer-employee but also productivity of employees and profitability of organizations. A study by Simachew (2016) which was conducted using 339 respondents in selected factories of Moha Soft Drinks Industry Sc find out the relationship between pay and labor productivity. The findings revealed that employees believed they are low paid compared to the tasks they are performing compared to similar jobs in the industry; i.e. external inequity. Accordingly, employees evaluate their salary as if it is not sufficient enough to improve their living standards and to satisfy adequately their basic needs. As per the evaluation of employees, the company has less attractive compensation policy and the average mean of employees’ rating towards the company’s compensation system is not encouraging employees’ productivity. Hameed (2014) conduct a research to measure the impact of compensation on employee performance in 45 Banks of Pakistan which were selected randomly and it is founded from different results that Compensation like salary has positive impact on employee performance. It means that if there is an increase in salary then rewards will also increase moderately. So there is a direct relationship among these variables.

Morgeson (2001) investigating the impact of compensation system implementation on employee outcomes under the research entitled “Understanding Pay Satisfaction: the limits of a compensation system implementation” in a quasi-experimental field study at a manufacturing firm with total participants of 168 staff, and found that the extent to which participation in the job evaluation process during a compensation system implementation influences pay satisfaction; i.e., pay level was positively related to the satisfaction of staff. Hana (2016) also recommended that job

grades & pay scale of St. Mary's University needs immediate revision & adjustments in accordance with standardized procedures, theoretical frameworks and practices so that be able to attract and retain best minds.

2.3. Conceptual Framework

Armstrong (2007), Poels (1997) and Bach (2005) followed different approaches to describe the principles of a sound pay system. However, the central tendencies (communalities) of these authors are the following five fundamental principles; Transparency, Proportionality, Performance, Recruitment and Retention and Process.

- i. **Transparency:** means being open about how pay is set: transparency endeavors public trust. In a transparent organization decisions, activity, policy, strategy and processes are open to all. In general, transparency can be achieved by active participation of pertinent stakeholders in the processes and clear as well frequent communication.
- ii. **Proportionality:** is being fair and consistent: the general essence of pay proportionality is that the level of the remuneration sufficient to attract, retain and motivate best minds. Three main measures may be applicable to evaluate the proportionality of the salaries: comparison within the organization, comparison within the sector, and comparison versus similar sectors.
- iii. **Performance:** pay performance means ensuring that the salaries you pay work for your organization and the beneficiaries you serve: employees will take their own view on the levels of pay that are appropriate to the targets they require. By clearly linking remuneration to progress against agreed performance targets and objectives, as well as the organization's business plan and interdepartmental objectives can ensure that pay levels are proportionate to a staff member's value to the organization.
- iv. **Recruitment and Retention:** the notion of recruitment and retention is keeping valued staff within the organization: It is important to consider the imperative to acquire and retain valued staff within a mission-driven organization. The process of recruiting new staff

members costs considerable time and money, and worse, it can affect the performance of the entire organization. The ability to recruit and retain staff of course will not be based purely upon pay rewards but upon the values of the individual and how closely they correlate with the organization's values.

- v. Process: a sound pay establishment process means ensuring that the principles of Good Pay are supported by appropriate policies and procedures: major considerations in grade and pay structuring; the rationale for grade and structures (policies and strategies), the use of job evaluation in developing a grade structure and grading jobs, and alike processes undergirds all effective decisions on the setting of a pay scale.
- vi. Follow Procedures: the steps to be followed in pay determination. Basically, job analysis, job evaluation, pay policy identification, pay survey analysis and pay structure creation are communal steps in pay determination process of all authors².

The conceptual frame work adopted for the present study is therefore, based on the theoretical discussions using the following simple diagram. Fundamental principles of pay system synchronized with the required procedures of pay structures yield a pay scale that motivates and even attracts best minds.

