

Employee Compensation and Workplace Diversity

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Abstract

The main objective of this paper is to study the effect of employee compensation on workplace diversity in public universities in Kenya from the perspective of the senior administrators or managers of the administrative departments and the schools/faculties in order to provide empirical insights on the disparity in the workforce, which has been a challenge for the public universities' as they need to benefit from talented people with diverse backgrounds. The study adopted a research design being a descriptive cross sectional survey design. The sampling technique used was purposive sampling. Correlation and regression analysis was used to determine relationships between the independent and the dependent variable. The study established that employee compensation significantly affects workplace diversity.

Keywords Employee Compensation, Workplace diversity, Public universities in Kenya, Human Resource Management.

1. Introduction

Employment related issues have received considerable attention in Europe, America and other industrialized countries of the world. It is only in the last three decades that some interest has been directed at the status of HRM in developing countries. Newly industrialized countries in Asia which are perceived as a major source of competition to Western economies are drawing much attention from both Western and Asian writers under the banner of international HRM while less developed countries especially those in sub-Saharan Africa, and Kenya in particular have received limited attention (Debrah, 2007). Instead, enormous amount of work on sub-Saharan African countries has been carried out on issues such as economic development, trade, foreign aid, eradication of poverty, disease and various factors such as economic mismanagement, political ineptitude and corruption which have affected economic and industrial development (Kamoche, Muuka, Horwitz and Debrah, 2004). Although the effective management of human resources is critical in the successful management and development of organizations, several studies have documented the problems and challenges that are affecting most organizations in Africa (Kamoche, 2004; Tessema and Soeters, 2006). Some of these challenges include inappropriate management practices, weak and inefficient decision making, political patronage and governmental interference, inability to fire people, inadequate and non-competitive rewards, particularistic recruitment procedures that includes nepotism and other forms of favouritism among other factors (Kamoche, 2000; Kamoche, 2001; Mulinge, 2001; Kamoche et al., 2004; Tessema and Soeters, 2006).

As a result of these challenges, most organizations, especially the public sector in Africa have been unable to attract, motivate and retain diverse employees resulting in high turnover and 'brain drain' levels as most trained employees seek greener pastures in other countries in Africa or overseas (Kamoche, 2004; Tetty, 2006). In order for the African public sector to move away from this culture of failure and managerial ineptitude, it is crucial that it strengthens the human resource function, which is often lowly regarded in organizations (Kamoche, 2000),

In Kenya, the issue of diversity has received a lot of attention since 2007 after the General elections which led to ethnic clashes, which further led to the enactment of the National Cohesion and Integration Act, (2008). Discrimination in the public service has reached a level of concern as one of the major challenges facing universities with existence of negative ethnicity and intolerance from university administrators (Kibaji, 2010; NCIC, 2012). While contemplating people as the most important asset of every organization, it is equally important for HR strategists to recognize human inequalities, otherwise called workforce diversity and manage these effectively (Barbosa, 2007). Particularly, in the context of expansion where interactions among socially and culturally differing people is desired and also inevitable, HR managers could increase individual and group commitment to organizational goals by creating conducive diversity climate (Cox 1993). As strategic partners, HR managers translate the business strategy into action (Ulrich, 2012). So it is also reasonable to infer that effective HRM and diversity management practices contribute to improve the overall organizational performance which in turn is pivotal for sustaining competitive strength.

Unlike in the past, contemporary Human Resource Management is more business focused than administering workforce welfare. Its core functions such as employee hiring, employee compensation, training and development are streamlined to support organizational strategy by providing a pool of knowledge workers. A flexible knowledge workforce represents competitive advantage for organizations focusing on strategic expansion.

Ozbilgin & Tatli, (2008) highlight that in order to manage a multicultural workplace respecting traditions and culture, it is necessary to implement a new approach which integrates and valorizes the diversity of the workforce. Employee compensation should incorporate diversity management as a core function. This should in the context of expansion of organizations to culturally and socially differing destinations, as it can make substantial contributions to overall performance. To know how well employee compensation practices of Kenyan public universities influence the expansion strategy, it is necessary to understand the existing practices and their conceptual convergences and differences.

