



ST.MARY'S UNIVERSITY SCHOOL OF GRADUATES

**COMPENSATION AND BENEFITS PRACTICE OF ABAY BANK
SHARE COMPANY AND ITS IMPLICATION FOR
EMPLOYEES PERFORMANCE**

**BY
BETHELHEM REFERA**

**July, 2015
ADDIS ABAB**

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COMPANY AND ITS IMPLICATION FOR EMPLOYEES
PERFORMANCE**

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**A THESIS SUBMITTED TO ST.MARYS UNVERSITY SCHOOL OF
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JULY, 2015

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Declaration

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of my research advisor Dr Worku Mekonnen . All sources of Materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning and degree.

Name

St.Mary University school of Graduate Studies

signature

June 2015

Endorsement

This thesis has been submitted to St.Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

Advisor

Signature and Date

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ACCRONYMS

AB	Abay Bank
HRM	Human Resource Management
HR	Human resource
S.C	Share company
SA	Strongly Agree
A	Agree
N	Neutral
D	Disagree
SD	Strongly Disagree

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ABSTRACT

The general objective of this study is to assess the compensation and benefit practice and its implication on employee's performance in the case of Abay Bank. It is also clear from this research that compensation and benefit practice have its own implication on employee's performance. In designing the questionnaire the researcher apply by using four dimensions of Compensation: Benefit, performance based salary and satisfaction. The purpose of this research paper was descriptive; by applying a 10 % precision level 70 respondents were selected from the total number of 234 employees of the bank. The researcher applied a simple random sampling technique to selected respondents from the total number of employees of the four branches. Major findings revealed that the implication of compensation and benefit on the employees performance in he selected organizations was dissatisfied in most core human resource dimensions (i.e. Benefit, fairness etc.), So the company must revised the existing compensation and benefit package that might enable the company aligned with organization strategic objective to increase productivity an job satisfaction is what in needed in the Abay bank S.C. Most employees of the bank are dissatisfied with the benefit package of the organization, the researcher recommended ways to improve the existing scheme of benefit package. Management of the organization keep their selves up to date with the benefit package of the competitors. That would help them to get informed about the external environment and that in turn leads to retain and attract a skilled workforce.

Key words: Compensation and Benefit practice, Employees Performance

CHAPTER ONE

1 INTRODUCTION

The introductory chapter will start with a background of the study and followed by a background of the company and problem discussion and the research questions, then the purpose of this study. This chapter will end up with scope of the study.

1.1 Background of the study

Compensation is a complex issue requiring careful consideration and research regarding many factors on employees' performance. The design of any financial institute compensation structure can send a very strong message regarding what you expect from employees.

Many authors have written on this subject and a lot of research and compensation theories/plans have been completed. When working with a small to mid-size employer to create a compensation plan, Based on (Kate Greene 1989) recommended some central principles on compensation like:- Keep it Simple Pay structures needs to be easy to communicate and understand, Create a System for the Entire Organization Of course not everyone should be paid the same or have the same benefits, Align Pay with Company Goals At an individual or company level, compensation sends a very strong message regarding what results are important to the organization. If customer loyalty and profit margin are the key determinates to profitability, then these should be included in the bonus or commission structure and also Compensation Encourages Employees to look at the Big Picture Individual incentives to perform communicate the importance of specific results. Rewarding for team or companywide goals widens the scope of what employee consider important. When meaningful, incentives tied to group results or profitability margins encourage loyalty, cooperation and get employees to look beyond just their function or department. (Joseph J Martocchio) maintained Compensation represents both

the intrinsic and extrinsic rewards employees receive for performing their jobs. Together, both intrinsic and extrinsic compensation describe a company's total compensation system. Intrinsic compensation reflects employees psychological mind- sets that result from performing their jobs. Extrinsic compensation includes both monetary and non-monetary rewards.

Without rewards, a company is planting seeds for high turnover, low productivity and long-term failure. However, to reward employees that are not performing saddles an organization with higher payroll costs and encourages poor performers to stay while discouraging the employees that go above and beyond expectations. An organization risks losing the people that make a difference if, they fail to provide total compensation that recognizes the value of employee's contributions.

Though the ultimate goal of every service giving company like Abay Bank S.c satisfying employee performance and customer , more often ,many of the service delivering organizations are flailed to satisfy employees as a result of giving more compensation and benefit practice as well .Hence , this dilemma creates employees performance to be great in addition to that of focus on customer .

In short, like the above compensation principle and other practice, the focus of this research is to assess the compensation and benefit practices of Abay Bank S.C such as allowances benefits – health insurance, work breaks, training, vacation/personal days and its implication for employees performance like doing so ensures minimized turnover and saves time and money when filling openings when they do occur.

1.2 Background of Abay Bank S.C

(Company brusher, 2014) Abay Banks S.C fulfilled all necessary requirements of the national Bank of Ethiopia to set up a bank and officially established on July 14th 2010 and started full-fledged banking operating on November 3, 2010.

Currently the paid up capital of the bank is Birr 387.7 million as of September 30, 2014 and the number of shareholders is over 2,200.

Table 1

The Bank annual report			
Year	2012	2013	2014
Deposit	778.9	1,475.9	2,518.2
Loan and advance	452.1	853.8	1,474.8
Paid up capital	239.0	351.34	372.3
Asset	1240.0	1950	3,196.8
Profit	31.4	50.9	75.7

The Bank is poised to serve all economic sectors through its network of branches. It extends its services to domestic trade and services, international trade, agriculture, industry, transportation, construction and real estate sectors.

Abay Bank S.C is taking all the necessary steps to be an effective partner to every business in fulfilling their financial dreams and aspirations. The Bank is resolved to bridge the gap between access to financial services and those who need it most. In light of this, the Bank offers all types of universal banking and has planned to render unique services to its clients supported with modern technology.

Since its establishment, the Bank has achieved encouraging achievements by all standards. Its sphere of operation has expanded all over the country and the total number of branches has reached to 94 just within less than four years of operation and it has more than 120,000 account holders.

