

**UNIVERSITY OF GHANA**

**ASSESSING HUMAN CAPITAL AS AN ELEMENT THAT INFORMS  
REMUNERATION AND PROMOTION: A CASE STUDY OF THE NATIONAL  
HEALTH INSURANCE SCHEME**

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**THIS LONG ESSAY IS SUBMITTED TO THE UNIVERSITY OF GHANA,  
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AWARD OF MASTER OF PUBLIC ADMINISTRATION DEGREE**

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## DECLARATION

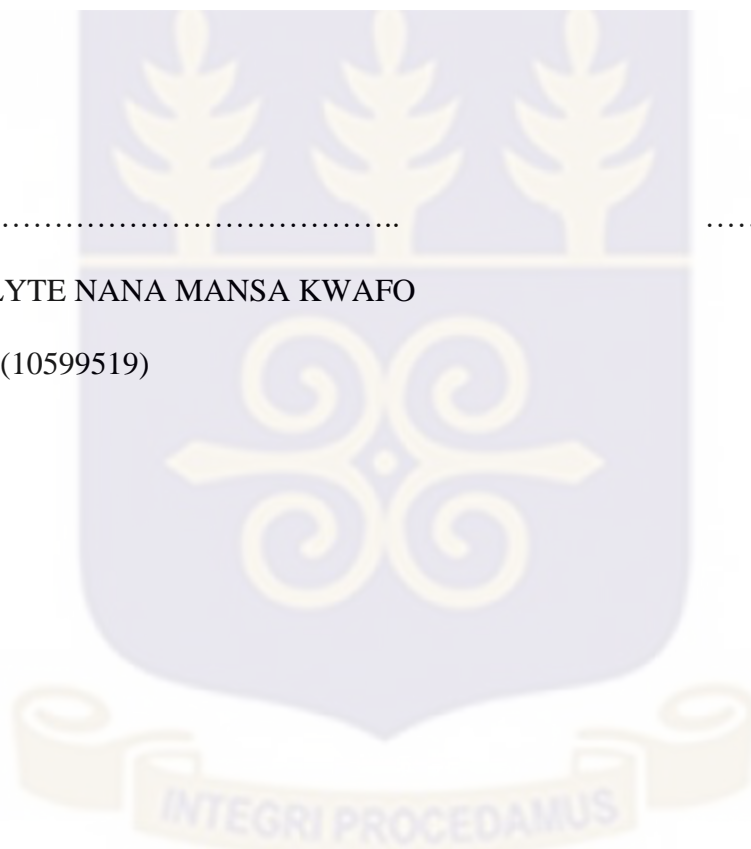
I declare that this research work is the result of my own work and for that matter has not been submitted in this University or other institution for any degree.

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## CERTIFICATION

I certify that this research was supervised in accordance with the rules and regulations of this University.

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DATE



## DEDICATION

I wish to dedicate this research paper to my mother Evelyn Ohenewa Ahene. She has in diverse ways been my source of strength. Her guidance, love and encouragement kept me going and has brought me this far. To my siblings Nana Nhyira Amon-Kwafo and Carol Maame Sam Kwafo –Kissi, who showed great concern while I studied this programme.

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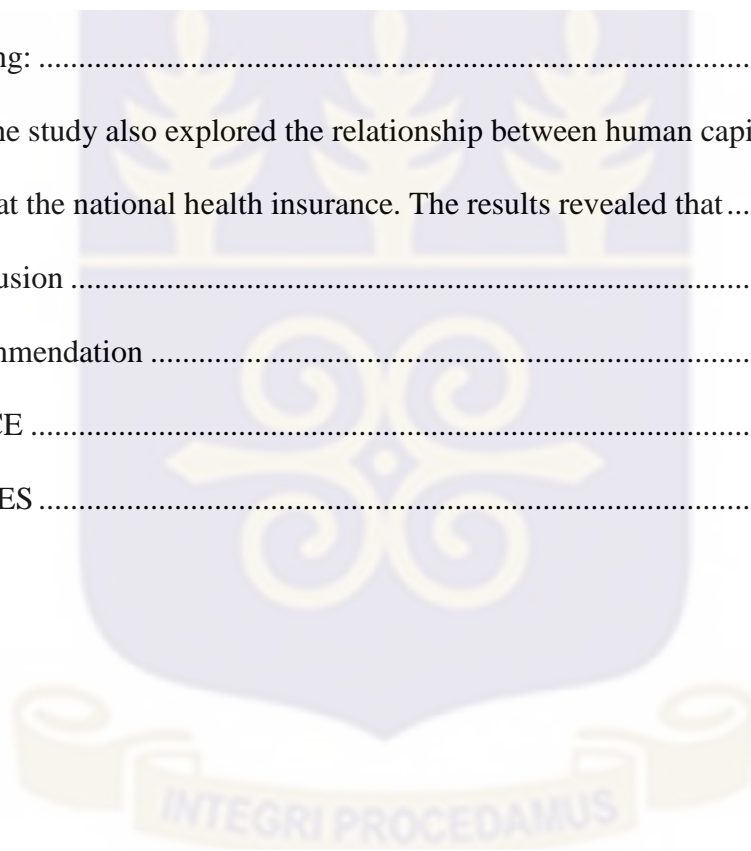
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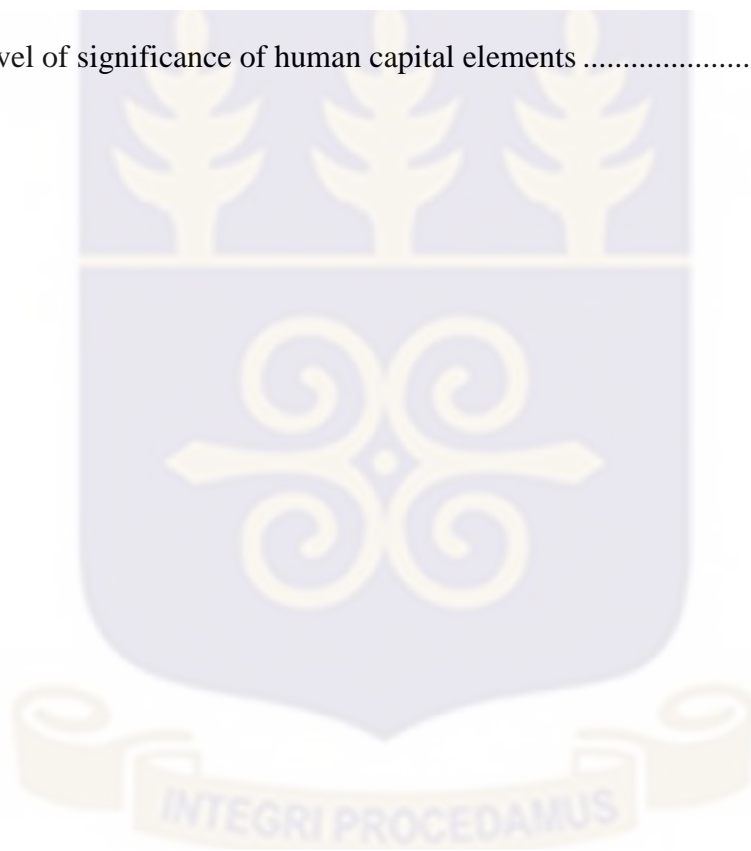
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## LIST OF ACRONYMS/ABBREVIATIONS

HC	Human Capital
IC	Intellectual Capital
NHIF	National Health Insurance fund
NHIL	National Health Insurance Levy
NHIS	National Health Insurance Scheme
SPSS	Statistical Products and Service Solution
SSNIT	Social Security and National Insurance Trust
VAT	Value Added Tax



## ABSTRACT

The value of staff is something that is often over looked by many companies. In actuality, human capital is a valuable asset for many businesses. In the recent decade, the management of organizations has found that human resources have the greatest importance in gaining sustainable competitive advantage and efficiency. The purpose of this study was to assess Human Capital as an element that informs remuneration and promotion at the National Health Insurance Company. A cross – sectional survey was used to conduct the study. In all 10 senior management staff and 70 junior staff responded to the study. The results of the study revealed that there is no well- designed reward process and systems that are noticeable by the staff of the company. The reward scheme is more administrative than developing the potentials of the employees. Generally, staff of the national health insurance perceives “knowledge and skills” as the most important human capital development measures that determines reward and compensation in the organization. The study also revealed that there is no significant relationship between the human capital elements used and employee reward at the National Health Insurance. It can therefore be concluded that being a state institution the National Health Insurance company does not have a well - defined reward system on its own. The study therefore recommended that there is the need for a broader consultation among the government, management and employees of the National Health Insurance in addressing concerns regarding reward and performance.

## CHAPTER ONE

### 1.0 Introduction

Chapter one of this long essay discusses the background to the research, problem statement, research goal, the objectives of the study, research questions, importance of the study and the organization of the study. The section also takes on the research questions, theoretical framework, and the organization of the study

### 1.1 Background to the study

The value of staff is something that is often over looked by many companies. In actuality, human capital is a valuable asset for many businesses. In recent times, management and the leadership of establishments has recognized that to have the utmost advantage in supporting maintainable competitive benefit and proficiency the human resource cannot be ignored. Knowledge and communication with clients of an organization has been paramount in the world hence human capital explains the bulk of information, technical abilities, inventiveness, and practices of the institutions, advances abundant importance, therefore the workforce is deemed as fruitful assets not costly assets (Hendricks, 2002).

An Irish poet, a playwright, novelist and a critic Oscar Wilde once said, 'A pessimist knows the fee of everything, but the value of nothing. Similar it can be said indeed about establishments that view their workforce as cost rather than an asset to be cultivated and developed over time'. In the concluding ages of the twentieth century, organization ought to to admit that persons not moneys, buildings, machinery or apparatus are indispensable differentiators of business entities (Fitz-enz, 2000). People are profit lever and inert. The fundamentals to supporting a profitable company and healthy economy is efficiency of the labor force, which is human capital (resources) (Fitz-enz, 2000). Accomplishment depends

largely on people with advanced level of competence, the people becoming treasured assets. The human is the subject to take control and responsible for all economic happenings such as manufacturing, consumption and business, thus it can be accepted that human capital means one of creation elements which can produce additional values through inputting it (Cummins et al, 2009).

According to the Harvard Business School (2015) a company's most important asset is not something that can be put in the hands. They are neither the equipment, the physical plant, nor the information, technology, nor logical property. The most treasured part of an organization is the individuals, the human capital and any ideas to move the business onward revolve around them largely.