² IDID

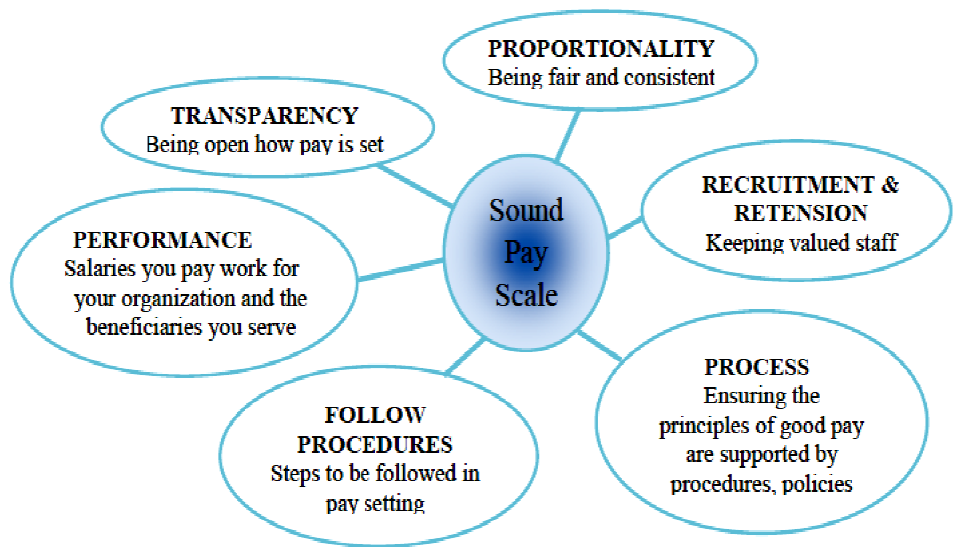


Figure 2.1 Conceptual frame work of the study

Source: Own construction based on literature (2016)

3. Research Methods

Research strategy coinciding with nature of the questions and purpose of this study is explanatory and descriptive, while the latter is more emphasized. How the University's human capital has been compensated and where pay scale is determined (organizational authority) including how often the salary is adjusted well manifested on the study. The research also pursued both qualitative and quantitative research approaches where much emphasis is given for the latter because of the research involvement in measurement of quantities where the responses of employees obtained through questionnaire was analyzed and interpreted quantitatively.

According to Burns (2000) and Saunders and Thornhill (2012) cited by Alemu (2016), 30% perhaps be sampled if the total population is bellow 1,000. Therefore, amongst 220 permanent and senior staff members in the University who had been serving five years and beyond residing at Addis Ababa in different campuses, 74 employees were stratified and by considering non-responding rate and unfilled or invalid questionnaires 20 extra

questionnaires (total of 94) were distributed. Only 11 copies of the questionnaire were rejected for different reasons, 18 copies of the questionnaire were not collected and the remaining 65 copies were analyzed. The response rate of the questionnaire was therefore, 69% while non-responding rate is 31%.

Primary data were generated from purposely selected management members (two Vice Presidents and one HRM Director) and the remaining senior staff members were taken as stratified units so as to ensure considerable representation. Thus, the strata (academic, administrative and technical staff) further classified in to five strata based on deployment campuses. Finally, proportional sample to the size of each strata were selected using simple random sampling technique. Where secondary data includes all information gathered from the library (SMU senate legislation, employees' exit interview reports, pay scale documents and minutes, relevant government proclamations) that are related to the topic study.

To ensure its validity and reliability of the questionnaire, it was designed in-line with the literature reviewed and a closer supervision of the research advisor. The pilot testing has been also conducted using 18 questionnaires (19% of the total sample) and 16 questionnaires (89%) were returned and pilot test result (average Cronbach's $\alpha = 0.790$) indicates that all pilot samples are not only understood the issues but also understands relatively in the same way or level.

4. Results and Discussion

4.1. Pay Policy and Strategy

Pay or reward policies and strategies set specific guidelines for decision making and action. They indicate what the organization and its management are expected to do about managing reward and how they will behave in given circumstances when dealing with reward issues. Tyson (2006) designates a prerequisite for the strategic management of pay and benefits are a reward policy in which the objectives of a policy towards payment could be best described as to remain competitive for labor while rewarding good performance and adopting a position on pay which controls costs and is felt to be fair by all employees.

