

WORKERS PERCEPTION AND ATTITUDE TOWARDS THE SINGLE SPINE PAY POLICY, SUNYANI, GHANA, WEST AFRICA

Samuel Asuamah Yeboah,
Marketing Department,
Sunyani Polytechnic, Ghana.

Samuel Abeka-Donkor,
Sunyani Polytechnic,
Commercial Studies, Ghana

Cynthia Gyamfi,
Marketing Department,
Sunyani Polytechnic, Ghana

ABSTRACT

The aim of the paper is to contribute to the body of knowledge in the area of fair wage, productivity and satisfaction by assessing workers perception and attitude towards the single spine pay policy. The study is based on quantitative survey design using sample from educational institutions in Sunyani. A sample size of 115 workers was selected using convenience sample methodology. Primary data were obtained using self designed questionnaire and secondary data obtained by archival research. Primary data were analysed using percentages, frequencies and One-Way Analysis of Variance (ANOVA). Workers are not satisfied with the single Spine Pay Policy and consider the scheme as unfair which will lead to low productivity and poor labour relations. Respondents will want the scheme to be revised. Policy makers should ensure that the scheme is made to be seen as fair in the face and expectation of all workers. Future research should look at the issue of causality and also increase the sample size in a more comparative manner.

Keywords: Fair Wage hypothesis; Single Spine Pay Policy; Productivity; Labour relations

Jel Classification: E24; J31; J41.

Introduction:

The levels of wages of labour have been one of the major factors causing industrial unrest in both developed and developing economies such as Ghana. This has attracted a lot of attention from many scholars such as economists, psychologist, sociologist, human resource practitioners, union leaders and policy makers as well as employers and employees.

To solve problems of inequality of wages the government adopted the single spine pay policy in 2006 to ensure equal work equal pay. Levels and premiums have been created under the policy. Many researchers have analysed the effect of the various types of wage on productivity and employment. The types of wages are living wage, subsistence wage, minimum wage and fair wage.

Theories on wages as well as empirical results on wages indicate that if workers consider their wage levels as not fair they reduce their effort which results in low productivity and unemployment (Akerlof & Yellen, 1990).

That is workers compare their current wages with the wages of other workers in the industry to determine if what they are given is fair or not.

They (workers) want to ensure equity in the wage system. The fair wage-effort hypothesis indicates “workers proportionately withdraw effort as their actual wage falls short of their fair wage. Such behavior causes unemployment and is also consistent with observed cross-section wage differentials and unemployment patterns” (Chen, 2010). This means if workers are not given fair wage they reduce their effort put into work and productivity falls. The fair wage hypothesis was developed by Akerlof and Yellen (1990).

Kreickemeier (2004) also stated that “workers provide the normal level of effort, which is normalized to one, if they are paid at least their fair wage. If they are paid less than their fair wage, they reduce effort proportionately”. This means if employers want to achieve more output workers must be given fair pay or workers must see their wages or salaries as fair.

According to Kreickemeier (2004) fair wage is a function of market wage of the worker and the salary/wage the worker expect to earn not in the firm he or she works having in mind they might be unemployed with a probability that is equal to the factor-specific rate of unemployment. Kreickemeier (2004) assumes that employers choose to give fair wage to workers if the giving of fair wage will not reduce their profit margins. Cohen et al. (2012) reports that "reciprocity models developed by Dufwenberg and Kirchsteiger (2004) predict that higher wages lead to higher effort because higher wages are considered to be kinder". The theory of reciprocity has two forms which are positive reciprocity (rewarding a kind offer) and negative reciprocity (punishing unkind offer). Reciprocity does not include selfish behaviour according to Falk and Fischbacher (2000).

Workers evaluate an action on wage through two main ways according to Rabin (1998) in Armin and Fischbacher (1999). Workers consider the consequence of the action or the outcome of the action and the intention for the action taken (Rabin, 1998 in Armin and Fischbacher, 1999). A lot of empirical studies (Bewley, 1995; Blinder & Choi, 1990; Agell & Lundborg, 1995; Campbell & Kamlani, 1997, Agell, 1999) have confirmed the reciprocity theory.

