

Pay Differentials and Employee Performance in Mitooma District in Western Uganda

Byabashaija Deusdedit^{1*}, Rwasheema Enos¹ and Mubehamwe Janan¹

¹Valley University of Science and Technology, P.O. Box 44, Bushenyi, Uganda

DOI: [10.36347/sjahss.2023.v11i12.002](https://doi.org/10.36347/sjahss.2023.v11i12.002)

| Received: 05.11.2023 | Accepted: 11.12.2023 | Published: 20.12.2023

*Corresponding author: Byabashaija Deusdedit

Valley University of Science and Technology, P.O. Box 44, Bushenyi, Uganda

Abstract

Original Research Article

The coherent study evaluated the influence of Pay Differentials on Employee Performance in Mitooma District in Western Uganda. The inquiry study employed an assessment correlational and descriptive research approach with a quantitative viewpoint model. A sample of 385 participants were carefully chosen from 1058 individuals using a table advanced by Morgan & Krejcie (1970). Data was garnered by means of questionnaires to compose an opinion survey. The scholar gathered information from the arena using simple random sampling and stratified random sampling tactics. Data was appraised using Descriptive statistics such as Means, Standard Deviation and Inferential Statistics such as Pearson linear correlation coefficient (PLCC) for quantitative magnitudes. The study outcomes came up with a significant association between Pay Differentials and Employee Performance in Mitooma District in Western Uganda. The research project concluded that Pay differential is an important concept in the HR world as it helps to ensure that employees are being fairly compensated for their work. Pay differential is a form of pay compensation that is used to recognize the differences in skill and knowledge levels, experience, and other factors that may affect the value of an employee's work. It is used to reward employees for their higher levels of knowledge, skill, experience, and other factors that may make them more valuable to the organization. From the research hard work findings, the academic expert recommended that Government of Uganda should augment on the budget meant to pay salaries of its workers and that people with similar qualifications, doing similar jobs should be paid the same amount of money in terms of salary or salary scales. This can be an impetus for better performance in Government Agencies, Departments and Ministries. It can be observed that such a scenario may expedite the process of growth and development in the country at large.

Keywords: Pay Differentials, Employee Performance, Government, Uganda.

Copyright © 2023 The Author(s): This is an open-access article distributed under the terms of the Creative Commons Attribution **4.0 International License (CC BY-NC 4.0)** which permits unrestricted use, distribution, and reproduction in any medium for non-commercial use provided the original author and source are credited.

INTRODUCTION

In the United States of America, a pay differential is special additional pay recognizing unusual competencies, circumstances, or working conditions applying to some or all incumbents in select classes. Pay Differentials are typically initiated through the collective bargaining process but may also be the result of a classification proposal. Creating and issuing a pay differential may be needed in order to recognize: Recruitment and retention difficulties. Special professional or educational certification. Undesirable work location or shift assignment. Performance of atypical duties. Recognition of special but temporary responsibilities. Acquisition or possession of special licenses, skills, or training. Incentive-based pay. Other special considerations that impact a subgroup within a given class (Cardella & Roomets, 2018). Pay differential is a term used in the HR world to describe the difference

in salaries between two or more employees who are performing the same job. This difference can be based on factors such as experience, education, or other qualifications.

Pay differential is an important concept in the HR world as it helps to ensure that employees are being fairly compensated for their work. Pay differential is a form of pay compensation that is used to recognize the differences in skill and knowledge levels, experience, and other factors that may affect the value of an employee's work. It is used to reward employees for their higher levels of knowledge, skill, experience, and other factors that may make them more valuable to the organization. Pay differential can also be used to encourage employees to stay with the organization and to motivate them to work harder and become more productive. The pay differential is a measure of how

much a particular job is worth to a particular group of people. It can be used to measure the success or failure of a workplace. The pay differential can be affected by a variety of factors, including: -The level of skill required to do the job-The level of pay-The level of competition in the workplace-The level of integration of the job into the workplace-The level of job satisfaction in the workplace. Pay differential refers to the difference in pay between different groups of workers or between workers in different industries (Pfeffer & Langton, 2023).