By the question aiming to know whether respondents are aware of and understand pay policy of St. Mary's University, results showed that majority of respondents (47.7%) do not know that SMU has well-defined & understood pay policy, while 26% of respondents are neither aware of nor understand the pay policy and only 26.3% of respondents are aware of that SMU has well-defined and understood pay policy. Moreover, 53.9% of respondents do not understand that pay scale of the University complies with the pay policy, while 21.5% of the respondents are also neutral to the issue and only 24.6% of respondents duly understand that pay scale of SMU comply with the pay policy. Yet, 43.1% of employees disagree that sensitive issues for example, the minimum and maximum levels of pay, etc are clearly addressed on the pay policy document of the University, while 41.5% of the respondents are neutral. The average mean (3.33) of respondents' rating on their awareness and understanding about pay policy reveals that employees are not aware of and did not know what kind of pay policy does St. Mary's University has?

Among the recent literatures, Mathis and John (2010) argued that the market competitiveness of compensation or pay strategy is among the significant pay equitability and fairness issues. The strategy that an employer chooses to "lag the market" by paying below the market levels, to "meet the market" or "to lead the market" can affect employees' view of their compensation and performance of the organization at large.

With this regard, the discussion under table 4.1 below indicates that majority of the employees 43% and 35.4% disagreed and neutral that the University

has well-defined and understood pay strategy. Furthermore, 41.6% and 32.3% respondents were also disagreed and neutral to the compliance of the pay scale of the University with its pay strategy. In addition, 55.4% and 21.5% respondents were not understanding and neutral that pay strategy helps the University to have competent pay structure.

Table 4.1 Response rate of employees towards pay strategy of SMU

| Statements | S/agree | | Agree | | Neutral | | D/agree | | S/disagree | | Mean |
|---|---------|-----|-------|----|---------|------|---------|------|------------|------|------|
| | F | % | F | % | F | % | F | % | F | % | |
| I am aware of that SMU has well-defined pay strategy | 4 | 6.2 | 10 | 15 | 23 | 35.4 | 22 | 33.8 | 6 | 9.2 | 3.25 |
| I understand that pay scale of SMU comply with pay strategy | 1 | 1.5 | 16 | 25 | 21 | 32.3 | 20 | 30.8 | 7 | 10.8 | 3.25 |
| I understand that pay strategy helps the University to have competent pay structure | 2 | 3.1 | 13 | 20 | 14 | 21.5 | 17 | 26.2 | 19 | 29.2 | 3.58 |
| Overall mean | | | | | | | | | | | 3.36 |

Source: Survey data (2016)

The average mean of respondents' rating on their understanding about pay strategy of the University reveals that employees are not aware of or do not understand what kind of pay strategy does St. Mary's University has? Thus, results of the discussion clearly deduced that pay establishment processes of the University lacks the reward policy and strategies.

4.2. Pay Structure that Satisfy the Required Principles and Procedures

Armstrong (2010) argued that harmonious relationship between employee and the management can be maintained through comparative pay equity resulting from proper job evaluation and grading. Armstrong (2007), Poels (1997) and Bach (2005) also followed different approaches to describe the principles of a sound pay system. However, the central tendencies (communalities) of these principles are; Transparency, Proportionality, Performance, Recruitment and Retention and Process.

4.2.1. Stakeholders' Participation

Determination of the appropriate pay scale involves varying degrees of formality, which defines the rates of pay for jobs, the pay relativities between jobs and the basis upon which jobholders are paid. Therefore, participation of pertinent stakeholders like top managers, line managers, HR specialists, employees and union representatives in job evaluation and pay establishment processes inevitable task of organizations which helps maintaining harmonious relationship between employees and the management. Accordingly, the descriptive analysis on the perception of employees towards stakeholders' participation in job evaluation processes of the University reveals that majority of respondents (49.2%) agreed that all level management are not aware of the importance and do not participate in pay determination processes of the University while 27.7% have no information about the issue.

On the other hand, only 31.2% of employees were aware of the importance and participants in pay determination processes, while 23.1% employees have no idea on the issue and other 46.2% respondents are not aware of the importance and are not participants in the processes. Moreover, significant numbers of respondents (64.7%) were not timely communicated how the pay scale is determined, while 24.6% employees have no idea at all. Result of the average mean (3.39) on the issue also indicates that participation of pertinent stakeholders at the time of pay establishment in the University is very minimal or nil. This is perhaps due to the non existence of the practice or the process was handled by only single or few authorities.