According to Cohen et al. (2012) the fair wage-effort hypothesis developed by Akerlof and Yellen (1990) is slightly different from the model by Dufwenberg and Kirchsteiger (2004).

Another theory on motivation is the theory of equity developed by Adams (1963). The theory indicated that workers develop belief for fair wage and work according to what they consider as fair wage. If workers consider their wages to be fair they increase their effort and if they consider the wage to be unfair they reduce their effort. From Schultz et al. (2006) discussion if employers want to ensure increase effort and productivity, wages must be fair in the 'eyes' of employees. Fair wage will also help to retain workers in order to reduce attrition rate. To sustain motivation pay must be seen as fair by workers doing the same or similar work. Some workers may also seek justice if they consider their treatment as inequitable.

Studies have shown that a lot of workers consider their wages as been unfair. Cohn et al. (2012) survey indicated that 53% of the workers perceived themselves to be underpaid at the base wage of CHF 22. This means the respondents consider their wages as unfair.

Cohen et al. (2012) in the study established that the wage increase is associated with an increase in the perceived fairness of pay, but there is strong heterogeneity in workers' fairness perceptions. The wage increase raises the perceived fairness of pay particularly among workers who evaluate the base wage as unfairly low. The results of this wage increase on output are that wage increase on average significantly influence workers' performance positively.

The study in addition established that there is strong heterogeneity in workers' response to the wage increase. Workers who perceive themselves to be underpaid at the base wage increase their performance significantly when

they are paid the higher wage, while workers who feel adequately paid or overpaid at the base wage do not respond to the wage increase.

Chen (2010) study on the effect of fair wage on job satisfaction and favourable work perceptions established that generally majority workers tend to have a positive attitude toward their employment situation with few (less than 30%) having negative attitude toward their employment situation.

Chen (2012) established that significant majority (92%) will put a lot of effort into their job with only 1% indicating not. Less men (90.8%) than females (94.1%) will put less effort into their job. He concluded that "Receiving fair or unfair wages has little impact on worker effort".

Chen (2010) indicated that fair wage leads to better labour relations (almost 90% of the workplaces have favourable labour relations with only 2% unfavourable labour relations).

According to Chen (2010) almost half (49%) of the respondents admit that fair wage leads to higher productivity with only 12.2% indicating that it does not. Fair wage has no statistical significance influence on workplace profitability in the study.

Kelley and Evans (2004) in Osberg (2006) "note that there is a tendency for survey respondents to place themselves "in the middle" of the income distribution", while Kluegel et al. (1995) in Osberg (2006) "report that subjective estimates of the perceived frequency of 'middle class' incomes depend heavily on the respondent's own socio-economic position". According Campbell and Kamlani (1997) workers determine if their pay is fair or not by looking at their own past wages, firm's profits, and wages of other workers in the same firm. This means in the same firm workers doing the same work with the same training and experience must receive the same pay if we want workers to consider the pay system as fair or not. If the firm is earning more profit workers are expected to be paid more.

Problem statement and Justification:

The policy makers are of the view that poverty will be reduced with improvement in standard of living. This is also expected to increase productivity. The implementation has also witnessed many strike and threats of strikes from various labour unions in areas such as security, health, education, transport, and civil service. The researchers intend to explore workers perception of the fairness of the single spine pay policy and their attitude towards it.

To the best of the knowledge of the researchers no such empirical work has been done in the study area and hence the paper fills in the literature gap. The findings of the research will serve as policy guide to policy makers in wage administration as well as employers in private enterprise. It also provides empirical understanding of the fair wage hypothesis as well as the various theories on wage. It will also provide reference material for future researchers.

General Objective and Specific Objectives:

The general objective of the paper is to contribute to the body of knowledge that exists in the area of fair wage, labour productivity and job satisfaction. Specifically, the

researchers: examine workers attitude towards the single spine pay policy; assess workers perception of the fairness of the single spine pay policy; assess workers satisfaction level of the scheme; investigate the effect of demographic variables on attitude, perception and satisfaction.

