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Impact of Educational Requirements on Employee Wages, at the Archdiocese of Lilongwe in Malawi

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Abstract

The purpose of the study was to investigate the extent to which educational requirements impact employee wages, at the Archdiocese of Lilongwe in Malawi. The study used descriptive and quantitative survey study design in the investigation and inferential statistics was used through correlation analysis. The target population comprised of the employees working at the Archdiocese of Lilongwe Malawi with a total number 300 employees. The study sampled 168 employees representing the top managers, middle managers and low level employees through stratified sampling, simple random sampling and census for the two top strata. Both primary and secondary sources were used in collecting information. Questionnaires were used as the main research instrument and other data collecting procedures included survey, interviews and observation. Analysis of data gathered through the questionnaire was realized through the use of the Software Package for Social Science (SPSS Version 21.0). The findings from the study showed that the ranking of the relationships in responses and in strength showed that educational requirements (.712**) had strong correlation strength with employee wages. The study recommended that the organization should invest in education and training opportunities in order to enhance productivity and profitability. The organization should focus on education adding value to employees as education plays an important role in a variety of domains including economic growth, wages income inequality and society. In addition, the management should make learning opportunities more readily available and accessible and provide flexible learning options. Management should also teach employees to own their career development that is individuals must own, self-direct and control their learning fortunes.

Key words: *Educational Requirements, Employee Wages, Archdiocese of Lilongwe, Malawi*

1.1 Introduction

Education is one of compensable factors that determine socioeconomic wellbeing in Malawi (Malawi Institute of Management 2017). In many industries in the country, wages are linked to enterprise cost of living which ensures fair wages to workers. Wages are also adjusted and determined according to price index number. The increase in price index will erode the purchasing power of workers resulting to higher demand for wages. When the prices are stable, then frequent wage increases may not be required.

In the Archdiocese of Lilongwe in Malawi, the following compensable factors determine wages, the ability the employer to pay, work experience, job complexity, working conditions, education, reporting structures, managerial responsibilities, government regulations and analytical skills (Lilongwe Archdiocese Mini Synod, 2017). Workers with long experiences are paid more compared to those with less experience of the job. It is argued that the more complex the job the higher the salary it attracts. The higher the educational requirements the higher the salary and those with better analytical skills are paid more compared to those with less analytical skills. The ability of the employer to pay greatly influence wages. Generally, during the period of prosperity workers are paid higher wages than during the recession periods.

According to Donald and Delano (2016), education has a significant effect on employee wages. The authors define it as the act or process of imparting or acquiring general knowledge, developing the power of reasoning and judgment, and generally of preparing oneself or others intellectually for mature life. This is the result produced by instruction, training, or study to show one's education. The level of income one can earn post-university is perhaps the easiest to measure return on investment in education. Those in the possession of masters, doctorate or professional degrees earn more during their careers than those with less education. Therefore, for an employer, the higher the educational requirements, the more money they are willing to pay (Milkovich & Newman, 2019).

Malawi is one of the countries in the AMECEA Region. The AMECEA is the service organization for the National Episcopal Conferences of the eight countries of the Eastern Africa Region, namely; Kenya, Ethiopia, Sudan, Tanzania, Uganda, Zambia, Eritrea and Malawi. Somalia and Djibouti are affiliate members. The Archdiocese of Lilongwe is one of the eight dioceses of Malawi. The diocese came into being on 20 TH June 1957. It was erected into an Archdiocese on 9 TH February 2011 by Pope Benedict XVI. The Archdiocese covers seven districts of the central region of Malawi namely; Dowa, Kasungu, Lilongwe, Mchinji, Nkhotakota, Ntchisi and part of Salima. The Archdiocese covers an area of 26,000 square kilometers. It has a population of 5,250,000. The population of Catholic Christians is 3,150,000 representing 60% and that of catechumens is 141,000 representing 2.7% of the total population of the Archdiocese (Malawi Catholic Directory, 2016).

The Archdiocese has 148 priests, 209 religious sisters, 75 religious brothers and 120 catechists. The mission of the Archdiocese of Lilongwe is to give the best services to the customers, use the business to inspire and implement solutions to the employees and customers. The vision is that it is a Holy Spirit filled family of God, committed to holistic service delivery and employee satisfaction. The core values are reliability, loyalty, commitment honesty and efficiency. Lilongwe Archdiocese Parish Administration and finance constitution, (2017).

