

European Journal of Human Resource (EJH)



IMPACT OF EMPLOYEE COMPENSATION SYSTEM OF TOTAL
UGANDA CO LIMITED ON JOB SATISFACTION (An Empirical
Evidence of the Petroleum and Gas business of Uganda considering a case of
Total E&P Uganda Limited).

Marianne Birungi Mukalazi
Lawrencia Agen-Davis
Theophilus Teye Amanor
Daniela Daniel Ndunguru
Professor Dang Wei



IMPACT OF EMPLOYEE COMPENSATION SYSTEM OF TOTAL UGANDA CO LIMITED ON JOB SATISFACTION (An Empirical Evidence of the Petroleum and Gas business of Uganda considering a case of Total E&P Uganda Limited)

¹Marianne Birungi Mukalazi
MSc. Enterprise Management
Email: birungimarianne@outlook.com
²Lawrencia Agen-Davis
MSc. Enterprise Management
³Theophilus Teye Amanor
MSc. Enterprise Management
⁴Daniela Daniel Ndunguru
MSc. Logistics Management
⁵Proffesor Dang Wei
School of Economics and Management
^{1, 2, 3, 4, 5} Lanzhou Jiaotong University

Abstract

Purpose: Motivation through an effective compensation system of the organization can never be over looked in in relation to improving satisfaction and performance of the employees. The purpose of this study was to establish the relationship between employee compensation and job satisfaction considering a case study of Total E&P Uganda Limited.

Methodology: The study employed a descriptive-cross sectional research design. Using a Krejcie and Morgan approach the study focused on 80 staff of Total E&P from which a sample of 66 respondents was chosen. The study used interviews and surveys as data collection instruments. Data from the answered questionnaires was analyzed using SPSSv20 and descriptive statistics calculator (online). The collected data was checked for consistency and then frequencies and percentages were be used to show responses of the distribution. The results were presented in tables and chart form.

Findings: It was found from different results that compensation has positive impact on job satisfaction. It was proved from Bi-variate Pearson Correlation coefficient analysis that independent variables have strong positive relationship to each other. Descriptive analysis also revealed that all the independent variables have positive impact on job satisfaction. Descriptive analysis of the results of the findings indicated that generally majority of the organization workers are not contented with the salaries and wages given to them by the organization. It was indicated in descriptive analysis that majority of the respondents had considerable knowledge on the concept of job satisfaction. This is justified basing on the fact that each respondent knows what can spur his or her commitment and motivation.

Limitations/implications of the research: Following the justifiable challenges the company is apparently facing, the study recommends that to ovoid a nosedived performance, a well streamlined compensation structure has to be adopted.

Keywords: *Benefits, Employee Bonus, satisfaction, Salary, Rewards, Compensation and Employee Performance.*

1.0 INTRODUCTION

Compensation or remuneration is a systematic approach to provide monetary value to employees in exchange for work performed by them is called as compensation or remuneration, (Nakshita, 2017). In the case of Human Resource Management, compensation is referred to as money and other benefits that are received by an employee for providing services to his employer.

In Clifford's study Rehman et al. (2015) stated that there is a strong relationship between compensation systems and job satisfaction. Scholars use the concept of compensation management to point out a mixture of employee feelings towards the various facets of job satisfaction like the character of the work itself, level of pay, promotion opportunities, and satisfaction with co-workers (Schermerhorn, Hunt, & Osborn, 2015).

In relating reward strategies and job satisfaction, Georgakopoulos et al (2015) checked out compensation as motivational factor towards employee job satisfaction. Furthermore, theories of compensation optimization system focus on the satisfaction of the needs for autonomy, competence and relatedness (Gagne & Deci, 2015). He added that employees are satisfied when they feel that the rewards they receive from their jobs correspond to their skills and effort.

