

**UNIVERSITY OF EDUCATION, WINNEBA**

**ASSESSING THE DISPARITIES IN COMPENSATION POLICIES AND ITS  
IMPACT ON EMPLOYEES PERFORMANCE. A CASE STUDY OF CATHOLIC  
HEALTH SERVICES IN ASHANTI REGION**



**KWADWO YEBOAH AMANAKWAH**

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Master of Business Administration (Human Resource Management and  
Organizational Behaviour) Degree.**

**AUGUST, 2018**

## DECLARATION

### STUDENT'S DECLARATION

I **KWADWO YEBOAH AMANKWAH** declare that this dissertation with the exception of quotations and references contained in published works which have all been identified and duly acknowledged, is entirely my own original work, and it has not been submitted, either in part or whole, for another degree elsewhere.

SIGNATURE.....

DATE.....

### SUPERVISOR'S DECLARATION

I hereby declared that the preparation and presentation of this work was supervised by me in accordance with the guidelines for supervision of dissertations as laid down by the University of Education, Winneba.

**NAME OF SUPERVISOR: DR. SIMON GYASI NIMAKO**

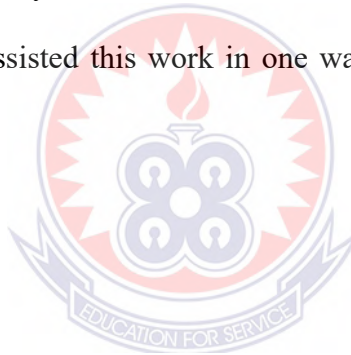
Signature..... Date.....

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## **DEDICATION**

This work is dedicated to my wife and parents.



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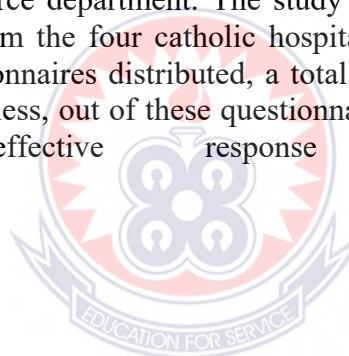
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## ABSTRACT

The study assessed pay disparity impact on catholic health workers within the Ashanti region of Ghana. Specifically, the objectives of the study were; to examine the kind of perceived pay differentials that exist at the Catholic Health Service, to examine the nature of relationship that exists between perceived pay differentials and employees' performance at the Catholic Health Service and finally to assess the reaction of employees in senior and lower positions regarding the differentials in the catholic Health Service pay system. With this study, quantitative methodology was adopted. The target population for the study was drawn from four catholic hospitals namely; St. Michael hospital at Jachie-Pramso, St. Martin's hospital at Manso-Agroyesum, St. Patrick's Hospital at Offinso and St. Peter's Clinic at Ntoboroso all within the Ashanti Region of Ghana. A simple random sampling was used in selecting the respondents for the study. Krejcie and Morgan (1970) sampling table was used to determine the sample size for the 200 population size. Based on the table, the sample size for the study employed was 132 based on 95% confidence level and 5.0% error of margin (i.e.  $\pm 5$  per cent). The study used questionnaires based on a 5 point Likert scale to collect data from the employees' respondents whereas interview schedule was used to collect information from the existing pay arrangement from the catholic health directorate human resource department. The study distributed 132 questionnaires to the selected samples from the four catholic hospitals within the Ashanti Region of Ghana. From the questionnaires distributed, a total of 102 completed questionnaires were received. Nevertheless, out of these questionnaires, 96 were usable for analysis, giving an effective response rate of 76.2%.



## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Introduction**

This chapter covers the background to the study, statement of the problem, study purpose, specific objectives, significance of the study, limitations, delimitations and finally the organization of the study.

#### **1.2 Background of the study**

As posited by Trevor, Reilly and Gerhart (2012) with time pay disparities within organizations or teams have become great area of interest and enquiry to both academics and managers as its impact on employees or organizations' have somehow proven to be counterproductive when employees work roles are interdependent on one another. As such, scientific enquiry into the relationship between the structure of pay and organization performance have been conducted in a variety of setting being sport or non-sport context.

For instance, studies within the fields of economics (see for example, Akerlof & Yellen, 1988; Levine, 1991) and management (example, Bloom, 1999; Ferraro, Pfeffer and Sutton 2005; Harrison & Klein, 2007; Shaw, 2014) have all confirmed this assumption that pay disparities within an interdependent work setting produce inequity perceptions which consequentially undermines workers' attitudes, commitment and relationship, hence affecting collective organizational performance.

According to Channar, Abbassi and Ujan (2011) managing diverse workforce to enable them perform to their full potential demands equitable work environment void of unfair discrimination and practices. Generally, employees' feeling of unfairness in the allocation of rewards usually arises from the perception of fairness in the distribution of reward or the process used in distributing rewards (Rasch & Szytko, 2013). Hence, wage has become one of the most significant aspects of the employer-employee relationship. For instance, for most employees, the hope of earning a pay is the reason why they work among other reasons such as recognition, achievement, and opportunity for personal growth or affiliation with others (Umar, 2014).

This confirms why with time wage disparity has become an important organizational topic due to the diversity of today's workforce and the importance of employees irrespective of any form of difference in performing various critical tasks for the survival of the organization (Falope, 2017).

Interestingly, the context with which this study seeks to undertake its enquiry from is the Ghana health service which in recent times has been characterised with high movement of health workers to Europe and the Americas with the number aim to seek for better remunerations packages (Crisp & Chen, 2014; Sousa, et al., 2014). Likewise, a recent survey done by the Pew Research (2017) affirm this same view as their work revealed that 75% of Ghanaians interviews were willing to leave Ghana for Europe listing the number one reason for their decision as to look for better salary.

This suggests that pay disparity has been a great area of concern for most Ghanaian workers as recent public outcry bemoans why government appointees particularly those appointed to head public institutions receive higher salary and compensation packages than everyone within the organization. Interestingly, as to whether this

happening within the public service institutions of which the Ghana health service is not excluded impact on workers moral, performance, commitment or turnover intentions remain unknown as no work has to explore how pay disparity within Ghanaian organizational work setting impact on employees' performance.

Accordingly, it is against this backdrop that this study seeks to investigate the impact of pay disparities on employees performance by measuring the impact from the Catholic Health Service.

### **1.3 Statement of Problem**

Pay disparity among employees performing different jobs in the same firm, referred to as pay dispersion, have received greater consideration from both the popular press and from regulators (e.g., Pettypiece 2015; Picchi 2015; Economist 2016; Cohen 2015). Interestingly, there are basically two competing hypotheses about the influence of wage dispersion on team productivity (Franck & Nu"esch, 2011).

For instance, on one hand the it is hypothesized that wage dispersion allows the creation of a positive pay–performance link, which induces higher future performance and attracts talent (Milgrom and Roberts, 1992). On the other hand, it is posited that larger pay differentials minimize team cohesiveness (Levine, 1993)and increase relative deprivation, which may decrease team performance (Akerlof & Yellen, 1990). Although such pay dispersion is often economically justified, one related concern is that the lower-paid employees might perceive such pay differences as unfair (Shaw, Gupta & Delery 2002).

Importantly, earlier works that sought to carry out their studies along these two hypotheses have all confirmed this pay dispersion performance linkage within their

respective studies. For instance, the work of Gachter and Thoni (2010), Guo, Libby and Liu (2015) and Wade, O'Reilly and Pollock(2006)posited that pay dispersion within the workplace led to a variety of negative consequences, such as less effort, more budget slack, and increased turnover.

Conversely, works by Downes and Choi (2014) adopted an “employee reaction” perspective to examine how pay differences affect firm performance and came to the conclusion that greater pay dispersion improves firm performance. Likewise, studies of Main, O'Reilly and Wade(1993), Eriksson (1999) and that of Lallemand, Plasman, and Rycx(2007) find that wage dispersion has a positive impact on firm performance.

In another twist, studies by Hunnes (2009) assessed more than 1,700 firms over 11 years and came to the conclusions that there is no association between the extent of pay dispersion and firm performance. Similarly, works by Bartling and von Siemens (2011) and that of Charness and Kuhn(2007) concluded from experimental studies that wage inequality does not lead to lower paid employees reducing the level of effort they provide to the firm.

Clearly, reviews above show the relationship between pay dispersion and employee or organization performance appear to be mixed with some producing positive impact, others too producing negative impact and others producing no effect on employees' performance. Notwithstanding these works on this topic, it appears very surprising that most of these prior studies have extensively focused on advanced economies particularly European countries and the Americas context nonetheless same cannot be said within the sub-Saharan context as to whether same relationship exist between pay dispersion and employees or firms' performance. To Conroy (2014), it is therefore



very surprising, how little is known about pay disparity impact in a non-Anglo American context.

Consistent views were shared by Lemieux (2007) as he posited that despite the increase in studies of pay disparities within the literature, research work on this area happen to be extensively done in advanced economies with little emphasis to other lesser economies. Accordingly, this study seeks to address this research gap by undertaking this study in a non-Anglo-American context by exploring how pay disparity or differential affect employees performance by measuring the impact among the health workers within the catholic health service within the Ashanti region of Ghana. Therefore, the main problem of the study is to assess pay disparity impact on catholic health workers within the Ashanti region of Ghana.

#### **1.4 Purpose of the Study**

The primary purpose of the study is to assess pay disparity impact on catholic health workers within the Ashanti region of Ghana.

#### **1.5 Objectives of the Study**

The following are the study research objectives:

1. To examine the kind of perceived pay differentials that exist at the Catholic Health Service.
2. To examine the nature of relationship that exists between perceived pay differentials and employees' performance at the Catholic Health Service.
3. To assess the reaction of employees in senior and lower positions regarding the differentials in the catholic Health Service pay system.

## **1.6 Research Questions**

To achieve the stated objective, these questions are set to guide the study:

1. What are the kinds of perceived pay differentials that exist at the Catholic Health Service?
2. What is the nature of relationship that exist between the perceived pay differentials and employees' performance at the Catholic Health Service?
3. Does employees in senior and lower positions have the same reaction to the catholic Health Services pay differential system?

## **1.7 Significance of the Study**

This study will contribute to the knowledge of management and organizational behavior literature. Specifically, it will help organizations particularly, the Catholic Health Directorate to get an empirical understanding as to how their current compensation practices particularly pay inequality in the workplace affect work outcomes.

Again, the study will give an opportunity to the catholic health workers to express their views and position on the current compensation practices that exist at the health directorate which in so doing will help the employer to get a better understanding on employees' perspective on the existing pay structures. This research also enhances the understanding of both the employer and the employee on managing and designing the compensation and benefits of staff. Therefore, the communication gap between the employer and the staff can be removed indirectly.

Finally, from the extant literature, there are no studies examining the relationship between wage disparity and employees' performance within the Ghanaian context

hence, this study will help fill the gap by investigating the relationship between these variables within the Ghanaian health service which has been characterised with high emigration of health workers to advanced countries. This study will also serve as a background for future analysis on wage disparity within the context of workplace organizations in the region as well as other sectors.

