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MERIT PAY IN THE PUBLIC SERVICE:

A PRELIMINARY STUDY OF PUBLIC SERVICE EMPLOYEES ATTITUDES

TO PERFORMANCE RELATED PAY INCREASES

A RESEARCH REPORT PRESENTED IN PARTIAL FULFILMENT OF
THE REQUIREMENTS FOR THE DEGREE OF MASTER OF
BUSINESS STUDIES AT MASSEY UNIVERSITY

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(i)

ABSTRACT

This study was designed to investigate the criteria on which public service employees would prefer their annual pay increase to be based. Two major variables of preference for pay increase based on merit and preference for pay increase based on length of service were examined. Also, demographic variables of age, sex, educational qualification, length of service, job level, and union membership were investigated. Two departments; the Department of Scientific and Industrial Research (DSIR) and Public Trust were chosen for their accessibility. Data collection involved a self-administered questionnaire. 67 valid responses (39 males and 28 females) were used in the survey. The data was analysed using the SPSSX computer program.

The findings indicated that employees preferred their annual pay increases to be based on length of service than merit. However, some employees rated both criteria highly. With the exception of educational qualification where school certificate holders preferred merit pay to pay increases based on length of service, there was no relationship between demographic variables and expressed preference for merit pay or pay increases based on length of service.

It was concluded that public service employees surveyed still wanted traditional annual pay increases based on length of service to continue. However, the near equal distribution of frequencies between preference for merit pay and pay increases based on length of service suggest that employees may want both systems to operate. This would mean that the Public service may have use both merit pay and pay increases based on length of service to motivate the employees.

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A literary work however small it is, is not the work of one man alone.

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Merit pay in the Public Service: A preliminary study of public service employees' attitudes to performance related pay increases.

CHAPTER ONE

INTRODUCTION

1.1.

The researcher became interested in productivity, employee efficiency and effectiveness in the public/civil service after discovering that in his working place in Tanzania very few people put real effort in their work activities. By 10.00 a.m. most of the offices in the building are empty. In some cases employees were conversing instead of working. Similar concern was expressed by the then President of the country Dr. Nyerere who in 1977, candidly denounced government and public officials for incompetence and failure to carry out duties with public spiritedness and ideological commitment. He said, "slackness at work and failure to give a hard day's effort in return for wages paid is a form of exploitation of the members of society." (Jackson & Rosberg 1985)

Organisations in both the private and the public sectors have been seriously concerned with how to improve their effectiveness and the productivity of their employees (Hills, Scott, Markham & Vest 1987). Management theorists and practitioners (Robbins 1982 and Beer, Spector, Lawrence, Mills & Walton 1984) suggest that ability and motivation can improve employee performance and productivity. While ability includes such things as technical skills, academic qualifications and information on the job, motivation involves factors that predispose employees to exert more effort in their work activities. Motivational theorists have postulated that factors such as the nature of the job, working conditions and rewards employees get from their work, predispose them to exert more effort (Beer, Spector, Lawrence, Mills & Walton 1984). In organisations rewards can be monetary or non-monetary. Non-monetary rewards include rewards like opportunities for career development, and participation in decision making in workplace. Monetary rewards involve money and include; basic pay, fringe benefits, and different incentive payments. Incentive payments are payment plans that are geared to results (Patten 1977). Incentive payment plans are principally

aimed at securing, maintaining and recognizing good performance. Incentive payments commonly used in organisations are piece-rate, bonus, commission, profit-sharing, value added schemes and pay increases or increments.

Piece-rate is a direct performance payment based on the quantity of units produced by an employee (Wallace & Fay 1983). A set amount for each piece or unit produced is received. A bonus is any direct additional lump sum payment made on top of a base salary for an individual employee or work group (Wallace & Fay 1983). Commission is a form of compensation for the sale of the products or services, usually an amount figured as a percentage of the sales (Henderson 1979). Profit-sharing is a programme in which a proportion of profit is given to the employees as reward for the performance (Wallace & Fay 1983). A value added scheme is a payment system where a reward is offered calculated on the results measured in financial terms, of adding value to bought in materials (Genders 1981). A measured day work (Genders 1981) is a system which provides payment of a fixed wage as long as a predetermined and agreed level of work is maintained (Genders 1981). Increment is defined as a payment system based on employees receiving regular increases in pay along a scale (McMillan Dictionary 1988). In organisations, pay increases can be automatic or based on merit. Pay increases based on merit are often referred to as merit pay in the compensation literature.

Murlis & Wright (1987) define merit payment systems as "those providing for periodic increases in pay which are incorporated in the basic salary or wages and which result from the assessment of individual performance and personal value to the organisation." The definition includes all those incremental systems where increments are discretionary and not automatic and are based on individual assessment. It excludes productivity or other cash bonuses, incentive payments, piecework payments, fixed service increments, sales commissions and share options."

Compensation theorists postulate that merit pay can motivate employees' productivity (Lawler 1971, Adelsberg 1978). The principle of merit pay has many supporters as well as detractors. It has been argued that merit pay may demotivate rather than motivate because surveys have indicated that many employees consider their performance as above average and feel cheated when they get small or no pay increases at all (Meyer 1975). Supporters of merit pay argue that if you want to motivate employees to achieve high performance, they have to be rewarded differentially based on meritorious performance (Adelsberg 1978, Browdy, 1988).

However, some compensation theorists (Browdy 1988, Hills, Scott, Markham & Vest 1987) emphasize that whether merit pay motivates or demotivates depends largely on the attitudes of employees. Hills, Scott, Markham & Vest (1987) argue that regardless of the decisionmakers' wishes or beliefs, the effectiveness of merit pay ultimately rests on the employees' perceptions about the equity of merit pay and whether it is based on their performance.

Merit pay is becoming common in the Public/civil services in the world. Merit pay was introduced in the US Federal Civil Service in 1980. The British Government introduced the merit payment systems in the Civil Service in 1988. In New Zealand the State Sector Act 1988 reforms introduced a merit pay system in two top positions of Chief Executive Officer (CEO) and Senior Executive Officer (SEO). At present many departments are introducing merit pay systems to other ranks.

While merit pay is increasingly becoming more common in the Public Service, few public sector organisations conduct any studies before the introduction of merit related payment systems (Godwin 1981). This study was an attempt to investigate whether public service employees in New Zealand want to base their pay increase on their individual performance or not.

CHAPTER TWO

2.1. Background information on the Departments involved in the Study

The two departments which were studied; the Public Trust Office and The Department of Scientific and Industrial Research are accountable to the State Services Commission. The State Sector Act 1988, instituted reforms in the State Services Commission which separated the Public Service departments into; trading enterprises owned by the state and those with regulatory, social and other functions. The former became State Owned Enterprises (SOE's) and the latter the Public Service. Besides this, both the State owned Enterprises and the Public Service Departments were given more autonomy from the State Service in operations. For instance they could employ and compensate their employees independent of the State Services Commission. At the same time both State Owned Enterprises and Public Service Departments were given a mandate to restructure and improve their efficiency and effectiveness. Restructuring in the Public Service departments involved the abolition of the previous occupational groupings and pay scales in favour of the more flexible(albeit bounded) systems of ranges of rates. However, limited automatic incremental progression has been retained (usually at the bottom of each range). Progression within ranges is now discretionary on the part of the employer depending on factors such as individual performance, ease or difficulty of recruitment or retention and availability of financial resources. The flexibility in the pay systems in the public service will now allow performance related pay such as merit pay increases to be instituted.

The Public Trust Office provides a wide range of services as trustee, executor, manager and attorney. It also acts as sinking fund or depreciation fund commissioner for many local authorities when so appointed and additionally holds other funds on their behalf. It is also required to provide a number of statutory services irrespective of whether these are remunerative. The Public Trust has already introduced the merit pay system. Since 1988 progression of employees within pay ranges has been based on individual performance.

The Department of Scientific and Industrial Research's (DSIR) role is to advance and apply scientific and technical knowledge for the benefit of New Zealand social and economic development. This Department will soon be using merit pay increases in its employee reward systems. At present the Department is designing an appraisal system

to accompany the merit pay systems. The minimum and maximum in the pay ranges will be set through negotiations with the unions. At the bottom of each range there will be some limited automatic progression, but as a whole progression within the ranges will be on merit based on individual performance.

CHAPTER THREE

LITERATURE REVIEW

3.1. Pay and Motivation

The use of monetary rewards in organisations is based on the assumption that money motivates. To understand the relationship between money and motivation let us look at some theories on motivation relevant to pay.

