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THE INFLUENCE OF COMPENSATION ON EMPLOYEE MOTIVATION IN TANZANIAN LOCAL GOVERNMENT AUTHORITIES: A CASE OF MWANZA CITY COUNCIL, TANZANIA

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Abstract

The study investigated the influence of compensation on employee motivation at Mwanza City Council (MCC), focussing on salary packages, Extra duty, and non-monetary benefits. Guided by Herzberg's Two-Factor Theory, the research assumed that motivators like recognition and training drive motivation, while hygiene factors such as salary and allowances prevent dissatisfaction. Quantitative data were gathered via a survey and analysed using descriptive statistics, regression, and correlation through SPSS. The instruments used were highly reliable, with a Cronbach's Alpha of 0.70. Findings revealed that while compensation is critical to motivation, current salary packages and allowances at MCC are inadequate. Employees expressed dissatisfaction with salary increments and allowances, such as extra duty, medical, and transfer allowances, citing insufficient amounts and poor timing, which negatively impacted motivation. The inconsistent provision of non-monetary benefits, such as recognition and training, further reduced employee motivation. Health programs were valued but poorly implemented. Correlation analysis showed significant positive relationships between salary packages ($r = 0.465$), Extra duty ($r = 0.545$), non-monetary benefits ($r = 0.624$), and employee motivation. Regression analysis confirmed that salary, monetary allowances, and non-monetary benefits are strong predictors of employee motivation. The study concludes that MCC must improve compensation structures and non-monetary benefits to enhance employee motivation, satisfaction, and retention. This is essential for maintaining a motivated workforce, crucial for the local government authority's effectiveness.

Key words: Influence, Compensation, Motivation, Employee, Mwanza City Council(MCC)

1.0 INTRODUCTION

Employee motivation is important for the success of local government authorities (LGAs) in Tanzania, but Mwanza City Council (MCC) faces a high turnover rate of 38%. This shows there are problems with motivation to staffs. While previous studies have looked at turnover, the link between compensation and motivation has not been fully explored. Many employees leave due to inadequate salary and benefits, and there is not enough research on how both money and non-monetary rewards affect motivation in Tanzanian LGAs, especially at MCC.

This study will look at how salary, allowances, and non-monetary benefits like training and recognition affect motivation at MCC. By understanding the impact of these compensation factors, the research aims to help MCC improve motivation, reduce turnover, and deliver better services. The results, based on Herzberg's Motivation-Hygiene Theory, will guide MCC in creating better compensation strategies to keep employees, improve productivity, and enhance performance.

2.0 RESEARCH OBJECTIVE

To determine the influence of salary packages on employee motivation in Mwanza City Council, Tanzania

3.0 LITERATURE REVIEW

Theoretical literature review on Influence of Compensation on Employee Motivation

This paper employed one theory namely: Herzberg's Two-Factor theory, the Peter Principle theory and the two-factor theory.

Herzberg's Two-Factor Theory, developed by Fredrick Herzberg in 1959, is a key framework for understanding employee motivation, particularly in relation to compensation. The theory categorizes factors influencing motivation into two groups: motivators and hygiene factors. Motivators, such as achievement, recognition, and responsibility, contribute to higher satisfaction and motivation. In contrast, hygiene factors, including salary, working conditions, and company policies, prevent dissatisfaction but do not significantly increase motivation when present. Herzberg's theory also



distinguishes between intrinsic factors (related to the work itself, like personal growth) and extrinsic factors (like salary and benefits).

The theory is particularly relevant for studies on compensation, as it helps clarify which elements—such as salary packages, extra duties, and non-monetary allowances—motivate employees or prevent dissatisfaction. It suggests that while salary and benefits (hygiene factors) are essential to avoid dissatisfaction, they alone do not inspire motivation. In contrast, non-monetary incentives (motivators) are key to enhancing job satisfaction and overall motivation.

In the context of employee retention, Herzberg's theory provides insight into why employees may leave their jobs. Poor hygiene factors (e.g., inadequate salary or working conditions) can lead to dissatisfaction, while the absence of motivators (e.g., lack of recognition or responsibility) can contribute to demotivation. Therefore, a balanced approach that addresses both hygiene factors and motivators is essential to reduce turnover and improve employee satisfaction.