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1.2 Statement of the problem

According to the Archdiocese of Lilongwe financial management report (2018), management and employees are facing wage determination challenges on employees starting salaries, increment determination and promotion possibilities. It is apparent that there is deficiency of clear and good policies on wage determination. Some of the employees raised their concerns to this effect. It appears that there is need to improve some policies on wage determination and to re-do the overall compensation strategy. It also appears there is a mismatch between the compensation strategy and the human resource strategy. Generally, some employees are concerned with the rates of their wages as their standard of living is connected with the amount of remuneration they get. However the job compensable factors and their effects on employee wages have not been studied before to this effect. It is against this background that the researcher thinks this study will be relevant. The gap in the study is that there is need to develop a model that could be used in predicting employee wages.

According to Knight and Sabot (2015), compensation program is very crucial in an employee and employer relationship. Determining the right compensation can be tricky. Not only money is a touchy subject, but also many factors play into determining compensation rates that are both fair and competitive. The wage rate is amongst the most important means to ensure livelihoods of people and income distribution among citizens in any modern society. Wages are also a powerful tool for improving equality and equity in an economy and societal sustainability (Groshen, 2018). The study by Namara (2016) found that monetary compensation is an essential component in recruitment and retention process, but benefits are equally important and often become the deciding factor in a way that an individual accepts an offer or even stays in an organization. According to the Archdiocese of Lilongwe Annual Report (2018), parishes, diocesan administrative institutions and business entities are faced with issues of shortage of qualified employees, inability to attract and retain highly qualified talents, productivity, competition for customers, efficiency in operation, trade unions and high staff turnover. The Archdiocese of Lilongwe (2016) study predominantly focused on the performance-pay strategies among CEO'S and top management. For instance Steven (2015) investigated the relationship between firm strategy and use of performance measures in executive compensation and found out that there was an increased emphasis on sales in the determination of executive compensation for firms pursing a cost leadership strategy in order to attain competitive advantage through low price high volume. However, the researcher did not find out the analysis of compensable factors and their effects on employee wages in the Archdiocese of Lilongwe Malawi, and therefore constitutes a gap in knowledge that this study is intended to fill.

It has been observed that management of the Archdiocese of Lilongwe is facing some challenges in determining the compensation levels especially because compensation makes up a huge percentage of the institutions overheads. In the wider context, there are pressing concerns about how to determine the compensation of employees. It is against this background that the study sought to investigate the extent to which educational requirements impact on employee wages, at the Archdiocese of Lilongwe in Malawi.

2.0 Theoretical Framework

The study was guided by the Human Capital Theory and Efficiency Wage Theory.

Human capital theory

Human capital theory (1964) was conceptualized by Gary Becker. The theory was republished in 1993. Gary Becker said that the concept of labour capital theory was commonly used in such commonest countries like Russia, China and countries of Eastern Europe. Human capital theory states that investment in people adds to their value to the firm. Individuals expect a return on their own investment and firms recognize that the increased value of their employees should be rewarded. Human Capital Theory posits that education develops skills that make workers more productive and wage differentials reflect differences in productivity. Accordingly, more highly educated workers would earn higher wages ceteris paribus simply because they are more productive than their less educated counter parts (Nickell & Wadhwani, 2016).

Human capital theory encourages the use of skill based or competence related pay as a method of reward. The theory also underpins the concept of individual market worth which indicates that individuals have their own value in the market place which they acquire and increase through investments by their employer and themselves gaining extra expertise and competence through training development and experience. Therefore, his statement shows the necessity of human capital as an important production factor. For him, the higher education requires higher costs and determines higher wages. On the other hand the higher education increases workers' productivity, in turns it increase output. "An inquiry into the nature and causes of the wealth of Nations" (1776). Human capital theory also refers to the aggregate stock of competences, knowledge, social and personal attributes embodied in the ability to create intrinsic and measurable economic value.