### **1.8 Limitation of the Study**

Admittedly, a national survey study would have ensured a more representation for the study sample since this study will be of great relevance to both the HR professionals and the entire health directorate; however, as a result of limited time the study have to be completed, the study will adopt a multiple case study approach as the research design for the study. Therefore, the results will not be able to be generalized to other parts of the country hence a more national survey will be needed to address this concern. Also, since the study data will be based on a self-reported survey, the respondents in attempt to answer the questionnaire items may consciously or unconsciously slant their response to a certain direction hence making the study findings not entirely accurate.

### **1.7 Scope of the Study**

Since the study seeks to investigate the influence of pay disparity on employee performance, the main variables the study seeks to measure are perceived pay disparity that exist in catholic hospitals, the relationship that exist between this perceived pay disparity and the respondents' performance. Also, since this study is to be carried out with a specific context, the main study area of the study are the catholic hospitals within the Ashanti region namely; St. Michael hospital at Jachie-Pramso, St. Martins hospital at Manso-Agroyesum, St. Patrick's Hospital at Offinso and St.

Peter's Clinic at Ntoboroso. Hence, employees within these stated catholic hospitals will form the study population.

### **1.9 Organization of the Study**

The study is organized into five chapters. Chapter One is made up of Introduction which looks at the Background of the Study, Statement of the Problem, and Research Questions. Others include Purpose of the Study, Limitations of the Study, Delimitations of the Study, and Organization of the Study. Chapter Two deals with the review of the related literature whiles Chapter Three covers the Methodology adopted for the study. Chapter Four focuses on Results and Discussions whiles finally, Chapter Five looks at the Summary of Findings, Conclusions and Recommendations.



## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

This chapter begins with the definition of the key concepts of the study. Also in this chapter, the theoretical underpinnings of pay disparity was presented, as well as reviews in references to the study objectives together with the empirical review and finally the conceptual framework of the study are presented in this chapter.

#### 2.1 Definition of Pay Variation

According to Conroy, Gupta, Shaw and Park (2014) pay variation refers to the extent to which people in an organization are paid different amounts of money. Notably, this could take the form of a compressed pay structure which depicts small differences in pay or a dispersed structure which depicts a wider variation in pay levels. To Conroy et al. (2014) pay variation per its very nature it's not a compensation policy per se but rather reflects the outcomes of compensation policies an organization adopts.

Likewise, to Shaw et al. (2002) pay dispersion, which is also referred to as spread, range, variation, and inequality, is defined generally as differences in pay levels between individuals within (i.e., horizontal or lateral dispersion) and across (i.e., vertical dispersion) jobs or organizational levels. Also, Gupta, Conroy and Delery (2012) defined it as the extent of pay differences across employees and jobs in organizations.

Generally, the definitions given above all appear to conform to one direction thus, the differences found in employees' wages or bonuses. Hence, for the purposes of this work the definition given by Shaw et al. (2002) will be adopted as the working definition for the study since it took into accounts the pay disparity that exist within organization and across organizational structure.

## **2.2 Theoretical Review**

According to Conroy (2014) pay variation in recent times has attracted the interest of many disciplines, including that of the economics, management, and finance. As a result, theoretical explanations for pay variation's influence on performance appears to be well spread across the spectrum diverse. For instance, theories such as the equity theory, relative deprivation, agency, and tournament theories and the expectancy theory have been most of the widely used theories to explain the relationship between pay dispersion at the workplace and employee behavior. Likewise, within this study context some of these theories will be reviewed to ascertain how it can be applicable to the present study context.

## **2.3 Equity Theory**

Equity theory (Adams, 1963) is commonly applied in the management literature to explain the effects of pay variation on performance (e.g., Brown, 2006; Brown, Sturman, & Simmering, 2003; Carpenter and Sanders, 2004; Cowherd & Levine, 1992). The assumption behind this theory argues that individuals tend to compare their own perceived input/outcome ratios to the perceived input/outcome ratios of comparison others (Adams, 1963).

Inputs in this context constituted anything a person is perceived to contribute to the organization, which could usually take the form of his knowledge, skills, experience, effort, etc. (Conroy, 2014). Outcomes on the other hand depicts, anything perceived to be received by the person from the organization, e.g., pay, promotion, bonuses, skills, loyalty, efforts, and experience, personal sacrifice, hard work, tolerance amongst others (Conroy, 2014). Inputs and outcomes are perceptions of the focal person.

Accordingly, equity theory posits that if an individual identifies inequity in input or outcome ratio of themselves and referent others, they will seek to adjust the inputs or outcome to reach a perceive equity (Kaur, Aggarwal, & Khaitan, 2014). Equity theory proposes that the greater an individual perception of equity, the more motivated and satisfied they will be and vice versa (Arvanitis & Hantzi, 2016). In this perspective of equity theory, workers who experience underpayment will be less productive and less satisfied and workers who are equitably paid or overpaid will be more productive and more satisfied in the workplace (Aidla, 2013). According to Adams(1963),individual who perceive inequity in an environment will seek to reduce it either by altering inputs, altering outcomes, cognitively distorting inputs or outcomes, leaving the field, taking actions designed to change the inputs or outcome of referent others or changing the referent other.

### **2.3.1 Relative Deprivation Theory**

According to the relative deprivation theory, individuals feel deprived when they evaluate their desired outcomes with those of relevant others and perceive disparity within theirs and that of others (Buttner & Lowe, 2017). Hence, relative deprivation theory is based upon the fundamental process of comparison. The theory postulates

that individuals form the feeling of resentment when they sense an unfair discrepancy between “value capabilities” (received outcome) and “value expectations” (deserved outcome)(Olson, Herman, & Zanna, 2014). Relative deprivation theory proposes a cognitive subjective state that shapes attitude, behavior, and emotions. According to Triana, Jayasinghe, and Pieper(2015) the resentment that arises from the feeling of deprivation results in negative behavioral response such as grievance, moral outrage and anger based on five conditions: (1) when an individual (group) demands something (2) when an individual(group) perceive that another person possesses what they want (3) when an individual (group) feels he is entitled to be in possession of something (4) when an individual (group) think it is possible to get what he wants; and (5) when an individual(group) does not see the failure to get what he wants as his fault. Relative deprivation theory focuses on the feelings and actions of individuals that result from comparison with a referent person or a group as well as the behavioral and attitudinal effects deprivation feelings. According to Popham(2015) such feelings from comparison can explain an employee’s perception and reaction to work situations.

Conroy (2014) argues that employing of relative deprivation theory to pay variation research is comparable to the usage of equity theory. Differences in pay variation are assumed to represent differences in receipt of a desirable resource (i.e., pay/money). When variations are greater, these differences are perceived to be greater, increasing the deprivation experienced by those who are not at the top of the distribution. As such, all but those at the top of the distribution are expected to experience deprivation.



## 2.4 Tournament Theory

The tournament theory of Lazear and Rosen (1981) on the other hand posit that a more differentiated wage structure induces employees' effort, through the incentive resulting from awarding the largest prize to the most productive worker. However, with the "fair wage effort" hypothesis theory it seeks to suggest that a worker will reduce his effort if his actual wage falls short of the wage he deems to be fair. Wage in this context is viewed to be fair if the pay spread is lower than the performance differential. Moreover, with the fair-wage hypothesis it argues that compressed wage structure stimulates worker productivity. Hence, when employees perceive their wage to be lower than the 'fair' wage they tend to withdraw their effort, therefore becoming less productive.

With the exclusion of the tournament theory all the other theories seek to stress the importance of fairness and equity in an entity wage structure. Hence, these theories posit that many employees lose motivation and reduce effort or even quit their jobs if they perceive their pay as unfair or inequitable. The tournament theory holds a contrary view to these theories assumptions as it seeks to argue that high wage disparities between employees (players) serve as a form of incentive for workers to do their best with the intent to win the price at stake thus, the wage incremental and bonuses packages. What this means is that equity theory, relative deprivation theory and distributional justice theory and the fair-wage hypothesis all argue for equitable distribution of wages as they assert that relative wage equality enhances worker cooperation and performance. Nonetheless, the tournament theory argues for higher dispersion of wage in organizational setting. The tournament theory postulates that it is prudent to compensate workers according to their relative performance rather than their absolute performance. The wage dispersion between different jobs is regarded as

the tournament prize. Accordingly, a high wage disparities between employees (players) serve as a form of incentive for workers to do their best (Lazear & Rosen, 1981). This presupposes that firms should establish a performance-based pay system where the largest prize is given to the most productive worker.

## **2.5 Forms of Pay Variations**

A review of prior work on pay variation points to three main types of pay variation that are studied in the literature. They include the horizontal, vertical and overall (Gupta et al., 2012).

Horizontal variation which at times are called lateral variation occurs when there are pay differences among people holding the same job (e.g., Shaw, Delery, & Gupta, 2002; Yanadori & Cui, 2013). According to Conroy (2014) the factors that contribute to this pay variations within people holding the same job could largely come from issues such as include seniority, performance, knowledge, skill, and political connections. They could also include factors considered at hire, such as negotiation skills and gender.

A clear, example of a horizontal pay variation was given by Conroy et al. (2014) as they assert that this type of variation is evident when, for example, a faculty member with more publications or more seniority is paid more than a faculty member with fewer publications or lower seniority.

However, with vertical pay variation, it depicts variation in pay across jobs. Vertical pay variation represents the firm's philosophy on the values it places on its organizational work roles or jobs (Conroy, 2014). For example, in a job evaluation system, each job is assigned points based on its assessment compared to compensable

factors (Milkovich, Newman, & Gerhart, 2014). These compensable factors are chosen by organizational leadership to represent what is important to the firm. Because these values are associated with jobs rather than people, differences in the values can be explained by differences in the job, such as differences in the labor market for the job (e.g., market pricing structures) or differences in job evaluations (e.g., job evaluation systems).

Specifically, in a study by Brown et al. (2003) which sought to study the type of pay variations practiced at the hospital came to the conclusion that among all the three forms of pay variations, the vertical pay variation is the most practiced within the health sector.

The last type of pay variation is overall pay variation. This variation includes both vertical and horizontal variation. Overall pay variation involves combining both job differences and individual differences. It is inclusive of the sources of pay for individuals and the sources of pay for jobs. This means it is representative of both intensity of individual reward systems and elitist/egalitarian pay structures. Because of the variety of factors that can explain the differences in pay, teasing out the explanations for overall pay variation is difficult (Conroy, 2014). Still, this type of variation has been at the center of much pay variation research (Belfield & Marsden, 2003; Clark, Kristensen, & Westergard-Nielsen, 2009; Heyman, 2005; Tsou & Liu, 2005).

## **2.6 The Role of Justice and Fairness in the Creation of Employee Perceptions**

Trust, fairness and delivery of the organizational practices influence employee behaviours and attitudes in the development and delivery of the psychological

contract (Obaid, 2013). Fairness is a fundamental aspect that drives the psychological contract of employees and they are likely to continue in an organisation if they perceive the pay policies to be fair (Faulk, 2002). Heneman and Judge (2000) suggest that fairness, whether in terms of distributive or procedural justice, is central to pay satisfaction and Morrison and Robinson (1997, pp. 244-245) state that another important input into the sense-making process following a perceived contract breach is an employees' perception of how fairly he or she was treated'.

Achieving pay equity is central to the attainment of pay satisfaction and in case the pay structure is in contradiction it will negatively affect employee satisfaction and commitment (Allen & Charles, 2002). Distributive justice is an integral part of the organisational justice theory (Greenberg, 2003) and each pay structure/rate has to be perceived as fair, for it to lead to higher job and pay satisfaction (Tremblay et al., 2000) and commitment in the psychological contract. Distributive justice is defined as the perceived fairness of the amount of compensation that employees receive (Colquitt & Greenberg, 2003).

