



ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

ASSESSMENT OF PAY SCALE ESTABLISHMENT
PRACTICES AT ST. MARY'S UNIVERSITY

BY
ZELALEM AYALEW ESHETE

JUNE, 2017
ADDIS ABABA, ETHIOPIA

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY,
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LIST OF ABBREVIATIONS AND ACRONYMS

BAVP	Business & Administration Vice President
CODL	College of Distance Learning
EPHEI	Ethiopian Private Higher Education Institution
ETB	Ethiopian Birr
HEIRQA	Higher Education Institutions Relevance & Quality Assurance
HRM	Human Resource Management
IGNOU	Indira Gandhi National & Open University
KSA	Knowledge, Skill and Ability
MBA	Master of Business Administration
PM	Post Meridian
SGS	School of Graduate Studies
SMU	St. Mary's University
SPSS	Statistical Package for Social Science

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Abstract

This study examined how the pay scale of St. Mary's University has been established and to analyze whether the pay scale even serves as a motivational tool. In doing so, both qualitative and quantitative research approaches; where much emphasis is given for the latter and descriptive research design is pursued. Relevant literature on job grading and pay scale techniques were sufficiently reviewed. The study focuses on salary scale (base pay) establishment practices of the University. Due to the distance barrier in questionnaire administration, employees deployed in more than 125 Center Offices of the University are not included in the study. Moreover, due to its enormous applicability nature in most organizations, point rating job evaluation method is applied as litmus test of job samples in the study. Both primary and secondary data were administered. Primary data of the study were collected through questionnaire and key informants interview. Stratified and convenient sampling techniques were employed in administering the questionnaires. Therefore, 74 senior staff members were stratified and 94 copies of questionnaire were distributed. The response rate of the questionnaire was 69%. Validity and reliability tests were conducted to check whether the instrument and factors included are reliable and valid, accordingly result (average Cronbach's alpha 0.790) proven to be both reliable and valid. Data were subjected to simple descriptive statistics such as frequency and percentages, mean, mode and the like. Data analysis was made using SPSS 20 for quantitative data and interpretational and reflective for qualitative data. Results of the study shows that pay scale practices of the University is resulting on intuitive decision of the top management regardless of proper job grading processes and lacking commensuration with internal alignment and external market pressures. Accordingly, the researcher concluded that emphasis should be given to periodically review of the pay policy and scale up on meeting standardized principles and procedures. Furthermore, pay in-equitability and unfairness is also becoming severe. Therefore, the University ought to effort promoting equal pay for work of equal volume and shall seek to provide salaries that attract, retain and motivate competent employees.

Key words: Pay policy, Pay Scale, Job Grading, Pay Equity, Motivation,

CHAPTER ONE

INTRODUCTION

This chapter instigates with presenting the introductory part of the research. It focuses on background of the study, definition of operational terms, statement of the problem, research questions, objectives of the study, significance, scope, limitation and organization of the study.

1.1. Background of the Study

According to Beaumont (1994), there should ideally be a two-way relationship between reward systems and strategic planning, which requires an organization to consider the essence of its compensation or pay philosophy, to lead, compete or follow in the labor market. The need for such consideration in order to establish such a linkage follows from the potentially powerful impact of compensation systems on organizational performance via a number of routes, such as attracting and retaining labor, motivating employees and reinforcing organizational culture, etc.

Poels (1997) defined a pay structure, as a “coherent entity of figures (monetary amounts of salaries) which settles the individual pay according to fixed proportions (the salary scale) and determines the relationships in pay between jobs and job-holders within an organizational unit”. The author also argues that the whole pay structure must be competitive to the environment (the external labor market) with which the organization compares itself.

According to Armstrong (2007), pay equity (both internal & external) or fairness - the feeling that one’s pay is on par with those around them is also thought to be a very powerful motivator (or de-motivator) depending on the situation. For good industrial relations, each employee should receive sufficient wages and salaries to sustain himself/herself and his/her dependents and feel satisfied with a relationship between his wages and wages of other people performing the same type of work in the same or other organization. Most of the time people will be less motivated to take on a new job if they believe that other people were offered higher pay packages for similar positions. Pay equity and fairness there for, could be maintained through the processes of proper job evaluation and grading. While job evaluation is a systematic process for defining the relative worth or size of jobs within an organization in order to establish internal relativities, and

provides the basis for designing an equitable grade and pay structure and guiding the achievement of equal pay for work of equal value.

Bach (2005) identified the link between pay and job, “as a stable configuration of organizational tasks and responsibilities, has traditionally been the building block of grading structures”. According to him, the range of jobs to be found within any organization will be of differential worth to management and will therefore need to be grouped into some kind of grading hierarchy with pay determined by where exactly the individual post sits within it.

Perceptibly, most individuals choose to spend the majority of their adult lifetime in paid employment. Pay scale therefore, affects an employee or a worker economically, sociologically, and psychologically. For this reason, retaining professional staff with inept pay scale in organizations becomes more turbulent task. As a result, organizations, with varying degrees of success, attempt to harness the powerful forces of pay scale as a motivator to encourage employees to work in ways that lead to the achievement of organizational objectives.

It is clear that pay scale makes the job offered attractive meaning it attracts and retains qualified and competent staff members. Accordingly, success of an organization primarily depends on the morale and motivation of its employees. Among the factors that affect the motivation of employees, pay structure is considered to be a prominent one. Paying employees less than the work they perform generates dissatisfaction which in turn leads to low morale.

Armstrong (2007) noted that among the main problems in human resource functions of many organizations their failure to carry out job grading and sound pay structure that even when it is done, it scarcely succeeds. Luis R. Gomez-Mejia, David B. and Robert L. Cardy (2001), also argued that mishandling compensation issues is likely to have a strong negative impact on employees and, ultimately, on the firm’s performance. The wide variety pay policies and practices present managers with two-pronged challenges: to design a pay scale that enables the firm to achieve its strategic objectives and is molded to the firm’s unique characteristics and environment.

Gomez-Mejia et al. (2001) also noted that, salary scale in an organization is established by management of an organization often with the help of external consultants or internal experts and direct participation of employees or their labor unions. The pay policy line can be raised in

response to competitors' pay awards or the cost of living. Thus, pay structures are combinations of external competitiveness considerations and internal equity, and depict pay rates for different jobs within an organization (ibid, PP: 318).

With this regard, the study is initiated to assess the basics of pay establishment practices at St. Mary's University; how the University's human capital has been compensated and to analyze whether the pay scale even serves as a motivational tool.

St. Mary's University is an outgrowth of St. Mary's Language School which was established in 1991 in Addis Ababa, Ethiopia with the mission of *"to offer conventional and distance education that is accessible to the larger society through reasonable tuition focusing on quality and standards in teaching, research and outreach services"*.¹ The University currently (November 2016), launches 10 post graduate programs in its own regular schedule and 7 post graduate programs in distance mode with the coalition of IGNOU, 7 its own undergraduate regular programs and 7 undergraduate programs at its College of Open & Distance Learning.

As mentioned above, workers entered into contractual relationships with organizations to offer their human endowments in exchange for some form of rewards. In fact, if the workforce is a stakeholder in every organization, what is accrued to entrepreneur/s is profit, then, the issue of what is/are the benefit/s accrued to workers also has to be managed carefully. The dispute and conflict between employers and employees as a result of inept pay system leaves employees with low morale as a result a decrease in productivity of the organization.

This study therefore, encompasses the assessment of pay policy and strategy of the University, frequency of pay structure changes, the extent to which job evaluation and grading could be used as a means of pay establishment, alignment of the pay scale with significant organizational structural changes, participation of major stakeholders on job grading and pay establishment processes, pay equitability and fairness issues including theoretical explanations and empirical validations for the linkage between job grading-pay scale-employee motivation are comprehended in the study through descriptive research design using both primary and secondary data.

¹ <http://smuc.edu.et/index.php/about-smu2/our-past>, 18 Dec. 2016, 07:33PM

1.2. Statement of the Research Problem

Ethiopian Labor Proclamation No. 377/2003 (as amended) article 53/1 defined "Wage" in Amharic "*Demewoz*" as the regular payment to which the worker is entitled in return for the performance of the work that he or she performs under a contract of employment. However, the Ethiopian labor proclamation has left the determination of salary scale (including the minimum wage level) to the parties themselves (employer-employee) in an organization for which the main reason from the side of the government may be explained away in the light of its economic philosophy.

The student researcher agreed up on the establishment of pay scale in Ethiopia, almost in all times, is in the hands of employers and is the most determinant factor in employer-employee relationship. Different pay establishment practices may result an increase in employee pay satisfaction or vice-versa. Conspicuously, a pay scale lacking the required standards and principles including un-complying with significant internal organizational changes always have an adverse effect on employees pay satisfaction. With this regard, these job grades and the pay scale of the University have not yet been evaluated to ensure whether it meet the required standards and principles in addition commensuration with internal alignment and external market pressures. Hana (2016) also recently conducted a study on the practices of human resource audit at St. Mary's University and recommended that job grades and the pay scale of the University needs immediate revision and adjustments in accordance with required standards and principles.

It is customary human resource management practice in the University that weak bargaining power due to uncompetitive pay scale during recruitment process is one of the challenges equipping vacant position with competent staff members (Annexes D - E). Consecutively, exhibited pay inequities between similar positions, "academic" and "support" staff, even between departments within the same "academic" division (Pay Scale Documents of SMU, 2011 and 2016) absence of stakeholders' participation in job evaluation and pay establishment processes including inappropriate titling of few positions were indicated on the report as reasons for employees' turnover.

Indeed, high employee turnover has been observed; for example, turnover rate of the University during 2014/15 and 2015/16 were 23% and 25% respectively in which the main reason addressed

on employees' turnover surveys among others is in-appropriate pay structure of the University (SMU, HRM 2015; 2016). Even lots of the remaining employees' pressure for salary adjustment are also a daily phenomenon at HRM department of SMU.

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

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

Tilahun (2015), and other several individuals conducted researches focusing on the theme of compensation management using different research designs at different organizations. However, almost all previous researches focused on analyzing the perception of employees towards the pay and benefit schemes they are receiving from their respective employers, the impact of pay scale on employees' productivity, attendance and retention. These researches of course, could not address the issues of pay establishment processes to be followed by organizations to establish competitive and equitable pay scale in order to acquire and retains qualified staff members. Thus this research proposes to assess the pay scale establishment practices of St. Mary's University. The lead researcher is member of middle level managers in the University who knows the problems in detail and expected to provide plausible solution/s for the problems related to pay scale of the University.

1.3. Basic Research Questions

The research attempts to address the following basic research questions:

- 1) What kind of pay policy does the University have?
- 2) To what extent does the University's pay structure meet the required standards?
- 3) How often the pay scale of the University is revised?
- 4) To What extent pay scale is aligned with significant organizational structural changes?
- 5) To what extent do pertinent stakeholders participate in job evaluation and pay establishment process in the University?
- 6) To what extent pay scale enables the University to acquire and retain qualified staff members?

1.4. Objectives of the Study

Pay structure is an important component of effective compensation programs and help ensure that pay levels for groups of jobs are competitive externally and equitable internally. A well-designed salary structure allows management mainly in talent acquiring, employee motivation and maintaining internal equity. With this regard this sub-article focuses on revealing the general and specific objectives of the study.

1.4.1. General Objective

The general objective of the study is to assess the pay scale practices of St. Mary's University.

1.4.2. Specific Objectives

The study specifically focuses on:

- 1) To assess the pay policy of the University so as to describe how it contribute to pay scale practice.
- 2) To evaluate if the pay scale of the University satisfies the required standards.
- 3) To identify how often the pay structure of the University is revised.

- 4) To assess whether pay scale of the University aligned with significant organizational structural changes.
- 5) To assess participation of pertinent stakeholders in job evaluation & pay establishment processes of the University.
- 6) To evaluate how much effective is the pay scale of the University to acquire & retain best minds.

1.5. Definition of Key Terms

The operational definitions of key terms in this research are given as follows:

Academic Staff - an employee of Higher Education Institution who devotes 75% of his/her time to teaching and 25% of his/her time to research and an employee of a research center of the institution who devotes 75% of his time to research and 25% of his time to teaching (Proclamations No. 650/2009).

Administrative support staff - personnel of an institution employed to provide administrative, business management, accounting, catering, maintenance, safety, security and such other services (Proclamations No. 650/2009).

Job Evaluation - is a systematic process of defining the relative worth or size of jobs within an organization in order to establish internal relativities (Armstrong, 2007).

Job Grading - arranging jobs on their hierarchical sequence (Armstrong, 2005).

Pay Equity - The perceived fairness of what a person does (inputs) and what the person receives (outcomes) (Armstrong, 2010).

Pay Policy and Strategy - the organization in thinking ahead to set a strategic course of action or decision which aligns the reward practices (Tyson, 2006).

Pay Structures - are defined by the number of grades they contain (Armstrong, 2007).

Salary/Pay scale - is a coherent entity of figures (monetary amounts of wages/salaries) which settles the individual pay (Poels, 1997).

Technical support staff - non-administrative personnel employed to support the teaching-learning and research processes and non-academic professional (Proclamations No. 650/2009).

Wage/Salary - means the regular payment to which the worker is entitled in return for the performance of the work he/she performed (Labor Law 377/1996).

1.6. Significance of the Study

The study has two major areas of significance namely; Academic and Managerial.

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

1.7. Scope of the Study

Pay scale may comprise the base pay, bonuses, commission, pay raise and other remuneration schemes. However, this study focuses only on salary scale (base pay) practices of St. Mary's University. Moreover, pay scale establishment processes requires four major phases; Phase One: Job analysis, Phase Two: Job Descriptions, Phase Three: Job Evaluation, and Phase four: Job Grading & Pay scale establishment, due to manageability issues of the theme and time constraint, the researcher is though leaning to assess only the most vulnerable areas of phases three and four.

Due to its enormous applicability nature in most organizations, point rating job evaluation method is applied as litmus test of job samples in the study. Despite of the fact that, several (usually 20 – 25) types of compensable factors are adopted in many organizations in accordance with the level of factors importance to the organization, the researcher compiled in this research for the purpose of litmus test of job evaluation and grading practices at St. Mary's University are only five main factors (Annex I). The researcher thought that this theme can also be studied through research designs like causal or correlational, however, the research design adopted for this case study is descriptive.

SMU has various campuses where most of its programs are run and many employees are deployed. Due to the distance barrier in questionnaire administration, employees deployed in

more than 125 Center Offices are not included in the study. Again, due to trend assessment nature of the research, only permanent and senior staffs (who have been serving Five years and more in the University) were contacted in questionnaire administration. Finally, the Pay scale documents scrutinized in this research are the oldest one emplaced in the University effective from 2011 and the new one effective from November 2016.

1.8. Limitations of the Study

Results derived from the study, therefore, reveals the phenomenon of only one institution on the thematic area, hence, practices of other similar institutions does not included that the research couldn't start with the general research gap in the thematic area.

Employees are usually lenient to openly discuss that company pay scale is inadequate and this attitude may lead the researcher for biased conclusion. Moreover, less accessibility of up to date literatures and research findings was also the constraint during the study. An additional limitation to this research is resignation of the pertinent informant, the HR Manager of SMU, during this study, as a result, few information about pay scale practices of the department are not easily accessed. Furthermore, among the most job factors taken into consideration by many organizations, the researcher compiled to this study are only five compensable factors (Annex I) thought to be more relevant or appropriate for litmus test (Annex J) purpose of job grading in the University.

1.9. Organization of the Study

The study is organized into five chapters. The first chapter contains introductory part: background of the study, definition of operational terms, statement of the problem, research questions, objectives of the study, significance of the study, scope and limitation of the study. The second chapter contains review of literatures regarding job grading and pay establishment functions. The third chapter focuses on the presentation of research design and approach, population, sample and sampling techniques, method of data collection, procedures of data collection, sources of data, data analysis techniques and ethical considerations. The fourth chapter deals with analyses of data obtained through questionnaire, documents analysis and interviews with pertinent stakeholders. Finally, summary of major findings, conclusions and recommendations are presented in the fifth chapter.

CHAPTER TWO

RIVIEW OF RELATED LITERATURE

In any research undertakings it is important to review what has been done on the thematic area of the study and sets the platform on which the current research is based. Literature review enables the researcher to critically summarize the current knowledge in the area under investigation, identifying any strengths and weaknesses in previous work, so helping to eliminate the potential weaknesses, whilst bringing to the fore the potential strengths. Hence, in this chapter the salient nature of job evaluation and fundamentals of pay scale are covered precisely.

2.1. Theoretical Literature

2.1.1. The Notion of Job Grade and Pay Structures

Grade and pay structures provide a framework within which an organization's base pay management policies are implemented. Base pay management can involve the design and operation of formal grade and pay structures that define where jobs should be placed in a hierarchy, what people should be paid for them and the scope for pay progression. Base pay management enables pay practices to be monitored and controlled, facilitates the management of relativities, and helps to communicate the pay and sometimes the career opportunities available to employees.

According to Armstrong (2007), pay structures are defined by the number of grades they contain and, especially in narrow or broad-graded structures, the span or width of the pay ranges attached to each grade. They define the different levels of pay for jobs or groups of jobs by reference to their relative internal value as determined by job evaluation, to external relativities as established by market rate surveys, and sometimes to negotiated rates for jobs. They provide scope for pay progression in accordance with performance, competence, contribution or service.