Workplace diversity includes several dimensions starting from the legal aspect, equal opportunity, and non-discrimination to other valued people's identities and perspectives (Marquis, 2008). Diversity is based on informational differences reflecting a person's education, experience, and generational differences from the differences that exist within the workplace (Kerby & Burns, 2012; Douglas, 2010). A diverse workforce improves an organization's performance and boosts its bottom line (Ozbilgin & Tatli, 2008). The employers receive the most skilled and the most qualified candidates as building blocks of their company when they hire the employees belonging to different cultural thoughts and varied backgrounds. Diversity thus embraces difference of opinions and of ideologies and welcomes individuals to adopt each other's peculiarities while observing a better understanding of the workplace (Llopis, 2011). It helps organizations to develop their own mirrors to reflect global demographic trends which may affect global market (Kwak, 2002; Rahim, 2003). The presence of multiple generations in the workplace will not only help in information transformation but will promote cultural and social cohesiveness (Douglas, 2010).

2. Statement of the Problem

The current demographic trends indicate that the composition of the workforce is changing in Kenya (Census 2009). The need for better management and utilization of diversity in the workforce has been identified by the National Cohesion and Integration Commission (NCIC, 2012&2016), as one of the challenges facing public sector organisations and affecting their performance, development and effectiveness. Further, a report on lack of ethnic diversity in civil service and public universities in Kenya showed a highly skewed workforce pattern (NCIC, 2012&2016). The lack of diversity has been highlighted in both the reports. Research studies show that the efficient use of diverse human resources at the training level can reap the benefits of knowledge, skills and change in attitude and consequently a higher growth rate can be achieved. As the Kenyan universities are expanding at a fast pace requiring them to recruit more employees, there is a need to have an understanding of people of different cultures who bring frameworks of knowledge and understanding to the work place thus leading to greater productivity and improved performance (Seymen, 2006; Trenka, 2006). However in Kenya, workplace diversity statuses in the universities are the most inappropriate. Organizational culture has been on the forefront of the study of workplace diversity and various authors have demonstrated that there is a link between organizational culture and a firm's productivity (Darajat, 2012). Going by the above analysis, Kenya's growth target is seemingly ambitious and cannot be realized and sustained without serious human resource management reforms (KIPPRA, 2012). According to Omolo, (2010), the gap between Kenya's economy and those of the high performing Asian tigers has widened tremendously since the country's independence in 1963 with Kenya recording low GDP compared to the Asian tiger countries. This is because developed countries and the Asian tigers, have over the years emphasized on diversity of human resources leading to increased productivity and to improve G.D.P as well as raised standards of

living. While the trend of emphasis in workplace diversity is picking up internationally, the situation in Kenya, particularly in the public sector is far from the reality of the trends (Kibaji, 2010). There is therefore a dearth of information on how the employee compensation influences workplace diversity in Kenya. This study therefore examines the effect of employee compensation on workplace diversity in Public Universities in Kenya. In the light of the above discussions, the following alternative hypotheses have been formulated: **H_a**: Employee compensation has a significant effect on Workplace Diversity.

3. Methodology

The study used both quantitative and qualitative data. The data obtained through questionnaires was established by calculating response rate, and descriptive statistics such as mean, standard deviation, and frequency distributions for the observed variables. These measures help to tell us the point about which items have a tendency to cluster (Kothari, 2004). Second, data collected on each of variables under study was analyzed using factor analysis and descriptive statistics. Lastly, correlation and regression analysis was used to analyze the data. The entire hypothesis was tested at 95% confidence level.

4. Data Analysis and Presentation

This study used the percentages to present the study findings on factors used in examining the effect of Hiring practices on workplace diversity in public universities in Kenya. The purpose of descriptive analysis is to enable the study to meaningfully describe a distribution of scores of measurements using indices or statistics.