Human Capital discusses a combination of factors endowed in staffs of organizations individually and collectively. These factors possessed by staff comprises talents and technical abilities, individual traits such as intelligence, energy, assertiveness, dependability and commitment, capability to learn comprising aptitude, imagination and creativity and yearning to share information, partake in a team and focus on aims of the firm (Fitz-enz, 2000). Human capital remains as a key element and plays a major role in enlightening the possessions of an organization, as it stays as a maintainable competitive advantage and increase the employees' competence and effectiveness. To demonstrate the capacity to generate useful competition between corporations through the growth of human resources of the individual, some organizational theorists make use of the rule of human capital theory. Management of organizations have derived the awareness that human resources have the paramount significance in the attainment of justifiable competitive gain and efficiency (Pasbah et al., 2016). Human capital simply refers to anything other than physical capital such as possessions, tools and fiscal wealth. Current definitions of human capital considers it as an assortment of characteristics such as life trade, cognition,

inventiveness, discovery, and dynamism, which people put in their work (Weatherly, 2003).

Communicating with clienteles has gained increasing prominence in the world where human capital displays the bulk of information, methodological skills, creativeness and knowledge of the institute. This advances boundless importance therefore considering man power as industrious assets and not overpriced assets (Hendricks, 2001). Most companies have encompassed the idea that human capital has a respectable competitive vantage that will enrich advanced performance. Human capital improvement becomes fragment of a complete struggle to realize effective cost and a firm presentation (Landau, 2009). Human capital refers to procedures that pertain to educating, grooming and other specific inventiveness to increase and improve the level of cognitive facts, talents, capabilities, principles and social possessions of an employee, which will cause worker gratification and affect performance, which will ultimately display in a firm's performance.

From literature an organization's main value does not lie in its systems control or equipment and machinery; instead, it depends on the human capital. The argument is that no matter how data system and technology may evolve, the value of Human capital cannot be substituted. Well acknowledged administrations in the world are acknowledged by the attitude and capacities displayed by their employees (Martinez, 2013). No business can survive without proficient and skillful employees. They all run with the support of individuals who contribute in their own way for the attainment and effective output of the organization. Brenya, (2014) argued that minus employees, resources that include knowledge, skills and ability in the organization can yield no fruitful endeavor upon which any expectation of result can be founded.

Human capital serves as a complement of a fundamental design and innovation capital of firms that creates fresh and exceptional knowledge, for instance, a scientist utilizing a firm's patent (Mhoney and Kor, 2015). Unlike organizational capital that the firm owns (patents, databases etc) human capital can just exit the entrance and never return (Coff and Raffiee, 2015). (Bontis et al., 1999) describe human capital as the human feature in the organization. The distinctive character portrayed by the human factor brings to bear a combination of skills and expertise, intelligence that builds on the image of the organization. The human capital elements of the organization are the personnel in the organization who have the capability of learning, introducing change, innovating new ideas and providing imaginative thrust which if well-motivated and remunerated can guarantee the long-term existence of the organization. Good remuneration over the years have been found to be one of the policies organizations adopt to increase the performance of their employees and thereby increase productivity. The remuneration given to employees denotes the reward or reimbursement given to the employee for their performance. Remuneration affords basic desirability to an employee to execute a job efficiently and effectively. Remuneration leads to employees being motivated. Rewards system are multidimensional and processes used in determining it are important as the reward received (Pichler, 2004).

It is a fundamental human resource function to reward employees adequately for positive worker behavior. Rewards serve as a major motivational tool for securing the participation of employees in pursuit of the organizational goal (Maciariello and Kirby, 1994). Rewards are central to the influencing of employee behavior and relationship; therefore, it is not surprising those human resource practitioners, policy makers and other commentators place emphasis on designing a newer method of rewarding employee in order to elicit desired employee behavior (Storey, 1995). Employees receive a variety of benefits in the form of

wages, salaries and pay. Compensation plans are made for employees to stop turnover and motivate them. Motivation splits into two kinds, which are intrinsic and extrinsic. Extrinsic motivation includes salary, wages, rewards, promotion and benefits, while intrinsic includes internal factors like freedom, job satisfaction and responsibility. Systems of rewards and compensation have much importance for the performance of an organization (Aslam et al., 2015).

Promotions empower an institute to use the talents and capabilities of its workforces more effectually, consequently good functioning realized. Promotion is the most substantial means to identify superior performance. Hence, it is therefore significant that upgrades are made fairly and grounded on virtue and untainted by nepotism (James et al, 2003). Motivation mostly varies between topmost management and employees, it remains therefore vital to understand what motivates each group. Factors and rewards that stimulate motivation should be clearly stated and made known to top management and employees for productivity to be enhanced (Mills and Walton, 1984). Promotion is viewed as a reward for what an employee has contributed to the organization. Owing to the virtue an employee has for the organization, promotion might be a necessity in order to keep that particular employee (Peter, 2014).

In implementing promotions in the organization, it is important that it be prudently implemented following precise policies and procedures. Promotion serves as a motivator for performance at the work place. It is vital phenomenon in realizing organizational aims and objectives (Ddmamulira, 2009). Bedfast (2004) however ruminates that promotion should not only be measured as a means of merely rewarding employees but should likewise be taken as a means towards placement of employees in positions they fit.

Becker (1993) notes that the most respected of all capital is that investment in the human being. Prosperity and survival of an organization is determined in how the human resources are treated. Therefore, it is encouraging that such employees who are the human capital are rewarded appropriately to complement their effort. It also prevent labor turnover, as employees would want to stay with the organization.

“Inferring from the above discussion on the relationship between human capital in the organization and employee reward determination, it could be seen that, human capital and employee rewards in organizational settings have some form of positive correlations in the form of either influencing the extent of remunerations or otherwise. This thus brings to being the focus of the study that seeks to assess whether human capital serves as a determinant to employee’s remuneration and promotion at the job setting.

However, the question is does human capital predict or inform rewards in the organization. It is for this reason that the research seeks to assess human capital as an element that informs remuneration and promotion in the organization.

The National Health Insurance Scheme in Ghana was established by the Government in 2003 as a health insurance and seeks to provide equitable access to health care and also provide financial coverage for basic health care services to the average citizen of Ghana. The country was losing many lives because people could not afford the cost of health care and so the government of Ghana thought it wise to introduce the National Health Insurance a social intervention program with a focus of providing financial access to quality health care for residents in Ghana. The NHIS is largely funded by three main taxes and levies: The National Health Insurance Levy (NHIL), where 2.5% levy on goods and services is collected under the Value Added Tax (VAT), then 2.5 percentage points of Social Security

and National Insurance Trust (SSNIT) contributions per month and return on National Health Insurance Fund (NHIF) investments (NHIS, 2018).

## **1.2 Statement of Problem**

Human resource has long been discussed as a critical resource in most firms (Pfeffer, 2004). Scholars argue that resources form the foundation of firms' strategies (Barney, 1991). Those resources and strategies interact to yield positive returns for the organization. Both tangible and intangible resources are employed to develop and implement strategies. However, intangible resources, which are mostly human capital, produce a competitive advantage than the tangible resources. Knowledge, skills, capabilities and expertise that form an intangible resource allow the firm to augment significance to incoming features of production (Hitt et al., 2009). Much of the organizations knowledge exist in its human capital, consequently organizations produce value through choices, developing and use of human capital (Lepak and Snell, 1999).

Employees feel content besides being motivated when they are promoted from lower level to upper level. Some level of satisfaction is attained since such promotions come with higher income, status and responsibilities. Promotion stimulates self-development and creates interest in training and development programs. Labor turnover is reduced and loyalty is built (Grupa, 2011). According to (Flippo, 1961), promotion plays a vital role to employee enthusiasm both intrinsically and extrinsically. The change in one profession to another is better in terms of status and responsibility, which comes with promotion that is accompanied by increase in pay and privileges. It can be argued therefore that employees are intrinsically motivated by promotion through the increased responsibility and extrinsically through the increased status, pay and privileges.

The usefulness of highly skilled personnel will be narrow if they are not well stirred and inspired to perform. HR management practices can affect employee motivation by urging them to be more effortful and smarter. To motivate employee behavior, performance appraisal should be used to evaluate individual or group performance and these appraisals can be closely linked with incentives, compensation system, in-house promotion system that centers on worker worth and other forms of motivations proposed to skew to the interest of employees with those of stakeholders (Huselid, 1995). (Becker, 2002) likens human capital to monetary or physical capital and notes that all are methods of capital since they are assets that yield income and other valuable productions over a long period. Nonetheless, the uniqueness of HC stem from the fact that the individuals cannot be disconnected from their cognition, expertise, health or values whereas the other forms of capital can be detached from their financial and physical properties (Becker, 2008).

For organizations to live on promotion is vital for employees. Moreover, various ways of promotion such as merit and seniority can be implemented. Some organizations are not adhering to promotion procedures hence staffs perform poorly because they are not satisfied. Promotion if well implemented leads to motivation. Clear policies and procedures must be laid down to serve as guidance for organizations to implement promotion policies effectively.

The public Service Management and Employment policy of 1999, the Public Service Regulations of 2003 (section 32(1) of the Public Service Act No. 8 of 2002) and the Public Service Scheme of 2003 of Tanzania affects promotion in the Public Service Sector for public servants. The provision of Tanzania Act and Policy on promotion insist that promotion should be based on academic qualification, performance, skills, personal qualities and job experience. Promotion on merit is adopted by many organizations as a

way of motivating employees to do their best. The method is seen as a fair method to reward those whose performance is considered exemplary, which encourages everyone in the organization to strive and perform better (Peter, 2014). Individuals acquire more education and training during their lifetime and the knowledge, skills, abilities and expertise acquired are used in the organization they work for which further create a competitive advantage for the organization. It also contributes to the perpetual succession of the organization.

It is in this view that human capital elements should inform remuneration and promotion though National Health Insurance has not clearly established what constitute remuneration and promotion of staff. Timely provision of good remuneration and promotion for employees is crucial to retain talented employees who will effectively and efficiently apply their human capital for positive and good production. The research seeks to assess if indeed human capital is an element that informs remuneration and promotion in the National Health Insurance Authority.

### **1.3 Research Goal/Purpose**

The study intends to assess human capital as an element that informs remuneration and promotion in National Health Insurance.

### **1.4 Specific Objectives**

The study is guided by specific objectives:

1. Describe the reward process of the National Health Insurance Authority
2. Determine human capital elements that predict promotion and remuneration at the National health Insurance Authority
3. Examine the association between human capital and rewards at the National Health Insurance Authority

### **1.5 Research Questions**

This study seeks to investigate the following:

1. What is the reward process at the National Health Insurance Authority?
2. What human capital elements inform remuneration and promotion at the National Health Insurance Authority?
3. Is there any relationship between human capital and rewards?

### **1.6 Significance of the Study**

This study will bring out the following importance:

First, the study will unearth the importance of human capital to the management affairs of organizations particularly the NHIS as it will bring to bear that human capital is the most important assets of an organization since it makes use of all other resources.

Secondly, the findings of the study will help establish how critical remunerations and promotions are to the employee as it serves as motivation factor to their highly expected performance levels.

Again, the findings will enable employees realize the need for higher education, skills development and knowledge upgrade since it could either or not influence their remunerations and promotions at the organization level.

Finally, knowledge from the study will add up to literature and this will help the academic community as well as future researchers who would fall on it for further research work.