1.1 Problem Statement

Uganda's Vision 2040 states that there is a strong positive correlation between industrialization and rapid development. A strong and competitive industrial base is important to create employment, advance technology and create a resilient economy. In Uganda, industrialization offers more export earnings, wider tax base, increased purchasing power, increased integration with agriculture, product diversification, greater efficiency, and technical modernization and higher productivity throughout the whole economy (Byaruhanga et al. 2016). Since independence, Uganda has made efforts of capitalizing on industrialization to propel the economy to middle income status and eventually to a first world economy. Several measures were introduced to nurture infant industries. Foremost was an over-valued exchange rate that discriminated against imported finished goods, but allowed exceptions for imports of intermediate inputs. According to Ggoobi et al (2017), interest rates were influenced by government intervention to help spur domestic investments and heavy import duties were imposed on goods which directly competed with locally made products. There were also provisions for special loans and equity capital; and quotas allowing access to foreign exchange for imported inputs and remittances at subsidized official rates.

Despite of all those measures, industrial sector still lags behind compared to her counterparts. The sector is exposed to external economic shocks that have particularly manifested in volatility in the foreign exchange rates and poor performance of exports, which undermine the competitiveness of the private sector. Furthermore, the economy also reveals significant high import content of inputs for Uganda's industrial sectors thus hampering its pace of development. It's against this background that the researcher sought to examine why industrial development level in Uganda still remains low compared to other countries.

2.0 Literature Review

H₁: 1. There is a significant relationship between salaries and wages on job satisfaction in Total E&P Uganda.

2.1.1 Salary

Salary structure is the details of the salary being offered, in terms of the breakup of the different components constituting the compensation. While the salary structure within the enterprise mobility is very large, the lack of staff for the different positions can be raised according to wages and salaries, and thus attracting more talents to come to employment in the organization.

Wage or salary is vital for both employers and employees regarding attracting, retaining, and motivating employees. Asegid et al. (2014) regarded compensation within the sort of salaries and wages as important for workers since it's one among the most reasons people work. Qasim et al. (2014) stated that monetary rewards play major role in determining job satisfaction. Pay is one of the basic components of job satisfaction since it is a strong effect in determining job satisfaction. The growing needs of individuals with high living costs force workers to hunt higher income which will guarantee their future and life satisfaction, (Galanou et al, 2015).

Moreover, if individuals believe they're not compensated well, therefore, a state of emotional job dissatisfaction are going to be developed. These emotional discrepancies will grow and accumulate over time thus make employees unhappy and unsatisfied working for the organization, (Galanou et al, 2015). Greenberg and Baron, (2014) indicated that a perceived low salary results in job dissatisfaction and a serious contributor to increased turnover rate. Khan et al. (2014) posited that academic staff commitment are often enhanced and their degree of satisfaction might be improved by identifying the influence of compensation.

H₁: 2. There is a significant relationship between incentive schemes influence job satisfaction in Total E&P Uganda.

2.1.2 Employee Incentive

Employee Incentive bonus schemes focus on recognizing and rewarding staff for their hard work. Incentive bonus schemes can vary in terms of the rewards given, but they are usually put in place to encourage employees to work towards specific targets, (Dancer et al, 2015). Several Incentive bonus schemes have been identified to influence high job satisfaction in the workplace; amongst these are career development and progression, opportunities for growth, effective communication, training and other work related programs (Bennett & Minty, 2015).

Salau, et al. (2014) asserts that in the world of business, the relationship between Incentive bonus schemes and job satisfaction cannot be undervalued, the two variables depend on each other but respond in different ways to increased employees engagement, participation and retention, competence, commitment and involvement. Furthermore, Khan et al. (2014) argue that Incentive bonus schemes can be incredibly helpful in building growth within a business, and that it can be really difficult to maintain a grip on progress without some bonus schemes.

Incentive bonus schemes have been a shared factor influencing the job satisfaction of employees at workplace, Khan et al. (2014). This corroborates with the findings of Kinicki and Kreitner (2003) that when the sincere needs in form of bonuses and other supplications of the employees are not taken into consideration and managed properly, then displeasure in their respective jobs, discontent and pilfering prevails and this facilitates unattractive state of the mind towards work.