1.3 Statement of the problem

All Financial institutions have compensation and benefit management system that is going to enhance the employees' performance to good level that results efficient servers and performance to the satisfactory level.

In light of the above issue both compensation and benefits that have an implication on employee's performance and it also need proper compensation and benefit management system Like revising the package manual by examining the external market and evaluating the employees perception towards the package. The result is first to be interested for the workers second enable the company to produce good quality product and service to customers and at the same time provide reliable service for customers in order to achieve the ultimate goal of the company.

Based on the above paragraph the researcher can understand from the preliminary interview with some of the non management employees of the bank, the company compensation and benefit manual never revised since its establishment of the bank. Moreover the employees of the bank are dissatisfied with the current scheme of the benefit package.

1.4 Research Questions

This research has tried to give answer the following question, which developed to guide the study:

1. Is there a clear compensation and Benefit policy in Abay which is formally communicated to the employees?
2. What is the level of satisfaction of employees on compensation and Benefit management practice in Abay?
3. What are the main challenges of compensation practice in Abay Bank S.C?

1.5 Objectives of the Study

Objectives of this study are pointed as General and Specific Objectives.

1.5.1 The general objective of this research paper is to assess the actual practice of the compensation and Benefit and its implication on employees performance in Abay Bank S.C.

1.5.2 The specific objectives of this research paper are:

- To analyze the nature and structure of compensation and Benefit strategy of Abay Bank S.C;
- To examine the compensation and Benefit practice and its implication on employees performance;
- To identify challenge of the compensation management in Abay Bank;
- To identify the strong points of compensation and Benefit practice in Abay Bank S.C;

1.6 Significance of the study

This study has significant role for some theoretical and practical contribution to the what, why and how part of the stated problem in the compensation and benefit practice and its implication on employees performance in Abay Bank S.C. In addition to this significant this study; give possible solutions and recommendations to: First, the management be aware of its problems and the root causes of these problems and its enables the company in general and the compensation and benefit practice to improve and optimize the operations of the company by evaluating its weak and strong sides. Second: - enables the compensation and benefit system to have positive implication on employee's performance. In general it helps to keep on the best position of employee's performance and enable employees loyal to their company. Finally to other researchers can serve a springboard by providing information for further study for those who try to conduct research in the area of Compensation and Benefit practice and on its implication of employee's performance.

1.7 Scope of the study

As mentioned earlier in the company profiles the company (Abay Bank S.C) has 94 branches in deferent countries and each branch has a practice of compensation and benefit. Therefore; the boundary (the sample of the data) this research is focused only on the compensation and benefit practice and its implication for employees' performance on four branches namely Bole , Gotera, Haiahulet, mani branch including Head office. The rest of the branches are excluded from the sample.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Introduction

This chapter is devoted to review relevant literature under compensation and benefit management and practices. Different type of compensation and benefit are described. At the end of the chapter the empirical review will be discussed on the issue compensation and benefit practice.

2.2 The Theoretical frame work of compensation

“Human Resource management is responsible for how people are treated in the organization. It is responsible for bringing people in to the organization, helping them to perform their work, compensating them for their labors, and solving problems that arise” Cherrington ,(1995).

Compensation or paying employees for work and developing structures of compensation packages thus becomes one of the major responsibilities of HRM Managers. Mirza S.Saiyadain, (2004).

There are seven major management functions of human resource (HR) that will be specifically addressed. Human resource planning, recruitment, selection and training and development, Performance appraisal compensation and benefit, safety and health.

Compensation and benefits is one of human resource management function which this paper dealt with. The compensation on people at work has become one of the most demanding problems facing management nowadays everywhere in any industry. “the most serious issues for employers today in all industries is hiring and keeping qualified and capable employees” according to Donald Marshack senior analyst at U.S Bureau of labor statistics (BLS) (pine, 2000). Furthermore, the effect to control salaries has become a critical problem for companies competing in the global market place.

Compensation refers to the sum of all direct and indirect compensation provided to employee by virtue of their employment with a company including base salaries, incentives and bonuses. Compensation practice varies considerably across and within the country. It is influenced by different factors namely, cultural factors, competitive labor markets, collective bargaining and employee representation, economic fervors taxation and laws and regulations of the country.

The value of compensation is in “the eye of the holder”. A compensation highly valued in one country may be relatively meaningless in another and this is also hold true for different company with in the country. The compensation employees receives for their work provides them with more than the means to purchases desired goods and services or to take care of other short and long term financial needs. It also affects their self- image and the perceptions of their worth and stature among their peers in their work family and social communities (Richard Henderson, 1980)

At company level, employees’ compensation affects their productivity and their tendency to stay with the organization. Therefore, if a company’s compensation and benefits programs are to be effective they must take factors affecting the program and at the end must also reflect the company’s strategy, its vision and mission (Dessler, 1997)

2.2.1 Definition

An organization is formed to accomplish a specify mission. To accomplish its mission, it must attract and hire people who have certain knowledge, skill, aptitude and attitudes. To attract and retain such people, the organization provides compensation, milkovich, (1987)

Compensation is a reward for service rendered by people at work place (Dunn and Rachel, 1971). According to stahl (1995), compensation is “is the monetary payments (wages, salaries emoluments, bonuses- current and deterred) used to reward employee.

Compensation refers “to all forms of financial reforms and tangibles services and benefits employees receive as part of employment relationship”

2.2.2 Purpose of Compensation

Every organization recognizes that it needs satisfied loyal customers and loyal investors. Customers and investors provide the financial resources that let an organization survive and grow. In addition, as David Ross appreciates, Success requires satisfied and loyal employees. Research provides evidence that retaining employees helps customers and investors. “Organization with low turnover and satisfied employees tend to perform a better job is the primary source of income and financial capacity security for employees in an organization. Pay has large impact on employee attitudes and behaviors. It is also an indicator of status within the organization and in the society at large, so it contributes to some people self-worth. From the employers’ point of view, pay is powerful tool for the employer’s point of view for meeting the organizations goals. It is fences which kind of employees are attracted to and remain with the organization. For these reasons, satisfaction with pay is significant for retaining employees.