Employee Compensation and Workplace Diversity

Employee compensation seeks to improve employee performance by rewarding those who have made a contribution to the organization's performance. Good Employee compensation ensures that there is a direct relationship between effort and reward. Thus, a performance-based compensation is viewed as being effective when the process of providing measurable rewards is appropriately linked to the individual or group performance (Armstrong, 2013). Effective employee compensation is the backbone of all policies concerning the acquisition and utilization of human resources. In pure economic terms, monetary compensation has been perceived as fundamental to the exchange relationship between employers and employees since it can be measured more objectively (Singh, *et al.* 2013). Employees are therefore able to evaluate their perceptions of equity or justice in the organizational context.

According to Purce (2014), a pay system is also required to retain the most valuable employees by distributing the rewards in such a way that these employees are left with a feeling of satisfaction. An effective performance-based pay system should sustain high levels of performance from the organization's human resources, leading to employee satisfaction and improved performance. Thus, performance-based pay systems can help to reduce wage disparities for diverse employees, since there is a direct relationship between pay and performance.

Studies have shown that satisfactory employee compensation may serve as an indication of how much an organization values its people. Storey, (2014) point out that merely introducing higher wages will increase an individual's perception of low job alternatives but has no effect on improving the alignment of employee's goals with the organization. Comm & Mathaisel (2003), examined faculty workload and compensation of Australian academics, found that 51% of the

faculty did not believe that they were compensated fairly, relative to those at other comparable institutions. As a result, 50% of the respondents felt the need to work outside their institutions to earn extra income. This need presents a challenge to the academics loyalty to their university since they are employed to work full-time in their institution but also have to work elsewhere.

Salaries in public universities in Kenya are based on a structured salary scale with a pre-determined yearly increment. However, the erosion of the absolute values of salaries, especially in the public sector relative to the private sector, has negatively affected employee motivation and therefore resulted in highly-qualified personnel preferring to join the private sector where they expect to be suitably remunerated. The problem of low wages and fringe benefits in the public sector is compounded by unfair practices in the remuneration of workers due to unclear and inconsistent wage policies resulting in arbitrary pay differences for different cadres of staff (Kamoche, 2004). Examining this proposition calls for in-depth knowledge about the employee compensation at the public universities in Kenya.

Workplace diversity

A number of studies have been done on workplace diversity in Kenya. Munjuri & Maina (2013) found out that cultural diversity management seems more sensitive in the Banking sector and served a pivotal role. It encourages better employee retention, increased productivity, and expanded market share alongside improving customer service and these findings complemented the findings of Oluoch (2006) study on diversity in the banking sector.

The Mukanzi (2013) study confirmed the finding of Munjuri (2012) on the banking sector on workforce diversity management that had revealed that the banking sector had strategies such as balanced recruitment, support for minority groups, diversity training and equal employment opportunity. Meanwhile a study by Mutuku (2012) on the banking sector confirmed that banks that have culture and team diversity had better performance as the study considered the top management team.

Nguata (2013) established that some public universities in Kenya have in place workforce diversity policies with laid down strategies for effective implementation. Despite this and in the course of policies implementation, challenges are emanating from both external forces outside the public universities and from within individual universities. The study recommended that empowering minority groups through affirmative action is imperative while consolidating all public universities under one administrative body to facilitate staff reorganization would offer a lasting solution to the challenges.

On the international scene there have been studies on managing diversity in academic organizations, about how the human resource practices of higher-education institutions are responding to the challenges of an increasingly diverse academic force (Barbosa 2007). The study considered the views of the participants on the cultural values, artefacts and management practices of their department with regard to diversity issues (Hofstede, 1991). The study established that the university is failing to promote equal opportunities policies and to manage the increasingly diverse academic workforce. Behavioural pressures to conform and parochial and inward looking attitudes appear to prevail. The study established that influence made through networks plays an important part and seems to prevail over individual merit when it comes to promotions. The study provides an in-depth account of subtle discriminatory mechanisms faced by non-native academics in a university that does not value diversity.