Rothwell and Azanas (2014), discovered that organizational effectiveness becomes vague the instant an employee feels displeased, disgruntled or discouraged about how things are done. However, it becomes necessary for organizations to put in place the best bonus schemes that will help to decrease the depressing factors, bearing in mind the principle of individual differences when it comes to satisfying their (employees) needs and requirements.

H₁: 3. There is a significant relationship between employee benefits on job satisfaction in Total E&P Uganda.

2.1.3 Employee Benefits

World at Work (2008), stated that benefits include packages an employer practices to supplement the cash compensation that employees receive. It comprises of health, income protection, savings and retirement programs provide security for employees and their families. A specific set of organizational practices, policies and programmes, plus a philosophy that actively supports efforts to help employees achieve success at both work and home. Fringe benefits include any variety of programmes that provide paid time off, employee services and protection programmes. According to Bratton and Gold (2007), fringe benefits refer to the part of the rewards package provided to an employee in addition to the guaranteed basic remuneration.

Asegid *et al*, (2014) revealed that fringe benefits were a significant of overall job satisfaction. Conversely, Tella *et al*. (2007) included the most of the fringe benefits such as employee welfare, social security, employee security, payments for time not worked, health benefits, retirement benefits and compensation benefits that are positive and significantly related to job satisfaction and that one is negative and significant. In addition, the study by Artz (2010) revealed that the previously mentioned fringe benefits have a significant and positive relationship with job satisfaction. Furthermore, Artz (2010) revealed that fringe benefits make up a significant portion of employer compensation packages but their impact on worker job satisfaction has given much attention. Also Artz (2010) attested that fringe benefits can affect job satisfaction in opposing ways. First of all, since fringe benefits are generally less taxed than wages, they can be purchased at less cost through an employer than if bought on the market. Second, fringe benefits are often desirable pieces of compensation packages and so increase job satisfaction. It is evident that compensation and fringe benefits have a significant relationship from organizational level, the literature is inaudible about petroleum companies. Therefore, the current study seeks to fill that gap.

2.1.4 Job satisfaction

Job satisfaction is a pleasurable or positive emotional state, resulting from the appraisal of one's job experiences (Robertson et al, 2012). It means that optimistic feeling about work and environment around job lead someone towards satisfaction. It is the extent to which employees wants or like to perform work. Satisfaction is the contentment of a desire which is come true or to

achieve sacred fulfillment from a wish.

Job satisfaction and dissatisfaction not only depends on the nature of the job, it also depend on the expectation what's the job supply to an employee (Hussami, 2008). Lower convenience costs, higher organizational and social and intrinsic reward will increase job satisfaction (Vidal, 2007). Job satisfaction is complex phenomenon with multi facets (Fisher et al, 2000); it is influenced by the factors like salary, working environment, autonomy, communication, and organizational commitment (Lane et al, 2010). There are a variety of factors that can influence a person's level of job satisfaction. Some of these factors include the level of pay and benefits, the perceived fairness of the promotion system within a company, the quality of the working conditions, leadership and social relationships, the job itself (the variety of tasks involved, the interest and challenge the job generates, and the clarity of the job description/requirements).