Early industrialists and traditional motivation theorists believed that the way to attract employees was to offer them good pay and the way to increase productivity was to raise the wages (Gortner 1977). In response to such beliefs, a piece-rate payment system was introduced. An employee could earn more by producing more. The relationship between pay and performance during this early industrial era was simple, because production was simple and could easily be measured. They found, however, that money motivates only to a certain point. With time it tended to lose value as a motivator. Taylor (1856-1915) one of the most distinguished management theorists and practitioners of the times, modified the early industrialists beliefs above, by proposing that productivity would increase if pay would also be accompanied by improved methods of work and standardised performance. His interest in motivating an employee to greater efforts led to a piece-rate system based upon definite time standards. During this time pay received great importance as a motivator. However, Taylor and his contemporaries' views were too simple. The view that people are motivated to work for more money is not always true.

The human relations school of the 1930s and 1940s was another approach to try to understand motivation. This approach was sparked off by the Hawthorne Studies at Western Electric Company in 1930s. Originally the study was designed to measure the effect of different working conditions (in this case lighting) and different pay systems on performance as advocated by the scientific management school. The researchers selected two groups of employees: an experimental group which worked under varying degrees of light and a control group which worked under normal illumination conditions. As illumination was increased, the output of the experimental group went up as expected. Unexpectedly, however, the output of the control group also went up without any increase in light. Baffled by these results, the researchers, led by Elton

Mayo from Harvard, conducted further experiments in which other improved working conditions such as rest periods and company lunches were added. Similar results were obtained. Further interviews of employees revealed that production went up under any conditions because of the attention lavished upon the employees by the experimenters. Armed with this new discovery it was concluded that employees would be motivated more by effective management and good leadership than pay or working conditions. However, the researchers neglected evidence in the same research which indicated that pay, one of the variable they tested, improved performance.

From early 1960s to the present, money again has emerged as an important topic of concern, especially among behavioural scientists. These contemporary researchers and theorists argue that any comprehensive theory of work motivation must take into account the role of money. Unlike the early scientific management proponents, contemporary theorists tend to view money as only one of the several important motivational agents. They suggest that other additional factors such as perceived equity of pay, group influences, and individual needs strength have impact on individual performance on a job. For example an individual who has a high need for money will be more motivated to perform in a situation that provides monetary rewards than an individual who is low in this need. Some of these theories are discussed below.

Positive reinforcement theory illustrates how pay can be used as a motivator. It is based on Skinner's (1953) propositions and Edward Thorndike's (1932) law of effect, that behaviours leading to a desired consequences will be repeated and behaviours that lead to undesired consequences will be stopped. Similarly behaviours which are ignored will diminish or stop altogether. Among the potential positive reinforcers are praise, recognition, money and achievement.

Expectancy theorists take a more elaborate view of motivation. Vroom (1964) and Porter & Lawler (1968) postulate that an individual must believe that additional effort will improve performance. He/she must also believe that better performance will be noticed, and will lead to personally valued rewards such as praise or pay increase. In this case, then motivation is the product of the relationship between effort and performance, and between performance and the rewards, as well as value placed on the rewards.

According to Herzberg (1959) pay is merely a hygiene factor or potential dissatisfier and not a motivator. Accordingly no increase in employee satisfaction could be expected from a pay intervention, but if it was insufficient, job dissatisfaction would occur. His propositions are not aimed at degrading pay, but drawing our attention to the importance of job content factors in motivation; which had previously been neglected or overlooked by some management theorists and practitioners

There is ample evidence in the literature that people value money or pay. For example an opinion polling organisation, reviewing data from the past two decades found that pay and benefits were ranked first or second in employees in every job classification; as indicated in the table below:

TABLE 1

RANK	MANAGERS	PROFESSIONALS	CLERICAL	HOURLY
1	Pay & benefits	Advancement	Pay & benefits	Pay & benefits
2	Advancement	Pay & benefits	Advancement	Security
3	Authority	Challenge	Supervision	Respect
4	Accomplishment	New skills	Respect	Supervision
5	Challenge	supervision	Security	Advancement

Source: From Beer et al (1984). *Managing Human Assets*; p. 118.

Having established that money is important to the employees and that money or pay can be a motivating agent in a work environment, it would be useful to look at how pay relates to individual employee's performance.

3.2. Pay and Performance

Since Taylor's proposition in 1911 that pay can influence individual performance, a lot of studies have been done to verify the proposition. Many researchers (Lawler 1971, Patten 1977, Dyer, Schwab, & Fossum 1982, Kopelman & Mihal 1983) concur that performance can be improved with pay, but they say only where pay is contingently linked to performance. Research evidence, however, (Lawler & Porter 1966, Meyer, Kay & French 1965) indicate that in practice pay has rarely been closely related to performance in most organisations which purport to base their pay on performance. Rewards, the above researchers argue are largely linked to non performance factors such as seniority, job level, individual skills or length of service.

Kopelman & Mihal (1983) quote Fein on pay and performance who states that "by any measure pay tied to performance is the most powerful motivator of improved work performance. It is undeniable that from floor sweepers to presidents all (employees) raise the productivity when pay is tied to their productivity" (p.63).

Given the proposition that if pay is to improve individual performance it has to be closely linked to performance, management theorists and practitioners have suggested several performance related payment systems. In work situations where it is relatively easy to measure individual performance, performance related pay include piece-rate, bonuses, commissions, measured daywork, value-added schemes and profit sharing. In work situations where it is difficult to set a standard of performance measurement or set objectives, performance related pay may take the form of pay increases or increments.

Theoretically increments are supposed to be based on the periodic review of employee performance to be given to those who deserve increments as a result of their performance. This assumes that performance can easily be observed and measured objectively in organisations.

3.3. Measuring Performance

Lawler (1981) argues that poor performance measures were one of the major causes of failure in the performance related pay experiments. Problems of measuring performance are partly caused by the nature of the task. But often problems arise from the nature of the measuring instrument and the rating supervisor. Some jobs offer little

scope of variation in performance to the extent that measuring the results is difficult if not impossible (Patten 1977). These jobs are such as those which are to be performed in a specific way and at a certain pace. For example in an automobile industry where work movements are controlled by robots. How do you gauge the individual contribution in such cases?

While there are some jobs which do not lend themselves to quantitative measurement there is still a substantial number of jobs where output can be measured (Genders 1981). Patten (1977) gives examples of such jobs as sales, professional, technical and managerial jobs. One of the most common and controversial performance measurement tools in use in work situations is the performance review or appraisal. Performance appraisal is used where objective counts of work output are impossible or where they are inadequate as an indicator of an employee contribution (Scarpello & Ledvinka 1988). Formal performance appraisal is as old as the concept of management and informal appraisal is as old as human history (Schuster 1985) This suggests that performance assessment is inevitable in any work environment. Performance appraisal is the process of reviewing individual past productive activity to evaluate the contribution they made toward attaining management system objectives (Certo 1985). This definition assumes that objectives can be easily set and employee performance can be observed and assessed; although often it cannot be measured objectively (Patten 1977).

In the public service performance measurement is achieved through a performance review or appraisal (Patten 1977, Genders 1981). Many researchers (Patten 1977, Wallace & Fay 1983, Hills, Madigan, Scott, & Markham 1987) have questioned the objectivity, validity and the reliability of performance appraisal. Reliability is the consistency with which an appraisal instrument delivers the same evaluations when applied to the same subject over time or the consistency of the evaluations by several judges of a single person. Validity is the extent to which an appraisal tool measures what it purports to measure; that is, does it actually measure performance?

Researchers cited in the above paragraph argue that performance appraisal ratings suffer from the following errors:

1. Leniency; where the rater consistently rates the subordinates high or low.
2. Halo error; when the evaluator allows his/her assessment of one characteristic to influence his/her assessment of the same person on other characteristics.

3. Central tendency that is when the supervisor rates all individuals at the centre (average) point of the scale.
4. Rater bias; when the rater values, beliefs or prejudices influence rating. The common bias variables are sex, religion, race and appearance.

These defects render the performance appraisal unpopular and unacceptable to some employees. Any payment based on performance appraisal therefore, may create problems of unfairness and inequity.

Management By Objectives (MBO) offers hope in performance measurement (Chruden and Sherman 1984). However, objectives and performance indicators are much easier set in some jobs than others because the output of some jobs is not clearly identifiable and discrete. This may be true of much managerial work.

