

THE EFFECT OF EDUCATIONAL QUALIFICATION ON JOB PERFORMANCE:

THE CASE OF SOCIAL SECURITY COMMISSION IN NAMIBIA (SSC)

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ABSTRACT

The extent to which organisations perform or achieve set objectives is a function of competencies of staff. As such employers hire and place people in various positions based on educational qualifications required by the job and expect good performance. However, this has not been the case, raising concerns over the ability of employees with educational qualifications to perform on the job. The problem in this case is that if employees with educational qualifications contribute only marginally more to job performance than less educated workers do, then higher costs of staffing with highly educated workers are unlikely to be recouped. This situation creates uncertainty on whether organizations such as Social Security Commission should continue to subsidize current employees to acquire bachelors or advanced degrees hence the need to rigorously assess the short-term returns (e.g., improved performance) and long-term returns (e.g., heightened occupational commitment) on those investments. The main objective of the study is to identify and examine the relationship between job performances of employees against academic qualifications in order to provide recommendations to the SSC management on how best educational qualifications can contribute to improved job performance. This study used a mixed approach of quantitative and qualitative methods mainly descriptive statistics (i.e. frequencies) to determine the extent to which employee's performance reflects the educational qualifications attained. The aim is to ensure that there is synergy between educational qualifications and competencies of employees to ultimately improve job performance.

Overall, the findings of the study confirmed that educational qualifications have a significant bearing on job performance. The higher the education level, the more are the effects of education and skill on job performance. As such people's ability to understand and use advanced

technology is determined by the level of their education. The educated workers tend to be more responsive in receiving instructions and doing new tasks and easily adopt new technology, which increases their ability to innovate and improve job performance.

However, the main factors considered to limit the positive effect of educational qualifications on job performance at the workplace include the quality of the work environment, organisational structure and processes, the assignment of employees in posts which did not match their qualifications and the lack of incentive systems. The findings have important policy implications in that they suggest the need for measures that can enhance the positive effect of educational qualifications on job performance. Respondents suggested several measures that could be used to address these problems and enhance the positive effect of education on productivity at the workplace. Most referred to the need for changes in the organisation's approval structure and processes while the importance of providing work related incentives to employees with educational qualifications through an effective performance management system was also acknowledged.

LIST OF ACRONYMS

BoN	Bank of Namibia
EO	Executive Officer
GDP	Gross Domestic Product
GRN	Government of the Republic of Namibia
IFF	International Finance Forum
MolSW	Ministry of Labour and Social Welfare
NIESR	National Institute for Economic and Social Research
NDPs	National Development Plans
NPC	National Planning Commission
OECD	Organisation for Economic Cooperation and Development
ODC	Offshore Development Corporation
PMS	Performance Management System
SPSS	Statistical Package for Social Sciences
SSC	Social Security Commission
SSCSP	Social Security Commission Strategic Plan
TFP	Total Factor Productivity
UK	United Kingdom
UNAM	University of Namibia
US	United States
VET	Vocational Education and Training
WB	World Bank

CHAPTER ONE: INTRODUCTION AND BACKGROUND

1. INTRODUCTION

There is considerable interest amongst economists and policy makers as to which type of workplace characteristics are more conducive to higher levels of job performance. Investment in human capital through educational qualifications and training is considered as a key step towards achieving sustained long-term productivity and prosperity gains in an economy. This study will shed light on whether it is true that firms with a more educated workforce also tend to be more productive. Key concepts used are educational qualifications and job performance. Educational qualification in this research is limited only to the accredited degrees, diplomas, certificates, professional titles that an individual has acquired whether by full-time study, part-time study or private study, whether conferred in the home country or abroad, and whether conferred by educational authorities, special examining bodies or professional bodies. Job performance on the other hand is defined as an individuals' output in terms of quality and quantity expected from every employee in a particular job.

1.1 Background

Recent developments such as globalization, a knowledge-based economy, and technological evolution, have prompted many countries and organizations to seek new ways to maintain competitive advantage. In response, the prevailing sense is that the success depends in large part on the people with higher levels of individual competence. In the end, the people are becoming valuable assets and can be recognized within a framework of human capital. According to Lucas (1988), a microeconomic model shows that education investment in workers significantly affects

their productivity in the workplace. Along with that belief many researchers stress the importance of educational qualifications and training in the human capital field (Griliches & Regev, 1995; Rosen, 1999).

However, the above belief needs to be tested due to the harsh reality of life. There is a world of difference between expectations by the labour market and what people bring to the labour market after graduating from institutions of higher learning. The Namibian education system that was given the mandate to prepare learners for future roles as required by the labour market has struggled to deliver. Over the years concerns have been expressed over the ability of the products of the current education system to deliver on the job. This situation raises critical questions regarding the extent to which the current education system would respond to the growing challenges experienced by different sectors of the Namibian economy over the years after independence. It is against this background that the study intends to confirm by a way of empirical research as to why a gap between these two variables exists.

This section will briefly highlight the orientation of the study, purpose of the study, the statement of the problem, the significance of the study, research objectives and the limitations.

1.2 Orientation of the study

In line with Vision 2030 and the national human resources development plan, Namibian economy requires high caliber of personnel in various professional and specialized fields, such as finance, investment, insurance, marketing, industrial production, science and media. To achieve

this, some believe that there is a need for quality education and manpower development of members of the organisation on how best to do the job, which they are employed for. Others suggest that success in any organization, whether public or private enterprises, depends on capital, physical and human resources. More generally among these resources, human resource is seen as the pivot because it manipulates other resources for a desirable end product. According to Yesufu (1996), it was in this vein that late Kennedy in the manpower report in the United States (US) observed that manpower is the basic resource and the indispensable means of converting other resources to mankind's use and benefit. All activities of any organization are initiated and determined by the persons that make up that institution.

The study intends to examine the effect of academic qualifications on overall organisation performance of Social Security Commission in Namibia. There are a lot of different, partly interacting reasons for the low levels of productivity like the low number of qualified, well-educated Namibians (World Bank report 2005), and people assigned to wrong jobs. There is a shortfall of qualified personnel in Namibia, in particular, at a postgraduate levels needed to develop and implement the new economic policies successfully.

1.3 The purpose of the study

The purpose of this study is to establish the extent to which employee's performance reflects the educational qualification attained. The aim is to ensure that there is synergy between job requirements mainly educational qualifications and competencies of employees.

Educational qualifications in this research will be limited to the accredited degrees, diplomas, certificates, professional titles that an individual has acquired whether by full-time study, part-time study or private study, whether conferred in the home country or abroad, and whether conferred by educational authorities, special examining bodies or professional bodies.

The acquisition of an educational qualification therefore implies the successful completion of a course of study or training programme while Job performance refers to an individual output in terms of quality and quantity expected from every employee in a particular job. Individual performance is most of the time determined by motivation and the will and ability to do the job.

Empirical evidence shows that, in far too many cases, workers are not well-matched with their current jobs. Some are over-qualified for their current jobs – they are capable of handling more complex tasks and their skills are underused – while others are under-skilled for their current jobs as they lack the qualifications normally needed to deliver in their jobs. This study will examine the extent to which the Social Security Commission is affected by these findings.

1.4 Statement of the problem

The extent to which organisations perform or achieve set objectives is a function of competencies of staff. As such employers hire and place people in various positions based on educational qualifications required by the job and expect good performance. However, this has not been the case, raising concerns over the ability of employees with educational qualifications to perform on the job. The problem in this case is that if employees with educational

qualifications contribute only marginally more to job performance than less educated workers do, then higher costs of staffing with highly educated workers are unlikely to be recouped. This situation creates uncertainty on whether organizations such as Social Security Commission should continue to subsidize current employees to acquire bachelors or advanced degrees hence the need to rigorously assess the short-term returns (e.g., improved performance) and long-term returns (e.g., heightened occupational commitment) on those investments.

An important benefit of educational qualifications is the ability of graduates to obtain employment, contribute to the economy and receive higher wages in return. There is an ongoing interest in the labour market outcomes of educational qualifications and various skills. Most analysts use educational qualifications as a proxy for both skills and knowledge, in the absence of any direct measurement of skills. In many cases, organizations use educational qualifications as an indicator of a person's skill level or productivity (Benson, Finegold, & Mohrman, 2004), they frequently employ it as a prerequisite in hiring decisions. However, over the past decades, there has been very little research directly examining the relationship between educational level and job performance.

To achieve the objectives of the study, it is paramount to:

- evaluate job performance of employees through assessing their quality of work
- identify private and social returns to education
- identify education levels of employees within the SSC

At its inception the SSC inherited the majority of the employees from the Ministry of Labour and Social Welfare (MoLSW). The transferred employees were not tested to determine their competencies before occupying challenging positions in SSC. According to the SSC Act of 1994, the SSC's mandate is to implement five national schemes (national funds) while its mission statement is, "To professionally administer five funds for the provision of social security benefits to the Namibian workforce and their dependants" (Social Security Commission Strategic Plan, 2004-2007). In line with this mandate, the SSC realized that meeting customer expectations is essential and the nation expects quality service delivery given the sensitive nature of its operations hence the decision to invest over N\$200,000 per year on study loans resulting in over 80% of its employees to acquire post-secondary school qualifications. The investment was necessitated by the need to develop a sound balance between obligations for safety provision or benefits payment and collection of social security taxes. This process involves extensive research into short-term and long-term demographic and economic trends, analysis of experience in mortality and morbidity rates, and the preparation of regular reports and special studies on the financial aspects of the Social Security system that are of concern to the general public. However, this major function requires academically qualified staffs in finance and actuarial valuations that are scarce not only in the SSC but the country a whole. The lack of people with actuarial educational qualifications within the SSC should not be taken lightly. It should be viewed as a factor that could have attributed to the delay in rolling out outstanding schemes as expected. To date SSC has managed to implement only one in addition to the inherited two national funds resulting in three implemented funds out of the intended five, raising serious questions on individual job performance of its employees in relation to their educational qualifications.

The situation is also worsened by negative publicity by both print and electronic media for various unethical behaviors. The most prominent one, being the 30 million dollar wrong investment (Namibian of 05 August 2005) involving, among others, high-ranking officials of AVID and SSC. The case claimed a life of a prominent business man and led to the dismissal of the Executive Officer and his senior finance manager. Thereafter, another scandal followed involving an employee who processed false claims with a cumulative value of N\$344 000 over a long period without being detected, and finally the first ever demonstration in 2012 by the employees, who expressed their unhappiness on how company procedures were compromised to suit the interests of individuals at the expense of the company as well as the subsequent suspension of a union shop steward for challenging management on issues affecting employees such as lack of training, promotion, study leave and the dependency syndrome by the company on external consultants when positions are assumed to be occupied by qualified staff. These standards often separate the winners from the losers in today's competitive world. How effectively should the SSC respond to the above concerns lies in aligning its processes with customers' needs. Management innovations such as total quality management and process reengineering are but two of the comprehensive approaches used to respond to customers. Total quality management is a set of principles and practices whose core ideas include understanding customer needs, doing things right the first time and striving for continuous improvement.

In 2005 Bank of Namibia (BoN) Governor, under the topic, 'The Role of Financial Regulatory Bodies in Investment Management' singled out not only the SSC-Avid and the Offshore Development Corporation scandals, but also highlighted similar international cases, which included Enron of the US and Parmalat of Italy. The main causes of these scandals such as the

improper handling of investments were threefold, namely misunderstanding of the market and its risks, lack of investment management know-how and outright fraud. In the case of Namibia, “there also appears to be indifference to internal controls, a possible erosion of ethics, inability of internal systems to catch up with new ways of committing offences and lack of due diligence from investors as well as poor understanding of investment mandate”.

As a result of the above scandals a lengthy bureaucratic approval process was implemented by government on any business decision affecting the SSC, which impacted negatively on the efficiency and smooth operation of its activities giving rise to performance concerns.

Estimating the effect of educational qualifications on criminal activity may shed some light on the magnitude of the social return to education. Economists interested in the benefits of schooling have traditionally focused on the private return to education. However, researchers have recently started to investigate whether educational qualifications generate benefits beyond the private returns received by individuals. In particular, a number of studies attempted to determine whether the educational qualifications of one worker raises the job performance and earnings of other workers around him (Acemoglu and Angrist (2000) and Moretti (2002, 2003). Yet, little research has been undertaken to evaluate the importance of other types of external benefits of educational qualifications, such as its potential effects on crime.

1.5 Proposition of the study

The proposition tested in this mini-thesis is that there is synergy between educational qualifications and job performance at SSC in Namibia.

1.6 Rational of the study

The world is becoming more integrated. Therefore, Namibia must position itself to be able to compete successfully at regional, continental and international levels. In order to improve its competitiveness, as in much of the region, Namibia must improve its health and educational systems. The country is ranked a low 123rd on the health sub pillar (down five places), with high infant mortality and low life expectancy. On the educational side, the global competitiveness report (2013/14) ranked Namibia at 124th position out of 148 countries. The situation is exacerbated by low enrollment rates and the quality of the educational system that remains poor. In addition, the report suggests that Namibia could do more to harness new technologies to improve its productivity levels required to drive the growth of the national economy towards Vision 2030. In many localities, generous subsidies for education are largely based on the assumption that governmental investments in human capital will strengthen the economy as a whole by enhancing employees' productivity (Lanzi, 2007; Trusty & Niles, 2004). When education does not build human capital proportionate to expenditures, though, organizations may oppose tax increases for education, move to localities with better educational systems, or develop their own internal education programs to supplant publicly financed ones (Vinod & Kaushik, 2007)

Against this background, Social Security Commission should strive to provide the right policy framework that will enable it to fulfill its goals of revenue growth, establishment of new funds, and provision of efficient and affordable services to its clients. As such, SSC requires formulation and implementation of a strategy that intergrates an organization's major goals, policies, and action sequences into a cohesive whole (Quinn cited in Noe et all, 2006). Thus educational qualifications are critical in supporting the formulation and implementation of strategy necessary to address the challenges the organization is facing. Policy makers will benefit as this study will guide them in future policy development such as human resources development policy to address productivity challenges, whereas, students will benefit for further research purposes.

1.7 Objectives of the study

The main objective of this study is to identify and examine the relationship between educational qualification and job performance of employees. Subsidiary objectives include: evaluating job performance intervention programs by the Social Security Commission management to address the gaps between educational qualifications and job performance, evaluate the effectiveness of the human resources development strategy and strategic direction of the SSC and finally make recommendations to the SSC management on how best educational qualifications can improve job performance.

CHAPTER TWO: LITERATURE REVIEW

This chapter will review past studies on the effect of educational qualifications on job performance. The structure of this chapter is therefore as follows. Section 2.1 will focus on the theoretical and empirical studies. Section 2.2 will analyse the role of educational qualifications through three sub themes: (i) Performance assessment, (ii) On the job training, and (iii) Education system and labour market.

2.1 Theoretical and Empirical Studies

The theories of why educational qualifications are important can be grouped into three classes, a distinction more often found in the literature (e.g. Carroll and Mayer 1986; Hannan et al. 1990; Rosenbaum et al. 1990). A more fine-grained discussion of different theories can be found in Bills (2003). First, there are theories arguing that educational qualifications provide productive skills to individuals. Particularly economists in the human capital tradition subscribe to this approach (Becker, 1993). The core of human capital theory is that education provides knowledge and skills that have a direct influence on the productivity of workers. Employers are willing to pay higher wages to highly educated workers because of this differential in job performance or productivity. It is useful to confine the human capital tradition to being concerned with its principle mechanism, namely the productive competencies that students acquire during the schooling period. Weiss (1995) calls this the learning model.

The second approach, the positional good perspective, argues that there is uncertainty and unawareness among employers concerning the marginal productivity of potential employees. Employers do not know very well which knowledge and skills employees bring with them to the labour market, let alone how these competencies affect productivity. That is why employers look for crude signals that are associated to groups of applicants (Spence, 1973). Certain characteristics of groups of employees form a signal towards the employers about the potential value of an employee. One of these characteristics is educational qualification: a college degree gives broad information about the plausible productivity of anyone holding such a qualification. Employers use educational qualifications to screen workers (Arrow 1973).

