



Effect of remuneration strategies on employee performance in tea sectors: A case of Unilever tea, Kenya

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Abstract

Renowned companies and organizations world over post huge profits in their end year disclosures and is a sharp pointer to good performance by the employees which in turn is related to remuneration strategies carried out by the employers. In contrast to the foregoing, dismally performing companies, organizations, private ownership, partnerships and even sole traders have their status generally linked to the kind of remuneration they offer to their workers. The research in its objectives revealed interesting associations of variables in the effect of remuneration strategies on employees performance, it examined the link between remuneration and nature of work in the tea sector, it found out the links between remuneration and employees performance and suggested ways of handling employee grievances in order to improve performance, enhance employee/employer relations, stem possible industrial disputes on account of wages and work overload and avert potential strikes. The research was based on Equity theory, Expectancy theory and Reinforcement theory which have their emphasis on pay structure of employee remuneration. Equity theory focuses on determining whether the distribution of resources is fair to both relational partners. Equity is measured by comparing the ratio of contribution (or cost) and benefits (or rewards) for each person. The study was conducted in Unilever Tea Kericho County and adopted a case study mode of research. Quantitative and qualitative approaches were considered relevant to give desired results. Respondents were drawn from the management cadre and the union sable employees from existing divisions of the company. 10% of the total management staff and support employees from each division of the company were picked on a random selection basis for interview. A random technique was applied in selecting respondents from the larger members of staff while purposive techniques were ideal in picking interviewees from the management side. The study used questionnaire and interview schedule as instruments to collect data of primary nature while the sourcing of secondary data was done through data extraction form. The objective of this study included finding out the pay scale of employees of Unilever Tea Kenya and relating to their outcomes.. The research used Karl Pearson's coefficient of correlation (r) to compute the relationships between the variables. The correlation was negative-0.417 when remuneration was correlated with employees turn-over and was equally -0.378 when correlated with nature of work. A positive correlation of 0.952 was found between remuneration and employees' performance. The importance of this study was to reveal strengths and weaknesses of remuneration strategies employed by the tea sector in order to improve employee's performance and profitability of the company.

Keywords: remuneration, strategies, employee, performance

1. Introduction

Attractive remuneration packages are one of the very important factors of retention because it fulfills the financial and material desires as well as provides the means for employee status (Shoab, Noor, Tirmizi and Bashiri, 2009). Compensation and benefits management and reward system are needed for financial income and well-being of their employees hiring status in society; satisfaction loyalty and productivity are influenced by compensation (Aswathapa, 2008) ^[3]. The objectives of reward systems are to attract, motivate and retain highly performing employees and to improve organizational success (Armstrong, 2010) ^[2]. According to Mtazu (2009), to gain workforce support and commitment organizations should offer remunerations and rewards that are internally and externally equitable as inequality in remuneration is the source of employee discomfort and turnover. Guma (2011) ^[14] points out that remuneration constitutes the largest part of employee retention process. Employees always have high expectation regarding their compensation packages. An attractive compensation package plays a critical role in employee

retention. The first wage earners associations in Kenya can be traced back to the early 1940's and soon after the Second World War. The first trade union regulation was made in the introduction of ordinance No. 35 of 1939 that required all craft organizations to apply for registration which they could be granted or denied depending on whether they had legitimate dealings consistent with government policy. (Aluchio, 1998). In 1948 in order to gain complete hold on the wage earners organizations the government brought in a Trade Union Labour officer to be attached to the labour department with the duty to foster "responsible" unionism (Ananaba, 1979). In May 2001 a taskforce to review labour laws was appointed by the Attorney General (gazette notice No.3204), within an international labour organization project. The terms of reference for the task force were among others to review. The regulation of wages and conditions of Employment Act (Cap 229) which make rules governing wages, housing, leave and rest, health and safety. The workmen's compensation Act (Cap 236) provides for ways through which an employee who is injured when on duty may be compensated by the employer.

