

## **Hard and Soft Human Resource Management Compensation Practices on Employee Job Satisfaction**

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### **Abstract**

This study applied a theoretical framework based on expectancy and discrepancy theories to examine how Human Resource Compensation function, practiced through the Hard and Soft management variants, might influence employee Job Satisfaction. Samples of 299 employees from private work organisations in Tanzania were studied. The relationship between the Human Resource Compensation function through the Hard and Soft management variants were analysed by using Structural Equation Modelling with AMOS version 7.0. It was concluded that the Soft Human Resource Management (HRM) Compensation practice has a positive relationship with employee Job Satisfaction attitude and the Hard HRM Compensation practice has a negative relationship with employee Job Satisfaction attitude.

### **Introduction**

Tanzanian workers' behaviours could be traced through three different phases. The first was pre-independence phase, characterised by workers' strikes and demonstrations. A number of literature link this phase with an occurrence of employee job dissatisfaction, caused by poor working conditions and harsh colonial supervision practices that were associated with corporal punishments as disciplining tactics at work (Mihyo, 1975).

The second phase was envisaged by stifling of labour movements by the Tanzanian socialistic regime through strict legal practices (Shivji, 1986). Such legal practices included the Trade Dispute Settlement Act Number 43 of 1962, the Trade Union Amendment Act Number 51 of 1962, the Civil Service Negotiation Machinery Act Number 52 of 1962 and the Preventive Detention Act Number 60 of 1962, (*ibid.*). Many studies assert that employee Job Satisfaction was questionable during this period due to presence of low organisational performance by employees. That could have been caused by lack of employees' organisational Commitment and *Organisation Citizenship Behaviour* (OCB) due to presence of factors like low pay, poor benefits and unclear recruitment procedures (Mihyo, 1979; Mapolu, 1972). The third phase (the current competitive business environment in Tanzania) was characterised by an upsurge of industrial conflicts from workers at several private work organisations.

The phenomenon brought in a series of unanswered questions as to what might be causal reasons backing such industrial actions. However, that question could be answered in line with the assertion that theoretically, employee management has shifted from Personnel Management (PM) to Human Resource Management (HRM) in most work organizations (Bratton and Gold, 2003). Personnel Management being a management practice was argued to have lacked strategic managerial attributes, systems view and proactiveness in its processes contrary to HRM (Legge, 1995a; Ngirwa, 2000; Mpuya and Mghanga, 2001).

Tanzania has privatized most of its over 257 public enterprises that were over 70 percent of total state owned enterprises (Kigoda, 2002). Soon after emergence of HRM practices, academicians and HRM practitioners responded positively to meet challenges presented by dynamics of business environments. They have developed different models to understand HRM practices both between and within nations (Brewster, 1995; Legge, 1995a). Current dynamics of labour discontent that manifests

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itself through strikes, boycotts and lockouts within the Tanzanian private firms, demand an appropriate framework that has to relate antecedents and outcome variables of this phenomenon.

Studies conducted in various parts of the world have revealed that the competitive tendency has entailed private firms to seek for competitive advantage in order to sustain their survival (Legge, 1995b). Several measures are said to have been adopted by these firms in order to affect this tendency. Among these measures there are strategies like cutting costs of labour input through Sweat-Shop management practices, which are believed to impart adverse effects on employees' Job Satisfaction. However, this notion drives to focus attention on employee management attributes in private work organisations where competitive advantage is an inevitable episode. In spite of practising HRM, some Tanzanian private work organisations are experiencing a series of industrial actions, (for example, strikes, go slow, workers' demonstrations, lockouts, turnovers, and sabotage).

Nevertheless, the current Tanzanian labour dynamics in private work organisations lack a scientific explanation that could associate the linkage between the "Soft" and "Hard" HRM models as antecedents to employees, both productive and unproductive behaviours. This could as well be linked to employees' attitude on Job Satisfaction and job dissatisfaction in work organisations, respectively. Having this gap for both theoretical and empirical explanations, this study addressed the question, "to what extent is employee Job Satisfaction influenced by HRM practices in private firms?"