Employers do not only make an estimation of productivity but, and this is crucial in this second perspective, this is translated into an estimation of training costs that are associated to hiring a worker with specific characteristics (Thurow 1976). Thurow has developed the job competition model in which two queues exist. The first queue comprises the available vacancies; the jobs to be taken by applicants. The order of this queue is determined by the complexity of the vacant jobs. The second queue consists of the potential employees, or applicants. This queue is ordered on the basis of the educational attainment of applicants. Selection and allocation on the labour market consists of bringing the two queues together; the first (most complex) job is filled with someone with the highest qualifications to reduce training costs. This model implies that educational qualification is a positional good (also called a relative good); to obtain a complex job (and thus receive higher incomes) one's position in the queue relative to others is crucial (Hirsch 1977; Ultee 1980; Wolbers 1998). For this reason, Weiss (1995) talks about sorting models of education. It must be noted that educational qualifications can be used as a sorting

device on characteristics that individuals already had before entering schooling (e.g. intelligence; perseverance), as well as characteristics that they have obtained in schooling (e.g. learning skills). Both elements imply, however, that educational qualifications function as a positional good.

The positional-good perspective differs from the productive skills approach in that it does not start from productivity-enhancing knowledge and skills obtained in education. More emphasis is placed on the relative position that people occupy on the labour market and the training costs that are associated to hiring a person with a certain educational qualification level. In the job competition model of Thurow, applicants do not compete for wages they are willing to work for, but for 'training slots'. This implies that, in the productive skills approach the individual holding a job is connected to a certain productivity level, whereas the positional-good perspective sees productivity connected with jobs. Or, as Thurow (1976: 77) puts it: "The marginal product resides in the job and not in the man. The individual's earnings depend upon the job he acquires and not directly upon his personal characteristics". The similarity in both approaches is, however, that both focus on the productive aspects of qualifications, either directly (productive skills) or indirectly (positional good). This perspective on educational qualification as being a positional good includes theories that argue that educational qualifications moulds people into being better learners (Thurow), as well as theories that presume that individual differences already existed before schooling (e.g. intelligence) (e.g. Arrow 1974). Spence's signalling approach falls in between these viewpoints. On the one hand he makes a distinction between signals ("alterable attributes" such as schooling) and indices (unalterable attributes such as gender), that both could indicate trainability and productivity. This focus on alterable attributes may suggest that people change during schooling. However, Spence is not very clear on this.

Moreover, in Economics Spence's signalling theory is assumed to overlap strongly with Arrow's screening theory, who is more on the side of the pre-existing variation among the schooled and unschooled populations.

The third approach is the social closure perspective, which includes theories arguing that the value of credentials has nothing to do with the productive capacities that have been incorporated, or the trainability indicated by such credentials, but instead argues that educational qualifications function as a legitimized means for social inclusion and exclusion. The basis of social closure theory is that elites monopolize "access to resources and rewards" by closing off opportunities to less advantaged groups (Murphy 1988: 10; Parkin 1979; Weber 1968 [1921]). Educational qualifications, more often called credentials in this literature, provide a widely acknowledged form of exclusion; by demanding formal qualifications for access to jobs, employers can control access to privileged positions. Moreover, such behaviour of employers is usually not an individualistic action, but rather comes in the form of collective behaviour, leading to institutions that govern the regulations regarding the requirements for formal qualifications (Brown 1995).

The productive skills theory and the positional-good perspective start from the idea that selection and allocation on the basis of educational qualifications is beneficial for the productivity and efficiency of the organization. The functionalist modernization theory which is strongly related to neoclassical economics and human capital theory states that, through technological developments educational qualification has become even more important than before for the selection process to enhance productivity and efficiency (Davis and Moore 1945; Parsons and Shills 1951; Treiman, 1970). However, the social closure perspective argue that, the theories on

education that belong to this perspective are the credentialism theory of Collins (1974, 1979), cultural reproduction theory (Bourdieu and Passeron 1977; Bourdieu 1984; Halsey et al. 1980; Lamont 1992), and the correspondence principle of Bowles and Gintis (1976, 2002).

Economists usually do not distinguish between the positional good and closure perspectives (Heywood 1994). What economists call ‘sheepskin effects’ refers to the fact that diplomas (made of sheepskin) give access to well-paying jobs, just like the credentialism theory of Collins (1979). However, in the economic perspective these sheepskins serve as a screening device for productivity, something the social closure perspective denies. For this reason it is relevant to separate the two ideal types, although there are some hybrid perspectives. Despite some important overlaps, there are some differences between the various approaches headed under the social closure perspective as well. For example, the correspondence principle of Bowles and Gintis (1976, 2002) has, through the school-based transmission of cultural norms, clear connections to cultural reproduction theory as well as some differences. Similar to Bourdieu and Collins, Bowles and Gintis argue that productive, cognitive capacities are not the crucial reason why highly educated persons have a more successful employment career than less educated persons. A more important aspect of the educational system is that it produces workers with “incentive-enhancing preferences”: attributes that contribute to the authority of the employer, such as compliance, subservience, and an orientation towards the future (Bowles and Gintis 2000). Moreover, different levels of education produce different incentive-enhancing preferences, depending on the (hierarchical) labour market position that these prepare for.

An important difference with cultural reproduction theory is that cultural capital can be seen as a scarce good, a 'possession', whereas the correspondence principle puts more emphasis on the roles that are instilled on workers. It may also be argued that, in preferring workers with such incentive-enhancing preferences, there is an indirect productivity argument involved, making the Bowles and Gintis approach to fit in between the closure and positional good perspectives.

As said, the theories vary greatly in the productive capacities that are associated to educational qualifications. Microeconomic theory suggests at least three different ways in which educational qualifications can affect job performance. First, Becker's (1975) theory of human capital argues that education teaches workers valuable skills which make them more productive. Given their higher productivity, more educated workers earn higher wages. To choose the optimal level of education, workers compare the present value of lifetime earnings associated with different levels of schooling. They remain in school as long as the marginal benefits of schooling outweigh the marginal costs. If human capital theory is "correct," the coefficient on schooling estimated by Mincer's (1974) human capital earnings function provides an unbiased estimate of the impact of educational qualifications on job performance provided two conditions hold: (1) workers' wages equal their marginal product, and (2) no variables correlated with schooling which affect wages are excluded from the earnings analysis.

Second, the "signalling" or "sorting" model of education argues that more educated workers receive higher wages, not necessarily because school has taught them any valuable skills, but because firms use education as an informational signal to differentiate high-quality workers

from low-quality workers. Underlying this theory is the idea that a worker's educational attainment is correlated with other unobserved characteristics that existed before he made his schooling decision. As explained by Weiss (1995), "an accurate measure of the change in wages for a person who goes to school for 12 years instead of 11 would not measure the effect of that year of education on his productivity, but rather the combined effect of one additional year of learning and the effect of being identified as the type of person who has 12 rather than 11 years of schooling" (p. 134). If the "signalling" theory holds, the coefficient on schooling estimated by the Mincerian earnings function may overstate the impact of education on productivity. In a signalling world, however, education still reflects productivity, even if it does not cause all of it. Third, it is possible that all workers with the same level of schooling do not have the same productivity due to differences in their environment which affect the productivity-enhancing effects of education. According to this school of thought, the returns to schooling are higher in dynamic environments because educational qualification improves workers' access to information (Thomas et al., 1991) and their ability to decode and understand new information (Nelson and Phelps, 1966; Schultz, 1975). In addition, the demand for skills is assumed to rise during periods of technological change because of the comparative advantage that educated workers have in implementing new technology (Rosenzweig, 1995).

While micro theory suggests several avenues through which educational qualifications can affect job performance, little consensus exists among economists on how educational qualifications is related to productivity. To date, empirical research has been limited because few data sets contain information on both workers' output and their education. Recently, such data have become available which enable researchers to compare the earnings and productivity of different

groups of workers (Hellerstein and Neumark, 1995; Hellerstein et al, 1999). Despite the paucity of micro data, several studies have used macro data to examine the impact of educational qualifications on aggregate productivity measures. If the Mincer model holds, it is expected that changes in a country's average level of schooling should be correlated to changes in national income. Surprisingly, little evidence exists to support this relationship. Instead, much of the macro evidence based on cross-country regressions reveals a positive relationship between a country's initial level of schooling and its GDP growth rate. Theoretically, this result implies that a country's initial level of schooling will affect its growth rate forever which seems highly implausible. Krueger and Lindahl (1998) and Topel (1988) demonstrate that this result is spurious, arising from either measurement error or model mis-specification. Once these problems are eliminated, they find that changes in a country's average level of schooling are positively correlated to its rate of economic growth.

Other studies have examined the impact of educational qualifications on particular sectors within an economy. Griliches (1970), for example, uses industry-level manufacturing data from the United States to determine whether labor "quality" is correlated with greater output. Welch (1970) conducts a similar study using US farm data and finds, like Griliches, that education has a positive impact on output. Within the development literature, a number of studies carried out during the 1970s examined the impact of education on agricultural output. This research has produced largely mixed results. Nearly half of the studies surveyed by Lockheed, Jamison, and Lau (1980) and Appleton and Balihutu (1996), for example, find that educated farm workers are not necessarily more productive than uneducated farm workers in developing economies.

The insignificance of education in agricultural production functions is often attributed to the low level of technology existing in most rural labor markets. If the benefits of education arise mainly in dynamic environments, it is unlikely that farmers who use traditional technologies would have very high returns to education. This is the view taken by Nelson and Phelps (1966) who argue that the marginal productivity of education is an increasing function of the rate of technological innovation. Jovanovic and Nyarko (1995) and Rosenzweig (1995) present a more sophisticated version of this idea by developing a Bayesian learning model in which education improves a worker's ability to make optimal choices under uncertainty. Rosenzweig suggests two channels through which educational qualifications can affect job performance: first, education may widen a worker's access to different sources of information; and second, education may increase a worker's ability to learn from past experience. According to Rosenzweig, these characteristics are productivity-enhancing in environments which place a premium on learning. For example, it is expected that educated workers have a comparative advantage over uneducated workers when it comes to activities like technology adoption. Why? Because educated workers have a better idea of how to use the technology before it arrives and they learn more from each use of the technology. A number of micro studies provide empirical evidence in support of this viewpoint. Thomas et al. (1991) found a positive relationship between the amount of education completed by women and the number of information sources they use each week. Rosenzweig and Schultz (1989) demonstrate that educated women are more efficient at controlling their own fertility when using the rhythm method, a traditional style of contraception requiring the ability to evaluate individual-specific fertility information.

More recently, Foster and Rosenzweig (1996) examine the profitability of education across different states in India using panel data which cover the period both before and after the introduction of green revolution technology. They found increasing returns to schooling during the years when the new hybrid seeds were being introduced. In a related literature, there is evidence that educated workers have faster rates of learning by doing than uneducated workers. Jones and Barr (1996) test the hypothesis that learning by doing is slower in developing countries and in industries that use simpler technologies. Using the same data set from Ghana, their study revealed three main findings. First, the learning curve in Ghana is flatter than the learning curve in developed countries. Second, any industry-wide spillovers are small and insignificant. And third, learning by doing effects are stronger at low levels of technology than at intermediate levels. In another study, Foster and Rosenzweig (1995) found that a farmer's own experience (and the experience of his neighbors) influenced the net profitability of adopting green revolution technology in India.

Education has a direct positive effect on economic development, economic growth, individual ability (potential) and job performance (Lau et al., 1991; Kim and Mohtadi, 1992). A study of the rate of return to educational qualifications had been conducted by Schultz (1961) (as cited by Lau et al., 1991) using a human capital approach. Educational qualification can increase an individual's ability to do common jobs, to understand instructions and apply them to a new task; receive and process new information; communicate and coordinate with others; evaluate and adjust to a changing work environments; help reduce subjective uncertainty and doubt; and increase the ability to adapt to new technology, which in turn increases individual ability to innovate and to improve productivity. The study also investigated the correlation between study and the ability to adopt particular new skills. In addition, educational qualification complements

physical capital and technology. Relevant education may enable some classes of employee to have higher salaries. This is not because of education's influence on productivity but because education is a sign of productivity.

Employers understand that educational qualification is beneficial because it contributes to workers' productivity even if it is not easy to prove (Chevalier et al., 2003). Employers believe that education correlates with productivity. For that reason, employers recruit and pay higher salaries and wages to better educated employees. This belief of employers is justified if higher worker productivity is a result of the employee's education. Other studies by Becker (1962) and Schultz (cited by Chevalier et al., 2003) confirmed that there is a correlation between educational qualification and salary because education could increase job performance. A basic difficulty in assessing the difference between educational qualification as a signal of job performance and as a signal of increasing productivity is that human capital theory and signalling theory both show the correlation between income and of education. Chevalier et al., (2003) found evidence that, on average, education's effect on wages is quite large; around 10 per cent for every additional year of education. A study by Iranzo and Peri (2006) concluded that as the level of education increased up to secondary level it had little effect (less than 2 per cent) on total factor productivity (TFP) for every additional year of education. For academic education levels and beyond there was a larger effect, around 17 per cent. There were some studies about whether workers' income is a reflection of their ability or not. If most of the workers with more skills are those who have a higher education, then educational qualification could be seen as a signal of greater ability or skill. Nevertheless, a higher income demonstrated that education, which could

contribute to more knowledge and skills, could increase the productivity of workers (Duryea and Pagés, 2002).

There was also a study that demonstrated that there is no direct influence of educational qualification on workers' productivity. In this sense, education is just a screening and signalling device (Dore, 1976 and Spence, 1974 [as cited by Kim and Mohtadi, 1992]). They also confirm that there is no direct connection between education and productivity. The following reasons may explain and make sense: the real productivity of a worker is not perfectly explored, so their performance (as a reflection of the level of his or her education) is seen as an indicator of their current productivity (for example motivation, discipline, punctual, and diligence, etc.). In that case, it is optimal if educated workers tend to improve their educational qualifications then finally they expect a higher wage again. Such expectations are valid if the employer realises that workers with higher education are more productive than those with less education (Kim and Mohtadi, 1992).

Education has a function as a screening device in selecting employees and as a human capital device that may induce greater productivity. In terms of human capital, education could enrich the natural ability of workers and give them advantages in the labour market. The supporters of this theory also conclude that education is a signalling or screening device for unobservable skills (Bedard, 1998). Specifically, the companies indicate that education is a reflection of ability. Then, students choose a particular level of education to give signals of their ability to possible employers. Therefore, the wages paid to higher educated workers are a reflection of accumulated human capital. One other benefit of employing graduates is that they are not seen as

dropouts and will be more reliable, more persistent if you like. Furthermore, because it is easier to differentiate higher educated workers from the less well educated, then wage rates are an effective indicator of link and match (meritocratic selection). In addition, because higher education is easier to achieve then wage rates reflect more on productivity (Bedard, 1998).

The economic prosperity and functioning of a nation depend on its physical and human capital stock. Physical capital has traditionally been the focus of economic research, factors affecting the enhancement of human skills and talent are increasingly figured in the research of social and behavioural sciences. In general terms, human capital represents the investment people make in themselves that enhance their economic productivity. The theoretical framework most responsible for the wholesome adoption of education and development policies has come to be known as human capital theory.