Hence, in the case of the Catholic hospitals, employees whose expectations of appraisals are either met or exceeded are likely to accept that pay is tied to performance and the reverse is true when appraisal ratings fall below the expected (Ratner, 2009). For example, in job pay structures when pay is adequately distributed based on criteria like seniority, length of service, merit and/or contribution, the employees' perceptions of distributive justice would be based on fairness and they will be obligated to perform their part of the psychological contract (Ismail et al., 2009).

Procedural justice is defined by Colquitt et al. (2001) as the perceived fairness in the processes used to determine fair pay. It is used for making consistent and unbiased decisions based on rules and procedures (Colquitt & Greenberg, 2003) and is identified as a source of pay satisfaction (Tremblay et al., 2000) directly linked with benefits. As argued by Greenberg (2003) if an organization pay structure is based on its existing rules and follows all procedures during planning and implementation, it will affect the employees' feelings about procedural justice positively. Consequently, it may lead to higher positive attitudinal and behavioural outcomes.

The third kind of justice namely, interactional or informational justice dwells on the interpersonal contact and is defined as the perceived fairness of how decisions are implemented by the employer. Sharpe (2002) states that perceptions of fairness, through involvement and effective communication provide an opportunity for employees to accept and adapt to changes in the psychological contract, 'and that interactional justice positively influences employee acceptance and adjustment of complex changes in organisations as it reduces insecurity and uncertainty. Colquitt et al. (2001) introduce the notion of informational justice that emphasizes on employee rights to have an explanation or justification for the treatment they receive; this appears to moderate the relationship with job satisfaction of which pay satisfaction is a significant component.

Expressly, Brockner, Fishman and Spiegel(2008) opined that the issue of perception of fairness and largely procedural fairness have shown to have a significant influence on the psychological experiences and behaviours of employees shown towards organizational practices. They therefore concluded that when the procedure for determining an individual pay or bonuses was regarded by the workforce as fair,

people perceived it as credible and therefore reacted positively to the outcome of the compensation systems. Similarly, Harel, Tzafrir and Baruch(2003) corroborated Brockner et al. (2008) conclusions when they reported that ensuring fairness in organizational practices impacted positively on the recipient satisfaction.

Again in the works of Tang, Baldwin and Linda(1996)it was established that distributive justice was significantly related to satisfaction with pay, promotion, the performance appraisal, and organizational commitment while procedural justice were related to satisfaction with supervision, self-reported performance appraisal rating, performance appraisal, commitment, and job involvement. Results from the studies of Fatt, Khin and Heng (2010) confirmed the earlier views that distributive and procedural justice has significant relationship with employee's satisfaction towards their organizational practices. This means that the higher the level of employee's perception towards fairness to the means used to determine outcomes (procedural justice) and fairness of the outcomes employees receive (distributive justice) the more satisfied the employee becomes.

Clearly, this suggests that how employees form their perception about their organization pay system is dependent on its ability to ensure fairness in reference to distribution, means for the distribution and processes for sharing and communicating to the recipients on the entire process outcomes.

## **2.7 Relationship between Pay Variations and Employees Performance**

As argued earlier, works examining the impact of pay variations on employees' performance have achieved mixed results with some positing positive impact whereas others too reporting negative impact. Accordingly, this section specifically seeks to

explore the linkage that exist between pay variations and employees' performance outcomes.

Specifically, the underpinnings of equity theory (Adams 1964; Gupta et al., 2012) argue that workers per their inclination compare themselves to other employees in terms of the compensation or incentives they receive from their employer. This presupposes that workers who perceive that they are not compensated fairly when compared to what other received are expected to provide less effort than if they believe they are treated fairly (Brown, Evans, Moser, & Presslee, 2016).

Studies by Wade, O'Reilly and Pollock (2006), Gachter and Thoni (2010) and Guo, Libby and Liu (2015) produced consistent deductions as their findings revealed that pay dispersion lead to a variety of negative consequences, such as less effort, more budget slack, and increased turnover. Likewise, in a study done by Clark, Masclet and Villeval (2010) which employed both experimental and survey approaches demonstrated that an employee's choice of how much effort to provide does depend on how much other employees are paid, as well as the employee's own pay. This means that pay differential affected the kind of effort a worker showed or performed at the workplace.

Additionally, Franck and Nüesch (2011) sought to assess how pay dispersion affected professional soccer (world football) teams' performance. Results, from their study showed that team performance was highest when pay dispersion was either low or very high. Meaning when pay variations were high it had a positive impact on the team performance. However, medium levels of pay dispersion were found to produce the lowest team performance. Subsequently, the authors analyzed whether pay dispersion had an effect on playing style. Controlling for team characteristics,

coaching style, and talent, findings from their study posited that higher pay dispersion was positively associated with the number of individualistic plays (individual runs and dribbles), but not significantly related to the number of cooperative plays (e.g., cross-field passes).

In the work of Abeler, Kube, Altmann and Wibrall (2010) it was revealed that workers responded to equal payments with low effort levels but exhibited relatively higher effort levels when paid based on individual contributions. Likewise, measuring the relationship between pay dispersion and individual performance among samples of men (Gilsdorf & Sukhatme, 2007) and women (Gilsdorf & Sukhatme, 2008) competing in their respective professional tennis tours. In cross-level tests with match-level outcomes, the studies apparently produced similar results: The higher the prize spread linked to winning a said match, the more likely that the player with the higher seed would win the match. The findings affirm the assumptions of the tournament theory which suggests that wider pay spreads in sequential elimination tournaments result in higher motivation, especially among those capable of winning successive rounds.

Likewise, Simmons and Berri (2011) made similar conclusion when their study results reported a positive relationship between pay variation and team performance among National Basketball Association (NBA) teams.

Moreover, it is not every context that wage dispersion has been viewed to be counterproductive. For instance, it has been reported that just minimizing pay dispersion within an organization pay systems was found to affect the behavior of the higher-paid employees (e.g., Cohen, 2015; Pettypiece, 2015; Picchi, 2015; Economist, 2016). The reason is that higher-paid employees who viewed the earlier pay



dispersion as legitimate will view a firm's actions to minimize that dispersion as unfair. A clear example was when Wal-Mart reduced its pay dispersion structure by adjusting its minimum wage, which Pettypiece (2015) did suggests resulted in a reduction of higher-paid employee morale and consequently made higher-paid employees willing to leave the firm. This suggests that high performing employees prefer wage dispersion as it motivates them to put their best to win the prize at stake.

Similar observations were made in the case of Gravity Payments Incorporation as well when Cohen (2015) reported that when the firm made the decision to reduce its pay dispersion, it was observed that some higher-paid employees decided to leave the organization mainly because they felt they were being unfairly compensated for the work they did relative to lower-paid employees.

In contrast, Brown et al. (2016) recorded a positive relationship between pay dispersion reduction and employees performance. Specifically, their work undertook array of experiments to assess the effect of reduced pay dispersion on lower-paid employees' effort and higher-paid employees' turnover intentions. First, findings from the study showed that reducing pay dispersion did increase lower-paid employees' effort by increasing their perceived pay fairness. Also, it became evident that higher-paid employees indicated that they were not more likely to leave their firm for a likable job when lower-paid employees' wages were increased, and may even be less likely to leave. Equally, in the works of Charness and Kuhn (2007) it was established that higher pay variations does not lead to reduced effort hence, suggesting that reducing pay dispersion will not necessarily increase employee effort.

Also, in a review done by Downes and Choi (2014) organization pay dispersion were based on two dimensions; whether employee pay was performance-based or non-

performance based, and whether the dispersion signaled pay differences within a given job or between jobs. They concluded that prior research identifies two “predictable effects of pay dispersion” (2014, p.63). First, employees generally perceive pay dispersion as legitimate when pay is linked to individual performance (Shaw, Gupta, & Delery, Pay dispersion and workforce performance: moderating effects of incentives and interdependence, 2002), and such legitimate differences in pay are generally associated with better firm outcomes. Hence, negative relationships between pay variations and employees have been mostly reported when the pay variation was not based on performance-based or regarded as legitimate (Gupta et al., 2012; Downes & Choi, 2014). For example, Kepes, Delery and Gupta (2009) reported pay variation was negatively related to performance when it was based on politics.

Similarly, works by Depken (2000) reported a negative relationship among professional athletes when pay variation was not based on performance. Likewise, Fredrickson, Davis-Blake and Sanders (2010) reported negative relationship among management employees and equally, Pfeffer and Langton (1993) established a negative relationship among faculty members. On the other hand, studies of Katayama and Nuch (2011) neither reported a positive nor negative relationship between pay variations and employees’ performance among National Basketball Association (NBA) teams.

## **2.6 Empirical Review**

This section seeks to discuss previous works that investigated pay variation impact on employee performance and equally indicate the gap this study seeks to fill.

First and foremost, work by Franck and Nu"esch (2011) sought to measure the impact of intra-team pay dispersion on team performance. Analysing nonlinear effects of wage dispersion in professional soccer, they find empirical evidence that team performance is strongest when there is either very high or very low wage inequality. However, they found out that medium levels of pay variations produce the weakest team performance. In addition, results from the study revealed that pay structure affects the team's playing style even after controlling for team and coach diversity.

Explicitly, Franck and Nu"esch (2011) assessed the relationship impact from NBA teams within US. More so, the team performance in this context was measured from the teams number wins and the average score the team recorded. From these firms features, it makes this study entirely different from what their work sought to do. Moreover, looking at the present context, it seeks to examine how the current variations within the Catholic hospitals impact on its workers performance.

Moreover, with the studies of Beno"et et al. (2009) it measured the impact of wage dispersion on firm productivity in different working environments. Evidently, findings from their study found a hump-shaped association between wage dispersion and firm productivity. Findings from their studies again showed that the intensity of the relationship is much higher for highly skilled workers and in more stable environments.

Expressly, the context with which their study was undertaken is much different from the context with which this study will be conducted from. On this premise, the two studies are not in any way similar or related.

Again, Breunig et al. (2012) on their part developed a general theoretical model of the effect of wage dispersion on team performance which produced two possibilities:

wage inequality may have either negative or positive effects on team performance. The authors computed these estimates by using game-level data from Major League Baseball to determine whether wage dispersion and team performance are negatively or positively related. Evidently, findings from the study showed that wage disparity is negatively correlated with team performance. Results from game and season-level regressions also indicate a negative relationship between inequality and performance. Although the authors' work made insightful observations as to how wage disparity moderates team performance, nonetheless, their study's time series data, thus, a longitudinal research design, hence failed to take into account the perspective of the recipients of these pay systems into account. On this score, their study analysis was based on a secondary data source but not on the employees' perspectives as this study seeks to do. Accordingly, this study seeks to measure the real impact from the perspective of the employees by employing a questionnaire approach rather than a secondary data approach.