3.4. Does Merit pay work?

Merit pay has been tried in many organisations in the world. By 1976 more than 80 percent of USA companies had merit programs for one or more groups of their employees (Hills, Scott, Markham & Vest 1987). In Britain merit pay system became popular with the end of the income policy in 1979 (Murlis & Wright 1987). The results of these merit pay experiments are not very encouraging because in many areas merit pay has failed to work as expected. Some researchers on merit pay (Meyer 1975) found that many administrators complain that merit pay system is difficult to administer in practice; hence their reluctance to use it. Lawler (1981) argues that the crucial linkage factor between pay and performance is rarely achieved. Employees are paid for other reasons such as seniority rather than performance. Meyer (1975) argues further that supporters of merit pay forget that people work for reasons other than money. When pay becomes the important goal, the individual interest tends to focus on that goal rather than on performance itself. Beer et al (1984) postulate that tying pay to performance may reduce the intrinsic motivation that comes when individuals are given freedom to manage and control their jobs. Intrinsic motivation decreases when a person's behaviour becomes dependent on a reward someone else controls or on the threat of sanctions. Meyer (1975) also questions the whole problem of the objectivity, validity and reliability of the performance appraisal upon which merit pay is based. Further he suggests that employees and trade unions tend to dislike the appraisal system because it makes them more dependent on the whims of the appraising supervisor.

Supporters of merit pay (Lawler 1981, Hills, Madigan, Scott, & Markham 1987) postulate that a merit payment system can be a powerful motivating tool when used effectively and with caution. This largely means the establishment of a good performance appraisal system, a good merit pay delivery system, and open communication with employees to gain their support in the use of the system and ultimately the continuous auditing to see if the established system works properly. In most of the organisations where merit pay has failed, these crucial elements were not taken care of.

3.5. Research on Merit Pay in the Public Service

Controversy is still rife on whether merit pay can work in the public sector. Opponents to using merit pay in the Public service (Godwin 1987, Stein 1987) argue that most research on merit pay has been conducted in profit-oriented organisations of the private sector; the findings therefore, cannot work well in the predominantly service oriented public sector. Turner (1979) suggests that it is unrealistic to believe that methods of business can solve the unique problems of the public sector.

Godwin (1987) goes on to argue that in the public sector the size of cash for merit pay is usually small. This is contrary to Lawler's (1981) contention that if pay is to be used to improve performance large increases must be attached to good performance. The current policies of many governments toward reducing budget deficits by wide spread reduction in government spending does not permit the allocation of funds for merit pay. Even if the government was willing, tax payers' demands that the public service account for the public money it uses may discourage the allocation of resources for merit pay. The major concern for the public is, why pay more for the public service employees to perform the jobs they are hired to do in the first place (Cayer 1980).

Other studies on merit related pay (Wisdom & Patzig 1987, Stein 1987) look at the problem of measuring performance in the public sector. They point out that the public sector job and activities are predominantly service oriented. It is often difficult to define them in terms of clear performance objectives like in the profit oriented private sector. Even if it was possible to do so, public service activities may have many outcomes which make it difficult to measure. Wisdom et al (1987) and Stein (1987) argue further that the public sector unlike the private sector which has profit as a measurement for performance does not have a clearly defined measuring instrument for performance.

However, Megaw (1982) observes that the difficulties of assessing an employee's performance in the civil service is exaggerated. He states, (p.61) " if it is possible to make good judgements about who to promote, it is possible to make good judgements about performance in the present job. Even in areas where people are paid for their occupational skills or completion of a standardised task, performance can be judged;(most people would claim to be able to distinguish; say a good secretary from a poor secretary)."

3.6. Employees' Attitudes toward merit pay

Many studies (Wisdom & Patzig 1987, Hills, Scott, Markham & Vest 1987, Godwin 1987. Browdy 1988) have emphasized the importance of employees' attitudes in the success of merit pay systems. Godwin and Browdy suggest that we seek employees attitudes before and after the introduction of merit pay to find out whether they are receptive to the concept of incentive compensation or not.

In the study of UK companies which have used merit pay, Murlis & Wright (1985) found that merit pay was favoured by management as they tried to gain or regain control over pay. Their findings are consistent with Lawler's (1971) results that in general managers are more favourably disposed toward merit pay than other workers.

Nigro's (1981) study of attitudes toward performance appraisal and merit pay of federal government employees in USA; found that although they expressed dissatisfaction with performance appraisal, the majority favoured merit pay systems. Lawler (1971) found that blue collar workers in general were not against merit pay as such but against certain types of merit pay especially those which could not guarantee fairness. Hills et al (1987) came to the same conclusion in their study of a large transit company in USA. They noted that employees disagreed with the notion that all employees should get an equal pay increase. There was even a stronger disagreement with the use of seniority for the granting of pay increases.

Brindle (1987) points out that opponents of merit pay argue that team work is integral to the civil/public service. The nature of public service work creates a particular need for cooperation and shared objectives. Performance pay threatens this by rewarding individuals for achievements that are more truly the product of a team. Murlis & Wright (1985) found this to be true. They observe that where the cohesion of research

teams is important and where the researchers see themselves as contributors to team efforts, strong pay discrimination is not well received. However, Browdy (1988) on incentive compensation among nurses argues that incentive compensation can be an effective team building device if the group knows that their fortune depends on mutual cooperation.

Egalitarian salary patterns based on annual pay increases and longevity leave high performers disappointed (Browdy 1988). Similar observations were noted by Murlis & Wright (1987) who found that high performing employees were looking for what they felt to be their just reward in merit payment systems.

Many industrial unions are opposed to paying different rates for the same job. They generally prefer flat wages and increases across the board (Patten 1977). Murlis & Wright (1987) observed that it was difficult to negotiate merit payment system with the unions and most trade unions do not officially support merit pay.

In their empirical study of employees attitudes toward performance appraisal in the transit company cited above Hills, Scott, Markham & Vest (1987) noted that employees with high scores were satisfied with the appraisal while those with low scores were dissatisfied with the appraisal. This was reflected in their attitude toward merit pay. Those with high scores favoured merit pay while low scorers were dissatisfied with merit pay. This suggests that there is a relationship between the attitudes toward performance appraisal and those toward merit pay.

Although there is a legislation in New Zealand which guarantees equal pay for equal work regardless of gender, the New Zealand average female earnings were 74.7 percent of that of male figure (McLennan, Inkson, Dakin, Dewe and Elkin, 1987). One could assume that female employees would support any measures leading to pay equity like merit pay.

CHAPTER FOUR

RESEARCH DESIGN

4.1. Statement of The Problem:

The objective of the research was to find out whether the Public Service employees preferred to base their pay increase purely on individual performance (merit) rather than the automatic step pay increase based on the length of service. In order to achieve this objective the study sought to:

- (a) identify the type of criteria that the employees wanted their pay increase based on.
- (b) examine whether there existed any relationship between employees satisfaction with current performance appraisal and their expressed preference for merit pay increase.

4.2. Theoretical Framework:

The variable of primary interest to this study is the dependent variable of preference for merit pay increase. Six independent variables are used in attempt to explain the variance in employees preference for merit pay increase. These variables are; age, sex, education, length of service, job level and union membership. However, research also indicates that the relationship between the independent variables and the dependent variable does not hold true for all employees. Only employees who are satisfied with the performance appraisal tend to prefer merit pay increase based on individual performance.

Since in the past, pay increases in the public service have been awarded on length of service, it can be suggested that the lower the employee in the organisational ladder the higher is likely to be his/her preference for merit pay. Equally true may be that the longer the employee has been with the organization the less he/she will prefer merit pay increase.

Similarly age has influence on preference for merit pay. As we grow older we acquire more responsibilities which need more money; such as children education, mortgage, and secure retirement. With such demands for money, merit pay would provide a means of earning more money for older employees. Age, therefore, would seem to have a positive correlation with preference for merit pay.

Female employees would prefer more merit pay increase than male employees. Since in New Zealand female employees are paid less than their male counterparts; merit pay for the female employees will be a means to achieve the equal pay for equal work goal.