2.2 Evaluation of the role of educational qualifications

The most familiar, and indeed the most obvious as also traditional theory of what educational qualifications does is that it confers skills which are tantamount to 'human capital' formation. This approach has naturally been developed most extensively by the Chicago School. The radical economists of present U.S. vintage, on the other hand, have advanced the interesting view that the role of educational qualification is to 'socialize' the educated, breaking them into productive workers in the capitalist economy. This view leads to no special wrinkles as far as the divergence between social and private returns to education is concerned and, on that dimension, is indistinguishable from the human capital theory. An alternative view of educational

qualifications has been advanced by Spence (1973) and Arrow (1973). In this view, educational qualifications impart neither training nor socialization rather, it acts as a filter, screening and grading the educated. Educational qualification, in itself, is therefore not productive in the sense of imparting skills or socialization to the educated but it does manage to convey the information about ability to prospective employers. By acquiring it, therefore, the ones with ability are able to secure better wages; and hence educational qualifications offer private returns. An altogether different view of educational qualification however can be that it is an instrument for job competition. Imagine a job specification with a certain number of jobs at a wage. If the wage is sticky, an excess supply of labor at that wage cannot be cleared by lowering the wage. Then, the access to these jobs, in a competitive system, could imply a resort to either a randomized choice from among the available labor force or another method of choice from that labor force which otherwise preserves a sense of fairness. Educational qualification can then be perceived as an attribute which, when acquired, gives a member of the labor force precisely the attribute which the employer can utilize to prefer him to other (uneducated or lesser-educated) members of the labor force seeking the jobs. The sociological principle of job selection then is to prefer those who are more educated to those who are less: that seems 'fair' as the educated have 'put in more' to get the job, even though the job does not 'require' any education at all for satisfactory performance. ' The 'fairness' principle of preferring the educated in hiring thus turns educational qualifications into an instrument of competition for jobs, yielding therefore a divergence between private and social returns to education.

2.2 Relationship between educational qualifications and job Performance

2.2.1 Arguments for positive relationship between educational qualifications and job Performance

Educational qualification, for some sets of workers in the SSC, is a significant determinant in boosting job performance. Others confirm that their job performance is principally related to educational qualifications, though less directly, because it is a signaling or screening device that is necessary to enable promotion or career development. The significance of educational qualifications can be recognised by considering that workers' ability to absorb new instructions or to understand advanced technology is determined by their educational qualifications. The more advanced their education, the more responsive they will be. Individual's ability to innovate and produce is much more possible for educated workers. For career development, the education level makes a significant contribution to promotion or career development for male and for female workers, but not to the same degree. In addition, the educational background controls to some extent the position and work levels of employees. However, based on some case studies in manufacturing industries, there is a scarcity of female employees holding higher-level positions, such as manager. Because of that, we cannot easily make valid comparisons or draw firm conclusions. In fact, although a woman might have an education to graduate level, she might not get a position equivalent to that of a male similarly educated. Female employees used to be a bit pessimistic about aspiring to develop their careers in terms of gaining higher job positions but, men in contrast, were more optimistic in their aspirations.

2.2.2 Sociological discussion on the function of education to society

2.2.2.1 The conservative function of education

An important function of education is that it preserves the society's dominant culture and passes it on from generation to generation, and from the existing population to people who are newly incorporated into the society. Sociologists distinguished between two components of the culture transmitted through education: (i) the instrumental component comprising skills, facts and procedures and (ii) the expressive component consisting of values, norms, concepts and images of approved behavior. In contributing to the stability of society the educational system transmits these two aspects of culture of the total society in an integrated fashion.

2.2.2.2 The innovative function of education

In a modern society education is expected to maintain a delicate balance between the experiences of the past and needs of the future. The educational system is expected to supply the innovators and to ensure that changes take place

2.2.2.3 The political function of education

Education also contributes to the political socialization of the child. Political socialization refers to the transmission of values, beliefs, ideas and patterns of behavior pertaining to the generation, distribution and exercise of power. It is presumed that the exposure to modern education makes

pupils see things in a broader perspective, beyond the narrow horizons of tribal, religious or linguistic community.

2.2.2.4 The economic function of education

The social function of education has also been analysed with reference to its possible contribution to economic development. The argument that education leads to economic development rests on two assumptions: (i) that education changes behavior; and (ii) that such behavioural change results in the production of more goods and services. Reference has already been made to the fact that a greater amount of education leads to higher personal incomes, but there is no firm evidence that those with higher educational attainments are better paid because of their higher productivity. It could as well be that education is being used here as merely a convenient criterion for selecting persons with certain aptitudes, such as greater flexibility, motivation, initiative in problem-solving situations, and adaptability. These attributes are certainly a help to productivity, but there is no proof that they are generated by education.

2.2.2.5 The selective and allocative function of education

Apart from providing occupational training to future entrants into the employment market, the education system of a modern society acts also as a filtering agency, a sieve for selecting and directing people to different areas of specialization and levels of operation. When the educational system performs this function satisfactorily, the society is able to make full use of the so-called

pool of capability that is the sum total of intellectual qualities, talents and other abilities of the people.

2.2.3 Arguments against educational qualifications and job performance

Education has to compete, in growth terms, with other areas of investments. It is arguable, for instance, that the building of roads and power stations may contribute more to economic growth than a comparable investment in education.

Policy-makers around the world tend to accept unquestioningly the premise that investment in education and training is a good thing, with most committed to investment in human capital, including Vocational Education and Training (VET), as a means of securing higher economic growth and national prosperity as well as achieving equity goals (Wößmann, (2008)). However, some economists have argued that individuals who are more able and productive also tend to invest in more education (Spence, 1973; Arrow, 1973). In other words, education does not necessarily make you more productive it simply acts as an expensive sorting device, to enable employers to identify more able individuals. Wolf (2002) claims that the policy emphasis on educational qualifications and skills as the main driver of economic growth overstates the importance of human capital investments and that a major function of education is as a sorting device and to some extent a social discriminator. Most famous is Collins (1979) in this regard, who argues that school-based knowledge only remains in the heads of students for a very short time; occupationally-relevant skills are not learnt in schools, and highly educated workers are not more productive than people with lower levels of schooling. Within the development literature, a

number of studies carried out during the 1970s examined the impact of educational qualifications on agricultural output. This research has produced largely mixed results. Nearly half of the studies surveyed by Lockheed, Jamison, and Lau (1980) and Appleton and Balihutu (1996), for example, found that educated farm workers are not necessarily more productive than uneducated farm workers in developing economies.

The insignificance of educational qualifications in agricultural production functions is often attributed to the low level of technology existing in most rural labor markets. If the benefits of education arise mainly in dynamic environments, it is unlikely that farmers who use traditional technologies would have very high returns to education. In making policy about education and training it is clearly important to understand these potential economic returns to education and training to the individual, firms and the wider economy. However we must also recognize that separating out the genuine impact of education on productivity and earnings from its role as a sorting device is very difficult.

It is a usual expectation that graduates from institutions of higher learning must be able to walk right into some job without any further "training." This sounds so reasonable but what gets lost is that the universities are not in the business of "training." Their business is "educating." It's the difference between *know how* and *know why*. It's the difference between, being *trained* as a pilot to fly a plane and being *educated* as an aeronautical engineer and knowing why the plane flies, and then being able to improve its design so that it will fly better. Clearly both are necessary, so this is not putting down the Know-How person. The difference, also, is fundamentally that *Know How* is learning to Think Other People's Thoughts, which indeed is also the first stage in

education in contrast to learning to Think Your Own Thoughts, which is why *Know Why* is the final state of education. Indeed, both Know How and Know Why are essential at one moment or another, and they interact all the time; but at the same time, the center of gravity of education is and must be in the Know Why. For emphasis in Know How, training is required. And the further pay-off point is that when the educated student goes into a job, the ability to think one's own thoughts is also the source of flexibility so that, as the job requirements change or the job enlarges, the educated student is able to move with the changes. This should be a central issue with employers, but all too rarely is this the case. If only trained, then, if the job changes, the student has to be retrained.

2.2.4 Other job performance determinant factors other than educational qualifications

Job performance is an efficiency measurement of resources used, human resources or other, in the production process. The determining factors controlling job performance can be in the physical and non-physical environment. The physical environment can be the working environment of the factory or office or it can be working tools and equipment. The non-physical environment can be soft skills, self-motivation, co-workers and partners including supervisors and boss, as well as work atmosphere. The analysis of determining factors of productivity comes from theoretical considerations and references and the empirical aspects are from field research.

Therefore skills, education, training, physical environment (such as technology, tools and equipment) make a large contribution to increasing job performance. By comparing the levels of

education, it can be substantiated that the higher the education level, the more are the effects of education and skill on job performance.

2.3 Human Capital Theory

In this section, discussion of education issues is related to human capital. Human capital is usually considered to be the knowledge and ability of workers, gained from education or training, that could increase their productivity and work performance. Human capital under some conditions is equivalent to physical capital because it may be substituted for physical capital and labour. This type of investment may be undertaken by everyone and can be formal schooling or on-the-job and off-the-job training (Taiji, 2009).

Human capital investment through education (discussed by Schultz, 1961; Becker, 1975, [cited by Kim and Mohtadi, 1992]) is the allocation of human resources efficiently under the condition that the return on investment is indifferent to other types of investments. Therefore, they believe that they will get returns from educational qualifications in the near future; the increased wages are the returns for the investors. There is a strong correlation between schooling and income in developed and developing countries (Duryea and Pagés, 2002). Nonetheless, investing in human capital is risky for two reasons (Harmon et al, 2001). First, education is separate from wages and salaries, and predicting expected wages and salaries may be difficult for particular individuals. In addition, the individuals do not know whether they will be successful or not in their educational endeavours.

According to human capital theory (Becker, 1964; Schulz, 1961), investment in education increases worker productivity and is recompensed by the market through higher wages. A key strategic stance for workers to take in the labour market would therefore be to increase their investment in education. This theory is based on the empirical observation of other positive correlations between the levels of education of workers and their salary profiles throughout their lives, and it suggests that, in situations where there is a shortage of work and a high level of competitiveness, people who invest in education as a differentiation strategy will achieve higher returns from their work. In the current circumstances of the massification of higher education, where practically half of each generation goes on to study at university after completing secondary education.

There are certain problems however with human capital theory related to the difficulty of demonstrating that the alleged increase in the productivity of more highly skilled workers stems from the education they have received, and the fact that this alleged productivity is unknown to whoever contracts workers when they enter the labour market. Under the present conditions of virtually universal access to university, it is also questionable whether the mere fact of spending more years in the classroom will guarantee that a person becomes more productive (Dobbs, Sun, Roberts, 2008). Consideration must also be given to the fact that people continue to study not just out of economic interest, but also to gain more interesting jobs, develop their personal abilities, and acquire more knowledge and/or social recognition.

2.3.1 Retrospective overview of human capital and performance

Classical economists drew attention to the importance of educational qualifications as a form of national investment. For several classical authors (*e.g.*, Smith, Say and Senior), acquired skills and abilities were seen as increasing worker productivity. Smith and his followers, however, accepted that popular education, though socially important, was largely unrelated to success in the workplace (Bowman, 1990). Research in the late 1950s and early '60s, which constituted the foundations of the human capital theory (Schultz, 1961a, b; Becker, 1962), stimulated a new level of interest in the relationship between education and the economy. These approaches were typically driven by supply side economics, and by the neoclassical notion of equilibrium in which supply (of education) will create its own demand. After such a promising beginning, human capital theory has been seriously challenged since the 1970s by the appearance of alternative theories (reviewed in Teixeira, 1999b). In middle-income countries where there was arguably considerable difficulty in absorbing people into occupations who had spent substantial time in university the growth of unemployment promoted increasing scepticism about educational achievements and their economic benefits. In this context, university education was counter-productive to achieving some types of work discipline including authoritarian control of work content and the acquisition of manual skills (for which experience is a better teacher). In economies that had by the 1970s fully plunged into de-industrialisation, the value of university education in general literacy as well as developing advanced and convergent social skills for interaction in the workplace was much higher (Howell and Wolff, 1991). The industrial activities in these economies also often reflected a higher degree of abstract problem-solving and knowledge acquisition (learning to learn) for which university educational qualification (often

regardless of subject) was of value. Specifically, economists in the US were concerned from the 1970s not only with issues such as de-skilling (Braverman, 1974; Kraft, 1977; Zimbalist, 1979) but continued to follow the agenda outlined by Schultz and Becker for assessing the value of human capital, which led at the end of that decade and throughout the 1980s to efforts to explain the excess returns that appeared to accrue to individuals with higher educational qualifications. The 1980s was characterised by a reversal in this critical attitude towards human capital theory. The screening hypothesis appeared less applicable than the human capital theory it sought to replace, and failed to produce an empirically confirmed alternative theory (Blaug, 1976).

Therefore, since the late '80s, education (mainly at higher levels) became once again increasingly associated with economic performance issues. In particular, with the revival of research into economic growth and the emergence of the so-called 'endogenous growth theories', an important role – “the engine of growth” Ehrlich (1990) has been assigned to human capital. The development of both the Lucas (1988) approach (inspired by the work of Becker) and the Nelson-Phelps (1966) approach (which assumes complementarity between education and R&D activities) converge in a positive effect being attributed to educational attainment. This positive effect was visible in terms of the productivity of workers, with an important growth enhancing effect.

2.4 Performance Assessment

Performance assessment is mainly concerned with the individual's performance and development. The intention is to ensure that employee's activities and outcomes are congruent

with the organisation's goals (De Cieri & Kramar, 2008), by focusing on future performance planning and improvement rather than on retrospective performance appraisal (Armstrong, 2003). This requires management to act as partners within a framework in which they and the employees together can achieve the results required. For this to occur, managers need a clear understanding of the ways in which performance appraisal can help the organisation (Chelladurai, 2006). In addition, such appraisals can be used as feedback to individuals in order to influence and enhance subsequent performance.

However, it has been argued that the results of performance appraisal of all employees provide insight into the effectiveness of the HR system, the developmental and training needs for the whole organisation, and the setting and articulation of organisational goals for the employees (Chelladurai, 2006). Therefore, appraisals cannot be performed effectively unless the line manager or person conducting them has the interpersonal interviewing skills to provide the feedback to people being appraised (Prowse & Prowse, 2009).

Actual performance assessment is important as it encourages employee involvement, provides a formal mechanism for employees to receive feedback regarding Job performance and expectations, and allow the employee to work closely with the supervisor to establish goals and priorities. Performance assessment also facilitates growth and development of employees and results in a documented history of employee performance. Despite the multicity and complex nature of many training and educational programs, most development occurs on the job. But such development is slowed and less effective if the employee is not systematically assessed and fed back information concerning her or his quality of performance.

2.4.1 Educational qualifications assessment on company performance

Many studies identify human capital as a pre-condition for and often a determinant of economic performance and international competitiveness (*e.g.*, Aldcroft, 1992). In addition, some authors argue that the process of industrial deepening and upgrading requires higher levels of skill, know-how and organisation in almost every function. According to several authors - most of them human capital theorists - human capital includes those activities (for instance, education, on-the-job training and off-the-job training) that are likely to increase the productivity of workers in complex ways (Woodhall, 1987). Increased education may enhance a worker's ability to acquire and decode information about costs and productive characteristics of other inputs" (Welch, 1970: 42); education enhances a worker's "ability to deal with disequilibria"(Schultz, 1975); education enhances productivity because it is complementary to other inputs (such as capital) in the firm (Griliches, 1969), or because it enables workers to adapt to technological change (Nelson and Phelps, 1966). The other benefit of basic educational qualifications is, according to Hirshleifer (1966) and Judson (1998), as an indicator of the suitability for further education (education's 'option value'). In this sense, educational qualifications besides providing a direct improvement in productivity, also works as a source of information about the individual's ability to translate education into skills. At the level of firm or establishment, neither theoretical nor empirical studies are as numerous as more aggregated studies. In terms of economic performance most studies concentrate on the issues of economic growth or rate-of-return analysis, whereas, in terms of technological performance, the bulk of the recent (empirical) literature is using productivity as a proxy for organisational performance, Haskel and Hawkes (2003) show top performing manufacturing companies were associated with a

workforce with, on average, an extra qualification level (a proxy for skills) than the workforce of bottom performing companies. Haskel et al. (2003) noted those in the UK's top 10% of productive firms had workers with on average 2 years additional education than firms in the bottom 10%. This skill difference accounted for around 8% of the productivity gap between the top and bottom 10% of firms. This is explained by the higher level of skills within these high performing manufacturing companies which leads to innovation and more sophisticated production processes, in turn leading to higher quality and higher value products (Haskel and Hawkes, 2003). High performing companies therefore hire workers with higher skills - both 'soft' generic skills as well as 'hard' technical skills.