In general compensation system in an organization is designed to achieve certain objectives. Some of the objectives are the following.

- To attract competent employees
- To retain or hold employees on the organization
- To motivate employees at work
- To positively influence the attitudes and behaviors of employees
- To enhance the performance of the organization
- To control labor cost
- To comply with federal or state labor laws and regulations

2.3 Approaches and strategies in designing compensation system

The compensation system results from allocation, conversion and transfer of the income of an organization to its employees for their monetary and in kind claims on goods and services, the design, the implementation and administration of any component of compensation and benefits. The entire compensation system refers sensitivity to and an understating of human perceptions needs and drives. Recognizing the essential contribution work makes to the physical and psychological survival of all workers in the

start of designing and managing a practical and useful compensation system. Werther and Davis (1993).

Pay is the basic compensation employees receive for performing a job. It is usually a wage or salary. Salary refers to a fixed regular usually weekly, payment or monthly free received for work or services. Pay systems are designed and managed to achieve certain objectives. The basic objectives including: -

1. Improving productivity
2. Controlling labor costs
3. Equity ensures to fair pay treatment in the employment relationships. It focus on designing pay systems that organization recognize to employees e.g. offering higher pay for greater performance or greater experience , providing “a living wage” and health care insurance.
4. Compliance involves conforming to various federals and state compensation laws and regulations. As these laws and regulations change pay systems often need to be adjusted to ensure continued compliance.

Establishing pay objectives involves several important decisions because these objectives serve several purposes. First, objectives shape the design of the pay system. If employers decide the primary objective of the pay system is to attract and retain competent, highly skilled employees, in these cases the performance is best influenced through other personnel practices such as job enrichment or team building techniques. A pay system with these objectives may stress market competitive and relatively high base salary.

In general, different objectives of pay system may result in the design of different pay systems. The four basic policy decisions in designing pay system are 1) Internal consistency 2)External competitiveness 3)employee contributions 4) the nature of administration of the pay system. These policies are which pay systems are designed and administered. The details of the basic polices are:-

Internal consistency /equity: - it refers to compressions among jobs or skill levels inside a single organization. The focus on comparing jobs and skills in terms of their relative contributions to the organizations objectives.

Internal equity has two dimensions

The relative similarities and differences in the content of the work or skills required

The relative contribution of work or skills to the organizations objectives

External competitiveness: - It refers to how on employers' positions its pay relative to what competitor are paying. The policy rewarding external competitiveness has a twofold effect on objectives

1) To ensure that the pay rates are sufficient to attract and retain employees. If employees don't perceive their pay as equitable in comparison to what other organizations are offering for similar work. They may be more likely to leave and

2) To control labor costs so that the organization prices of product or services can remain competitive so external competitiveness directly affects' both effect and equity objectives
Boudreau, (1989); maurer et al 1995.

Employee contribution: - The policy on employee contribution refers to relative emphasis placed on the performance and /or seniority of people doing same job or possessing the same job skills.

2.3.1 Nature of Administration of pay system

Administration involves planning the elements of pay that should be included in the pay system, evaluation how the pay system is operate, commutation with employees and judging whether the system is achieving its objectives.

All four policies, internal consistency, external competitiveness, employee contribution and the nature of administration are critical in the management of pay systems and achieving the desired balance among them is also an important part of compensation management.

2.3.2 Designing Pay Structure

The pay level is determined by defining the relevant labor markets in which the employer competes. Conducting surveys to find out what other employers pay and using that information in conjunction with the organizations policy decisions to generate a pay structure. The pay structures influence how efficiently the organization is able to attract and retain a competent work force and to control its labor costs.

As pay is important both in its effects on employees and on account of its cost, organizations need to plan what they will pay to their employees based the seniority and the responsibility of their job. An unplanned in which each employee's payee is independently negotiated will likely result in unfairness, dissatisfaction and rates that are hard to fill. The pay structure differs from country to country and from organization to organization. For instance "Japanese companies have low wages but, pay large bonuses. This allows them to reduce their labor costs without laying people off and causing the kind of work force stability problems that are endemic to such cyclical industries as steel and into manufacturing.

The starting point for any compensation system design process needs to be the strategic agenda of the organization. The compensation system needs to be designed to reinforce the strategies adopted by these organizations. The first step in designing the compensation system for an organization is to focus on the individual and organizational behaviors.

Pay structure refers to the array of pay rates for different jobs within a single organization. It focuses attention on differential jobs within a single organization. It focuses on differential compensation paid for work or skills of unequal worth. The pay structure may be influenced by various factors within a single organization. Some of the major ones are societal norms and customs to culture, technology, policies and objectives of a particular organization, the economic conditions in which the organization operates and the particular characteristics of the jobs and employees involved. S.L. Rynes and G.T. Mikovich (1986)

The marginality theorists asset that on job is paid more or less than another because of direness in production of the job and /or difference in consumer valuation of the output. Differences in productivity may be attributed to three factors

- the employees (e.g. knowledge, skill, abilities, effort)
- the job (e.g. technology, capital investment)
- The relationship between employee's qualification and the job requirement hence, difference in productivity may provide a rational for the internal job structure.

The internal structure is also affected by the economic factors. Pay difference may affect difficulties in recruiting and retaining employees for different jobs.

There are different factors that influence wages and salary structure and its administration. Though, different organizations use different principles in fixing their wages and salary, the following points indicates the general accepted principles governing the fixation of pay.

There should be a definite plan to ensure that differences in pay for jobs are based up on variations in job requirements, such as skill, effort, responsibility or working conditions and mental and physical requirements.

The general level of wages and salaries should be reasonably in line with the prevailing the labor market.