### **1.7 Scope and Limitation of the study**

This study was structured to investigate the human capital element that informs remuneration and promotion at National Health Insurance. Therefore, this study will be focused on the human capital indices that inform promotion and reward in an organization.

The study is also limited in focus to staff and management of the National health insurance in the Greater Accra Region

Time constraint was a major limitation for undertaking and completing the research. This resulted in not being able to contact many respondents but to limit the study to a few selected offices of the National Health Insurance. For fears of being victimized respondents were also reluctant in releasing information aside the excuse of it being confidential. However, with approval from higher authority some impact was made since it was clearly stated that this research was strictly for academic purposes.

The issue of financial constraint is also a limitation. The cost of searching for information aside the numerous printing that had to be done, then travelling to collect data. Research assistants were not easy to find and the stress of having to combine the research work and academic work with administrative duties was a great limitation to the research.

### **1.8 Organization of the Study**

This section delineates the content, chapters and section. In all there are five chapters. The first chapter discusses the background to the study, problem statement, the objectives of the research, (what the study seeks to achieve), research questions, significance and importance of the study, the method used, limitations and study of the organization. The next section that is the second chapter addresses literature with highlights on secondary data related to the topic. The third chapter is the methodological framework. It discusses the study area and population, sample size and sampling procedures and techniques, types and sources of data and the analysis of the data. The fourth chapter will presents the finding gathered after data collection together with the discussions which will give the linkage between the objectives and the research question, the literature review and the theoretical

framework. The final chapter gives a summary of the entire research findings and draws conclusion. Recommendations suggested is founded on the analysis of the data obtained from the field.



## **CHAPTER TWO**

### **REVIEW OF LITERATURE**

#### **2.0 Introduction**

The chapter two presents the review of relevant literature related to the study. Thus, the chapter critically presents relevant literature on human capital as an element that informs remuneration and promotion (rewards), a case study of the national health insurance Authority. This chapter also evaluated the reward process of the organization, the human capital element that informs rewards, remuneration and promotion as well as the association between human capital and rewards in the organization. Furthermore, the chapter relates aforementioned work of researchers and practitioners to help augment integrated conceptual and theoretical frameworks. To this end, this chapter presents a review of literature related to the study, theoretical framework and empirical studies

#### **2.1 Definitions of rewards**

The business dictionary explains rewards as the procedures, principles, and standards related with apportionment of remunerations and compensation to employees.

Bratton and Gold (2007) defined reward as a mixture of monetary, non-monetary and psychological expenditures that an association offer to its personnel in exchange for the labour they perform in the firm.

Whiting (2003) however thought of it as a scheme that supports and warrant that rewards are fair and unailing among all workers according to the work they contribute.

## 2.2 Definitions of Human Capital (HC)

Bontis, Dragonetti, Jacobsen and Roos (1999) opined that “Human Capital is the human personnel and factor in the organisation; the collective intellect, abilities and capability that provides distinguishing personality an organisation”. The human components of the organisation are those that have a variety of marketable skills and have the ability to learn and provide the artistic thrust, which is a form of capital, invested into the organization. In their definition, Bontis et al (1999) emphasized the significance of origination, modification and creativity and its role in Human Capital.

Furthermore, Thomas et al (2013, p3), also defined Human capital as the ‘individuals, their performance as well as the potentials they exhibit in the organisation’. The term ‘potential’, used by the researchers indicates the possibility of the human capital to develop through the acquisition of skills and abilities over a period. Their definition also corroborates that of Dess and Picken (1999, p8). According to Dess and Picken (1999, p8) Human capital comprises of ‘the personal competencies, knowledge, expertise and involvement of the establishment’s staff and management due to their relevance to everyday task of the organisation and the capability to augment this pool of information, abilities, and experience through distinct learning’. Their definition attempts to expand the definition of other researchers and therefore significantly emphasized that personalities can ‘add’ to their information base through additional learning. Similarly, Becker (1993, p3) argued that human capital constitute the knowledge of the individuals, information, ideas, skills as well as health. An interesting part of this definition is the inclusion of the health of the individuals. This makes the healthiness and well-being of people an important factor in modern study with regards to the contextual development of human capital within organizations.

### 2.3 Overview of rewards

Rewards patterns could include extrinsic and intrinsic rewards. Extrinsic that can also be referred to as external recompenses are items such as monetary imbursement and conditions of work that the employee receives as part of the employment. Intrinsic rewards that is internal in nature refer to contentment and the excitement that the employee derive from executing a job and gives the individual a fulfilment, and a sense of feeling of joy of contributing something to society. Countless individuals who work for charities, for instance, receive salaries that are considerably lower than what they could attain if they worked for commercial associations. This is a substitution of extrinsic rewards for the intrinsic reward and in doing so they have the conviction that they are doing something profitable for society and of much need to society.

Organisations are opened to several types of reward systems. McCormick and Tifflin (1979), opined that rewards systems of an organisation can be categorized as intrinsic (internal) or extrinsic (external). Intrinsic reward systems consist of those that are essential in the career, which the personnel enjoys because of concluding the task successfully and achieves his goals. However extrinsic reward involves the exterior and it is tangible in order to appreciate the job accomplished by employee. Extrinsic rewards are the types of rewards that are outside the task of the employment, it includes wage, condition of work, fringe paybacks, safety and security, upgrade, service contract and work security, income, incentives, bonuses, payments, the work setting and conditions of work. (Badrinarayan and Tilekar, 2011). Consequently, organizations need to define the reward system it wants to offer at the administrative level rather than the individual managers.

(i) Intrinsic Reward

Intrinsic reward is concerned with psychological growth of personnel (Williamson et al., 2009). They are immaterial gains and include the features such as independence, response and choice making participation (Hackman and Oldham, 1976). The internal reward system are generated deliberately to appreciate employees in a form of self-confidence and related to their sense of accomplishment and development with institution. Workers have a sense of satisfaction when they have accomplished something valuable and worthless in their cause of work and orally appreciated and respected by the organization (Nawab, Ahmad and Shafi, (2011).

(ii) Extrinsic Rewards

The external rewards spread over rudimentary desires of income for survival (to pay bills), a sense of permanence and dependability (job security), and recognition (values and skills of the work place). Hellriegel (1999) explains extrinsic reward as the aftermaths supplied by the organization, and comprises of income, status, job security and fringe benefits. One can equate these rewards to the job context items that Herzberg called hygiene factors.

## **2.4 Reward process of the organization**

Reward management and process is the term used to reward personnel based on how appreciated they are to the firm. The main objective of reward management is to encourage the labor force thus employers can maintain them in anticipations of meeting the goals of the organization. The objective is to discover a technique to do so in a manner that not only fits within the financial plan of the company, but then again abides by any legal regulations. So, in plain terms, rewards management is the notion of certifying an incentive so that the workforce wants to ensure their best work and stay with the institute.

To this end, each establishment can develop and cultivate their own means of rewarding employees, but an elementary process according to Whiting (2003) follows these;

Primarily, the company needs to discover and hire employees that are experienced to fulfil the goals and objectives of the establishment. (Employment should be merit based) .This is because if the organization does not begin with qualified workforce, it may be problematic to motivate them to do anything.

Secondly, the company needs to monitor their performance on the job, whether they are meeting their desires. The organization should also check if staffs are performing outstanding works, whether they need additional training or inspiration to complete their work more efficiently.

Subsequently, the organization decides in what way to inspire its employees. The essential needs of the employees are key factors to reflect on when deciding what type of reward system will work finest to motivate.

Finally, is to process. After the reward has been disseminated, the organization should analyze how it affects future performance. Questions to be used for analysis could include: did the method selected for motivation work? Have the workers remain unrelenting to produce excellence work? Is there a need to modify the motivation? How about the effort of the employees keeping in line with the goals and objectives of the firm?

A good system of reward is a force approach. It draws individuals into it because they realize what is acknowledged and rewarded, it feels good and great to be part of both the receiving (and hopefully the giving) of the rewards and acknowledgement, and they do not want to be missing out but instead want to be part of it. Nonetheless, researchers have argued that behaviors take about 20 tries before they are integrated in an individual's usual

patterns. In other words, for people to acclimatize completely into this type of culture, it involves patience, tolerance and consistency of the organization.

## **2.5 Overview of Human Capital (HC)**

There has been as gradual drift from a production economy to that of a knowledge based one in the 21<sup>st</sup> century as well as a model alteration in the way ‘resources’ are viewed within organizations. A firm’s physical assets were hitherto viewed as a pathway to its pecuniary success. However, as argued by Becker, the physical properties of a firm only describe a comparatively small part of the growth of income in most nations’ (Becker 1964, p1).

Physical resources bring little advantage to the organization from a strategic management perspective for the reason that they can easily be bought and sold on the open market (Rothaermel, 2012). Grant (1996a), and Mahoney and Kor (2015) both argued that in an economy where knowledge exists, it is the immaterial qualities and abilities of the personnel and the information present within the organizations structures, procedures, systems and processes that can contribute towards the knowledge capital of the organization. This knowledge capital is normally referred to as a firm’s intellectual capital (IC).

The intellectual capital of firms consists of human, social and structural capital (Edvinsson and Malone 1997). While the human capital characterizes the structural level of the IC, it does not only perform a vital role in developing and making new ideas and knowledge; it enables social capital and the distribution of knowledge and ideas through internal relationships (Han et al., 2014). Managing and measuring human capital is very important planned issue within every organization. (Boudreau & Ramstad 2007, Thomas et al 2013, Ployhart et al 2014).

## **2.6 The human capital elements that informs Rewards, remuneration and promotion**

According to Field (2002), another set of elements influencing the potential for promotion is the worker's personal characteristics (which, by one calculation, might be thought of as part of human capital). Psychological characteristics may be powerful determining factor of an employee's worth if s/he is promoted to a more senior position.

Becker considers human capital, physical, and financial capital as diverse aspects of capital; however, their dissimilarity is resulting from the fact that an individual cannot be detached from their ability, well-being, and values, where as they can be disconnected from their assets and properties. Thus, the most justifiable and biodegradable capital is human capital. According to Schultz (1961), formal tutoring and training are dynamic tools for improving the capacities of production. Furthermore, educational registration is considered as the standard for investing in human capital. There are innumerable definitions of human capital, with each of them emphasizing diverse individualities of human capital.

A collection of features, life trade, knowledge, ingenuity, innovation, and dynamism, which individuals measures and invest in their work is recently considered as the definition of human capital (Weatherly, 2003).

### **2.6.1 Creativity and innovation**

Organizations subsistence depends on their power of rejuvenation. This rejuvenation is accomplished through adapting to objectives of the present circumstances and improving approaches of accomplishing these goals. Hence, organizations look out for originality and innovation in their human capital, since non-creative establishments will become defunct or transform themselves (Daft, 1998).