Similar effects are reported in the service sector. Mason and Wilson (2003) found that an additional year of education among the workforce of firms in the manufacturing and service industries in the UK increased each firm's productivity. This supports the findings of an earlier study (Lynch and Black, 1995) in the USA. Lynch and Black's research suggests an additional years education in the workforce of the manufacturing sector raised sector productivity by between 4.9% and 8.5 %. In the service industry productivity was raised by between 5.9% and 12.7%. Green et al. (2003) also found a strong relationship between different levels of workforce skills and the sophistication of products in the UK. A range of studies were undertaken in the late 1980s and 1990s by the National Institute for Economic and Social Research (NIESR) on the links between skills and productivity. Firms from the engineering, food, clothing, chemical, furniture manufacture and hotel sectors in the UK have been matched with similar firms in competitor countries, so as to compare like with like. Productivity differences of between 25% and 60% exist compared to the Netherlands, France and Germany. The impact of workforce

skills and development on productivity was considered alongside a range of other factors such as investment in capital equipment and maintenance practices.

A clear connection between higher skills and higher productivity was identified, particularly at the intermediate level of skills. All the studies found that the higher than average labour productivity levels elsewhere in Europe were related to higher skills and levels of knowledge. Within UK manufacturing, lower skill levels were found to have a direct and negative effect on labour productivity and on the types of machinery chosen, the way that machinery was used and the introduction of new technology. The proportion of employees holding relevant vocational qualifications were generally well below those elsewhere in Europe. A long term study of sector trends in productivity and skills (O'Mahoney et al 1999) revealed that productivity growth was greatest in those industries where the proportion of workers with higher level skills was highest as well as a positive correlation between intermediate skill levels and productivity growth in particular. Those industries where the proportion of skilled workers was rising were those that experienced the fastest productivity growth. Mason and Wagner (2002) compared automotive sectors in different countries and reported that value added per employee was 15%-25% higher in Germany than in the UK. There were significant differences in investment in human capital and levels of qualification. From their matched firm studies NIESR suggest that most of the productivity gap between the UK and its competitors can be attributed to differences in investment in physical capital and skills. It is estimated that as much as one fifth of the productivity gap with Germany is the result of the UK's relatively poorly qualified workforce.

Griffith (1999) has shown that foreign owned car plants in the UK have a substantial productivity advantage over UK owned plants because of both superior capital and skills inputs. Griffith and Simpson (2000) show that this applies more generally across a range of manufacturing sectors. Higher skill levels are not just associated with higher productivity. Greater skill levels can also bring improvements in other areas of a firm's operation. For instance Reid (2000) noted that a more highly skilled workforce was connected with a more commercial orientation, strategic awareness and a propensity to innovate to retain competitive advantage among new and small businesses, all factors which can enhance a firm's chances of survival. Similarly, higher education levels are more likely to foster innovation (Albaladejo and Romijn, 2001).

Cosh et al. (2003) found that half of businesses felt that the training they provide increased their profit margins. Data from the Skills for Business Survey of employers (IFF, 2004) shows that greatest benefit to employers of training is higher skill levels among the workforce. This unsolicited response was given by three fifths of employers. The second most common benefit of training, given by a quarter of respondents, was improved labour productivity. Further evidence on the relationship between wider 'bundles' of human resource practices and organisational performance is covered in Tamkin et al. (2004). Spilsbury (2002) found that two-thirds of employers (65%) in England that provided training for their employees over the previous 12 months, attributed an increase in productivity to that training. 47 percent of employers in the private sector considered that training led to an increase in profit (c.f. Dearden et al. 2000; Cosh et al. 2003), while 42% reported the same effect on turnover. Examining the perceived effect of training on productivity from a sectoral perspective (Spilsbury, 2002), all sectors perceive

equally the benefits of training upon their productivity. The same cannot be said for the effect of training on the profit margin of private sector employers engaged in different sectors. For example, employers in the Distribution and consumer services sector (55%) were far more likely to perceive positive impacts of training on profits than those in Agriculture (35%) and Finance and business services sectors (33%). It also appears that the type of training affects the size of the impact on firm performance (Spilsbury, 2002; Barratt et al., 1998), along with the HRM policies and practices with which it is combined.

From a workers skills point of view, Marshall (1890) already states in the 19th century that interactions between workers create learning opportunities that increase productivity, and that the more educated the workers, the more externalities between workers themselves could lead to higher levels of productivity. Weiss (1995) relies on the Human Capital theory and states that all the time spent in schooling is directly increasing worker's productivity. He also shows that higher educated workers possess better unobservable characteristics like a better work attitude or a lower propensity to turnover. He concludes that since employers are allowed to take education into account in their hiring decision process, they should favour higher educated workers to reduce sickness or job turnover. In turn, from a workers point of view, a higher level of schooling is considered as a good signal of ability to the employer. In this Human Capital explanation extended to imperfect information about ability, firms are supposed to expect the levels of productivity to be positively related to the education level, and future workers meet this expectation by going to school longer.

2.5 Core task performance

Educational qualifications promote core task performance by providing individuals with more declarative and procedural knowledge with which they can complete their tasks successfully. For example, more education in accounting helps students acquire the expertise needed to become CPAs and advance in the accounting profession. The underlying premise is that, by equipping students with greater declarative and procedural knowledge, schools help students develop deeper competence in their chosen vocations and help them move up organizational and occupational career ladders more quickly. Taking these findings together, then, we expect that educational qualifications will be positively related to core task performance. In two major studies, Hunter and his colleagues (Hunter & Hunter, 1984; Schmidt & Hunter, 1998) found that cognitive ability was strongly related to job performance and was an important contributor to success on virtually every job. Further, Hunter (1986) suggests that cognitive ability facilitates the learning of job-relevant knowledge and thereby indirectly promotes stronger job performance as well.

In high school and college, rarely is the focus of education only on enhancing cognitive ability and job knowledge. Instead, through classroom instruction and extracurricular activities, students are trained to follow rules, respect discipline and tradition, maintain high moral standards, and exercise mature judgment after graduation (Bear, Manning, & Izard, 2003; Ford, Olmi, Edwards, & Tingstorm, 2001; Rest, 1986; Swenson-Lepper, 2005). Furthermore, educational qualifications also promote self-confidence, self-motivation, carefulness, and the desire and ability to set personal goals for the future (Di Vesta & Thompson, 1970; Howard, 1986; UNDP, 1995). Thus,

another reason why educational qualifications are likely to increase individuals' earning potential is that it imparts work values frequently necessary for job success. Although ability and knowledge are likely to contribute most directly to core task performance, work values such as responsibility, concern for others, social relationships, and honesty are likely to promote stronger citizenship performance. For instance, Johnson and Elder (2002) found in a longitudinal study that, compared with high school graduates, those who have college degrees tend to attach greater importance to altruistic rewards (e.g., helping others) and social rewards (e.g., developing good relationships with others). Rose (2005) and Lindsay and William (1984) found similar results in cross-sectional studies. Furthermore, researchers have found that years of education were positively related to conscientiousness, even when controlling for other socio-demographic variables (Dudley, Orvis, Lebiecki, & Cortina, 2006; Goldberg, Sweeney, Merenda, & Hughes, 1998). In addition, Brenner (1982) compared individuals with different levels of education—8 years or less, 9–11 years, 12 years, 1–3 years of college, 4 years of college, some graduate work, master degree, and PhD—in terms of their achievement motivation. This study suggests that, as level of education increased, achievement orientation increased as well. Conversely, values acquired through education (such as responsibility and moral integrity) should be negatively related to counterproductive performance. For example, college-educated individuals tend to display a greater adherence to rules regarding attendance and protection of organizational property (Konovsky & Organ, 1996). Workers with more years of education are also less likely to impose danger on coworkers or customers by ignoring safety instructions (Oh & Shin, 2003; Taylor & Thompson, 1976). Thus, many organizations use educational qualifications as a selection criterion not only because education level reflects higher levels of values associated

with good citizenship behaviors but also because education level reflects lower levels of values associated with counterproductive behaviors (Berry, Gruy, & Sackett, 2006).

Based on similar reasoning, we expect that the relationships between educational qualifications and job performance will be stronger for individuals in high complexity jobs. Avolio and Waldman (1990) define job complexity as the level of general intelligence, verbal ability, and numerical ability required to perform a job. Jobs of high complexity (e.g., doctors, engineers, lawyers, scientists) not only demand greater intellectual capacity and job knowledge, but also require incumbents to have strong motivation and persistence in order to excel (Klehe & Anderson, 2007). In contrast, jobs of low complexity (e.g., file clerks) are unlikely to put the same demands on individuals' abilities, knowledge, and effort levels. As a result, the positive outcomes of educational qualifications (e.g., greater cognitive ability, greater job knowledge, and greater achievement motivation) are likely to accelerate performance on jobs with high complexity even further.

The conceptualization of job performance has been expanded in recent years to include core task behaviors, citizenship behaviors, and counterproductive behaviors. Core task performance refers to the basic required duties of a particular job. Citizenship performance refers to those extra behaviors engaged in by employees, over and above their core task requirements, which actively promote and strengthen the organization's effectiveness (Hunt, 1996; Organ, 1988). Counterproductive performance refers to voluntary behaviors that harm the well-being of the organization (Bennett & Robinson, 2000). Rotundo and Sackett (2002) compared the relative importance of these three groups of performance behaviors in managerial ratings of

subordinates' overall job performance. They found that each of these three categories of performance behaviors contributed to overall performance rating, with core task performance given the highest weight, followed by counterproductive performance and citizenship performance. Consistent with these findings, then, this study also focuses on three categories of performance behaviors, too.

According to Kaufman, 1990 and Trusty & Niles, 2004, Intelligence and education level are positively and significantly correlated. Moreover, Individuals who have high fluid intelligence are more likely to get into college and stay in school, whereas those with less fluid intelligence are more likely to be weeded out along the way. At the same time, education stimulates the development of students' minds and promotes the growth of crystallized intelligence. For example, researchers have found that those who attended college scored higher on IQ tests than did those who did not attend colleges (Howard, 1986; Kuncel, Hezlett, & Ones, 2004). Individuals with more education are also likely to have greater indepth, analytical knowledge (crystallized intelligence) as well (Ceci, 1991). Knowledge typically refers to the understanding of information related to job duties (McCloy, Campbell, & Cudeck, 1994). Researchers usually differentiate between two forms of knowledge, namely, declarative and procedural knowledge (Campbell, 1990). Declarative knowledge refers to expertise regarding facts, rules, and principles, whereas procedural knowledge refers to the application of declarative knowledge in practice (Ree, Earles, & Teachout, 1994).

2.6 On the Job Training

Many organisations have reached the point of recognising that training and development is a strategic priority rather than a tactical or knee-jerk response (Storey, 2001). Mabey, Salaman and Storey (1999), outlined the strategic purpose of training as follows: A crucial, priority strategic purpose of training is to assess and address skills deficiencies in the organisation. It is an attempt to secure and maintain the organisation's competitive edge.

This section explores the extent to which knowledge and skills are transferred between education and work in order to settle questions raised on the role and function of qualifications. Whilst relevant degrees appear to be advantageous at port of entry, it cannot be assumed that new employees will perform automatically when executing their duties. Literature suggests that qualifications for workers arising from on the job training are not a principal concern of employers (Wooden and Harding, 1997). Training investment is meant to contribute to benefits for the organisation; anything else that derives from that investment (for instance qualifications) is welcome but incidental.

New-hire orientation and skills training are two required components of job preparation for which employers are responsible. Job preparation begins with the initial step in training during new-hire orientation. Employees who start new jobs without any kind of orientation or training are often unaware of workplace policies and processes that would benefit their job performance. Additional training throughout the employment relationship keeps employee skill sets up-to-date and enables a more productive and efficient workforce. When employees lack the training

necessary to become more productive, their performance suffers and they will either leave of their own volition for jobs that provide training and employee support or they will be terminated for poor performance.

On- the job training is one of the approaches to training. It has been defined as, 'training that is planned and structured that takes place mainly at the normal work station of the trainee-although some instruction may be provided in a special training area on site-and where a manager, supervisor, trainer or peer colleague spends significant time with the trainee to teach a set of skills that have been specified in advance. It also includes a period of instruction where there may be little or no useful output in terms of productivity' (Holden 2001:332). Some of the on-the job training techniques include job enrichment, job rotation, special project, secondment, coaching, mentoring and planned experience. The effectiveness of the on- the job training depends mainly upon immediate supervisors and qualified trainers. On- the job training has also been argued to be the most useful but equally the most abused and most unsuccessful method of training (Kenny and Reid, 1986). In this study, I have used on-the job training as a proxy for more specific training. While people do learn best by doing, that doing needs careful planning and control in order to get full learning value out of it. One advantage of training on- the job is that there is no learning transfer problem. Furthermore, learning is reinforced and rewarded while invalid learning is corrected.

Training is not simply a means of arming employees with the skills they need to perform their jobs: it is also often deemed to be representative of an employer's commitment to their workforce (Storey & Sisson, 1993). It may also be perceived to reflect an overall organisational

strategy that involves adding increased value, as opposed to reducing costs. Many of the world's most successful companies are aware that the provisions they make for training and development activities lie at the heart of their ability to attract and retain the best employees for their organisation (Bassi & Buren, 1999). It is therefore imperative that employers provide an opportunity for their workforce to learn (Arlond, 2005; Bernsen, Segers, & Tillema, 2009), as proactive development schemes will not only improve the capabilities of their team but will also motivate staff and subsequently engender a more loyal employee set (Kyndt, Dochy, Michielsens, & Moeyaert, 2009). Investment in training measures and the implementation of development schemes are becoming increasingly acknowledged as vital elements of HRM (Oakland & Oakland, 2001), and studies across a wide range of industries and sectors have all found a positive correlation between investment in training and employee commitment (Bassi & Buren, 1999). For example, studies completed by Irving and Thomas (1997) and Marchington and Wilkinson (1997) focus on employee commitment among hospital administrators, nurses, service workers, and clerical employees, as well as on scientists and engineers from a research laboratory; both confirm that employees were more committed to their jobs and the achievement of the objectives of the organisation when they felt that the company cared about their training and development needs. In summary, appropriate training contributes positively to employee retention because it makes employees feel recognized for their strengths, and it creates possibilities to develop their qualities (Kyndt, et al., 2009; Visser, 2001).

2.7 Long term return on investment in human capital (i.e. commitment)

Intellectual capital provides direct and indirect competitive advantage and the challenge for organisations is making sure they have the capability to find, assimilate, develop and

compensate and retain such talented individuals (Ulrich, 1998). Since the biggest challenge that the current managers are facing is to unify the goals of the organization with the employees' goals, and this need could not be met, unless they increase the organizational commitment among the employees. Organizational commitment is usually influenced by some related factors. People who are satisfied with their supervisors and consider the evaluation method as fair and just feel that the organization pays attention to their welfare issues, shows a higher level of organizational commitment. (Majidi, 2010)

The presence of reliable people in the fulfillment of the purpose is one of the most important functions of an organization. Gaining the goals requires educational qualifications or skills acquired through formal or on the job training. Human factor is also one of the main parameters and mainly it is human who creates an organization. This is the factor which results in movement from existing conditions to favorable conditions. Therefore, the role of human resource management cannot be ignored in an organization. Personnel are the important possession of every company or organization but in many organizations, people are considered as operational expenses rather than a resource or main investment. Many companies and organizations which had a good performance apply the concept of investment returning for their financial operations and their productions. But they forget to use the same concept for the management of human resources (Khedmati, 2006). The results that were acquired by Porter (2003) showed that the employees with higher organizational commitment and attachment were more successful than the employees with lower organizational commitment and attachment. Organizational commitment is a good index for showing the rate of efficiency in an organization (Barron & Grinberg, 1999). Nowadays the rate of organizational commitment in the trustworthy and

organization is regarded as an excellent source of energy and power that results in the movement towards the aim and the ideals of the organization. The employee's commitments not only motivate them in carrying out their duties and try hard to accomplish that, but also it builds among them an emotional dependence with the purposes and the values of the organization. Lower commitment has not been researched in almost none of the managerial context and also higher commitment may cause some problems for the organization and the individual himself by the passage of time. However, the question that how much commitment an individual must have toward the organization to help the organization to practice its programs successfully and the staff and the company escape the negative effects of the commitment (Rajabaryan, 2009). Porter (ibid) defines the commitment as a basis of a complete force of coordination (Identity appointment).