The plan should carefully distinguished between job and employees

2.3.2 Equal pay for equal

An equitable practice should be adopted for the recognition of individual differences in ability and contribution. There should be clearly established procedure for hearing and adjusting wage complaints. The employees and the union, if there is one should be informed about the procedure used to establish wage rates. The wages should be sufficient to ensure for the worker and his family reasonable standard of living .The wage and salary structure should be flexible so that changing conditions can be easily met. Prompt and correct payments of the dues of the employees must be ensured and arrears payment should not accumulate.

An organization should be or may be designed its compensation package based on the strategic plan and objective of the organization.in designing a compensation system the challenges for an organization is that to develop pay programs that support and reinforced the business of the organization and the kind of culture, climate and behaviors that are needed for the organization to be effective. The key is finding those approvals to pay that fit the organizations strategy and management style. Weihirich, kontz (1984)

In a classic article on pay structure, liver nose asserts that employees desire “fair” compensation. He states that employee judge the fairness of their pay through comparisons with the compensations with the compensation paid other jobs related in

some fashion to their own jobs.” In designing competitive pay levels and pay structures the organization has to consider its pay level policy, design and conduct a survey, interpret and apply survey results design ranges, flat rates and /or incentives.

“pay structure refers to the array rates for different jobs within a single organization it focuses attention on different compensation paid for work or skills of unequal worth. Pay structure also imply future rewards in a job and hence influence both the attritions of current employments and describes to the stars or leave. Human capital theorists suggest that pay differently suggest that pay different serve as an inducement for employees to invest in acquiring added knowledge skills and experience.

Programs that distribute compensation to employees can be designed in unlimited number of ways and a single employer typically will use more than one program. Design a pay structure involves setting the pay for each job relative to other jobs within single employer. Mesa pay delivery programs typically fall in to four forms: base pay, merit pay, incentives and employee services and benefit. Olsen et.al. (1994)

1-Base pay /wage:-is the basic cash compensation that an employer pays for the work performed. Base wage tends to relate the value of the work itself and generally ignores differences in contributors attributable to individual employees. Periodic adjustments to the base wages may be made on the bases of changes in the overall cost or living or inflation, changes in what other employers are paying for the same jobs, or changes in the experience/ performance /skill of employees

2- Merit pay: -is a reward past work behaviors and accomplishments. It is often given as lump sum payment or as increments to the base pay. Merit programs are commonly designed to pay different amounts depending on the level of performance. Merit pay can play a major role in attrition and retaining particular employees. It an organization wants to attract and retain good preferment it may lake to pay them more than other employees are paid.

Use a bonus system: - as a delivery system, bonuses have a number of advantages, and there is increasing evidence that bonuses plans of a number of different types can be effective. The basis for any bonuses plan needs to be a base wage or job rate that is efficiently positioned in the market is at or below market.

Pay attention to the process issues involved in the merit pay:- a good system of bonuses and base rates is important in any merit plan, but so are good communication policies and proper decision processes, the evidence on participation in pay proper decision suggests that the use of participation make decision more credible.(lawler,1981)

Take performance appraisal seriously. Having untrained appraiser separate minutes reviewing the performance of a subordinate and then making a pay recommendation is not simply acceptable practically when large bonuses are involved.

Focuses on key organization factors that affect the pay system: if jobs are poorly designed it is impossible to have effective merit pay systems.

Include group and team performance in the evaluation: even in a system of individual pay for performances it may be important to measure and reward group or team performance (Schuster, 1984; von Glinow and Mohr mas, 1989). One way of to do this is simply to escalate individuals on the basis of how much they contribute to the group: a more powerful alternative, however, is to evaluate team performance and bade part or all of the merit awards on this evaluation.

3) Incentive pay:-It is one forms of pay linked to an employee's performance as an individual, group member, or organizational member. It is typically designed to energize or control employees' behavior. Incentive pay is influential as the amount paid is linked to certain pre-defined behaviors or out comes.

2.2.3 Incentive pay system

Like merit pay plans, individual and group incentive pay system are adopted to enhance employee motivation to perform. While merit pay plans attempt to motivate by relating periodic pay increases to employee performance ratings, most incentive pay plans tie day to day earnings directly and automatically to relatively objective indexes of individual or groups performance. In individual incentive pay plans, it is individual performance that is measured and rewarded. These plans vary widely however, with respect to performance measures used and the specific linkages established between performance and pay. Piece-rate plans pay directly for units of output produced. Herbert.et (1999).

2.2.4 Deforming Base pay

Job based pays typically rests upon the foundation of the job evaluation system. Job evaluation is “a systematic comparison done in order to determine the worth of one job relative to another. Job evaluation is also defined as “ a systematic with procedures designed to aid in establishing pay differentials among jobs within a single employer.

Jobs are the basic unit of analysis used to determine the pay structure. Hence job analysis is referred. The results of job analysis is serve as input for evaluating jobs and establishing job structure, Job evaluation invoices The systematic evaluation of the job description that results from job analysis. The evaluation is based on many factors; content of the work, value of the work to the organization, the culture of the work place and external market forces. Job evaluation helps to develop and maintain pay structure by comparing the similarities and differences in the content and value of job. Glueck, (1989)

The evaluation is based on the content of the work, value of the work to the organization, the culture of the work places and external market forces; it helps in establishing a pay structure that is internally equivalent to employees and consistent with the goals of the organization. The basic principle is jobs that require greater qualifications more responsibilities and more complex job duties should be paid more highly than jobs with lesser requirement.

The following shows the basis for determine a pay

I) Pay structures based on jobs

The first step is to determine an individual’s pay typically involves assessments of his or her job. The basic procedure is to compare the jobs in relation to one another identifying comparable factors such as skills effort responsibility and working conditions, plays critical role in job evaluation. There are four fundamental job evaluation methods namely ranking, classification, and factor compensation and point plan.