### ***2.6.2 Knowledge and skill***

Humans are valued and treasured resources within the organization and this is not new. According to Nerdrum and Erikson (2001), in the early seventeenth century, William Petty, the famous economist, projected the value of workers through insurance officers. In later centuries, Adam Smith wrote about the worth of workers knowledge and cleverness and their effect on the product process and the efficacy of the company (Smith, 1910).

In spite of the organized relationship between economic progress and knowledge, management researchers such as Drucker (1993) have recommended that employees be the central work forces while the scientific work should be the essential resource of every developed economy. These researchers stated that management of information is always crucial since it has enabled economic growth to be built upon the knowledge, and intellectual capital is very important for the growth of product. Therefore, there is the need for more scientific attention for observing, describing, and quantifying the knowledge of economy and product (Bontis, 1998).

### ***2.6.3 Value added***

The human capital can empower a firm to gain competitive advantage and value added and function with comprehensive excellence plans. Employees can generate the forecasts at divergent level of the organization, define the set standards, missions and goals, design strategic plans, and implement those policies according to values. Value added can be strengthened through motivating and teaching the employees (Armstrong, 2008).

### ***2.6.4 Competitive advantage***

For a company to derive competitive advantage it must produce a distinctive product from their opponents through engaging more capable and skillful employees than the workforces of the competitors. According to Armstrong, (2008) employees' talents such as good

performance, flexibility, imagination, and the ability to give undeviating services to the client would enable an organization gain competitive advantage over other organization. Intellectual capitals, which are used as intangible assets, are cherished operators within an establishment. These capitals are an imperative economic resource and have an unswerving competitive effect on the market (Groves, 2002).

#### ***2.6.5 Increasing the customer's satisfaction from the organization***

Customers will only commit to a service in an organization when there is a better employee relation with the customer. Zeithmal et al. (1996) contended that advanced quality of services produces affirmative behavioral intents in customers and affects their allegiance to the organization. This brings positive financial proceeds for the business. Consequently, the customer's faithfulness to a service company is determined through the conduct of the employee towards that customer. In fact, service establishments must inspire and stir up this behavior. Developing the rapport will elevate the consumer's commitment to the organization, so that they will become the perpetual customers (Yoon and Suh, 2003).

To evaluate the performance of a customer is subject to the proficiency, attitude, expertise, and skill of employees, thus the conduct of employees related to customers will influence the future of service relationship (Gonzalez and Garazo, 2006)

#### **2.7 The association between Human Capital and Rewards in the organization**

Human capital is a component significant to intellectual capital (IC). There is rising interest in how HC can be used to build organizational value. According to Chew and Chan, (2008) equity describes how employee perceives the impartiality of the emolument and whether they feel they are being rewarded what they are worth in comparison to coworkers. Inequity suggests inequitableness and leads to employee turnover. Although pay is accepted as a precursor of organizational assurance and employee's intention to stay,

it has been found through research that pay alone is not sufficient and adequate, moreover intrinsic factors contribute. (Chew and Chan, 2008) Due to this, there is the need to recognize employees and reward them for their enthusiasm to create worker satisfaction and organizational commitment. According to Armstrong (2000), levels of remuneration are inspired by the value of human capital in terms of the skill they possess. Employees commit to education and training to increase and heighten their value as human capital and to enhance their future earnings because this will influence their levels of salary.

Lyons and Akroyd (2013) Logistic Regression was used to ascertain projecting ability of the independent variables on total job satisfaction. The outcome was that personnel were likely to be more happy with their work if they were pleased with their salary, benefits and workload; were contented with the support they received from their institutes in relation to their teaching; and if females and minorities were treated impartially by the organization as they perceived. Minority faculty were equally less likely to be content, as were faculty who indicated that if they were given the opportunity to choose a career again they will not hesitate to make a choice from the academia.

The application of human capital by employees to their job brings investment incentive from human capital through salary, benefits, job fulfillment, and more learning chances as well as promotion. Because of these accomplishments, families and governments are allowed to devote a large part of their resources and funds into training and developing of the human force (Pasban and Nojede, 2016).

## **2.8 Theoretical Framework**

### ***2.8.1 Human Capital Theory***

In the Western states, human capital theory has had education recently theorized as an economic and primary device. Human capital sets the framework and background of government policies since the early 1960s. It is the most prominent economic theory of the Western education. Economic performance sees human capital as increasingly the main key element. An elaborate and systemic plan of action in shaping economic performance has been to employ a conception of personalities as human capital and various economic metaphors such as “technological change,” “research,” “innovation,” “productivity,” “education,” and “competitiveness.” In the past, economic deliberations have nevertheless not determined education (Fitzsimons, 2014).

For a greater and better economic output, Kern (2009) resolves that investment should be made into human capital development theory however, the legitimacy of the theory is at times hard to substantiate and contradictory. In the ancient times, economic strength was largely reliant on tangible physical assets such as land, factories and equipment. Labor was an essential and required component, but growths in business value came from investment in capital equipment. Present day economists appear to agree that indeed education and health care are the first principles to improving human capital and ultimately increasing the economic productivities of the nation. (Becker 1993)

In *The Wealth of Nations* (1776), Adam Smith developed the basis of what was later to turn out to be the science of human capital. Over the next two centuries, two schools of thought can be distinguished

### ***2.8.2 Maslow's Hierarchy of needs***

A renowned theory relating to motivation is Maslow's hierarchy of needs. It was vividly indicated that people's wants and needs travel along a hierarchy of Maslow's theory. Once the individual meet the requirements of one level of the pyramid, the individual will then concentrate on achieving the needs of the next level in the hierarchy. The physiological need is the very lowest of the hierarchy, connecting to the need to survive (e.g. food, clothing, and shelter); once these have been met, the next thing humans long for is safety, love, then self-esteem. Finally at the topmost of the pyramid, self-actualization, or self-fulfillment (Association of Chartered Certified Accountants (ACCA) Global, 2013).

Abraham Maslow is well renowned for proposing the Hierarchy of Needs Theory in 1943. An excellent theory that depict human motivation. The assumption of the theory is because there is a hierarchy of five needs within each individual that have varying needs of agency.

The application of Maslow's hierarchy of needs to reward schemes in organizations proposes that over time every junior staff who receives very low wages will be motivated by receiving higher monetary rewards, as this will empower them to meet their physiological needs. As employees become progressively highly remunerated, however, monetary rewards become comparatively less essential as other needs in the hierarchy takes precedence. They become more concerned about job security, ability to achieve one's potential, and feeling of being wanted becoming more significant (ACCA Global, 2013).

Herzberg conversely argued that increasing rewards temporarily motivates and inspires employees. The zeal is no more as soon as they become de-motivated again. When that happens it is required to increase the reward to 'recharge their batteries'. A far better and may be an appropriate and suitable way to motivate workers is to 'install a generator in an employee' so they can revitalize their own batteries. In other words to determine what

really motivates them, from Herzberg's view intrinsic factors in a job should be first to be considered. Factors such as 'accomplishment, recognition for achievement, the work itself, responsibility and progress or advancement' challenges the responsibility for employees. This challenge can increase motivation. Possibly, it can be concluded that monetary rewards alone is insufficient to motivate and inspire workforces. Giving better recognition and greater responsibility are other factors and features that may be used to motivate personnel's. An example is praising staffs that have performed well at company meetings, promoting staff, and involving staff more in making decisions (ACCA Global, 2013).

## **2.9 Related Studies**

Osei (2011) carried out a research on the effect of motivation on employee performance in Ghana education service: a case study of angel educational complex. The approach used was a multi-method. The research gathered data using both the quantitative and qualitative research questions. The gathering of these data was done using interviews and questionnaire after analysis were done using words, graphs, tables and statistics. There was one on one interviews and the administering of questionnaires that helped the researcher massively to have effective comparison of all responses. From the study, it was realized that motivation serves as a factor that influenced performance and increases productivity.

Kikoito (2014) investigated the impact of reward systems on the organizations performance in Tanzanian banking industry in Mwanza city. The researcher used descriptive research design which combined both quantitative and qualitative approaches. The research sampled a total of 65 employees from three commercial banks (CRDB, NBC and NMB) in Mwanza City and self-administered questionnaire. Selected employees were also interviewed. Descriptive statistics (SPSS and excel) was used to analyze the data and presented as frequency distribution tables and histograms. Findings of the study showed that the three

commercial banks in Mwanza city offer both extrinsic (salary, bonus and promotion) and intrinsic (praise, recognition and genuine appreciation) rewards to their employees. Nonetheless, the current reward packages and salary levels in Mwanza city was seen to be too low and did not reflect the standard and cost of living in the city hence workers were found to be unsatisfied with the results . The study further indicated that intrinsic (non-financial) rewards were not satisfactory and acceptable to employees.



## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.0 Introduction

This chapter gives a clarifying and a description of the basic research plan and exactly how the study would be conducted. The researcher gives an in-depth description of how data would be gathered for the study, how the study sample is acquired as well as a clear description of the research participants is incorporated in the chapter. Reason for selecting these methods of research is also provided in addition to describing the chosen methods. The final chapter will reports and enlightens on how the researcher would analyze the data from the study.

#### 3.1 Research Design

The Research design selected for this study was descriptive survey design that concentrated on studying a condition of a problem in order to expound the relationship between variables. Scientific method was used and that involved observation and describing the situation. Descriptive study will also be of great use when it is not likely to test and measure the large number of sample required for quantitative of experimentation. Specifically, using questionnaires and interview guides which is a combination of the survey qualitative and quantitative research designs shows how the researcher gathered data to provide a rich source of information from respondents within the research area. Complementing the quantitative method from the questionnaire with in-depth interviews using the qualitative method helped to understand in details the role of human capital as an element that informs remuneration and promotion (rewards). In other words, integrating quantitative and qualitative research methods in this study reduced the risk of systematic biases due to a

specific method used to test the consistency of findings obtained through the use of the different instruments, as well as provided richness and detailed data which helped to adequately explore the study.

### **3.2 Study population**

This study intends to cover workers and management of the National health Insurance Authority. Specifically, for the purpose of this study, the target population was staff and management of the national health insurance in the Greater Accra region.

### **3.3 Sample Size**

The research which reflects the entire outlook of the National Health Insurance Authority was limited to a few district Offices in the Greater Accra Region for the data collection. A convenient sample size of 70 senior and junior staff and 10 management staff making 80 staff will be used. From the data collected, discussion will be made and conclusion drawn

### **3.4 Sampling design**

Stratified sampling was used in the sampling of staffs of the national health insurance. In relation to sampling of staffs, the staffs were stratified into departments. Thus, each of the departments became a stratum. Simple random sampling was performed on each stratum to select the required sample from each stratum. As part of performing the random sampling, the respondents that were chanced upon in the departments were selected for the study.

### **3.5 Sources of data**

Both primary and secondary sources of data were gathered for this study. Primary data was gotten directly from the study's unit of analysis. In this case, respondents provided their

responses regarding the assessment of human capital as an element of rewards in an organization through the data collection instruments (questionnaires). On the other hand, the secondary data involved a desk research of relevant materials, documents and reports on human capital and rewards. Specifically, secondary data for the study was obtained through library research including books, journals, reports, and other relevant document the researcher considers important to the study.