2.2 Conceptual framework

i) Independent Variables

- Salaries and Wages
- Incentive bonus schemes
- Benefits

ii) Dependent variable

- Job satisfaction

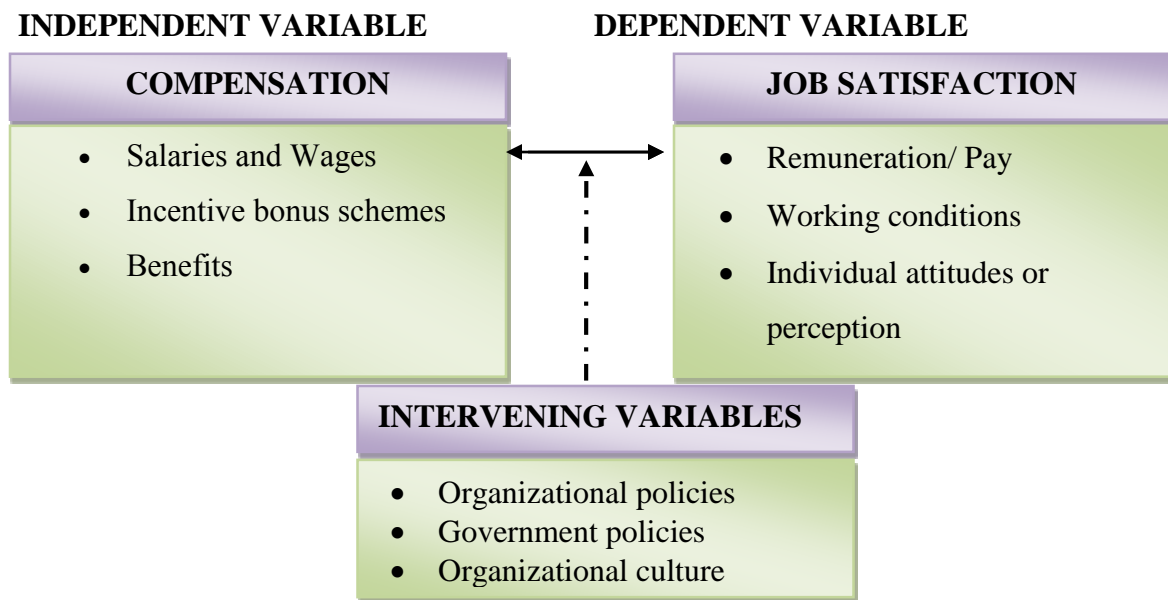


Figure 1: Conceptual framework

Source: (Adopted and Modified from Vroom V, 1974)

In reference to figure 1 above, the study is conceptualized using independent and dependent variables. The independent variable (compensation) has three indicators namely; salaries and wages, benefits and incentive bonus schemes while the dependent variable (job satisfaction) which is job satisfaction indicators include; remuneration or pay, working conditions and individual attitudes or perceptions. The two main variables are influenced by intervening variables that affects their relationship and these include organizational policies, government policy and organizational culture.

2.3 Company salary system

2.3.1 Weakness in the current system

Owing to the strategies set by the management to cope with good remuneration of the Total E& P Uganda Limited, it's still evident the locals still earn lower than expatriates. It is obvious that the income of local people is still lower than that of foreign employees due to the management's strategy of coping with the company's high salary.

2.4 Total Salary system optimization design

2.4.1 Optimization design principle of salary system

Certain principles must be followed when designing compensation. These principles include strategic orientation, economy, embodying employee value, motivation, relative fairness, and external competitiveness.

2.4.2 Design ideas of salary system

First, clarify the difference between the concepts of contribution and effective contribution, income, partial income, and full income. All employees' efforts at work are "paying", but it is different from "effective paying". Only what really creates value for the company is "effective paying". Only "effective paying" can help employees earn income. You should make more money if you are busy.

Second, increase employees' awareness of the value of their positions through open job evaluation methods.

Third, strictly implement the performance appraisal system. Not only performance pay must be strictly based on performance, other non-mandatory benefits, training, spiritual rewards, promotion, etc. are also closely linked to performance appraisal.

Fourth, Cut-off comparison is also a method. However, this method only avoids the sense of unfairness to a certain extent, and does not directly lead to employees' sense of internal fairness and salary satisfaction.