In this view, commitment is a result of three factors: 1. Accept the purpose and the values of the organization 2. Tend to cooperate with the company to fulfill its purpose. 3. Tend to stay with the company (Steers, 1998). McGregor believes that the biggest challenge for the personnel managers is to unify the needs of the company with the needs of individual employee. Pascal and Athos who had studied the reasons behind Japanese success, showed that the Japanese have created purposeful culture in their organizations which is rooted in the mutual cultures between the management and the employees. Peters and Austin recommend the organizations to trust people like an adult in order to motivate them and create in them a sense of belonging and feel that they are working for themselves. In these conditions, work force of an organization reacts with a comprehensive commitment. Walton argues that the fundamentals of commitment strategy should be a managerial philosophy which asserts the claims of the beneficiary such as

owners, employees, customers and the public. At the core of such philosophy, there is a belief that creation of commitment in employees results in employee motivation and promotion of performance (Armstrong, 2009). Perhaps nothing is as important as commitment in new and modern management. (Senged, Hedayat&Rooshan,2010). Ragers the ex-assistant of IBM, says “for any company to stay and succeed there should exit a series of logical principles which is the basis of all the policies and the actions, but more important than this is the loyalty and the commitment to those principles (Afjei, 2009). Some of the preconditions for emotional commitment are identified, including: personal characteristics, structural characteristics, Job characteristics, and work experiences. Miro Allen (2005) indicated that there is a continuous and strong relationship between commitment and work experiences.

Employees who have local experiences in the company that are proportionate with their expectations and satisfy their basic needs tend to develop stronger emotional dependence on the company rather than the people who have less satisfying experiences. Continuous organizational commitment expands when the employees recognize that they have stored a capital for themselves that is if they leave the company, they lose it or they recognize that the job opportunities available for replacement are limited. Finally, value commitment as a result of socializing experiences which emphasizes the loyalty to employer and the organization expands or because of its certain benefits like teaching skills creates a mutual feeling of loyalty. Barron and Greenberg have divided the factors that influence the organizational commitment into four resources: 1. The job itself: regarding this issue the reports say that a higher level of responsibility, more independence, less repeatability, job ambiguity and tension results in less organizational commitment (Curry, Wakefield, Price, and Muller, 1995). 2. More employment opportunities: organizational commitment is influenced by other job opportunities, and the

possibility of finding a more favorable job decreases the organizational commitment (Bateman & Stadder, 1998). 3. Individual characteristics: Organizational commitment is also affected by

Although different studies have considered the different job characteristics and organizational commitment, there is no given model to explain the reasons for the existing correlation. Some of the studies point to the work (Alden & Huckmaan). The research (Mathew & Zajack) also acknowledges that the enriched jobs cause organizational commitment. The features that have been gathered from the researchers include: skill, independence, challenge, and the job range. There is a positive and so weak relationship between skill variety and organizational commitment. There is a noticeable and positive relationship between challenging jobs and organizational commitment especially in people who seriously need to develop. Certainly the job satisfaction affects the organizational commitment in case that all the factors affecting job satisfaction to be met. Appropriate promotion system is one of the effective factors which influence job satisfaction. If the promotion system includes specialization and the abilities of the people in addition to their experience, could increase organizational commitment. In other words, motivating the employees and building a suitable ground for their development results in the commitment increase. The fundamentals for development should be based not only on the time passing but also on the basis of their effects and influence on the organization. If the intention is to increase the organizational commitment by motivation, it cannot be done by only counting on the years of experience. If there is any talented person in the company, he/she should be given opportunities to develop and help to think optimistically about the company and working there. Commitment and attachment to work, job satisfaction, high spiritual feeling big

involvement in affairs related to the companies are vital and fundamental. Moreover, studies show that an employee who is organizationally committed and attached has got a better performance than an employee who has got lower commitment, and finally commitment may be a good index to show well the efficiency and influence of a company (Schin, 1995). In Koch and Steers' research the factors which influence the commitment have been divided into individual factors, organizational factors (job factors) and external organization factors in a research which was conducted by Mathew in 1991, the pre-conditions for commitment and job.

2.8 Education System

The educational systems of Third World nations strongly influence and are influenced by the whole nature, magnitude, and character of their development process. The role of educational qualifications through formal education is not limited to imparting the knowledge and skills that enable individuals to function as economic change agents in their societies. Formal education also imparts values, ideas, attitudes, and aspirations, which may or may not be in the nation's best developmental interests.

Most economists would probably agree that it is the human resources of a nation, not its capital or its natural resources, that ultimately determine the character and pace of its economic and social development. For example, according to the late Professor Frederick Harbison of Princeton University: Human resources constitute the ultimate basis for the wealth of nations. Capital and natural resources are passive factors of production; human beings are the active agents who accumulate capital, exploit natural resources, build social, economic and political

organizations, and carry forward national development. Clearly, a country which is unable to develop the skills and knowledge of its people and to utilize them effectively in the national economy will be unable to develop anything else.

The principal institutional mechanism for developing human skills and knowledge is the formal educational system. Most Third World nations have been led to believe or have wanted to believe that the rapid quantitative expansion of educational opportunities is the key to national development: The more education, the more rapid the development. All countries have committed themselves therefore, to the goal of universal education in the shortest possible time. This quest has become a politically sensitive, but often economically costly, sacred cow. Until recently, few politicians, statesmen, economists, or educational planners inside or outside of the Third World would have dared publicly to challenge the cult of formal education. After more decades of rapidly expanding enrollments and hundreds of billions of dollars of educational expenditure, the plight of the average citizen in many parts of Asia, Africa, and Latin America seems little improved. Absolute poverty is chronic and pervasive. Economic disparities between rich and poor widen with each passing year. Unemployment and underemployment have reached staggering proportions, with the "educated" increasingly swelling the ranks of the unemployed. As a result, there has been a growing awareness in many developing nations that the expansion of formal schooling is not always to be equated with the spread of learning, that the acquisition of school certificates and higher degrees is not necessarily associated with an improved ability to undertake productive work, that education oriented almost, entirely toward preparation for work in the modern urban sector can greatly distort student aspirations.

Government and donors has been investing large amounts of money into the educational system. On average 20% of the national budget is spent each year to maintain and improve the system thus the need to reap the benefits of such enormous investments. How well a nation educates trains and employs skills is fundamental to increased productivity levels which contribute to national development

The shift towards human capital issues and performance was also a consequence of the growing concern that the education system should be more responsive to expectations from the economic system. At present, governments mainly treat education not as a consumer good but as a productive asset. Increasingly, all over the world it is taken for granted that educational achievement and economic success are closely linked (*The Economist*, 1997). In Boyer's (1984) words "the failure adequately to educate would be a fatal undermining of the vital interest of the nation." The conventional wisdom, therefore, is that 'more' education and training is assumed to lead automatically to improved economic performance. Moreover, there is a widely held belief that new ways of organising production are also putting a premium on education (Rodrigues and Lopes, 1997). It is argued that the capacity for a critical number of enterprises in a given country to create a more efficient, post-Taylorist work organisation is strongly influenced by education (OECD, 1992). Kovács (1994) points out that, in a less industrialised country, namely Portugal, the shortage of skilled resources and the lack of capability from the education and training system to respond to firm shortages of skilled workers are the two main obstacles to the development of the so-called 'anthropocentric production systems'. Firms and other work organisations seem to be changing from chiefly production-centred economic units to being learning-centred economic units (Ferreira, 1994). As a result there is a growing shift in emphasis

from a focus on physical and financial capital to a focus on the increasing importance of human capital and continuous learning for sustaining competitive advantage.

2.9 Technological performance

The relevance of human capital to technological competence and development seems to be universally accepted in the literature, though empirically the evidence has produced mixed results. According to Schultz (1961a), human capital investments, namely expenditure in formal education and training, explain the superiority in production of the technically advanced countries. Formal education, largely through the provision of literacy, numeracy, and general education, is likely to generate a basic 'ability to learn' that is vital in the innovation process (Foster, 1987) and may provide vicarious experience of a broader world than the individual can personally encounter. Thus, presenting to the mind alternatives of environment and of policy and suggesting opportunities for progress, but also hazards against which protection is required (Hirshleifer, 1966). Education constitutes, therefore a source of information (Gibbons and Johnston, 1974) which tends to be highly relevant to 'decode' new technical information (Lall *et al.*, 1993), and to incorporate it into manufacturing process. The idea that the spread of new technology for modern economic growth depended on learning potentials and motivations that were linked to the development of formal schooling is also stressed by Easterlin (1981). The more schooling of appropriate content that a nation's population had, the easier it was to master the new technological knowledge becoming available. Moreover, substantial increases in formal schooling tend to be accompanied by significant improvement in the incentive structure. Hence,

increased motivation often accompanied increased aptitudes for learning the new technology. (Easterlin, 1981).

An important aspect that comes up from the studies surveyed is an increasing recognition that with new technology employers may need to retain the skills of at least some workers (Bosworth *et al.*, 1992). In an environment characterized by rapid technological change, several authors emphasise the role of top educated and top skilled workers, in particular managers. University education is, according to Gibbons and Johnston (1974) crucial for “problem solvers”, as it imparts a more general capability to assess the adequacy of knowledge for the resolution of a problem and to initiate a search to obtain further relevant information (“knowledge of knowledge”). The more educated a manager is, the quicker he/she will be to introduce new techniques of production; additionally, he/she is likely to adopt productive innovation earlier because his/her ability to understand and evaluate the information on new products and processes is higher; moreover, he/she tends to be quicker to adopt profitable new processes and products because the expected payoff from innovations is likely to be greater and the risk smaller. In other words, such a manager is better able to discriminate between promising and unpromising ideas and less likely to make mistakes (Nelson and Phelps, 1966). In one of the first micro-studies which related human capital and technological issues, Layard *et al.* (1971) point out that, in industries where technical progress is rapid, firms lose their markets unless they innovate and therefore they demand qualified personnel.

The same argument is stressed by Whiston *et al.* (1980). According to these authors many highly trained and educated people may be needed to change the design of products, processes and

organisations in an environment of rapid technological change. In this context, the argument goes, a shortage of skilled people (in particular, engineers and scientists) can result in a failure to develop, or delay in developing, the planned products and the production processes by which they are to be made (Senker and Brady, 1989). In the same line, other authors (Welch, 1970; Bartel and Lichtenberg, 1987; Gill, 1989; Booth and Snower, 1996) argue that in a dynamic context, educated persons can take more advantage of available technology and thus be more productive. In fact, high levels of education may interact with technological progress on at least two levels (Rebelo, 1994): firstly, highly skilled individuals, who have undergone long periods of formal schooling, are responsible for the vast majority of innovations; secondly, the effective use of new technologies often requires high levels of human capital.

Empirically, some authors (Bartel and Lichtenberg, 1987; Wozniak, 1987; Steedman and Wagner, 1989; Senker and Senker, 1994; Rios-Rull *et al.*, 1996) have proved that the incentives to invest in technology and particularly in research and development and human capital are interdependent. Using case study material Senker and Brady (1989) argued how important it is for firms to complement their processes of technological development with appropriate human resource development strategies. In a deeper analysis of the human capital-technology issue Lall and Wignaraja (1997) found that technologically competent firms are larger, pay better, represent much higher levels of education for the entrepreneur and production managers, and employ more technical personnel. According to these authors, firms have reached this large size because they are competent, i.e., they invested in technological capabilities development both earlier and to a greater extent, or more effectively, than other firms.

Despite the relation between human capital and technological performance is not deterministic (Walton, 1985; Dertouzos *et al.*, 1989), one clear conclusion does emerge from the research on technological, namely in those studies that address the issue of top educated (*e.g.*, Nelson and Phelps, 1966; Gibbons and Johnston, 1974) and top skilled (*e.g.*, Layard *et al.*, 1971; Senker and Brady, 1989) workforce: in situation characterized by technological and market stability the demand for high levels of human capital is not particularly strong.

Skills can be acquired through education and (formal) training but also (and mainly) through the course of people's activities at work (*i.e.*, learning-by-doing). Rosen (1986) points to the fact that most specific job skills are learned from performing the work activities themselves. Formal schooling complements these investments, both by setting down a body of general knowledge and principles for students, as well as teaching them how to learn. He goes on to argue that there is no perfect substitute for apprenticeship and for work experience itself. Learning potential is viewed as a by-product of the work environment, tied to a specific work activity, but varying from activity to activity and from job to job. In this vein, skills include tangible investments such as investments in system to respond to firm shortages of skilled workers are the two main obstacles to the development of the so-called 'anthropocentric production systems'. Firms and other work organisations seem to be changing from chiefly production-centred economic units to being learning-centred economic units (Ferreira, 1994). As a result there is a growing shift in emphasis from a focus on physical and financial capital to a focus on the increasing importance of human capital and continuous learning for sustaining competitive advantage. In an era of human capital what matters, it seems, is not organisational form (entrepreneurial or managerial) but organisational process (learning and transformation). The perceived status of more schooling

in conjunction with political pressures on the education system to expand in order to accommodate all aspirants have tended to expand the number of educated persons beyond the availability of appropriate jobs in the economic system. This outcome may be influenced by the fact that, even though the earnings and employment opportunities for highly educated persons, such as university graduates, may decline over time, the earnings and employment opportunities for less educated persons may deteriorate even more (Levin, 1987). Irrespective of the underlying causality, however, the production of numerous graduates and post-secondary trained individuals who are not able to obtain appropriate employment presents an immense problem for the formal education sector of many countries (Whiston *et al.*, 1980).²² In this context young people may demand education on the margin specifically in order to stand a better chance of being hired for low-level jobs.

This reflects Fields' (1972) 'bumping' argument, which explains the rise in the private rate of return in the presence of an increasing supply of education. Preferential hiring, by education level, would lead to the general upgrading of hiring standards and of the labour force in general, so long as the education system produces more graduates than are needed to fill skilled positions and some of them are willing to seek employment at lower levels. The educated person moves to the front of the queue for unskilled jobs and is hired first at the unskilled wage rate, "bumping" a less educated person from a job. This lowers the probability of such an individual getting an unskilled job and also lowers the present value of expected lifetime income for the unskilled, whereas the expected lifetime income for a person in the skilled labour market is unchanged. This results in a greater demand for education and even more political pressure.

2.10 Conclusion

First, the productive skills theory and the positional-good perspective demonstrated that educational qualifications provide productive skills to individuals. Particularly economists in the human capital tradition subscribe to this approach (Becker, 1993). The core of human capital theory is that education provides knowledge and skills that have a direct influence on the productivity of workers and efficiency of the organization. Literature also revealed that it is possible that all workers with the same level of schooling do not have the same productivity due to differences in their environment which affect the productivity-enhancing effects of education. However, In general employers understand that educational qualification is beneficial because it contributes to workers' productivity even if it is not easy to prove (Chevalier et al., 2003). Finally, literature illustrated that the role of educational qualifications through formal education is not limited to imparting the knowledge and skills that enable individuals to function as economic change agents in their societies. Formal education also imparts values, ideas, attitudes, and aspirations, which may or may not be in the nation's best developmental interests.