Determination of an equitable salary structure is one of the most important phases of employer-employee relations. For good industrial relations, each employee should; receive sufficient salaries to sustain himself and his dependents; and feel satisfied with a relationship between his wages and wages of other people performing the same type of work in some other organization. The primary objective of salary administration program is that each employee should be

equitably compensated for the services rendered by him to the enterprise on the basis of; the nature of the job, the present worth of that type of job and the effectiveness with which the individual performs the job.

Usually, the steps involved in determining wage rates are: performing job analysis and evaluation, wage surveys, analysis of relevant organizational problems, forming wage structure, framing rules of wage administration, explaining these to employees, assigning grades and price to each job and paying the guaranteed wage all commensurate with pay policy and strategy of the organization.

2.1.2. Fundamental Theory of Job Evaluation and Grading

Once a right candidate is placed on a right job, the person needs to be duly compensated for the job he/she performs. In the pursuit of payment equity, there should be established a consistent and systematic relationship among base compensation rates for all the jobs within the organizations. The process of such establishment is termed as job evaluation. Different jobs in an organization need to be valued to ascertain their relative worth so that jobs are compensated accordingly and an equitable salary structure is designed in the organization. This is necessary for sustaining cordial relations within and between employees and the organization.

Job evaluation, therefore, is a systematic process for defining the relative worth or size of jobs within an organization in order to establish internal relativities. Evaluating “worth” leads directly or indirectly to where a job is placed in a level or grade within a hierarchy and can therefore determine how much someone is paid. It provides the basis for designing an equitable grade and pay structure, managing job and pay relativities and guiding the achievement of equal pay for work of equal value Armstrong (2007). Relative job size is assessed in terms of inputs like (knowledge and skills), process (behavioral requirements involving the use of competences) and outputs (the level of responsibility for results and the impact the job makes on team or organizational performance).

2.1.3. Methods of Job Evaluation

Job-evaluation methods are usually of two categories-Analytical/quantitative and Non Analytical/non-quantitative and sometimes a third category; market pricing scheme, may be considered Armstrong (2010).

I. Points-Rating Method

It is the most contemporary and commonly used forms of analytical job evaluation which is based on breaking down jobs into factors or key elements. These are the elements in a job such as the level of qualification and skills, major duties and responsibility, efforts that demands on job holders and so on. For job evaluation purposes it is assumed that each of the factors will contribute to the value of the job and is an aspect of all the jobs to be evaluated but to different degrees. Definitions of these levels are produced to provide guidance on deciding the degree to which the factor applies in the job to be evaluated. Each factor is divided into a hierarchy of levels, i.e. but senior jobs with higher scores.

Points-rating scheme involves a more detailed, quantitative and analytical approach to the measurement of job work. Weights are given to factors depending on their importance to perform the job. Points so allocated to various factors of a job are then summed. Then, the jobs with similar total of points are placed in similar pay grades. The sum of points gives an index of the relative significance of the jobs that are rated. This system entirely requires six steps and is usually implemented by a job evaluation committee or by an individual analyst. Determine critical factors, determine the levels of factors (Annex I), allocate points to sub-factors, allocate points to levels, develop points manually and apply the point system, Armstrong (2010).

II. Factor-Comparison Method

The factor-comparison method is another approach for job evaluation in the analytical group. Under this method, one begins with the selection of factors; usually five of them- is assumed to be constant for all the jobs. Each factor is ranked individually with other jobs. For example, all the jobs may be compared first by the factor mental requirements, the skills factor, physical requirements, responsibility, and working conditions are ranked. The total points are then assigned to each factor. The worth of a job is then obtained by adding together all the point

values. This method is usually used to evaluate white collar, professional and managerial positions, Armstrong (2010).

III. Job Ranking Method

This is the simplest, the most inexpensive and the most expedient method of evaluation. The process involves comparing whole jobs with one another and arranging them in order of their perceived value to the organization. Ranking is the most straightforward method of work evaluation. Jobs, people, or even teams can be ranked from the ones adding most value to least value to the organization. Criteria for the ranking are not made explicit. Jobs rather than people are easier to rank when there are a large number of people in jobs. Teams can be ranked in a team-based environment as a substitute for or addition to the ranking of jobs and people. The importance of order of job is judged in terms of duties, responsibilities and demands on the job holder. When a larger number of jobs, people, or teams are to be ranked, the method of paired comparisons can be used, Armstrong (2010).

IV. Job Classification Method

Job classification is the process of slotting jobs into grades by comparing the whole job with a scale in the form of a hierarchy of grade definitions or written standards for a hierarchy of classification level. It is based on an initial definition of the number and characteristics of the grades into which jobs will be placed. The grade definitions may refer to such job characteristics as skill, decision making and responsibility. Job descriptions may be used which include information on the presence of those characteristics but the characteristics are not assessed separately when comparing the description with the grade definition, Armstrong (2010).

V. Paired Comparison Method

Paired comparison ranking is a statistical technique that is used to provide a more sophisticated method of whole-job ranking. It is based on the assumption that it is always easier to compare one job with another than to consider a number of jobs and attempt to build up a rank order by multiple comparisons. The technique requires the comparison of each job as a whole separately with every other job.

The technique requires the comparison of each job as a whole separately with every other job. If a job is considered to be of a higher value than the one with which it is being compared it receives two points; if it is thought to be equally important, it receives one point; if it is regarded

as less important, no points are awarded. The scores are added for each job and a rank order is obtained, Armstrong (2010).

2.1.4. Criteria for Choosing the Best Job Evaluation Scheme

As illustrated several times, the problems of defining and fixing suitable wage relationships between groups of jobs and workers are of considerable importance in both the theory and the practice of wage determination. The technique of job evaluation has been applied to deal with problems of comparative equity in wage determination mainly, though not exclusively, at the level of the individual firm or plant. Its aim is to provide a means of establishing a wage structure that is acceptable to labor and management and that, as far as possible, is fair or equitable in the sense of ensuring equal pay for jobs demanding broadly equivalent sacrifices from their incumbents and of rewarding properly the greater efforts and hardships involved in some jobs as compared with others².

In this way the method is believed to be helpful in reducing dissatisfaction so often arising from existing wage differentials (or, as the case may be, from their absence), and thus to contribute to more harmonious human relations in industry. With this in mind, here under are major considerations during selection of the scheme:

- *Thorough in and capable of impartial application* – the scheme should have been carefully constructed to ensure that its methodology is sound and appropriate in terms of all the jobs it has to cater for. It should also have been tested and trialed to check that it can be applied impartially to those jobs.
- *Appropriate* – it should cater for the particular demands made on all the jobs to be covered by the scheme.
- *Comprehensive* – the scheme should be applicable to all the jobs in the organization covering all categories of staff and, if factors are used, they should be common to all those jobs. There should therefore be a single scheme that can be used to assess relativities across different occupations or job families and to enable benchmarking to take place as required.

² ibid

- *Transparent* – the processes used in the scheme from the initial role through to the grading decision should be clear to all concerned. If computers are used, information should not be perceived as being processed in a ‘black box’.
- *Non-discriminatory* – the scheme should meet equal pay for work of equal value requirements.
- *Ease of administration* – the scheme should not be too complex or time-consuming to design or implement.

With this all in mind, the researcher argues that points rating job evaluation scheme is relatively advisable to use in organizations having wider and larger amounts of job positions and factor comparison & classification for smaller organizations having relatively similar job families.

2.1.5. How often/Timing of Job Evaluation

Poels (1997) argued that job evaluation process in an organization is a strategic alliance with medium or long term strategic directions of the organization. And the author recommends conducting job evaluation usually when:

- A new job is created, before recruitment.
- Substantive functions are added or removed from a job.
- Substantive organizational restructuring process.

Of course, it is not always necessarily to evaluate every job. In the case where other similar jobs exist, that have already been evaluated, the evaluator can benchmark the new job against these existing jobs.

2.1.6. Fundamental Principles of the Pay System

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

2.1.6.1. Transparency

Transparency mean being open about how pay is set: transparency endeavors public trust. In a transparent organization decisions, activity, policy, strategy and processes are open to all. In

general, transparency can be achieved by active participation of pertinent stakeholders in the processes and clear and frequent communication.

The installation and operation of job grading and pay establishment involves certain responsibilities Poels (1997). Several possibilities for implementing the process are apparent. One or more committees may be selected, a department may be set up or an existing one assigned, or a consulting organization may be brought in. These possibilities are not mutually exclusive.

- ❖ **The Committee Approach:** This committee is given an explanation of job evaluation, the purposes it is expected to accomplish, a rough time schedule, and perhaps an estimate of the cost of the program. The committee makes the decision to install job evaluation, decides on the scope of the project, and assigns responsibility for the work.

Committee job ratings are a result of pooled judgments. This usually means either that ratings made individually are averaged or a consensus is reached as a result of discussion. Committee members must be trained. Much of this training involves following the steps in the process. But it is advisable to train committee members how to guard against personal bias and the common rating errors.

- ❖ **Consultants:** Consultants are sometimes employed to install job evaluation plans. Successful consultants are careful to ensure that organization members are deeply involved in installing the plan and are able to operate the plan on their own.

Consultants are most likely to be employed in small organizations where no member has the necessary expertise. They are also more likely to be employed when a complex rather than a simple plan is to be installed. Consultants often have their own ready-made plans. Sometimes consultants are brought in to insure objectivity in union-management installations. It is also common to hire consultants to evaluate management jobs, because the objectivity of committee members rating jobs at levels higher than their own may be questioned.

- ❖ **Compensation Department (Usually HRM) Involvement:** It is quite possible for the organization to assign installation and operation of a job evaluation plan to the compensation department. Sometimes the compensation professional heading the unit and a number of job analysts carry out the task. Those who favor this last approach emphasize the technical nature of the task. They may also be reacting to the difficulty of getting operating managers to devote the time that the program requires.

- ❖ **Union Involvement in Job Evaluation:** Union participation in job evaluation has varied greatly. Some unions profess to formally evaluate an organization's jobs independently and then use the information as an aid in collective bargaining. Some job evaluation plans have been installed and maintained as a joint venture because joint plans are more successful than unilateral plans.

2.1.6.2. Proportionality

Proportionality is being fair and consistent: the general essence of pay proportionality is that the level of the remuneration sufficient to attract, retain and motivate best minds. Three main measures may be applicable to evaluate the proportionality of the salaries: comparison within the organization, comparison within the sector, and comparison versus similar sectors, (Armstrong, 2007; Poels, 1997; Bach, 2005).

As mentioned in several literatures, job evaluation is the main mechanism available to ensure compliance with the principle of equal pay for work of equal value. Minimization of the gap between the highest and the lowest wage, payment of equal ways to all the employees doing the same job irrespective of their job performance, reduction in wage/salary inequities. But a number of questions arise regarding the wage and salary administrations ethical issues like - is it fair to give equal payment to employees one who does the least and other who makes the highest contribution to the job? How much equitable the pay is internally as well as externally? How much equitable the pay is among male and female employees?

Equity: - The perceived fairness of what a person does (inputs) and what the person receives (outcomes) is called equity (Armstrong, 2010). Individuals judge equity in compensation by comparing their input (effort and performance) against the effort and performance of others and against the outcomes (the rewards received). These comparisons are personal and are based on individual perceptions. A study by Salary.com³ found that almost 60% of the workers surveyed believed that they were underpaid. But according to reviews of compensation databases, less than 20% were actually underpaid. These findings illustrate how the perceptions of individuals are critical in how equity is viewed.

With this regard, the Constitution of Federal Democratic Republic of Ethiopia, article 42/1(d) vows Equal pay policy as “Women workers have the right to equal pay for equal work” and

³ Salary.com/survey-management/19 Dec. 2016; 05:11PM

“discriminate against female workers, in matters of remuneration, on the ground of their sex” is considered to be unlawful activity in labor proclamation Art. 14/1/ (b).

According to Armstrong, the issue of pay equity in an organization is concerned with both internal and external equities:

- a) Internal Equity in Compensation: Internal equity means that employees receive compensation in relation to the knowledge, skills, and abilities (KSAs) they use in their jobs, as well as their responsibilities and accomplishments. Two key issues—procedural justice and distributive justice—relate to internal equity.

Procedural justice: is the perceived fairness of the process and procedures used to make decisions about employees, including their pay. As it applies to compensation, the entire process of determining base pay for jobs, allocating pay increases, and measuring performance must be perceived as fair. A related issue that must be considered is distributive justice, which is the perceived fairness in the distribution of outcomes. As one example, if a hardworking employee whose performance is outstanding receives the same across-the-board raise as an employee with attendance problems and mediocre performance, then inequity may be perceived. Likewise, if two employees have similar performance records but one receives a significantly greater pay raise, the other may perceive an inequity due to supervisory favoritism or other factors not related to the job. To address concerns about both types of justice, some organizations establish compensation appeals procedures. Typically, employees are encouraged to contact the HR department after discussing their concerns with their immediate supervisors and managers.

- b) External Pay Equity: If an employer does not provide pay that employees view as equitable compared to other employees performing similar jobs in other organizations, that employer is likely to experience higher turnover. Another drawback is greater difficulty in recruiting qualified and high-demand individuals. By not being competitive, the employer is more likely to attract and retain individuals with less knowledge and fewer skills and abilities, resulting in lower overall organizational performance. Organizations track external equity by using pay surveys, and by looking at the compensation policies of competing employers.

2.1.6.3. Performance

Pay performance means ensuring that the salaries you pay work for your organization and the beneficiaries you serve: employees will take their own view on the levels of pay that are appropriate to the targets they require. By clearly linking remuneration to progress against agreed performance targets and objectives, as well as the organization's business plan and interdepartmental objectives can ensure that pay levels are proportionate to a staff member's value to the organization, (Armstrong, 2007; Poels, 1997; Bach, 2005).

2.1.6.4. Recruitment and Retention

The notion of recruitment and retention is keeping valued staff within the organization: It is important to consider the imperative to acquire and retain valued staff within a mission-driven organization. The process of recruiting new staff members costs considerable time and money, and worse, it can affect the performance of the entire organization. The ability to recruit and retain staff of course will not be based purely upon pay rewards but upon the values of the individual and how closely they correlate with the organization's values.

According to Mathis and Jackson (2010), the market competitiveness of compensation has a significant impact on how equitably employees view compensation. Providing competitive compensation to employees, whether globally, domestically, or locally, is a concern for all employers. Some organizations establish specific policies about where they wish to be positioned in the labor market. These policies use a quartile strategy, that the dollar differential between quartiles is generally 15% to 20%.

- ❖ First quartile: "Lag the Market" Strategy; an employer using a first-quartile strategy may choose to "lag the market" by paying below market levels, for several reasons. If the employer is experiencing a shortage of funds, it may be unable to pay more. Also, when an abundance of workers is available, particularly those with lower skills, a below-market approach can be used to attract sufficient workers at a lesser cost. The downside of this strategy is that it increases the likelihood of higher worker turnover. If the labor market supply tightens, then attracting and retaining workers becomes more difficult. First quartile, sometimes called Lower Quartile (25th Percentile) in which the salary above which 75% of salaries fall, when ranked in order of size.
- ❖ Second quartile: "Meet the Market" Strategy; most employers choose to position themselves in the second quartile (median), in the middle of the market, as identified by

pay data from surveys of other employers' compensation plans. Choosing this level attempts to balance employer cost pressures and the need to attract and retain employees, by providing mid-level compensation scales that "meet the market" for the employer's jobs.

- ❖ Third quartile: "Lead the Market" Strategy; a third-quartile strategy uses an aggressive approach to "lead the market." This strategy generally enables a company to attract and retain sufficient workers with the required capabilities and to be more selective when hiring. Because it is a higher-cost approach, organizations often look for ways to increase the productivity of employees receiving above market wages.

Selecting a quartile; the pay levels and pay structures used can affect organizational performance. Individual employee pay levels will vary around the quartile level, depending on experience, performance, and other individual factors. Deciding in which quartile to position pay structures is a function of a number of considerations. The financial resources available, competitiveness pressures, and the market availability of employees with different capabilities are external factors. For instance, some employers with extensive benefits programs or broad-based incentive programs may choose a first-quartile strategy so that their overall compensation costs and levels are not excessive.

2.1.6.5. Process

A sound pay establishment process means ensuring that the principles of Good Pay are supported by appropriate procedures and policies: major considerations in grade and pay structuring; the rationale for grade and structures (policies and strategies), the use of job evaluation in developing a grade structure and grading jobs, and alike processes undergirds all effective decisions on the setting of a pay scale, (Armstrong, 2007; Poels, 1997; Bach, 2005).

In essence, pay policy and strategy involves the organization in thinking ahead to set a strategic course of action or decision which aligns the reward practices with the business direction. They indicate what the organization and its management are expected to do about managing reward and how they will behave in given circumstances when dealing with reward issues. Tyson (2006), designates a prerequisite for the strategic management of pay and benefits is a reward policy in which the objectives of a policy towards payment could be best described as *"to remain competitive for labor while rewarding good performance and adopting a position on pay which controls costs and is felt to be fair by all employees"*.