2. Material and Methods

Theoretical Review

Remuneration strategy was based on Equity Theory (Adams Stacy, 1963) ^[1] propounded that the theory focuses on determining whether the distribution of resources is fair to both relational partners, equity is measured by comparing the ratio of contribution (or cost) and benefits (or rewards) for each person. The structure of equity in the workplace is based on the ratio of inputs to outcomes that they receive from it against the perceived inputs and outcomes of others. According to equity theory in order to maximize individuals rewards we tend to create systems where resources can be fairly divided amongst members of a group. The inequalities in relationship will cause those within it to be unhappy to a degree proportional to the amount of inequality. The belief is that people value treatment which causes them to be motivated to keep the fairness maintained within the relationships of their co-workers and the organization. The structure of equity in the workplace is based on the ratio of inputs to outcomes, inputs are the contributions made by the employees for the organization. Expectancy theory by a Canadian professor of psychology Victor Vroom (1964) stresses the relation between peoples' needs and the efforts they make. Vroom distinguishes between the effort people put in their performance and the final result. When employees make choices in their work place they will mostly choose what motivates them most. Reinforcement theory of motivation was proposed by B.F. Skinner and is based on the concept of "law of effect" i.e. the behavior of individuals towards positive consequences tends to repeat but the behavior of individuals towards negative consequences tends not to repeat. It aims at achieving the desired level of performance through motivation among the employees by means of reinforcement. The positive reinforcement is reflected in rewarding performing employees. Expectancy theory is reflected when employees work and expect payment commensurate to the work done. Any payments below their expectation affect performance. When rewards are given to employees in reinforcement approach the intention is to achieve the desired behavior of production. The research hoped to see these theories in practice in Unilever Tea Kenya.

Guma (2011) ^[14] observes that remuneration constitutes the largest part of employee retention process. Employees always have high expectations regarding their compensation packages. An attractive compensation package plays a critical role in employee retention. Attractive remuneration packages are one of the very important factors of retention because it fulfills the financial and material desires as well as provides the means for employee status.

(Shoab, Noor, Tirmizi and Bashir, 2009)

According to Mtazu (2009) to gain workforce support and commitment organizations should offer remuneration and rewards that are internally and externally equitable as inequity in remuneration is the source of employee discontent and turnover. The objectives of reward systems are to attract, motivate and retain highly performing employees and to improve organizational success (Armstrong, 2010) ^[2]. A system must be in place to keep the organization attractive to the high performers. Organizations that have highly competitive compensation package can have sustainable competitive advantage because of lower turnover, more engaged employees and high revenues through engaged employees. Zingheim and Schuster (2008).

According to (Aswathapa, 2008) ^[3] compensation and benefits management and reward system are needed for financial income and well-being of their employees. Employees need to be provided with remuneration incentives so as to enhance financial and non- financial performance of the organization (Thang and Buyens, 2008) Successful companies such as Microsoft and general electric have for many years confirmed that having a superior workforce is key to sustainable market domination and business success (Pitiris, 2009).

Conceptual framework

A conceptual framework is typically derived from theory. It identifies the concepts included in the complex phenomenon and shows their relationships. It explains either graphically or in narrative form the presumed relationships among them. The relationships are often presented visually in a fashion chart, web diagram or other types of schematic representation

(Miles and Huberman 1984; Glathon 1999) ^[23].

Verma and Benard (1981) suggested that research need to identify and explain relevant relationships between the facts. The conceptual framework for remuneration strategies has independent variable as remuneration strategies which constitute salary of employees of the company, house allowances, healthcare benefits and retirement benefits. The dependent variable is employee performance and entails all kinds of duties availed to workers by Unilever Tea ltd e.g. production in quantities and quality and includes service quality of employees.

Research Design

The research design applied in the investigations is the case study design. A case study is a study that focuses on one instance (or a few instances) of a particular phenomenon with a view to providing an in-depth account of events, relationships, experiences or processes occurring in that particular instance Denscombe (1999) ^[11]. A case study design was suitable in collecting information from employees of the firm using structured interviews and questionnaires. 10% percent of respondents from each division of the company underwent the process since collecting information would not be instant. It was prudent to consider giving sufficient time respondent employees of Unilever tea of about two weeks to acquire information appropriate to the enquiries in the questionnaires. The questionnaires and interview schedules were the instruments used, they also served to measure the length of time, and the task performed, the nature of work, duties and earnings linked to the performance in the operational departments of the company. Some obstacles were experienced in access to data on wages but that was overcome by approaching the authorities to understand the purpose of the study. Based on the nature and purpose of the research the study assumed descriptive analysis which is embedded in case research design. Analysis included comparisons of earnings to duties performed in relation to length of time expended by the employees of the firm in the offices, the plantations and the factories.

Questionnaires

The study used questionnaire as a tool to tap relevant information from the employees of the organization. Questionnaires are broad based and all inclusive. They were

used to solicit data from the management and employees from other cadres of the company. The questionnaires were issued to the management and employees of other categories within a time frame that was acceptable to both researcher and respondents. The questionnaire according to the structuring of the questions resulted to roughly 90% of feedback, but poor structuring because they are closed ended would limit the participant’s responses and so could not exhaust known information. To correct the limitation, it required the researcher to frame the questionnaire to fit the requirements and the objectives of the interview. Questionnaires save time and reach many people. They have minimal bias when they are mailed, enhances anonymity where sensitive responses are given by the employees. The disadvantages of questionnaires were that people with low education could not respond appropriately.