Schults defined human capital as a determinant of qualitative characteristics of human resources, which includes knowledge, skill and similar attributes that affect particular human capabilities to do productive work. An investment into the human capital are spends which are distributed between such human activities which increases productivity. Human capital is an intangible asset or quality not listed on a company's balance sheet. It is classified as the economic value of the workers experience and skills. This includes assets like education, training, skills, health and other things employers' value such as loyalty and punctuality (Herzberg & Snyderman, 2017). Human capital is perceived to have a relationship with productivity, profitability, wage determination of employees and economic growth. The more an organization invests in its employees, that is in their education and training, the more productive and profitable it could be (Dohmen, 2018).

The major strength of human capital theory is that it helps policy makers and researchers evaluate the relationships between education, intelligence, analytical skills and training as inputs and economic and social benefits as outputs. Extensive empirical research within the human capital theory framework suggests that increased amounts of schooling are associated with high individual wages, GDP growth, higher rates of civic participation, lower crime rates, and better health outcomes. Another strength of HCT is that it provides a useful lens for understanding how policy can be developed to incentivize individuals' investment in their own education (Armstrong 2017).

However, Human capital theory, has been leveled with some criticisms. A limitation of Human capital theory is that it assumes education increases productivity in the workplace, resulting in higher individual wages, but it provides little insight into the processes through which education and training are translated into higher wages (Allison 2018). A related limitation is that upper-level applications of Human capital theory (e.g., at the national or state levels) treat education as a relatively homogenous input. These applications assume that higher levels of educational attainment and quality will yield greater productivity and wages across the board. Such treatment of education is problematic because the process of human capital formation varies for individuals and groups. People learn differently, and a "quality" education in one context may prove ineffective in another (Becker 2020).

In addition, Human Capital Theory fails the test of realism due to weaknesses of method, use of single theoretical tens and a closed system modelling, inappropriate application of mathematical tools and multi-variant analysis of interdependent variables. Human Capital Theory imposes a single linear pathway on a complex passage between heterogeneous education and work. The theory cannot explain how education augments productivity or why salaries have become more unequal, or the role of status (Bernanke 2017).

This theory is linked to the study in the sense that the theory has become a dominant means of understanding how wages are determined. It holds that earnings in the labor market depend upon the employees' information, education and skills. It takes on board the idea that workers embody information and skills that contribute to the production process. It builds on the recognition that families make major contribution to the acquisition of skills.

This theory is relevant to this study because human capital is perceived to have a positive relationship with employees' wages, productivity and profitability. Human capital theory advocates the use of skill based or competency related pay as a method of wage determination, in this way it establishes an important link between job compensable factors and employee wages. The theory shows that it is necessary for organizations to take into account compensable factors like education, abilities, skills and talents which have a significant impact on the output. The theory highlights the necessity of human capital as an important production factor.

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Efficiency Wage Theory

Efficiency wage theory was firstly introduced by Adam Smith (1723-1790) and later on expounded by Alfred Marshall (1890-1924). Marshallian efficiency wages theory states that employers pay different wages to workers who are of different efficiency, such that the employer would be indifferent between more efficient workers and less efficient workers. The theory advocates that employees are driven to be the best as a quality of workforce, in terms of education, intelligence, analytical skills and competences. Efficiency wage theory proposes that firms will pay more than the market rate because they believe that high levels of pay will contribute to increases in productivity by motivating superior performance, attracting better candidates, reducing labor turnover and persuading workers that they are being treated fairly. Efficiency wage theory advocates paying employees higher than the market wage for their role. The logic behind the theory implies that paying employees above what economists call 'market equilibrium' wage levels will impact how much the firm's employees are motivated to work, (Lunenburg 2017). The idea of the efficiency wage theory is that increasing wages can lead to increased labour productivity because workers feel more motivated to work with higher pay.

The efficiency wage theory holds that high wages reduce labor turnover. By paying a high wage, a firm reduces the frequency of quits thereby decreasing the time spent in hiring and training new workers, (Ogbonnaya and Messersmith 2019). A second efficiency wage theory holds that the average quality of a firm's workforce depends on the wage. By paying a wage above the equilibrium level, the firm may avoid this adverse selection; improve the average quality of its workforce, and thereby increasing productivity (Xiao 2018). A third efficiency wage theory holds that a high wage improves worker effort. By paying a higher wage, a firm induces more of its employees not to shirk and thus increases their productivity (Stredwick and John 2019).