Lastly, Jones, Pringle and Shepherd (2010) argue that the discourse of managing diversity from the US management literature cannot be simply mapped on to organizations in other cultural contexts. It uses the country to show that a diversity based on the demographics and dominant cultural assumptions of the USA fails to address the key diversity issues. It calls for a genuinely multi-voiced diversity discourse that would focus attention on the local demographics, cultural and political differences that make the difference for specific organizations and countries. The finding claim that managing diversity initiatives need to be congruent with differences in diversity, and 'off the shelf' diversity programs or initiatives are likely to achieve only limited success, especially if they are crossing national cultural borders.

Construct Employee Compensation

The employee compensation is a critical component of the HRM practices in an organization. This will determine the extent to which an organization has the ability to motivate its employees besides playing a critical role in staff retention. The study, therefore, sought to establish between employee compensation and workplace diversity in public universities in Kenya. When asked if compensation is fair to all employees a respondent rate of 58.7% agreed that it was fair. The working condition are the same for all employees had a rate of 63.8% while the respondents disagreed that the workload is equitably distributed to all employees with a response rate of 55.6%. The important work given to the minority employees had a low response rate of 59.7% in disagreement and did not know. A respondent rate of 43.4% disagreed that the minority employees are recognized for their work, whereas a response rate of 60.7% agreed that there is job security for all minority employees. All benefits are given to all employees had a respondent rate of 55.6% thus agreeing that there is fair compensation policy. On the issue of advancement in opportunity for the minorities a response rate of 51.1% disagreed while a respondent rate of 69.9% disagreed or did not know whether that the minority are delegated authority/control/autonomy.

Compensation based on collective rewards either monetary or non-monetary (fringe benefits and social benefits) is usually considered as highly involving (Gupta & Shaw, 2014). A high level of perceived equity signals to employees that the firm supports them and has their well-being at heart (Biggs & Richwine, 2014). People tend to compare their remuneration with other people in the same or a similar situation (Odunlade, 2012) Similar empirical studies done by Nawab and Bhatti (2011), showed that if rewards are used effectively, they can motivate individuals to perform and thus can have a positive effect on diversity which in turn has a positive effect on organizational performance. A study by Sharma and Sharma (2016), suggests that employees are more likely to be motivated to perform when they perceive that there is a strong link between their performance and the reward they receive. However when rewards are not used effectively they may not impact on performance positively. In a study conducted by Aguinis, Joo & Gottfredson, (2013) it has been suggested that managers should first provide both salaries and benefits in order to make sure that the basic needs of the employee are met, however this may not necessarily make the employee happy with his/her job, there is also need to look at the non-monetary rewards.

Recent trends in compensation system in organizations has frequently centered on the relationship between employee compensation and performance (Wekesa & Nyaroo 2013). This confirms (Anitha, 2014) who indicate that compensation/pay is the most critical issue when it comes to attracting and maintaining the best talents. A fair pay is the corner stone of the contractual and

implied agreements between employees and employers, an underlying assumption being that money can influence behavior, thus influence the workplace diversity. (Samnani & Singh, 2014)

Anitha (2014) indicates that the level of pay is the most important indicator in employee performance and suggested that organizations should develop appropriate techniques of remunerating their employees and have singled out job evaluation as the most critical factor. Studies conducted by Jackson and Schuler (2007) to investigate the relationship between levels of pay and employee performance in a few selected companies in the US revealed that there is a strong relationship between the levels of pay and employee performance in an organization. Pay continues to be important in determining motivation to perform (Nawab and Bhatti (2011), Past motivational theories such as expectancy and equity theories have predicted variations in motivation as a result of varying valences of outcome such as pay (Das, 2002). Accenture (2003) observes that organizations can only retain the diverse best talents and skills if they offer reasonable benefits package. The study findings is contra to Singh et al. (2013) who indicated that traditional reward systems have been dominated by base payments determined by specific jobs, the need to maintain equity among employees and the need to pay salaries and wages that are competitive. Aggarwal (2014) is also of the view that reward systems based on traditional, bureaucratic models which only advocate the level of pay have been overtaken by events.