### **Conceptual Framework**

Several theories were adopted in explaining the nature of labour aspects in the context of competitive free market in the Tanzanian environment. Likewise, Relational and Social Exchange theories were applied to explain relations and expectation nature between management and employees in

Tanzanian private work organisations. However, people management aspect was focused on anchorage of Human Resource “Hard” and “Soft” management variants.

As already stated, people management variants considered in the study are “Soft” (Harvard) and “Hard” (Michigan) models of HRM. The Harvard model or the “Soft” variant of HRM was first articulated by Beer, and colleagues (1984). The “Soft” model represents a collaborative approach to HRM in that it has a distinctly highly developmental or humanistic focus, often based on explicit statements about values of employees to the firm and ethical matters related to employment relations. Rather than being passive inputs, employees are viewed as active partners and core assets, not the least in terms of creativity and innovation. That could be accredited to Social Exchange theory that views the exchange process as a dynamic interaction process (Huggins, 2000). This theory views exchange as a process in which two participants conduct activities directly towards one another and exchange valuable resources in as far as they perceive their relations in the process to be an interactive one or else they may find it valuable to interact with other actors in the process, who can provide what they need be, goods or affections (Hallen, 1991). As argued by Nikitin (1966) in his labour value theory, employees sell their labour input to the employer as means of production to the production process, with expectation of getting paid back in wage and other benefits with value over the minimum cost of living as the value of the labour in the Social Exchange process.

According to Legge (1995), the ‘Hard’ HRM model refers to strong, economic calculative consideration. The calculative model is aimed at ensuring that production activities are at all times efficiently supplied with necessary input of human resources. In these terms, such resources are essentially no different from any other variable economic factor in the production process.

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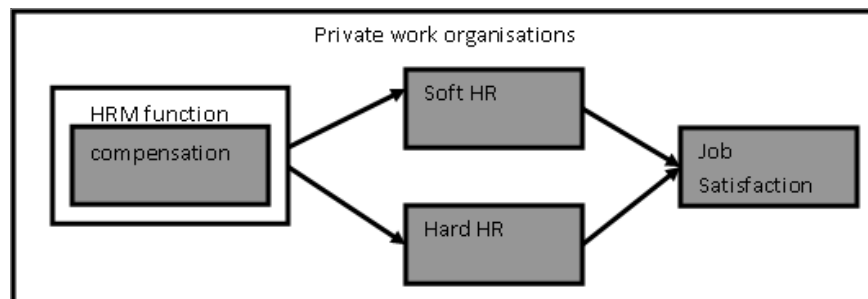
This model will be discussed from the Relational theoretical perspective. Relational theory strives to explain characteristics of social relationships. It asserts that two or more people coordinate with each other so that their actions and thoughts are complementary. That is, what each person does (or feels, judges or thinks) makes sense with reference to what other people do (or are expected to do or feel), their actions complete each other complementarily (Fiske, 1991a, 1992). The theory further asserts that employees would always react negatively to management due to the fact that the management would always focus on profit maximisation at the expense of lowering labour costs.

Studies show that employees' attitude on Job Satisfaction may be affected by individual features (biographic characteristic), work context and HRM (management style) practiced upon people in work organisations. This study, for the sake of establishing the extent of the relationships outlined in the stated hypothesis, resorted to adopt HRM contributory factor to employees' Job Satisfaction. In other words, it was premised that the way employees are rewarded would determine whether one acquires Job Satisfaction or vice versa.

Therefore, HRM practices are inextricably linked with achievement of success in implementation of business strategy (Rousseau and Wade-Benzoni, 1994). Tyson (1995) also argued that HRM practitioners have a significant contribution to make in creation of organisational capability and employee Job Satisfaction. It is from these assertions that there is a need to link HRM practices based on "Soft" and "Hard" HRM models together with Social Exchange theory explained in line with Relational view and Resource Based theory on employee Job Satisfaction with inclusion of Job Satisfaction correlates as expounded by Kreitner and Kinicki (1995). It is from the aforementioned argument that the Conceptual Framework of this study was embedded on Social Exchange theory, which is based on rewards, costs and outcome constructs. However, it is argued that it is the