2.4.3 Optimization Compensation Strategy

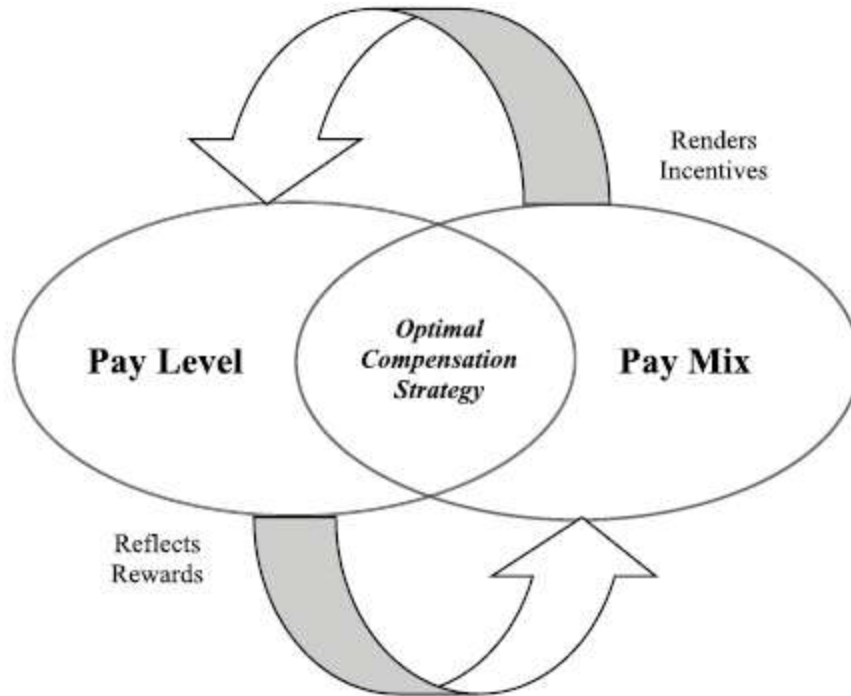


Figure 2: Showing Optimization Compensation Strategy

In this framework (Figure above), maintaining the linkages between the phases within the loop is crucial in perpetuating effective sales effort. A staff perceives the connection between sales effort and sales performance through pay level because it reflects sales rewards. Pay mix provides the motivational impact of the motivation system by aligning interests of staff with organizational goals.

3.0 Methods

3.1 Area of study

The study area for this research was Total E & P Uganda. The participants of this study were human resource managers, employees and employee welfare officers who are responsible for employee performance. The company was selected because of its large number of employees and the high staff turnover rate and high internal conflicts.

3.2 Data collection and analysis method

This describes how both qualitative and quantitative data for the study was obtained. By mixing both quantitative and qualitative research and data, the researcher gained in breadth and depth of understanding and corroboration, while offsetting the weaknesses inherent to using each approach.

A. Data collection sources

In this study both primary and secondary data sources were used.

B. Data Collection Method and instruments

Two major methods were used to obtain adequate and reliable information for this study. These included interviews and surveys with closed-ended questions. This study used data collection instruments which involve interview guide and questionnaires respectively.

3.3 Data Processing and Analysis and presentation

a. Data Processing

Validity

Validity is the extent to which the scores from a measure represent the variable they are intended to. Content validity is the degree to which an instrument has an appropriate sample of items for the construct being measured and is an important procedure in scale development. Content validity index (CVI) is the most widely used index in quantitative evaluation. Out validity cut off point will be 0.78.

Reliability

Reliability is seen as the degree to which a test is free from measurement errors, since the more measurement errors occur the less reliable the test. Here the researcher will use the most common internal consistency measure that's Cronbach's alpha, which is usually interpreted as the mean of all possible split-half coefficients. An acceptable Cronbach's alpha score of $0.7 \leq \alpha < 0.8$ will be targeted.

b. Data Analysis and presentation

Data from the answered questionnaires in this study were analyzed by using percentages. The collected data was checked for consistency and then frequencies and percentages were used to show responses of the distribution. The results were presented in tables and chart form. The software that was used for analysis of the findings was Ms Excel, SPSSv20 and descriptive statistics calculator (online).

4.0 Findings

4.1 Response rate

Questionnaires (80) sent to the field fetched 81% response (65 frequency) and a 19% none response. This implies a high degree of response that the study realized from the target respondents.