- i. Where the company wishes and can afford to be in the labor markets (e.g. whether or not to follow a 'lead, lag or competing wage' policy, demanding sustained effort of a high standard for large rewards, by positioning the company in the top quartile relative to competitors).
- ii. What kind of total remuneration package it wishes to offer (e.g. whether or not to give a range of 'perks', such as vehicles, or whether to let the employee make the choice through a flexible benefits policy).
- iii. A further question is whether or not to trade off benefits against wages. Consideration will have to be given to the consequences, for the retention of employees, for the kinds of people who work for the company and for their motivation to work.
- iv. Profit share bonus schemes and share ownership schemes also have to be thought through, to see whether they reflect an incentive element in the employee's wage, and whether there will be any real feeling of participation as a consequence of the profit share.
- v. The policy on variation of pay has to be resolved. The questions here are: whether or not pay is to be regarded as the main incentive to good performance; what job families are to be identified; how new jobs are included; and what kind of job evaluation scheme to adopt and how to run it.
- vi. To what extent will company policy on pay be delegated to local managers, and how does the degree of autonomy fit in with policies on profit centers and management accounting?
- vii. The frequency of pay reviews, who is to be consulted, what kinds of evidence will be sought and the negotiation posture of the company have to be decided.
- viii. The nature of graded pay based on job evaluation and incremental progression, market-driven pay and performance-related pay.

These are some of the policy and strategy options available; the choice of what is suitable being dependent on individual company circumstances, trends in reward, labor market conditions and the philosophy of management espoused.

Unless, organizations with absence or inapt pay policy and strategy eventually be left with employees developing the feeling of undervalued (physical and mentally exploited), job insecurity, lack of career vision, conflict and so on.

In designing a salary scale organization should follow the following fundamental procedures/steps.

- i. **Decide on the Type of Pay Structure:** Determine the type of pay structure (narrow band, broad graded, broad band and if base only, base and ceiling only, or base, incremental steps and ceiling) that the organization intends to have.
- ii. **Consider the Market Rate:** Based on the job evaluation result select benchmark jobs and make salary survey and summarize the survey results. The going market rate specially the one paid by the industry and immediate competitors needs serious consideration in salary scale construction. For this, the designer needs to make a salary survey.
- iii. **Consider the Minimum Wage Rate and Employment Laws:** In this regard the Ethiopian civil service regime has prescribed a minimum monthly wage for those working in the civil service to be Br. 582.00 (Five Hundred Eighty Two) while the labor law regime has left the issue to the parties themselves. The rationale for such double standard from the side of the Ethiopian government may be explained away in the light of its economic philosophy. It is believed that, in a free market economy, price of goods and services is to be fixed by taking into account the supply and the demand side of the item in a forum of bargain. This could be the main reason why the government opted for deregulation with regard to the private sector. As regards to the civil service, however, since the government is the sole employer, it can come up with a rule binding upon itself. This can also serve as a reference for the private sector while negotiating on wage and other related benefits. Of course, the problem associated with such an approach is the invalidity of considering labor as a commodity whose price is to be determined against supply and demand.
- iv. **Consider the Current Pay Level of the Company:** The current pay level of a company is very essential data that a salary scale designer needs to have at the stage of constructing the salary scale of a company. It should be both the current salary scale and the current payroll of all employees possibly with their job titles. The current salary scale may be an outdated one, but it provides a very useful input to the design of the new scale and can be referred in terms of how much the scale is behind the market rate and how much should the new scale be an improvement to it. The current pay level is obtained from the most recent payroll of the company. Most payroll

- sheets do indicate only the name and amount of salary of an employee, not his position. Hence, the designer needs to get the current salary of employee by position. This will give an input to the design of the new scale. The new scale should not be less than the current payroll amount for most of the jobs or employees the new scale may not be acceptable and even if accepted it may not serve for long for most of the employees are going to reach the ceiling soon.
- v. **Assess the Paying Capacity of the Company:** Paying capacity of the employer is the other key determinant of pay scale construction. The company has to fix its scale at a possible hire rate that goes with the market, but it should not be to the extent of weakening its financial position or beyond its paying capacity. The designer has to obtain data on the financial performance of the company during the last five years. It should be from the official audited financial reports. A reference to the profitability and paying capacity of the company and its likely trend should be made in the report. Possibly it is good if these data are organized in to small table. Besides this, the data from the financial statement can also be used to assess the effect of the new scale on the future financial status of the company.
 - vi. **Cost of Living Raise:** Inflationary pressures clearly affect general trends in rates of pay and earnings. A cost-of-living raise is an increase in pay that's intended to keep the buying power of an employee's salary the same during a period of inflation. Without a cost-of-living raise, the declining value of the dollar would leave workers with less real money in their pockets.
 - vii. **Determine the Initial Salary of the Grades:** - set the step salaries (increments), prepare a detail design and the structure and how it will be managed and maintained.

2.1.7. Fundamentals of Salary Scale

People join organizations expecting rewards. Firms expect their employees to perform, increase productivity, and contribute their part to the organizations short and long term success. A prime objective of effective people resourcing is to have 'the right people, in the right place, at the right time, doing the right thing'. This cannot be achieved without integrated reward strategies Pilbeam and Corbridge (2006).

In essence, reward strategy involves the organization in thinking ahead to set a strategic course which aligns the reward practices with the business direction. A reward strategy therefore aims to, first, ensure that employee rewards are driven by organization needs and not historical practices; second, articulate core principles in relation to what is valued, recognized and rewarded by management; third, ensure a coherent direction for reward and other HR practices to prevent mixed messages for employees; and, fourth, establish responsibilities and accountabilities for reward management. The managerial rationale for having a reward strategy is therefore to clarify organizational values, to provide a coherent sense of purpose and to promote a consistency between employee results and behavior and key organizational goals.

Remuneration is the compensation an employee receives in return for his/ her contribution to the organization. His or her standard of living, status in the society, motivation, loyalty, and productivity depends on the remuneration he or she receives. Hence, organizations need to establish a sound remuneration or rewards management system.

According to Armstrong (2006), reward management deals with the strategies, policies and processes required to ensure that the contribution of people to the organization is recognized by both financial and non-financial means. The financial reward includes salary and wages which is payable to employee within an organization. Salary is monthly fixed rate of pay, irrespective of the number of hours put in by an employee. Wage is hourly rate of pay. It is different from salary because, the payment varies as per the number of hours worked.

For efficient administered employee monthly salary, organization develops pay scale or structure. A pay structure/ salary scale provides a framework within which an organization defined the different levels of pay for jobs or groups of job, on the basis of assessment of their relative internal value and of external relativities (market rate) (Armstrong, 2006).

2.1.8. Types of Job Grade and Pay Structure

Grade structures contain a sequence or hierarchy of grades, bands or levels into which, on the basis of job evaluation, groups of jobs which are broadly comparable in size are placed; pay structures define the ranges of pay that are attached to grades – pay levels will be influenced by equity and market rate considerations⁴.

⁴ ibid

Armstrong (2010), described the types of pay structures as narrow-graded, broad-graded, broad-banded, job family, career family and pay spine. Tyson (2006) also noted that salary structures range in flexibility, from the most rigid rate for age or service scales to those which are entirely based on management discretion. The salary administrator's objective is to retain consistency in approach, to keep the rationality of scales while keeping sufficient scope to be able to reward outstanding performance. Most scales relate salary to the grade of the job. Following a job evaluation, a series of job grades may be constructed, using any of the methods discussed above.

- i. **Narrow-graded structure:** A narrow-graded structure consists of a sequence of job grades into which jobs of broadly equivalent value are placed in a way a pay range is attached to each grade. There may be 10 or more grades and long-established structures, especially in the public sector, may have as many as 18 grades. The problem with narrow-graded structures is that they encourage 'grade drift', i.e. unjustified upgrading. This takes place because it is difficult to differentiate between successive grades even with the help of job evaluation.
- ii. **Broad-graded structures:** Broad-graded structures have six to nine grades rather than the 10 or more grades contained in narrow-graded structures. They may include 'reference points' or 'market anchors', which indicate the rate of pay for a fully competent performer in the grade and are aligned to market rates in accordance with 'market stance' policy. The grades and pay ranges are defined and managed in the same way as narrow-graded structures except that the increased width of the grades means that organizations sometimes introduce mechanisms to control progression in the grade so that the staff does not inevitably reach its upper pay limit.
- iii. **Broad-banded structures:** Broad-banded structures compress multi-graded structures into four or five 'bands', Bands were unstructured and pay was managed much more flexibly than in a conventional graded structure (no limits may be defined for progression, which depended on competence and the assumption of wider role responsibilities) and much more attention was paid to market rates that governed what were in effect the spot rates for jobs within bands. The difference between broad bands and broad grades is that the latter still generally adopt a fairly conventional approach to pay management by the use of analytical job evaluation, mid-point management and pay matrix techniques.

However, structure often crept in. It started with reference points aligned to market rates around which similar roles could be clustered. These were then extended into zones for individual jobs or groups of jobs, which placed limits on pay progression, as Job evaluation was increasingly used to define the boundaries of the band and to size jobs as a basis for deciding where reference points should be placed in conjunction with market pricing. Zones within broad-bands began to look rather like conventional grades.

- iv. Job Family: Separate grade and pay structures for job families containing similar jobs and progression linked to competence and/or contribution. Jobs that are related to one another in terms of the basic activities carried out and skills used, although these will take place or be applied at different level.
- v. Career family structures: Career family structures resemble job family structures in that there are a number of different 'families'. The difference is that in career family, jobs in the corresponding levels across each of the career families are within the same size range and, if an analytical job evaluation scheme is used, this is defined by the same range of scores. Similarly, the pay ranges in corresponding levels across the career families are the same. In effect, a career structure is a single graded structure in which each grade has been divided into families. Career family structures focus on career mapping and career development as part of an integrated approach to human resource management. This is as important a feature of career families as the pay structure element, possibly even more so.
- vi. Pay spines: Pay spines are found in the public sector or in agencies and charities that have adopted a public sector approach to reward management. They consist of a series of incremental 'pay points' extending from the lowest to the highest paid jobs covered by the structure. Typically, pay spine increments are between 2.5 and 3 percent. They may be standardized from the top to the bottom of the spine, or the increments may vary at different levels, sometimes widening towards the top. Job grades are aligned to the pay spine and the pay ranges for the grades are defined by the relevant scale of pay points. The width of grades can vary and job families may have different pay spines. Progression through a grade is based on service, although an increasing number of organizations provide scope for accelerating increments or providing additional increments above the top of the scale for the grade to reward merit.

2.1.9. Overview of Salary Scale Construction

Salary scale or pay structure of an organization is established by management of an organization often with the help of external consultants or internal expert. The pay policy line can be raised in response to competitors' pay awards or the cost of living. Thus, pay structures are combinations of external competitiveness considerations and internal equity, and depict pay rates for different jobs within an organization.

2.2. Empirical Review

The researcher tried a lot to evidence what is already done and known and what are the knowledge gaps about the practices of job grading and establishment of pay scale across Ethiopia conducted by different researchers. However, he found naught on pay scale practices while overwhelming researches are conducted only on compensation schemes of different organizations in different parts of the world and very few studies are found across Africa. The research methodologies adopted by the researchers are different and they cover different time period and brief reviews of the studies are presented below.

A study by Simachew (2016), under the title “Factors Affecting Productivity: the case of selected factories of Moha Soft Drinks Industry Sc.” was conducted using 339 respondents to find out the relationship between pay and labor productivity. As presented on the research, employees believed that they are low paid compared to the tasks they are performing compared to similar jobs in the industry; i.e. external inequity. Accordingly, employees evaluate their salary as if it is not sufficient enough to improve their living standards and to satisfy adequately their basic needs. As per the evaluation of employees, the company has less attractive compensation policy and the average mean of employees’ rating towards the company’s compensation system is not encouraging employees’ productivity.

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

A research presented on the World at work Journal (2013), found that 25 percent of employees say that fair pay is the most important thing they want from an organization.

Hana (2016), also recommended that job grades & pay scale of the university needs immediate revision & adjustments in accordance with standardized procedures, theoretical frameworks and practices.

Neweke (2016), also strongly agrees that pay scale emanating from proper job evaluation process in an organization should be reviewed from time to time. This is significant in order to achieve organizational goals and also be in line with the global trend in job evaluation & pay structure. Pay factors, employee satisfaction and motivation (Snoeker, 2010).

Hameed (2014), conduct a research to measure the impact of compensation on employee performance in 45 Banks of Pakistan which were selected randomly and it is founded from different results that Compensation like salary, has positive impact on employee performance. It means that if there is an increase in salary then rewards will also increase moderately. So there is a direct relationship among these variables.

Agburu (2012), the research found that the cost of living has been rising astronomically relative to wages and salaries paid the workers as the aggregate. The study was found that workers were dissatisfied with their net earnings or pay. Furthermore, employees preferred direct financial rewards to non-financial rewards.

The study found that there were overt absence of concrete policies and strategies aimed at attracting optimal employee performance in the establishments. Last, by no means least, it was found that the cost of living occupied the centre stage when it comes to the ranking of variables impinging on wages and salaries administration in Nigeria, though such other factors as employee productivity, equity and fairness, global competitiveness have their influences in this respect.

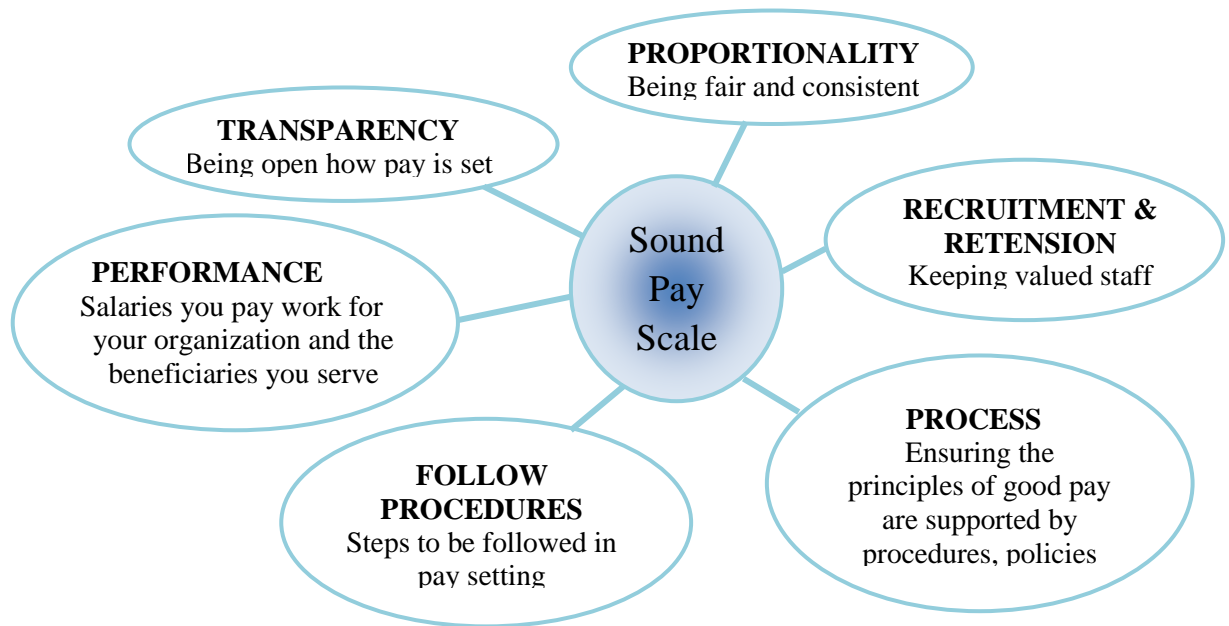
Chaneta (2014), Job evaluation is part of the organization's human resource planning process. Once the overall strategy and objectives have been determined and the structure has been developed, the next step is to establish the required level of human resources, i.e. to get the right people with the right skills in the right place at the right time. This in turn means having effective selection process and all the necessary system to ensure the retention and motivation of staff.

Part of this process will inevitably involve deciding on the relative size of jobs if no other reason than to ensure that pay is at a level that will attract people and more importantly, that those within the organization will feel that bigger jobs receive bigger rewards.

2.3. Conceptual Framework

The conceptual frame work for the present study is based on the above theoretical discussions; the researcher developed the following simple diagram. The conceptual framework is therefore, focuses on the sound nature of a pay scale.

Figure 2.1 Conceptual frame work of the study



Source: Researcher's own diagram

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

The purpose of this chapter is to present the research design and approach pursued, the research population, sample size and sampling techniques, sources of data, data collection instruments used, procedures of data collection, pilot testing, method of data analysis and ethical considerations.

3.1. Research Design and Approaches

The purpose of this research is to assess the pay scale establishment practices of St. Mary's University; how the University's human capital has been compensated, to analyze whether the pay scale even serves as a motivational tool and determine the perception of employees about the practices. More specifically it aims to find out which aspects of the pay establishment functions performed well, and which aspects could be further developed and improved in order to increase employee pay satisfaction.

In doing so, the research design adopted for this case study is descriptive. Descriptive research includes surveys and fact-finding enquiries of different kinds. The major purpose of descriptive research is description of the state of affairs as it exists at present (Kothari, 2004). Descriptive research design is therefore, selected due to its ability to properly document and describes the existing facts of the subject study. How the University's human capital has been compensated and where pay scale is determined (organizational authority) and how often the salary is adjusted well manifested on the study. Moreover, the research design enables the researcher to address objectives of the study through this survey type of research.

