

THE OPEN UNIVERSITY OF TANZANIA



PERFORMANCE BASED INCENTIVE POLICY AND OPERATIONAL PROCEDURES

AS APPROVED BY THE 60TH COUNCIL MEETING HELD ON 27TH JUNE 2008

FOREWORD

The Open University of Tanzania Rolling Strategic Plan 2006/7 – 2010/11 clearly stipulates the strategic issues and directions of the University. One of the strategic organizational direction is to develop workable operational policies and procedures to ensure operational consistency in all OUT units and centres, thus upgrading the quality of decision making. Strategic objective 7 of the OUT RSP is to enhance human resources management and culture, and one of the target is to develop an attractive staff retention scheme for highly marketable disciplines/professions e.g. ICT staff, accounts, finance, audit and academic staff.

Cognisant of the need for staff retention, OUT has developed a policy that will guide the provision of incentives to all staff as a means of recognizing their outstanding contribution to organizational growth and development. The formulation of the OUT Performance-based Incentive Policy and Operational Procedures is an affirmation of the University's commitment to ensure that outstanding contribution made by individual and group performance is appropriately recognized and rewarded. The policy is also intended to encourage individuals and teams to cherish high standard of performance.

The broad objective of the OUT Performance-based Incentive Policy and Operational Procedures is to recognise, acknowledge and reward efforts shown by individuals or groups at the University through the performance of various activities as a strategy for staff retention and motivation. This policy complements other policies that are already in place such as the Policy and Operational Procedures for In-house and Local Expert Scheme (June, 2005), Operationalisation of the Workload Formula for Evaluation of the Workload for OUT Full Time Academic Staff (July, 2005), Special Incentive Scheme for Finance and ICT Department Staff and Human Resources Management (HRM) Policy and Operational Procedures (July, 2007).

The OUT Performance-based Incentive Policy and Operational Procedures has four chapters. Chapter One comprises Introduction, Objectives, Eligibility and Internal Marketing. Chapter Two outlines the Categories of Duties that Qualify for Incentive Payment. Chapter Three details the Appropriation Plan, and Chapter Four outlines the Accounting Procedures and Recording of Transactions.

Policy formulation is a continuous process which involves review as needs arise. Therefore, OUT would like to welcome any positive and constructive comments from all stakeholders that will input into the policy review to be undertaken after every five years of implementation of this policy in line with emerging human resource development issues at the University.

Prof. T.S. A. Mbwette
Vice Chancellor

Dar es Salaam
June 2008

ACKNOWLEDGEMENTS

The preparation of the OUT Performance-based Incentive Policy and Operational Procedures has been an enormous task. On behalf of the OUT Management, I take this opportunity to thank all those who, in various ways, helped in the preparation of this policy. I highly recognize and acknowledge the taskforce chaired by Mrs H. Uiso for its commendable job that formed the basis for discussions that culminated into policy adoption by the OUT Council.

I extend my appreciation to the members of the OUT community, in particular, the Management Committee for its constructive comments and criticisms that provided valuable inputs to the document. I gratefully register my sincere appreciation to the various institutions and individuals who in one way or the other provided assistance to the taskforce during the course of preparation of the policy.

Last but not least, I would like to take this opportunity to thank the OUT Management for facilitating the entire process which led to the successful preparation of this policy.

Prof. L.J.M. Kusiluka
Deputy Vice Chancellor
(Resource Management)

Dar es Salaam
June 2008

TABLE OF CONTENTS

| | |
|--|-----|
| FOREWORD | ii |
| ACKNOWLEDGEMENTS..... | ii |
| TABLE OF CONTENTS | iii |
| OBJECTIVES | 1 |
| ELIGIBILITY | 2 |
| INTERNAL MARKETING | 2 |
| CATEGORIES OF DUTIES THAT QUALIFY FOR INCENTIVES PAYMENT | 4 |
| APPROPRIATION PLAN..... | 6 |
| APPROPRIATION OF STAFF INCENTIVE..... | 7 |
| DEVELOPMENT FUND | 7 |
| LOAN RECOVERY | 8 |
| NET AMOUNT PAYABLE TO EMPLOYEES | 8 |
| ACCOUNTING PROCEDURES AND RECORDING OF TRANSACTIONS..... | 10 |

Chapter One

INTRODUCTION

1.1 BACKGROUND

The Open University of Tanzania recognizes its functions of teaching and learning, research, community services, and consultancy activities through its staff. The Open University needs to identify innovative compensation strategies that are directly linked to improving organizational performance. This entails the examination of the individual and group incentive plans that reward performance based on predetermined organizational goals and metrics, several behavioural theories that can be associated with reward and compensation. Consultancy services will be covered by a separate policy prepared by the OUT. There is a need for policies and operational procedures in order to motivate and complement the efforts shown by individuals/groups at the Open University of Tanzania.