Ranking method it is the simplest job evaluation technique by ranking each job relative to all other jobs usually based on some over all factor like “job difficulties”. Two ways of ranking are usually considered: alternation ranking and paid comparison. This involves ordering the job descriptions alternatively at each extreme. Job description is a summary of the most important features of the job as it is performed. It identifies the job describes,

the general nature of work, specific task responsibilities outcomes and employee characteristics required to perform the job. The second one, the paired comparison method involves comparing all possible pairs of job under study. A simple way to do paired comparison is to set up a matrix.

Job classification:- involves slotting job description into a series of classes that cover the range of jobs. In these cases raters categorize jobs into groups called classes. Grouping jobs based on a set of rules for each group or class such as amount of independent judgment, skill, and physical effort usually contain similar jobs.

Steps in classification system

1. Define classes
2. Identify and slot benchmark
3. Prepare classification manual
4. Apply system to non-benchmark jobs
5. Factor comparison

It entails deciding which jobs have more of the chosen compensable factors. This method is actually an element of the ranking method with the factor comparison method. Each job is evaluated several times once for each of several compensable factors. In these cases, jobs are evaluated based on two criteria 1) a set of compensable factors and 2) wage for a set of jobs.

Point method:- It is a more quantitative technique. It involves identifying several compensable factors each having several degrees as well (example of factors, skills required, effort required, responsibility and working conditions) the degree to which each of these factors is present in the job.

In point methods, each job's relative value and hence its location in the pay structure, is determined by the total points assigned to it. A job's total point value is the sum of the numerical value for each degree of compensable factors that the job possesses.

Once the total points for all jobs are computed and a hierarchy based on points established then jobs are compared to each other to ensure that their relative location in the hierarchy are acceptable. Memoria C.B (1994)

Market comparison: - These principles are particularly important in managing perceptions. There is no doubt from the researcher in this area that people have a tendency to see their own pay as worse than that of other even though they may be relatively well paid. (Lawler 1971).

3. Internal comparison: - individuals have a strong tendency to compare their pay with the pay of others in their immediately work location. Research on equity and social comparison show that this is the first compensation many individuals make (Adam 1965)

Design pay ranges

After job evaluation is completed an organization has to determine pay levels and pay structures. In order to do so conducting a salary survey is very important. The salary survey enables that organization to know what state of pay the labor market demands and to direct its effort toward maintain and even improving upon these market participation rate of pay. In conducting a salary survey formal written question air or telephone surveys and newspaper advertisement used as a source of information. The survey data used to analyze how much paid for the same job by the competitors or in the market (Zingheim Patricia, 1992).

The pay policy line will be established based on the organization policy regarding the external market on the survey that provides actual rates paid by the competitors in designing ranges three basic steps are typically involved:

Develop classes or grades grouping of different jobs each grade is made up of a number of jobs. The jobs in each grade are considered substantially equal for pay purposes

Set mid points maximum and minimums the midpoint rates for each ranges are usually set to correspond to the pay level policy relative to what competition pays for similar jobs.

Degree of overlap- the difference in mid points among ranges and the range spread determine the degree of overlap between adjacent grades ranges

Generally, setting total compensation levels be driven by the kind of business an organization is in and the kind of management style it decides to adopt. The actual position of total compensation also needs to have driven by business strategy. Clearly making them well come provide an organization with competitive advantages and can align the pay system of the organization strategically in a way that is important for the

overall effectiveness of the organization. The most obvious impact of the total compensation level received by employee is on attraction and retention. Total compensation levels also have a direct impact on the cost of an organization not doing business. In order to achieve a high market position, organization must spend more on pay than their compensation levels. One of the most obvious comparisons is a pay state in other parts of the same organization one. For many individuals the level market is the key market comparison (Adams, 1965; Goodman 1974; Fay 1989). If they are going to leave their current employer, it will be for another job locally. Often the most important comparison from an organization point of view is to industry competitors. These comparisons are important because they determine organizations cost competitiveness.

Finally, there is the issue of international competition and the degree to which offshore competitors from a realistic pay comparison. Technical and managerial employees are the people in an organization who are the most mobile internationally. They can easily be moved across borders where the best wage exists. There are considerable advantages to having market positions reflect on organizational and individual performance. This can be often be successfully achieved with a combination of an individual pay for performance plans.

2.4 The Theoretical frame work of employee benefits

2.4.1 Definition

Benefits are additional monetary rewards in the form of allowance other than pay. Employee benefits are available to all employees based on membership in the organization employee benefits are that part of the total compensation packages other than pay for time worked, provided to employees in whole or in part by employer payments. (e.g.:- Life insurance, pension, workers compensations, vacation).

“Benefits indirect financial and nonfinancial payments employees receive for continuing their employment with the company”.

2.4.2 Types of benefit

There are major benefits to which organization contribute a substantial amount of resources or on newly developing benefits that are increasingly important to employees.

Payments for Time not work: - there are two major types of paid days off. They are (1) Vacation and (2) specific days, such as holidays and days to perform civic or personal activities. The two types differ in eligibility. Amount of vacation time usually depends on length of service and possibly salary or job level. Paid holidays, however, are usually available to all employees on an equal basis. Vacation: - the length generally depends on employee length of service with the organization; the years of service necessary to be eligible were decreasing (M.Meyer, 1981). Holidays the number of holidays granted by employers has also stabilized recently, with the modal number being 10(Ibid) specific holidays paid by nearly all employers Christmas, New Year's, Thanksgiving, Independence Day, Labor Day, and Memorial Day. Other paid days off: - most organization also provides paid days off for jury duty and reserve military assignments. Some employers continue pay during military leave and /or supplement military or jury pay to bring pay levels up to employees' regular rates. (Ibid)

Insurance Benefit: - employers provide or subsidize a variety of insurance vehicles for employees. These include health insurance, Life insurance, disability insurance, and other employment related plans

Retirement Benefit: - providing income for years in retirements in becoming more and more important with the gradual extension of life expectancy. Pensions provide income after retirement and until death based on the employee's years of work and direct pay. Most employees participate in a pension program mandated by the social security Act of 1935. Many are also covered by non-mandatory private plans. In addition, most employers offer some form of health insurance to retirees. There are Mandatory pensions and Private pension's plans. Mandatory pensions are pension benefits of social security are financed by equal employer and employee contribution based on the level of compensation earned by the employee. Private pension plans are the income provided by social security is often insufficient to provide the standard of living most employees have become accustomed to while working

2.4.3 Benefit Administration

Employees and their unions are very much concerned with, and often involved in, the benefits process. The variety of concerned with, and often involved in, the benefits process. The variety of benefits offered, their cost, the number of interested groups, and regulation make the administration of benefits a source of considerable managerial effort.