Lastly, Conroy (2014) used the expectancy theory as its theoretical approach to measure the impact between pay variations and employees' performance. Hence, Conroy (2014) hypothesized that incentive intensity is expected to affect the motivational mechanisms described by expectancy theory, which in turn influence individual motivation and performance. Accordingly, results based on both a real pay and a real effort experiment provided evidence that allocation rules affect objective individual performance while changes in incentive intensity are not significant in predicting objective performance. Admittedly, the approach Conroy (2014) is somehow similar to the approach the researcher wants to adopt for its study; nevertheless, the context with which his study was undertaken makes it entirely different from the context with which this study seeks to undertake its enquiry from

thus, among Catholic hospitals within Ghana. Accordingly, findings from this study will add additional width to the literature as to how pay-variations impact on employees performance as well as their turnover intentions.

To sum up, the above studies clearly show that most of the earlier studies have largely focused on Anglo-American context, with no emphasis to other developing economies particularly, the sub-Saharan context. Again, most of the prior studies sought either used National Basket Ball League or soccer teams as their context with no emphasis to other work setting which equally demands team work and employee collaboration. Again, most of the prior studies sought to employ panel data approach but not used a primary data approach thus, questionnaire or interview to explore from the perspective of employees how their organization pay variations systems impact on their work behaviour. From these observations this work seeks to address this hiatus by measuring the pay variation impact on the individual level specifically on how it affects employees performance by using catholic hospitals within the the Ashanti region as the study context.

## **2.8 Industry Review**

The Catholic Health Service is one of the Christian Health Association in Ghana (CHAG). The hospital has its mission of continuing Christ healing ministry in bringing healing to the greatest possible number of people in the provision of total quality patient care through healing with good ethical and moral standards who are conscious and professionally competent, motivated and united in their respect for fundamental human values.

The Hospital provide high quality health care in the most effective, efficient and innovative manner specific to the needs of the community we serve and at all times acknowledging the dignity of the patient. These services will be carried out in a manner complementary to yet integral to the National Health Sector activities of Ghana. (Condition of Service in the National Catholic Health Service, 2004)

The hospital is regulated by instrument called Condition of Service in the National Catholic Health Service, 2004) which spells out the categorization of staff at the catholic health service which are the Senior staff, Middle level staff and Junior staff. The condition spells out the recruitment and appointment procedures, the variation in compensation or remuneration packages, training and Development processes, the end of service packages and the obligation of employees. The Catholic health service is a profit making organization in view of its core mandate of continuing Christ Healing Ministry.

The hospital was chosen as a focus of study by the researcher because the researcher has identified imbalances or discrepancies in the compensation policies, a situation where staff performs substantially equal jobs but receives different remunerations.

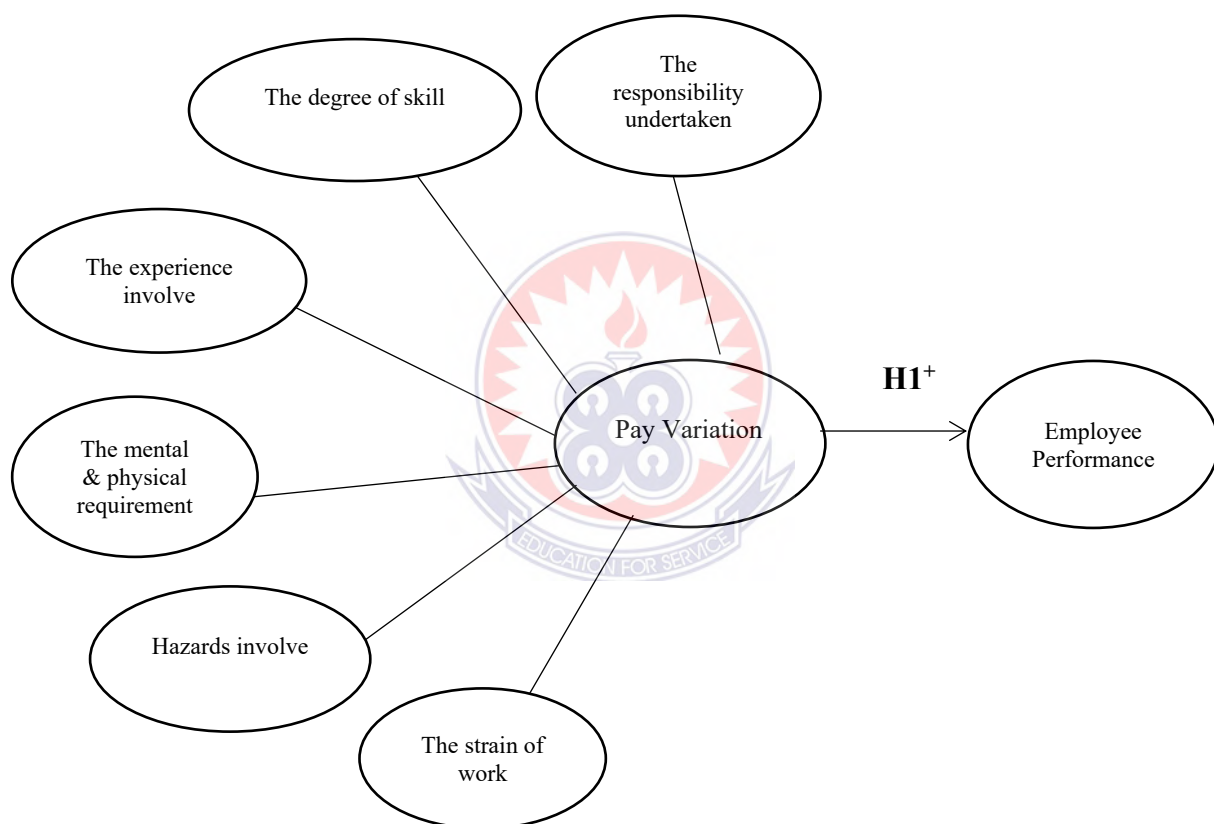
The Catholic Health Services has other christian Health Association of Ghana (CHAG) as its competitors, for example the Ghana Adventist Health Services (GAHS), Baptist Health Service (BHS), Methodist Health Service (MHS) etc.

## **2.9 Conceptual Framework of the Study**

According to Miles and Huberman (2011) conceptual framework is a visual or written product which seeks to explain either graphically or in a narrative form the main study constructs or variables to be investigated and the presumed relationships that exist among these variables. Therefore, on this premise the conceptual framework of this

study is based on the constructs thus, pay variations being the independent variable and employees' performance and turnover intentions being the dependent variable. Hence, the assumption of these relationship is that pay variations is expected to have a significant impact on the respondents' performance as well as their turnover intentions. A conceptualization of the relationship between the independent variables and the dependent variable is illustrated in Figure 1.

### Conceptual framework for the Study



**Figure 2.1** Framework for analysing how pay differentials influence employees performance.

**Source: Author's construct, 2018.**

#### 2.9.1 Relationship between Pay Differentials and Employees Performance

The theoretical debate in the literature have painted two set of pictures as to how pay differentials moderates employees behaviour. Some works have reported that high

pay differentials improve worker motivation to increase his performance (see for example, Shaw, Gupta, & Delery, 2002; Kepes & Gupta, 2009; Trevor, Reilly, & Gerhart, 2012). Conversely, other studies have posited a different observation. For instance, in the works of Beaumont and Harris (2003) and Anderson and Brown (2010) it was established that high pay dispersion did undermined feelings of internal equity and destroyed cooperation and any sense of common purpose across the workforce as a whole.

For instance, works of Wade, O'Reilly and Pollock (2006), Gachter and Thoni (2010) and Guo, Libby and Liu (2015) revealed that pay differentials lead to a variety of negative consequences, such as less effort, more budget slack, and increased turnover. Likewise, in a study done by Clark, Masclet and Villeval (2010) which employed both experimental and survey approaches demonstrated that an employee's choice of how much effort to provide does depend on how much other employees are paid, as well as the employee's own pay. This means that pay differential affected the kind of effort a worker showed or performed at the workplace.

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competing in their respective professional tennis tours. In cross-level tests with match-level outcomes, the studies apparently produced similar results: The higher the prize spread linked to winning a said match, the more likely that the player with the higher seed would win the match.

Accordingly, it is hypothesized that:

H<sub>1</sub>: There is a significant relationship between pay variations and employee performance.

## **2.10 Summary of Chapter**

This chapter provided reviews related to the study objectives. Likewise, the theoretical framework that provided theoretical underpinning for the study was equally discussed in this chapter. Also, the gaps this study intended to fill in the literature were all equally presented in this chapter. Finally, the conceptual framework and the research hypothesis that guided the study investigation were all dwelt with in this chapter.

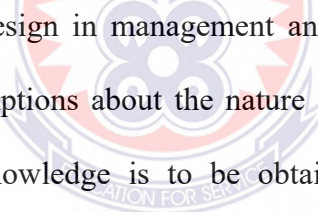
## CHAPTER THREE

### METHODOLOGY

#### 3.0 Introduction

This chapter discussed the research design used in this study. It reviewed the basic research approaches available, which include the quantitative, qualitative and mixed methods approach. Thereafter the chapter discussed the method opted for in this study and its justification. The research design is examined followed by a discussion of population, sampling methods and data collection procedures. The chapter ends with a discussion of the ethical issues and how the data gathered were analyzed.

#### 3.1 Research Design



The choice of research design in management and social sciences draw its source from a researcher's assumptions about the nature of the social world as well as his inclination about how knowledge is to be obtained or the approaches used for acquiring the knowledge (Saunders, Lewis, & Thornhill, 2009). These assumptions or paradigms are important, since a researcher's selected research design ought to be the best means to achieve its study purpose. Specifically, two main paradigms namely; positivism and interpretivist are traditionally and respectively, associated with quantitative and qualitative research methods. The positivism posits that situations that are studied through the natural sciences really produce knowledge. According to this assumption, the real world can only be studied through experimentation, theory testing and theory creation. Hence, it argued that research ought to be objective rather than subjective statement for that matter objectivity is the only proper domain of science. Interpretivist paradigm on their part sees the social world as one that

individuals create, modify and interpret the environment within which they function. In essence, understanding this interaction of individuals and the environment can produce knowledge of phenomena under investigation. Direct knowledge of the social world according to the interpretivist/subjectivist view is impossible.

Expressly, this study employed a quantitative research design to assess the impact of pay variations on employees' performance using Catholic Hospitals within the Ashanti region of Ghana as its study context. Hence, this study followed the positivist worldview to measure its research objectives. Bryman (2012) posit that quantitative research deals with the collection of data and ascertaining a relationship between theory and research findings. Positivists further assert that quantitative method ensures objectivity, due to the distance maintained between the observer and the observed (McGovern, 2009). As this study seeks to follow positivist view, quantitative methods are best suited. Also, in reviewing previous studies that has been carried out in the area of the pay variations impact on employees' performance, most of the prior studies used quantitative methods (see for example, Belfield & Marsden, 2003; Clark, Kristensen, & Westergard-Nielsen, 2009; Heyman, 2005; Tsou & Liu, 2005; Conroy, 2014, Conroy et al., 2014).

Moreover, as the researcher seeks not impose any presume precondition on the study outcomes, quantitative approach provides the best means to achieve this as it guarantees distance between the interviewer and interviewee during the data collection exercise.

From these arguments, quantitative methodology is viewed by the researcher as the best approach as this approach will enable the research to address its research objectives more adequately than a qualitative perspective.