The major problem with the main assumption of the efficiency-wage theory is to infer that people would prefer to starve themselves to death by staying voluntarily unemployed just on the basis that their wages are not incentive enough to put them to work. In the real, non-Keynesian world people could not resist a cut in their wages nor would they try to free ride when unemployment is becoming high. That is to say, workers would be more productive, not less, when unemployment is high. A further blow to the theory is the fact that firms have different sizes, so not all will be in a position to pay wages above the equilibrium level (Kelly &Cole 2018).

Further to this efficiency-wage theory holds that a high wage improves worker effort. This theory posits that firms cannot perfectly monitor the work effort of their employees and that employees must themselves decide how hard to work. Workers can choose to work hard, or they can choose to shirk and risk getting caught and fired. The firm can raise worker effort by paying a high wage. The higher the wage, the greater is the cost to the worker of getting fired. By paying a higher wage, a firm induces more of its employees not to shirk, and thus increases their productivity (Herzberg & Snyderman (2017). What we must understand is that not all firms should have an incentive to pay wage above the equilibrium level. The fact remains that workers would be more productive not less when unemployment is high. A further blow to the theory is the fact

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that firms have different sizes. This Imply that some industries can pay higher wage than other industries can (Thom &Reilly 2018).

Efficiency wage theory is linked to the study in the sense that the theory states that increasing wages can lead to increased labor productivity because workers feel more motivated to work with higher pay. Therefore, if firms increase wages some or all of the higher wage costs will be recouped through increased staff retention and higher labor productivity. The theory is relevant to this study because it establishes an important close link between productivity of workers and employee wages. The justification for the theory is that when wages are higher, more workers will be produced, and when wages are lower some workers will die, in each case bringing supply back to a subsistence- level equilibrium. The theory is relevant for organizations as it shows that if organizations are to be effective and efficient they should employ efficient wages so as to attract more skilled and higher quality employees than equilibrium wages. The theory underscores the fact that employees who are proactive and highly skilled are valuable for any firm.

2.3 Empirical Review

A study by Agovino and Garofalo (2019) investigated the effects of education on employee wages between works in Southern and Northern Italy. The study used a quantitative approach and observation as a design methodology. The study found out that there is a highest correlation between education and employee wages. The study revealed that education is widely recognized as a crucial ingredient for both development and social cohesion. Unlike this study which investigated education as a single variable, the present study will investigate Job compensable factors as a whole in a faith, church environment, a non-profit making organization, hence filling the gap.

Further, Wannakrairoj (2018) looked at the effects of education on employee wages in the urban and rural markets in Thailand. A quantitative research was employed and a descriptive approach using focus groups as a research design methodology. The study found out that education significantly impacts on wages. The findings concur with Mincer (2018) who explained that economic growth and wages are contributed from the role of human capital in the form of education. Therefore as a worker acquires more training the individual's productivity and earning should increase. Unlike this study which investigated education as a single variable, the present study will investigate Job compensable factors as a whole in a faith, church environment, a non-profit making organization, hence filling the gap.

In another study, Fein (2017) looked at the impact of education on employee wages in the banking sector in Cape Town, South Africa. The study used a descriptive approach and observation design methodology. The study found out that the higher the education standards required for jobs have made organizations provide competitive compensation to their employees. Unlike this study which investigated education as a single variable, the present study will investigate Job compensable factors as a whole in a faith, church environment, a non-profit making organization, hence filling the gap.

Further, Brown (2019) looked at the effects of education on employee wages in a health sector in Mombasa, Kenya. The study used a descriptive approach and adopted mixing methods as a design methodology. The study found out that there is a positive correlation between education and employee wages. Unlike this study which investigated education as a single variable, the present study will investigate Job compensable factors as a whole in a faith, church environment, a non-profit making organization, hence filling the gap.

In addition Adams and Corey (2018) investigated the impact of education on employee wages in the University of California U.S.A. The study used qualitative and case study research design. The study revealed that education is a good salary predictor and that higher education resulted in higher pay off compared to elementary schooling. The study also revealed that academic staff with PhD's were paid higher salaries with more benefits than others. Unlike this study which investigated education as a single variable, the present study will investigate Job compensable factors as a whole in a faith, church environment, a non-profit making organization, hence filling the gap.