2.11 Gaps that emerge in the literature review

- a) Most of the literature reviewed was from the point of view of organizations in the foreign countries and not from the Namibian perspective. Namibian environment is might be slightly different from their foreign counterparts so what have been the experiences of foreign companies may not be the same on Namibian soil. The gap that exists in literature reviewed is on the need to improve the effectiveness and productivity of academic staff in Namibia. Academic staff often do not have formal qualifications at a level sufficiently

higher than the level they teach. In other cases academic staff have not been able to keep up with developments in their field of expertise and their knowledge has become outdated. Therefore job performance of such students with educational qualifications is negatively affected resulting in employers to question the role of education to individuals or society. To remedy the situation, every tertiary education and training institution should conduct a comprehensive audit of their quality assurance processes such as staff recruitment, appointment and appraisal systems, teaching evaluations by students, faculty advisory boards and examination assessment procedures, and amplify these in line with international benchmarks.

- b) Literature revealed that economists interested in the benefits of educational qualifications have traditionally focused on the private return to education. Therefore, there is a need to investigate whether educational qualifications generate benefits beyond the private returns received by individuals. In particular, a number of studies attempted to determine whether the educational qualifications of one worker raises the job performance and earnings of other workers around him (Acemoglu and Angrist (2000) and Moretti (2002, 2003). Yet, little research has been undertaken to evaluate the importance of other types of external benefits of educational qualifications, such as its potential effects on crime.
- c) The real productivity of a worker is not perfectly explored, so their performance (as a reflection of the level of his or her education) is seen as an indicator of their current productivity (for example motivation, discipline, punctual, and diligence, etc.).

d) In manufacturing industries, there is a scarcity of female employees holding higher-level positions, such as manager. Because of that, literature cannot easily make valid comparisons or draw firm conclusions. In fact, although a woman might have an education to graduate level, she might not get a position equivalent to that of a male similarly educated. Female employees used to be a bit pessimistic about aspiring to develop their careers in terms of gaining higher job positions but, men in contrast, were more optimistic in their aspirations.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is a systematic way to solve a problem. It is a science of studying how research is to be carried out. Essentially, the procedures by which researchers go about their work of describing, explaining and predicting phenomena are called research methodology. It is also defined as the study of methods by which knowledge is gained. Its aim is to give the work plan of research.

3.2 Rationale of the methodology.

This study is quantitative and qualitative research which investigates and evaluates the key performance outputs of employees with educational qualifications to determine the extent to which educational qualifications reflect job performance. The positivist research strategy was used for the quantitative non-experimental research survey. This research paradigm focuses on facts, rather than meaning according to Amaratunga et al (2002). Welman, Kruger and Mitchell (2005, p.93) stated that quantitative research surveys examine the relationship that occur between two or more variables. The research examined relationship between two variables that includes educational qualifications and job performance of employees at SSC.

3.3 Research Design

The quantitative method was used to gather information on how employees with educational qualifications are performing in their jobs to inform the research on the areas requiring improvement, either in the quality of educational qualifications or the good alignment of jobs to qualifications and subsequently thereby improving job performance of such employees. Burns and Grove (1993) define quantitative research as a formal, objective, systematic process to describe and test relationships and examine cause and effect interactions among variables. In this study the information was collected through questionnaires distributed personally to the respondents by the researcher. A descriptive design mainly frequencies was selected because it provides an accurate portrayal or account of the characteristics, for example behaviour, opinions, abilities, beliefs, and knowledge of a particular individual, situation or group. This design was chosen to meet the objectives of the study, namely to determine the effect of educational qualifications on job performance of employees at SSC.

The research also utilized qualitative research approach in that questionnaires were used to obtain views from the participants. Based on the outcome, explanations on the barriers to job performance were investigated and identified through the performance management system.

3.4 Research Population

According to Akpo (2006, p.169) a research population is defined as the entire group of persons or set of objects and events of interest to the researcher. One set of population was targeted for

this research and consisted of SSC employees in five branches totalling 274. For the purpose of this study, the target population was 95 members of staff drawn from the population.

3.5 Sampling Procedure

Mouton (1996) defines a sample as elements selected with the intention of finding out something about the total population from which they are taken. Sampling was a practical way to collect data in this case because the population was large, thus making a study of its target population impossible. The sampling technique used was stratified random sampling. A convenient sample of participants was selected from the identified population of 274 employees of the SSC in Namibia, of which 15 were managers, 20 supervisors, and 60 junior employees with educational qualifications. The sample size was a true representation (proportionality) of the target population. Names from the target population were listed numerically up to the last name on the list. The first list contained names of managers and supervisors while the second list appeared names of junior staff. Each of SSC officials on the lists had a chance of being included in the study. The random number selection was applied to choose a sample of 95 respondents using the Excel spread sheet computer until the desired sample size was selected (Leedy and Ormrod, 2010, p. 205).

3.6 Research Instrument

The survey research is a method that involves using questionnaires to gather data about people, their thoughts and behaviors. Maree (2000, p.157) emphasises that questionnaires allows many



respondents to complete in a short space of time. In this study a questionnaire was used to collect data in a personally administered manner from the targeted sample. Although there are no rules on how questionnaires should be distributed or interviews given, the aim was to acquire a range of responses that is as representative as possible to allow the fulfilment of the objectives of the study and to present answers to key questions (Bell 2001). The research instrument was designed through the Likert Scale Model and Check List format. These are universal accepted scientific models used to construct questions for eliciting data.

3.7 Questionnaire Construction

In this research, questionnaires used consisted of structured questions. The type of questions ensured easy computer analysis of data using IBM SPSS software packages. This instrument helped to gather data regarding three major areas of my research which involves the deficiency areas present in such employees that have educational qualifications, its effect on job performance and possible solutions.

The questionnaire used in this research consisted of a list of 29 questions divided into two sections as follows:

Section A: Employees below management questionnaire consisting of 15 structured questions on demographic and job performance related questions.

Section B: Employees in management questionnaire composed of 14 structured questions on demographic and job performance related questions.

Interview data: interviews were held in order to seek answers about the views of supervisors and managers. The following are some of the major points that were analysed and discussed during the interview. The respondents were expected to answer a combination of performance scale questions (Quantitative) and open ended questions (qualitative) to provide details on why a particular rating is given. A descriptive design mainly frequencies was selected because it provides an accurate portrayal or account of the characteristics, for example behaviour, opinions, abilities, beliefs, and knowledge of a particular individual, situation or group. The responses were taken on a five point likert scale from unsatisfactory (1) to greatly exceeds expectations (5). The one variable was “educational qualifications” and the other was “job performance” based on three factors: Productivity of employees and qualifications, goals achieved during the year and avoidance of errors. The tools used to measure these factors was the performance management system and the balanced score card.

3.8 Administration of the Questionnaire

Some questionnaires were handed personally to the targeted individuals in a printed format while others were sent via e-mails using personal contacts. Such questionnaires were filled online and returned on time. Each respondent was educated about the purpose and benefits of the research before completion of questionnaire. Ethical issues of participants’ rights, privacy and confidentiality of information were emphasised to the respondent during data collection.

3.9 Data Collection

The questionnaires were collected personally from respondents at least 24 hours after being handed over. A checklist was used to make sure that all questionnaires handed over are collected. Each questionnaire collected or received by mail was checked to establish whether all items are answered. If some are not, those respondents were informed to complete the omitted sections.

3.10 Data Analysis

Primary data was analyzed using SPSS (Statistical Package for the Social Sciences) mainly descriptive statistics (i.e. frequencies) to obtain secondary data. Descriptive data was coded and presented in tables and charts. A data entry modular was designed to allow ease of primary data entry. Qualitative data was analysed using content analysis to establish the extent which educational qualifications reflect job performance (secondary data). Data interpretation was done through charts or tables. Most qualitative research, frequently employ the strategy of triangulation, a type of qualitative cross-validation (corroboration) or data cross-checking procedure. This is particularly important because multiple data sources or data collection procedures are expected to agree (converge) to support a conclusion. If the multiple sources of data collection are in agreement, the findings are believed to be more credible. Triangulation greatly enhances the validity of qualitative findings.

3.11 Reliability and Validity

3.11.1 Reliability

According to Bless and Higson-Smith (2000, p. 126), the reliability of measurement is the degree to which that instrument produces equivalent results for repeated trials. It is further stated that the greater the consistency in the results, the greater the reliability of the measuring procedures. The data collection instruments were constructed to ensure that such measures would yield the same results on other occasions given that the conditions are equal as of today. The researcher solicited assistance from the supervisor, who checked through the research instruments to ensure that such instruments answer the research objectives. The data collection tool was later piloted to people who were not part of the sample to test the reliability of the tool. The degree of consistency in the results determined the reliability of the questionnaire.

3.11.2 Validity

Validity is the extent to which an instrument measures what it is supposed to measure and performs as it is designed to perform. It is rare, if nearly impossible, that an instrument be 100% valid, so validity is generally measured in degrees. As a process, validation involves collecting and analyzing data to assess the accuracy of an instrument. There are numerous statistical tests and measures to assess the validity of quantitative instruments, which generally involves pilot testing. The remainder of this discussion focuses on external validity and content validity.

External validity is the extent to which the results of a study can be generalized from a sample to a population. Establishing external validity for an instrument, then, follows directly from

sampling. Recall that a sample should be an accurate representation of a population, because the total population may not be available. An instrument that is externally valid helps obtain population generalizability, or the degree to which a sample represents the population.

Content validity refers to the appropriateness of the content of an instrument. In other words, do the measures (questions, observation logs, etc.) accurately assess what you want to know? This is particularly important with achievement tests. Consider that a test developer wants to maximize the validity of a unit test for 7th grade mathematics. This would involve taking representative questions from each of the sections of the unit and evaluating them against the desired outcomes. Saunders et al (2003, p. 129) states that validity is concerned with whether the findings are really about what they appear to be.

3.11.3 Research Ethics

The conducting of this study required not only expertise and diligence, but also honesty and integrity. This is done to recognise and protect the rights of participants. To render the study ethical, the rights to self-determination, anonymity, confidentiality and informed consent were observed. Written permission to conduct the research study was obtained from the Department of Economics and Management Science at the University of Namibia. Participants' consent was obtained before they completed the questionnaires. Burns and Grove (1993) define informed consent as the prospective subject's agreement to participate voluntarily in a study, which is reached after assimilation of essential information about the study. The participants were

informed of their rights to voluntarily consent or decline to participate, and to withdraw participation at any time without penalty.

Participants were informed about the purpose of the study, the procedures that would be used to collect the data, and assured that there were no potential risks or costs involved. Anonymity and confidentiality were maintained throughout the study. Burns and Grove (1993) define anonymity as when participants cannot be linked, even by the researcher, with his or her individual responses. In this study anonymity was ensured by not disclosing the patient's name on the questionnaire and research reports and detaching the written consent from the questionnaire.

When participants are promised confidentiality it means that the information they provide will not be publicly reported in a way which identifies them (Polit & Hungler 1995). In this study, confidentiality was maintained by keeping the collected data confidential and not revealing the participants' identities when reporting or publishing the study (Burns & Grove 1993). No identifying information was entered onto the questionnaires. The ethical principle of self-determination was also maintained. Participants were treated as autonomous agents by informing them about the study and allowing them to voluntarily choose to participate or not. Lastly, information was provided about the researcher in the event of further questions or complaints. Scientific honesty is regarded as a very important ethical responsibility when conducting research. Dishonest conduct includes manipulation of design and methods, and retention or manipulation of data (Brink 1996). The researcher tried to avoid any form of dishonesty by recording truthfully the answers as contained in questionnaires. Manipulation of data could not be done as the supervisor checked the questionnaires for confirmation of credibility.

3.12 Limitation of the study

Problems that were encountered during the primary research were mostly related to the accessibility of the persons that were needed for the research (i.e. first to arrange interviews and later to fill in the questionnaires). The fact that the research had to take place during summer holidays, it was difficult to reach the right persons because they either were on holiday or did not have time because they were in a busy period.

This study was also limited by the time constraint and lack of exposure to various electronic data collection and analysis tools. The delay in securing a permission letter from the University of Namibia to carry out my survey was also a limiting factor coupled by the reluctance of the targeted population to give accurate data. The lack of exposure to Information Technology systems and data analysis tools using appropriate hardware and software required to provide interpretation to data collected was a serious constraint.

3.12 Conclusion

This section dealt with the methodology used in this study. The type of the research and research design have been described and explained. The sampling procedures, data collection methods and data analysis used were elaborated. The type of research has been described as mixed approach and the adoption of quantitative and qualitative research type has been substantiated. The methods of collecting data by means of questionnaires have been explained. Finally ethical consideration and limitations of the study were thoroughly explained.

CHAPTER FOUR: DATA ANALYSIS

This chapter focuses on the presentation and analysis of information gathered from questionnaires and interviews. In discussing the research findings, a comparison of the results obtained during the study to the literature reviewed in chapter 2, was also undertaken with a view to identify similarities and departures from the knowledge gained from other authors.

The main objective of the research was to examine and document the effect of academic qualifications on overall performance of Social Security Commission in Namibia.

4.1 Analysis of frequencies

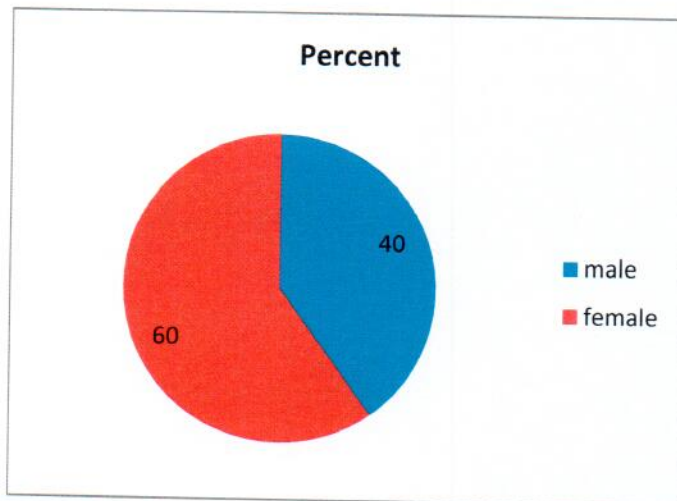
Table 1. Age distribution of the respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
20-29	5	8.3	8.3	8.3
30-34	13	21.7	21.7	30.0
35-39	16	26.7	26.7	56.7
40-44	17	28.3	28.3	85.0
45 and above	9	15.0	15.0	100.0
Total	60	100.0	100.0	

Source: Survey Data

This figure indicates that, the age groups targeted for this study were the working population. These groups consisted of employees with knowledge or experience about SSC's operations coupled with educational qualifications. Out of the total sample, 85% belong to the age groups between 20-44 years. This is the economically active group affected by the study and was able to give valuable contributions based on daily challenges experienced while executing their duties.

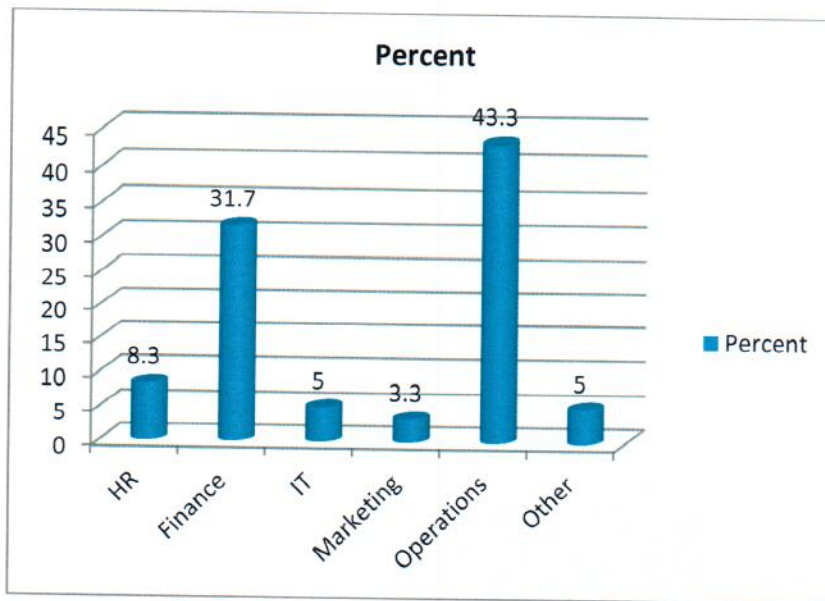
Figure 1. Gender distribution of respondents



Source: Survey Data

Out of 60 respondents from junior employees of the SSC, 60% were female and 40% were male. The gender issue was considered to show how many male and female participated in the research to ensure gender balance.