A triangulation with documents analysis towards pay establishment practices of the University clearly indicates that is the results of spinning intuitive nuance decisions made by the top level management. For instance, there are more than 20 circulars (during 2008 – 2016) towards pay adjustments in the University. Assessment also revealed that the rationale of the pay scale found naught (any stated justifications except a recurrent pay adjustment trial to external market pressures so that minimize high employee turnover and increase pay satisfaction) in the overwhelming circulars.

4.2.2. Job Evaluation and Grading (JEG)

The principal principle of job evaluation is providing proportional or equal pay for substantially equal work through the primary procedure of factor

evaluation system for position classification. With this regard, employees were asked whether they know job positions in the University are graded meeting standardized principles and procedures. Therefore, close to 41.5% respondents agreed that job positions in the University are not graded meeting standardized principles and procedures. Only 32.6% respondents are aware of that job positions in the University are graded meeting standardized procedures and principles while 26% employees are neutral to the issue. Moreover, according to respondents, pay scale of the University does not emanate from proper job evaluation & grading processes. Consecutively, there are also job titles like “Assessor” at Testing Center and “Editor-tutor-Assessor” at College of Open and Distance Learning those are not titled-standardized to aspire the incumbents for the positions. Furthermore, majority of respondents (46.2%) do not believe that job titles of the University help candidates to assume duties and responsibilities of the position in advance, while 18.5% respondents are neutral on the issue.

Moreover, respondents could have an opportunity to know the level of the job grade at which he/she has been assigned with the help of the job offer letter. However, the research shows that a single individual among the respondents could not indicate the level of his or her job grade. Rather, several respondents mentioned the title of the position he/she is possessing. Thus, the discussion clearly shows that the University either fails to inform at which job grade of the pay scale the incumbent is employed or positions are not graded at all.

4.2.3. Pay Scale Determination

St. Mary’s University current (November 2016) pay scale has 175 active jobs which are banded in 26 grades having 8 increment levels of each grade. Job grades 12, 16 and 21 – 26 each have single job, grades 1, 10 and 14 each have 17 jobs, grades 5 and 9 each have 5 jobs, grades 2 and 13 each 8 jobs, grades 7 and 15 each 4 jobs, grades 3 and 19 each have 13 jobs, grades 18 and 20 each have 2 jobs, grades 4 and 8 each 7 jobs, and grades 6, 11 and 18 each have 12, 9 and 18 jobs respectively. The extent to which pay or benefit structure of the University includes, base pay, different forms of allowances (relative to different positions), for instance; transportation allowance, mobile card allowance, representation allowance, hardship allowance, cash indemnity allowance, fuel allowance including other none financial perks like

scholarship, Group Personal Accident, Medical and Life Insurance schemes, and the provision of vehicle with fuel for members of the top management. Regarding the pay determination trend of the University is the results of spinning intuitive decisions made by the top level management. For instance, there are more than 20 circulars (during 2008 – 2016) towards pay adjustments in the University. Thus, the first circular (the researcher accessed) from office the president to HRM office dated on 6 September 2008 entails that the initial pay scale for support staff to be for laborers ETB³ 330.00, staff with certificate of 10+1 ETB 518.00, 10+2 ETB 648.00, 10+3 ETB 700.00 and BA/BSc. holders ETB 1,600.00 for all graduates of new interns. Another circular from the same authority to HRM office dated on 27 July 2012 indicates that the entail pay level for support staff that had been effective from 6 September 2008 is adjusted as for laborers ETB 420.00, certificate holders of 10+1 ETB 672.00, 10+2 ETB 784.00 and 10+3 ETB 875.00 all without work experience.

The flaw in this circular is still deficient in the rational & partiality in pay scale adjustment basing only on the problem of retaining & recruiting staff with the existing pay scale. A consecutive circular from office of the president again decided on 30 August 2013 that the pay scale for graduate program teachers to be partially adjusted as initial salary of ETB 14,000.00 for professors, ETB 11,000.00 for Associate Professors and 9,000.00 for Assistant Professors. As a result of intuitive nuance pay scale adjustment tradition in the University, a partial pay scale adjustment for messengers and drivers was slated to be ETB 600.00 and ETB 1,300.00 respectively effective from 28 April 2014 and the same partial adjustment for secretarial positions was decided on other circular dated on 17 December 2013. An extra pay scale adjustment again partly for academic staff was proposed by HRM office & approved by office of the president on 19 November 2014. However, after a month a special allowance adjustment for six staff was approved again as a result of existing pay scale internal inequity.