Correlation Analysis for Employee Compensation

Based on the results in Table 4.35, the correlation coefficient (P) between employee and workplace diversity was found to be 0.504 at (P=0.000). This, therefore, implies that there is a relationship between the two variables (50.4%) since it is above the recommended 30% (Singh & Selvarajan, 2013). The findings of the study, therefore, indicate that there was a highly significant linear correlation between the two variables (employee compensation and workplace diversity). This implies that the relationship between the two variables is very close. In support of this, Gupta & Shaw, (2014) indicates that the reward system incorporates popular trends and practices that enhance employee performance since the two are closely related. Biggs & Richwine, (2014) argue that organizations which post good results are an indication that employees are motivated by appropriate reward system in place. From the table, the null hypothesis that, employee compensation does not significantly influence the development of workplace diversity is rejected since the p – value is 0.000, this is because the error we make by rejecting is less than 10%. Employee compensation and benefit practices differ across employment units like in organizations, business units, and facilities based on several dimensions Nawab and Bhatti (2011), and organizations. Odunlade, (2012) states that employee compensation and benefit can be considered of crucial importance to both the employers and employees in such a way that it plays a key role of being one of the essential hearts of workplace diversity. Anitha, (2014) highlighted that firms need adaptable people who can adjust to rapidly changing customer needs and operational structures, while Wekesa & Nyaroo (2013) argued that employees, and the way they work, comprise the crucial difference between successful and unsuccessful organizations. Therefore these findings indicate that there is a strong relationship between employee compensation and workplace diversity in public universities in Kenya.

Table 4.28 Correlations Analysis for Construct Employee Compensation

		Employee Compensation	Workplace Diversity
Employee Compensation	Pearson Correlation	1	.504**
	Sig. (2-tailed)		.000
	N	196	196
Workplace Diversity	Pearson Correlation	.504**	1
	Sig. (2-tailed)	.000	
	N	196	196

** . Correlation is significant at the 0.01 level (2-tailed).

Regression Analysis for Employee Compensation

To assess the effect of employee compensation on workplace diversity in public universities in Kenya the study had the following alternative hypothesis: H_a : Employee compensation has a significant effect on workplace diversity. The results showed that employee compensation had moderate explanatory power on workplace diversity with the coefficient of determination $R^2 = .254$ and $R = .504$ at significant level of 0.05 and it accounted for 25.4%. The results indicate that an increase in employee compensation tends to increase the workplace diversity in the public universities by 25.4% and the remaining 74.6% can be explained by other factors. The test of beta coefficient reveal statistically significant positive linear relationship between TD and workplace diversity ($\beta = 0.874$, P-value 0.000) as shown in table 4.37. Hence, H_a is accepted as there is a significant relationship between employee compensation and workplace diversity in public universities in Kenya since $\beta \neq 0$ and P-value < 0.05 . The results of this study, therefore, indicate that the compensation received by employees of the institutions appear to be adequate. The employee compensation system was found not to be discriminating and all were treated the same thus allowing equity and fairness in the pay and this is an important indicator for promoting workplace diversity. It shows that there is no discrimination in compensation as the universities have set pay structures and well defined entry points for different qualifications.

The finding supports Odunlade (2012) who indicated that compensation/pay is the most critical issue when it comes to attracting and maintaining the best talents. A fair pay is the corner stone of the contractual and implied agreements between employees and employers, an underlying assumption being that money can influence behaviour (Gupta and Shaw (2014). Nawab and Bhatti (2011), indicate that the level of pay is the most important indicator in employee performance. They are of the view that organizations should develop appropriate techniques of remunerating their employees. Studies conducted by Jackson and Schuler (2007) to investigate the relationship between levels of pay and employee performance in a few selected companies in the US revealed that there is a strong relationship between the levels of pay and employee performance in an organization. Pay continues to be important in determining motivation to perform. Phillips (2012) observes that organizations can only retain the best talents and skills if they offer reasonable benefits package. Samnani and Singh (2014) argued that organizations which post good results are an indication that employees are motivated by appropriate reward system in place. This contradicts Sarker and Afroze (2014) who indicated that traditional reward

systems have been dominated by base payments determined by specific jobs, the need to maintain equity among employees and the need to pay salaries and wages that are competitive in market place. Under this system, individual employees are paid according to the skills they possess. He argues that organizations need to embrace seriously the kind of benefits package they offer in order to continue attracting and retaining highly skilled employees. The results are in line with past motivational theories such as Vroom expectancy theory which assumes an employee's performance is based on individual factors such as skills, knowledge, experience, personality and abilities. The results also concur with the equity theory on determining whether the distribution of resources is fair to each person (Adams 1963).