balance of comparison between rewards and costs, including experience of past alternatives together with awareness of present alternatives that, in most cases, affect employees' attitude on Job Satisfaction (Thomson, 1967). These constructs are related to study variables in this study. Rewards account for HRM (Soft and Hard) practices on explanation of tangible and intangible benefits that employees get from the organisation, while costs are associated with what the organisation incurs in effecting rewards to employees, and also to what employees contribute to the organisation. Otherwise, outcomes are aspects of employee Job Satisfaction, which entails to refer to balance between costs and reward reflected within the Job Satisfaction indicators of this study: Employee Commitment (EC), Organisational Citizenship Behaviour (OCB) and absenteeism. Kreitner and Kinicki (1995) documented that employee Job Satisfaction is positively related to a particular employee. This conceptual base drives to the point of constructing the study conceptual framework shown in Figure 1.

**Figure 1:** *Conceptual Framework*



The Conceptual Framework holds that HRM Compensation management aspect when linked with Hard or Soft Management theoretical Versions to employee attitude of Job Satisfaction may be affected by either increasing or decreasing employee behavioural outcomes of Commitment and OCB.

### ***Hypothesis***

This study empirically tested the following hypotheses:

- H<sub>1</sub>: Soft HRM compensation practice has no significant positive relationship with employee Job Satisfaction
- H<sub>2</sub>: Hard HRM compensation practice has no significant negative relationship with employee Job Satisfaction

### ***Methodology***

The study was conducted on a sample of 299 employees from Tanzanian private work organisations. Employees were picked from 30 different work organisations situated in four different regions of the United Republic of Tanzania, namely, Dar-es-Salaam, Morogoro, Kilimanjaro and Arusha. The survey of the study was directed to employees only, through a multistage sampling procedure whereby initially, work organisations were sampled based on ownership nature, and then employees were selected randomly. A modified five points Likert scale from the Job Diagnostic Survey (JDS) instrument was applied as the survey instrument to collect information from employees. Data were collected using self-administered questionnaires. Quantitative data analysis was adopted by using Structural Equation Modelling (SEM with AMOS 7.0).

### **Results**

Findings from the study as shown in Table 1 and Figure 2 revealed that there was a significant positive relationship between Soft HRM Compensation practices and employee Job Satisfaction. Also findings concur with the second hypothesis that there is a significant negative relationship between Hard HRM Compensation practice and employee Job Satisfaction in Tanzanian private work organisations.

**Table 1:** *Compensation of Soft and Hard Management Practice-Job Satisfaction (Default model)*

		Regression Weights					
		Normal				Standardised	
		Estimate	S.E.	C.R.	P	Label	Estimate
Soft	<--- Comp	,647	,062	10,463	***	par_9	,652
Hard	<--- Comp	-,261	,069	-3,770	***	par_11	-,227
JobSAT	<--- Hard	-,109	,042	-2,577	,010	par_8	-,236
JobSAT	<--- Soft	,234	,057	4,082	***	par_10	,437
HsAlSat	<--- Comp	,828	,062	13,283	***	par_1	,767
FirSat	<--- Soft	,979	,049	19,864	***	par_2	,887
AssSat	<--- Soft	1,000					,892
PtrgSat	<--- Soft	,953	,058	16,554	***	par_3	,781
Comm	<--- JobSAT	1,000					,519
OCB	<--- JobSAT	1,247	,328	3,804	***	par_4	,528
ObjSat	<--- Hard	1,048	,032	33,222	***	par_5	,981
Prfmsat	<--- Hard	,922	,039	23,550	***	par_6	,859
SalSat	<--- Comp	1,000					,921
HeCrSat	<--- Comp	,893	,069	12,929	***	par_7	,747
OvtSat	<--- Comp	,914	,062	14,826	***	par_12	,814
MmLSat	<--- Hard	1,000					,928