Five administrative issues deserve special mention:-

The first involves the choice of objectives in establishing benefits and the evaluation procedures to be employed.

The second involves the controlling of benefit costs.

Third is the desirability of possibly providing benefit choices to employees

Fourth is the need to communicate benefit information to employees.

Finally, managers must be concerned about tax law reforms.

2.4.4 Benefit Objectives and Evaluations

In establishing objectives, management may consider several factors.(The discussion of objectives is based on S.T. Pritchett, "cost-Value Analysis of Employee Benefits; An MBO Approach," Compensation Review 1975) Among these are matters of organizational values, Such as an assessment of organizational responsibility for employee security. Somewhat more concrete (especially if assessed systematically through survey) are employee preferences for benefits. P/HR outcomes such as attendance, length of service, and performance should be important considerations in the objective-setting process. Finally, when setting objectives, organizations have to consider their ability to pay for benefits.

Evaluation of existing or proposed benefits should be made against the same factors that led to the objectives in the first place. Costs of the benefits are one important component of the evaluation process. In addition, an assessment of the effects, or an estimate of the probable effects, of the benefits needs to be made.

As a somewhat oversimplified illustration of the process that might be employed, consider some issues in evaluating the desirability of a new benefit. Suppose the benefit

has been proposed primarily as a way of attracting new employees into the organization .it would be appropriate first to determine if the organization really has a recruitment problem. If so, the probability of the benefit easing the problem needs to be estimated. A survey of practices in other organizations might be helpful in making this estimate. (M.J. Wallace, Jr., and C.H.Fay (1988)

2.5 Empirical Literature

Eman Fuad in his assessment of compensation and Benefit package practice in Ethiopian Road Authority (July 2010), he found that there is no employees discussion in preparing compensation plan in organization not only this they don't know from where they can get information regarding the compensation plan of the organization. Employees are unsatisfied with the current monetary incentives bonus and son on. In general his finding shows that satisfaction level of employees with the existing remuneration system of the organization is limited in case of salary. This means employees may not stay in the organization for long period of time and this may not lead to increase turnover and absenteeism of the organization. He also recommend that the company attention should be given for improvement in area of existing remunerating system to increase the level of satisfaction of employees; the organization could be able to allocate appropriate remuneration system for satisfaction of employees and also he recommend the organization should administer the salary scale fairly based on the responsibility they have qualified and relevant year of experience to retain and motivate employees for higher performance.

Another thesis conducted by Bililign Lemma (June 2012) assessment on employees benefit package and turnover intention in the case of Dashen Bank his finding demonstrated that the benefit package of the company is not enough to cover the basic need of its employee and their families moreover his study also established that the benefit package of the company is lower than similar and different company to cover the needs of its employees. Finally, his findings him to the conclusion that for all Dashen Bank and other similar industry in general to use a flexible benefit package on their police and program and reduce employees turnover intension.

CHAPTEER THREE

RESEARCH METHODOLOGY

This part focuses on the research design and methodology of the study which is conserved with the research design, sampling method and sample size, source of data collection procedure and data analysis methods that is applied in the study. All this sub-topics are discussed.

3.1 Research Design

The researches undertake quantitative and qualitative descriptive type of study. The researcher conducted an interview with the bank managers and the result that is obtained from the interview is analyzed by using a qualitative analysis method. The data gathered from the bank employees through questionnaires analyzed by applying descriptive statistics . Nunnally (1978)

3.2 Population and Sampling Techniques

The populations of this study are all employees of selected five branches Abay bank branches in Addis Ababa including Head Office who have receive compensation and benefit. The study use convenience random sampling methods to select the sample from the available population because it is actually impossible to carry on a probability sampling because there will be no point in time during which all employees' are available at the time of investigation and it is not possible to contact everyone who may be sampled. Accordingly, from the total population of five branches of 70 employees 'were selected be expected.

3.2.1 Sampling Techniques

The researchers take different factors like the nature of research, time and money into consideration in order to choose the right sample and use a formula by (Yemane Taro 1963) to determine the sample size. Technically, the size of the sample depends on the precision the researcher desires in estimating the population parameter at a particular confidence level.

For this study, the researcher will select (70) respondents from the total number of 234 employees that they have a direct or indirect link to the compensation and benefit package by applying a + 10% of precision level.

$\frac{n}{N} = \frac{1 + \frac{N}{e^2}}{1 + \frac{N}{e^2}}$	$\frac{n}{234} = \frac{1 + \frac{234}{(0.1)^2}}{1 + \frac{234}{(0.1)^2}}$	
	$= 234 \text{ (Employees)}$	n=sample size
		e= level of precision
		N=Population Size
$\frac{N}{1 + \frac{N}{e^2}}$	$\frac{234}{1 + \frac{234}{(0.1)^2}}$	
	$= 70 \text{ (employees)}$	

3.3 Source and Tools /Instruments of Data collection

This research carried out with primary and secondary sources of data that enable the researcher to meet the objective of the study outlined at the beginning.