3.0 Research Methodology

The descriptive and quantitative survey study design was utilized in this investigation, and inferential statistics was used through correlation analysis. The target population was 300 participants comprising 50 top level managers, 120 middle level employees and 130 low level employees. The sample size was 180 employees derived from the Krejcie and Morgan (1970) table. Primary data was collected using questionnaires while the secondary information was gathered from previous documents and investigations in line with the current study subject. Data analysis of the data involved both the descriptive and correlation matrix. The descriptive statistics used included the frequencies and percentages while inferential statistics entailed the correlation analysis. Correlation coefficient can be considered as an arithmetical measure of the link between two constants that reveals the direction and magnitude of the association. The Pearson's Correlation Coefficient analysis was instrumental to the investigator in understanding if there was a correlation between the constants used in the investigation.

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4.0 Research Findings and Discussion

The investigation's sample size was 168 respondents. The researcher was however only able to get 148 (83%) of the respondents to participate in the study. Muijs, (2017) posits that a good sample for any investigation must represent more than 10% of the population targeted. Therefore 83% respondents was adequate for the study.

4.1 Descriptive Statistics on Variables

4.1.1 Effects of Education on Employee Wages

The 5-point Likert scale was also utilized in establishing the effect of education on employees' wages. The results are illustrated in Table 1.

Table 1: Effects of Education on Employee Wages

Items	Strongly Disagree%	Disagree %	Neutral %	Agree %	Strongly Agree%
The organization invests knowledge and skills in us	12	42	7	30	9
The organization orients us on appointment	9	11	8	49	23
The organization organizes trainings for special skills for us	12	53	4	25	6
The organization organizes seminars and refresher courses for us	11	46	5	32	6
The organization trains employees for career growth	8	51	4	29	8

From the study it was found out that 42% of the subjects were not in agreement that the organization did enough in investing knowledge and skills in them, while 7% of the participants took a neutral position on the statement. Further, 49% of the participants were sure that the organization oriented them on appointment, while 8% of the subjects took a neutral viewpoint on the statement. Fifty three percent (53%) of the respondents were not in agreement that the organization organized trainings for special skills while 4% of the participants took a neutral standpoint on the statement. Fort six percent (46%) of the subjects did not agree that the organization organized seminars and refresher course and 32% of the participants on the other hand agreed on the statement while 5% of the respondents took a neutral viewpoint on the statement. Fifty one percent (51%) of the participants were sure that the organization did not train employees for career growth while 4% of the subjects took a neutral position on the statement.

This showed that the study subjects were sure that the organization did not invest in knowledge and skills for them. The findings also showed that the organization was orienting the study subjects on the appointment. The organization did not organize trainings for special skills, nor did it organize seminars and refresher courses for the subjects. The findings also showed that the study subjects were sure that the organization did not train employees for career growth.

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The findings are similar to those of Agovino and Garofalo (2019) who established that there is a higher correlation between education and employee wages. Further to this a study by Wannakrairoj (2018) established that education significantly impact on wages. Additionally Fein (2017) established that organizations provide competitive compensation to their employees. The study recommended that higher education standards in organizations should play a key role in achieving performance and sustainable competitive advantage for national as well as international firms. Further, Brown (2019) established a positive correlation between education and employee wages. The study recommended that organizations should focus on education adding value to employees as education plays an important role in a variety of domains in organizations.

4.1.2 Employee Wages

The 5-Likert scale was also used in this case to examine the employee wages of the workforce in questions. The results are illustrated in Table 2.