The research also pursued both qualitative and quantitative research approaches where much emphasis is given for the latter because of the research involvement in measurement of quantities where the responses of employees obtained through questionnaire was analyzed and interpreted quantitatively. Hence, the data secured through questionnaire are summated, tabulated and converted to percentage and mean for interpretation purpose. Interview responds and documents also described qualitatively.

3.2. Sources of Data

The nature of the research is an assessment on the pay establishment practices of St. Mary's University based on both primary and secondary sources of data. Indeed, the primary source of data for this study were information generated through questionnaire administration from senior staff members (who have been serving for five years and more in the University) and interview with Vice President for College of Open and Distance College and Business and Administration including all HR professionals. Where secondary data includes all information gathered from the library (SMU senate legislation, employees' exit interview reports, pay scale documents and minutes, relevant government proclamations) that are related to the topic study.

3.3. Research Population, Sample Size and Sampling Technique

3.3.1. Research Population

St. Mary's University currently (as of November 2016) has 730 permanent and 58 contract based employees. The target populations for this study is 286 permanent and senior staff members in the University who had been serving five years and more residing at Addis Ababa in different campuses of the University.

3.3.2. Sample Size

The sample size for this study is therefore, drawn from the study population of 286 senior staff using Yaro (1967), statistical formula of $n = \frac{Nc^2}{c^2 + (N-1)e^2}$; Where N = total population, n = sample, c = coefficient of variation = 0.5, 1 = constant and e = error margin which set at 5%. Therefore,

$$n = \frac{286(0.5)^2}{(0.5)^2 + (286 - 1)0.05^2} = 74 \text{ participants or sample}$$

By considering non-responding rate and unfilled or invalid questionnaires extra questionnaires (94) were distributed and the over sampling rate was therefore;

$$\text{Over sampling rate} = \left(\frac{94 - 74}{74} \right) \times 100 = 27\%$$

As a result, only 11 copies of the questionnaire were rejected for different reasons, like doubly filled, blank in some or single statement and totally unfilled, 18 copies of the questionnaire were not collected and the remaining 65 copies were analyzed. The response rate of the questionnaire was therefore, 69% while non-responding rate was 31%.

3.3.3. Sampling Techniques

To analyze the pay scale establishment trends of the University, only senior permanent staff members, who had been serving 5 years and above in the University were contacted, because of the fact that they are aware of pay scale establishment practices in the University. Primary data were generated from three groups of employees through the survey method. Indeed, the three categories of respondents: purposely selected management members (Three in number) were contacted. The remaining senior staff members were taken as stratified units so as to ensure considerable representation. Thus, the strata (academic, and administrative and technical support) further classified in to five strata based on deployment campuses. Finally, proportional sample to the size of each strata were selected using simple random sampling technique.

Table 3.1 Distribution of population and samples taken from each stratum

Stratum	Sub-stratum	Population	Sample
Academic Staff	Undergraduate	61	16
	SGS	13	3
	Head Office	4	1
	CODL	17	4
	Testing Center	7	2
Sub Total		102	26
Administrative & Technical Support Staff	Undergraduate	43	11
	SGS	14	4
	Head Office	35	9
	CODL	91	24
	Testing Center	1	-
	Sub Total	184	48
	Grand total	286	74

Data Source: SMU Human Resource Department (December 2016)

3.4. Data Collection Tools

The research is carried out with primary and secondary sources of data that enable the researcher to meet the objective of the study outlined at the beginning. The primary data were collected through distribution of a questionnaire and conducting interviews with key informants at the managerial positions. A questionnaire and interview guides were developed by the researcher (Annexes A - C) in such a way that enables to capture the opinions, suggestions and perceptions of employees regarding the pay scale practices of the University and distributed to the selected senior staff members as well as presented to the vice presidents and the HR professionals. The questionnaires were structured type and responses to the questions were measured on Yes/No questions and on a five Likert rating scale where Strongly Agree (1); Agree (2); Neutral (3) (i.e. neither agree nor disagree), Disagree (4); and strongly Disagree (5); including the option for expression of perception and opinion of the respondents on the questionnaire. The questionnaire was written in English since all samples were conversant with the language.

3.5. Data Collection Procedures

The survey was therefore, administrated in three ways:

- (1) The interview group of respondents (vice presidents and HR professionals), and
- (2) Senior staff members who have better level of understanding on the theme, in which the survey was self administered both in questionnaire distribution and collection as well the interview.
- (3) Documents Analysis

The data were collected from employees of SMU stationed at Addis Ababa. Respondents were assured of the confidentiality of their responses. Indeed, the survey data were collected and analyzed directly by the researcher, so that no one else accessed the opinions, suggestions and perceptions of respondents.

3.6. Pilot Tests

3.6.1. Validity Test

This study has been conducted by examining only one organization through interviews, questionnaires and documents analysis with a mix of both qualitative and quantitative approaches. This provides a better foundation for results with a higher degree of internal validity and low in external validity. As indicated in Kothari (2004), validity is the extent to which data collection instrument measures what it is supposed to measure. Therefore, the questionnaire was designed in-line with the literature reviewed and a closer supervision of the research advisor. Moreover, numbers of different steps was taken to ensure the validity of the study:

- To ensure content validity of the instrument pilot testing has been conducted using 18 questionnaires (19% of the total sample) and 16 questionnaires (89%) were returned and pilot test result indicates that all pilot samples are not only understood issues but understands relatively in the same way.
- Data was collected from the reliable sources; from senior staff and management members who have high level of understanding about the trend of job grading & pay establishment at SMU.
- Participants in the pilot testing were also asked to give their comments on the statements of the questionnaires so as to avoid subjectivity and ambiguity.

3.6.2. Reliability Test

After administering the pilot test questionnaires, the reliability test was made using Cronbach's Alpha coefficient. According to Geoffrey Marczyk, David DeMatteo and David Festinger (2005), a test with highest reliability is expected to display a Cronbach's Alpha above 0.9. The closer the Alpha coefficient to 1 implies the greater internal consistency or acceptability and vice versa. However, values above 0.7 are acceptable indicators of internal consistency as suggested in the literature. As a result, the aggregate value of Cronbach's Alpha reliability coefficient of the pilot test result (table 3.2) clearly shows that the data collection instrument was reliable.

Table 3.2 Cronbach's alpha of variables

s/n	Constructs	Items	Cronbach's α
1	Pay policy	6	0.880
2	Pay establishment Processes	4	0.811
	Pay equitability or fairness	5	0.763
3	Pay revision frequency	5	0.658
4	Alignment of pay scale with significant organizational changes	3	0.879
5	Stakeholders in job evaluation & pay establishment	8	0.864
6	Recruitment and Retention Ability of the pay scale	7	0.674
Total Questionnaires 16			0.790

Source: Researcher's own survey 2017

3.7. Data Analysis Techniques

Both qualitative and quantitative components of data were generated in this study. In view of this, the analysis is both qualitative and quantitative in nature where much emphasis is given for the latter. Findings generated through documents analysis were subjected to content analysis. On the other hand, the quantitative components of data generated were analyzed at univariate level using SPSS 20. At this level, data were analyzed using like mean, average and median.

3.8. Ethical Consideration

This research work strictly adheres to ethical principles with respect to the data used in the study. All ideas and concepts taken from different scholars are duly acknowledged. Primary data collected from pertinent business unit heads, professionals and other staff up on their own consent is used only for this research purpose, kept confidential and not transferred to any third party at any circumstance.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

This chapter focuses on data presentation, analysis and interpretation. Thus, demographic characteristics of respondents and data obtained on the practices of job grading and pay establishment at St. Mary's University is presented and interpreted in this chapter. The data obtained from questionnaire, interview and documents is also analyzed in combination.

4.1. Demographic Characteristics of Respondents

According to Mathis and Jackson (2006), demographic shifts are affecting HR operation that organizations need to adapt to the changing trend with respect to demographic issues like age, gender, education level, etc. Thus, the basic demographic characteristics of respondents were analyzed through descriptive statistics application with the help of SPSS software and presented using appropriate charts and graphs.

Table 4.1 Demographic summary of respondents

Items	Category	Measure
Gender (in %)	Male	63%
	Female	37%
Job Category (in %)	Academic	57%
	Administrative	43%
Educational Qualification (in %)	Diploma	12%
	First Degree	39%
	Master Degree	49%
Duty Station (in frequency)	Undergraduate	42%
	CODL	35%
	Head Office	12%
	SGS	9%
	Testing Center	2%
Service Year at SMU (in year)	Maximum	16
	Median	10
	Mode	10
	Average	9.43
	Minimum	5
Payment Level (in ETB)	Maximum	12,698.00
	Median	7,001.00
	Mode	5,000.00
	Average	7,162.51
	Minimum	1,995.00

Source: Researcher's Own Survey, 2017

With regards to the sample strata, most respondents were males, academic staff members, from Undergraduate program and from College of Distance Learning. Majority of the respondents also have master degree and the descriptive statistics also shows that the maximum, average and minimum service years of respondents were 16, 9.43 and 5 years respectively, while greater number of respondents (mode) had been serving in the University for 10 years.

4.2. Awareness of Respondents about Level of their Job Grade

The research shows that a single individual among the respondents could not indicate the level of his or her job grade. Rather, several respondents mentioned the title of the position he/she possesses. Respondents could have an opportunity to know the level of the job grade at which he or she has been assigned during or at the time of job offer. However, the discussion clearly shows that the University fails to inform or mention at what job grade of the pay scale does the incumbent employed.

4.3. Employees' Perception towards the Pay Establishment Trends

Under this discussion the researcher tried to analyze perceptions or answers of the respondents about the practices how St. Mary's University human capital has been compensated and to analyze whether the pay scale even serves as a motivational tool.

4.3.1. Position Evaluation Trend

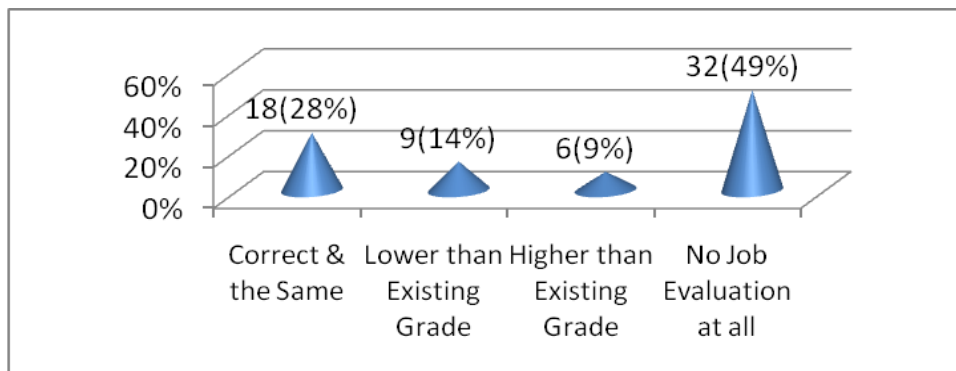


Figure 4.1 Job evaluation trend of SMU at significant organizational change/s

Source: Researcher's Own Survey, 2017

Among the reasons that urge an organization for position evaluation, argued by Poels (1997) is substantive organizational structural changes. With this regard, employees were asked whether they remember how has their position been evaluated at time of significant organizational

changes and significant number of respondents (49%) rate the University that there is no job evaluation at all at substantive organizational structural changes, while 28% of the respondents believed that their position was evaluated at substantive organizational structural changes and the position was correct and remains the same. According to the discussion, 14% and 9% respondents were also argued that their position was evaluated as lower than existing grade and as higher than the existing grade respectively.

4.3.2. Pay Disparity

Pay disparity to this context mean that the extent to which rates of pay for similar workloads and same positions differ without significant reason/s.

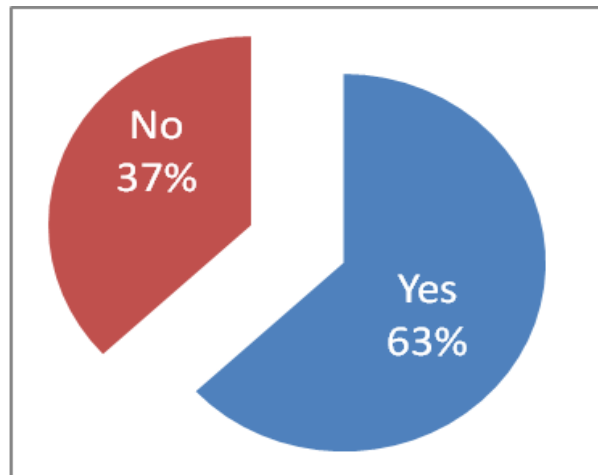


Figure 4.2 Rate of respondents on pay disparity

Source: Researcher's Own Survey, 2017

As presented in figures 4.8, majority respondents 60% of respondents knew colleague/s in the University doing the same job but receiving different grading/pay while 63% of respondents also knew colleague/s in the University with low workload but awarded grading/pay equal to a person with a high workload.

4.3.3. Rate of Employees on the Pay System

St. Mary's University currently has a narrow graded pay structure with 26 grades and 8 increment levels of each grade and the structure pays ranging from ETB 800.00 of grade 1 to ETB 18,500.00 of grade 26 (laborer to professorship). A regular annual pay increment is also given on completion of each year's service (at the end of January or July) which contains

increment schemes like, 10% of the monthly base pay of an employee who is earning below ETB 2,000.00, 7% of the base pay of an employee earning between ETB 2,001.00 – 5,000.00, 5% of the base pay of an employee earning between ETB 5,0001.00 – 8,000.00 and 3% of the base pay for employees whose base pay exceeds 8,000.00 (SMU pay scale document 2011).

Table 4.2 Frequency and percentage of responses on the payment system

Statements	Excellent		Good		Average		Poor		Very Poor		Mean
	F	%	F	%	F	%	f	%	f	%	
Basic Salary	0	0	6	9.2	19	29.2	25	38.5	15	23.1	3.75
Annual pay increment	2	3.1	4	6.2	22	33.8	23	35.4	14	21.5	3.69
Salary adjustment based on increases of the living cost	2	3.1	6	9.2	22	33.8	18	27.7	17	26.2	3.74
Average										3.73	

Source: Researcher’s Own Survey, 2017

Thus, employees were asked to rate the soundness of the University in providing the base pay, annual pay increment and salary adjustment based on increases of the living cost. Therefore, as data presented in table 4.1, employees believed that they were paid low basic salary with lesser annual pay increment and poor salary adjustment based on increases of the living cost. The average mean of the respondents’ rating on the University’s pay system 3.73, reveals that the pay system of the University is not encouraging. Of course, one thing we should clearly understand is that, no matter amount of the pay, it is not enough. A onetime higher increment eventually becomes normal and archaic. What matter always is a reasonable and fair pay; both internal and external pay equity.

4.3.4. Pay Policy

Reward policies and strategies set specific guidelines for decision making and action. They indicate what the organization and its management are expected to do about managing reward and how they will behave in given circumstances when dealing with reward issues. Tyson (2006) designates a prerequisite for the strategic management of pay and benefits are a reward policy in which the objectives of a policy towards payment could be best described as to remain

competitive for labor while rewarding good performance and adopting a position on pay which controls costs and is felt to be fair by all employees”.

Table 4.3 Awareness and understanding of respondents about the pay policy

Statements	1		2		3		4		5		Mean
	F	%	F	%	F	%	F	%	f	%	
I am aware of that SMU has well-defined & understood pay policy	5	7.7	12	19	17	26.2	25	38.5	6	9.2	3.23
I duly understand that pay scale of SMU comply with the pay policy	3	4.6	13	20	14	21.5	28	43.1	7	10.8	3.35
I duly understand that treatment of sensitive pay issues are clearly addressed on the pay policy document	3	4.6	7	11	27	41.5	16	24.6	12	18.5	3.42
Average											3.33

Source: Researcher’s Own Survey, 2017

The question is therefore, aims to know whether respondents are aware of and understand pay policy of the University. As a result, majority of respondents (47.7%) do not feel that SMU has well-defined & understood pay policy, while 26.2% respondents are neither aware nor understand the pay policy. About 53.9% of respondents also do not understand that pay scale of the University complies with the pay policy, while 21.5% of the respondents are also neutral to the issue. Moreover, 43.1% employees’ disagree that sensitive pay issues for example, the minimum and maximum levels of pay, etc are clearly addressed on the pay policy document of the University, while 41.5% of the respondents are neutral to the issue. The average mean (3.33) of respondents’ rating on their awareness and understanding about pay policy reveals that employees are not aware of and didn’t know what kind of pay policy does St. Mary’s University has?

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

Table 4.4 Awareness and understanding of respondents about the pay strategy

Statements	1		2		3		4		5		Mean
	f	%	f	%	F	%	F	%	F	%	
I am aware of that SMU has well-defined and understood pay strategy	4	6.2	10	15	23	35.4	22	33.8	6	9.2	3.25
I duly understand that pay scale of SMU comply with pay strategy	1	1.5	16	25	21	32.3	20	30.8	7	10.8	3.25
I duly understand that pay strategy helps the University to have competent pay structure	2	3.1	13	20	14	21.5	17	26.2	19	29.2	3.58
Average										3.36	

Source: Researcher's Own Survey, 2017

With this regard, the discussion under table 4.3 indicates that majority of the employees 43% and 35.4% disagreed and neutral that the University has well-defined and understood pay strategy. Furthermore, 41.6% and 32.3% respondents were also disagreed and neutral to the compliance of the pay scale of the University with pay strategy. In addition, 55.4% and 21.5% respondents were not understanding and neutral that pay strategy helps the University to have competent pay structure. The average mean (3.36) of respondents' rating on their understanding about pay strategy of the University reveals that employees are not aware of or do not understand what kind of pay strategy does St. Mary's University has? Results of the discussion clearly deduced that pay establishment processes of the University lacks the basic policy and procedures. Thus, the absence or inept pay policy and strategy eventually may leave the University with employees developing the feeling of undervalued (physical and mentally exploited), job insecurity, lack of career vision, conflict and so on.