Research questions and assumptions:

The researchers provided answers to the following research questions: What is workers perception, attitude and satisfaction of the Single Spine Pay Policy? The assumption underlying the research is that workers are rational and will compare their salary with that of other workers. Hence they consider the scheme not to be fair and as such are not satisfied with the scheme.

Limitations and scope:

The research is a cross-sectional study and not longitudinal study. Hence the ability to attribute causality is limited. Some respondents felt reluctant to provide answers to the questions asked in the questionnaire. Hence data could not be obtained from all the respondents. Some might have given us bias responses. The sample was selected using convenience sample. Hence the sample might not be representative and the findings might suffer external validity.

Thus, the paper places the discussion of fair wages in the context of national wage and employment policies, which have the reduction of poverty and improvement in labour welfare as their main goals. The researchers are not interested in finding out workers knowledge level of the content of the scheme.

Methodology:

The study is based on descriptive quantitative cross-sectional survey design. The target population for the study is workers in public educational institutions in Sunyani Township. Data for the study was collected from the workers through self designed and self administered questionnaire covering the various variables identified in the literature such as satisfaction level, attitude towards the scheme in relation to fairness and it effect on future productivity. Convenience sampling technique was used in collecting primary data. This study is based on primary data collected in October, 2012 from the study area and secondary data were obtained from literature. In all 115 respondents were used for the study. Data obtained from the field were analysed using descriptive statistics such as frequencies of response, percentages, one way ANOVA with the use of SPSS which is 16.0 versions.

Results and Discussion:

Demographic features of respondents:

Of the 115 respondents in the study, 51(44.3%) were males and 62(53.9%) were females with 2(1.7%) missing responses. Majority 34(29.6%) belong to the age group of 31-35years, followed by 24(20.9%) in the age group of 26-30years, then 15(13%) in the age group of 36-40years, with 13(11.3%) in the age group of 46-50years, 10(8.7%)

in the age group of 46-50years, 9(7.8%) within the age group of 21-25years, 8(7%) above 51years, 1(0.9%) below 20years and 1(0.09%) missing response.

Majority 42(36%) of them were protestant, followed by Catholic 32(27.8%); 23(20%) were Pentecostals; 7(6.1%) belong to other Christian faith; 5(4.3%) belong to no religion; 3(2.6%) belong to other faith while 2(1.7%) are Muslims, with 1(0.9%) missing response.

On marital status majority 69(60%) were married; 32(27.8%) never married; 7(6.1%) were widowed; while 1(0.9%) was in informal relationship, with 1(0.9%) missing response. In the case of employment significant majority 113(98.3%) were teachers, with 1(0.9%) lecturer and 1(0.9%) account clerk. Most 44(38.3%) of the respondents were have worked for more than 10years followed by 2-4years 23(20%), then 8-10years 20(17.4%) while 19(16.5%) have work for 5-7years, with 6(5.2%) working for 1year and 3(2.6%) missing responses. On family size most 47(40.9%) have 5-9 members in the family while 46(40%) belong to families with less than 4 people and 10(8.7%) having 10-15 family members with 5(4.3%) having above 15 family members and 7(6.1%) missing responses.

Respondents perceptions of the single spine pay policy:

The results on respondent’s perception of the single spine pay policy (SSPP) are shown in table 1 based on ‘Yes’ and ‘No’ responses. Very significant majority 96(83.5%) of the respondents are not satisfied with the Single Spine Pay Policy (SSPP). Another significant majority 101(87.8%) want the scheme to be revised with another majority 99(86.1%) considering the scheme to be unfair.

Majority of the respondents 99(86.1%) think their association leaders did not do well at the negotiation and that is why they are unfairly treated. Very significant majority 99(86.1%) will not leave their current job as a results of the pay policy. The conclusion based on these findings is that respondents are not satisfied with the Single Spine pay Policy. The conclusion is that the respondents considered the SSPP as unfair which is consistent with the findings of Cohn et al. (2012) study that majority of the respondents are not satisfied with their salary and consider their pays as unfair.