### **3.2 Population of the Study**

The target population is the group of individuals that possess the information required by the researcher and about which inferences are to be made (Malhorta & Birks, 2007). The most important thing in defining the target population is the precise specification of who should and who should not be included in the sample (Churchill & Iacobucci, 2002). The target population for this study constituted employees who worked in the following Catholic hospitals namely; the St. Michael hospital at Jachie-Pramso, St. Martin's hospital at Manso-Agroyesum, St. Patrick's Hospital at Offinso and St. Peter's Clinic at Ntoboroso together with the departmental heads in these hospitals.

Based on the researcher's preliminary field visit to the four catholic hospitals, it became evident that the hospital had a total workforce of 200 personnel. Accordingly, the total population of the study stood at 200.

### **3.3 Sample Size and Sampling Techniques**

A sample is a portion serving as a basis for estimates of the attributes of the whole (Concise Oxford English Dictionary, 11<sup>th</sup> Edition). The purpose of sampling is to secure a representative group which will permit the researcher to gain information about a population (Ng'ethe, 2013). Moreover, since every worker of the stated catholic hospitals formed part of the targeted population for the study, a simple random sampling was employed to make the outcome fairly representative. Subsequently, the study employed the Krejcie and Morgan (1970) sampling table to determine the sample size for the 200 targeted population size. Based on the table, the sample size for this study was 132 on a 95 percent confidence level and 5 percent error of margin.

### **3.4 Data Collection Instrument**

According to Pope (2000) as cited in Musah and Nkuah (2013), research instruments are the tools namely; questionnaire, interview schedule, observation and other forms of techniques the researcher employs to obtain information from elements under investigation. Kumar(2011) argues that although there are many tools available for data collection, nonetheless, the decision to use a specific data collection method ought to be guided by the objective of a study, resource availability and the skills of the researcher. Since the study was guided on the principles of quantitative methodology, this study used questionnaires on a 5 point likert scale and interview guide for the study.

The researcher felt that it was best suited to the research plans as the research has to gather the same data from the same respondents. This method of data collection was also chosen as the researcher needed to ensure that the responses from respondents will be fair and objective as this approach does not permit the researcher to have any influence on respondents' response. Likewise, with the questionnaire instruments there was no interviewer present when the respondents were completing the questions hence the tendency for a Hawthorne (interviewer) effect was entirely eliminated. Again another benefits of self-administered questionnaire are that it less expensive and equally offer greater anonymity than other forms of data collection method.

Nonetheless, questionnaires have some deficiencies too for example, Bryman and Bell (2007) maintained that questionnaires don't have an opportunity for probing or exploring questions asked and for the answers that are given and also can be linked with a poor response rate because of a lack of respondent motivation in completing them.

However, in order to ensure that the research instrument was reliable, a pilot study was carried out at the Suntreso Government hospital to establish whether the items developed truly reflected it sought to measure. After this exercise any ambiguity found in the questions were revised. Equally, the study's supervisor equally read through the questionnaire before the final questions was drafted.

### **3.5 Data Collection Procedures**

The questionnaires were sent out to the study samples to enable the researcher have fresh insight into the problem under study. Accordingly interview guide were also used by the researcher to collate some important information, the interview guide was responded by the head of Human Resource at the various case study facilities. The questionnaire was the major instrument used in the study since it was less expensive way to gather data from a large number of respondents and also required less skill for information. The administration of the questionnaire was done by the researcher and one field assistant who equally assisted the researcher in the data collection exercise. Both the researcher and his assistant visited the two hospitals each on five consecutive times. However, in order to ensure that the personnel helping the researcher in the data collection did not introduce any external factors to bias the study, he was given two days training as to how he has to go about the collection exercise before he was eventually sent out. Finally, prior permission was sought from the various hospitals before the questionnaires were eventually given to respondents to respond to.

### **3.6 Limitations of the Study**

The researcher was faced with some difficulties during the questionnaires distribution to the study samples. The first difficulty was that since the institution under enquiry

was health institutions, the respondents were hesitant to respond to the questions at first because they felt their time required to work of patients may be comprised or wasted away if they chose to respond to the questions. However, in order to solve this misconception thorough discussions were held with the department heads on possible ways to minimize any possible obstruction and delays that may likely impede the respondents' ability to work on their core mandate before finally the questionnaire administration were permitted to proceed.

### **3.7 Ethical Considerations**

Ethical consideration places a responsibility on the researcher to assess carefully the possibility of any harm that could affect the study participants, and to provide appropriate measures to control these effects (Bryman & Bell, 2007). When carrying out research it is important that participants are aware of why a study is being carried out, and what will be done with the information they provide. If this is not made clear, the information given may not be entirely truthful or may be slant towards a certain direction. It is important to inform respondents that their identities will not be shared and that there is full confidentiality. It is also important that in quantitative research, investigators must be completely objective and try not to influence a study with their own values and perceptions (Burns & Grove, 2001). In order to address these issues firstly, permission was sought from the departmental heads before the researcher distributed the questionnaires to the participants to complete. However, it is equally required that respondents' consents have to be sought before administering questionnaires to them, hence the researcher equally sought consent from the study respondents before the questionnaires were finally administered.

Moreover, every questionnaire that was sent out had a cover letter included in it which clearly espoused the purpose of the survey. The questionnaire didn't require the names of the respondents; this was to protect their identity and remain anonymous. As a result, the employees were aware from the beginning what the researcher was doing, why and where the information was going and why it was being gathered.

### **3.8 Data Analysis**

According to Bryman (2012) data analysis is generally about data reduction. That is, it is meant to reduce the large body of information that the researcher gathered during the data collection in order to make sense or meaning out of it. Bryman and Bell (2007) held that until a study minimizes the amount of data collected, it is more or less impossible to interpret the material. The author again added that an additional issue to take into consideration with data analysis is whether a study is dealing with either primary or secondary data. With primary data analysis, the researcher who was responsible for collecting the data conduct the analysis whereas with secondary data the analysis occurs when someone else analyses a previous data.

Therefore, when the questionnaires were completed and returned, the researcher coded all the responses before entering them into the SPSS. To analyse the data collected from the questionnaires, the researcher used Statistical Package for Social Scientist (SPSS) version 20. Also, with the quantitative data, the results were analyzed on the basis of descriptive statistics. Since the purpose of descriptive statistics is to give a detail account as to how an event or phenomenon occurred, the data were analyzed using descriptive statistics such as frequencies, percentage, mean and standard deviations.



However, with the qualitative data, the data collected was analyzed in line with the main variables, components, themes and issues of the theoretical framework. Accordingly, the data were categorized into themes and concepts relating to the theoretical framework used for the study. Finally, the findings and discussions of the results are presented in the next two chapters.

### 3.9 Analysis of Measurement Reliability Scale

Table 3.1 presents the reliability score of the seven main measuring items of the study.

**Table 3.1:** *Reliability of Measuring Construct*

No.	Measuring Constructs	No. of Measuring items	Cronbach Alpha
1.	Employees performance	5	0.789
2.	Senior staff reaction	5	0.866
3.	Junior staff reaction	5	0.734

**Source:** Author's study, 2018.

In all 15 measuring items were used to elicit respondents' responses as to how the pay variations within their organization impacted on their work outputs. Specifically, results from Table 3.1 show that all the three constructs recorded an alpha value above 0.7 clearly confirming that the studied constructs connected to the measured phenomenon under investigation. As suggested by Hair et al. (2011) a Cronbach's alpha value of 0.7 depicts a construct internal consistency and rigorousness. As such having all of the study items recording alpha value above 7.0 suggests a high consistency of its measuring items.

### **3.10 Summary**

This chapter has provided a detailed explanation of the methodological approach to be used in the study. The survey is positioned within the positivist research paradigm and accordingly, research strategies related to quantitative research have been discussed. The study is a descriptive cross-sectional study based on a deductive approach. The questionnaire survey was used as the main data collection method, and its development took into accounts the recommendations stipulated by Churchill and Iacobucci (2002) for the drafting of questionnaires. Pearson correlation and regression analysis were used to test the proposed research questions and hypotheses.

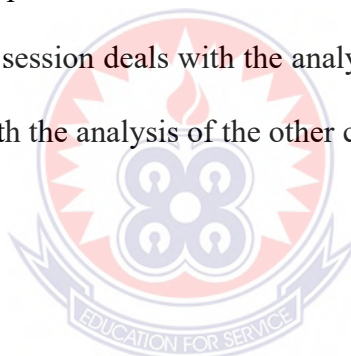


## CHAPTER FOUR

### DATA ANALYSIS AND DISCUSSION OF FINDINGS

#### 4.0 Introduction

This chapter focuses on the descriptive statistics of the final data collected from the survey and summaries of the basic statistics in relation to the main measuring items of the study. The Statistical Package for Social Sciences (SPSS) version 20.0 was used for the descriptive analysis of the questionnaire items whereas content analysis was used for the interview data. The chapter is structured into three sections. The first section presents the response rate and the demographic profile of the studied respondents. The second session deals with the analysis of the interview data whereas the third section deals with the analysis of the other construct of the study.



#### 4.1 Response Rate

The study distributed 132 questionnaires to the selected samples from the understudied catholic hospitals within the Ashanti Region of Ghana. From the questionnaires distributed, a total of 102 completed questionnaires were received. Nevertheless, out of these questionnaires, 96 were usable for analysis, giving an effective response rate of 76.2%. This response rate is deemed to be sufficient per the observations made by Mugenda and Mugenda (2003) a response rate of 50 percent can be viewed as adequate for a study data analysis whereas a response rate of 60 percent can be seen as good with a response rate of 70 percent and above viewed as excellent for a study's data analysis. Accordingly, having a response rate over 70

percent for the present study is viewed as adequate judging from the views expressed by Mugenda and Mugenda (2003).

#### 4.2 Demographic Profile of Sample

The demographic profile of the study respondents is presented in Table 1. Specifically, it includes information on the respondents' age, gender, educational qualification and the position occupied in the various hospital.

**Table 1:** *Demographic Profile of Survey Respondents*

Demographic variable	Category	Frequency	Percentage
<b>Gender</b>	Male	57	59.4%
	Female	39	40.6%
<b>Age</b>	Under 20	21	21.9%%
	21-30 years	22	22.9%
	31-40 years	38	39.6%
	41-50 years	15	15.6%
<b>Education qualification</b>	SSCE/WASSCE	14	14.6%
	Diploma/HND	30	31.3%
	Bachelor's degree	38	39.6%
	Masters' degree	14	14.6%
<b>Position</b>	Administrator	12	12.5%
	Medical doctor	11	11.5%
	Nurse	33	34.4%
	Supporting staff	40	41.7%

**Source:** Field Survey, 2018

The demographic profile of the study participants in Table 1 show that out of the total respondents surveyed, 57(59.4%) were males and the remaining thus, 39(40.6%) were females. Moreover, with regards to the ages of the respondents, it became evident that 21.9% of the respondents ages fell under the 20 years' category whereas a greater part of the respondents thus, 62.5% ages were within the age brackets of 21-40 years with

the remaining thus, 15.6% ages falling within the age category of 41-50 years. Again, with the respondents' level of academic qualification, it became evident that 14.6% had either SSCE or WASSCE as their highest level of education, 31.3% of the respondents on their part either had diploma or HND as their highest level of education whereas 39.6% and 14.6% of the respondents had bachelor's degree and masters' degree respectively. Again, with reference to the position or the job roles the respondents occupied or performed within the understudied hospital, it became evident that, 12.5% held the role as administrators, 11.5% and 34.4% held the role as nurses and medical doctors respectively and the rest thus, 41.7% held the role as supporting staff within the various hospitals.