Table 4.34 Model Summary Employee Compensation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.504 ^a	.254	.250	.701

a. Predictors: (Constant), Employee Compensation

6.0. Summary of Findings

6.1 The Effect of Employee Compensation Practices on Workplace Diversity

The study sought to find out the effect of employee compensation on workplace diversity and to test the hypothesis that the effect of employee compensation does not significantly influence workplace diversity. From the descriptive analysis majority of the respondents felt that the workload is not equitably distributed to all employees (55.6%) as the important is not work given to the minority employees. The respondents disagreed that there is advancement in opportunity for the minorities (51.1%) as well as the minority are not delegated authority/ control/autonomy. The diversity measure considered whether the minority employees are recognized for their work of which the respondents (56.4%) disagreed in the public universities in Kenya.

The computed Cronbach's Alpha of the items of employee compensation was 0.681; this meant a high reliability of the study instrument and data. The inferential analysis and findings showed that there is a positive significant linear relationship between employee compensation and workplace diversity, with a Pearson correlation coefficient of 0.504 and a p-value of 0.000 and an R Square value of 0.254. This means that employee compensation contributes 25.4% to workplace diversity and is significantly positively correlated to workplace diversity. This implies that an improvement in employee compensation leads to an increase in workplace diversity.

These findings indicate that employee compensation influences workplace diversity, while still observing that when employees' associate compensation based on their performance, it acts like an incentive, which encourages better performance and finally enhances a

diversified workforce. This is because it helps to make the employees feel that their contribution is valued irrespective of their demographic attributes. Therefore, the study concludes that employee compensation, plays a significant role in influencing workplace diversity, and rejects the null hypothesis since the p- value for the Pearson correlation coefficient was less than 0.05.

6.2 Conclusion and Recommendations

The conclusions were based on the objectives of the study that aimed at establishing the effect of employee compensation on the workplace diversity in public universities in Kenya. The results established that employee compensation was found to significantly and positively influence workplace diversity. When the stated hypothesis was tested in the regression model it was found to have a significant relationship between employee compensation and workplace diversity. The findings of the study revealed that public universities in Kenya should undertake employee compensation practices which are aimed at helping them to achieve their goals. Although the public universities in Kenya have undertaken the uniform employee compensation practices they are not consistent on their application. This implies that they are doing well in some areas, whereas they face major challenges in some aspects of the employee compensation. Nonetheless, they do appreciate the fact that they cannot be able to achieve their desired objectives if effective employee compensation practices are not put in place. This is supported by the fact that their strategic plans are aligned on the basis of the best HRM practices. In adopting the best HRM practices, they aim to attract and retain the most qualified employees, continuously develop them and motivate them to achieve a university with diversity and attain their visions to be centers of excellence. They should also be able to compete with other leading universities in Africa and the world.

The study recommends that employee compensation plays a key role in affecting workplace diversity, it is therefore crucial for public universities in Kenya to adopt employee compensation practices that favour diversity. This is by ensuring that all human resource personnel and administrative managers at the public universities are well compensated, whereas the HR department plays a strategic role as in training and implementing diversity policies and practices,

6.3 Suggestions for Further Research

There is need to undertake further studies in order to establish reasons for inconsistency in the application of employee compensation by public universities in Kenya. This is because the findings indicate that employee compensation are applied inconsistently. The study did not focus on how the employee compensation can be continuously improved and it is, therefore, recommended that further studies be undertaken to address this matter. Since the study has concentrated on public universities which are government owned, there is also need to undertake similar or comparative studies with international universities operating in Kenya.

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