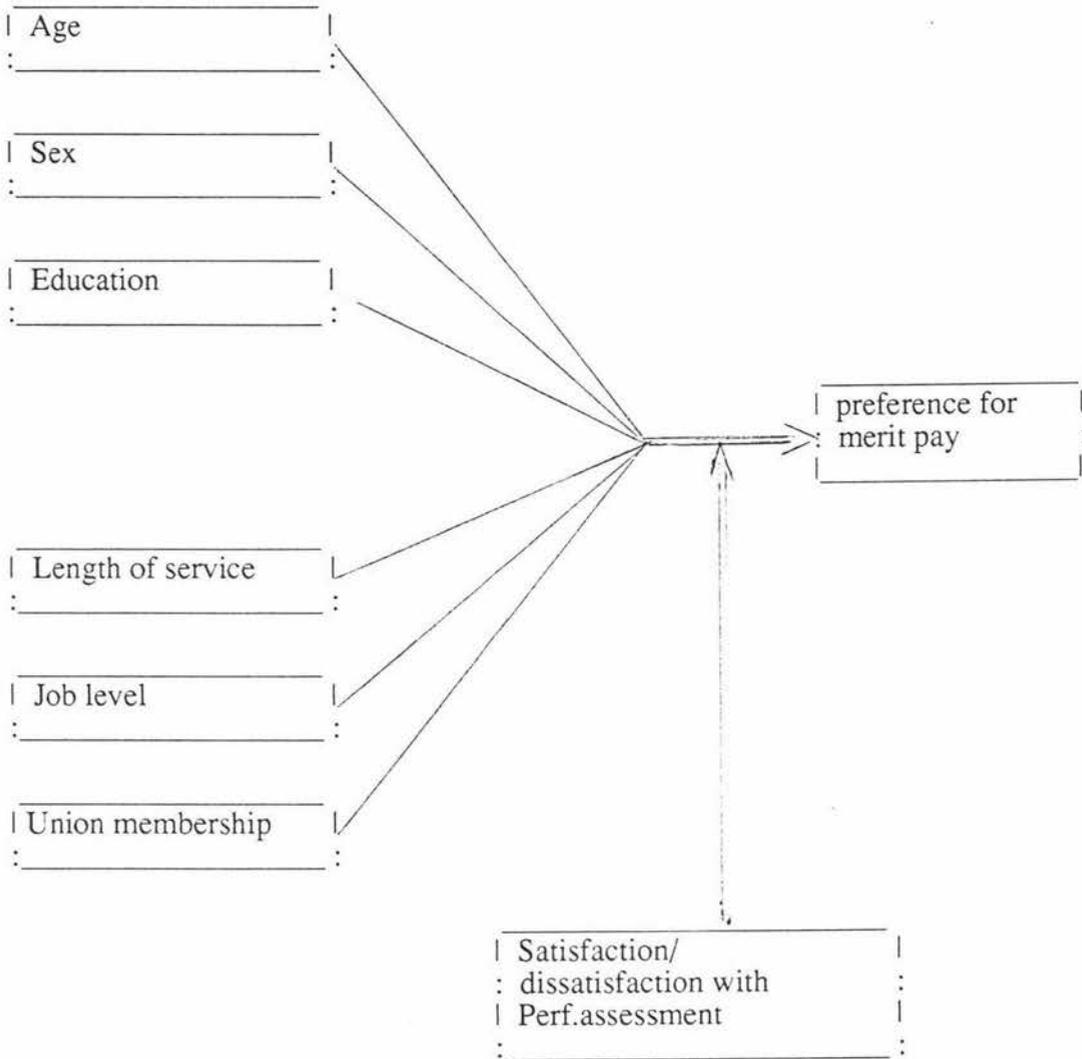
It is argued in the literature that the contemporary labour force is more educated than that in the 1950's (Fombrun 1984). Pressured by the achievement oriented parents this labour force pursued educational qualifications to the extent that it became more educated and achievement oriented. Such a labour force is likely to prefer rewards that reward achievement and so will be predisposed to prefer merit pay.

Research evidence suggests that management perceive that if pay increase is based on merit enables them to effectively control the labour force (Murlis & Wright 1985). If this is true then management and supervisors should prefer more merit pay increase system. There is also evidence in management literature that suggests that managers also prefer their own pay to be based on their performance or merit.

Unions all over, are very concerned about pay equity for its members and in many cases unions advocate egalitarian pay systems. Since merit pay involves pay differentials among employees doing the same job, union members will tend to prefer less merit pay increase.

On the basis of the above arguments I theorize that there would be a positive correlation between preference for merit pay increase and each of the following variables, age, sex, education, length of service, job level, and union membership. However, this relationship could be moderated by an employee attitude toward performance appraisal. This theoretical projection is depicted in the figure below:

FIGURE 1



4.3. Hypotheses:

From the theoretical framework discussed above seven hypotheses were developed for this study; they are as follows:

1. Age will have no influence on employees' preference for merit pay increases.
2. Gender will not affect employees' preference for merit pay increases.
3. There will be a negative correlation between preference for merit pay and length of service.
4. Job or grade level will cause no variation on employees preference for merit pay.
5. There will be a negative correlation between satisfaction with performance appraisal and preference for merit pay.
6. Union membership will have no impact on preference for merit pay increase.
7. Educational qualification will have no influence on employees' preference for merit pay increase.

4.4. Type of Study:

The purpose of this study was to identify the criteria employees want their pay increase based on and to establish the relation between independent variables of sex, age, education, length of service, job level, and union membership and the dependent variable of preference for merit pay. The research also sought to establish the impact of moderating variable satisfaction with performance appraisal on the relationship. This was a correlational research rather than causal.

4.5. Study Setting

The study examined the attitudes of employees toward merit pay increase in their natural environment. Variables were neither controlled nor manipulated. No artificial setting was created for the study.

CHAPTER FIVE.

METHOD SECTION

5.1. Population and Sample

The population for the study comprised salaried employees in the New Zealand Public Service departments of the Scientific and Industrial Research (DSIR) and The Public Trust office.

A self administered questionnaire consisting of 36 items was administered to 100 employees selected through random sampling.

5.2. Data Collection Methods

At the beginning of the study the researcher approached the personnel manager of the State Services Commission to seek permission to do the research in the New Zealand Public Service and to have a general orientation on the public service and the project. The researcher was advised to do the study in such departments as the Department of Scientific and Industrial Research (DSIR), Public Trust and the Ministry of Agriculture and Fisheries because they would offer a larger sample and some of them (Public Trust) have already started implementing performance related pay systems. Two departments were chosen; DSIR and Public Trust.

The researcher then, mailed the research proposal to the personnel managers at the Departments' headquarters in Wellington before holding discussions with them. These discussions centred on the pay systems and particularly performance related pay. A draft of the questionnaire was also reviewed to see whether it was relevant to their departments. Due to time and financial constraints it was agreed that the questionnaire would be sent to the personnel managers in Wellington. The personnel managers then, would distribute the questionnaires to employees who were willing to respond to them. The respondents would return the completed questionnaire to the personnel managers who in return would mail them to the researcher. These procedures were followed during the data collection process.

(a) Pilot test of the Questionnaire.

The questionnaire was pre-tested in one of the departments under study. At the end of the questionnaire, seven questions (Bell 1986) were asked about the questionnaire as follows:

1. How long did it take you to complete ?
2. Were the instructions clear ?
3. Were any of the questions unclear or ambiguous ?
If so will you say which and why ?
4. Did you object to answering any of the questions ?
5. In your opinion, has any major topic been omitted ?
6. Was the layout of the questionnaire clear/attractive ?
7. Any comments?

The feedback showed that the questionnaire was good and comprehensive. However, some respondents suggested that the scale (strongly agree, agree etc.) be put on top of every page. This was done.

(b) Administration Procedure for the questionnaire.

The questionnaires were sent to the personnel managers of the two departments who administered them to their employees randomly. An envelope was provided in which to return the questionnaire after completion to the personnel manager who in return mailed them to me. A covering letter (Appendix B.) was attached which assured the respondents that their responses would be anonymous and confidential.

(c) Response Rate.

There was a high response rate, 68 percent. This may have been due to the interest and commitment shown by the personnel managers of the two departments studied.

Breakdown of the response rate:

Completed questionnaires:	68
Non usable questionnaires:	1
Response rate:	68%

5.3. Variables and measures

The 36 item questionnaire (Appendix A.) was divided into three sections. Section one asked for personal information about the respondents' sex, age, education, length of service, job level, and union membership. These were measured by single item. Section two of the questionnaire was designed to measure respondents' satisfaction or dissatisfaction with performance appraisal in their departments. Respondents were asked to express their feelings toward the assessment system and the supervisor's way of assessing performance in the department. Section three was designed to measure preference for merit pay or pay increase based on other criteria such as length of service. Respondents were asked whether they would like their pay increase to be based on length of service, individual performance, seniority or same pay increase for all employees.