3. Results

Distribution of respondents from the management cadre

Table 1

	Section	Management Employees (10% of 42)
1.	Tea factories	5
2.	Tea estates	14
3.	Workshops	2
4.	Human resources	10
5.	Finance department	6
6.	Post- harvest department	5
7.	Total	42

Management of the Company

The management of Unilever is distributed in all the tea estates, the factories, the workshops, the human resources, the finance and post-harvest departments. Depending on the business of the division some departments have a manager and assisted by assistant manager. Non-busy departments have only a single manager but with a strong backing of a number of supervisors. At the apex of management structure of the company are three wings of authority. They are the Technical and Corporate Director, the Production Director and the Human Resources Director. Below them are a chain of managers down to supervisors who have risen to management grade. As per the distribution in table 4.8 the research accessed 4 managers for interview which was 10% of sample size (42). The interview schedule was the ideal instrument to question the management because they have a wider understanding of the company. The management is charged with policy formulation. The corporate directors’ duties range from formulation and institution of appropriate policy and technology to control technical operations of the company. These responsibilities have a great bearing to performance in all sections of the company. The pay to this scale is highest relative to other grades in the set up and therefore is not without relevance to the assumption Remuneration is linked to performance i.e. duties responsibilities and the general functions of the office. The designation of the Human Resources director is specifically to handle human capital and encompasses remuneration of employees, security of the jobs of the employees and seldom than not includes hire and fire of errant workers, mediates in labour and trade disputes, training of employees and is involved in recruitment and selection among other duties. One of the objectives of the study “Remuneration

has a link to employee performance in the tea sector” is squarely in the court of Human Resources director”.

The director of production under whose docket production of all kinds in the company falls plays a big role in decisions that influence performance of the company’s output in terms of production and quality. Improved production and quality of goods and services raises income of the company which are turned to attractive packages of workers which in turn enhance output and performance in the workplace.

Other duties that the management perform which are correlated to remuneration, performance and nature of work are: job evaluation (the relative worth of a job), performance appraisal (the evaluation of individual output of employees in terms of quantity and quality) and job description which describes the activities entailed in a particular job. All these have the influence of remuneration.

many unskilled workers and is the reason behind the adoption of the strategy.

Housing provision

The company provides houses for its employees built in every Estate and within reach to places of work. Where place of residence is far from workstation transport by the company’s vehicles is provided. The housing Estates have piped water and electricity. They also provide recreational facilities like football, cricket and swimming pools. Swimming pools are meant for the exclusive grades.

Health care benefits

For the comfort and health of its staff the company guarantees health care benefits through provision of medical services, Central Hospital around Kericho Town was built to cater for the health needs of its employees. It has inpatient and outpatient services. Surgical services with qualified surgeons are available in the hospital. Transport vehicles to ferry the sick employees to and from the hospital are availed by the management to ease congestion during such seasons of vulnerability. The company has spread dispensaries in almost every tea estate to supplement for health requirements. The company provides insurance cover for possible risks and dangers in the workplace.

Retirement Benefits

Unilever Tea Ltd retires its employees serving on permanent and pensionable terms at the age of 55 years for those working at middle or junior levels. The employees serving as directors have the option to go up to sixty years or retire early as well at 55 years. The packages are different depending on levels of service. Lump sum payments are made to all retirees and sometimes retirement rewards are paid in kind to top up the package. Such rewards include vehicles e.g. a used tractor, posh mill, motorcycles, refrigerators and other rewards for those who gave exemplary service.

Relevance of remuneration strategies

Verma and Benard (1981) suggested that research need to identify and explain relevant relationships between the facts. The company’s setup is composed of the Tea estates, the Factories, the management and middle level offices. The salary structure has been based on level of education, professionalism, trade test qualifications, nature of work and work load. The relevance of the strategies provided guiding principles on which the management would make decisions

and formulate policies on pay structure and other terms of service. Table 4.4 and 4.5 shows a record of the level of education and training of employees of the company. Remuneration strategies are evidenced in the way earnings have been differentiated. The employees at top grades of the company like the directors are given earnings referred to as Pay. Pay is normally an earning meant for highly qualified people. The big slots in the company are occupied by learned personnel. At the middle level are employees who earn a salary and this is a team found in every section of the operations of the firm. A salary is an earning for semi-qualified employees. At the lower level are wages paid to semi-skilled workers. Most of them are found in the factories, the tea estates and the transport section of the company. Pay differential is a remuneration strategy applied by the employer to induce satisfaction within the employees based on qualification, skill and nature of duties. As part of the strategy the company provides houses to its employees in lieu of house allowances. A medical facility for health care in central hospital and where a sick employee has exhausted medical entitlement, an ex-gratia payment is approved for further treatment. Retirement benefits are granted at the age of retirement. Statute law provides for retirement at the option of 50,55 and 60 years with a provision for those serving on contract to go beyond 70 years. The company's retirement age is between 50 and 60 years and can approve for extra years of service. The accessibility to the facilities particularly health care and housing of employees is a relevant strategy that guarantees wellbeing and increases commitment to work.