#### **4.3 The Kinds of Pay differentials that existed at the Catholic Health Service**

This study objective sought to establish the kind of pay differentials or variations that existed at the Catholic Health Service. Specifically, on this study objective, the study used an interview approach to collate data from the head of human resource department of the Catholic Health Directorate.

The interviewee for this session was the deputy chief of human resource of the Catholic Health Directorate. Results from the field data revealed that the interviewee had worked with the Catholic Health Service for a period of eleven years. Equally, with regards to the academic qualification of the interviewee, it became evident that the respondent had a Master's degree in Public Administration as his academic qualification. Finally, with regards to the interviewee age, it was revealed that the respondent was 45 years old. Generally, the demographic profile of the interviewee confirm that the respondents held a key role in the Catholic Health Service hence,

makes him the best person to provide the required views of the existing pay variations in their health directorate.

With the first interview question, the interviewee was asked to share light on the existing pay arrangements that exist at their health institutions. Accordingly, from the respondents' perspective the catholic health service like any health service is guided by the regulations of the Ghana Health Service hence, our actions and inactions are drawn from the health service policy manual.

According to the interviewee, workers who play key roles within our hospitals that is, doctors, nurses and administrators are paid directly by the central government. However, when it comes to the other supporting staff like cleaners, security personnel, mortuary attendants, and other staffs, they are paid directly from the organization internally generated fund.

Again, it was revealed by the interviewee that although the government take charge of the wage and salaries of certain staff within their health facilities nonetheless, when it comes to the computation as to what the government has to pay the identified workers, it is based on our health directorate own pay structure and systems.

This goes to suggests that although with certain staff their salaries and wages were directly paid from the central government yet what determines the amount one get within the catholic hospitals were based on the Catholic Health Directorate pay structures and computations.

In a follow up question, the interview was asked to indicate the factors that inform their health directorate compensation systems. Expressly, on this item, it was revealed that the key factors the Catholic Health Service take into accounts in their

compensation plan is the experience of an individual, the relative value of the role or task performed by the worker, risk factors of associated with a person job roles, an individual knowledge or qualification and the responsibilities performed by the individual at the workplace.

For instance, the interview added,

*“ there may be two medical doctors with the same qualification in this hospital nevertheless, the extra role that a doctor performs in addition to his regular routine that is in being the head of department or the medical superintendent of an institution suggests that his salary will be entirely different from the medical who does not perform such responsibilities”.*

This suggests that a person's role or responsibilities at the understudied catholic hospitals predicted the kind of remuneration one was to receive at the end of the month.

The follow up question sought to establish why employees of the same academic qualification were paid differently at their hospitals. Expressly, on this item, the interviewee responded that the main factor that accounted for this pay differential among workers of the same qualification is the working experience of the individuals involve. The interviewee added,

*“a doctor who have worked with our division for longer time and built upon his work experience over time is more likely to receive more remuneration than a doctor who has just pass out from the medical school and employed by us”.*

Again, as to why workers working within different departments or units of their directorate received different salaries or remuneration, it was established that the main

factor that accounted for such pay differential was the value attached to individual jobs within our institutional setup. For instance, doctors per the high demand for their skills set within the labor market are paid more than nurses or let say cleaners.

Accordingly, to the interviewee,

*“doctors per their high demand within our hospitals earn more salary than those workers whose skills or demand are not in scarce and easily identifiable”*. This suggests that the understudied hospitals practiced a vertical pay variation where workers with different work roles within the same organization are compensated differently.

Likewise, results from the field data showed that the risk factors associated with a job equally accounted for the existing pay variations within their health directorate. The interviewee explained it this way,

*“medical doctors and nurses who deals directly with patients who are diagnose of communicable diseases are found to be in more danger than those working with patients who have not traces of communicable diseases as such workers who find themselves within this context receive higher salary and compensation than those who do not experience same”*.

Accordingly, from the interview perspective there exist pay variations within their health directorate. Largely, the interviewee attributed this variation to factors such as a person’s experience, years of services, skill set, perceived risk attached to their work roles, value of their work roles and responsibilities performed or assigned to an individual.



Findings from the study suggest that the understudied catholic hospitals had some form of pay variations in their compensation which usually came from a person's experience, years of services, skill set, perceived risk attached to their work roles, value of their work roles and responsibilities performed or assigned to an individual. This goes to suggest that under the catholic hospitals the pay variations that existed took the form of vertical and horizontal pay variation.

#### **4.4 Relationship that exists between Perceived Pay differentials and Employees' Performance at the Catholic Health Service**

After establishing that the understudied hospitals pay structures were characterized with both vertical and horizontal pay variations, this study objective sought to establish the relationship that existed between these pay variations and the respondents performance at the understudied hospitals. Accordingly, the respondents rating as to whether the existing pay variations have impacted on their work output have been presented in Table 2.

**Table 2:** *Descriptive Statistics Relationship that exists between Perceived Pay differentials and Employees' Performance at the Catholic Health Service*

<b>Responses</b>	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
I am able to put up my best at work irrespective of the perceived pay differentials.	96	1	5	3.35	1.444
The difference in pay among employees of the same level affect my output to work.	96	1	5	3.62	1.245
I am highly demotivated to work as a result of high pay differential between me and my superiors.	94	1	4	3.75	1.130

The pay I receive at the end of the month helps me to work beyond my job responsibilities	94	1	5	3.01	1.340
The high pay differentials between superiors and subordinates affect employees performance.	91	1	5	3.92	1.187
Valid N (listwise)	91				

**Source: Field Survey, 2018**

The descriptive analysis of the perceived pay variation impact on employees' performance reveals that all the items recorded mean values above the 3.0 score which suggests that the respondents rated these items within the neutral and the agree score. Notably, 'item 5' (*The high pay differentials between superiors and subordinates affect employees' performance*) was the measuring item which received the highest rating with a mean score of 3.92. This suggest that most of respondents agreed that the high pay differentials between superiors and subordinates affected employees' performance within the studied hospitals.

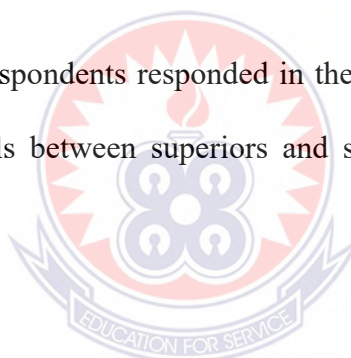
The subsequent item that recorded the next highest mean value was 'item 3' (*I am highly demotivated to work as a result of high pay differential between me and my superiors*). This item had a mean value of 3.75. The mean value of 3.75 means that most of the respondents rating on this item fell within the agreed score.

Again, the third item that recorded that next highest mean value was item 2 (*The difference in pay among employees of the same level affect my output to work*). It had a mean value of 3.62 meaning most of the respondents affirmed that the difference in pay among employees of the same level affected their output to work.

However, among all the five items, it was only with item 2 (*The pay I receive at the end of the month helps me to work beyond my job responsibilities*) where the respondents could not be explicit in their rating. Results from Table 2 show that it recorded a mean value of 3.01.

Findings from the study suggest that with the exception of item 2 where the respondents remain neutral in their rating when it came to the other measuring items, it became evident that the existing pay variations within the understudied catholic hospitals impacted negatively on the employees' performance. For instance, it was established that most of the respondents were highly demotivated to work as a result of high pay differential that existed between them and their superiors.

Similarly, most of the respondents responded in the affirmative when asked whether the high pay differentials between superiors and subordinates affected employees' performance.



#### **4.4.1 Regression Analysis of Relationship between Perceived Pay differentials and Employees' Performance at the Catholic Health Service**

This section sought to establish the direction of relationship that existed between the perceived pay differential within the understudied Catholic hospitals and the respondents' performance. Specifically, multiple regression analysis thus, enter method was the statistical analysis used to identify the impact of the perceived pay variations on the respondents' performance (senior and junior staff respondent). Accordingly, the regression analysis in Table 4-5 provides the result of constant, Beta coefficients of the predictive variables, standard error values, t-value and the significant values (p-values) of the independent variables.

**Table 4: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.456 <sup>a</sup>	.208	.190	2.33016

a. Predictors: (Constant), senir.stff, junio.stf

**Table 5: ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	123.979	2	61.990	11.417	.000 <sup>b</sup>
	Residual	472.380	87	5.430		
	Total	596.360	89			

a. Dependent Variable: per.perf

b. Predictors: (Constant), senir.stff, junio.stf

**Table 6: Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.418	1.727		1.979	.051
	junio.stf	.458	.123	.359	3.735	.000
	senir.stff	.203	.080	.242	2.521	.014

a. Dependent Variable: per.perf

The multiple regression results in Table 4 indicate that the perceived pay variations evident in the understudied hospitals had a significant impact on the respondents'

performance since  $p < 0.01$ . Again, the correlation coefficient for the entire predictors variable stood at ( $R = 0.456$ ) suggesting that there is moderate positive relationship between the perceived pay differential and the respondents' performance. Also, the Adjusted R square value of 0.190 implies that only 19% of the variability in the respondents' performance were influenced by the perceived pay variations.

Findings from the study supports the research hypothesis that pay variations have a significant relationship on employees' performance hence the study results refute the null hypothesis.

#### 4.5 Reaction of Employees in Senior and Lower Positions regarding the Differentials in the Catholic Health Service Pay System

This study objective sought to explore how senior and junior staff within the understudied hospitals responded to their organization pay differential. Accordingly, how senior and junior staff responded to their organization pay differential have been presented in Table 4.

**Table 4:** *Reaction of Employees in Senior and Lower Positions regarding the Differentials in the Catholic Health Service Pay System*

	Position	Mean	Std. Deviation	Std. Error Mean	t	Sig. (2-tailed)
I am currently satisfy with the pay I received at the end of the month.	senior staff	2.81	1.504	.328	13.340	.070
	junior staff	2.59	1.376	.256	15.858	.060
I am satisfied with the pay system of the hospital.	senior staff	3.05	1.362	.290	14.393	.074
	junior staff	2.81	1.327	.238	19.949	.076
I will continue to work with the Hospital because of the good pay I received at the end of the month	senior staff	2.84	1.385	.318	19.724	.080
	junior staff	2.64	1.254	.237	12.546	.060
I have no plans of leaving	senior staff	2.86	1.037	.221	12.358	.010

the hospital because of the attractive pay system	junior staff	2.81	1.046	.188	17.974	.740
I think the pay system at the hospital needs to be reviewed	senior staff	3.41	1.368	.292	17.257	.000
	junior staff	3.65	1.279	.230	20.888	.001

**Source: Field Survey, 2018**

The descriptive analysis shows that all the items recorded mean values above the 3.0 score which suggests that the respondents rated these measuring items between neutral score to agreed score. This reveals that the respondents who occupied senior roles in the understudied organizations in some occasions responded in the affirmative whereas their counterparts in junior roles held contrary views or same views as to that of the senior staff.

For instance, when the senior staff were asked whether they are currently satisfied with the pay they receive at the end of the month within their respective hospitals. Results from Table 4 suggests that both the senior and the junior staff held the same view. Specifically, with the senior staff respondents, the rating had a mean score of 2.81 whereas the junior staff respondents rating recorded a mean rating of 2.51. This means that both the junior and the senior staff could not indicate their level of agreement or disagreement on this item.