Satisfaction with performance and preference for merit pay increase were measured through multiple items on a five point Likert-type scale as described below:

strongly agree	agree	neutral	disagree	strongly disagree
1	2	3	4	5

5.4. Data Analysis Methods

In order to answer the research questions the data were analysed by means of a computer using the SPSSX programme. During the analysis Two new variables of satisfaction and dissatisfaction with current performance assessment were created from the variable attitude toward performance assessment. Preference for pay increase based on length of service was created as an alternative variable to preference for merit pay. All these new variables were catered for in the questionnaire. At the same time the five point scale was compressed into three point scale of **Agree**, **Neutral** and **Disagree**.

5.5 Limitations

The decision to undertake a mail survey was dictated by time and financial constraints on the part of the researcher. The study would have been a more representation of the public service employees had it been done in all departments throughout the country. The fact that respondents employees had to return their completed questionnaire to the personnel managers who are also their superiors, may have made some employees hesitate to answer as honestly as possible on satisfaction with current performance assessment for fear that their answers may be known to the management.

Besides, the researcher did not consider other factors which may affect preference for merit pay increase such as hard workers versus non hard workers.

CHAPTER SIX**RESULTS****6.1. Analysis of raw data frequencies****(i) Demographic Variables.**

Several general factors about the respondents were investigated. These were age, sex, educational level, length of service, job level, and union membership.

Information on the respondents indicated that 58.2% were males and 41.8% were females. Age varied from under 20 to over 49, but most of the respondents fell between the 20-29 year group.

TABLE 2

	n.	%
Age.		
under 20	1	1.5
20-29	22	32.8
30-39	14	20.9
40-49	16	23.9
over 49	14	20.9
Sex.		
Male	39	58.2
Female	28	41.8

Respondents education ranged from school certificate holders to postgraduate level, but the majority (49.3%) were certificate holders. Most of the respondents (37.3%) have been working in their respective departments for over 10 years while 4.5% for less than a year, 14.9% for one to two years 26.9% for two to five years and 14.9% for six to ten years.

TABLE 3

Educational level.	n.	%
Certificate	33	49.3
Diploma	5	7.5
Graduate	13	19.4
Postgraduate	9	13.4
Other	5	7.5
Years of work.		
Less than 1	3	4.5
1-2	10	14.9
2-5	18	26.9
6-10	10	14.9
Over 10	25	37.3

Respondents job profile varied; 16.4% were managers, 43.3% supervisors and scientists, 19.4% clerks and technicians, 9.0% were secretaries and 10.4% were from other jobs such as cooks, librarian and receptionists. Of the 67 respondents 88.1% were union members while only 11.9% were non union members.

TABLE 4

Job Level.	n.	%
Management	11	16.4
Supervisor	29	43.3
Clerk	13	19.4
Secretary	6	9.0
Other	7	10.4
Union Membership.		
Union member	59	88.1
Non union member	8	11.9

(ii) Attitude toward Current Performance Assessment.

When questioned whether they were satisfied or dissatisfied with the current performance assessment in the department, 13.4% said they were satisfied, 79.1% were neutral, and 4.5% expressed dissatisfaction. On the dissatisfaction sub-scale 16.4% of the respondents expressed dissatisfaction, 76.1% were neutral and only 6.0% expressed satisfaction.

TABLE 5**Satisfaction with Performance Assessment.**

	Frequency	percent
AGREE	9	13.4
NEUTRAL	53	79.1
DISAGREE	3	4.5

TABLE 6**Dissatisfaction with Performance Assessment.**

	Frequency	percent
AGREE	11	16.4
NEUTRAL	51	76.1
DISAGREE	4	6.0

It should be noted that the percentage of dissatisfied and satisfied on the two sub-scales differ. On the satisfaction sub-scale 13.4% expressed satisfaction and 4.5% expressed dissatisfaction with performance assessment, but on the dissatisfaction sub-scale 16.4% express dissatisfaction and only 6.0% expresses satisfaction as indicated in Table 7.

TABLE 7

	Satisfied	Dissatisfied
Satisfaction sub-scale	13.4%	4.5%
Dissatisfaction sub-scale	6.0%	16.4%

(iii) Criteria for Pay Increase.

Of 66 valid responses for this variable, 65.7% preferred their pay increase to be based on length of service while 32.8% were neutral. No respondents disagreed. At the same time, 52.2% of the respondents preferred their pay increase to be based on merit or individual performance, while 46.6% were neutral. Again there were no respondents who disagreed. However, 13.5% of the respondents seem to prefer both merit pay and pay increase based on length of service.

TABLE 8**Preference for Pay increase based on length of Service.**

	Frequency	percent
AGREE	44	65.7
NEUTRAL	22	32.8
DISAGREE	0	0.0

TABLE 9**Preference for Merit Pay.**

	Frequency	percent
AGREE	35	52.2
NEUTRAL	31	46.3
DISAGREE	0	0.0

6.2.Crosstabulations and Chi-square Significance

Crosstabulation between the variables investigated was done (Appendix C). In spite of differences in the raw frequency scores, Chi-square test on the data (Appendix D) indicated that only educational qualification by preference for merit pay was significant at $p < 0.05$ Table (10).

TABLE 10

Educational Level By:

<u>Variable</u>	<u>Chi-square</u>	<u>Difference</u>	<u>significance</u>
- Satisfaction with Performance Assessment.	5.886	8	0.660
- Dissatisfaction with Performance Assessment	9.10	8	0.334
- Preference for increase based on years of work	2.716	4	0.606
- Preference for merit pay	10.339	4	0.035 *

Note: * = significant at $p < 0.05$

CHAPTER SEVEN

DISCUSSION

7.1. Preference for Merit Pay

The percentage of employees who preferred merit pay was lower compared to those who preferred their pay increase to be based on length of service. 52.2% expressed preference for pay increase based on merit or individual performance while 65.7% of the sample preferred their increases to be based on job tenure. The two scores (52.2% and 65.7%) overlap, suggesting that some respondents (13.5%) want both merit pay and pay increases based on length of service. However, considering that until recently, in the New Zealand Public Service annual pay increases had mainly been based on length of service the bigger percentage (65.7%) of respondents favouring pay increases based on length of service is not surprising.

Besides this, the near equal distribution of frequencies between preference for merit pay (52.2%) and preference for pay increase based on length of service (65.7) suggests that employees would like the benefits of both worlds. That is, to be rewarded for both length of service and extra effort on the job. For example, employees can continue to get annual increment based on years on the job while being eligible for some sort of a bonus in recognition for their excellent performance.

One explanatory reason for these findings can be attributed to workers' attitude towards change in organisations. The introduction of merit pay increase in the public service means change. Management literature (Caruth Middlebrook & Rachel 1985) has suggested that employees in organisations tend to resist change, notably that which affects them directly. Merit pay introduction means pay increase for hard workers and no increase for those 'deemed' non hard workers. While traditional annual pay increase based on length of service assured public service employees annual pay increase, merit pay increase depends on how you perform or sometimes how your supervisors perceive your performance. It appears the workers surveyed believe that their income will remain stagnant or decrease with the introduction of merit pay systems. Loss of income pleases nobody in the world where money is so important. Under such circumstances then, employees are bound to prefer the traditional annual increment based on length of service.

A second reason which may explain employees preference for annual increment based on length of service lies in the performance measurement. According to the findings employees are supposed to be satisfied with the current performance appraisal. But, although respondents were not invited to comment, some did and what they wrote in their questionnaires gives doubt to the fact that employees are happy with the performance assessment.

One respondent had this to say;

"The present system is too subjective with personal biases creeping no matter how much care is taken."

Yet another wrote;

"thoughts should be put on how to achieve a system which is 'fair' to all people without having a subjective human element in it (unless it is based purely on seniority or years on job.)"

It is doubtful whether employees will entrust their pay increase to such a potentially biased performance measuring system.

Murlis and Wright (1987) and Brindle (1987) suggested that in jobs where team work is required, such as in research institutions, employees tend not to prefer merit pay. Employees see performance not as a result of individual effort, but joint effort. Most of the sample in the current survey (66.7%) came from DSIR, a research institution. It is not surprising that this sample supported the previous research position.

Chi-square tests on the sample (Table 10) indicated that there was a relationship between educational qualifications and preference for merit pay. Employees with school certificate preferred pay increases to be based more on their performance than on length of service. This can be explained by the fact that in many organisations academic qualifications are used as the basis for rewards. Employees' salaries are set in relation to whether they have a certificate, diploma or degree. In most cases certificate holders' basic salaries are lower than diploma or degree holders. It would be logical then for the certificate holders to expect that merit pay can improve their income on the job.

Although in the previous studies reviewed in the literature, Patten (1977) and Murlis & Wright (1987) found that union members do not support merit pay, this study did not find any relationship between merit pay preference and union membership.