Table 1: Responses on the Satisfaction of the Single Spine Pay Policy

Statements	Yes Freq. (%)	No Freq.(%)	I don't know Freq. (%)	Total Freq. (%)
Satisfaction with the SSPP	12(10.4%)	96(83.5%)	7(6.1%)	115(100%)
Revision of the scheme	101(87.8%)	8(7%)	6(5.2%)	115(100%)
Association leaders did well in negotiation	7(6.1%)	99(86.1%)	9(7.8%)	115(100%)
If the scheme is fair	7(6.1%)	99(86.1%)	9(7.8%)	115(100%)
Leave current job due to the	7(6.1%)	99(86.1%)	9(7.8%)	115(100%)

scheme				
--------	--	--	--	--

(Source: field survey; October, 2012)

Table 2: Distribution of responses on perception of the SSPP

Statements	Strongly Agreed Freq.%	Agreed Freq.%	Neutral Freq.%	Disagreed Freq.%	Strongly Disagreed Freq.%	Missing Response Freq.%	Total Freq.%
If respondents are fairly paid under the scheme	4(3.5%)	11(9.6%)	5(4.3%)	45(39.1%)	49(42.6%)	1(0.9%)	115(100%)
If respondents are satisfied with their current pay under the scheme	2(1.7%)	6(5.2%)	9(7.8%)	50(43.5%)	48(41.7%)	n.a	115(100%)
If respondents were given their due	5(4.3%)	13(11.3%)	15(13%)	44(38.3%)	36(31.3%)	2(1.7%)	115(100%)
If some workers are given too much than they deserve	18(15.7%)	13(11.3%)	13(11.3%)	27(23.5%)	43(37.4%)	1(0.9%)	115(100%)
If respondents get fair pay for things they do at their job place	2(1.7%)	7(6.1%)	19(16.5%)	54(47%)	31(27%)	2(1.7%)	115(100%)
If respondents are satisfied with the market premium given to them	1(0.9%)	4(3.5%)	24(20.9%)	48(41.7%)	37(32.2%)	1(0.9%)	115(100%)
If the allocation of the market premium is fair	1(0.9%)	5(4.3%)	27(23.5%)	48(41.7%)	33(28.7%)	1(0.9%)	115(100%)

(Source: field survey; October, 2012)

Table 3: Distribution of Responses on attitude towards work/productivity in relation to the SSPP

Statements	Strongly Agreed Freq.%	Agreed Freq.%	Neutral Freq.%	Disagreed Freq.%	Strongly Disagreed Freq.%	Missing Response Freq.%	Total Freq.%
If respondents will put greater effort into their job	28(24.3%)	43(37.4%)	32(27.8%)	6(5.2%)	5(4.3%)	1(0.9%)	115(100%)
If respondents will put greater effort into their job than before	21(18.3%)	28(24.3%)	36(31.3%)	23(20%)	7(6.1%)	n.a.	115(100%)
If the current place of work is good place to work	16(13.9%)	39(33.9%)	18(15.7%)	24(20.9%)	17(14.8%)	1(0.9%)	115(100%)
Better labour relations now than before due to the SSPP	3(2.6%)	31(27%)	33(28.7%)	31(27%)	15(13%)	2(1.7%)	115(100%)
If there will be higher labour productivity now than before	4(3.5%)	26(22.6%)	34(29.6%)	37(32.2%)	13(11.3%)	1(0.9%)	115(100%)
If respondents are satisfied now with their job due to the SSPP scheme	6(5.2%)	15(13%)	30(26.1%)	44(38.3%)	18(15.7%)	2(1.7%)	115(100%)
If respondents feel positive about their management	7(6.1%)	20(17.4%)	36(31.3%)	30(26.1%)	18(15.7%)	4(3.5%)	115(100%)
If respondents feel positive about their work place	12(10.4%)	36(31.3%)	29(25.2%)	22(19.1%)	13(11.3%)	3(2.6%)	115(100%)

(Source: field survey; October, 2012)

Respondents perception of the scheme was again assessed using five point Likert scale. The results are shown in table 2. Very significant 94(81.7%) majority indicated that they are unfairly paid under the scheme while another significant majority 98(85.2%) are not satisfied with the scheme. Most respondents 80(69.6%) are of the view that they were not given what is due them with 70(60.9%) thinking that some workers were not given too much. Most respondents 85(74%) stated that they do get fair salary for the job they do.