4.3.5. Pay Structure that Satisfy the Required Standards

Armstrong (2010) argued that harmonious relationship between employee and the management can be maintained through comparative pay equity resulting from proper job evaluation. Job positions therefore, should be graded meeting with standardized procedures and principles, like, evaluating the job not the job incumbent, requires comprehensive and accurate job information, free of bias in any ground and so on.

Table 4.5 Pay structure that satisfy required standards

Statements	1		2		3		4		5		Mean
	F	%	f	%	F	%	F	%	f	%	
Job positions in the University are graded meeting standardized procedures and principles	3	4.6	18	28	17	26	21	32.2	6	9.2	3.14
I duly understand that pay scale of the University emanates from proper job evaluation & grading	1	1.5	7	11	10	15.4	35	53.8	12	18.5	3.77
Job titles on the pay scale are standardized so as to aspire incumbents	1	1.5	11	17	17	26.2	24	36.9	12	18.5	3.54
Standardized job titles of the University help candidates to assume duties & responsibilities of the position	4	6.2	19	29	12	18.5	23	35.4	7	10.8	3.15
Average										3.40	

Source: Researcher's Own Survey, 2017

Indeed, the principal principle of job evaluation is providing equal pay for substantially equal work through the primary procedure of factor evaluation system for position classification. With this regard, employees were asked whether they know job positions in the University are graded meeting standardized procedures and principles. Therefore, close to 41.5% respondents agreed that job positions in the University are not graded meeting standardized principles and procedures. Only 32.6% respondents are aware of that job positions in the University are graded meeting standardized procedures and principles while 26% employees are neutral to the issue. Moreover, according to respondents, pay scale of the University does not emanate from proper job evaluation & grading processes. Consecutively, there are also job titles like “Assessor” at Testing Center and “Editor-tutor-Assessor” at CODL those are not standardized to aspire incumbents for the positions,. Furthermore, majority of respondents (46.2%) do not believe that job titles of the University help candidates to assume duties & responsibilities of the position in advance, while 18.5% respondents are neutral on the issue. The average mean (3.40) also indicates that pay structure of the University does not satisfy the required standards.

4.3.6. Pay Equitability and Fairness

As discussed in several literatures, pay equality means that people who are exactly alike in every material aspect should not earn differently based on discriminatory or prohibited factors. Indeed, employees were asked to evaluate pay equitability and fairness (both internal and external) of the University and the following results were drawn, accordingly.

Table 4.6 Respondents' rating on pay equitability and fairness

Statements	1		2		3		4		5		Mean
	F	%	F	%	F	%	F	%	f	%	
I feel comfortable that my salary is par with other positions requiring the same qualification in the University	3	4.6	12	19	9	13.8	27	41.5	14	21.5	3.57
I feel comfortable that my salary is par with other positions requiring the same qualification in the labor market	1	1.5	4	6.2	5	7.7	21	32.3	34	52.3	4.28
There is an incidence of grade drift (unjustified upgrading) in the University	1	1.5	11	17	28	43.1	19	29.2	6	9.2	3.28
SMU salary is consistent among employees	0	0	12	19	11	16.9	31	47.7	11	16.9	3.63
The basis upon which my pay determined is fair	0	0	9	14	8	12.3	30	46.2	18	27.7	3.88
Average										3.73	

Source: Researcher's Own Survey, 2017

According to the data drawn on table 4.5, only 23.6% respondents feel comfortable that their salary is par with other positions requiring the same qualification in the University, while 63% respondents disagree and 13.8% neutral to the issue. On a cross checking question (question 4.1.2/ii) majority respondents 60% knew colleague/s in the University doing the same job but receiving different grading/pay while 63% respondents also knew colleague/s in the University with low workload but awarded grading/pay equal to a person with a high workload. It is therefore, rational to conclude that there exists a pay inequity at St. Mary's University.

A triangulation from document analysis of SMU's recent pay scale results that the pay scale treats the same educational qualification of assistant graduates for ETB 3,600.00 and ETB 2,800.00 for noon-teaching staff members. With the same fashion basic course lecturers are paid

ETB 5,000.00 and business course lecturers ETB 5,600.00 while noon-teaching staff members paid ETB 4,800.00 for the same qualification i.e., MA/MSc Degree. It is also noted on the pay scale that technical positions like finance, IT and drivers still to be treated in different ways regardless of similarities in qualification.

Regarding the external pay equitability of the University, most respondents (84.6%) agreed up on SMU's external pay inequity and alleged the University for the Phenomenon of high employees' turnover. Nevertheless, 43.1% of the respondents are not aware of grade drift practice in the University, while 38.4% of the respondents also do not believe that there is incidence of grade drift (unjustified upgrading) in the University. However, 64.6% employees believe that SMU's salary is in-consistent among employees. Regarding to the perception of employees on basis upon which pay is determined, 73.9% respondents believe that is not fair and only 14% respondents agreed that is fair. In general, at univariate level of the category, external pay equitability is worse than other variables and the average mean (3.73) also indicate that pay equitability and fairness of the University is unsatisfactory.

4.3.7. Pay Establishment Trends

Poels (1997) argued that job evaluation process in an organization is a strategic alliance with medium or long term strategic directions. And Poels also suggests conducting job evaluation usually when: a new job is created, before recruitment; substantive functions are added or removed from a job and substantive organizational structural changes. Meanwhile, the impact of inflation and the annual cycle of wage negotiation have made an annual review of salaries normal practice in many organizations. The distinction between different employee groups is often made with different review dates. This can cause serious problems when trying to maintain a rational basis for salary differentials and leads to a periodical pay review.

Table 4.7 Perception of employees on pay establishment trends

Statements	1		2		3		4		5		Mean
	F	%	F	%	F	%	F	%	F	%	
SMU usually evaluates its jobs at a specific time interval	6	9.2	25	39	14	21.5	16	24.6	4	6.2	2.80
SMU periodically evaluates the effectiveness of the pay scale	2	3.1	7	11	24	36.9	23	35.4	9	13.8	3.46
SMU is usually responsive to salary increases at external labor market	1	1.5	5	7.7	10	15.4	27	41.5	22	33.8	3.98
Pay establishment practices at SMU are usually carried out by the top management	15	23.1	18	28	18	27.7	9	13.8	5	7.7	2.55
SMU usually pay sufficient attention to pay the workload than people	4	6.2	6	9.2	12	18.5	27	41.5	16	24.6	3.69
										Average	3.30

Source: Researcher's Own Survey, 2017

With this regard, 48.2% respondents were agreed up on job evaluation of SMU usually conducted at a specific time interval and 30.8% respondents disagreed, while the remaining 21.5% respondents were neutral to the issue. It is interesting to triangulate the response to this variable with cross-checking question (4.1.2/i) and hence, 51% respondents were aware of job evaluation practice at SMU usually conducted at a specific time interval while 49% perceived as no job evaluation practices at all in the University.

In addition, the reaction of managers to market rates and pressures is partly a problem of how to cope with short-term changes in the market rates. Hence, 75.3% of the respondents agreed that SMU is not usually responsive to salary increases at external labor market.

With regard to pay establishment authority, 51.1% respondents perceived that pay establishment practices at SMU are usually carried out by the top management, while 27.7% respondents didn't know about the process. Furthermore, 66.1% respondents believed that SMU usually pay sufficient attention to pay people than the workload.

4.3.8. Alignment of Pay Scale with Significant Organizational Changes

It is noted that St. Mary’s University is an outgrowth of St. Mary’s Language School which was established in 1991 in Addis Ababa⁵. It is also understood that what the University have done so far has not been that easy; several internal adjustments like structural expansion and merger of working units are expected activities. Hence, the pay scale alignment with these functional changes was required at each significant organizational change.

Table 4.8 Alignment of pay scale with significant organizational changes

Statements	1		2		3		4		5		Mean
	F	%	F	%	F	%	f	%	f	%	
SMU usually aligns its pay scale with significant organizational changes (example, at the time of being a College and a University)	0	0	17	26	13	20	19	29.2	16	24.6	3.52
SMU usually aligns its pay scale at time of merger in significant work units	0	0	12	19	17	26.2	23	35.4	13	20	3.57
SMU usually aligns its pay scale at time of establishing new significant work unit	0	0	11	17	18	27.7	27	41.5	9	13.8	3.52
Average										3.54	

Source: Researcher’s Own Survey, 2017

However, majority of respondents 53.8% respond that SMU usually does not align its pay scale with significant organizational changes (for example, at the time of being a College, University College and a University). Only 26% of respondents agreed up on the alignment of pay scale with significant organizational changes. Moreover, 55.4% and 55.3 employees rate the University that it does not align its pay scale at time of merger and establishment of significant work units respectively. Generally, the average mean (3.54) also tells us the weakness of pay alignment with substantial organizational structural changes of the University.

⁵ (<http://smuc.edu.et/index.php/about-smu2/our-past>, 18 Dec. 2016, 07:33PM)

4.3.9. Stakeholders' Participation

Participation of pertinent stakeholders like top managers, line managers, HR specialists, employees and union representatives in job evaluation & pay establishment processes helps organization in maintaining harmonious relationship between employees and the management.

Table 4.9 Stakeholders' participation in job evaluation processes

Statements	1		2		3		4		5		Mean
	F	%	F	%	f	%	f	%	F	%	
All level management is aware of the importance & participant in job evaluation and grading processes of the University	3	4.6	12	19	18	27.7	24	36.9	8	12.3	3.34
I am aware of the importance & participant in job grading processes of the University	4	6.2	16	25	15	23.1	20	30.8	10	15.4	3.25
I am timely communicated how the job grads are designed	2	3.1	5	7.7	16	24.6	30	46.2	12	18.5	3.69
Average										3.39	

Source: Researcher's Own Survey, 2017

As a result, the descriptive analysis on the perception of employees towards stakeholders' participation in job evaluation processes of the University reveals that the majority of respondents (49.2%) agreed that all level management are not aware of the importance & participant in job evaluation and grading processes of the University while 27.7% have no information about the issue. On the other hand, only 31.2% employees were aware of the importance and participants in job evaluation and grading processes of the University, while 23.1% employees have no idea on the issue and other 46.2% respondents are not aware of the importance & participants in job evaluation and grading processes of the University. Moreover, significant numbers of respondents (64.7%) were not timely communicated how the job grades are designed, while 24.6% employees have no idea at all. Result of the average mean (3.39) on the issue also indicates that participation of pertinent stakeholders at the time of job evaluation in the University is very minimal or nil. This is perhaps due to the non existence of job evaluation trend or the process was handled by only single or few authorities.

Table 4.10 Stakeholders' participation in pay establishment processes

Statements	1		2		3		4		5		Mean
	F	%	F	%	f	%	f	%	F	%	
All level management is aware of the importance & participant in pay scale establishment processes of the University	3	4.6	12	19	16	24.6	22	33.8	12	18.5	3.43
I am aware of the importance & participant in pay establishment processes of the University	3	4.6	13	20	9	13.8	26	40	14	21.5	3.54
I am timely communicated how the pay scale is designed	1	1.5	6	9.2	9	13.8	31	47.7	18	27.7	3.91
Pay establishment tasks at SMU usually is led by professional consultants	2	3.1	2	3.1	23	35.4	18	27.7	20	30.8	3.80
Pay establishment process effectively enhances the engagement of pertinent stakeholders	4	6.2	9	14	21	32.3	18	27.7	13	20	3.42
Average											3.62

Source: Researcher's Own Survey, 2017

Establishing the appropriate pay scale involves varying degrees of formality, which defines the rates of pay for jobs, the pay relativities between jobs and the basis upon which jobholders are paid. Pay structures are designed by reference to judgments about job values as expressed by relativities with other jobs and external (market) rates of pay for comparable jobs. Therefore, participation of pertinent stakeholders in pay establishment process is an inevitable task of an organization. Accordingly, as presented in table 4.9, most respondents (52.3%) were believed that all level management are not aware of the importance & participant in pay scale establishment processes of the University, while 24.6% respondents did not have an idea to the issue. Similarly 61.5% respondents themselves were not aware of the importance & participant in pay establishment processes in the University. Yet, 75.4% employees believed that they were not timely communicated how the pay scale was designed. Moreover, 58.5% employees believed that pay establishment tasks at SMU does not led by professional consultants and 35.4% respondents do not know who undertake pay establishment tasks at the University. Furthermore, 47.7% respondents were disagreed with pay establishment process that effectively enhances the engagement of pertinent stakeholders while 32.3% respondents were neutral to the issue. The average mean result (3.62) also indicate that there is no or very minimal participation of pertinent stakeholders in pay establishment processes of the University.

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

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

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

Table 4.11 Ability of pay scale to acquire and retain qualified staff members

Statements	1		2		3		4		5		Mean
	F	%	F	%	F	%	F	%	f	%	
Pay scale of the University helps in bringing harmonious relationship between employee and the management	6	9.2	11	17	13	20	21	32.3	14	21.5	3.40
Pay scale of the University attracts qualified employees	2	3.1	4	6.2	6	9.2	22	33.8	31	47.7	4.17
Pay scale helps the University retains qualified staff members	2	3.1	10	15	3	4.6	20	30.8	30	46.2	4.02
I accepted this job because it pays well	1	1.5	6	9.2	8	12.3	20	30.8	30	46.2	4.11
I accepted this job because I had no other options	16	24.6	10	15	13	20	15	23.1	11	16.9	2.92
SMU's pay scale does not motivate employees	37	56.9	19	29	1	1.5	6	9.2	2	3.1	1.72
There is a critical need to review and revise the pay scale of the University	49	75.4	11	17	0	0	4	6.2	1	1.5	1.42
										Average	3.11

Source: Researcher's Own Survey, 2017

As a result, 81.5% and 77% respondents rated the pay scale of the University that could not attract and retain qualified employees respectively. The other 77% respondents were not agreed that he/she accepted the job because it pays well. Even, 39.6% respondents accepted the job because he/she had no other options. Moreover, figures in table 4.10, have shown that 85.9% respondents believed that SMU's pay scale does not motivate employees while 92.4% employees agreed up on a critical need to review and revise the pay scale of the University.

4.4. Interview Analysis

In order to support the results generated from the questionnaire analysis, additional primary data were collected from interviewees of Vice President for Business and Administration, Vice President for College of Distance Learning and Manager of Human Resource Management. The interview was designed to discuss on and list out practices of SMU towards job grading and pay establishment including the gaps that should have to be considered by the management.

4.4.1. Pay Policy

It is believed that much of the impetus for the development of the reward management concept has come from Europeans through the curriculum of contemporary Human Resource Management. As a result, it is a new phenomenon of organizations to assume pay policy and strategies in their business operation in which St. Mary's University practices the same. Interview discussion with vice presidents of BAVP and CODL reveals that SMU has somehow a pay policy and procedures stated under Articles 70 – 74 of its senate legislation that the general policies concerning faculty salaries shall be based on recommendations from the Faculty Appointment, Promotion and Development Committee which the recommendations reflect the relationship between faculty salaries and average salaries at similar institutions in the country, as well as relationships among salaries of the University faculty at the academic ranks and disciplines. Despite the fact that few pay policy and procedures, the pay policy does not include objectives of the pay policy and lacks to comprehend salary policies of position other than faculties.

4.4.2. Robustness of the Existing Pay Scale with HR Strategies

Two of the Vice Presidents and the HR Manager argued that the existing pay scale policy is not best fit with HR strategies of the University. Pay scale of the University is usually unable to attract and retain best minds. Interviewees also confirmed that the University could not cope with increase in the living cost due to its financial incapability.

4.4.3. Responsibility of Job Grading and Pay Scale Crafting Tasks

The key respondents of the interview expressed this view that job grading and pay establishment that satisfy the required standards are recent phenomenon. After several restructurings the current HRM office facilitates the task accordingly. Interviewees also propounded that work units, for example, Finance Administration, Information Communication Technology Development and Support Unit, and office of the registrar have participated in position designing processes and proposal of the pay level to the top management for approval.

Furthermore, interviewees conformed that the growth and development of SMU from being a Language Center to a College since 1998, as a University College since 2006 and being a University starting from 2012. Though, several structural expansion and merger of work units, none of job regarding or pay scale revision exhibited aligned with these significant organizational structural changes. However, according to respondents, positions could be established or downsized at any time basing on the expansion or contraction of work units in the University.