4.2 Demographic findings

Findings indicated that majority of the respondents at least had a certificate qualification (40%). This is because it's the minimum requirement for a fuel pump operator. Least number of the married employed implies that due to the busy schedule that the organization management dictates, it requires a worker with less family commitments thus the high number of singles employed. The majority respondents under the age of 20-25 years reveals that the recruitment policy at the

operational level that favors energetic and aggressive youths to manage a busy customer carrying capacity that flocks in at the various station pumps and more challenging tasks. Majority of the respondents were male (62%) and the female were 38%. This shows that the recruitment policy of Total E&P favors more of male than feminine recruitment.

4.3 Descriptive Discussion of Findings

4.3.1 Salaries and wages

It was also found that majority of the respondents reported that the organization disregards the moving economic trends in regard to adjustments on remuneration programs. This is contrary to the market theory of wage determination by Classical Economists, they argue that wages or the price of labor are determined (like all prices) by supply and demand. They add that when workers sell their labor, the price they can charge is influenced by several factors on the supply side and several factors on the demand side.

4.3.2 Incentive bonus schemes

In summary of the descriptive analysis on the second objective of the study it's indicated that there is a huge difference between the respondents who agreed and those who disagreed on respective investigations. It was indicated that Total E&P normally pays teams effort in equal measures, Total E&P always shares annual profits with its employees, respondents strongly agreed that they indeed receive non-monetary compensation in addition to their normal payment and all bonuses offered to them are performance based. However, majority of the respondents disagreed with the above.

4.3.3 Employee benefits

In summary of the descriptive analysis on the third objective of the study, it was realized that majority of the respondents are not satisfied with the benefits given to them by the organization. They argue that employee fringe benefits such as salary loans, health insurance among others are only enjoyed by workers at the strategic level and expatriates.

4.3.4 Job Satisfaction

In summary of the last objective of the study, it was indicated in descriptive analysis that majority of the respondents had considerable knowledge on the concept of job satisfaction. This was justified basing on the fact that each respondent knows what can spur his or her commitment and motivation. Among the factors respondents reacted on was availability of tools necessary in the course of their duties, conduciveness of the working environment, a feeling of connection to the organization, how contented they are with salaries and wages, supervisory support among others.

4.4 Correlation analysis

Table 1: Showing Bi-variate Pearson Correlation coefficient of the variables

OBJ 1: Effect of salaries and wages on job satisfaction		Salaries and Wages	Job Satisfaction
Salaries and Wages	Pearson Correlation	1	
	Sig. (2-tailed)		.617
	N	65	65
Job Satisfaction	Pearson Correlation		1
	Sig. (2-tailed)	.617	
	N	65	65
OBJ 2: Influence of incentive bonus schemes on job satisfaction		Incentive Bonuses	Job Satisfaction
Incentive Bonuses	Pearson Correlation	1	
	Sig. (2-tailed)		.517
	N	65	65
Job Satisfaction	Pearson Correlation		1
	Sig. (2-tailed)	.517	
	N	65	65
OBJ 3: Relationship between employee benefits and job satisfaction		Employee Benefits	Job Satisfaction
Employee Benefits	Pearson Correlation	1	
	Sig. (2-tailed)		.701
	N	65	65
Job Satisfaction	Pearson Correlation		1
	Sig. (2-tailed)	.701	
	N	65	65

Table 2: Showing interpretation of the Pearson Correlation Coefficient

Results	Interpretation
0	No relationship between the variables
0.1-0.25	Very weak relationship between the variables
0.26-0.49	weak relationship between the variables
0.5-0.75	Strong relationship between the variables
0.76-1	Very Strong relationship between the variables

Source: Taylor (1990)

The researcher used Bi-variate Pearson Correlation coefficient to establish a quantitative presentation of the degree of relationship between variables in each of the three objectives. From an investigation into the first objective it was indicated that the R value was 0.617 indicating a strong relationship between salaries and wages and job satisfaction. This further shows that salaries and wages have a 61.7% effect on job satisfaction leaving a gap of 38.3% influence by other factors.