Reprehensible pay scale always leads an organization to benefit some and detriment others. In doing so, SMU tried to compensate pay scale of all staff

³ 1 USD ≈ 26.87ETB. *Commercial Bank of Ethiopia as of 18 April 2017, 07:38PM*

in Finance Administration Office with the circular dated on 9 May 2014 thinking that the stated positions were detriments on the existing pay scale. Moreover, on the date of 19 April 2015 office of the Academic Vice President proposed & approved by office of the president for a new pay scale of all academic staff basing on their educational qualification and weekly course load. Pretty speaking, this attempt has tried to base a pay scale only on educational qualification and course load. Other compensable factors and equity (internal & external) issues were not been addressed adequately. Yet, the fatal consequence of erratic pay scale remains the University unable to retain & recruit professionals after copious circulars of pay scale adjustments. As a result, the HRM office proposed & approved by office of the president a new pay scale adjustment by December 2015 but with the same fashion lacking of job evaluation, equity issue and market assessment or bench marking. Consecutively, a realm circular practice of SMU results the latest pay scale being effective from November 2016. The circular noted that technical positions like finance, IT and drivers still to be treated in different ways. The pay scale still treats differently the same educational qualification of assistant graduates ETB 3,600.00 and ETB 2,800.00 for noon-teaching staff members. With the same fashion, MA/MSc. Degree for lecturers in business courses ETB 6,600.00, for lecturers in basic courses ETB 6,000.00 and for noon-teaching staff with the same qualification ETB 4,800.00. With this all evidences, regardless of the routine pay determination practices, the remarkable task of the University is a recurrent pay adjustment trial to external market pressures so that minimize high employee turnover and increase pay satisfaction.

4.2.4. Pay Disparity

Pay disparity, which mean to this context, is the extent to which rates of pay for similar workloads and same positions differ without significant reason/s. with this regard, majority of respondents (63%) knew colleague/s in the University doing the same job but receiving different grading/pay or colleague/s with low workload but awarded grading/pay equal to a person with a high workload while 37% of respondents believe no pay disparity in the University. Hence, majority of respondents believed that SMU usually pay sufficient attention to pay people than the workload.

A triangulation from document analysis of SMU's recent pay scale results that the pay scale treats the same educational qualification of assistant graduates for ETB 3,600.00 and ETB 2,800.00 for noon-teaching positions. With the same fashion basic course lecturers are paid ETB 5,000.00 and business course lecturers ETB 5,600.00 while noon-teaching staff members paid ETB 4,800.00 for the same qualification i.e., MA/MSc Degree. It is also noted on the pay scale that technical positions like finance, IT and drivers still to be treated in different ways regardless of similarities in qualification. Regarding the external pay equitability of the University, most respondents (84.6%) agreed up on SMU's external pay inequity and alleged the University for the Phenomenon of high employees' turnover. Nevertheless, 43.1% of the respondents are not aware of grade drift practice in the University, while 38.4% of the respondents also do not believe that there is incidence of grade drift (unjustified upgrading) in the University. However, 64.6% employees believe that SMU's salary is in-consistent among employees. Regarding to the perception of employees on basis upon which pay is determined, 73.9% respondents believe that is not fair and only 14% respondents agreed that is fair. In general, at univariate level of the category, external pay equitability is worse than other variables and the average mean (3.73) also indicate that pay equitability and fairness of the University is unsatisfactory.

On the other hand, a comparative analysis of salary data was undertaken to compare external pay relativities, i.e.; the pay rates provided for equivalent jobs (initial rate) in other organizations (market rates) with those provided within the University. Though, the external market is not systematically monitored, the data gathered through intelligence was compared with SMU's benchmark jobs, base pay.