### **3.6 Methods of data collection**

#### ***3.6.1 Quantitative methods (Questionnaires)***

Questionnaires that was well thought of was the main instrument used for the collection of data. The questionnaire was used to draw information from staff of NHIS due to their busy schedules and could not be subjected to long hours of interview. Besides, NHIS had men and women equipped with adequate education to offer information without interference from the researcher (Sarantakos, 1997). Furthermore, besides it's prospective to produce information from a lot of respondents within a short time, the questionnaire was moderately inexpensive in terms of time. It was also completed at the respondent's suitability.

According to Creswell (2002), questionnaires have some disadvantages. Answers given are straightforward and do not allow for prompting and explanation. Collecting further information from the respondents is a difficulty. In addition, to addressing the limitations some open-ended items were made available to enable the respondents to explain, opine, and make elaborations on the questionnaire.

Only one questionnaire was developed in relation to the research objectives for all staffs of NHIS. The questionnaire had different part specifically designed in conformity with the main research questions. For the first part of the questionnaires the concentration was on acquiring the demographic profile of the respondents. Gender, age, and educational

background, number of years of working in the institution and rank were the variables used. Subsequently the other parts of the questionnaire addressed the other research questions. The questionnaire for the staffs was self-completed, implying the health insurance staffs completed the questionnaire themselves. This is because they are educated and can understand the language of the items. The questionnaires were re-claimed after two weeks of dissemination although a few extended beyond the two weeks. This was to give respondents ample time to respond to the items. To gain access into the participants, an introductory letter was obtained from the University. This letter explained to the management of NHIS that the researcher is a student of the University of Ghana who is on academic research assignment and should be accorded the needed assistance and backing.

### **3.7 Pre-testing and validity**

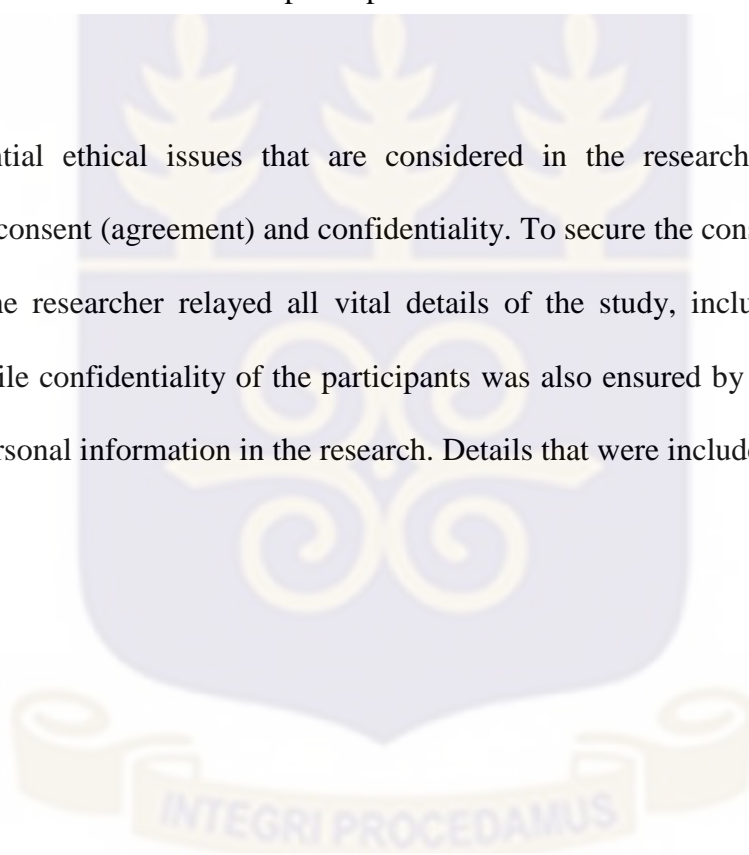
If an instrument measures what it is envisioned to measure and accurately accomplishes the purpose for which it was designed then the instrument is valid (Patten, 2004; Wallen and Fraenkel, 2001). Thus, legitimacy is very crucial for every research as it may serve as a defense shield to the research and for that matter, the integrity of the researcher by logical extension. Establishing correct operational measures for the concepts being studied is crucial for construct validity. To achieve instrument validity, pre-testing of the instruments and sampling methods was done to develop, adapt, and check the feasibility of techniques. The pre-test was done using five respondents. Relevant but minor revisions was made to the questionnaire in terms of wording of questions based on the result of the pre-test.

### **3.8 Ethical treatment of participants**

Ethical matters or thoughts are significant for every research adventure or study according to McNamara (1994). This is essential for studies that involve usage of human subjects. Therefore, researchers must take measures to ensure that subjects that participate in their

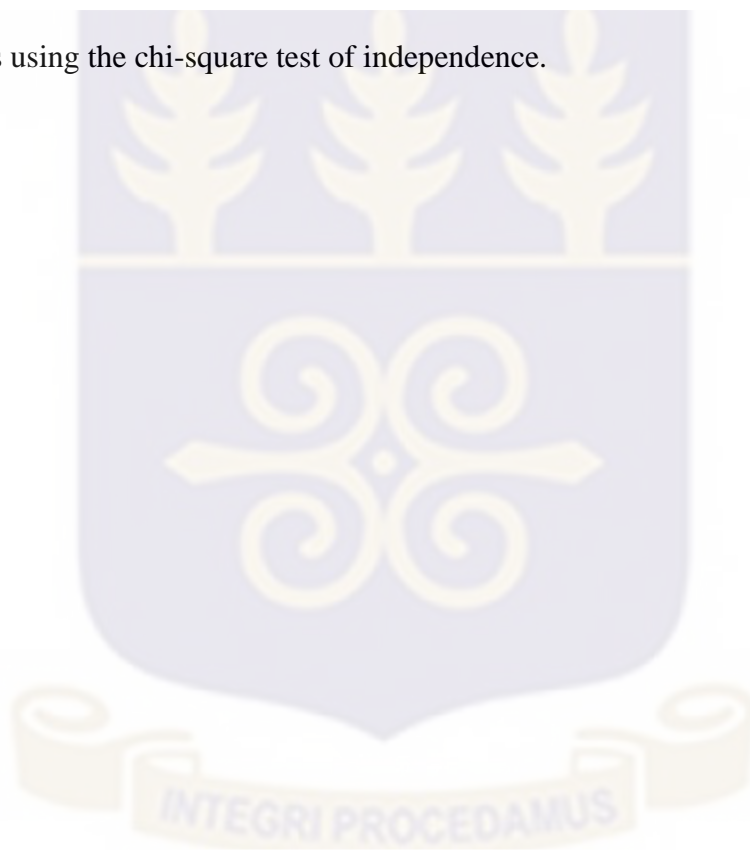
research activities are ethically treated. In view of this, the voluntary participation policy was firmly adhered to throughout this research for safeguarding the privacy as well as the safety of the participants. Persons who participated in study were aware of the purpose of the research and, how their information and data was collected will be handled and treated with high confidentiality. Just as participants freely decided to partake in the research, they were free to withdraw and to terminate participation at any time they so wish. That is to say, those respondents were advised that they could pull out from the study even during the process. This was to ensure that participants did not feel coerced to participate in the research.

The substantial ethical issues that are considered in the research process included specifically consent (agreement) and confidentiality. To secure the consent of the selected partakers, the researcher relayed all vital details of the study, including its aims and purpose, while confidentiality of the participants was also ensured by not revealing their names or personal information in the research. Details that were included were relevant to the research.



### **3.9 Methods of data analysis**

Before analyzing the data and records from the field, all completed questionnaires were tolerably checked for completeness. Thus, data cleaning and processing was done to detect errors in data recording prior to the data analysis. The quantitative data collected was coded and entered using the Statistical Products and Service Solutions (SPSS), version 18. Quantitative analysis included generating descriptive statistics. Descriptive statistics such as frequencies and percentages in the form of tables and figures were used to present the results, while some inferential analyses were done to define some relationships using the chi-square test of independence.



## CHAPTER FOUR

### RESULTS AND DISCUSSIONS

#### 4.0 Introduction

In this chapter, the results of the data analyzed and the discussion of the findings are presented. Discussion includes the possible implications of the findings. The findings of the study was related to the pertinent concepts and theories discussed under the reviewed literature in Chapter 2. (Two)

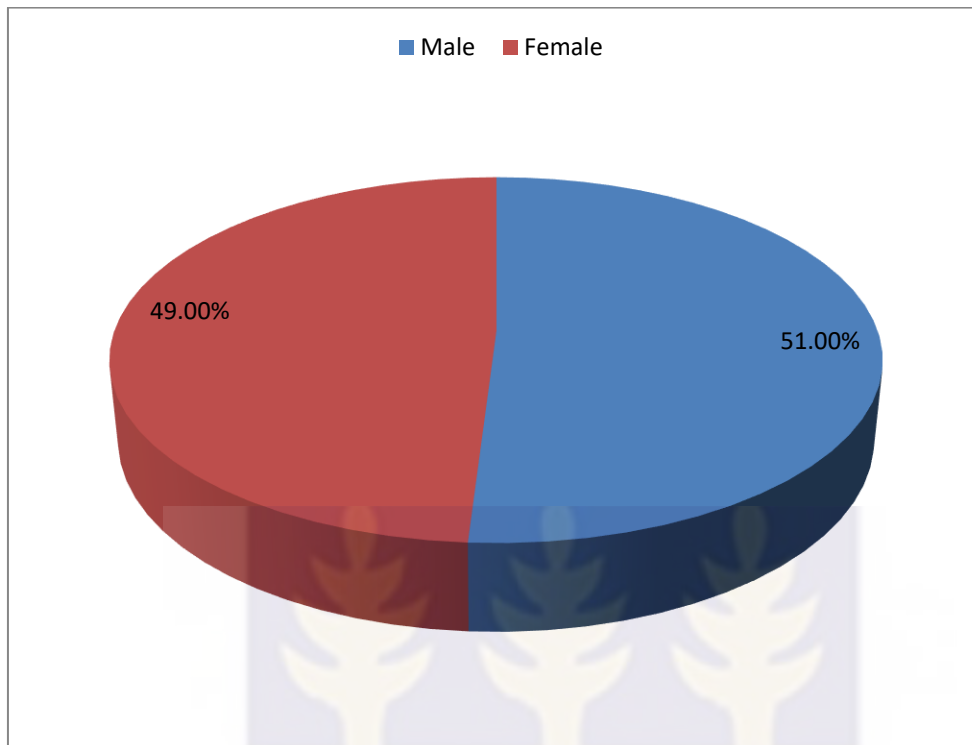
The results of this study is presented in four sections. The first section submits findings and discussions on the demographic characteristics of respondents. Then the second section presents findings and discussions on the reward process of the national health insurance. Last but not least section deliver findings and discussions on the human capital elements that predict promotion and remuneration at the national health insurance and finally the fourth section presents findings and discussions on the association between Human Capital and Rewards at the national health insurance.