It was also indicated that R value was 0.517 after an analysis into the relationship between incentive bonuses and job satisfaction. This shows a 51.7% impact of incentive bonuses on job satisfaction. Finally it was also indicated that R value was 0.701 after an analysis into the relationship between incentive bonuses and job satisfaction. This shows a very strong 70.1% impact of incentive bonuses on job satisfaction.

5.0 Recommendations

From the foregoing, organizations need to take the issue of reward and incentives seriously as it has the ability of influencing employee's attitude, contribution and commitment towards the organization. In order to increase productivity and have competitive edge, organizations must reward effectively. Rewards are means of motivating organizational members. It should be used to make employees to bring out their best performance at the work place. It is expected that the reward system will improve productivity, and influence the effective and efficient utilization of corporate resources to achieve corporate objectives. Organizations should reward committed employees to promote loyalty and satisfaction. The effective use of incentives can go a long way in making managers concentrate on more serious issues like planning and innovating.

6.0 Limitations

The major limitation of this research was scope since it only covered the Petroleum business sector in Uganda. Another limitation was exclusion of many compensation variables due to limited interaction between the researcher and employees as a result of COVID-19 guidelines.

References

- Armstrong & Murlis (2017) Handbook of Management and Leadership for HR; *Reward Management*, 5th edition.
- Artz, B., (2015). Fringe benefits and job satisfaction. *Int. J. Manpower*, 31: 626-644.
- Asegid, A., T. Belachew and E. Yimam, (2014). Factors influencing job satisfaction and anticipated turnover among nurses in Sidama zone public health facilities, south Ethiopia. *Nursing Res. Pract.*, Vol. 2014. 10.1155/2014/909768.
- Dancer, Mark; Wallace, Marc (2015). "Paying for Sales Performance: New Research for Designing High Impact Sales Incentive Plans" (PDF). *Journal of Compensation and Benefits. Thomson Reuters: 5:13. Retrieved 14 July 2014.*
- Gagne, M., & Deci, E. L. (2015). Self-determination theory and work motivation, *Journal of Organizational Behaviour*, vol. 26. pp. 331-362.
- Galanou, E., Georgakopoulos, G., Sotiropoulos, I., & Dimitris, V. (2015). *The effect of reward system on job satisfaction inn an organizational chart of four hierarchical levels: A qualitative study.* Canadian Social Science.
- Greenberg, J. and R.A. Baron, 2016. *Behaviour in Organizations*. 9th Edn., Pearson Education Inc., Upper Saddle River, New Jersey
- Kinicki A. and Williams, B.K. (2003). "*Management, A Practical Introduction*". Library of Congress Cataloguing-in-Publication Data, USA
- Qasim, S., F.E.A. Cheema and N.A. Syed, (2015). Exploring factors affecting employee's job satisfaction at work. *J. Manage. Soc. Sci.*, 8: 31-39.
- Rothwell, W.J. & Kazanas H.C. (2014). *The Strategic Development of Talent*. Human Resource.
- Salau O.P, Falola H.O and Akinbode J.O (2014), Induction and Staff Attitude towards Retention and Organizational Effectiveness. *IOSR Journal of Business and Management (IOSR-JBM) e-ISSN: Volume 16, Issue 4. Ver. VI (Apr. 2014), PP 47-52* www.iosrjournals.org
- Schermerhorn, J., Hunt, J. and Osborn, R. (2014), *Organizational Behaviour*. 9th Edition. John Willey & Sons, Inc.
- TOTAL (21 March 2016). "Total E&P Uganda: Pioneering new technology in East Africa". Total Uganda (TOTAL). Retrieved 21 March 2017.
- Vroom, V. H. (1964), *Work and motivation*, New York, Wiley
- World at Work, (2013). *World at work total rewards model: A framework for strategies to attract, motivate and retain employees.* The Total Rewards Association.
http://www.worldatwork.org/pub/total_rewards_brochure.pdf.