1.2 OBJECTIVES

- 1.2.1 The staff incentive award is designed to recognize and reward outstanding individuals and/or team performance within the Open University of Tanzania, and to provide opportunities which will enable an employee or groups of employees to function more effectively on the job.
- 1.2.2 To have in place an incentive policy based on performance and assumes the existence of clearly defined broad categories of duties which form the basis for computation of the said incentive. The incentive Policy should cover all areas of the organization to the extent that best performers are well rewarded as a motivation for further development.
- 1.2.3 To work out an incentive scheme that is tied to individual output and needs, and that moral incentives should be to complement the material ones.

1.3 ELIGIBILITY

All OUT employees on permanent or contract terms, being individuals or team are eligible, and are therefore covered by the provisions of the incentive scheme.

Incentives will be in the following categories:

1.3.1 Individual Performance Incentives

Reward staff for individual accomplishments and outcomes, typified by meeting important targets or objectives, or for contributions to the organizational mission beyond usual expectations. Institutes/Faculties/Regional Centres are encouraged to incorporate sufficient flexibility in incentive performance award.

1.3.2 Team Incentives

Reward staff for team-based projects that achieve quantitative and qualitative outcomes or make other meaningful contributions to the goals and mission of OUT. Contributions may result from short-term projects, consultancy or other official work groups. Team incentives may be particularly appropriate in situations where work is interdependent.

1.4 INTERNAL MARKETING

1.4.1 Policy Statement

OUT shall institute a conducive working environment for optimum performance and set in motion a functional process that aligns, motivates and empowers employees at all management levels to consistently deliver a satisfying customer experience.

1.4.2 Operational Procedures

1.4.2.1 Recruit, develop and retain skilled professional staff whose work efforts and dedication advance the mission of OUT.

1.4.2.2 Recognize, respect, and reward individual and team contributions to the success of the University.

- 1.4.2.3 Provide professional staff with opportunities for management training and professional development and growth.
- 1.4.2.4 Apply a reward system which considers the impact of external market factors on the individual staff performance in the Unit/Faculty/Institute of the University.
- 1.4.2.5 Support Management flexibility to meet individual needs and priorities.
- 1.4.2.6 Cultivate a work environment which encourages excellence, innovation, creativity, and teamwork.
- 1.4.2.7 Reinforce a strong performance orientation through variable incentives based on achieving OUT objectives.

Chapter Two

CATEGORIES OF DUTIES THAT QUALIFY FOR INCENTIVES PAYMENT

2.1 POLICY STATEMENT

OUT shall periodically define and update the broad categories of duties which form the basis for computation of the performance based incentive.

2.2 OPERATIONAL PROCEDURES

2.2.1 The Open University of Tanzania recognizes various academic and non academic activities that can contribute to income generation. These include:

- Hiring halls in Regional Centres
- Hiring graduation gowns
- Sale of various OUT souvenirs and products
- Computer laboratory charges
- Library usage charges for non-staff users
- Short courses on computer and other professions
- Evening programmes
- Full time programmes not covered under any other incentive plan
- Executive MBA programmes
- Tailor made programmes
- NBAA/NBMM review classes
- Commonwealth Youth Programme activities.

Income from other activities like the canteen, secretarial service providers etc will be governed by Management decisions under the Income Generating Unit. In the current era, in which universities adopt characteristics of business enterprises, academic developers are caught up in development of mission statements and strategic plans for their own units and often for the learning, teaching and supportive function of the university.

All other new activities that arise out of innovation by individuals or teams will need to be rewarded according to this policy based on approval by the IGU Steering Committee.

Chapter Three

APPROPRIATION PLAN

3.1 POLICY STATEMENT

OUT will identify innovative compensation strategies that are directly linked to improving both individual and organizational performance.

3.2 OPERATIONAL PROCEDURES

Incentive payment will be made such that the amount to be appropriated will be a percentage of the Net Income and not the Gross Income (Gross Income less Operating Expenses = Net Income).

A fixed percentage on Net Income generated (20%) to be distributed to staff as incentive basing on time and effort devoted, 10% to be used for supporting the payment of rent assistance to OUT staff, 20% to be retained for development of the Unit/Faculty/Institute/Regional Centre and 50% to be retained by OUT as shown in Table 1.