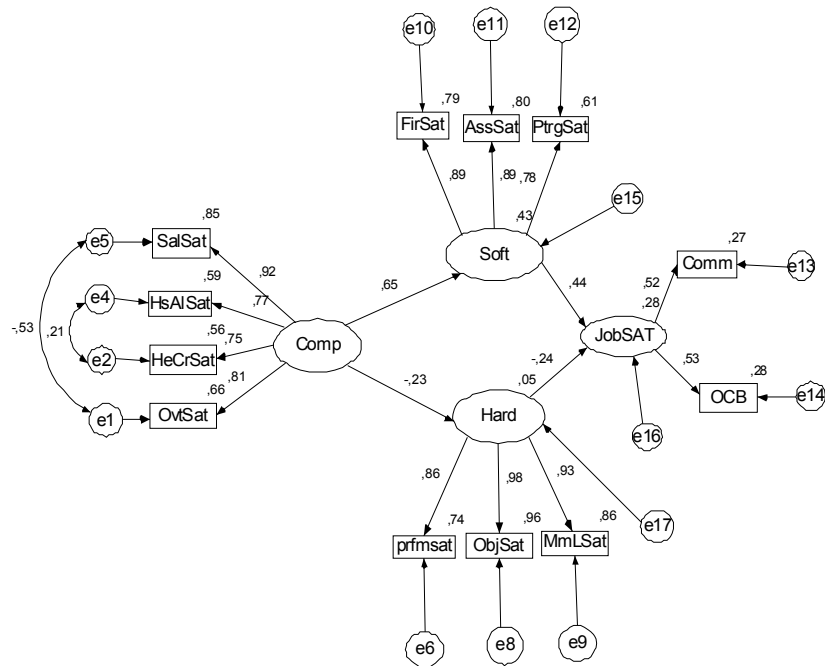
**Source:** *Output from Structural Equation Modelling model*

Presented results (Extracted from SEM Software) revealed that when compensation (Comp) as an HRM practice exercised through Soft management version in private work organisations, the explanatory power estimate was found to be 0.65 as the effect of Compensation on Soft practice and also with an explanatory power of 0.44 as the effect of Soft (Soft) to Job Satisfaction (JobSAT). Likewise, the path coefficient that links Compensation practice to Job Satisfaction via the Hard management version, revealed an explanatory power of -0.23 as the power estimate from (Comp) to (Hard) and -0.24 from (Hard) to Job Satisfaction (JobSAT).



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**Figure 2:** Path Diagram for the Data Analysis



Based on data analysis, it was concluded that compensation HRM practice had a positive relationship with employee Job Satisfaction, as applied with the Soft version of management practice. On the contrary, the compensation HRM practice had a negative relationship with employee Job Satisfaction when applied based on the Hard management version in Tanzanian private work organisations. Given these results, it is worth noting that employee Job Satisfaction could be enhanced through application of the Soft management version instead of the Hard version that explains the relationship negatively.

## **Discussions**

This paper discusses the research process, which adopted a quantitative approach through Structural Equation Modelling (SEM) tool for data analysis in Tanzanian private work organizations. The study aimed at probing through causal factors on the trend of labour unrest, which manifested itself through a series of employee industrial actions in some of the stated work organizations. Findings envisaged that the Hard HRM practice may be one of the causal factors due to its positive link with employee Job Satisfaction in the stated work organizations. The study findings concurred with findings from a number of studies. Studies conducted by Igalens and Rousseau (1999), Mansfield and Evans (1975), Bender and Heywood (1996) as well as Aseidou (2003) in Europe and Africa, document a positive relationship between compensation and employee Job Satisfaction. Though the said studies were not directly linked to Hard and Soft management entities, findings showed that fixed pay favouring internal equity, an aspect of Soft HRM strategy, had a positive relationship with employee Job Satisfaction.

The aspect tends to confirm findings from this study. Nevertheless, adding to these findings is the assertion that organizations operating in the same environment will employ similar management practices and become isomorphic (Erik Poutsma, 2006). This assertion conforms to explanations that posit that organizational management practices can also be expected to be different among different work organizations due to differences in locations of the organizations. This is to state that a specific HRM practice may conform to a certain work environment and yet, the same management attribute(s) may not be conforming to another work environment. This assertion may, in another way, show reasons findings from this study may contradict findings from similar studies conducted elsewhere, especially in the developing world. It is at this juncture that the Soft variant of HRM is more preferable in developing countries (Tanzania to be specific) than the Hard variant attributed to create sweat shops and other similar labour exploitative practices that engenders employee Job Dissatisfaction.

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