Again, on this item, the one-sample t-test results suggest that there is no significant difference between how senior staff and junior staff responded to this item since the p value for both senior and junior staff respondents were  $p > 0.05$ .

Equally, with the second measuring item, it was established that both senior staff and junior staff respondents could not be definitive when asked to indicate their level of agreement or disagreement on whether they were satisfied with the pay system of the

hospital. Evidently, the mean value for the senior staff respondents on this item was 3.05 and likewise the mean value for the junior staff respondents was 2.81. This means that both the senior and the junior staff respondents' ratings on this item fell within the neutral score.

Also, the one-sample t-test results indicate that there is no significant difference between how the senior and junior staff respondents responded to this item since the p value for both senior and junior staff respondents were  $>0.01$ .

Additionally, as to whether the respondents will continue to work with their respective hospitals because of the good pay they receive at the end of the month, it became evident that both the junior and senior staff respondents rating on this item fell within the neutral. Meaning both the junior and senior staff respondents could not be conclusive in their responses as to whether they will continue to work within their respective hospitals because of the good pay they received. Specifically, the mean value recorded for the senior staff respondents was 2.84 while the mean value junior staff respondents was 2.64.

Also, the one-sample t-test results indicate that there is no significant difference as to whether both the senior and junior staff respondents will continue to work with their respective hospitals because of the good pay they received at the end of the month since the p value for both senior and junior staff respondents' were  $>0.01$ .

Last but not the least, as to whether the respondents had no plans of leaving the hospital because of the attractive pay system available, it became evident that both the junior and the senior staff responses on this item fell within the neutral score. The senior staff respondents recorded a mean value of 2.86 while the junior staff respondents recorded a mean value of 2.81. Likewise, the one-sample t-test results

indicate that there is no significant difference between how the senior and junior staff respondents responded to this item since the p value for both senior and junior staff respondents were  $>0.01$ .

Finally, as to whether the present pay system at the hospital needed to be reviewed, it became evident that senior staff respondents could not be explicit in their responses on this item. It recorded a mean value of 3.41. In contrast, the junior staff respondents were very definite in their responses on this item as their level of agreement fell within the agreed score. It had a mean value of 3.65. Equally, the p value recorded from the one-sample t-test affirmed this position as results from Table 4 show that the  $p < 0.05$ .

Findings from the study show that with the exception of the last measuring item, where it was revealed that there is a significant difference in how the junior and senior staff respondents wanted their organization pay systems to be reviewed, with the other measuring items, it became evident that there is no significance difference as to how the senior and junior staff responded to their organization pay variations.

#### **4.6 Discussion of Study Results**

This section discusses the results that were obtained from the field data. Equally, practical implications about the results are discussed in line with the objectives the study sought to measure. The literature is also discussed in line with the results in the subsequent sections.



#### **4.6.1 The Kinds of Pay differentials that existed at the Catholic Health Service**

This study objective sought to establish the kind of pay differentials or variations that existed at the Catholic Health Service. Expressly, on this item, it was revealed that the key factors that contributed to Catholic Health Service pay variations were the experience of an individual, the relative value of the role or task performed by the worker, risk factors of the job roles, an individual knowledge or qualification and the responsibilities performed by the individual at the workplace.

Again, it was established that the main factor that accounted for pay differential among workers of the same qualification was the working experience of the individuals involved. For instance, it came to bear that a doctor who have worked a division for longer time and built upon his work experience is more likely to receive more remuneration than a doctor who has just pass out from the medical school.

Likewise, as to why workers working within different departments or units of the understudied hospitals received different salaries or remuneration, it was established that the main factor that accounted for this pay differential was the value attached to individual jobs within the organization. Also, results from the study showed that the risk factors associated with a job equally accounts for the existing pay variations within their health directorate.

Accordingly, from the interview perspective there exist pay variations within their health directorate. Largely, the interviewee attributed this variation to factors such as a person experience, years of services, skill set, perceived risk attached to their work roles, value of their work roles and responsibilities performed or assigned to an individual.

On this note, findings from this study is consistent with the works of Conroy et al. (2014) as they held that an organization which bases its pay system on job evaluation will have some jobs paid more than the other. This suggests that even with different pay policy thus, whether merit or seniority based pay there will still be incidence of pay dispersion in the employees' wages.

Similarly, findings from this study corroborate the claims made by Milkovich et al. (2014) as they posit that in a typical market pricing environment the value attach to a certain work or work roles contributes to organization pay dispersion. Likewise, within this context it became evident that the high value the studied hospital attached to medical doctors resulted in the situation where doctors received more salary than the supporting staff of the hospital.

Equally, findings from the study revealed the understudied organization practiced some form of horizontal pay variation where people with the same job received different salaries largely because of their differences in qualifications, performance, seniority, etc. (Yanadori & Cui, 2013).

Again, findings from this study affirm the work of Brown et al. (2003) as their study revealed that among all the three forms of pay variations, the vertical pay variation is the most practiced within the health sector. Likewise, within this context it has established that doctors received more salary than nurses while nurses received higher salary than cleaners.

Finally, findings from this study concur with the earlier works of Shaw (2014) as their work posited that pay disparities within an interdependent work setting produce inequity perceptions which consequentially undermines workers' attitudes and performance.

#### **4.6.2 Relationship that exists between Perceived Pay differentials and Employees' Performance at the Catholic Health Service**

This study objective sought to establish the nature of relationship that existed between the perceived pay differentials and the employees' performance. On the descriptive statistics, it became evident that the existing pay variations within the understudied catholic hospitals impacted negatively on the employees' performance. For instance, it was established that most of the respondents were highly demotivated to work as a result of the high pay differential that existed between them and their superiors. Similarly, most of the respondents responded in the affirmative when asked whether the high pay differentials between superiors and subordinates affected employees' performance.

Again, from the regression analysis it became evident that the perceived pay variations evident in the understudied hospitals had a significant impact on the respondents' performance since  $p < 0.01$ . Again, the correlation coefficient for the entire predictors variable stood at ( $R=0.456$ ) suggesting that there is moderate positive relationship between the perceived pay differential and the respondents' performance. Also, the Adjusted R square value of 0.190 implies that only 19% of the variability in the respondents' performance were influenced by the perceived pay variations.

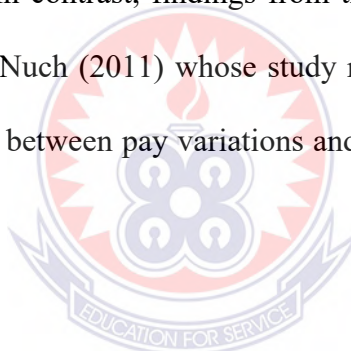
Findings from the study supports the research hypothesis that pay variations have a significant relationship on employees' performance hence the study results refute the null hypothesis.

Findings from this study affirm the views espoused by Beaumont and Harris (2003) and Anderson and Brown (2010) as their work established that high pay dispersion

did undermined feelings of internal equity and destroyed cooperation and any sense of common purpose across the workforce as a whole.

Likewise, findings from this study concur with the works of Franck and Nüesch (2011) as their study showed that team performance was highest when pay dispersion was either low or very high. Similarly, within this study context, it was evident that most of the respondents were highly demotivated to work as a result of high pay differential between them and their superiors.

Again, findings from this study affirmed the work of Simmons and Berri (2011) as their study results reported a significant relationship between pay variation and employee performance. In contrast, findings from this study is inconsistent with the works of Katayama and Nuch (2011) whose study results neither reported a positive nor negative relationship between pay variations and employees' performance among NBA teams.



#### **4.6.3 Reaction of Employees in Senior and Lower Positions regarding the Differentials in the Catholic Health Service Pay System**

This study objective sought to explore how senior and junior staff within the understudied hospitals responded to their organization pay differential.

On this study objective, results from the study revealed that both the senior staff and junior staff could not be explicit in their rating as whether they were satisfied with the current pay they receive at the end of the month. Specifically, the senior staff respondents rating had a mean score of 2.81 whereas the junior staff respondents

rating recorded a mean score 2.51. This means that both the junior and the senior staff could not indicate their level of agreement or disagreement on this item.

Equally, it was established that both the senior staff and junior staff respondents could not be definitive when asked to indicate their level of agreement or disagreement on whether they are satisfied with the pay system of the hospital.

Additionally, as to whether the respondents will continue to work with their respective hospitals because of the good pay they received at the end of the month, it became evident that both the junior and senior staff respondents' ratings on this item fell within the neutral. Meaning both the junior and senior staff respondents could not be conclusive in their responses as to whether they will continue to work with their respective hospitals because of the good pay they received.

Again, as to whether the respondents had no plans of leaving the hospital because of the attractive pay system, it became evident that both the junior and the senior staff responses on this item fell within the neutral score.

Likewise, the one-sample t-test results on these items indicate that there is no significant difference between how the senior and junior staff respondents responded to these items since the p value for both senior and junior staff respondents were  $>0.01$ . This suggests that how the junior and senior employees of the understudied hospitals responded to their firms pay variations were not entirely different from each other.

Accordingly, findings from this study could not corroborate the works of Allen and Charles, (2002), Ratner(2009) and that of Brockner et al. (2008) as their work

reported a significant difference between how lower and junior employees reacted to their organization compensation.

However, findings from this study corroborate the works of Fatt et al. (2010), Wade, et al. (2006), Gachter and Thoni (2010) and that of Guo et al. (2015) as their work reported a significant difference as to how lower and senior level employees reacted with their organization compensation systems.



## **CHAPTER FIVE**

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

#### **5.0 Introduction**

This chapter presents the summary of the study as guided by the research objectives, research questions and conclusions reached based on the findings as well as recommendations for additional research studies.

#### **5.1 Summary of Findings**

The main problem of the study was to assess pay disparity impact on catholic health workers within the Ashanti region of Ghana. The study employed the equity theory, relative deprivation theory and the tournament theory to ascertain how the tenets associated with these theories moderate how employees respond to their organization pay arrangements.

The literature review of the study was developed around these themes thus, definition of concepts, theoretical framework, types of pay variations, factors that shape employees' perception about their organization pay variations, impact of pay differentials on employees' performance, empirical review and finally the conceptual framework and the study hypotheses.

The target population for the study was drawn from four catholic hospitals namely; St. Michael hospital at Jachie-Pramso, St. Martin's hospital at Manso-Agroyesum, St. Patrick's Hospital at Offinso and St. Peter's Clinic at Ntoboroso all within the Ashanti Region of Ghana. Therefore, a projected number of 200 workers within these

hospitals formed the study population. The study employed the Krejcie and Morgan (1970) sampling table to determine the sample size and accordingly the sample size for this study used was 132 with 95% confidence level with 5.0% confidence interval (i.e.  $\pm 5$  per cent). Since the study was guided on the principles of quantitative research methodology, this study used questionnaires with a 5-point Likert scale as the data collection instrument.

With the first research questions the study found out that there existed some form of vertical and horizontal pay variations within the understudied catholic hospitals. Expressly, on this item, it was revealed that the key factors that influenced the pay variations among the Catholic Health Service workers were the experience of an individual, the relative value of the role or task performed by the worker, risk factors of the job roles, an individual knowledge or qualification and the responsibilities performed by the individual at the workplace.