In Germany, Dufwenberg & Kirchsteiner (2022) mentioned that the history of pay differential in workplaces can be traced back to the early days of industrialization when workers were paid based on their skills and experience. During the 19th century, the rise of industrialization led to the emergence of a new class of workers who were employed in factories and other industrial settings. These workers were often paid low salaries and worked long hours in poor conditions. However, as the demand for skilled workers increased, employers began to offer higher salaries to attract and retain skilled workers. In the early 20th century, the labor movement emerged as a powerful force in the United States and other industrialized countries. Labor unions fought for better salaries and working conditions for workers, and as a result, pay differentials began to narrow. During World War II, the federal government implemented pay controls to prevent inflation and ensure that workers were paid fairly. This led to a further narrowing of pay differentials, as employers were required to pay workers based on their skills and experience.

In Asia, pay differential exists in the workplace because employers need to attract and retain talented employees who can contribute to the success of the company. They are willing to pay higher salaries to employees who have more experience, education, skills, or other factors that make them more valuable to the company. Pay differential can be fair or unfair depending on how it is determined and implemented. If it is based on objective criteria such as education, experience, and skills, and is applied consistently and transparently, it can be considered fair. However, if it is based on discriminatory factors such as gender, race, or age, or is applied arbitrarily or unfairly, it can be considered unfair and illegal. Employees will be paid either a percentage or dollar amount to signify special assignments, skills, qualifications or credentials utilized to add value to the state's workforce when those special assignments, skills, qualifications or credentials are necessary to fulfill or enhance the duties assigned to the position. Pay differentials are considered premium pay for the purposes of any policy formulated. Differentials will be removed when an employee is no longer performing the work, the position no longer requires the work to be performed, or the employee no longer has the special assignment, skills, qualifications or credentials.

Overpayments will be recouped in accordance with the Organization Accounting Manual. Employees must provide proof of skills, qualifications or credentials where required or when requested. It is the agency's responsibility to verify the employee's skills, qualifications or credentials prior to assigning the differential (Card, 2019; Charness, 2023 & Clark, 2020).

In Madagascar, Fehr & Goette (2021) opined that bilingual Skills Differential applies to employees who must use bilingual skills to perform assigned duties. "Bilingual skills" means translation to and from English, interpretation of another language or the use of sign language. The employee's supervisor must assign the interpretation and translation duties. The supervisor documents the assignment in the employee's position description. The differential is 5 percent of base pay. School activities differentials apply to unclassified Supervising Teacher, Special Schools exempt management service positions designated by the Department of Education to perform school-related activities that extend beyond a normal school day. The Department of Education pays employees a percentage of the annual salary established by the state's compensation plan for the Supervising Teacher, Special Schools in the Bachelor Degree Column.

In Kenya, geographic pay differential refers to pay at a different rate for similar jobs based on the location. Geographic location, in this instance, refers to cities, states, countries, territories, etc. The premise of geographic pay differential is based on the cost of living, market rates, and various other factors. For example, living in a large city like New York will be different from living in a smaller city where living costs are lower. Geographic Area Pay Differential applies to all permanent, non-resident employees whose regular work location is outside the state of Oregon. Agencies may pay this differential only with the approval of the director of the Department of Administrative Services. An employee is not entitled to per diem expense in lieu of the differential. The differential shall not exceed 25 percent of base pay. There are various reasons why a geographic pay differential can be used: Different compensation rules: Some cities or countries have a different approach to fixed pay vs. variable pay. The tax structure might be different as well. Cost of living: Some geographies are more expensive to live in than others due to various factors. A geographic pay differential provides supplemental pay to adjust for the high cost of living in these locations. External factors: Inflation and unemployment are among the external factors that may influence the need for a geographic pay differential (Breza, Kaur & Shamdasani, 2018).

In Uganda, Teachers of Arts subjects in secondary schools have described the new salary structure where the remunerations of their science colleagues has been doubled as an "injustice" that could