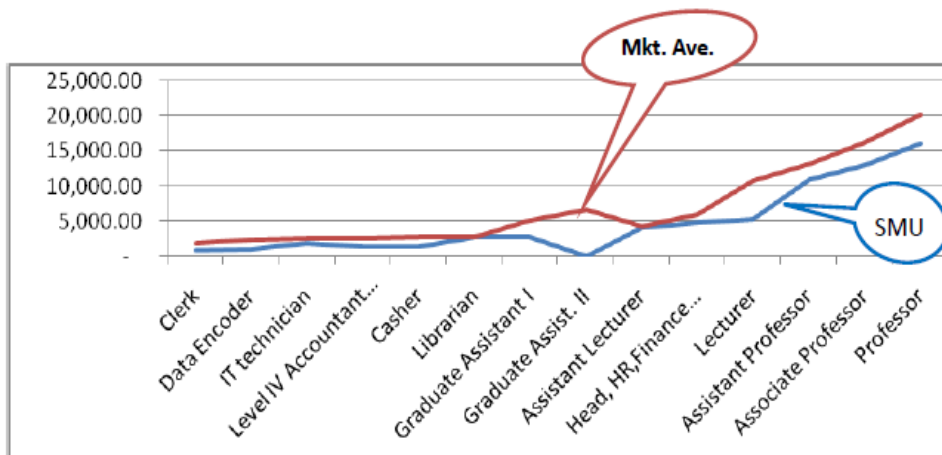


Figure 4.1 Pay market rate analyses

Source: Own survey result (2016)

As discussed in figure 4.1 above, the market comparison clearly shows that pay scale of SMU is inequitable, i.e., incompetent with the labor market relative to the selected positions. Base pays only for the position Librarian and Assistant Lecturer of the University asymptotes the market average price (pay). Moreover, the researcher is very much interested to remember the reader about several additional major benefit packages especially in Public Higher Education Institutions, for example, provision of Condominium or Apartment House, Research awards and so on.

4.2.5. Pay Performance

St. Mary's University currently seems to have a narrow graded pay structure with 26 grades and 8 incremental levels of each grade and the structure pays ranging from ETB 800.00 of grade 1 to ETB 18,500.00 of grade 26 (laborer to professorship). A regular annual pay increment is also given on completion of each year's service (at the end of January or July) which contains increment schemes like, 10% of the monthly base pay of an employee who is earning below ETB 2,000.00, 7% of the base pay of an employee earning between ETB 2,001.00 – 5,000.00, 5% of the base pay of an employee earning between ETB 5,000.00 – 8,000.00 and 3% of the base pay for employees whose base pay exceeds 8,000.00 (SMU pay scale document 2011). Employees were asked to rate the soundness of the University in providing the

base pay, annual pay increment and salary adjustment based on increases of the living cost.

The findings presented in table 4.2, employees believed that they were paid low basic salary with lesser annual pay increment and poor salary adjustment based on increases of the living cost. The average mean of the respondents' rating on the University's pay system 3.73, reveals that the pay system of the University is not encouraging. Of course, one thing we should clearly understand is that, no matter amount of the pay, it is not enough. A onetime higher increment eventually becomes normal and archaic. What matter always is a reasonable and fair pay; both internal and external pay equity.

Table 4.2 Frequency and percentage of responses on the payment system

| Statements | Excellent | | Good | | Average | | Poor | | V/Poor | | Mean |
|--|-----------|-----|------|-----|---------|------|------|------|--------|------|------|
| | F | % | F | % | F | % | F | % | F | % | |
| Basic Salary | 0 | 0 | 6 | 9.2 | 19 | 29.2 | 25 | 38.5 | 15 | 23.1 | 3.75 |
| Annual pay increment | 2 | 3.1 | 4 | 6.2 | 22 | 33.8 | 23 | 35.4 | 14 | 21.5 | 3.69 |
| Salary adjustment following cost of living | 2 | 3.1 | 6 | 9.2 | 22 | 33.8 | 18 | 27.7 | 17 | 26.2 | 3.74 |
| Overall mean | | | | | | | | | | | 3.73 |

Source: Own survey (2016)

4.1. Alignment of Pay Scale with Significant Organizational Changes

It is noted that St. Mary's University is an outgrowth of St. Mary's Language Center established in 1991, to a College since 1998, a University College since 2006 and being a University starting from 2012. Hence, several internal adjustments like structural expansion and merger of working units are expected activities. Accordingly, the pay scale alignment with these functional changes was required at each significant organizational change. However, none of job regarding to pay scale revision exhibited aligned with these significant organizational structural changes. According to respondents, positions could be simply established or downsized at any time basing on the expansion or contraction of working units in the University.