Herzberg's theory has been widely applied in research. For example, studies in university settings and various organizations have shown that job satisfaction is influenced significantly by intrinsic factors, even in the presence of good hygiene factors. However, the theory has limitations. Its universal applicability is often criticized, as it may not account for cultural differences or modern organizational structures. Moreover, the theory's reliance on self-reported data can introduce biases, especially when assessing compensation.

In conclusion, Herzberg's Two-Factor Theory offers a valuable framework for understanding the complex relationship between compensation and employee motivation. By focusing on both motivators and hygiene factors, organizations can enhance job satisfaction and retention, leading to improved performance and lower turnover rates.

Empirical Literature Review on Influence of Compensation on Employee Motivation

Numerous global studies have explored both monetary and non-monetary compensation's effects on employee motivation. Takahashi (2006) investigated the effects of wage and promotion incentives on 1,823 employees at Toyota Motors in Japan using multiple regression analysis. The study found that both wages and promotion positively influenced motivation, with promotion being a stronger motivator than wage increases. However, the study focused on the private sector in Japan, using a quantitative approach, and did not consider non-monetary compensation or public sector contexts, which the current study aims to address.

Nguyen et al. (2023) examined the impact of team support, financial incentives, and public service motivation on employee motivation in the Vietnamese public sector. Using structural equation modeling on 263 employees, the study found that all three factors positively influenced motivation. However, the study did not explore non-monetary compensation in detail, nor did it use a mixed-methods

approach. Its findings are thus limited to the Vietnamese context and do not address the broader implications for public sector employees in different cultural settings.

Rasheed (2020) explored the impact of perceived compensation fairness and job design on employee motivation in the banking sector in Pakistan using a mixed-methods approach. The study found a positive association but was limited to the banking sector, neglecting the public sector context. Similarly, Tumi et al. (2021) researched the impact of compensation, job enrichment, and training on employee motivation in the Libyan telecommunications sector, finding significant relationships between both monetary and non-monetary compensation and motivation. However, it focused on the telecommunications sector, not the public sector.

Ahmad et al. (2020) examined employee compensation's effects on motivation in Afghan private and public organizations. The study with 350 respondents found positive impacts from financial and non-financial benefits, but it focused primarily on the academic sector. Najameddin et al. (2021) similarly explored compensation's impact in India, but like Ahmad et al., it did not use a mixed-methods approach or address public sector employees.

These studies indicate that both monetary and non-monetary compensation positively influence employee motivation, but there is a significant gap in research addressing local government contexts, especially in Tanzania. The current study aims to fill this gap, focusing on local government authorities and using a mixed-methods approach to explore these dynamics more deeply.

In Africa, Imbahale (2016) focused on non-monetary rewards in a university setting in Kenya. Using a descriptive analysis with 100 respondents, the study found that rewards like recognition, training, and incentives significantly affected employee motivation. While the study's findings are relevant to the current research, it focused on the education sector and did not explore monetary compensation or the public sector. The current study, which examines both monetary and non-monetary compensation within local government authorities, employs a mixed-methods approach to provide a more comprehensive analysis.

Imbahale's study shows the importance of non-monetary rewards in employee motivation, a focus of the current study, which plans to examine both types of compensation. However, the study's limitation to the education sector and its exclusion of the public sector and mixed-methods analysis means it cannot directly inform the research on local government authorities in Tanzania.

In Tanzania, Mrope (2016) focused on financial rewards in Kilosa District, but the study did not cover the broader scope of compensation, including both monetary and non-monetary benefits. The study, which used a sample of 73 respondents, revealed that financial rewards such as extra duty pay, medical allowances, and salary significantly influenced motivation. However, the current study expands on this by considering both financial and non-financial compensation in

local government authorities, particularly Mwanza City Council. The new study also utilizes a larger sample size (358 respondents) and includes qualitative methods to provide deeper insights into how various compensation forms influence motivation.

Chitanda (2017) examined the effects of both intrinsic (non-monetary) and extrinsic (monetary) incentives on motivation in Tanzania's private sector, using 100 respondents. The study found that both types of incentives were insufficient in motivating employees. While the study provides useful insights, its limited sample size and focus on the private sector make it less relevant to the current study, which targets the public sector. The current study will survey a larger sample size (358 respondents) in a public organization, which is likely to provide a more accurate representation of employee motivations.

Kabuka (2019) examined motivation factors at a medical research center in Tanzania, using a quantitative approach with 67 respondents and SPSS analysis. The study highlighted the importance of training and financial incentives for motivation but did not consider the local government context. The current study, by contrast, focuses on local government authorities in Mwanza City Council and uses a mixed-methods approach to explore both monetary and non-monetary compensation.