#### 4.1 Section A: Demographic characteristics of the respondents

This unit presents the analysis and discussions of respondents' demographic characteristics. There were 80 respondents consisting of 10 upper – level management members and 70 junior and senior staff all of the national health insurance. In analyzing the demographic characteristics of respondents, the following five variables were studied: Gender of respondents, Age of respondents, educational background of respondent, work experience as well as department and role.

In this regard, the study analyzed the gender of the respondents. The results have been analyzed below.

**Figure 1: Gender of the respondents**



With regards to gender distribution of the respondents (staff), it is noticed that majority (51.0%) of the respondents were males. However, the percentage of males exceeds females by only 2 percent. This indicates that although men dominated the study, a significant proportion of women were also represented in the study.

In examining the ages of the respondents, their ages were coded into five variables namely: 20 -30 years, 31- 39 years, 40 - 50 years, 51 to 59 years and 60 years above respectively.

**Table 1: Age distribution of the respondents**

Age	Frequency	Valid Percent
20-30	12	17.5
31-39	43	61.4
40-50	12	17.5
51-59	3	3.5
Total	70	100.0

The age distribution of the respondents shows that respondents within the age group “31-39” largely dominated that study (61.4%). This is followed by those within the age group “20-30” and “40 -50”. Further analysis revealed that the study constitute about 80 percent (79.9%) of the youthful population (20- 39 years). Hence, it is deduced from the above that the national health insurance is largely dominated by the youthful population of employees.

The study further analyzed and discussed the educational background of the respondents. Four educational variables namely: Senior high school (SHS), Diploma/HND, first degree and second degree were used.

**Table 2: Education of the respondents**

Education	Frequency	Percent
SHS	4	5.3
Diploma	11	15.8
First Degree	37	52.6
Second Degree	18	26.3
Total	70	100.0

Generally, it is noted that the respondents possess higher education. This is evident in the fact that about 95 percent of the respondents have tertiary educational background. Specifically, majority of the respondents have “first degree” (bachelor) (52.6%). On the other hand, the least level of education represented in the study are those with secondary education. This outcome is not surprising since it could be the general requirement of the institution. Hence we can conclude that majority of the staff of the national health insurance have tertiary education background.

**The study also analyzed the working experience of the respondents.**

**Table 3: Distribution of respondents’ work experience**

Years	Frequency	Percent
0-5	20	35.1
6-10	24	42.1
more than 10	13	22.8
Total	57	100.0

The distribution of the working experience of the respondents showed that most staff of the company have about “6-10” years of working experience with the company. It is also noticed that 65 percent of the respondents have above 5 years working experience with the institution hence we can conclude that the staff of the company have gained much experience due to the many years they have been on the job. Furthermore, concerning the 10 upper level management members interviewed, the study recorded an average working experience of 8 years with a minimum of 2 years and a maximum of 14 years. This high experience enables the researcher to find out the right information about the reward and

compensation systems being functional within the institution. It is also possible to generalize that such rather longer years of service might have facilitated respondents to possess rich experience and an improved understanding about the various issues and problems of reward and compensation at the national health insurance.

**Furthermore, the departments from which the respondents were sampled was also analyzed and the results are presented below.**

**Table 4: Department of the respondents**

Department	frequency	percent
Administration	13	18.6
Actuarial	5	7.0
Audit	5	7.0
Finance	9	13.0
Corporate affairs	3	4.0
HR	10	14.0
Legal	1	1.40
Quality assurance	5	7.0
Research	12	18.0
Claims	7	10.0
Total	70	100.0

The results further indicated that generally, the respondents were sampled from ten departments. This was meant to ascertain the issue of reward and promotion across the various departments in the organization. From the results, respondents from the administration, HR as well as research, policy, monitoring and evaluation department were dominantly represented in the study.

## 4.2 SECTION B Determination of the Reward Process at the National Health

### Insurance

In this section, attempts were made to explore the reward process at the national health insurance. Specifically, the study explored nature of the reward process, the purpose of the process as well as the process itself. The responses from the staff were anchored on a four point likert scale, namely, strongly agree, agree, disagree and strongly disagree.

**Table 5: Nature of the reward process**

Nature of the reward process	Agree Disagree	
	%	%
NHIS has a well-designed reward process and systems for its staff	21.0	79.0
Criteria for reward and compensation are job related	24.6	75.4
Criteria listed in employees reward and compensation form are satisfactory	12.3	97.7
Employees are allowed to participate in the reward and compensation process	15.8	94.2
Management of NHIS and employees hold post –reward meetings	14.1	95.9

The perception of the respondents concerning the nature of the reward and promotion system of the national health insurance institution is dominantly negative. An assessment of the nature of the reward process at the NHIS indicates that generally, there is no well-designed reward process and systems that are noticeable by the staff (79.0%). In addition it is also indicated that the criteria for reward and compensation are not job related (74.5%). Similarly, the respondents indicated that the criteria listed in employees reward and compensation form are not satisfactory (97.7%) and in terms of respondents' view

regarding pre-reward discussion arrangements, employees are not allowed to participate in the reward and compensation discussion process (94.2%). Furthermore, it was reported by the respondents that management of NHIS and employees do not hold post –reward and compensation meetings to discuss employee’s reward and promotion results.

Similarly, nine out of the ten upper-level managers indicted that there are no clear cut remuneration and promotional system available in the organization. One of the managers with about 14years experience remarked that “*there are no clear-cut reward and promotion system but salary increase is done annually*”

The purpose of the reward and compensation at the national health insurance was ascertained using a five –point likert scale.

**Table 6: Purpose of the current reward process**

Items	Mean	SD	Rank
To improve quality of work	2.81	1.27	1
To motivate employee on the job	2.16	1.06	5
To improve competence	2.81	1.37	2
To reduce labor turnover and retain dedicated workforce	2.18	1.27	3
To build a good image for the organization	2.17	1.14	4
To encourage strongly committed employees	2.11	1.14	6
To place employees in positions that they fit	2.02	1.02	8
To stimulate self –development and create interest in training	2.00	0.34	9
To enable the organization utilize skills and abilities of its personnel	2.09	1.10	7

Mean difference analysis was conducted to rank the purpose of the current reward and compensation at the national health insurance. It is indicated by the respondents that the current reward and compensation was meant to “to improve quality of work” (M=2.81, SD=1.27), “to improve competence” (M=2.81, SD=1.37), “to reduce labor turnover and retain dedicated workforce” (M=2.18, SD= 1.27). This is an indication that the reward scheme is more administrative than developing the potentials of the employees (i.e. stimulate self –development and create interest in training, place employees in positions that they fit,etc). It would therefore be concluded that the current system of employee reward and promotion has been perceived by the respondents to be primarily administrative in purpose rather than developmental. In addition to the above, the study inquired from the management members how the employees perceive the current reward system. The upper–management members indicated that the employees do not appreciate this system of remuneration and promotion.

#### **4.3 SECTION C Human Capital Elements That Informs Remuneration and Promotion at the National Health Insurance**

The human capital element that informs remuneration and promotion at the national health insurance was analyzed and the results are presented below. The responses from the staff were anchored on a four point likert scale, namely, strongly agree, agree, disagree and strongly disagree

**Respondents' opinion about human factors that predicts promotion and remuneration at the national health insurance was analyzed.**

**Table 7: Human capital elements that informs reward**

Items	<i>Mean</i>	<i>SD</i>	<i>Rank</i>
Creativity and innovation	2.32	0.939	5
Knowledge and skills	2.65	0.942	1
Value added	2.40	0.907	2
Competitive advantage	2.40	0.864	3
Increasing customer satisfaction in an organization	2.36	0.888	4

The results of the mean analysis showed that Out of the five variables that were used to measure human capital at the organization all had mean less than 3.00. However, it turn out that the respondents agreed that “knowledge and skills” is the most significant element used as a basis for promotion and compensation in the organization. This is followed by “value added” and “competitive advantage”. On the other hand, “creativity and innovation” are not strongly rewarded in the organization. It generally shows that staff of the national health insurance perceives “knowledge and skills” as the most important human capital development measures that determines reward and compensation in the organization.

Furthermore, a statistical test of the mean was executed to determine whether the staff considered a particular variable to be important or not. The mean ranking of each criterion was used to analyze the importance of the decisions that the respondents expressed. For each variable, the null hypothesis was that, the variable at the hand at a particular point in

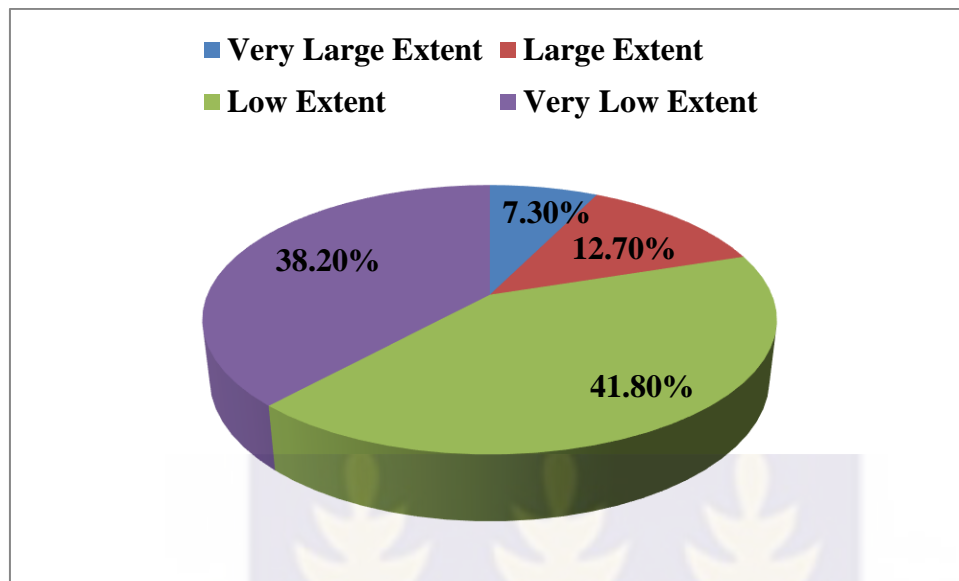
time is not significant which statistically indicated as  $H_0: U=U_0$ . The  $U_0$  is the critical rating above which the variable is considered significant or important.

**Table 8: Level of significance of human capital elements**

	Test Value = 2.0					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Knowledge and Skills	4.955	52	.000	.64151	.3817	.9013
value added	3.322	53	.002	.40741	.1614	.6534
Competitive advantage	3.698	53	.001	.44444	.2034	.6855
Creativity and innovation	2.766	53	.008	.35185	.0967	.6070
customer satisfaction	3.758	53	.010	.46296	.2159	.7100

The results of the one sample t-test reveals that with the exception of “creativity” and “customer satisfaction” the other entire variable were statistically significant ( $p < 0.05$ ) in informing remuneration and promotion. In, addition all the statements had a t-value (strength of the test) being positive. It shows that knowledge and skills, value added and competitive advantage are the factors that inform remuneration and promotion at the national health insurance.