The majority of respondents 53.8% respond that SMU usually does not align its pay scale with significant organizational changes while, 26% of

respondents agreed up on the alignment of pay scale with significant organizational changes. Moreover, 55.4% and 55.3% of employees rate the University that does not align its pay scale at time of merger and establishment of new significant work units respectively. Generally, the average mean (3.54) tells us the weakness of pay alignment with substantial organizational structural changes in the University.

Table 4.3 Alignment of pay scale with significant organizational changes

| Statements | S/agree | | Agree | | Neutral | | D/agree | | S/disagree | | Mean |
|--|---------|---|-------|----|---------|------|---------|------|------------|------|------|
| | F | % | F | % | F | % | F | % | F | % | |
| SMU usually aligns its pay scale with significant organizational changes | 0 | 0 | 17 | 26 | 13 | 20 | 19 | 29.2 | 16 | 24.6 | 3.52 |
| SMU usually aligns its pay scale at time of merger in significant work units | 0 | 0 | 12 | 19 | 17 | 26.2 | 23 | 35.4 | 13 | 20 | 3.57 |
| SMU usually aligns its pay scale at time of establishing new significant work unit | 0 | 0 | 11 | 17 | 18 | 27.7 | 27 | 41.5 | 9 | 13.8 | 3.52 |
| Overall mean | | | | | | | | | | | 3.54 |

Source: Own survey (2016)

4.2. Ability of Pay Scale to Acquire and Retain Qualified Staff Members

A detail literature discussion of this research stated that reward can influence employees' decisions about which particular employer to work for, whether to stay with or leave an employer, and when to retire. What benefits are offered, the competitive level of the reward, and how those benefits are viewed by individuals all affect employee attraction and retention efforts of employers and entirely affects the harmonious relationship between employee and the management. With this regard, SMU employees were asked and result drawn as 53.8% of respondents rated that pay scale of the University does not help in bringing harmonious relationship between employee and the management. Employees were also asked to rate the ability of the pay scale to acquire and retain qualified staff members. Hence, results are drawn as follows.

Table 4.4 Ability of pay scale to acquire and retain qualified staff members

| Statements | S/agree | | Agree | | Neutral | | D/agree | | S/disagree | | Mean |
|--|---------|------|-------|-----|---------|------|---------|------|------------|------|------|
| | F | % | F | % | F | % | F | % | F | % | |
| Pay scale improves harmonious relationship between employee and the management | 6 | 9.2 | 11 | 17 | 13 | 20 | 21 | 32.3 | 14 | 21.5 | 3.40 |
| Pay scale attracts qualified employees | 2 | 3.1 | 4 | 6.2 | 6 | 9.2 | 22 | 33.8 | 31 | 47.7 | 4.17 |
| Pay scale helps to retain qualified staff members | 2 | 3.1 | 10 | 15 | 3 | 4.6 | 20 | 30.8 | 30 | 46.2 | 4.02 |
| I accepted this job because it pays well | 1 | 1.5 | 6 | 9.2 | 8 | 12.3 | 20 | 30.8 | 30 | 46.2 | 4.11 |
| I accepted this job because I had no other options | 16 | 24.6 | 10 | 15 | 13 | 20 | 15 | 23.1 | 11 | 16.9 | 2.92 |
| Pay scale does not motivate employees | 37 | 56.9 | 19 | 29 | 1 | 1.5 | 6 | 9.2 | 2 | 3.1 | 1.72 |
| There is a critical need to review and revise the pay scale of the University | 49 | 75.4 | 11 | 17 | 0 | 0 | 4 | 6.2 | 1 | 1.5 | 1.42 |
| Overall mean | | | | | | | | | | | 3.11 |

Source: Survey result (2016)

81.5% and 77% respondents rated the pay scale of the University that could not attract and retain qualified employees respectively. The other 77% respondents were not agreed that he/she accepted the job because it pays well. Even, 39.6% respondents accepted the job because he/she had no other options. Moreover, figures in table 4.4, have shown that 85.9% respondents believed that SMU's pay scale does not motivate employees while 92.4% employees agreed up on a critical need to review and revise the pay scale of the University.