On the second research question, it became evident that the existing pay variations within the understudied catholic hospitals had a negative relationship on employees' performance. For instance, it was established that most of the respondents were highly demotivated to work as a result of high pay differential between them and their superiors. Similarly, most of the respondents responded in the affirmative when asked whether the high pay differentials between superiors and subordinates affected employees' performance.

With the final research question, it was revealed that with the exception of this item thus, as to whether the present pay system at the hospital needed to be reviewed where it became evident that senior and junior staff respondents reacted differently, with all



the other items, it became evident that there was no significant difference as to how senior and junior staff respondents reacted to their organization pay differential arrangements.

For instance, as to whether the respondents will continue to work with their respective hospitals because of the good pay they received at the end of the month, it became evident that both the junior and senior staff respondents on this item fell within the neutral.

## **5.2 Conclusions**

The first specific objective the study sought to examine the kind of perceived pay differentials that existed at the Catholic Health Service. Apparently, on this study objective, it became evident that there exist some forms of pay variations within the understudied catholic hospitals. Largely, the interviewee attributed this variation in pay to factors such as a person experience, years of services, skill set, perceived risk attached to their work roles, value of their work roles and responsibilities performed or assigned to an individual at the work place. On this same objective, it was revealed that the main factor that accounted for pay differential among workers of the same qualification was the working experience of the individuals involved.

For instance, it came to bear that a doctor who have worked with a division for longer time and built upon his work experience was more likely to receive more remuneration than a doctor who has just pass out from the medical school.

Again, as to the reason why workers working within different departments or units of the understudied hospitals received different salaries or remuneration, it was

established that the main factor that accounted for this pay differential was based on the value attached to individual jobs within the organization.

Also, results from the study showed that the risk factors associated with a job equally accounted for the existing pay variations within their health directorate. Accordingly, findings from this study is consistent with the works of Conroy et al. (2014) as they posit that an organization which bases its pay system on job evaluation will have some jobs paid more than the other. This suggests that even with different pay policy thus, whether merit or seniority based pay there will still be incidence of pay dispersion in the employees' wages.

Similarly, findings from this study corroborate the claims made by Milkovich et al. (2014) as they posit that in a typical market pricing environment the value attach to a certain work or work roles contributes to organization pay dispersion.

The subsequent objective of the study sought to examine the nature of relationship that existed between perceived pay differentials and employees' performance at the Catholic Health Service. Evidently, on this objective, it was revealed that the perceived pay variations at the understudied hospitals had a significant impact on the respondents' performance (senior and junior staff) since the  $p < 0.01$ .

Findings from this study affirm the views espoused by Beaumont and Harris (2003) and Anderson and Brown (2010) as their work established that high pay dispersion did undermined feelings of internal equity and destroyed cooperation and any sense of common purpose across the workforce as a whole.

The final objective of the study was to assess the reaction of employees in senior and lower positions regarding the differentials in the catholic Health Service pay system.

Apparently, on this study objective, it was revealed that both junior and senior staff of the understudied hospitals did not respond differently to their organization pay variations. For instance, it was revealed that both the senior staff and junior staff could not be explicit in their rating as to whether they were satisfied with the current pay they receive at the end of the month. Equally, it was established that both the senior staff and junior staff respondents could not be definitive again when asked to indicate their level of agreement or disagreement on whether they are satisfied with the pay system of the hospital.

Additionally, as to whether the respondents will continue to work with their respective hospitals because of the good pay they received at the end of the month, it became evident that both the junior and senior staff respondents on this item fell within the neutral. Meaning both the junior and senior staff respondents could not be conclusive in their responses as to whether they will continue to work with their respective hospitals because of the good pay they received.

On this score, findings from this study corroborate the works of Fatt et al. (2010), Wade, et al. (2006), Gachter and Thoni (2010) and that of Guo et al. (2015) as their work reported a significant relationship between how lower and senior level employees reacted with their organization compensation systems.

### **5.3 Implications of the Study to Research**

The assumption behind the equity theory is that individuals tend to compare their own perceived input/outcome ratios to the perceived input/outcome ratios of comparison others (Adams, 1963). Accordingly, if an individual identifies inequity in input or outcome ratio of themselves and referent others, they will seek to adjust the inputs or

outcome to reach a perceived equity (Kaur, Aggarwal, & Khaitan, 2014). Equity theory therefore proposes that the greater an individual perception of equity, the more motivated and satisfied they will be and vice versa (Arvanitis & Hantzi, 2016). In this, workers who experience underpayment will be less productive and less satisfied and workers who are equitably paid or overpaid will be more productive and more satisfied in the workplace (Aidla, 2013).

Explicitly, the theoretical underpinnings of the equity theory have been fully corroborated in this study context as results from the study showed that the difference in pay among employees of the same level at the understudied hospitals was found to affect the respondents' output to work. Similarly, it came to bear that most of the respondents were found to be highly demotivated to work as a result of high pay differential that existed between them and their superiors.

Conversely, the underpinnings of tournament theory that suggest that high wage disparities between employees (players) serve as a form of incentive for workers to do their best with the intent to win the prize at stake were entirely refuted within this study context. To the tournament theory it is prudent to compensate workers according to their relative performance rather than their absolute performance. The wage dispersion between different jobs is regarded as the tournament prize. Accordingly, a high wage disparity between employees (players) serve as a form of incentive for workers to do their best (Lazear & Rosen, 1981).

However, findings from this study hold a contrary view to this position as it became evident that most of the respondents were found to be highly demotivated to work as a result of high pay differential that existed between them and their superiors. Largely, this inconsistency can be linked to the understudied hospitals' inability to link its

employees pay outcomes to their relative performance. This suggests for such assumptions to be achieved the understudied firm should establish a performance-based pay system where the largest prize is given to the most productive worker.

#### **5.4 Recommendation to management**

The study has the following implications for management:

- It was revealed that the difference in pay among employees of the same level affected the respondents output to work. Accordingly, it is recommended to management to properly communicate and explain its compensation systems to its workforce as to why workers working within the same level receive different salaries at the end of the month since this exercise will go a long way to eschew any misgivings the workers' formed about this pay arrangement. Likewise, on this same issue it recommended that management should look into this possible factors that caused this pay variation and see which of these factors are still relevant in contemporary and adjust the ones whose impact has outlive its relevance.
- Again, it became evident that the pay the respondents receive at the end of the month were found to have no impact on their willingness to exert more effort beyond their job responsibilities. Accordingly, it is recommended to management of the catholic health directorate to review its existing pay structure to identify the ones that are unconnected to workers needs and aspirations and replace them with ones that workers will cherish most since, having a pay arrangement that reflects workers needs and wants will incentivise them to before better on their work duties.

- Additionally, it was revealed that most of the respondents were highly demotivated to work as a result of the high pay differential that existed between them and their superiors. On this note, it is recommended to management of the Catholic Health Directorate to reconsider their current pay system to see where this significant difference exist and seek to address that since subordinates will always compare their work roles to that of their superiors to ascertain whether there is equity in the salary they receive and that of what their superiors receive.
- Finally, it was established that there is no significance difference as to how junior and senior staff responded to their organization pay system as it came to light that both junior and staff could not tell whether they are satisfied or not satisfy with their organization pay system. On this note, it is recommended to the management of the hospital to possibly re-evaluate its current pay structure since the assumption behind compensation is usually to act as a form of inducement that may motivate employees to give out their all towards their organization goals. However, having both the junior and senior staff unable to indicate their level of satisfaction towards their organization pay systems seem to suggest that this assume linkage between pay and employees motivation is missing.

### **5.5 Suggestions for Further Research**

Specifically, this study confined itself to only four catholic hospitals in the Ashanti region. Accordingly, a comparative study should be carried out to compare whether the findings also apply to other non-Catholic hospitals or government hospitals in order to validate whether the findings can be generalized to all hospitals in Ghana.

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## Appendix

### UNIVERSITY OF EDUCATION, WINNEBA – KUMASI CAMPUS

#### COLLEGE OF TECHNOLOGY EDUCATION

#### QUESTIONNAIRE FOR JUNIOR AND SENIOR STAFF

The researcher is a Master of Business Administration student (Human Resource) at the University of Education, Winneba-Kumasi Campus. Conducting a piece of research to ASSESS THE DISPARITIES IN COMPENSATION POLICIES AND ITS IMPACT ON EMPLOYEE PERFORMANCE. A CASE AT THE CATHOLIC HEALTH SERVICE IN ASHANTI REGION.

**DEFINITION OF TERMS: PAY DISPARITIES**, it is explained as the extent to which workers in an organization are compensated differently at the end of their work output.

#### SECTION A: DEMOGRAPHICS

Please tick [] the appropriate box for your responses to the question

1. Gender Male [] Female []
2. Age group 20 and above [] 21 – 30 [] 31 – 40 [] 41 – 50 [] 50 and above
3. What is your highest education? S.S.S. [] Diploma [] Degree [] Masters []
4. What is your position in this hospital?  
Administrator [] Nurse [] Medical Doctor [] Supporting Staff []  
Other(s) please specify.....

## SECTION B: PERCEIVED PAY DIFFERENTIAL AND EMPLOYEE PERFORMANCE

Please indicate how you agree or disagree with each of the following statements about the perceived pay differentials and employee performance

Use this scale: 1 – Strongly Disagree, 2 – Disagree, 3 – Neutral, 4 – Agree,

5 – Strongly Agree

		Tick only one for each statement				
1.	I am able to put up my best at work irrespective of the perceived pay differentials.	1	2	3	4	5
2.	The difference in pay among employees of the same level affect my output to work.	1	2	3	4	5
3.	I am highly demotivated to work as a result of high pay differential between me and my superiors.	1	2	3	4	5
4.	The pay I receive at the end of the month helps me to work beyond my job responsibilities.	1	2	3	4	5
5.	The high pay differentials between superiors and subordinates affect employees performance.	1	2	3	4	5

## SECTION C: REACTION OF EMPLOYEES IN SENIOR AND LOWER POSITIONS REGARDING DIFFERENTIAL PAY SYSTEM

SENIOR LEVELS		Tick only one for each statement				
1	I am currently satisfy with the pay I received at the end of the month.	1	2	3	4	5
2.	I am satisfied with the pay system of the hospital.	1	2	3	4	5
3.	I will continue to work with the Hospital because of the good pay I received at the end of the month	1	2	3	4	5
4.	I have no plans of leaving the hospital because of the attractive pay system	1	2	3	4	5

<b>JUNIOR LEVEL</b>						
1.	I am not satisfied with the pay system at the hospital.	1	2	3	4	5
2.	I see discrimination in terms of pay between superiors and subordinates	1	2	3	4	5
3.	I think a lot of employees at the lower levels complain about the pay system at the Hospital.	1	2	3	4	5
4.	I think the pay system at the hospital needs to be reviewed	1	2	3	4	5
5	I will leave the hospital because of the bad pay system that is in operation.	1	2	3	4	5



## INTERVIEW GUIDE

### QUESTION FOR THE HUMAN RESOURCE DEPARTMENT

#### (HEAD OF HUMAN RESOURCE)

##### Introduction

- Introduce yourself
  - Introduce purpose of the discussion
  - Seek verbal consent
  - Assure participant of confidentiality
1. Why is it that employees of the same qualification receives different pay at the end of the month?
  2. What account for the differences of allowances to staff of the same level?