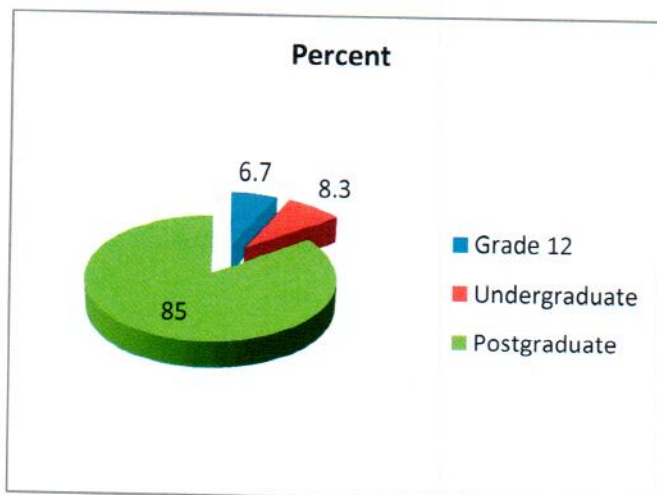
Figure 2: Job function of respondents



Source: Survey Data

Figure 2, shows that SSC like any other organisation requires high caliber of personnel in various professional and specialized fields, such as human resources, finance, marketing, operations, and others such as research and project management. To achieve this, there is a need for quality education and manpower development of members of the organisation on how best to do the job, which they are employed for. It is for this reason that the job function was considered. The result shows that 43.3% of the respondents are employed under operations department, followed by finance at 31.7%. Figure 3, shows the level of education of the respondents.

Figure 3. level of education

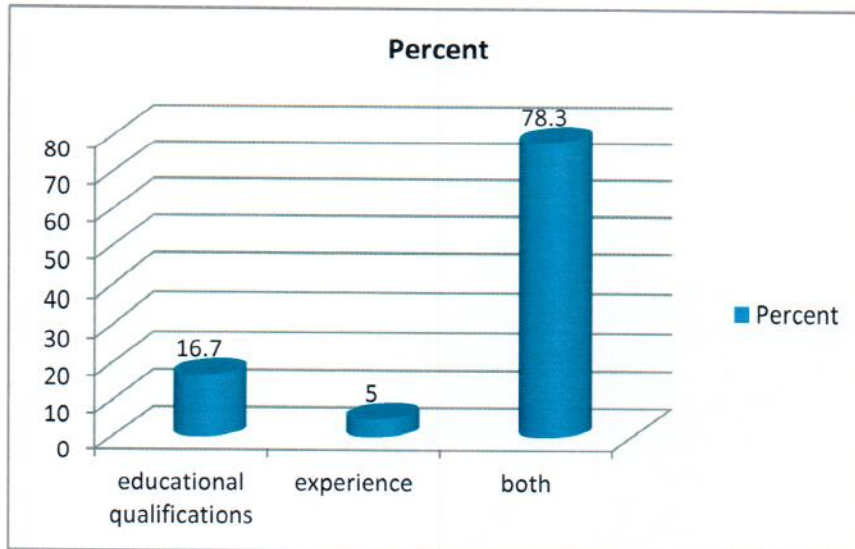


Source: Survey Data

All respondents interviewed for this study depicts some form of educational qualifications. 85% of respondents were holders of undergraduate qualifications, 8.3% attained postgraduate qualifications while 6.7% had grade 12 certificates and did not go beyond post-secondary qualifications. The education level was considered in this study to inform the research on the most common qualifications in the workforce of the SSC. Therefore, the result suggests that the staff compliment of SSC is dominated by undergraduates and has a shortfall of personnel at postgraduate level needed to implement the new economic policies successfully. In these stages of continuous search for better understanding and solving the challenges that Social Security Commission faces, there is a need to intensify education and training of its employees in order explore foundational issues grounded within the Social Security development process and relate this to developmental trends and challenges both nationally and globally.

4.2. Performance related questions

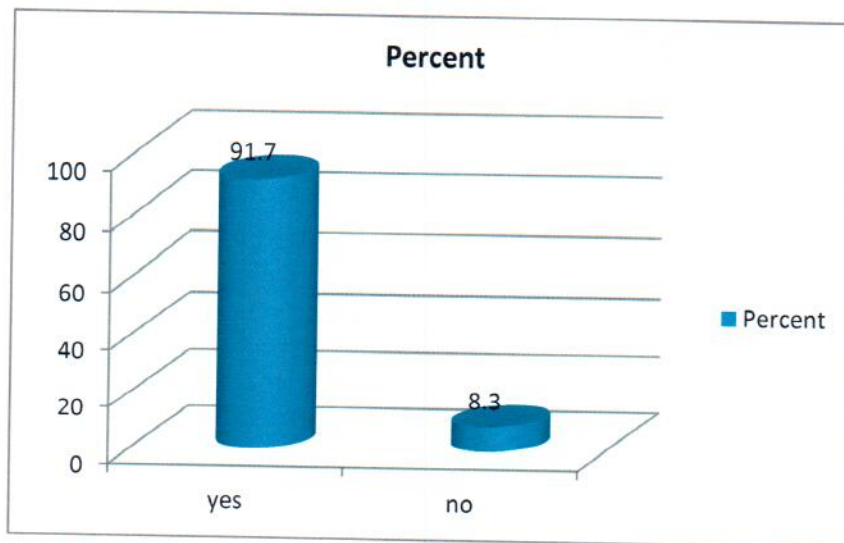
Figure 4. Basis for employment of the respondents



Source: Survey Data

The above figure demonstrates that SSC uses educational qualifications as an indicator of a person's skill level or productivity. As such, the level of education is frequently employed as a prerequisite in hiring decisions to function as a signalling and screening device that is needed to get a promotion or to develop one's career development. This is evident from the responses obtained after 78% of the respondents confirmed that educational qualifications and experience are considered in hiring decisions. By comparing the levels of education, it can be substantiated that the higher the education level, the more are the effects of educational qualifications and skills on job performance.

Figure 5. Contribution of educational qualification's to skills



Source: Survey Data

91.7% of the respondents confirmed that educational qualifications provided them with the skills needed to execute their duties. The rationale is that, employees with educational qualifications tend to be more responsive in receiving instructions and doing new tasks and easily adopt new technology, which increases their ability to innovate and improve job performance. However, it is possible that all workers with the same level of educational qualifications do not have the same productivity due to differences in their environment, leadership styles, lack of motivation and tools.

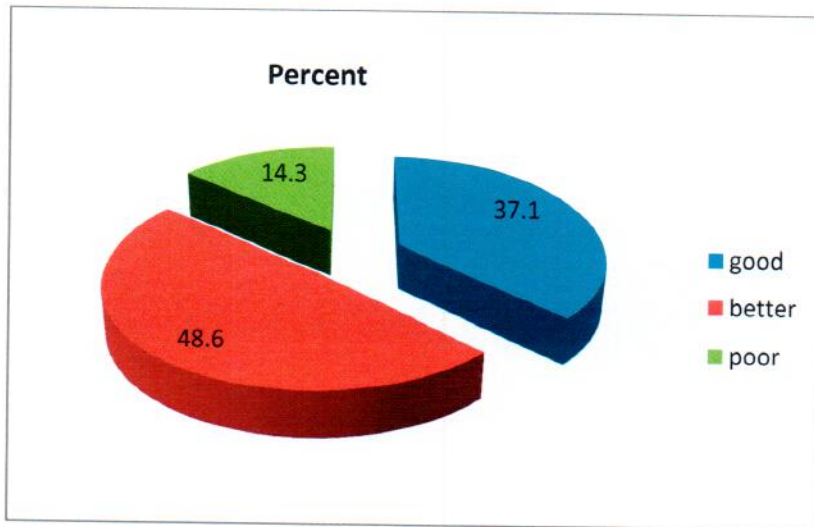
Table 2. Investment by SSC in training and development

	Frequency	Percent	Valid Percent	Cumulative Percent
yes	59	98.3	98.3	98.3
Valid no	1	1.7	1.7	100.0
Total	60	100.0	100.0	

Source: Survey Data

Whilst relevant degrees appear to be advantageous at port of entry, it cannot be assumed that new employees will perform automatically when executing their duties. This is evident from the results tabulated above. About 98.3% of the respondents from junior employees indicated that investment in training and development increases job performance. As such the SSC has prioritized on the job training to address skills gap its employees. However, responses from supervisors, suggests that, though SSC has good intentions, training has not proved to be more effective in its endeavor to improve performance of the SSC over the past five years especially with regard to the implementation of outstanding projects as shown in figure 6

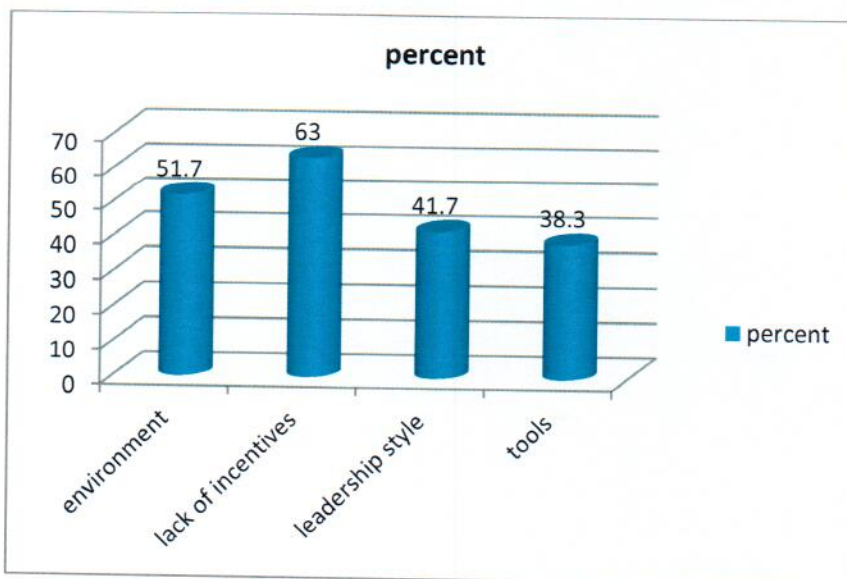
Figure 6. Performance of SSC over the past five years



Source: Survey Data

Figure 6. shows that only 37% of respondents were satisfied with the performance of the SSC, 48.6% indicated that the performance was better but more could still be done to achieve good results while 14.3% of supervisors indicated that the performance was poor.

Figure 7. Performance barriers



Source: Survey Data

The reasons provided by senior employees for the failure to achieve set objectives ranged from the assignment of employees in posts which did not match their qualifications, lack of incentive systems, lack of career guidance, conflict of interest, attitude, and commitment from stakeholders signaling policy implementation failure. However, 51.7% of respondents from junior employees cited environment as a major barrier to job performance, while 63% singled out lack of motivation and incentive systems, 41.7% mentioned leadership style while tools accounted for 38.3%. Respondents referred to the fact that the climate was not supportive for employees at the SSC and in some cases, identified problems in the relationship between an employee and his/her superiors. It could be that someone has the knowledge but the work environment is such that it does not allow him/her to take advantage of his/her potential.

Table 3. Productivity of employees with educational qualifications

	Frequency	Percent	Valid Percent	Cumulative Percent
needs development	5	14.3	14.3	14.3
meets expectations	25	71.4	71.4	85.7
Valid exceeds expectations	5	14.3	14.3	100.0
Total	35	100.0	100.0	

Source: Survey Data

The table clearly indicates that 71.4% of the respondents from senior employees are in agreement that the productivity levels of employees with educational qualifications are living up to expectations of the SSC, 14.3% exceeds expectations and only 14.3% needs further development. The scenario is encouraging and explains the reasons why SSC should continue to subsidize education of its employees. The 14.3% shown above, accounts for 20% of errors

incurred by employees in executing their duties leading to 11% reduction in the success rate of set objectives. Therefore, the returns from educational qualifications are enormous such as avoidance of errors, improvement in the quality of work and achievement of set targets within agreed time frames.

Table 4. Placement of people with right qualifications in right positions at the right time

	Frequency	Percent	Valid Percent	Cumulative Percent
yes	25	71.4	71.4	71.4
Valid No	10	28.6	28.6	100.0
Total	35	100.0	100.0	

Source: Survey Data

The above figure indicates that since qualifications are considered in hiring decisions, people with the right qualifications are placed in right positions at the right time. 71.4% of responded positively while 28.6% of respondents did not agree signaling a mismatch between qualifications/skills and the job. This situation can be considered as an attribute to unsatisfactory performances of some employees with educational qualifications while root cause being the fact that employees continue to upgrade their qualifications while some even changes the field of study after such an employee was hired for a different job resulting in over-qualification and mismatch.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the study, the conclusions arrived at and the recommendations based on the findings. Finally, areas requiring further research will be highlighted.

The population comprised of 274 SSC employees and the sample size was 95. The reviewed literature was related to the topic and this enabled the researcher to identify gaps in the existing board of knowledge. Furthermore, critical variables that have a strong bearing on job performance were identified through SPSS as already stated in Chapter 4.

5.2. Summary of major findings

In response to the question concerning factors which limit the positive effect of educational qualifications on job performance, five main categories of problems were identified starting with: the work environment and the quality of relationships among people. Specifically, respondents referred to the fact that the climate was not supportive for employees and in some cases, identified problems in the relationship between an employee and superiors. It could be that someone has the knowledge but the work environment is such that it does not allow him/her to take advantage of his/her potential. There is a problem of antagonism among employees, how collaborative they are. For instance, if I take a graduate working at a large private organisation

and his/her superior is not a university graduate. How much collaboration will they have? How much communication?

The second groups of problems were mentioned by other respondents and concerned the structure and the processes of the organisation. Reference was made to the bureaucracy of the system and the complexity in the procedures followed at the institution. Some respondents mentioned that bureaucratic procedures could take the form of systemic barriers and prevent employees with educational qualifications from completing the work efficiently.

When the procedures used to do the work are not right or are time-consuming, and when the right technology is not available or the right processes are not simplified, these will, of course, have a negative effect. Even if someone is very good, if asked to do a job which is by its nature time-consuming and he/she cannot perform it in a way that it becomes easier with the same degree of effectiveness, then, of course, there will be a negative effect. The appointment of employees in positions that did not suit them or did not match their qualifications was considered to be a problem by ten respondents, who believed that, for productivity to remain high, individuals should be appointed in positions that are appropriate for their skills and knowledge. The wrong appointment of an employee can drastically diminish his/her performance. The appointment of an individual with the right profile, the knowledge in the position that is right for him/her, can increase his/her job performance. An additional problem mentioned by sixty respondents was the lack of incentives for employees in the organisation. The respondents considered this to be a serious and important problem, suggesting that incentives are necessary to enhance the motivation of employees with educational qualifications. The belief is that

incentives are important, not so much the financial ones, but praise, reward, to write in his/her file very good report, congratulations for completing the project or task. The incentive system in the SSC has many weaknesses due to the absence of the performance management system. Five respondents referred to the lack of induction and/or training programmes for employees, claiming that training there are no tools used by SSC to identify skills gap as in other companies. The majority of respondents highlighted the importance of on-the-job training that allows trainees to learn to perform specific duties, relevant to the company context. Other factors considered to have a negative effect on job performance were the following: employees with personal problems/attitude, individual characteristics of employees, the lack of a productivity culture', and the lack of tools.