4.4.4. Major Problems with Respect to Job Grading and Pay Establishment Practices

In general, all interviewees argued that the pay scale of the University is unable both to attract and retain best minds. Furthermore, high employee turnover, failure to bargain with qualified incumbents at the time of recruitment and selection, and lack of transparency on the processes envisages employees to feel discomforts. The absence of pay and benefit policy and strategy, and impractical job grading of the University entails routine pay establishment tasks and results a blurred career path. Respondents also noticed that SMU is a single revenue (tuition fee) oriented institution with highest rent expense (19,150,000.00 per annum: SMU annual plan 2016/17) together with an inflated labor market unable to compete with competitive pay scale. Moreover,

the existence and practice of double standard or differential treatment that exist between public and private Higher Education Institutions in setting rules, regulations, criteria, facilitating support mechanisms, and, its impact on the delivery of quality education has been also allegedly voiced for unfair labor competition.

4.5. Secondary Data Analysis

To support the primary data analysis results, the researcher tried to assess secondary data or documents pertaining to job grading and pay establishment practices. Documents analysis in the research method is an inevitable tool in most schemes of triangulation. It refers to the various procedures involved in analyzing and interpreting data generated from the examination of documents and records relevant to a particular study. Indeed, the researcher assesses major documents, for example;

4.5.1. Higher Education Proclamation No. 650/2009

According to Ethiopian Higher Education Proclamations No. 650/2009, a Higher Education Institution in Ethiopia ought to have three major staff categories; the academic staff, administrative- support staff and technical-support one. Whereas:

The academic staff devotes 75% of his/her time to teaching and 25% of his/her time to research and shall include an employee of a research center of the institution who devotes 75% of his time to research and 25% of his time to teaching. Accordingly, any private higher education institution may have academic job families of Professors (including associate and assistant) lecturers (including assistants) and graduate assistants employed for teaching and research; and other employees may considered as academic staff by the decision of the Senate or, as the case may be, by the Academic Commission.

The administrative support staff employed to provide administrative, business management, accounting, catering, maintenance, safety, security and such other services.

The technical support staff employed to support the teaching- learning and research processes and non-academic professional medical personnel employed in a teaching hospital.

As a result, the proclamation entails job grading (it may occur) in higher education institutions should be in adherence with these predetermined job categories on the proclamations.

4.5.2. SMU Senate Legislation

SMU Senate Legislation (2009), article 52 clearly manifests academic ranks hierarchically in ascending order that coincide with the Higher Education Proclamation; Graduate Assistant I, Graduate Assistant II, Assistant Lecturer, Lecturer, Assistant Professor, Associate Professor and Professor. The same legislation Article 54 – 67 states procedures of new appointment of each academic ranks on the basis of education, physical and mental fitness, service year (experience), interest in research work and communication skill. With the same fashion, Articles 68 - 69 criteria for appointment and promotion of academic-support staff ranks also hierarchically described, for example, Assistant Librarian I - V, Associate Librarian and Librarian; and technical support staff as Technical Assistant I, Technical Assistant II, Technical Assistant III and Technical Assistant IV.

This implies that the University follows the job classification method only for academic positions and maintaining the hierarchical promotion for academic & some technical staff could be sufficient task. However, the greater controversy in job grading and pay issues of the University is the internal relativity or equity issues between academic, administrative support and technical support positions.

4.5.3. Pay Establishment Circulars

St. Mary's University current (November 2016) pay scale has 175 active jobs which are banded in 26 grades having 8 increment levels of each grade and with initial pay level (effective from the same month) ranging from ETB⁶ 800.00 of grade 1 to ETB 18,500.00 of grade 26 (laborer to professorship). Moreover, job grades 12, 16 and 21 – 26 each have single job, grades 1, 10 and 14 each have 17 jobs, grades 5 and 9 each have 5 jobs, grades 2 and 13 each 8 jobs, grades 7 and 15 each 4 jobs, grades 3 and 19 each have 13 jobs, grades 18 and 20 each have 2 jobs, grades 4 and 8 each 7 jobs, and grades 6, 11 and 18 each have 12, 9 and 18 jobs respectively.

The extent to which pay or benefit structure of the University includes, base pay, different forms of allowances (relative to different positions), for instance; transportation allowance, mobile card allowance, representation allowance, hardship allowance, cash indemnity allowance, fuel allowance including other none financial allowances like scholarship, Group Personal Accident,

⁶ 1 USD = 23.25 ETB as of May 2017

Medical and Life Insurance schemes, and the provision of vehicle with fuel for members of the top management.

Regarding the pay establishment trend or practices of the University is the results of spinning intuitive decisions made by the top level management. For instance, there are more than 20 circulars (during 2008 – 2016) towards pay adjustments in the University. Thus, the first circular (the researcher accessed) from office the president to HRM office dated on 6 September 2008 entails that the initial pay scale for support staff to be for laborers ETB 330.00, staff with certificate of 10+1 ETB 518.00, 10+2 ETB 648.00, 10+3 ETB 700.00 and BA/BSc. holders ETB 1,600.00 all without work experience.

Another circular from the same authority to HRM office dated on 27 July 2012 indicates that the entail pay level for support staff that had been effective from 6 September 2008 is adjusted as for laborers ETB 420.00, certificate holders of 10+1 ETB 672.00, 10+2 ETB 784.00 and 10+3 ETB 875.00 all without work experience. The flaw in this circular is still deficient in the rational & partiality in pay scale adjustment basing only on the problem of retaining & recruiting staff with the existing pay scale.

A consecutive circular from office of the president again decided on 30 August 2013 that the pay scale for graduate program teachers to be partially adjusted as initial salary of ETB 14,000.00 for professors, ETB 11,000.00 for Associate Professors and 9,000.00 for Assistant Professors.

As a result of intuitive nuance pay scale adjustment tradition in the University, a partial pay scale adjustment for messengers and drivers was slated to be ETB 600.00 and ETB 1,300.00 respectively effective from 28 April 2014 and the same partial adjustment for secretarial positions was decided on other circular dated on 17 December 2013.

An extra pay scale adjustment again partly for academic staff was proposed by HRM office & approved by office of the president on 19 November 2014. However, after a month a special allowance adjustment for six staff was approved again as a result of existing pay scale internal inequity.

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

the same endless circular dated on 9 May 2014 thinking that the stated positions were detriments on the existing pay scale.

Moreover, on the date of 19 April 2015 office of the Academic Vice President proposed & approved by office of the president for a new pay scale of all academic staff basing on their educational qualification and weekly course load. Pretty speaking, this attempt has tried to base a pay scale only on educational qualification and course load. Other compensable factors and equity (internal & external) issues were not been addressed adequately.

Yet, the fatal consequence of erratic pay scale remains the University unable to retain & recruit professionals after copious circulars of pay scale adjustments. As a result, the HRM office proposed & approved by office of the president a new pay scale adjustment by December 2015 but with the same fashion lacking of job evaluation, equity issue and market assessment or benchmarking.

Consecutively, a realm circular practice of SMU results the latest pay scale being effective from November 2016. The circular noted that technical positions like finance, IT and drivers still to be treated in different ways. The pay scale still treats differently the same educational qualification of assistant graduates for ETB 3,600.00 and ETB 2,800.00 for noon-teaching staff members. With the same fashion, MA/MSc. Degree for lecturers in business courses ETB 6,600.00, for lecturers in basic courses ETB 6,000.00 and for noon-teaching staff with the same qualification ETB 4,800.00.

With this all evidences, regardless of the routine and tiresome pay establishment practices, the remarkable task of the University is a recurrent pay adjustment trial to external market pressures so that minimize high employee turnover and increase pay satisfaction.

4.5.4. Comparative Analysis of Salary

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

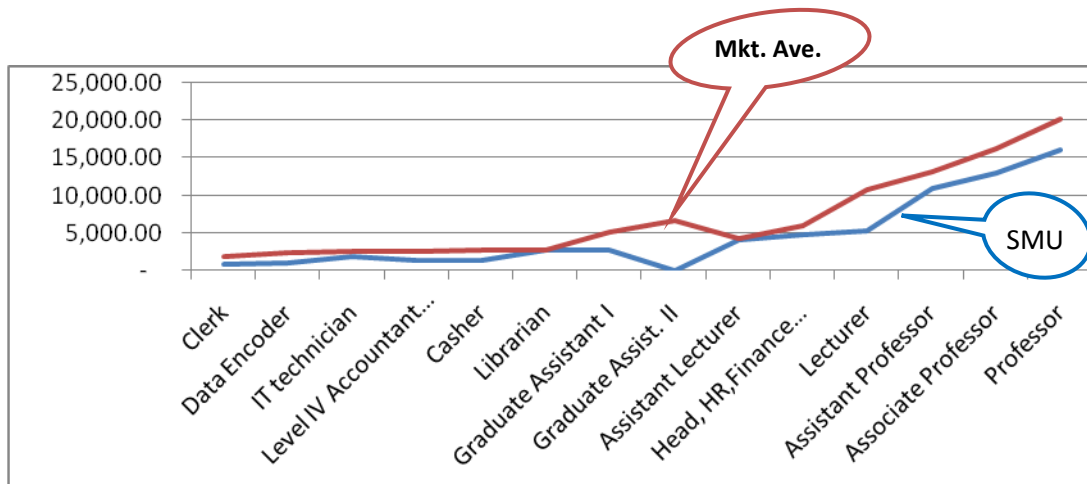


Figure 4.3 Pay market rate analyses

Source: Researcher's Own Survey, 2017

As discussed in figure 4.9 above, the market comparison clearly shows that pay scale of SMU is inequitable, i.e., incompetent with the labor market relative to the selected positions. Moreover, the researcher is very much interested to remember the reader about several additional major benefit packages especially in Public Higher Education Institutions, for example, provision of Condominium or Apartment House, Research awards and so on.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This last chapter will attempt to summarize, conclude and recommend about the research findings towards the practices of job grading and pay establishment practices of St. Mary's University.

5.1. Summary of the Major Findings

The research was initiated with major objective to assess the pay scale establishment practices of St. Mary's University; how the University's human capital has been compensated, to analyze whether the pay scale even serves as a motivational tool and determine the perception of employees about the practices. This descriptive research was conducted based on the data gathered through questionnaire, interview and documents analyses. Hence, the subtitle indicates a brief synopsis of the research so that the readers can quickly ascertain the purpose of the paper.

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

- ❖ The Senate Legislation of SMU incorporated few policy and procedures, but fails to address important and basic components as suggested in the theory of pay scale. Moreover, the existing pay policy and procedure is not adequately communicated for employees how their pay level was established or determined.
- ❖ Job grading and pay structure of the University fails to meet standardized procedures and principles, and yet not reviewed periodically. Furthermore, pay scale of the University does not emanate from proper job evaluation and grading processes.
- ❖ Pay equitability and fairness of the University is found to be unsatisfactory. At univariate level of pay equitability and fairness variables, the external pay equitability is worse and pay disparity practiced in the University.
- ❖ The pay establishment practices of SMU are usually carried out by the top management and significant number of respondents also believed that there is no job evaluation practices at all in the University.

- ❖ With regard to substantial internal organizational structural changes, the University fails to align its pay scale with such significant organizational changes (for example, at the time of being a College, University College and a University).
- ❖ Pertinent stakeholders like top managers, line managers, HR specialists, employees and union representatives were not participated in job evaluation and pay establishment processes at SMU because of the fact that the processes were handled by only single or few authority. Moreover, significant numbers of respondents were not timely communicated how the job grads are designed and pay scale established, while few employees have no idea at all to the issue.
- ❖ Data drawn from the research discussion clearly shows that the pay scale of the University is unable both to attract and retains best minds. Significant number of respondents also rated that the pay scale of the University does not help in bringing harmonious relationship between employee and the management.

5.2. Conclusions

Pay scale and motivation of employees were observed by scholars (Armstrong et al., 2007; Frans Poels, 1997; Stephen Bach, 2005) and enunciated to be very fundamental to an organization and enhancing its performance. For an organization to be competent in the turbulent labor market by attracting and retaining best minds that will be dedicated, committed and endeared to the achievement of the organizational goals.

- ❖ The discussion about awareness and understanding of employees about pay policies and strategies of St. Mary's University reveals that the University has tended to keep information secret. The respondents' rating on the issues reveals that employees are not aware of and didn't know what kind of pay policies and strategies the University has. However, interview and secondary data analysis indicates that the Senate Legislation of SMU incorporated few policy and procedures, but fails to address important and basic components as suggested in the theory. Absence of a pay policy and strategy entails intuitive decision making and arbitrary actions when dealing with reward issues, eventually results in pay disparity. Keeping secrete information about pay policies and strategies is no longer a tenable position. Employees will only feel that the pay establishment processes of the University are fair if they know what they are and how

they are used to determine their level of pay and methods of pay progression. Lack of understanding usually raises suspicion and hostility. One of the aims of reward management should be to enhance commitment, but there is no possibility of this being achieved if the University is secretive about pay policies and strategies.

- ❖ Job grading and pay structure of the University fails to meet standardized procedures and principles, and yet not reviewed periodically. Furthermore, pay scale of the University does not emanate from proper job evaluation & grading processes. The principal principle of job evaluation is providing equal pay for substantially equal work through the primary procedure of factor evaluation system for position classification. However, the principle couldn't be achieved unless adherence of standardized procedures and principles including periodical review of job grades and the pay structure.
- ❖ Pay equality and fairness (both internal and external) means that people who are exactly alike in every material aspect should not earn differently based on discriminatory or prohibited factors, however, it is found to be unsatisfactory at St. Mary's University. Both internal and external pay disparity is exhibited and this leads the University to encounter high employee turnover and job dissatisfaction.
- ❖ Several literatures argued that pay review or establishment practices in organizations are strategic alliance with medium or long term strategic directions. With this regard practices of these issues at St. Mary's University clearly indicate that they are the results of spinning intuitive decisions made by the top level management. In addition, the reaction of SMU management to the market rates and pressures is partly a problem of how to cope with short-term changes in the market rates.
- ❖ St. Mary's University encountered several internal adjustments like: structural expansion and merger of working units are expected activities. Hence, the pay scale alignment with these functional changes required at each significant organizational change. However, the research analysis clearly indicates that SMU usually does not align its pay scale with significant organizational changes (for example, at the time of being a College, University College and a University). Eventually, the weakness of pay alignment with substantial organization structural changes of the University results in a reprehensible pay system.

- ❖ Participation of pertinent stakeholders like top managers, line managers, HR specialists, employees and union representatives in job evaluation & pay establishment processes helps organization in maintaining harmonious relationship between employee and the management. However, the trend in University is very minimal or nil. This is perhaps due to non existence of job evaluation or the processes were handled by only single or few authority. The research also shows that a single individual among the respondents could not indicate the level of his or her job grade rather than mentioning title of the position he/she possesses.
- ❖ The soundness of the pay system is measured by the ability of both attracting and retaining of best minds. Indeed, the research indicates that the pay scale of the University that could not attract and retain qualified employees accordingly. Moreover, majority of respondents rate that SMU's pay scale does not motivating.

5.3. Recommendations

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

- ✓ The study laid out that SMU employees are not aware of and didn't understand the pay policy and strategy. However, interview and secondary data analysis indicates that the Senate Legislation of the University incorporated few policy and procedures, but fails to address important and basic policy components. Thus, the University needs to sustainably review the policy document and increase transparency of pay policies and strategies through effective employees' involvement and communications.
- ✓ Job positions in St. Mary's University are not graded meeting the required standards. Therefore, SMU is recommended to regularly review its pay scale meeting standardized procedures and principles, so that maintain fairness and the market competitiveness aligned with improvement of the living standard of its employees.
- ✓ The research discussion indicated that both external pay in-equality and internal pay disparity is exhibited. Thus, equal pay for work of equal volume shall always be practiced at St. Mary's University and external pay in-equity has to be seen critically in order to tackle employees' job dissatisfaction and high turnover. Furthermore, growth and development of SMU along with its employees found to be inevitable. Any form of

wealth accommodation for the University while employees are suffering the harrowing forces of poverty is by no means viable.

- ✓ The study found that pay establishment trend of the University is the results of spinning intuitive decisions made by the top level management with copious of routine circulars. In addition, the participation trend of pertinent stakeholders in job grading and pay establishment processes of the University is very minimal or nil. Hence, the University is advised to sustainably increase the participation opportunity of pertinent stakeholders in job grading and pay establishment processes so as to maintain harmonious relationship between employee and the management.
- ✓ SMU has encountered several internal adjustments like: structural expansion and merger of working units in its life history. However, the research indicated that the University does not align its pay scale with significant organizational changes. Hence, immediate due consideration to the weakness of pay alignment with substantial organization structural changes of the University and greater attention to the reprehensive pay system shall be given accordingly.
- ✓ The extent to which the pay scale enables the University to acquire and retain qualified staff members is unsatisfactory. Therefore, it is imperative that SMU shall seek to provide salaries that attract, retain and motivate competent employees. It is also recommended that robustness of compensation systems of the University ought to be studied or researched comprehensively.

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Annex A: Structured Questionnaire

St. Mary's University

School of Graduate Studies

Questionnaires to be Filled by SMU Senior Staff Members



Dear Respondents,

The main purpose of this questionnaire is to gather primary data for my MBA thesis entitled “**Assessment of Pay Scale Practices at St. Mary’s University**”. **The research perhaps depend on your responses and** tries to inform policy making and in due course will be footstep for the initiation of further research convergence. Thus, I would politely request you to take some time and complete the questionnaire carefully as well as genuinely. I assure you that the data collected through this questionnaire will be treated with utmost confidentiality and will not be used for any other purpose.