Majority 85(73.9%) of the respondents are not satisfied with the market premium given and another majority 81(70.4%) see the market premium as unfair. The conclusion from these results is that workers are not pleased with the Single Spine Pay Policy and consider their salaries are not fair looking at what other workers are given. The findings are consistent with the findings of researchers such as Campbell and Kamrani (1997). Workers look at their salaries in relation to other workers in the same organisations or firms.

Respondent attitude towards work/productivity in relation to the SSPP:

The attitude of respondents towards work under the scheme was examined in the study. The results are shown in table 3. Most 48(41.7%) of the respondents feel positive about their job but majority 62(54%) are not satisfied with their job due to the SSPP scheme. Majority 55(47.8%) agreed that their current work place is a good place to work. The findings are consistent with the findings of Chen (2012) that workers feel positive about their job.

Majority 71(61.7%) of the respondents will put much effort into their job with most 49(55.6%) agreeing that they will put in much effort in their job now than before. These findings are consistent with those findings of Chen (2012) that in the face of unfair pay workers still will put in more effort into their job. But the findings are not in line with that of Kreickemeier (2004) that if salary is considered as unfair it leads to less effort.

This result contradicts what most respondents said when asked if they will be higher labour productivity than before. Most 50(43.5%) disagreed that they will be higher labour productivity than before. This result are not consistent with that of Chen (2012) who established that fair wage has no significant effect on productivity, but is consistent with the findings of Schultz et al. (2006) that unfair salary affect productivity.

Most 48(41.8%) do not feel positive about the educational management due to the scheme while majority 46(40%) disagreed that there will be good labour relations. These findings are consistent with the findings of Chen (2012) that unfair salary leads to poor labour relations.

One-Way ANOVA :

Analysis of variance was performed to determine if there is statistical difference in the responses provided by respondents. The results on One Way analysis of variance

revealed that gender and household size has no statistical significant effect on attitude and perception of respondents on the SSPP which is not consistent with the findings of Chen (2012).

Age, religion, type of job, marital status and years of employment have significant effect on some of the responses given by respondents. For instance there is a significant difference between age and the means of the response given by respondents on questions such as: 'if respondent are fairly paid under the scheme' ($F=2.601$; $p=0.016$); 'I there will be better labour relations now than before' ($F=2.206$; $p=0.040$).

There is a statistical significant difference between the type of job and the means of the response given by respondents on four questions which are 'if respondents are satisfied with the SSPP' ($F=3.488$; $p=0.034$); 'whether the scheme should be revised' ($F=7.551$; $p=0.001$); 'whether association leaders did well in the negotiations' ($F=3.639$; $p=0.029$) and 'whether greater effort will be put into their work' ($F=4.520$; $p=0.013$). There is also a statistical significant difference between religion and the means of the response given by respondents on two questions which are 'if respondents are satisfied with their job due to the scheme' ($F=2.693$; $p=0.018$) and 'if respondents feel positive about their work place' ($F=3.079$; $p=0.008$).

There is a statistical significant difference between marital status the means of the response given by respondents on three questions which are: 'if respondents got fair paid under the scheme' ($F=2.580$; $p=0.030$); 'if respondents are satisfied with the current pay scheme' ($F=2.691$; $p=0.025$) and 'whether respondents are given fair pay for the job they do' ($F=7.440$; $p=0.001$). Lastly, years of employment statistically influence one response given by the respondents: 'if there will be better labour relation now than before under the SSPP' ($F=2.588$; $p=0.041$).

Conclusions and Policy implications:

Fair wage is clearly an important part of the policy environment within which productivity policy is evaluated. The findings of the paper have indicated that respondents in the study are not satisfied with the Single Spine Pay Policy scheme introduced by the Government will want policy makers to review the scheme to meet their aspirations and dreams. The feeling of unfair pay scheme might affect labour productivity if policy makers do no revisit the issue with the union leaders for workers to perceive the scheme to be fair.