While Lawler (1971) found that managers prefer merit pay, and Murlis & Wright (1987) found that management tend to support merit pay as a tool to regain their control over pay and employees; this study found that job level had no influence on employees preference for merit pay.

It was hypothesised by the researcher that other background variables of age, sex, level of education and years one has spent on a job will have impact on employees attitude toward merit pay. Chi-square tests (Appendix D) indicated that there was a relationship only between education level and preference for merit pay increase (Table 10). Certificate holders who are normally in the lower ranks in the organizational hierarchy, tended to prefer merit pay increase more than other educational groups. Thus, the findings partly support Lawler's (1971) and Hills, Scott, Markham & Vest's (1987) contention that lower ranking employees (blue collar in particular) may support merit pay if it has been well communicated, employees have participated in designing it and there exists a relationship of trust between superiors and subordinates. However, the researcher believes that with a larger sample there is a possibility of getting different results.

These results are not isolated. A recent survey of Association of University Teachers (AUT) opinions on salary and status at Massey University found that most of the respondents (70%) rejected performance related bonuses (Massey AUT, May 1989).

7.2. Satisfaction and Dissatisfaction with Performance Assessment

The researcher anticipated that most employees will be dissatisfied with the current system of performance appraisal. These expectations arose from discussions with both personnel officers from the State Services Commission and the departments involved in the study. However, the findings showed that on the satisfaction sub-scale 4.5% of the sample was dissatisfied with the current performance measurement, while only 13.4% expressed satisfaction. On the dissatisfaction subscale 16.4% were dissatisfied, while 6.0% were satisfied. Most of the employees in the sample were neutral, 79.1% on the satisfaction subscale and 76.1% on the dissatisfaction subscale (Table 5 and 6).

The credibility of the responses in this case is highly questionable. How can in the same sample, 13.4% of the respondents express satisfaction on one sub-scale and only 6.0% express satisfaction on another sub-scale in the same questionnaire?

The researcher believes some respondents were not completely honest in their responses about their attitude towards current performance assessment.

As indicated above, most employees in the sample claimed to be neutral when they were asked whether they were satisfied or not with the performance assessment in their department. The researcher has a feeling that the neutrality was expressed due to employees fear of the management. Due to the constraints explained before, the researcher had to rely on the personnel managers to distribute and collect the completed questionnaire. Employees might have feared that their responses could fall in the hands of their bosses who may not be pleased with how they had responded. It was safer for them then to agree or to be neutral. To corroborate this assertion one respondent wrote the following on the questionnaire:

**Your questionnaire was not confidential in our department.
(Having only one return envelope for ten questionnaires held
by our controlling officer.)**

However, this fear may be partially unfounded as respondents were not required to reveal their names but some may have feared identification through other means such as handwriting.

There is a possibility then that most of the neutral responses are infact disagree responses. Emory (1980) has suggested that most of the 'don't know' or 'neutral' answers are disguised 'no' responses. For example although employees such as those quoted above expressed dissatisfaction in their additional comments a look at their questionnaire discovered that they had agreed or were neutral in their answers to the items on performance assessment where you would expect them to disagree.

7.3. Moderating Variable of attitude toward Performance Assessment

It was speculated that the relationship between demographic variables and the independent variable of preference for merit pay increase might be moderated by employees attitude toward performance appraisal. The speculation was based on the logical conclusion that an employee who is not happy with the way performance is

being measured will not be happy with a pay plan which is based on measuring performance. This assumption was based also on Hills, Scott, Markham & Vest (1987) findings that employees who scored higher on performance assessment were satisfied with the assessment and tended to prefer merit pay plans. This, in turn, implies that there is a relationship between satisfaction with performance assessment and preference for merit pay, but, no evidence was found in the study to support the assertion.

Chi-square tests (Appendix D) suggested that there was no relationship between satisfaction or dissatisfaction with expressed preference for merit pay. This however, does not mean that the relationship does not exist. The researcher believes a similar study with a larger sample and less constraints may yield different results.

CHAPTER EIGHT

SUMMARY AND CONCLUSION

8.1.

The study revealed that public service employees in the two departments studied (DSIR and Public Trust) preferred their pay increase to be based on length of service rather than merit related to individual performance. Yet the findings have indicated that employees would like to be rewarded for both length of service and performance. Chi-square tests showed that age, sex, years of work, job level and union membership had no effect on employees' attitude toward preference for merit pay increase. Only education appeared to have some effect. There was no evidence that satisfaction or dissatisfaction with current performance assessment affected employees' attitudes toward merit pay increase.

It appears therefore, that public service employees would still like employers recognition for their long service as well as their individual performance. This can be done by a department giving the traditional annual pay increase and some performance bonuses for those who excel in their jobs. However, the researcher reiterates Hamner's (1978) advice that each organization should custom tailor its pay plans to the needs of the organisation and the individuals therein, with participation being the key factor in merit pay design.

The fact that the researcher limited his study to two departments only, limits the findings generalizability. Despite this limitation the researcher is convinced that this study provides reliable parameters that depict the true picture of public service employees' attitudes toward merit pay. It therefore, provides a sound basis for a more detailed study on merit pay plans in any public/civil service.

Further research is needed to find out more about public service reward system in areas such as whether employees perceive any relationship between their pay increase and their performance. Public service employees attitude toward performance appraisal would be another interesting area to look at.

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Section Two: Feelings about Annual Performance Appraisal

The statements below provide descriptions about how you feel about your Annual Performance Appraisal. You are asked to indicate the extent to which you may agree or disagree with each statement. Please read the statement, then decide whether you strongly agree, agree, are neutral, disagree, or strongly disagree with the statement. Once you have decided please indicate your response according to the following numerical scale:

STRONGLY AGREE	AGREE	NEUTRAL	DISAGREE	STRONGLY DISAGREE
1	2	3	4	5

For each statement mark the box that corresponds to the number of the answer that comes closest to the way you feel about your annual performance appraisal with a cross (x). It is important that you answer every statement. Even if you are not sure, mark the box that best describes how you feel. There is no "right" or "wrong" answer.

Statements

- | | | | | | | |
|--|----|----------|----------|----------|----------|----------|
| 1. I am satisfied with my annual performance appraisal | 8 | 1
[] | 2
[] | 3
[] | 4
[] | 5
[] |
| 2. I agree that the supervisor's assessment of my performance is consistent with my job performance. | 9 | 1
[] | 2
[] | 3
[] | 4
[] | 5
[] |
| 3. I am disappointed with the way that performance is evaluated in my department. | 10 | 1
[] | 2
[] | 3
[] | 4
[] | 5
[] |
| 4. My annual performance appraisal is fair and accurate. | 11 | 1
[] | 2
[] | 3
[] | 4
[] | 5
[] |
| 5. I oppose the way individual performance is measured in my department. | 12 | 1
[] | 2
[] | 3
[] | 4
[] | 5
[] |
| 6. My performance ratings present a true picture of my actual job performance. | 13 | 1
[] | 2
[] | 3
[] | 4
[] | 5
[] |
| 7. I feel my supervisor's assessment of my job accomplishment is neither fair nor accurate. | 14 | 1
[] | 2
[] | 3
[] | 4
[] | 5
[] |

STRONGLY AGREE	AGREE	NEUTRAL	DISAGREE	STRONGLY DISAGREE		
1	2	3	4	5		
8. I feel depressed as a result of the annual performance assessment made by my supervisor.	15	1	2	3	4	5
	[]	[]	[]	[]	[]	[]
9. I feel that my annual performance assessment underestimates the true effort I put into my work.	16	1	2	3	4	5
	[]	[]	[]	[]	[]	[]
10. I feel fairly accepted and satisfied as a result of my annual performance assessment made by my supervisor.	17	1	2	3	4	5
	[]	[]	[]	[]	[]	[]
11. I do not like the performance appraisal system in my department because it is biased.	18	1	2	3	4	5
	[]	[]	[]	[]	[]	[]
12. I consider the annual performance assessment as the most appropriate way of evaluating my performance.	19	1	2	3	4	5
	[]	[]	[]	[]	[]	[]
13. I am very satisfied with the way my job performance is assessed.	20	1	2	3	4	5
	[]	[]	[]	[]	[]	[]
14. My annual performance assessment does not measure all aspects of my performance.	21	1	2	3	4	5
	[]	[]	[]	[]	[]	[]
15. I was not impressed with my last annual performance assessment because I deserved higher ratings than was given.	22	1	2	3	4	5
	[]	[]	[]	[]	[]	[]

Section Three: Your preferred basis for pay increase

The statements in this section describe what you would like your pay increase to be based on. As you did for section two of the questionnaire you are asked to read each statement and indicate whether you agree or disagree with the statement. You indicate your level of agreement by selecting from the five levels of the agreement on the scale below:

STRONGLY AGREE	AGREE	NEUTRAL	DISAGREE	STRONGLY DISAGREE
1	2	3	4	5

Mark the box that corresponds to the number of your selected response on the scale on the right of each statement with a cross (x). It is important that you answer every statement. Even if you are not sure, mark the box that best describes your wish.