In summary, the Tanzanian studies reviewed, such as those by Mrope (2016), Chitanda (2017), and Kabuka (2019), have made valuable contributions to understanding the relationship between compensation and motivation. However, these studies generally focus on either monetary or non-monetary compensation separately, use small sample sizes, or apply a quantitative approach. There is a clear gap in comprehensive studies that address both compensation types in local government authorities, particularly in Tanzania, and employ a mixed-methods approach. The current study aims to fill this gap by investigating both monetary and non-monetary compensation in Mwanza City Council, using a larger sample size and a mixed-methods approach to gather a more nuanced understanding of how compensation influences employee motivation in Tanzania's public sector.

4.0 METHODOLOGY

This chapter provides a detailed overview of the methodology used in this research, which focuses on understanding the influence of compensation on employee motivation at Mwanza City Council (MCC). The chapter outlines the research design, approach, and philosophy, along with an explanation of the study area, target population, sample size, and sampling techniques. It further details the data collection methods and the data analysis procedures, ensuring that the research meets the necessary validity and reliability standards. Additionally, ethical considerations are addressed to ensure the integrity of the research process.

Research Design

This study employed a cross-sectional research design combined with a mixed-method approach, which utilized both

quantitative and qualitative data collection methods. The cross-sectional design was chosen because it allows for an examination of the research problem at a single point in time, which is suitable given the limited available data on the topic. The design's flexibility made it possible to collect data from a wide range of participants within MCC, enabling the research to capture a snapshot of current compensation practices and their impact on employee motivation. Structured interviews, questionnaires, and literature reviews were used as primary data collection tools.

Sampling

The target population consisted of non-managerial employees at MCC who had been employed for at least six months. According to the MCC HR Database Report (2022/2023), the total number of non-managerial employees was 4,843.

Using the statistical table approach by Krejcie and Morgan (1970), the sample size for the study was determined to be 357 participants. This sample size was deemed adequate to ensure that the findings were representative of the entire population, as it is commonly used in similar studies (Tumi et al., 2021; Mrope, 2016).

The study employed a stratified sampling technique for quantitative data collection, where the population was divided into distinct strata (divisions and units), and a simple random sample was selected from each stratum. This technique ensured that all segments of the population were proportionately represented in the sample. For qualitative data collection, **purposive sampling** was used to select individuals with specific knowledge or experience relevant to the research objectives.

Data Collection Methods

Data for the quantitative aspect of the research were collected through structured questionnaires. These questionnaires were distributed to the selected sample of non-managerial employees at MCC. The questionnaires consisted of three sections: demographic information, compensation practices, and motivation levels. The second section of the questionnaire utilized a 5-point Likert scale (1 = strongly disagree, 5 = strongly agree) to assess employees' perceptions and experiences related to compensation. The questionnaires were available in both English and Kiswahili to accommodate employees with different language preferences.

For the qualitative aspect, data were gathered through structured interviews. The interviewees were selected from eight key divisions and units at MCC, including individuals who had a deep understanding of compensation systems and their impact on motivation. The interview guide contained open-ended questions designed to elicit detailed insights into employees' experiences with compensation methods and their influence on motivation.

Data Analysis

Quantitative data were analyzed using both descriptive and inferential statistics. Descriptive statistics, such as means, frequencies, and percentages, were used to summarize and describe the characteristics of the data. SPSS version 24.0 and

Stata version 15.0 were employed to perform the data analysis. Inferential statistics, such as the Pearson correlation coefficient and multiple regression analysis, were used to test the relationships between compensation packages (independent variables) and employee motivation (dependent variable). The results from these analyses provided insights into the degree of influence compensation had on motivation. Qualitative data collected from interviews were analyzed using thematic analysis. Thematic analysis involved identifying common themes and patterns within the interview responses, which were then linked to the study's research objectives. The analysis provided deeper insights into the participants' personal experiences and views on the relationship between compensation and motivation.

Quality Procedures

To ensure the validity of the research instruments, the questionnaire was reviewed by research supervisors and experts in the field to ensure clarity, accuracy, and relevance. The questionnaire was also adapted from previous studies (e.g., Mwangi, 2014), which had been validated in similar contexts. Content validity was further ensured by aligning the research objectives with the questions in the questionnaire and interview guide. This ensured that the instruments effectively measured the intended concepts related to compensation and employee motivation.