5.3. Conclusions related to results and analysis

The result demonstrates to a large extent that there is synergy between educational qualifications and job performance in the SSC. The finding is not only unique to the SSC but also popular in many other past studies. A study of the rate of return to educational qualifications had been conducted by Schultz (1961) (as cited by Lau et al., 1991) using a human capital approach established that educational qualifications can increase an individual's ability to understand instructions and apply them to a new task; receive and process new information; communicate and coordinate with others; evaluate and adjust to a changing work environments; help reduce subjective uncertainty and doubt; and increase the ability to adapt to new technology, which in turn increases individual ability to innovate and to improve job performance. Therefore, people's ability to understand and use advanced technology is determined by the level of their education.

The higher the level of education, the more the worker become responsive in receiving instructions and doing new tasks and easily adopt new technology, which increases their ability to innovate and improve job performance. In addition, the demand for skills is assumed to rise during periods of technological change because of the comparative advantage that educated workers have in implementing new technology (Bartel and Lichtenberg, 1987; Rosenzweig, 1995).

However, it was also confirmed that over 14% of SSC employees with educational qualifications contribute only marginally more to job performance than less educated workers do. The results shows that SSC lacks the necessary skills especially at policy level where post graduate qualifications are needed to equip employees with research skills. As such, investment in human capital at that level should a prioritised by the SSC to ensure that its dream of implementing new and outstanding schemes such as the National pension and medical schemes is realised. The main factors considered to limit the positive effect of educational qualifications on job performance in such employees include among others, the quality of the work environment, organisational structure and processes, the assignment of employees in posts which did not match their qualifications. Above all, the findings singled out the lack of an effective performance management system as a major weakness and have resulted in the failure by SSC to develop job performance intervention programs necessary to address skills gap in affected employees with educational qualifications.

5.4. Recommendations to SSC

In view of the findings, the suggestions offered by respondents on ways of overcoming problems to ensure a positive effect of educational qualifications on job performance fall under three main categories: changes in the organisation; changes in education and training programmes; and changes in incentive systems.

The recommended changes in the organisation are the review of the SSC human resources policy. The review is necessary to effectively deal with the hiring, training and evaluation of personnel, as well as the adoption of more effective and efficient organisational practices necessary to enhance job performance of employees with educational qualifications. The policy regarding hiring staff must take into account specific individual abilities for the positions that require them. An effective performance management system for staff should be implemented and through it, arrive at a proper record of educational needs of SSC staff.

The SSC should invest in the organisation, with sufficient funds so that the employees are able to simplify procedures to expedite payment of claims and suppliers. Furthermore, ensure that the organisation implements such procedures so that employees are able to utilise the human capital and not waste the abilities of staff. Some employees highlighted the importance of using a distributed leadership model or transformational leadership as opposed to the present bureaucratic model in an attempt to promote the involvement of employees with educational qualifications in the management of the organisation.

On incentives, and the creation of attractive or pleasant environment, the SSC must find exactly how it can provide financial and nonfinancial incentives to employees to perform their work more efficiently and conscientiously. It is recommended that the HR policy be revised to accommodate automatic promotion to reward exceptional performance especially in cases where SSC provided financial support to employees to further their studies. A small number of responses recommended measures that were specific such as the purchase of specific equipment or tools.

5.5. Limitations of the findings

Since SSC is the only organisation mandated by government to provide safety nets to the Namibian workers and their dependents, no attempts by this study was made to obtain similar data from other organisations in region. The study was unable to compare the approval processes, work environment and job performance levels of employees with educational qualifications at SSC to any other in Namibia and the region. This presents a limitation because the data analysis for this study only focused on employees of SSC who are in position of some form of qualifications. No analysis was done on productivity levels of employees with similar qualifications at other organisations outside of SSC. In addition, time constraints and lack of resources also limited the study to obtain and compare data at the SSC to those in other countries.

The ability to compare could have unearthed more insight on the acceptable job performance levels of SSC employees with educational qualifications by looking at performance levels of similar employees at other organisations.

Future similar studies on educational qualifications and job performance can expand the evaluation to look at the extent to which educational qualifications reflects job performance in Namibia and SADC region and also to look at whether this phenomenon of moderate performance is the same across all developing countries. Such studies could help identify best practices to improve job performance of employees with educational qualifications. The failure by SSC to implement the performance management system that was piloted was also a limitation. Therefore, the findings of this study on performance levels of employees with educational qualifications can still be challenged in terms of validity and reliability.

5.6. Areas for further research.

Various corporate scandals resulting in bureaucratic approval processes have impacted negatively on the efficiency and smooth operations of many economies including Namibia. A study on the effect of educational qualifications on criminal activity may shed some light on the magnitude of the social return to education. Economists interested in the benefits of educational qualifications have traditionally focused on the private return to education. Therefore, there is a need to investigate whether educational qualifications generate benefits beyond the private returns received by individuals. In particular, a number of studies attempted to determine whether the educational qualifications of one worker raises the job performance and earnings of

other workers around him (Acemoglu and Angrist (2000) and Moretti (2002, 2003). Yet, little research has been undertaken to evaluate the importance of other types of external benefits of educational qualifications, such as its potential effects on crime.

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APPENDIX 1: EMPLOYEES BELOW MANAGEMENT QUESTIONNAIRE

Part A

Questionnaire: Educational Qualifications and Job Performance: The case of Social Security Commission in Namibia.

Dear Sir/Madam,

I am a Namibian student; studying towards a Master of Business Administration specializing in Management Strategy. I am writing a thesis on the relationship between educational qualifications and job performance with special emphasis to the Social Security Commission of Namibia. To this effect I have designed the attached questionnaire, which is intended to obtain data on the research topic. I should state that I am bound by the University's confidentiality clause. Thus the data to be collected through this questionnaire will be used purely for academic purpose only; i.e. data will only be published on an aggregated level only. No company or organization data will be published separately.

Given the time constraint, I will be very grateful to receive the completed questionnaires and consent forms at your earliest convenience. Completed questionnaires can be sent to my email at: dkasika3@gmail.com. Alternately questionnaires can be scanned and sent to the same email.

Sincerely,

Duscan B. Kasika

1. Age

Age Group	
20- 29	<input type="checkbox"/>
30-34	<input type="checkbox"/>
35-39	<input type="checkbox"/>
40-44	<input type="checkbox"/>
45 and above	<input type="checkbox"/>

2. Gender

Sex	
Male	<input type="checkbox"/>
Female	<input type="checkbox"/>
Total	<input type="checkbox"/>

3. What is your highest level of education?

Highest level of education (only the highest level is checked)	
Below grade 12	<input type="checkbox"/>
Grade 12	<input type="checkbox"/>
Undergraduate	<input type="checkbox"/>
Masters and above	<input type="checkbox"/>

4. What is the type of your employment contract?

Permanent	<input type="checkbox"/>
Temporary	<input type="checkbox"/>

5. How long are you in the employment of the Company?

Work tenure	
Less than 1 year	<input type="checkbox"/>
Between 1-5 years	<input type="checkbox"/>
Between 6 to 10 years	<input type="checkbox"/>
10 years and above	<input type="checkbox"/>

6. Job Function

Function	
Human resources	<input type="checkbox"/>
Finance	<input type="checkbox"/>
Information Technology	<input type="checkbox"/>
Marketing	<input type="checkbox"/>
Operations	<input type="checkbox"/>
Other	

7. On what basis are you employed in this company?

Educational qualifications	<input type="checkbox"/>
Experience	<input type="checkbox"/>
Both	<input type="checkbox"/>

8. Does your job have any bearing to your qualifications? If no why did you accept the job and what efforts are done to sharpen your skills.

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9. Do you think investment in training and development increases worker productivity, if yes, is it recompensed by the SSC through higher wages?

No	<input type="checkbox"/>
Yes	<input type="checkbox"/>

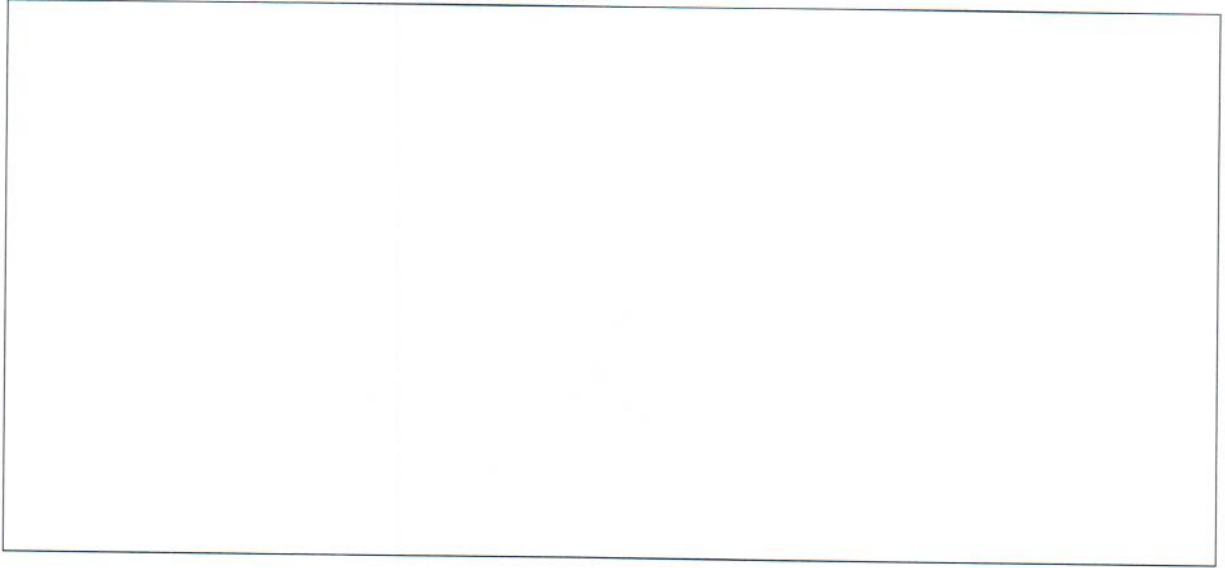
10. Has your educational qualifications provided you with the skills needed for your current type of work? Or do you find difficulties in completing the given job assignments?

No	<input type="checkbox"/>
Yes	<input type="checkbox"/>

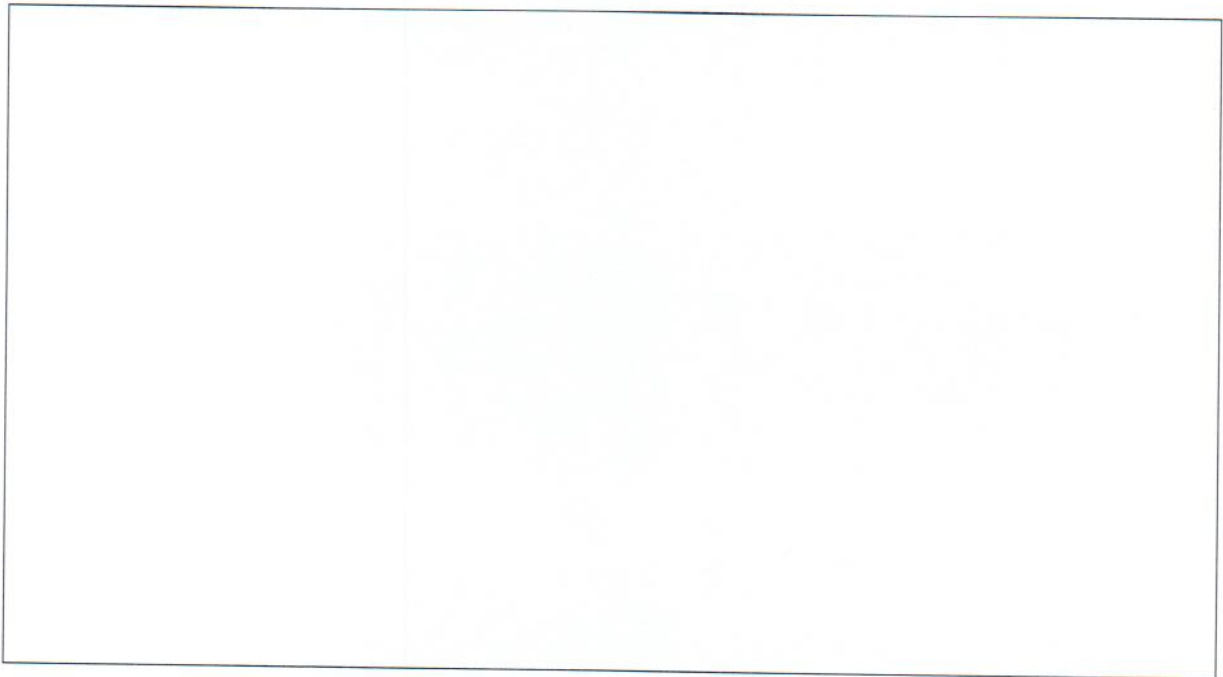
11. Do you have opportunities for further development such as induction, training and necessary facilities to execute your duties?

--

12. What would you single out as a barrier to your job performance? Is it the environment, lack of motivation, leadership style or tools



13. What would you suggest to improve job performance of employees with educational qualification?



14. Indicate how important are the following issues during the process of executing your duties?

- | | | | | |
|--|----------------|------------------------------------|--|--------------------------|
| a. Performance evaluation and feedback | Very Important | <input type="checkbox"/> Important | <input type="checkbox"/> Not important | <input type="checkbox"/> |
| b. Educational qualification | Very Important | <input type="checkbox"/> Important | <input type="checkbox"/> Not important | <input type="checkbox"/> |
| c. Educational subsidies | Very Important | <input type="checkbox"/> Important | <input type="checkbox"/> Not important | <input type="checkbox"/> |
| d. Job experience | Very Important | <input type="checkbox"/> Important | <input type="checkbox"/> Not important | <input type="checkbox"/> |
| e. On the job training | Very Important | <input type="checkbox"/> Important | <input type="checkbox"/> Not important | <input type="checkbox"/> |

APPENDIX 2: EMPLOYEES IN MANAGEMENT QUESTIONNAIRE

Part B

Questionnaire: Educational Qualifications and Job Performance: The case of Social Security Commission in Namibia.

Dear Sir/Madam,

I am a Namibian student; studying towards a Master of Business Administration specializing in Management Strategy. I am writing a thesis on the relationship between educational qualifications and job performance with special emphasis to the Social Security Commission of Namibia. To this effect I have designed the attached questionnaire, which is intended to obtain data on the research topic. I should state that I am bound by the University's confidentiality clause. Thus the data to be collected through this questionnaire will be used purely for academic purpose only; i.e. data will only be published on an aggregated level only. No company or organization data will be published separately.

Given the time constraint, I will be very grateful to receive the completed questionnaires and consent forms at your earliest convenience. Completed questionnaires can be sent to my email at: dkasika3@gmail.com. Alternately questionnaires can be scanned and sent to the same email.

Sincerely,

Duscan B. Kasika

Respondent

Position:

Email:

Sex:

Organization/Company: Social Security Commission

1. How did the company perform in the last five years? Is the company achieving its set objectives as per the balance score card? If no why?
2. How long does it take to roll out schemes as mandated by the SSC Act?
3. How long does it take to assess and pay out claims to beneficiaries?
4. Does the company have a staff recruitment policy?
5. What are the major components of the recruitment policy
6. In your own view how effective is the recruitment policy?
7. Do you think educational qualifications are taken into account when hiring employees?

8. Do you think people with right educational qualifications are placed in right positions at the right time?

9. To what extent do employees with educational qualifications live up the company's expectations with regard to job performance? How often do you encounter incidents of mismatch between educational qualifications and job performance?

10. How does the company address this situation?

11. If the mismatch is still prevailing, would you attribute that to the failure in your policy implementation?

12. On average how would you rate performance of employees with educational qualifications from "Unsatisfactory" (1) to "Greatly Exceeds Expectations" (5).

Job performance	Unsatisfactory	Needs development	Meets expectations	Exceeds expectation	Greatly exceeds expectations
Productivity					
Avoidance of errors					
Quality of work					
Goals achieved during the year					

13. Does the company have a study development program and what budget is devoted to this cause?

14. How does SSC determine training needs of its employees?

15. Are the employees given opportunities to initiate their own individual development program?