The study also examined the extent to which the human elements of the organization inform remuneration and promotion. This was to buttress the reasons stated by the respondents in table 8 above.

**Figure 2: Extents to which human capital elements informs reward**

Generally, it is noticed that the human elements of the organization to a large extent does not inform promotion in the organization. This indicates that although the organization has laid down strategies for reward and promotion, these strategies are not pursued. Hence, promotion and reward are outside of the organization's routine.

#### **4.4 Section D Relationship between reward and human capital elements**

This study explored the relationship between the human capital elements present at the institution and the rewards of the organization. Specifically the study ascertains the relationship between human capital elements (employee capabilities) as well as it influence on promotion and compensation within the organization. A Pearson's correlational analysis was employed to ascertain the relationship between employee reward (promotion and compensation) and the human capital elements.

Generally, the outcome showed that there is no significant and substantial relationship between the human capital elements used and employee reward at the national health

insurance (see appendix 2). This indicates that employee reward at the national health insurance is not informed by employee capabilities as indicated in section B. Specifically, with the exception of Technical abilities and Innovation, all the other human capital variable were positively related to employee reward (promotion and compensation), However, they were not significant in informing the reward of the organization. This therefore indicates that the reward system of the organization is motivated by other reasons that are not dependent on employee capabilities. Most of the management members interviewed also stated that the organization's reward system is not based on the human capital characteristics of the organization. Hence, it can be deduced from the above that reward systems of the national health insurance are not informed by human capital elements available in the organization.

## **4.5 Discussion**

### ***4.5.1 The Reward process of the national health insurance***

The first objective examined the reward process of the national health insurance company. According to Torrington et al., (2011), reward is evidently central to the employment relationship. While there are adequately a of people who enjoy working and who claim they would not stop working even if they were to win a big cash prize in a lottery, most of employees work in great part of organizations because it is their only means of earning the money needed to sustain themselves and families. The study revealed that generally, there is no well- designed reward process and systems that are noticeable by the staff and management of the company. In addition it is also indicated that the criteria for reward and compensation are not job related (74.5%). Again, the respondents also claimed that the criteria listed in employees reward and compensation document are not satisfactory (97.7%) and in terms of respondents' view regarding pre-reward discussion arrangements,

employees are not allowed to participate in the reward and compensation discussion process (94.2%). Furthermore, it was reported by the respondents that management of NHIS and employees do not hold post – reward and compensation meetings to discuss employee’s reward and promotion results. Though the selected company has a habit of rewarding and motivating its employees to let them work to its best interest, the rewarding systems are not based on performance. They are instead bonuses and salary increments that are given to all employees once annually. The upper-level management confirmed this. Shields stated that the stronger the perception that the rewards allocated are unfair in either absolute or relative terms, the bigger the potential for breach of the psychological contract (Shields, 2007).

This study explored the relationship between the human capital elements present at the institution and the rewards of the organization. Specifically the study ascertains the relationship between human capital elements (employee capabilities) as well as its influence on promotion and compensation within the organization. A Pearson’s correlational analysis was employed to ascertain the relationship between employee reward (promotion and compensation) and the human capital elements.

Generally, the results showed that there is no significant relationship between the human capital elements used and employee reward at the national health insurance (see appendix 2). This indicates that employee reward at the national health insurance is not informed by employee capabilities as indicated in section B. Specifically, with the exception of Technical abilities and Innovation, all the other human capital variables were positively related to employee reward (promotion and compensation). However, they were not significant in predicting the reward of the organization. This therefore indicates that the reward system of the organization is motivated by other reasons that are not dependent on

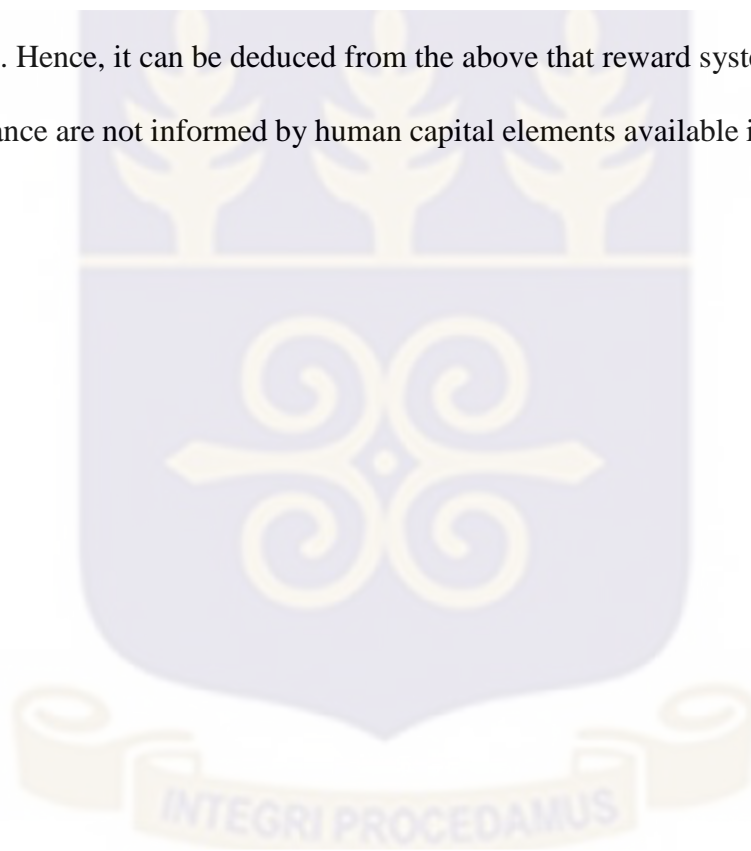
employee capabilities. Most of the management members interviewed also stated that the organization's reward system is not based on the human capital characteristics of the organization. Hence, it can be deduced from the above that reward systems of the national health insurance are not informed by human capital elements available in the organization.

#### ***4.5.2 Human Capital Elements That Inform Promotion and Remuneration at the National Health Insurance***

The second objectives explored the human capital elements that inform remuneration and promotion at the national health insurance organization. From the study, it is revealed that “knowledge and skills”, “value added” and “competitive advantage” are the most important elements used as a basis for promotion and compensation in the organization. On the other hand, “creativity and innovation” are not strongly rewarded in the organization. According to Armstrong/Bruton, (2009), in order to perform well employees need first to have the knowledge and skills that are required for the job. In the study, staff of the national health insurance perceives “knowledge and skills” as the most important human capital development measures that determines reward and compensation in the organization. Furthermore, a statistical test of the mean was executed to determine whether the staff considered a particular variable to be important or not. The results of the one sample t-test reveals that with the exception of “creativity” and “customer satisfaction” the other entire variable were statistically significant ( $p < 0.05$ ) in informing remuneration and promotion. In, addition all the statements had a t-value (strength of the test) being positive. It shows that knowledge and skills, value added and competitive advantage are the factors that inform remuneration and promotion at the national health insurance.

#### ***4.5.3 Relationship between reward and human capital elements***

The study explored the relationship between the human capital elements present at the institution and the rewards of the organization. The study revealed that, there is no significant relationship between the human capital elements used and employee reward at the national health insurance (see appendix 2). This therefore indicates that the reward system of the organization is motivated by other reasons that are not dependent on employee capabilities. Most of the management members interviewed also stated that the organization's reward system is not based on the human capital characteristics of the organization. Hence, it can be deduced from the above that reward systems of the national health insurance are not informed by human capital elements available in the organization.



## CHAPTER FIVE

### SUMMARY CONCLUSIONS AND RECOMMENDATIONS

#### 5.0 Introduction

This chapter provides the summary of significant findings, conclusions and provides recommendations based on the findings of the study.

#### 5.1 Summary of Major Findings

The purpose of this study was to assess Human Capital as an element that Informs Remuneration and Promotion at the National Health Insurance Organization.

A cross –sectional survey was used to conduct the study; the study could be described as being descriptive, qualitative and quantitative in nature. The cross- sectional descriptive survey was used for obtaining information directly from the respondents. To ascertain the validity of the research instruments, a pilot test was conducted with a small group of respondents. The research supervisor was also made to read the survey and necessary corrections were made prior to administration. The data received was first coded, and then analyzed using SPSS version 21. Descriptive statistics (frequency) was used.

***5.1.1 Results analyzed after data collected from the study's unit of analysis has been summarized below***

The first objective of the study explored the reward process of the national health insurance.

The study found that

- Generally, there is no well- designed reward process and systems that are noticeable by the staff (79.0%).
- Criteria for reward and compensation are not job related (74.5%).
- Criteria listed in employees reward and compensation form are not satisfactory (97.7%)
- Employees are not allowed to participate in the reward and compensation discussion process (94.2%).
- Management of NHIS and employees do not hold post – reward and compensation meetings to discuss employee’s reward and promotion results.
- Majority of the low-level managers indicted that there are no clear-cut remuneration and promotional system available in the organization.
- It is indicated by the respondents that the current reward and compensation was meant to “to improve quality of work” (M=2.81, SD=1.27), “to improve competence” (M=2.81, SD=1.37), “to reduce labor turnover and retain dedicated workforce” (M=2.18, SD= 1.27).
- The reward scheme is more administrative than developing the potentials of the employees (i.e. stimulate self –development and create interest in training, place employees in positions that they fit,etc).
- The employees do not appreciate the current system of reward (remuneration and promotion).

***5.1.2 The study also explored the Human Capital Elements That Predict Promotion and Remuneration at the National Health Insurance. The results revealed the following:***

- Generally, staff of the national health insurance perceives “knowledge and skills” as the most important human capital development measures that determines reward and compensation in the organization.
- The other entire variable were statistically significant ( $p < 0.05$ ) in predicting remuneration and promotion.

***5.1.3 The study also explored the relationship between human capital elements and reward at the national health insurance. The results revealed that***

- There is no significant association between the human capital elements used and worker reward at the national health insurance (see appendix 2). This therefore indicates that the reward system of the organization is motivated by other reasons which are not dependent on employee capabilities

## **5.2 Conclusion**

The outcome of the study suggests that process of reward (i.e. compensation and remuneration) is external to the organization such that upper level management does not have responsibility to determine reward structure in the organization. It was also clear from the study that there is no known reward process in the organization as stipulated by the respondents. Hence, the study found that the reward process is administrative. Furthermore, it is perceived that knowledge, skills, value added and competence are the major qualities that drive motivating in the organization. It can therefore be concluded that being a state institution the national health insurance company do not have a well - defined reward system on its own.