To assess the reliability of the instruments, a pilot test was conducted with a small sample of employees from a different local government authority to check the consistency of responses. The reliability of the quantitative data was further evaluated using **Cronbach's Alpha** to determine the internal consistency of the questionnaire items. A threshold of 0.70 was considered acceptable for the study, ensuring that the instruments were reliable and capable of yielding consistent results over repeated trials.

Ethical Considerations

Ethical considerations were central to this study to ensure the integrity of the research process and the protection of participants. Informed consent was obtained from all participants before the data collection process, with participants fully understanding the purpose of the research and their voluntary involvement. Participants were also informed that they had the right to withdraw from the study at any stage without penalty. Confidentiality was maintained throughout the study, and personal identifiers were removed from the data. Finally, the research adhered to academic integrity, with all sources and ideas properly acknowledged following the APA 7th edition referencing style.

By following these procedures, the research ensured that the data collected were reliable, valid, and ethically sound, contributing to a robust and credible analysis of how compensation influences employee motivation at MCC.

5.0 RESULTS

This section presents the findings from the study on the impact of staff compensation on employee motivation at Mwanza City Council (MCC). The research aimed to assess the relationship between salary packages, other monetary

allowances, and non-monetary benefits, with a focus on their influence on employee motivation. Through descriptive statistics, correlation analysis, regression analysis, and a review of multicollinearity, the study sought to explore the extent to which these compensation elements contribute to motivating employees. This section provides a clear presentation, analysis, and interpretation of the findings, followed by a discussion of their implications for MCC's compensation strategies.

Findings Presentation

The descriptive statistics indicate that salary and allowances, both monetary and non-monetary, significantly influence employee motivation at MCC, although with some variations in their impact.

Employees generally viewed salary packages, including basic salary and annual increments, as crucial motivators. Positive feedback was given to the adequacy of basic salary levels and the timeliness of annual increments. However, employees expressed dissatisfaction with the comparability of their salaries to those of their counterparts and with the alignment of their salary structures to government policies.

Other Monetary Allowances (OMAP) were rather valued, they were perceived as inadequate compensation for additional tasks. Concerns also arose about the timing and competitiveness of these allowances and Non-Monetary Benefits (NMB) such as recognition, training, and wellness programs, had moderate effects on employee motivation. Employees voiced the need for more consistent recognition and better access to training and wellness resources. These findings suggest that non-monetary benefits, while valuable, require further attention to enhance their effectiveness.

The Pearson correlation analysis provided insights into the relationships between the variables under study where by a moderately strong positive correlation was found between salary packages (SP) and other monetary allowances (OMAP) ($r = 0.536$, $p < 0.01$), indicating that as salary packages increase, other monetary allowances tend to rise as well.

Moderate positive correlation between salary packages (SP) and non-monetary benefits (NMB) ($r = 0.395$, $p < 0.01$) suggests that higher salary packages are associated with more non-monetary benefits.

A moderate positive correlation between salary packages (SP) and employee motivation (EM) ($r = 0.465$, $p < 0.01$) indicates that employees with higher salary packages tend to be more motivated, ALSO strong positive correlations were also observed between OMAP and NMB ($r = 0.548$, $p < 0.01$), OMAP and EM ($r = 0.545$, $p < 0.01$), and NMB and EM ($r = 0.624$, $p < 0.01$), reinforcing the significant relationships between compensation elements and employee motivation.

Collinearity Statistics the analysis of multicollinearity through tolerance and variance inflation factors (VIF) revealed that all independent variables (SP, OMAP, and NMB) had VIF values below 10. This suggests that multicollinearity is not a concern in the model, ensuring the reliability of the regression analysis.

The multiple regression analysis provided further insights into the relationships between the compensation elements and employee motivation, the model explained **77.3%** of the variance in employee motivation ($R^2 = 0.773$), confirming the strong predictive power of the compensation variables. ANOVA results ($F = 404.491$, $p \leq 0.000$) showed a statistically significant relationship between the predictors (SP, OMAP, NMB) and employee motivation. Beta coefficients revealed that Salary packages ($\beta = 0.192$) had a significant positive effect on employee motivation. Other monetary allowances ($\beta = 0.164$) also showed a positive and statistically significant effect. Non-monetary benefits ($\beta = 0.240$) had the strongest positive effect on employee motivation.