cripple the quality of education. Science teachers will now be earning nearly four times more than their Arts counterparts. Arts teachers under their umbrella organization, Uganda National Teachers Union (UNATU) went on a three-week sit-down strike protesting the selective increase. Their efforts did not yield. Museveni (2022) talked to UNATU members to go back to class, promising they would be considered at a later stage, but in an unspecified time. To class, they did return but the release of the new salary structure by the Ministry of Public Service in Uganda in 2022 opened old wounds and reignited the debate on the potential consequences of selective salary enhancements. Baguma (2022) observed that as the UNATU secretary general the disparity has further demotivated the Arts teachers, who have agitated for a pay rise since the signing of the 2018 collective bargaining agreement. Baguma (2022) noted that the quality of education is likely to be diluted. This is meant to kill education in Uganda. There is no way an Arts teacher will teach in the same class, same student when the counterpart is earning four times more. The teachers simply will be there but government should know that this is a Dead policy. Whoever is presiding over this will go on record for having killed education in Uganda. The monthly salary of a secondary school science teacher is up by Shillings 2.500.000 million to Shillings 4.200.000 million, while a junior teacher will get Shillings 2.200.000 million, up from between Shillings 795, 000 and Shillings 858,000. Their Arts counterparts will continue to earn between Shs1.2m and Shs700, 000, respectively (Baguma, 2022). The paradigm of pay differentials in Uganda, does not only affect teachers, but it also affects other categories of employees in different fields of workforce (Lamaro, 2023).

METHODS AND MATERIALS

Data Capturing

Authentic facts used for the research project were got by means of both primary and secondary chunks of data. Primary data was reached at by usage of questionnaires to chirpy people related to the research task. Adjuvant information was got by the use of documentary accounts. The study engaged an assessment correlational and descriptive inquiry design using a quantitative *modus operandi*.

Amin (2005) stated that descriptive investigation design is largely used to designate a phenomenon and its Data nature. The academic picked a total of 385 suppliers (sample size) by means of a table developed by Morgan & Krejcie (1970) to participate in the autopsy study.

Sampling Methods

The public expert engaged stratified random sampling and simple random sampling techniques in the research undertaking. The study professional used the target population including groups like Local government Civil servants, Political leaders, District managers, Technical staff, teachers, support staff, Officials from Ministry of Public Service.

Questionnaire

The questionnaire is a research tool comprising of inter-related cross-examinations organized by the academic about the research quandary under study grounded on the intentions of the survey investigation study. Items were set and recorded for the contributors to retort with choices as reflected on the likert scale type re-examinations.

This technique was valued because it covers a varied physical space in data congregation; it accumulates a lot of substantiation within a short period of time, and offers greater guarantee regarding confidentiality.

However, the questionnaire involved some precincts of attrition. There were limited copies that were not returned, although this was fixed by issuing a lot of duplicates than the compulsory number of the sample size for the research action.

Validity and reliability of research instruments

Validity of the well-thought-out valuation questionnaire was assured by employing content validity Index. Arising from the analysis of the validity of the instruments, the scholar got content validity index (CVI) of 0.78 which was well directly more than 0.75 signifying that the tool was valid to gather data for the quest study (Amin, 2005).

Reliability of the Premeditated Questionnaire was calculated by means of Cronbach's alpha coefficient formula however discerning the variables that had an alpha coefficient of figure bigger than 0.70. Since the reliability calculation got by the investigator produced 0.78 alpha value, it recognized that the research tool was steadfast to produce statistics needed for the heedful study.

Data Analysis

Evaluation Statistical tools which were involved to examine data for this checkup study included; descriptive statistics such as means, standard deviation and inferential analyses like Pearson Linear Correlation Coefficient for assessing quantitative data.

RESULTS

Table 1: Descriptive Statistics on Pay Differentials

Item	N	Mean	Std. Deviation
Pay differentials affect motivation of employees in an organization	385	1.33	.610
Pay differentials encourage employee retention in an organization	385	1.63	.654
Pay differentials affect the productivity of an organization	385	1.64	.555
Pay differentials improve the effectiveness of employees of a company	385	1.73	.657
Pay differentials encourage fair compensation for the workers of organizations	385	1.72	.747
Pay differentials affect the principle of time management for employees	385	1.71	.721
Pay differentials	385	1.6255	.40088

Source: Primary data, 2023

Results from Table 1 above revealed that pay differentials have a strong contribution to employees performance (overall mean of 1.6255). The results indicated that most respondents strongly agreed that pay differentials affect motivation of employees in an organization (mean= 1.33), they also to large extent agreed that pay differentials encourage employee retention in an organization and affect the productivity of an organization (mean=1.63, mean=1.64) respectively, and finally to a small extent most respondents were in agreement that pay differentials improve the

effectiveness of employees of a company, encourage fair compensation for the workers of organizations and affect the principle of time management for employees; all this were represented by the (mean=1.73, mean=1.7 and mean=1.72,) respectively. Using responses from the respondents, descriptive statistics were generated for the pay differentials variable using items in the questionnaires which were rated in the five point likert scale where by 1=Strongly Agree, 2=Agree, 3= Not sure, 4= disagree, 5=strongly disagree.