Statements

- | | | | | | | |
|---|----|----------|----------|----------|----------|----------|
| 1. In my department, all employees should get the same percentage of annual pay increase. | 23 | 1
[] | 2
[] | 3
[] | 4
[] | 5
[] |
| 2. Annual pay increases should be directly related to seniority. | 24 | 1
[] | 2
[] | 3
[] | 4
[] | 5
[] |
| 3. Pay increases should be based primarily on length of service. | 25 | 1
[] | 2
[] | 3
[] | 4
[] | 5
[] |
| 4. In my department, the largest annual pay increases should go to the most senior employees. | 26 | 1
[] | 2
[] | 3
[] | 4
[] | 5
[] |
| 5. The amount of annual pay increases one gets should be based on the number of years he/she has worked for the department. | 27 | 1
[] | 2
[] | 3
[] | 4
[] | 5
[] |
| 6. To be fair employees who work harder and effectively should get a bigger pay increase. | 28 | 1
[] | 2
[] | 3
[] | 4
[] | 5
[] |

STRONGLY AGREE	AGREE	NEUTRAL	DISAGREE	STRONGLY DISAGREE
1	2	3	4	5
7. I am satisfied with the current system of annual pay increase in my department.			1 2 3 4 5	
			29 [] [] [] [] []	
8. The size of my pay increment should reflect my efforts in the job.			1 2 3 4 5	
			30 [] [] [] [] []	
9. I feel good performers should get additional money for their efforts.			1 2 3 4 5	
			31 [] [] [] [] []	
10. In my department, there should be extra pay for employees who do better than others.			1 2 3 4 5	
			32 [] [] [] [] []	
11. I am disappointed because I work hard but, I get the same increment as everybody else.			1 2 3 4 5	
			33 [] [] [] [] []	
12. In my department, pay increments should be based on individual achievement.			1 2 3 4 5	
			34 [] [] [] [] []	
13. Pay increases should be based on how long people have worked for the department rather than the amount of work they do.			1 2 3 4 5	
			35 [] [] [] [] []	
14. I feel employees should be rewarded for achieving excellence in their jobs.			1 2 3 4 5	
			36 [] [] [] [] []	
15. Some financial bonus should be given to employees who perform better than others in their work.			1 2 3 4 5	
			37 [] [] [] [] []	

APPENDIX B

Covering Letter

Dear Respondent,

I am conducting a survey on Public Service employees attitudes toward performance related pay or merit pay as part of my masters degree in Business Studies. Your department has kindly consented to allow you participate in this survey if you are willing.

The aim of this survey is to learn more about how public service employees like yourself feel about relating their pay increase(s) to their individual job performance rather than seniority as it is now in some organisations. You have been selected at random as a part of a sample from the wide range of public service employees in various departments. The information you provide will enable me to complete my degree and provide basic information for a similar study which I intend to do for the Tanzanian Civil Service. Besides, the information will communicate to your department how you feel about performance related pay increases.

Enclosed find a copy of my questionnaire. This questionnaire has three parts. The first part is designed to obtain general background information about yourself. The second part is designed to measure how you feel about your annual performance appraisal in your department, and the third part is designed to see what you would prefer your pay increase to be based on. Even if the questions look alike, they are measuring different aspects. Please answer all the questions. I hope you will take your time to complete this questionnaire and return it to me in the enclosed self-addressed envelope.

This survey is anonymous. Please do not write your name anywhere in this questionnaire. Your responses will be kept strictly confidential. No one outside me and my survey supervisors will be allowed to see your responses. While the State Services Commission or your department may be interested in the policy implications of my study they will not be furnished with any information which in any way identifies you as an individual.

Thank you for your cooperation.

Basil Mbanga.

APPENDIX C

Cross-tabulations

Age by:

Satisfaction with performance assessment.

	AGREE		NEUTRAL		DISAGREE		Total	
	n.	%	n.	%	n.	%	n.	%
Under 20	1		0		0		1	1.5
20-29	1		19		2		22	33.8
30-39	1		11		1		14	21.2
40-49	2		14		0		16	24.6
over 49	4		9		0		13	20.0
Total	9	(13.8)	53	(81.5)	3	(4.6)	65	(100.0)

Age by:

Dissatisfaction with performance assessment.

	AGREE		NEUTRAL		DISAGREE		Total	
	n.	%	n.	%	n.	%	n.	%
Under 20	0		1		0		1	1.5
20-29	2		18		2		22	33.8
30-39	3		10		1		14	
40-49	3		13		0		16	24.6
over 49	3		9		1		13	20.0
Total	11	(16.7)	51	(77.3)	4	(6.1)	66	(100.0)

Age by:**Preference of pay increases based on length of service.**

	AGREE		NEUTRAL		DISAGREE		Total	
	n.	%	n.	%	n.	%	n.	%
Under 20	1		0		0		1	1.5
20-29	16		5		0		21	31.8
30-39	8		6		0		14	
40-49	9		7		0		16	24.6
over 49	10		4		0		14	21.2
Total	44	(66.7)	22	(33.3)	0	(0.0)	66	(100.0)

Age by:**Preference for merit pay.**

	AGREE		NEUTRAL		DISAGREE		Total	
	n.	%	n.	%	n.	%	n.	%
Under 20	1		0		0		1	1.5
20-29	10		12		0		22	33.3
30-39	11		3		0		14	21.2
40-49	7		8		0		15	22.7
over 49	6		8		0		14	21.2
Total	35	(53.0)	31	(47.0)	0	(0.0)	66	(100.0)

Sex by:**Satisfaction with performance assessment.**

	AGREE		NEUTRAL		DISAGREE		Total	
	n.	%	n.	%	n.	%	n.	%
Male	5		32		2		39	60.0
Female	4		21		1		26	40.0
Total	9	(13.8)	53	(81.5)	3	(4.6)	65	(100.0)

Sex by:**Dissatisfaction with performance assessment.**

	AGREE		NEUTRAL		DISAGREE		Total	
	n.	%	n.	%	n.	%	n.	%
Male	7		29		3		39	59.1
Female	4		22		1		27	40.9
Total	11	(16.7)	51	(77.3)	4	(6.1)	66	(100.0)

Sex by:**Preference of pay increases based on length of service.**

	AGREE		NEUTRAL		DISAGREE		Total	
	n.	%	n.	%	n.	%	n.	%
Male	25		14		0		39	59.1
Female	19		8		0		27	40.9
Total	44	(66.7)	22	(33.3)	0	(0.0)	66	(100.0)

Sex by:**Preference for merit pay.**

	AGREE		NEUTRAL		DISAGREE		Total	
	n.	%	n.	%	n.	%	n.	%
Male	19		19		0		38	57.6
Female	16		12		0		28	42.4
Total	35	(53.0)	31	(47.0)	0	(0.0)	65	(100.0)

Educational level by:**Satisfaction with performance assessment.**

	AGREE		NEUTRAL		DISAGREE		Total	
	n.	%	n.	%	n.	%	n.	%
Certificate	5		27		1		33	51.6
Diploma	0		5		0		5	7.8
graduate	2		9		2		13	20.0
Postgrad.	1		8		0		9	14.1
other	1		3		0		4	6.3
Total	9	(13.8)	52	(81.3)	3	(4.6)	64	(100.0)

Educational level by:**Dissatisfaction with performance assessment.**

	AGREE		NEUTRAL		DISAGREE		Total	
	n.	%	n.	%	n.	%	n.	%
Certificate	7		25		1		33	50.8
Diploma	2		3		0		5	7.7
Graduate	0		11		2		13	20.3
Postgrad.	1		8		0		9	13.8
other	1		4		0		5	7.7
Total	11	(16.9)	51	(78.5)	3	(4.6)	65	(100.0)

Educational level by.**Preference of pay increases based on length of service.**

	AGREE		NEUTRAL		DISAGREE		Total	
	n.	%	n.	%	n.	%	n.	%
Certificate	20		12		0		32	50.0
Diploma	4		1		0		5	7.8
Graduate	9		4		0		13	20.3
Postgrad.	7		2		0		9	14.1
other	2		3		0		5	7.8
Total	42	(65.6)	22	(34.4)	0	(0.0)	64	(100.0)