The final regression equation was $CS_i = 0.828 + 0.183X_{1i} + 0.132X_{2i} + 0.197X_{3i} + \epsilon_i$
 $CS_i = 0.828 + 0.183X_{1i} + 0.132X_{2i} + 0.197X_{3i}$
 where: CS_i = Employee Motivation, X_{1i} = Salary Package, X_{2i} = Other Monetary Package, X_{3i} = Non-Monetary Benefits

Findings discussion

The Role of Salary Packages (SP); The positive correlation between salary packages and employee motivation aligns with expectations that employees view their basic salary as a critical motivator. This finding supports Herzberg's two-factor theory, which posits that salary (a hygiene factor) is essential to job satisfaction but does not necessarily lead to motivation unless it meets a certain level of adequacy. The dissatisfaction with salary comparability and alignment with government policies highlights areas for improvement, such as better benchmarking of salary packages to industry standards and public sector guidelines.

The Impact of Other Monetary Allowances (OMAP); The moderately positive correlation between OMAP and employee motivation suggests that while additional allowances play a role in motivating employees, they may not be sufficient in isolation. Employees expressed concerns about the adequacy and timing of extra duty allowances, which points to a need for better compensation for additional work. Addressing these concerns could enhance the effectiveness of OMAP in boosting motivation.

The Contribution of Non-Monetary Benefits (NMB); Non-monetary benefits, including recognition and wellness programs, had a moderate but positive impact on employee motivation. The higher correlation between NMB and employee motivation ($r = 0.624$, $p < 0.01$) underscores the importance of these factors. However, employees' feedback indicates that these benefits should be more consistent and accessible. Improving the availability and quality of training and wellness programs, along with more regular recognition,

could significantly boost employee engagement and motivation.

Comprehensive Model of Employee Motivation; The results from the regression analysis demonstrate that salary packages, other monetary allowances, and non-monetary benefits all have a significant, positive effect on employee motivation. The highest predictive power was found in non-monetary benefits, suggesting that employees may be driven more by intangible rewards like recognition and professional development opportunities than by monetary compensation alone. This finding reinforces Herzberg's two-factor theory, which emphasizes the importance of both intrinsic and extrinsic factors in motivating employees.

The findings from the descriptive statistics in the study reveal that salary and allowances, both monetary and non-monetary, have a significant but varied impact on employee motivation at Mwanza City Council (MCC). Employees view salary packages, including basic salary and annual increments, as essential motivators, with basic salary levels and timely increments receiving positive feedback. However, there is dissatisfaction with salary comparability to other workers and alignment with government policies. Similarly, extra duty allowances, while somewhat valued, are seen as inadequate in compensating for additional tasks, and the timing and competitiveness of these allowances are also concerns. Non-monetary benefits like recognition, training, and wellness programs also show moderate effects on motivation, with employees expressing the need for more consistent recognition and better access to training and wellness resources. The overall motivation scores suggest that while these compensation elements do contribute positively, improvements in their adequacy, consistency, and availability are crucial for enhancing employee motivation, job satisfaction, and performance.

6.0 CONCLUSION AND RECOMMENDATION

The study clearly indicates that well-structured compensation packages, encompassing salary, allowances, and non-monetary benefits, significantly impact employee motivation at MCC. However, the study also highlights areas for improvement, particularly in ensuring the adequacy and competitiveness of salary packages, improving the timing and effectiveness of allowances, and enhancing non-monetary benefits like recognition and professional development. By addressing these issues, MCC can enhance employee motivation, satisfaction, and ultimately, organizational performance.

The study recommends that to improve employee motivation at Mwanza City Council (MCC), it is recommended that the Government of Tanzania regularly review and adjust salary packages to ensure they are competitive and meet employees' expectations. This would not only attract and retain skilled staff but also boost motivation and job satisfaction. The Government should also consider increasing monetary allowances, such as extra duty allowances, which have been shown to positively impact employee morale.

These recommendations target both the Government of Tanzania, through the relevant Ministry, and MCC leadership. The implementation would involve regular salary reviews to keep them aligned with the economic environment, ensuring competitiveness and addressing employee needs. Additionally, the Ministry should assess and adjust extra duty allowances to better compensate employees for their efforts. These steps would help reduce financial stress, improve employee satisfaction, and enhance overall motivation at MCC.

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