5. Conclusions and Recommendation

5.1. Conclusions

The research was initiated with major objective to assess the pay scale establishment practices of St. Mary's University; how the University's human capital has been compensated and to analyze whether the pay scale even serves as a motivational tool through determination of the perception of employees about the practices. This descriptive research was conducted based on the data gathered through questionnaire, interview and documents

analyses. Indeed, based on the analysis of the collected data the following major findings were drawn as follows:

- ❖ Job grading and pay structure of the University fails to meet standardized procedures and principles, and yet not reviewed periodically. Furthermore, pay scale of the University does not emanate from proper job evaluation and grading processes.
- ❖ The discussion about awareness and understanding of employees about pay policies and strategies of St. Mary's University reveals that the University has tended to keep information secret. The respondents' rating on the issues reveals that employees are not aware of and did not know what kind of pay policies and strategies the University has. Thus, the absence or inept pay policy and strategy eventually may leave the University with employees developing the feeling of undervalued (physical and mentally exploited), job insecurity, lack of career vision, conflict and so on.
- ❖ Pay equitability and fairness of the University is found to be unsatisfactory. At univariate level of pay equitability and fairness variables, the external pay equitability is worse and pay disparity practiced in the University.
- ❖ The pay determination or review practices of SMU are usually carried out by the top management (intuitive decisions) basing on a few proposals of pertinent business units and significant number of respondents also believed that there is no job evaluation practices at all in the University.
- ❖ With regard to substantial internal organizational structural changes, the University fails to align its pay scale with such significant organizational changes (for example, at the time of being a College, University College and a University).
- ❖ Pertinent stakeholders like top managers, line managers, HR specialists and employees were not participated in job evaluation and pay establishment processes at SMU because of the fact that the processes were handled by only single or a few authorities. Moreover, significant numbers of respondents were not timely communicated how the job grads are designed and pay scale established, while few employees have no idea at all to the issue.

- ❖ The soundness of the pay system is measured by the ability of both attracting and retaining of best minds. However, data drawn from the research discussion clearly shows that the pay scale of the University is unable both to attract and retains best minds. Significant number of respondents also rated that the pay scale of the University does not help in motivating employees.

5.2.Recommendations

Based on the findings and conclusions, the study propounds the following recommendations.

- ✓ The study laid out that SMU employees are not aware of and did not understand the pay policy and strategy. Thus, the University needs to sustainably review the policy document and increase transparency of pay policies and strategies through effective employees' involvement and communications.
- ✓ Job positions in St. Mary's University are not graded meeting the required procedures and principles. Therefore, SMU is recommended to regularly review its pay scale meeting standardized procedures and principles, so that maintain fairness and the market competitiveness aligned with improvement of the living standard of its employees.
- ✓ The research discussion indicated that both external pay in-equality and internal pay disparity is exhibited. Thus, equal pay for work of equal volume shall always be practiced at St. Mary's University and external pay in-equity has to be seen critically in order to tackle employees' job dissatisfaction and high turnover.
- ✓ The study found that pay establishment trend of the University is the results of spinning intuitive decisions made by the top level management with copious of routine circulars. In addition, the participation trend of pertinent stakeholders in job grading and pay determination processes of the University is very minimal. Hence, the University is advised to sustainably increase the participation opportunity of pertinent stakeholders in job grading and pay establishment processes so as to maintain harmonious relationship between employee and the management.
- ✓ SMU has encountered several internal adjustments like: structural expansion and merger of working units in its life history. However, the research indicated that the University does not align its pay scale with

significant organizational changes. Hence, immediate due consideration to the weakness of pay alignment with substantial organization structural changes of the University and greater attention to the comprehensive pay system shall be given accordingly.

- ✓ The extent to which the pay scale enables the University to acquire and retain qualified staff members is unsatisfactory. Therefore, it is imperative that SMU shall seek to provide salaries that attract, retain and motivate competent employees. It is also recommended that robustness of compensation systems of the University ought to be studied or researched comprehensively.

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