Educational level by.**Preference for merit pay.**

	AGREE		NEUTRAL		DISAGREE		Total	
	n.	%	n.	%	n.	%	n.	%
Certificate	21		12		0		33	51.6
Diploma	4		1		0		5	7.8
Graduate	5		8		0		13	20.3
Postgrad.	1		8		0		9	14.1
other	2		2		0		4	6.3
Total	33	(51.6)	31	(48.4)	0	(0.0)	64	(100.0)

Years of work by.**Satisfaction with performance assessment.**

	AGREE		NEUTRAL		DISAGREE		Total	
	n.	%	n.	%	n.	%	n.	%
Less 1	0		2		1		3	4.6
1-2	2		8		0		10	15.4
2-5	3		14		0		17	26.2
6-10	0		9		1		10	15.4
Over 10	4		19		1		24	36.9
Total	9	(13.8)	52	(81.3)	3	(4.6)	64	(100.0)

Years of work by.**Dissatisfaction with performance assessment.**

	AGREE		NEUTRAL		DISAGREE		Total	
	n.	%	n.	%	n.	%	n.	%
Less 1	0		2		1		3	4.6
1-2	2		8		0		10	15.4
2-5	3		13		1		17	26.2
6-10	0		9		1		10	15.4
Over 10	6		18		1		25	37.9
Total	11	(13.8)	50	(81.3)	4	(4.6)	65	(100.0)

Years of work by.**Preference of pay increases based on length of service.**

	AGREE		NEUTRAL		DISAGREE		Total	
	n.	%	n.	%	n.	%	n.	%
Less 1	3		0		0		3	4.6
1-2	7		3		0		10	15.4
2-5	11		6		0		17	26.2
6-10	6		4		0		10	15.4
Over 10	16		9		0		25	37.9
<hr/>								
Total	43	(66.7)	22	(33.3)	0	(0.0)	65	(100.0)
<hr/>								

Years of work by.**Preference for merit pay.**

	AGREE		NEUTRAL		DISAGREE		Total	
	n.	%	n.	%	n.	%	n.	%
Less 1	1		2		0		3	4.6
1-2	7		3		0		10	15.4
2-5	10		7		0		17	26.2
6-10	4		6		0		10	15.4
Over 10	12		13		0		25	36.9
<hr/>								
Total	9	(13.8)	52	(81.3)	0	(0.0)	65	(100.0)
<hr/>								

Job level by.**Satisfaction with performance asesment.**

	AGREE		NEUTRAL		DISAGREE		Total	
	n.	%	n.	%	n.	%	n.	%
Management	0		11		0		11	17.2
Supervisor	4		22		2		28	43.8
clerk	1		11		1		13	20.3
Secretary	2		4		0		6	9.2
other	2		4		0		6	9.2
Total	9	(13.8)	52	(81.3)	3	(4.6)	64	(100.0)

Job level by.**Dissatisfaction with performance assessment.**

	AGREE		NEUTRAL		DISAGREE		Total	
	n.	%	n.	%	n.	%	n.	%
Management	1		9		1		11	17.2
Supervisor	5		22		2		29	44.6
clerk	1		11		1		13	20.3
Secretary	2		4		0		6	9.2
other	1		5		0		6	9.2
Total	10	(15.4)	51	(78.5)	4	(6.2)	65	(100.0)

Job level by.**Preference of pay increases based on length of service.**

	AGREE		NEUTRAL		DISAGREE		Total	
	n.	%	n.	%	n.	%	n.	%
Management	9		2		0		11	17.2
Supervisor	17		11		0		28	43.8
clerk	10		3		0		13	20.3
Secretary	4		2		0		6	9.2
other	4		3		0		7	10.8
Total	44	(67.7)	21	(32.3)	0	(0.0)	65	(100.0)

Job level by.**Preference for merit pay.**

	AGREE		NEUTRAL		DISAGREE		Total	
	n.	%	n.	%	n.	%	n.	%
Management	9		2		0		11	17.2
Supervisor	11		18		0		29	44.6
clerk	7		5		0		12	18.5
Secretary	4		2		0		6	9.2
other	4		3		0		7	10.8
Total	35	(53.8)	30	(46.2)	0	(0.0)	65	(100.0)

Union Membership by.**Satisfaction with performance assessment.**

	AGREE		NEUTRAL		DISAGREE		Total	
	n.	%	n.	%	n.	%	n.	%
Union	7		48		3		58	89.2
Non-union	2		5		0		7	10.8
Total	9	(13.8)	53	(81.5)	3	(4.6)	65	(100.0)

Union Memembership.**Dissatisfaction with performance assessment.**

	AGREE		NEUTRAL		DISAGREE		Total	
	n.	%	n.	%	n.	%	n.	%
Union	10		46		3		59	89.4
Non-union	1		5		1		7	10.6
Total	11	(16.7)	51	(81.5)	4	(6.1)	66	(100.0)

Union Memembership by.**Preference of pay increases based on length of service.**

	AGREE		NEUTRAL		DISAGREE		Total	
	n.	%	n.	%	n.	%	n.	%
Union	37		7		0		44	66.7
Non-union	22		0		0		22	33.3
Total	59	(89.4)	7	(10.6)	0	(0.0)	65	(100.0)

Union Membership.**Preference for merit pay.**

	AGREE	NEUTRAL	DISAGREE	Total
	n. %	n. %	n. %	n. %
Union	29	29	0	58 89.2
Non-union	6	2	0	8 12.1
<hr/>				
Total	35 (53.0)	31 (47.0)	0 (0.0)	66 (100.0)
<hr/>				

APPENDIX D**Chi-square test results****Age By:**

<u>Variable</u>	<u>Chi-square</u>	<u>Difference</u>	<u>significance</u>
- Satisfaction with Performance Assessment.	13.611	8	0.093
- Dissatisfaction with Performance Assessment	3.254	8	0.917
- Preference for increase based on years of work	2.853	4	0.583
- Preference for merit pay	5.885	4	0.470

Sex By:

<u>Variable</u>	<u>Chi-square</u>	<u>Difference</u>	<u>significance</u>
- Satisfaction with Performance Assessment.	0.133	2	0.936
- Dissatisfaction with Performance Assessment	0.617	2	0.734
- Preference for increase based on years of work	0.071	1	0.791
- Preference for merit pay	0.106	1	0.745

Educational Level By:

<u>Variable</u>	<u>Chi-square</u>	<u>Difference</u>	<u>significance</u>
- Satisfaction with Performance Assessment.	5.886	8	0.660
- Dissatisfaction with Performance Assessment	9.10	8	0.334
- Preference for increase based on years of work	2.716	4	0.606
- Preference for merit pay	10.339	4	0.035 *

Note: * = significant at $p < 0.05$

Years of Work By:

<u>Variable</u>	<u>Chi-square</u>	<u>Difference</u>	<u>significance</u>
- Satisfaction with Performance Assessment.	10.051	10	0.436
- Dissatisfaction with Performance Assessment	8.418	10	0.588
- Preference for increase based on years of work	2.359	5	0.797
- Preference for merit pay	3.674	5	0.597

Job Level By:

<u>Variable</u>	<u>Chi-square</u>	<u>Difference</u>	<u>significance</u>
- Satisfaction with Performance Assessment.	7.613	8	0.472
- Dissatisfaction with Performance Assessment	3.308	8	0.914
- Preference for increase based on years of work	2.493	4	0.646
- Preference for merit pay	6.943	4	0.139

Union membership By:

<u>Variable</u>	<u>Chi-square</u>	<u>Difference</u>	<u>significance</u>
- Satisfaction with Performance Assessment.	1.689	2	0.323
- Dissatisfaction with Performance Assessment	0.935	2	0.626
- Preference for increase based on years of work	2.417	1	0.120
- Preference for merit pay	0.903	1	0.342

Preference for merit pay By:

<u>Variable</u>	<u>Chi-square</u>	<u>Difference</u>	<u>significance</u>
- Satisfaction with Performance assessment	0.382	2	0.826
- Dissatisfaction with Performance assessment	1.763	2	0.414

Preference for pay increase based on years of work By:

<u>Variable</u>	<u>Chi-square</u>	<u>Difference</u>	<u>significance</u>
- Satisfaction with Performance assessment	0.002	2	0.999
- Dissatisfaction with Performance assessment	0.878	2	0.677