Demographic variables such as age, type of job, religion, marital status and year of employment significantly affect respondent's responses as well as their perception and attitude towards the scheme. This means policy makers should take these variables into consideration when introducing policies.

Future studies should also look at the issue of causality among the independent variables and the dependent variables using since the paper does not focus on this issues and is descriptive in nature. The sample size could

also be increased in future studies to ensure more external validity. Comparative studies must be done in future studies to assess if the findings will be replicated.

References:

- [1] Adams, J. S. (1963). Toward an understanding of inequity. *Journal of Abnormal and Social Psychology*, 67(5), 422-436.
- [2] Agell, J., & Lundborg, P. (1995). Fair Wages in the Open Economy. *Economica*, 62, 335-351.
- [3] Agell, J. (1999), On the Benefits from Rigid Labour Markets: Norms, Market Failures, and Social Insurance, *Economic Journal* 100, F143-F164.
- [4] Akerlof, G., & Yellen, J. (1990). The Fair Wage-Effort Hypothesis and Unemployment. *Quarterly Journal of Economics*, 105, 255-283.
- [5] Armin, F., & Fischbacher, U. (1999): "A Theory of Reciprocity", *working paper* No. 6, Institute for Empirical Research in Economics, University of Zurich.
- [6] Bewley, T. F. (1995). "A Depressed Labor Market as Explained by Participants," *American Economic Review Papers and Proceedings*, 85, 250-254.
- [7] Blinder, A. S., & Choi, D. H. (1990). "A Shred of Evidence on Theories of Wage Stickiness," *Quarterly Journal of Economics*, 105, pp. 1003-1015.
- [8] Campbell, C., & Kamlani, K. (1997). The reasons for wage rigidity: Evidence from a survey of firms. *Quarterly Journal of Economics*, 112(3), 759-789.
- [9] Cohn, A., F. E., & Goette, L. (2012). Fair Wages and Effort: Evidence from a Field Experiment. Unpublished Manuscript: Retrived on 11/11/2012 at <http://www.econ.uzh.ch/faculty/cohn/FairWagesandEffort2012-02-08.pdf>
- [10] Chen, P. C. (2010). On Public Sector. Wage Rising, Watch Magazine.
- [11] Dufwenberg, M., & G Kirchsteiger, G. (2004) "A theory of sequential reciprocity". *Games and Economic Behavior*, 47, 268-298.
- [12] Kelley, J., & Evans, M. D. R. (1993). "The Legitimation of Inequality: in Osberg, L., & Smeeding, T. (2006). "Fair" inequality? Attitudes to pay differentials: The United States in comparative perspective. *American Sociological Review*, 71, 450-473.
- [13] Kluegel, J. R., Mason, D. S., & Wegener, B. (eds.). 1995. *Social Justice and Political Change: Public Opinion in Capitalist and Post-Communist States*: Osberg, L., & Smeeding, T. (2006). "Fair" inequality? Attitudes to pay differentials: The United States in comparative perspective. *American Sociological Review*, 71, 450-473.
- [14] Kreickemeier, U. (2004). Fair Wages and Human Capital Accumulation in a Global Economy. *GEP Research Paper*, 2004/09, University of Nottingham.
- [15] Osberg, L., & Smeeding, T. (2006). "Fair" inequality? Attitudes to pay differentials: The United States in comparative perspective. *American Sociological Review*, 71, 450-473.
- [16] Rabin, M. (1998), "Psychology and Economics". In Armin, F., & Fischbacher, U. (1999): "A Theory of Reciprocity", *Working paper* No. 6, Institute for Empirical Research in Economics, University of Zurich.
- [17] Schultz, K., Schoenherr, T., & Nembhard, D. (2006). Equity theory effects on worker motivation and speed on an assembly line. Retrieved from <http://www.hbs.edu/units/tom/pdf/kschultz.pdf>.
- [18] Single Spine Pay Policy for Ghana, 2006. Retrieved on 11/11/2012
- [19] <http://www.fairwages.gov.gh/index.php/Articles/ghanas-single-spine-salary-structure-implementation-challenges.h>