The primary data collection method is carried out through distribution of **questionnaires and** conducting **interviews** with key informants at the managerial position. The questionnaires were composed of three parts; the first part was prepared by multiple choices that deal with employees' profile and other related personal information that the share in communality with the employer organization. The second part was designed on a five point opinion scale basis i.e “strongly agree, Agree, neutral, disagree

and strongly disagree” which have three d. The third part deals with the open ended questions. The interview part was attended unstructured interview questions administered with managers.

The secondary sources of data are the human resource policy documents available in the bank which were reviewed and referred and other published material such as reference books, reports and manuals of Abay Bank S.C and others research works as well as books and journals. The researcher considered four dimensions of compensation and benefits as independent variable and employees’ performance as dependent variable. The four dimensions of compensation and benefit were, perception towards compensation, performance based salary, perception towards benefits and fairness.

3.4 Procedure of Data Analysis

After designing the data collection tools, the researcher made interview with top level managements to get primary data and give questionnaire to the employees by giving adequate time for each informant to fill the questionnaires. Finally, the questionnaires are collected and scrutinized to make them ready for analysis.

3.5 Data Analysis Method

After collecting both primary and secondary data, the result data would be analyzed by organizing responses of questionnaires and with responses from detailed interviews. This would be accompanied by the secondary sources of data collected from researches and literatures.

3.6 Ethical Consideration

All the data obtained from the respondents have been kept confidential and are used only for this research purpose. The name of each informant has never been requested and publicized any case and nowhere on the research paper. Anonymity of research subjects has been diligently maintained in the course of the research process. Unnecessary change and adjustments have not been practiced by the researcher.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

In any research undertaking, administering all available data collection instruments pertinent to the type and purpose of the research has paramount importance. Nevertheless, raw data obtained in the course of the research endeavor would be of no value unless these data are appropriately organized, presented and analyzed. To make this process evident, this portion of the document is dedicated to the presentation and analysis of the quantitative as well as qualitative information obtained using the questionnaire and interview administered among the selected sample respondents in the selected branches of Abay Bank.

4.2 Response Rate

The researcher distributed 70 questionnaires in the four selected branches of the bank, and was able to collect 62 questionnaires back. That means the response rate for this research was about 88.57%. And the researcher able to had an interview with five managers including HR Manager of the AB as proposed and the response rate was 100%.

Table 2; Response rate of Questionnaires Administered

	Employees		
	Correctly filled and returned	Not Correctly filled	Not returned
Number	62		8
Percentage	88.57		11.43

4.3 Demographic Profile of the Respondents

Accordingly, the analysis will start, as it is indicated in the questionnaire annexed from the personal and general information of the respondents and goes on with the presentation and analysis of the data gathered pertaining to the organization under study and the employees' reaction to certain issues that associate them with the employer and vice-versa.

The table hereunder depicts the general information obtained about the respondents as indicated by their own via the questionnaire administered among the sample informants in all the selected branches. As it indicated in the first category which is about the gender mix, the number of female employees signifies a very considerate representation where they compose 45.16% of the total employees and the size of male employees covers the remaining 54.84% of the entire employee population.

When the level of education of the employees is assessed, the information asserts that 59 of the total 62, that is more than 95 percent of the respondents have already secured a bachelor level/first degree education. The rest of the employees included in the sample are having a second or master's degree. From the entire sample population there is no one employee who claimed to have the educational qualification neither in the doctorate level neither below diploma.

When we examine the age composition of the employees, the large majority, 49 out of 62 (79.03%) of the employees are in a very productive age, between 20 and 30 years. The rest 14.52 percent are aged between 40 and 50 years old and a figure count of the remaining employees as indicated below in the general information description table are between 40 and 50 years old and there is no single respondents who marked one's age over 50 years. The other parameter assessing employees' information is the number of years they have served Abay bank. Consequently, all the employees selected for the study indicated their experience is less than five years. This is due to the fact that Abay bank is a very young and emerging one in the banking industry.

Table 4.1 General Information about the Respondents

Characteristic	Number
Gender	
male	28
Female	34
Education	
First degree	59
Second Degree	3
Age	
Between 20-30	49
Between 30-40	9
Between 40-50	4
Work experience	
0-5 years	62
current position	
Management	1
Non-management	61
Marital status	
Single	49
Married	13
Divorced	0
Widowed	0
Monthly average gross salary including other benefits	
between 2501 -3500	8
between 3501- 4500	9
between 4501 -6000	21
above 6000	24

When the position of the responding employees they have in the bank's hierarchy viewed, only one of them is the managerial position while the rest 61 (98.34%) in the subordinate or operational positions. In order to make a reasonable balance and to reconcile the discrepancies in light of the representation of position holders, managers are approached during the interview. The data in the table 4.2 shows that 98.34 % of the respondents hold operational positions and the rest 1.61 % of the employees has a managerial position. The researcher had an interview with the managers of the bank and non-managerial position approached using structured questionnaires.

The marital status of the employees under representation as samples for this research indicates that they can be categorized in two categories, where the large majority 49 of the total 62 (more than 79%) of the respondents are single and the rest 13 (nearly 21%) are married.

The last but not least personal information prompted to be indicated by the respondents is the amount of salary inclusive of benefits that they earn on monthly basis. Accordingly, four different scales have been marked by the respondents. All the four margins have incorporate different number of employees. Thus, the ranges are 2501 -3500, 3501- 4500, 4501 - 6000 and over 6000 Birr where, 8, 9, 21, and 24 respondents respectively claimed they earn the amount falling in the margin.

4.4 Respondent Perception

The below here, responses were measured on five point Likert scale with 1=Strongly Agree (SA), 2=Agree (A), 3=Neutral (N), 4=Disagree (D) and 5=Strongly Disagree (SD). To make easy and understandable interpretation the questioner classify under four dimensions, first Employees perception towards compensation, employees perception towards Benefit , performance base salary and fairness of the existing practice. As shown on the table 5, 6, 7 & 8 the researcher analyzed and grouped the served results data in the in to four and based on the categories mentioned before.