### 5.3 Recommendation

Established on the findings of the study the following recommendations have been made

1. The reward criteria of the current system at the national health insurance system need not to be encouraged in conformity to the purpose desired. It is not job related and it should not be forgotten that employees should meaningfully participate in the process of establishing criteria to win their acceptance.
2. Post reward discussions between employees should be held consistently and immediately after evaluation before employees develop in them a feeling anxiety and trust ration. Managers in post-reward meetings should provide employees with specific performance feedback, and allow them to express their feelings freely, and render them constructive suggestions, support, and advice to help them improve their performance.
3. There is the need for the various departments under the national health insurance organization to work towards improving the training of human capital development programs that will help employees to acquire the needed skills required by the company.
4. There is the need for a broader consultation among the government, management and employees of the national health insurance in addressing concerns regarding reward and performance.
5. Since this research focused on a public sector institution, future research may need to investigate the human capital elements that informs Rewards (remuneration and promotion) studied for this research within private organizations of a similar type within the same industry or sector.

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**APPENDICES**

*APPENDIX A*

**ASSESSING HUMAN CAPITAL AS AN ELEMENT THAT INFORMS  
REMUNERATION AND PROMOTION (REWARDS)**

**A CASE STUDY OF THE NATIONAL HEALTH INSURANCE AUTHORITY**

**QUESTIONNAIRE FOR STAFF**

Dear respondent

This study is designed for academic purpose. The study seeks to assess the human capital as an element that predicts remuneration and promotion (rewards) a case study of the national health insurance scheme. You are however assured that information provided to complete this questionnaire would be treated with the strictest confidentiality.

Thank you in advance for participating in the study

**SECTION A: DEMOGRAPHIC BACKGROUND**

1. Gender                      Male [ ]                      Female [ ]

2. Age                      20-30 [ ]                      31-39 [ ]                      40-50 [ ]                      51-59 [ ]  
60 and above [ ]

3. Educational Background: SHS [ ]    Diploma [ ]    First Degree [ ]    Second Degree [ ]

4. How long have you been working with the organization?

a 0 to 5 years [ ]    b. 6 to 10 years [ ]    c. more than 10 years [ ]

5. Which department do you belong to ?

.....

SECTION B: REWARD PROCESS OF THE NATIONAL HEALTH INSURANCE

6. NHIS has a reward process and system for its staff?

a. Strongly Agree  b. Agree  c. Disagree  d. Strongly Disagree

7. Do you believe (think) that the criteria for reward and compensation are job related?

Yes  No

8. Are you satisfied with criteria listed in employees Reward and compensation form? Yes  
No

Yes  No

9. Are you allowed to participate in reward and compensation process Yes No

Yes  No

10. Do management of NHIS and employees hold post-reward and compensation meetings to discuss employee's reward and compensation results?

Yes  No

11. If Your answer for question no 10 is yes when do post reward and compensation meetings take place (Please tick as many as you think for question number 11)

A. Immediately after reward

B. After many days of reward

C. Whenever employees request for it

D. When the management of the company feels it appropriate

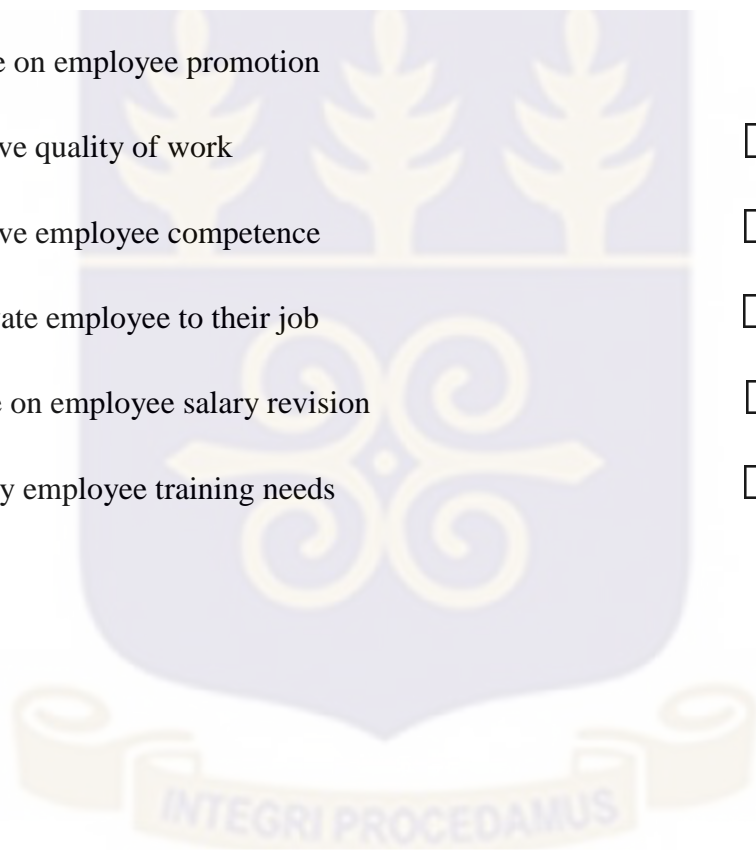
12. How often does reward and compensation conducted in your organization? A. Once a Year  B. Four times a Year  C. Twice a Year  D. More than four times a Year

13. What ‘’ should’’ be the primary purpose of employee reward and compensation? (More Than One Answer Is Possible Here)

- A. To improve quality of work
- B. To motivate employee to their job
- C. To improve employee competence
- D. To reward out strongly competent employees
- E. To identify employee training needs and employee transfer
- F. To decide employee promotion and employee salary revision

14. The primary Purpose of the current employee reward and compensation is

- A. To decide on employee promotion
- B. To improve quality of work
- C. To improve employee competence
- D. To Motivate employee to their job
- E. To decide on employee salary revision
- F. To identity employee training needs



15. Please indicated your view on the reward processes of the organization by using the following scale: 1 = Strongly Disagree 2 = Disagree 3= Agree 4 = Strongly Agree

PROCESSES	Strongly Disagree	Disagree	Agree	Strongly Agree
The company finds and hires employees that are qualified to meet the goals and objectives of the company				
The company observes their work, whether they are meeting their requirements.				
the organization decides how to motivate its employees				
After the reward has been distributed, the organization should analyse how it affects future performance				

16. Kindly outline other effective reward procedures of the organization

.....

.....

17. How effective have the reward systems of the NHIS been?

- a. Very effective  b. somehow effective  c. Not effective

SECTION C: HUMAN CAPITAL ELEMENTS THAT PREDICT REMUNERATION AND PROMOTION AT THE NATIONAL HEALTH INSURANCE

18. Please indicated your view on the human capital elements that predict remuneration and promotion by using the following scale: 1 = Strongly Disagree 2 = Disagree 3= Agree 4 = Strongly Agree

ELEMENTS	Strongly Disagree	Disagree	Agree	Strongly Agree
Creativity and innovation				
Knowledge and skill				
Value added				
Competitive advantage				
Increasing the customer's satisfaction from the organization				

20. Which of the following human capital characteristics is highly exhibited by Staff of NHIS? (You May Tick More Than One).

- a. knowledge  b. creativity  c. innovation  d. energy  e. learning

21. To what extent does the human elements of the organization predict remuneration and reward?

- a. Very large extent  b. large extent  c. Low extent   
 d. Very low extent

22. Kindly outline human elements that predict remuneration and reward in the organisation

.....  
 .....

Section D Relationship between human capital and reward

1. Since joining this organization, have you been promoted      YES      NO?
2. What can you say is the reason for your promotion? .....
3. With the exception of annual salary increment have you received any benefit  
(reward)for work done in this institution      YES      NO
4. If yes in what form was the compensation (reward).....

Kindly state your views on the following statements

5. Generally, the reward system here is based on merit      Agree      Disagree
6. Generally the reward system here are based on political reasons      Agree  
Disagree

SECTION E: RECOMMENDATION

23.. Kindly give recommendations on how the human capital can further enhance remuneration and rewards in NHIS

.....

.....

THANK YOU

APPENDIX B

ASSESSING HUMAN CAPITAL AS AN ELEMENT THAT INFORMS  
REMUNERATION AND PROMOTION (REWARDS)

A CASE STUDY OF THE NATIONAL HEALTH INSURANCE AUTHORITY

MANAGEMENT INTERVIEW GUIDE

Dear respondent

This study is designed for academic purpose. The study seeks to assess the human capital as an element that predicts remuneration and promotion (rewards) a case study of the national health insurance scheme. You are however assured that information provided to complete this questionnaire would be treated with the strictest confidentiality.

1. For how long have you worked with this institution.....
2. What is your role here?.....
3. What is your position?.....

REWARD PROCESS OF THE NATIONAL HEALTH INSURANCE

4. Do you think that employees have a procedure for pursuing their grievances and having them addressed objectively in this institution? Yes No

If yes explain.....

If no explain.....

5. Do you think the system of reward and compensation of your organization enables it to maintain and promote its employees? Please explain.....

.....  
.....

6. Do you think that the current reward system in this organization is appreciated or abortive?

A. If appreciated why?

B. And B. If abortive why?

7. In relation question 6 will you recommend some ways on how it will be redesigned?.....

8. What are the main purposes of reward and compensation in your organization?  
.....  
.....

9. In what range do performance ratings of the majority of workers in your organization often fall? .....  
.....

10. Which reward and compensate technique do you use in organization?.....  
.....

11. What kind of evaluation criteria (form) do you use in your organization to compensate and reward and promote your employees?.....  
.....

HUMAN CAPITAL ELEMENTS THAT PREDICT REMUNERATION AND PROMOTION AT THE NATIONAL HEALTH INSURANCE

12. What human elements do you look for in compensating and promoting your employees in this organization?.....  
.....  
.....

13. What will your recommend to improve the reward and compensation system in this organization?.....  
.....

**THANK YOU**

Appendix C

Table Relationships between employees reward and human capital elements

		knowledge	creativity	innovation	energy	learning	technical	promotion	compensation
Knowledge	Pearson Correlation	1							-
	Sig. (2-tailed)								.
Creativity	Pearson Correlation	.052	1						
	Sig. (2-tailed)	.703							
Innovation	Pearson Correlation	-.018	.094	1					
	Sig. (2-tailed)	.893	.489						
Energy	Pearson Correlation	.019	.009	.140	1				
	Sig. (2-tailed)	.890	.948	.304					
Learning	Pearson Correlation	.190	-.073	.043	-.015	1			
	Sig. (2-tailed)	.160	.593	.755	.914				
Technical	Pearson Correlation	-.121	.198	-.033	-.050	-.262	1		
	Sig. (2-tailed)	.376	.143	.809	.715	.051			
Promotion	Pearson Correlation	.030	.020	.078	.094	.090	.106	1	
	Sig. (2-tailed)	.825	.886	.571	.494	.513	.440		
Compensation	Pearson Correlation	.083	-.143	-.094	-.175	-.031	-.202	-.156	1
	Sig. (2-tailed)	.543	.294	.492	.197	.820	.136	.250	

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

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