Table 2: Employee Wages

Items	Strongly Disagree%	Disagree%	Neutral%	Agree%	Strongly agree%
The organization offers us wages according to prevailing wages.	9	47	6	31	7
The organization offers us wages enough to meet our basic needs.	7	52	7	29	5
The organization ensures a fair wage structure	12	63	1	22	2
The organization conducts periodic salary surveys	8	49	2	36	5
The organization has the ability to remunerate us above the prevailing wages.	3	34	2	55	6

From the study it was found out that 47% of the subjects were sure that the organization did not offer those wages according to the prevailing wages, while 6% of the participants took a neutral stand position on the statement. Additionally, 52% of the respondents were sure that the organization did not offer them wages enough to meet their basic needs while 7% of the subjects took a neutral viewpoint on the statement. Further, 63% of the respondents were in disagreement that the organization ensured a fair wage structure while 1% of the participants took a neutral stand on the statement. Additionally 49% of the respondents were in disagreement that the organization conducted periodic salary surveys while 36% of the participants were in agreement and while 2% of the subjects took neutral viewpoint. Fifty five percent (55%) of the subjects were sure that the organization had the potential and capability to pay employees well, 34% of the participants disagreed, while 2% of the respondents took a neutral stand on the statement. 55% of the subjects were sure that the organization had the ability to remunerate them above the prevailing wages while 34% of the participants disagreed and while 2% of the respondents took a neutral stand on the statement.

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This showed that the subjects were sure that the organization did not offer those wages according to prevailing wages. Further to this, the respondents were also sure that the organization did not offer those wages enough to meet their basic needs. The subjects were also sure that the organization did not ensure a fair wage structure, nor did it conduct periodic salary survey. However the subjects were sure that the organization had the ability and potentiality to remunerate them above the prevailing wages.

These findings are supported by those of Poulikas and Russo (2020) who established that job analysis and job evaluation are very important processes towards the establishment of fair wage structures. In addition Adams and Corey (2018) established that wage administration rules have a positive correlation with fair employee wages. Knight and Sabot (2018) established the importance of taking into serious consideration on all steps involved in determining wages.

4.2 Coefficient Correlation Analysis

Correlation analysis was done to determine if the independent variables were negatively or positively correlated with dependent variable. The Table 3 shows that there is a very strong positive correlation between level of education and employee wages**.**

Table 3: Correlation between Employee Wages and Level of Education

Variables	**Level of Education**
Employee Wages In Ksh. Person Correlation	.712(**)
Sig (2-tailed)	.001

From the correlation matrix in Table 3, it can be observed that education positively relate to employee wages (r=.712**). In addition, model summary results revealed that educational require image explains 50.7 of wage bill. These findings meet those realized by Agovino and Garofalo (2019) who also observed that there is a highest correlation between education and employees' wages. They are also in line with those of Wannakrairoj (2018) who also observed that education and employee wages are positively related. He observed that as a worker acquires more education the individual's productivity and earning should increase. In addition Fein (2017) observed the higher the education standards required for jobs have made organizations provide competitive compensation to their employees. Further Brown (2019) found out that there is a positive correlation between education and employee wages.

5.0 Conclusions

The study concludes that education affects employee wages to a very large extent. The study also concludes that education and employee wages have a strong positive correlation and that education has significant effect on employee wages. The study further concludes that education is a good predictor of compensation levels and that higher education results in higher pay off. Educated workers earn higher wages because they are more productive than their less educated counterparts. In addition, the study concludes that education plays a central role in organizations and in modern labour markets. The study confirms that better educated individuals earn higher

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wages, experience less unemployment and work in more prestigious occupations than their less educated counterparts. Generally speaking jobs that require high levels of education pay higher wages than jobs that require little education. Basically the higher the education level, the higher the income. Education plays a decisive role in economic performance. Those in society with more education earn higher salaries over their lifetime as well as contribute more in taxes. An educated population also leads to economic growth at a national level.

6.0 Recommendations

Based on the conclusion that education affects employee wages to a very large extent, and considering that the organization did not invest in knowledge and skills in employees, did not organize trainings for special skills, did not organize seminars for refresher courses nor train employees for career growth, it is recommended that the management of the Archdiocese of Lilongwe should ignite passion to educate and coach their employees. The study recommended that the organization should invest in education and training opportunities in order to enhance productivity and profitability. The organization should focus on education adding value to employees as education plays an important role in a variety of domains including economic growth, wages income inequality and society. Management should also understand the role and impact of education in our more global, complex and competitive world, make learning opportunities more readily available and accessible and provide flexible learning options and teach employees to own their career development that is individuals must own, self-direct and control their learning fortunes.

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