Government interventions

It should be noted that other than the influence of remuneration on employees' performance an intervening variable of government policy in setting minimum wage has another effect on remuneration and therefore equally affect performance of employees. Sometimes the government sets minimum wage in the agriculture sector and it turns out to be below what the tea firms are paying as minimum wage. This becomes a challenge to the tea producers as to reduce worker's wages to be in line with government policy will be received in bad taste. The expectation always among the employees on government interventions is salary raise no matter how justified and genuine the reduction is.

4. Discussion

The effect of remuneration and influence on performance has no shadow of doubt in organizations enterprises and institutions whose concern is to perform. Performance is the bearing point and is the foundation for success. To achieve this, organizations have to examine the factors of success at their disposal and exploit them to the hilt. One incontestable factor is remunerating well their employees. This research covered the strategies employed taking unit after unit through discussions of the objectives to reveal the SWOT of the remuneration in influences it has to performance, nature and in a wider perspective, the general environment of work that contribute to achieving the goals of the tea sector firms. Hypotheses and research questions relating to remunerations and objectives have been explained and put to test. The scope of the study which covered all issues touching on remunerations and the influence it has to the tea industry as one whole for all the cases in tea growing and processing firms has been discussed. It includes limitations of the study

e.g. administrative restrictions; employees fear of management and funding of the research. The study has been justified in discussions about the importance of remunerations and performance to organizations. Literature reviews citing great authors of books relating to remunerations and the effects it has on the performance of employees together with theories associated to the topic of the research have been outlined. Concepts and conceptual framework representing strategies of remunerations are clearly shown. Research methodology assumed a case study design using descriptive and qualitative approaches. The instruments applied are the questionnaires, interview schedules and document analysis through perusal of records of the company. Sample size was 10% of 548 employees of Unilever Tea Ltd with reliability and validity of instruments being confirmed by research advisors. Frequency tables showing distributions of respondents and scores in various sections of the company have been described.

From the foregoing analyses of remuneration strategies and resultant effects on employee performance, whether negative or positive it is important that employers take note of the great influence remunerations have, not only on performance of their work force but on the overall operations of their organizations. Remunerations affect output, transfer of employees, employees' placement, job grading and evaluation and job specification to name but a few.

Analysis of associations of attributes e.g. wages and performance, wages and nature of work including earnings and employee's turnover have been done using Karl Pearson coefficient of correlation. Positive and negative correlations were the results in the inferences.

The effects of remuneration on performance of employees had been done earlier by other researchers, this research still finds that it was inadequate and further research on the same using new approaches should be done.

5. Conclusion

Going by the findings of this research it is enough to conclude that a lot still need to be addressed with regard to remuneration strategies and resultant effect on performance. Employers in the tea sector have to abide by the fact that they stand to gain from remuneration strategies if implementation is done fully. Based on this view the following implications and recommendations are given.

The research shades light on the fact that most research findings are not being implemented by the affected parties not so much on the reason that they do not know but on the assumption that its implementation can be carried out in the future. Delayed implementation of policies and in this case remuneration affect all operations of enterprises. From the view of things in the tea sector little has been done with respect to research and much need to be explored for gainful purpose to the companies. The management of tea processing companies should avoid receiving researchers with suspicion and instead encourage them through funding. Organizations should first and foremost know that researcher's interest is to gain intellectual accolade in the field of research and has purely nothing about portraying the subject of research in bad faith. From the foregoing analysis of remuneration strategies and resultant effects on employees' performance whether negative or positive it is important that employers take note of the great influence remunerations have not only on performance of their

workforce but on the overall operations of their organizations. Remunerations affect output, transfer of employees, employees' placement, job grading/evaluation and job specification to name but a few. Strategies of remunerations should be seen to be relevant and suitable to the applications of compensation policies of the organization.

Employers that pay relatively less their employees have the risk of losing qualified and competent employees to other sectors or organizations that reasonably give higher packages. The loss is more felt if the turnover had the training of the employer. Performance appraisal should be conducted periodically to gauge employees' competence with a view to rewarding performing employees through upgrading, salary notches and promotions. The workload should continually be assessed to see to it that it matches the pay.

Where these findings show loop holes the researcher welcomes further research to achieve an in-depth insight for scholarly purpose. It is the hope of the researcher that the government should adopt the research findings as practice and policy.

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