To remind you, job evaluation & grading, (contextualized to this research) is a systematic process for defining the relative worth or size of jobs within the University in order to establish internal relativities and basis for designing an equitable grade and faire pay scale which guides the achievement of equal pay for work of equal value.

Please read each statement carefully and encircle or put the tick (✓) mark under the choice and write your status and perception on the blank space provided to the questions accordingly. I duly appreciate your cooperation and dedication in advance.

General Instructions

- ❖ It is not necessary to write your name.
- ❖ Do not hesitate to ask questions for clarification (if any) with my cell phone 0911144513

Section – A: Demographic Variables of Respondents

1. Gender (1) Male (2) Female
2. Job Category (1) Academic (2) Administrative
3. Duty Station/Campus
(1) Undergraduate (2) CODL (3) SGS (4) Head Office (5) Testing center
4. State your educational qualification _____
5. State your service year at St. Mary’s University _____
6. State your pay amount _____
7. State level of your job grade (የሥራ መደብ ደረጃ) _____

Annex A: Structured Questionnaire

Section – B: Opinion Survey on Pay Scale:

1. How was your position been evaluated at a time of significant organizational change/s?
 (1) Correct and remains the same (3) Higher than the existing grade
 (2) Lower than the existing grade (4) No job evaluation at all
2. Do you know any colleague/s in the University, doing the same job but receiving different grading/pay? (1) Yes (2) No
3. Do you know any colleague/s in the University with low workload but awarded grading/pay equal to a person with a high workload? (1) Yes (2) No
4. How would you rate the general equitability and fairness of St. Mary’s University on providing the following?

Items	Excellent	Good	Average	Poor	Very poor
Basic Salary					
Annual pay increment					
Salary adjustment based on increases of the living cost					

5. Listed below are statements about job grading and pay establishment practices at St. Mary’s University. Therefore, please indicate your level of agreement according to each statement.

5.1. Pay Policy

s/n	Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a) Pay policy						
1	I am aware of that SMU has well-defined & understood pay policy					
2	I duly understand that pay scale of SMU comply with the pay policy					
3	I duly understand that treatment of sensitive pay issues are clearly addressed on the pay policy document					
b) Pay strategy						
4	I am aware of that SMU has well-defined and understood pay strategy					
5	I duly understand that pay scale of SMU comply with pay strategy					
6	I duly understand that pay strategy helps the University to have competent pay structure					

Annex A: Structured Questionnaire

5.2. Pay Structure Meeting the Required Standards

5.2.1. Establishment Processes

s/n	Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Job positions in the University are graded meeting standardized procedures and principles					
2	I duly understand that pay scale of the University emanates from proper job evaluation & grading					
3	Job titles on the pay scale are standardized so as to aspire incumbents					
4	Standardized job titles of the University help candidates to assume duties & responsibilities of the position					

5.2.2. Pay Equitability and Fairness

s/n	Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	I feel comfortable that my salary is par with other positions requiring the same qualification in the University					
2	I feel comfortable that my salary is par with other positions requiring the same qualification in the labor market					
3	There is an incidence of grade drift (unjustified upgrading) in the University					
4	SMU salary is consistent among employees					
5	The basis upon which my pay determined is fair					

5.3. Pay Revision Frequency

s/n	Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	SMU usually evaluates its jobs at a specific time interval					
2	SMU periodically evaluates the effectiveness of the pay scale					
3	SMU is usually responsive to salary increases at external labor market					
4	Pay establishment practices at SMU are usually carried out by the top management					
5	SMU usually pay sufficient attention to pay the workload than people					

Annex A: Structured Questionnaire

5.4. Alignment of Pay Scale with Significant Organizational Changes

s/n	Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	SMU usually aligns its pay scale with significant organizational changes (example, at the time of being a College and a University)					
2	SMU usually aligns its pay scale at time of merger in significant work units					
3	SMU usually aligns its pay scale at time of establishing new significant work unit					

5.5. Stakeholders (top managers, line managers, HR specialists, employees, union representatives) Participation in Job Evaluation & Pay Establishment Processes

s/n	Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a) Participation in job evaluation						
1	All level management is aware of the importance & participant in Job evaluation and grading processes of the University					
2	I am aware of the importance & participant in Job grading processes of the University					
3	I am timely communicated how the job grads are designed					
b) Participation in pay establishment						
4	All level management is aware of the importance & participant in pay scale establishment processes of the University					
5	I am aware of the importance & participant in pay establishment processes of the University					
6	I am timely communicated how the pay scale is designed					
7	Pay establishment tasks at SMU usually is led by professional consultants					
8	Pay establishment process effectively enhances the engagement of pertinent stakeholders					

Annex A: Structured Questionnaire

5.6. Recruitment and Retention Ability of the pay scale

s/n	Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Pay scale of the University helps in bringing harmonious relationship between employee and the management					
2	Pay scale of the University attracts qualified employees					
3	Pay scale helps the University retains qualified staff members					
4	I accepted this job because it pays well					
5	I accepted this job because I had no other options					
6	SMU's pay scale does not motivate employees					
7	There is a critical need to review and revise the pay scale of the University					

6. Any relevant suggestion you may add on the issues _____

Thank you very much!

Annex B: Interview Guide

St. Mary's University

School of Graduate Studies



Semi-structure interview questionnaire to be answered by Vice presidents

Dear Respondents,

The main purpose of this questionnaire is to gather primary data for my MBA thesis entitled “**Assessment of Pay Scale Practices at St. Mary’s University**”. The research perhaps depend on your responses and tries to inform policy making and in due course will be footstep for the initiation of further research convergence. Thus, I would politely request you to take some time and answer the questions carefully as well as genuinely. I assure you that the data collected through this questionnaire will be treated with utmost confidentiality and will not be used for any other purpose.

1. Does SMU have pay policy and strategy? If yes, what is/are the main pay objective/s stated on the policy?
2. Do you think that the existing pay scale is best fit with HR strategies of the University? If not, why?
3. Who is responsible for job grading and pay scale crafting tasks in the University?
4. How does job evaluation is aligned with significant organizational changes?
5. What are the major problems that the University is facing with respect to job grading and pay establishment practices?
6. Do you have anything that you may comment on job evaluation and pay establishment practices of the University?

Annex C: Interview Guide

St. Mary's University

School of Graduate Studies



Semi-structured interview questionnaire to be answered by HR Professionals

Dear Respondents,

The main purpose of this questionnaire is to gather primary data for my MBA thesis entitled “**Assessment of Pay Scale Practices at St. Mary’s University**”. The research perhaps depend on your responses and tries to inform policy making and in due course will be footstep for the initiation of further research convergence. Thus, I would politely request you to take some time and answer the questions carefully as well as genuinely. I assure you that the data collected through this questionnaire will be treated with utmost confidentiality and will not be used for any other purpose.

1. Does SMU have pay policy and strategy you are referring in the operations of reward management?
2. Do you think the current pay scale of the University is competitive in the labor market? If not, why?
3. How often your organization conducted job evaluation & pay scale crafting?
4. How does the University communicate the pay scale to its employees?
5. Should the employees have an opportunity to influence on the decision making process of the pay system?
6. What are the major problems that your department is facing with respect to job grading and pay scale crafting practices of the University?
7. Do you believe that pay scale of the University helps to minimize cost of recruitment and selection?
8. Do you have anything that you may comment on job evaluation and pay establishment practices of the University?

Annex D: Recruitment Minute



የሰው ሀብት አስተዳደር ቢሮ
የሥራ ቅጥር ተወዳዳሪዎች ውጤት ማጠቃለያና የቅጥር ኮሚቴ የውሳኔ ሃሳብ ቃለ ጉባኤ

1. የሥራ መደቡ መጠሪያ ዳተ ሊንግዲሮ
 2. የሥራ መደቡ የሚገኝበት የሥራ ክፍል እርግጠኛ ያዘጋጅ ሪፎርም
 3. የቃል ፈተና የተሰጠበት ቦታ ደንበኞች ገንባታ
- 6 ቀን ጥቅም ወር 2009 ዓ.ም ሰዓት 3:30

ተ/ቁ	የተወዳዳሪ ስም	ከቅጥር ኮሚቴ አባላት የተገኘ የቃል ፈተና አማካይ ውጤት / _____ %					የጽሑፍ ፈተና ካለ _____ %	የተግባር ፈተና ካለ _____ %	ጠቅላላ ድምር 100%	የጠየቁት ደመወዝ	ምርመራ
		ሰብዕና ንብረት መግለጫ <u>20</u> %	አሥራ ያለው ዕውቀት <u>60</u> %	የሥራ ተግባር <u>20</u> %	የት/ርት ውጤት (GPA) _____ %	የሥራ ልምድ-ተዛማጅነት _____ %					
	ደሴ ገብረ	15	42	17				74	> 2,500		
	ደብረ ገብረ	14	37	16				67	> 3,000		
	የገንዘብ ገንባታ	18	50	17				85	> 4,000.00		

የቅጥር ኮሚቴው የውሳኔ ሀሳብ ሀሳብ ተወዳዳሪዎች: የጠየቁት: ከነዚህ ወርጃ ይመረጣሉ
የተወሰኑት: የገንዘብ ገንባታ ስራ ለመሆን: ገንዘብ ለተገንባታ ስራ

የኮሚቴ አባላት ስም	ፊርማ
1. <u>ደብረ ገብረ</u>	
2. <u>ደብረ ገብረ</u>	
3. _____	
4. _____	

ቅጥርን ያጸደቀው ኃላፊ ውሳኔ ደብረ ገብረ የገንዘብ ገንባታ ስራ ለመሆን
1350 + 250 = 1600 መሆኑን ተኮራኒ የጠየቁ መሆኑን ገንዘብ ለተገንባታ ስራ

የኃላፊ ስም ሃይለማርያም ፊርማ ሃይለማርያም ቀን 05-04-2009

Annex F: SMU Current Initial Pay Scale

**St. Mary's University
Revised Basic Salary & Allowance
Effective – Hidar 2009**

No	Position	Qualification	Previous			Revised			Difference
			Salary	Allowance	Total	Salary	Allowance	Total	
1	Clerical	10 th Grade	700.00	-	700.00	800.00	-	800.00	100.00
		Level II (12 th Grade)	750.00	-	750.00	900.00	-	900.00	150.00
		Level III	884.00	-	884.00	1,000.00	-	1,000.00	116.00
		Level IV (Diploma)	1,150.00	-	1,150.00	1,350.00	-	1,350.00	200.00
	Fresh Graduate (Graduate Assistant)	BA (BASC)	2,400.00	800.00	3,200.00	2,800.00	800.00	3,600.00	400.00
3	Ass. Lecturer	BA+2 years	3,400.00	800.00	4,200.00	4,000.00	800.00	4,800.00	600.00
4	Lecturer for Business	MA (MSC)	4,700.00	1,000.00	5,700.00	5,600.00	1,000.00	6,600.00	900.00
5	Lecturer for Basic Courses	MA (MSC)	4,300.00	1,000.00	5,300.00	5,000.00	1,000.00	6,000.00	700.00
6	Assistant Professor	PhD (Rank)	10,000.00	1,000.00	11,000.00	11,700.00	1,000.00	12,700.00	1,700.00
7	Associate Professor	Rank	11,000.00	2,000.00	13,000.00	13,000.00	2,000.00	15,000.00	2,000.00
8	Professor	Rank	13,500.00	2,500.00	16,000.00	16,000.00	2,500.00	18,500.00	2,500.00
	Contracts Staff	Lecturer (MA)	3,800.00	-	3,800.00	4,300.00	-	4,300.00	500.00
10	Non teaching Staff	BA	2,400.00	As of the position	2,400.00	2,800.00	As of the position	2,800.00	400.00
11	Non teaching Staff	MA	4,200.00	As of the position	4,200.00	4,800.00	As of the position	4,800.00	600.00

Note:

- Technical positions, like for Finance, IT, Driver will be treated in different ways.
- Service for every position is negotiable up to three years, based on institutional annual increment scale.

Handwritten note:
 In the case of the contract staff, the salary will be 2,800.00 and the allowance will be 500.00. The total will be 3,300.00.
 Othman

Annex G: Pay Scale Proposal, 2015

New

ለ፣ ቢዝነስና አስተዳደር ምክትል ፕሬዝዳንት



ከ፣ አካዳሚክ ምክትል ፕሬዝዳንት *[Signature]*
2012/02/02

ቀን፣ የካቲት 10 ቀን 2007 ዓም

ጉዳይ፡ አዲስ የሚቀጠሩ መምህራን መነሻ ደሞዝ ማሻሻያን ይመለከታል።

የቅድስት ማርያም ዩኒቨርሲቲ የበላይ አመራር ቀደም ሲል ሲሰራበት የነበረውን የቅድመ ምረቃ አዲስ ቅጥር መምህራን መነሻ ደሞዝ ማሻሻል አስፈላጊ መሆኑን በግመን ከዚህ ደብዳቤ ጋር በአባሪነት የተያያዘው ማሻሻያ እንዲደረግ የወሰነ መሆኑን እየገለጸኩ ይህ መመሪያ ከየካቲት ወር 2007 ዓም ጀምሮ ተግባራዊ እንዲሆን ለሚመለከታቸው አስፈጻሚ አካላት መመሪያ እንዲሰጡ ይህን ማስታወሻ ልክለላሁ።

ከሰላምታ ጋር

ግልባጭ፡

- ❖ ለፕሬዝዳንት ቢሮ
- ❖ ለሌክሰራሪዎች ም/ፕሬዝዳንት ቢሮ

*ከዚህ ላይኛ ኩክፍል
 በዚህ ወላኝ መሠረት የመምህራን ስራ
 ከሌሎች ጋር ማሻሻያ ክፍት
 ጠባብ ክፍት ከሚከተለው ሆኖ
 12/06/07*

Annex H: Oldest Pay Scale Circular, 2008

St. Mary's University College



ቅድስት ማርያም ዩኒቨርሲቲ ኮሌጅ

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Fax: 251-11-553 80 00

✉ 18490 - Addis Ababa

e-mail: smc@ethio.net.et

ቁጥር ቅ/ማ/ዩ/ኮ/አ2-3933/2000

Ref

ቀን 01 ጳጉሜ 2000

Date

ለረዳት አስተዳደር ዲን /መደበኛ/

ለረዳት አስተዳደር ዲን /ርቀት/

ቅ/ማ/ዩ/ኮ

ጉዳዩ የተሻሻለው የአስተዳደር ሠራተኞች የደመወዝ ስኬል ስለመላክ

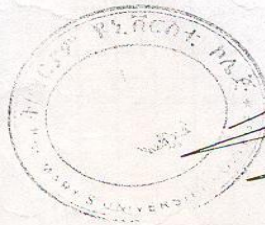
ዩኒቨርሲቲው የአስተዳደር ሠራተኞች የመደወዝ ስኬል ለሦስተኛ ጊዜ ካለው የገቢያ ሁኔታ ጋር ተጣጥሞ ከነሀሴ 2000 ዓ.ም ጀምሮ ለቀጣዩ 10 አመት እንዲያገለግል የተዘጋጀውን የደመወዝ ስኬል በዚህ ሸኚ ደብዳቤ አባሪነት የላክን መሆኑን እያስታወቅን በአፈፃፀም ላይ ተከታታይ ውይይቶችን የምናካሂድ መሆኑን እናስታውቃለን።

ግልባጭ:-

- ለፕራዚዳንት ዕ/ቤት

ቅ/ማ/ዩ/ኮ

አዲስ አበባ



ከሠላምታ ጋር

መ ኮ 77 ታደሰ
Mekonnen Tadesso

የአስተዳደርና ፋይናንስ አገልግሎት ጋራ
Head, Administrative and Finance Service

Annex I: Compensable Factors

Definition and Levels Compensable Factors

The purpose of job evaluation is to systematically and objectively place a relative value of jobs within an organization, in order to form the rationale and basis for determining pay levels which are fair and equitable. Job evaluation requires measuring the amount, or degree, to which that element/factor exists in a particular job. Each degree within each element/factor is assigned a weighted point value that, when added together, provides a total value for each job. This value then determines the appropriate salary level for the job. The number of levels for each factor depends on the nature and size of the company, the organization structure, the type of jobs involved and job requirements. Naturally, the finer the levels are defined, the easier it is to differentiate between jobs.

Although, several types of compensable factors (usually 5 - 25) are adopted in many organizations, according to the level of their importance to the organization, summarized under with their respective levels are those compensable factors the researcher thought as more appropriate for job evaluation litmus test purpose at St. Mary's University.