Table 2: The correlation between Pay differentials and employees performance in Mitooma district in Western Uganda

		Pay Differentials	Employees Performance
Pay Differentials	Pearson Correlation	1	.489**
	Sig. (2-tailed)		.000
	N	385	385
Employees Performance	Pearson Correlation	.489**	1
	Sig. (2-tailed)	.000	
	N	385	385

** . Correlation is significant at the 0.05 level (2-tailed).

Source: Primary data (2023)

In Table 2 above, the study established that Pay differentials significantly ($p=0.000<0.05$) influenced employees performance in Mitooma district in Western Uganda. Also, there was a moderate positive relationship ($r=0.489$) between pay differentials and employees performance in Mitooma district. In this context, pay differentials improved employees performance in Mitooma district; because it provided direction for workers to go for further studies for acquisition of knowledge and skills in order to allow development to blossom in Mitooma district. This implied that the set null hypothesis was rejected: "Pay differentials has no strong bearing on employees performance in Mitooma district in Western Uganda."

DISCUSSION

The findings of the study showed that the effect of Pay differentials on performance of employees in Mitooma district was significant. This result is contrary to the discoveries of prior investigators such as Fehr & Goette (2021) who conducted a study on salaries and

performance in France and found out that high salaries may not be a motivator for better performance in organisations because employees may be lacking other motivators such as social relations, a scenario that does not lead to the desired productivity in an organisation. Nevertheless, the outcome was in agreement with the study conducted by Card (2019) on Inequality at Work Places in Canada who found out that workers with similar qualifications who were not paid the same salary did not perform better at work. This was because management practiced discrimination in terms of remuneration. Thus, derailing the development of the country.

CONCLUSION

Pay differential is an important concept in the HR world as it helps to ensure that employees are being fairly compensated for their work. Pay differential is a form of pay compensation that is used to recognize the differences in skill and knowledge levels, experience, and other factors that may affect the value of an

employee's work. It is used to reward employees for their higher levels of knowledge, skill, experience, and other factors that may make them more valuable to the organization.

RECOMMENDATIONS

Government of Uganda should augment on the budget meant to pay salaries of its workers and that people with similar qualifications, doing similar jobs should be paid the same amount of money in terms of salary or salary scales. This can be an impetus for better performance in Government Agencies, Departments and Ministries. It can be observed that such a scenario may expedite the process of growth and development in the country at large.

REFERENCES

- Amin, E. (2005). *Social Research*. Makerere University Printery, Kampala.
- Breza, E., Kaur, S. and Shamdasani, Y. (2018). 'The Morale Effects of Pay Inequality', Quarterly Journal of Economics, Vol. 133, pp. 611–663.
- Card, D. (2019). 'Inequality at Work: the effect of peer salaries on job Satisfaction', American Economic Review, 102, 2981–3003.
- Cardella, E., & Roomets, A. (2018), *Our Bark is bigger than Our Bite: Stated Preferences over the Distribution of Salaries and the Effect on Productivity*. Texas Tech University, Working Paper.
- Charness, G. (2023). 'Does pay inequality affect worker effort? Experimental evidence?' *Journal of Labor Economics*, 25, 693–723.
- Clark, A. (2020). 'Effort and comparison income: experimental and survey evidence', *Industrial and Labor Relations Review*, 63, 407–426.
- Dufwenberg, M., & Kirchsteiner, G. (2022). 'A theory of sequential reciprocity', *Games and Economic Behavior*, 47, 268–298.
- Fehr, E., & Goette, L. (2021). 'Do workers work more if salaries are high? Experimental evidence from a randomized field experiment', *American Economic Review*, 97, 298–317.
- Lamaro, K. (2023). *Understanding the mixed economy of welfare and free education*. Bristol University Press.
- Morgan, D. W., & Krejcie, R. V. (1970). *Sample size Determination*. University of Minnesota.
- Museveni, Y. K. (2022). *Head of State Address*, Written Speech. Kampala, Uganda.
- Pfeffer, J., & Langton, N. (2023). 'The effect of pay dispersion on satisfaction, productivity and working collaboratively: evidence from college and university faculties', *Administrative Science Quarterly*, 38, 382–407.