Regional Directors to be issued with standing imp rest from the 20% ploughed back in the centre to cover entertainment expenses related to income generation activities (Table 2).

Table 1: Incentive distribution at the Headquarters

| Faculty/Institute/Directorate /Unit | Staff Incentive | Rent Assistance to OUT staff | OUT |
|-------------------------------------|-----------------|------------------------------|-----|
| 20% | 20% | 10% | 50% |

Table 2: Incentive distribution at the Regional Centre

| Regional Centre | Staff Incentive | Loan recovery | OUT |
|-----------------|-----------------|---------------|-----|
| 20% | 20% | 20% | 40% |

The 20% payable to Unit/ Faculty/Institute/Regional Centres to be defined as funds for developing the unit or funds for reinvestment in the unit. In case no

loan has been provided to the Unit, the 20% loan recovery will be used for supporting the payment of rent assistance to OUT employees as shown in Table 3.

Table 3: Incentive distribution proposal assuming no loan recovery.

| Regional Centre | Incentive to Regional Centre staff | Housing rent assistance | OUT |
|-----------------|------------------------------------|-------------------------|-----|
| 20% | 20% | 20% | 40% |

3.3 APPROPRIATION OF STAFF INCENTIVE

3.3.1 Policy Statement

The Faculty/Unit/Regional Centre that has generated revenue shall prepare an appropriation plan for the 20% received from OUT account.

3.3.2 Operational Procedures

Standard person days/hours devoted to the productive assignment by each individual will be established by the unit to form the basis of appropriation:

3.3.2.1 8% of the amount received in 7.1 above will be apportioned according to the standard person days/hours.

3.3.2.2 The remaining 12% will be distributed equally to all staff in the Unit/Faculty/Regional Centre.

3.3.2.3 A Faculty/Unit/Regional Centre meeting will endorse the appropriation plan.

3.4 DEVELOPMENT FUND

3.4.1 Policy Statement

The Unit/Faculty/Regional Centre shall prepare and implement plans for utilizing the 20% funds meant for development activities approved by OUT Management.

3.4.2 Operational Procedures

3.4.2.1 A list of planned development activities at the Unit/Faculty/Regional Centre to be prepared by the unit in order of priority.

3.4.2.2 The list to be endorsed by the Board of Faculty/Unit and in the case of the regional centre, the Regional Advisory Committee plus relevant University organs.

3.4.2.3 Final approval from OUT Management to be obtained prior to implementation.

3.5 LOAN RECOVERY

3.5.1 Policy Statement

OUT shall implement measures aimed at recovering the loan advanced to the Unit/Faculty/Regional Centre.

3.5.2 Operational Procedures

3.5.2.1 20% of the net income will be used for offsetting the loan advanced to the Unit/Faculty/Regional Centre.

3.5.2.2 The procedures for loan recovery should neither frustrate the efforts of the Centre nor lead to piling up of unrecoverable loans.

3.6 NET AMOUNT PAYABLE TO EMPLOYEES

3.6.1 Policy Statement

OUT shall make the necessary computations of incentives and effect payments to its employees.

3.6.2 Operational Procedures

3.6.2.1 The amount will be paid quarterly covering all the activities done during the period.

3.6.2.2 The actual payment to be effected not later than the first week of the succeeding quarter of the activity period.

3.6.2.3 Each individual will be responsible for remitting to TRA the amount of tax payable on the incentive received as per regulations.

Chapter Four

ACCOUNTING PROCEDURES AND RECORDING OF TRANSACTIONS

4.1 POLICY STATEMENT

OUT shall appoint an Accountant who will be fully responsible for income generation activities in order to avoid any operational problems.

4.2 OPERATIONAL PROCEDURES

4.2.1 The Accountant will be responsible in accessing different projects in order to come out with the amount generated quarterly, annually and identify what is to be paid.

4.2.2 All collected funds will have to be deposited in the OUT Account within 48 hours. All Faculties/Institutes/Centres will be encouraged to receive payments in the form of cheques or pay-in slips into the Sales Account.

4.2.3 OUT financial regulations will apply in the management of collected funds.

4.2.4 With respect to rent payment for buildings, Regional Centres will be allowed to demand 5% of the net (less tax) to defray local expenses.

4.2.5 Implementation of the Policy will be reviewed annually.

4.2.6 The members of the IGU will be remunerated as per rates approved by the IGU Steering Committee.