<i>S.No</i>	<i>Main Factor</i>	<i>Sub factor</i>	<i>Weight</i>	<i>Importance</i>	<i>Max. Points</i>
<i>1</i>	<i>Qualification</i>	<i>Education</i>	<i>30.2%</i>	<i>15.2</i>	<i>152</i>
		<i>Special Training</i>		<i>4</i>	<i>40</i>
		<i>Experience</i>		<i>11</i>	<i>110</i>
		<i>Sub Total</i>		<i>30.2</i>	<i>302</i>
<i>2</i>	<i>Major Duties and Responsibilities</i>	<i>Complexity of Work</i>	<i>35%</i>	<i>5</i>	<i>50</i>
		<i>Accountability</i>		<i>9</i>	<i>90</i>
		<i>Responsibilities for Finance</i>		<i>5</i>	<i>50</i>
		<i>Responsibilities for Properties & Equipments</i>		<i>5</i>	<i>50</i>
		<i>Responsibilities for Human Resources</i>		<i>8</i>	<i>80</i>
		<i>Responsibility for Decision Making</i>		<i>3</i>	<i>30</i>

Annex I: Compensable Factors

<i>Sub Total</i>				35	350
3	Mental, Physical and Visual Requirements	<i>Mental effort</i>	20%	12	120
		<i>Physical effort</i>		4.8	48
		<i>Visual effort</i>		3.2	32
Sub Total				20	200
4	Working Condition	<i>Health Hazards</i>	10%	3	30
		<i>Physical Hazards</i>		7	70
Sub Total				10	100
5	Nature of communication skill		4.8%	4.8	48
Total			100%	100	1,000

Source: Adopted from (Armstrong, 2010; Poels, 1997) and others by the researcher

1. Qualification: – This factor measures all forms of knowledge required to fulfill the job responsibilities satisfactorily. This includes theoretical and practical knowledge; professional, specialist or technical knowledge; and knowledge of the policies, practices and procedures associated with the job. It takes account of the educational level normally expected as well as the equivalent level of knowledge gained by undertaking a formal course of special form of training; and the practical experience required to fulfill the job responsibilities satisfactorily.

1.1. Education: - This sub factor describes the minimum educational qualification that the job requires to successfully perform the essential functions of a job. Knowledge of business, industry, management principles and technical disciplines etc. gained through formal training in school.

Level	Education	Point
1.0	High School Incomplete (Ability to comprehend and follow simple instructions)	19
2.0	High School Complete (10th grade in new education system or 12th grade in the previous system) (Ability to comprehend and carry out simple instructions within a routine standardized work)	38
3.0	Certificat (Level II) (Ability to read, write, perform simple arithmetic, and carry out simple functions)	57

Annex I: Compensable Factors

	independently)	
4.0	Certificate (Level III) (Ability to read, write, perform medium arithmetic, and carry out medium functions independently)	76
5.0	Diploma (Level IV) (Ability to comprehend multiple instructions)	95
6.0	First Degree (BA/BSc) (Ability to comprehend complex instructions or information; ability to apply knowledge of a specialized subject matter in the work environment)	114
7.0	Masters (MBA/MA/MSc) (Knowledge of a wide variety of principles and techniques of a specialized area or working knowledge of a professional discipline in order to apply the concepts, methods, and procedures to practical situations, and sufficient comprehension to detect and correct complex problems)	133
8.0	Doctorate (PhD) (Extensive knowledge of a professional field of work or a specialized program in order to apply theories, principles, and concepts to diverse situations; to provide advice or direction to others on highly specialized matters and to be able to synthesize the work of other professionals in the field)	152

1.2. Special Training: - This sub factor defines the minimum level of knowledge gained by undertaking a formal course of special training that the job required to fulfill the job responsibilities satisfactorily.

Level	Type of Special Training	Point
1.0	The work doesn't require special training	0
2.0	The work requires one month special training or 1 st grade driving license	8
3.0	The work requires above one month but less than four months special training or 2 nd grade driving license	16
4.0	The work requires 3 rd grade or equivalent driving license	24
5.0	The work requires up to six month special training or 4 th grade or equivalent driving license	32
6.0	The work requires up to one year special training or 5 th grade or equivalent driving license	40

1.3. Experience: - This sub factor defines the minimum level of relevant work experience gained through practical and on-the-job training that the job requires for an effective undertaking of the role.

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Level	Work Experience	Point
1.0	No need of work experience	0
2.0	1 – 2 years related work experience	22
3.0	3 – 4 years related work experience	44
4.0	5 – 6 years related work experience	66
5.0	7 – 8 years related work experience	88
6.0	9 – 10 years related work experience	110

2. Major Duties and Responsibilities: - This factor measures the complexity nature of duty assigned, the responsibilities of the job for financial resources, human resources, physical assets and responsibility for task results.

2.1. Complexity of Work: - This sub-factor measures the nature of, and need for, analysis and judgment within the context of available guidelines, including written or verbal procedures, policies, regulations, references; precedents and practices; and methods and techniques of a profession.

Level	Description	Point
1.0	Routine task processes with little training required. Operation of simple equipment and some responsibility for organizing own work with close supervision	10
2.0	Semi-skilled jobs, knowledge of utilization of special tools and equipments is required, some responsibility for organizing own work with some guidance and supervision	20
3.0	Work within specific scope of a function with general guidance. May involve supervising work of others. Require special training or proficiency in specific work area	30
4.0	Professional with experience who can independently perform professional tasks with very little guidance and very loose supervision. Play crucial role in executing tasks, leading teams and developing plans and programs, understanding of concepts, theories, principles and practices in the achievement of business goals	40
5.0	Define goals & strategies & direct activities with broad exposure or complex practices in technical, professional or business aspects. Provide high level of expertise	50

2.2. Accountability/Consequence of Error: - Consequence of error measures the effect on end results and covers the relationship between the nature of the work, loss of time, resources, and the magnitude of effect/s of the work.

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Level	Description	Point
1.0	Errors cause minor inconvenience or delay and are easily and quickly detected usually by the incumbent. Work is typically closely supervised.	20
2.0	Errors are normally detected by routine checks at subsequent work stages. Errors could cause interruption in service, damage to equipment, or monetary loss, but are usually confined to a specific area of operation. Guidance and direction are available. Errors are easily detected.	40
3.0	Errors are not readily detected, although work is subject to regular review or checking. Errors or incorrect actions would cause disruption in service, damage to equipment, monetary loss, or some loss in prestige or program value, and could affect the work of other departments. Work is not closely supervised and errors may be difficult to detect.	60
4.0	Errors may be difficult to detect, since work is subject only to occasional review. Errors typically could affect the operations of one or more areas of activity in terms of time, service or finances and may affect public relations; there is little or no opportunity to correct errors.	80
5.0	Errors are difficult to identify or trace since work is subject to general review. Errors have serious, usually short-term consequences, significant financial costs, reduced or impaired service to the public or negative media reaction; often results can only be reviewed over time	100

2.3. Responsibilities for Human Resources: - This sub-factor measures the responsibilities of the job for management, supervision, motivating, coordination, coaching, training and development of employees under his/her supervision. It includes work planning and allocation; checking and evaluating work; undertaking technical supervision, recruitment, discipline, appraisal and involvement in implementing HR policies. The emphasis is on the nature of the responsibility, rather than the precise numbers of those supervised, coordinated, trained or developed.

Level	Description	Point
1.0	The work doesn't have the requirement to exercise employee supervision. Occasionally may explain work procedures to new or mediocre employees	0
2.0	Role to supervise daily work of subordinates, provide on-the-job training, monitor and assess performance and task delegation	20
3.0	Involved in the planning of manpower requirement, training and staff development activities, reward recommendation, grievance handling and team building activities or act as internal consultant on personnel matters	40
4.0	Accountable for the overall management of human resources in a sizeable unit/function	60

Annex I: Compensable Factors

5.0	Major role in formulating corporate strategies for the management of human resources through development of systems and policies and provision of direction and advice	80
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2.4. Responsibilities for Financial Resources and Budgetary: - This sub-factor measures the responsibilities of the job for financial resources (including cash, vouchers, cheques, debits and credits, invoice payment, revenues, income generation) and the level of control and administration for a budget. It takes into account the nature of the responsibility, for example, correctness and accuracy; safekeeping, confidentiality and security; deployment and degree of direct control; budgetary and business planning responsibilities; planning, organizing and long term development of the financial resources.

Level	Description	Point
1.0	A little or no responsibility for handling or processing cash and other financial instruments and no control and administration for a budget	0
2.0	Some responsibility for handling or processing cash, and other financial instruments and no control and administration for a budget	12.5
3.0	Responsibility for authorizing expenditures or recoveries in accordance with detailed written procedures and/or control and administration for a budget for own work unit	25
4.0	High responsibility for activities which result in financial commitments made in the absence of detailed written procedures and/or control and administration for a budget. Engaged in one or more activities such as custodian of cash & equivalents, management of funding activities, development of accounting policies, assessment of financial viability of investments etc	35.5
5.0	Highest responsibility for activities which result in financial commitments made in the absence of detailed written procedures and/or control and administration for a budget. Overall control of corporate or unit financial resources of significant amounts	50

2.5. Responsibility for Physical Resources: - This sub-factor measures the direct responsibility of the jobholder for physical resources, including manual or computerized information; data and records; office and other equipment; tools and instruments; vehicles; plant and machinery; land, construction works, buildings and fittings and fixtures; personal possessions; and goods, produce stocks and supplies. It takes into account the nature of the responsibility, for example, safekeeping, confidentiality and security; deployment and degree of direct control, maintenance

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and repair; ordering, purchasing and replacement authority; planning, organizing and long term development of the physical resources.

Level	Description	Point
1.0	A little or no responsibility for handling & protecting office equipments under the incumbents custody	10
2.0	Some responsibility for handling & protecting light machineries (stock of spare parts & fittings, books, receipts, vouchers, stationary and fixed assets, photo & video cameras, Servers, duplicators, cash register machines, ...) under the incumbents custody	20
3.0	Moderate responsibility for handling and protecting medium cost machineries & equipments, like light automobiles,...	30
4.0	High responsibility for handling and protecting high cost machineries like medium vehicles driven by 3 rd grade or equivalent license, ...	40
5.0	Highest responsibility for handling and protecting highest cost machineries like medium vehicles driven by 4 th and 5 th grade or equivalent license,...	50

2.6. Responsibility for Decision Making: - This factor is concerned with the degree of decision-making responsibility that a jobholder shoulders. It explains what types of decisions the jobholder can make without prior approval.

Level	Description	Point
1.0	Few technical decisions called for and these will be routine nature with ample precedents or clearly defined procedures	10
2.0	Makes independent studies, analysis, interpretations and conclusions. Difficult, complex, or unusual matters or decisions are usually referred to line managers	20
3.0	Responsible for long range and strategic planning, policy and procedures formulation, coordination and making specific and far-reaching management decisions. Keeps management associates informed of all matters of significant importance	30

3. Effort: - This factor measures the degree and frequency of the mental concentration, alertness and attention, physical and visual effort required by the job.

3.1. Mental Effort: - This sub-factor measures the nature, level, frequency and duration of the mental effort required for the job (e.g. concentration; responding to unpredictable work patterns, interruptions and the need to meet deadlines).

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Level	Description	Point
1.0	Routine work processes with little training required. What has to be done and how to do it are clearly defined, and the incumbent will face identical or similar problems on a regular basis. Operation of simple equipment. Work to instructions	30
2.0	Work according to standards and procedures with some training required. Operation of special equipment. Under close supervision	60
3.0	Work within specific scope of a function with general guidance. May involve supervising work of others. Require special training or proficiency in specific work area, the incumbent's response will involve analysis, problem definition, development of alternatives, and making recommendations	90
4.0	Define goals & strategies & direct activities with broad exposure or complex practices in technical, professional or business aspects to lead in the achievement of business goals	120

3.2. Physical Effort: - This sub-factor refers to the physical effort exerted to undertake the role and is measured in terms of the physical position, and degree of mobility required. Examples are: standing for long periods, walking, lifting, pushing, pulling, carrying and fine hand movements.

Level	Description	Point
1.0	Jobs that demand ordinary physical effort involving some sitting, standing, walking, bending, reaching, bout of short duration. Includes carrying light items, some manual dexterity in the operation of office or shop equipment, and ordinary awareness of the surrounding environment.	12
2.0	Jobs that demand moderate physical effort more than ordinary strength, stamina, or dexterity such as prolonged standing or sitting in a restricted position, continuous walking up or down stairs; repeated bending, crouching, stooping, stretching, or reaching; lifting and carrying.	24
3.0	Jobs that demand high physical effort, such as repeated lifting of objects, carrying and pushing heavy loads; prolonged and intensive use of fingers, hands, or limbs on repetitive operation of mechanical, office, or shop machines and tools	36
4.0	Jobs that involve highest physical effort that causes considerable fatigue, such as lifting and carrying, or more; exceptional skill and/or speed requiring the use of fingers, hands, or limbs for prolonged periods	48

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3.3. Visual Effort: - This sub-factor measures the intensity of visual effort required in performing the job.

Level	Description	Point
1.0	Jobs that involve normal visual attention	8
2.0	Job that involve moderate visual effort to prepare various reports, handle loads of letters, do financial coding and calculations, auto mechanic and electrical maintenance	16
3.0	Jobs that involve high visual effort due to extensive data entry and report writing, figurative work and checking	24
4.0	Jobs that involve very extensive visual effort due to very extensive data entry and report writing, figurative work and checking, research & development	32

4. Working Environment and Hazards: - This factor measures the frequency of exposure to undesirable or disagreeable environmental conditions, or hazards inherent to the job; for instance, exposure to such unpleasant or disagreeable conditions as temperature extremes, odours, noise, inclement weather, interruptions; hazards which present a risk to health or personal safety; requirement to use safety devices, clothing or other safety procedures.

4.1. Work environment: - describes the location of the work and any special condition that apply to the position. It includes characteristics that must be met by a staff to successfully perform the essential functions of a job such as disagreeable or harmful working environment, noise, hours of work, work space etc.

Level	Description	Point
1.0	The work environment involves normal, everyday discomforts typical of such places as offices and meeting rooms. It is adequately lighted, heated, ventilated and is usually safe and comfortable usually that do not cause health and social problems. Work content requires ordinary emotional response.	0
2.0	The work environment involves moderate exposure to dirt, heat noise, fumes or other disagreeable factors. Jobs that require irregular working hours that may lead to minor physiological and social implications	15
3.0	High exposure to dirt, heat noise, fumes or other disagreeable factors. Jobs that require irregular working hours that may lead to minor physiological and social implications	30

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4.2.Risk and Hazardous Conditions: - This sub-factor is used to measure the degree of adverse features of the work environment, which expose the employee to risk of physical harm or discomfort.

Level	Description	Point
1.0	The work environment that involves no injury or physical hazard	0
2.0	There is a limited likelihood of minor injury, harm or illness to the incumbent	24
3.0	There is a moderate likelihood of major injury, harm or illness to the incumbent. Extra safety measures are required to prevent harm	48
4.0	There is a long-term likelihood of major injury, harm or illness to the incumbent. Conditions could be life-threatening or potentially disabling or death. More stringent safety measures are required to prevent harm, illness or injury	72

5. Nature of Communication Skills: – This factor covers the purpose of the communication, the complexity of the information and the intended audience (except communication with immediate supervisor).

Level	Description	Point
1.0	Factual information relating to the work is transmitted or received with courtesy. The information is typically routine, accuracy and attention to detail is necessary. Communication is typically internal, although there may be external contacts	12
2.0	Communication can be internal or external and may include the provision of basic direction or instruction to others, to facilitate work processes or resolve problems. Information that is transmitted or received often requires clarification	24
3.0	Frequent contacts with internal or external and the role are to influence & negotiate. Communication involves leading or participating in discussions aimed at gathering, analyzing and organizing varied and sometimes complex information	36
4.0	Frequent contacts with internal and external customers at all levels, to justify, counsel, defend and negotiate as formal representative to the University, or testify on its behalf. Detailed and complex information is exchanged in an effort to obtain the co-operation or participation of others through discussion of common points of interest. Or detailed and complex information of significant import is analyzed and presented on air in a clear and coherent manner	48

Annex J: Job Grading Litmus Test

Grade	Position	Education	Experience	Special Training	Duty & Responsibility	Error	Responsibility for Employees	Responsibility for Finance	Responsibility for Property	Decision Making	Mental Effort	Physical Effort	Vision Effort	Treat to Health	Work environment	Communication	Sum
XI	President	152	111	0	50	100	80	50	40	30	120	16	32	0	0	48	829
X	Executive Vice President	152	110	0	50	100	80	50	30	30	120	16	32	0	0	48	818
IX	Associate Vice President	152	44	0	50	80	64	40	30	30	90	16	32	0	0	48	628
VIII	Dean, Faculty of Accounting and Finance	133	66	0	40	80	48	0	10	20	90	16	32	0	0	36	571
VII	Computerized Exam Correction Unit Head and Database Administrator	133	44	0	40	60	32	0	10	20	60	16	24	0	0	24	463
VI	Senior Accountant	133	22	0	30	60	16	0	20	20	60	16	24	0	0	24	425
V	Cord Offset Machine Operator and Rios Machine Technician	19	22	8	30	60	0	0	50	10	30	48	16	30	48	12	383
IV	Head, Store	95	44	0	30	40	16	0	20	10	30	32	16	15	0	12	360
III	IT Technician	95	22	0	20	40	0	0	20	10	60	32	16	15	0	12	342
II	Archive & Photocopy Clerk	76	22	0	20	40	0	0	20	10	30	32	8	15	0	12	285
I	Messenger	19	0	0	10	20	0	0	10	10	30	48	8	30	24	12	221

DECLARATION

I, the undersigned, declare that this thesis is my own original work, prepared under the supervision of Shoa Jamal (Asst. Prof.). All sources of material used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institutions for the purpose of earning any degree.

Zelalem Ayalew Eshete

Name

Signature

June, 2017

St. Mary's University, Addis Ababa

ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate studies for examination with my approval as a university advisor.

Shoa Jamal (Asst. Prof.)

Advisor

Signature

June, 2017

St. Mary's University, Addis Ababa