Table 4.2 Employee's perception towards compensation

Items		Number and Percentage of responses				
		SA	A	N	D	SD
1	Respondents reaction towards the competitiveness of the payment they earn as compared to the market	9 14.52%	49 79.03%	1 1.61%	3 4.84%	0
2	The salary level of Abay Bank is competitive with its competitors	9 14.52%	50 80.65%	0	3 4.84%	0
3	Company pays a reasonable/fair pay or salary to its employees	9 14.52%	50 80.65%	0	3 4.84%	1 1.61%
4	Comparing the salary and benefits with external labor market helps the company in adjusting its compensation package whenever necessary	0	0	0	13 20.97%	49 79.09%
5	The bank regularly conducts a proactive audit function on the wage and salary administration	0	4 6.45%	32 51.61%	26 41.94%	0
6	Currently there is performance based incentive and compensation system		3 4.84%	0 -%	58 93.54%	1 1.61%
7	Abay Bank has guaranteed bonus to the employees whenever it is profitable	3 4.84%	59 95.16%	0	0	0
Overall Mean		6.914%	49.54%	7.60%	24.42%	11.76%

Source: researcher survey, 2015

As table 4.2, in first row above illustrates, a significant majority, more than 83 percent of the employees of Abay bank acknowledge that the salary scale which the bank has set is competitive for the market. There is no one respondent who has a strong disagreement with regards to the competitiveness of the salary they earn, nevertheless less than 5% of them disagree on the competitiveness of the salary scale as they contrast it with the existing market requirement. Therefore, based on this, we can realize that the bank has well considered and addressed the very issue which most employees require at least to be attracted to any employer organization, which is the affordability of the amount of pay or wage rate they are going to secure for a living. Besides, it can also be said that the bank is well aware of the universal and contemporary reality that people can only be loyal to an employer organization which can pay them back the amount they deserve and which can help them in turn to be able to pay for goods and services they need from the market.

When we see the salary level of competitiveness with other competitors to some extent the same issue as earlier whereas the comparison here a little otherwise, As the question clearly stipulates, respondents are opted to make a comparative look at between Abay Bank with its equivalents. Accordingly, it shows that more than 90% of the respondents believe that the bank which they are working with is competitive with similar banks around in terms of the pay scale scheme. In this case we can realize that employees in one organization are well aware of the differences and similarities between and among similar employer organizations, especially the banking sector when it comes to salary scale. This same knowledge and awareness may not be limited to only the employees but also prevails in the employer organizations. This we can infer from the information the respondents provided organizations such as the banks might also make a fair competition to attract and retain employees. This I say because these two slightly similar questions are tailored to find out whether employees are satisfied with the amount of pay they earn when they compare it both with the market where they go out to purchase their consumptions and to that of the pay rate their professional colleagues are earning from other similar employer in this case the bank.

When employees asked a question about fairness of the salary respondents were required to judge the amount of payment they get from their employer organization using the fairness parameter. Hence, nearly 94 percent of them confirmed that the amount of pay that Abay bank pays them is fair. However, as it is clearly indicated in the table 4.2, less

than 7% of the employees under study believes that the bank should pay more than what it currently offers them as they indicated their disagreement with the existing pay being fair. This might be attributed to the level of education they have attained and the number of years they have served in the banking sector or elsewhere. In order to test the validity of this hypothesis however, another in-depth study which can analyze such issues needs to be recommended to find out the fact and rationale behind the dissatisfaction these employees have with the exception to the majority.

The evidence that respondents provided in relation to the strategy that the bank might have implemented to adjust its salary and benefit packages by assessing the external labor market is presented in table 4.2. Thus, the respondents unanimously asserted that the bank does not compare its salary and benefit schemes with the external labor market in a way to utilize the result to adjust its benefit packages. However, the opinion of the respondents here seems contradicting with the view they gave on table 4.2 of the first statement to a similar question framed a bit differently on salary related matters. When we try to triangulate the quantitative information with that of the qualitative obtained in the same issue, we understand that the employees commend that the bank pays them a good amount of monthly salary. It can, however, be agreed that the employees perceive that the bank regulates its pay rate either without formally considering the existing labor market in the banking sector or does not disclose the process to the employees though it might practice the market assessment.

With respect to the proactive auditing functions on the wage and salary administration at Abay bank, more than half of the respondents took the neutral position instead of taking the for nor against stand. The other significant amount of the employees who filled the questionnaire expressed their disagreement that as to their evaluation does exercise a proactive audit functions on the wage and salary administration. A slight portion of the respondents, only 6.45% believe that Abay bank conducts the proactive audit function on the wage and salary administration. In this case the result implies that there is a varying perspective among Abay bank employees while we come to understand that there is a likely information gap among employees in the proactive audit function associated with wage and salary administration as it is clearly revealed in table 4.2.

Besides the regular salary scheme agreed between an employer organization and its respective employees, there are different incentive and compensation schemes that the

employer executes anticipating the goals which it sets, such as ‘motivating employees’ to increase productivity and maximize profit. In order to examine if there is such a strategy in the organization under study, a pertinent question has been incorporated in the survey question which asks the respondents whether there is an incentive and compensation system devised to achieve some of the objectives stated above.

Consequently, as it is demonstrated in table 4.2, the vast majority and almost 95 % of the respondents asserted that the bank does not have performance based incentive and compensation modalities. However, the remaining five percent of the respondents ascertain that there is performance based incentive and compensation system that the bank exercises. The result implies contradicted perception of research subjects who are found in the same institution can have some implication and indication that either incentive and compensation system practiced in the institution is targeted to some minority group of professionals excluding the vast majority at all or does not exist at all as a system. It is also likely that there is the belief among employees that the incentive and compensation practice is not meritorious.

The information the study participants provided with regards to bonus that the bank pays to the employees. On this section, it is vividly presented the entire informants with no exception respondent respond that the bank pays them bonus every year starting from the establishment. It is often assumed that businesses established for profit highly consider their customers and employees as the engine for the maximization of the ultimate goal. The commitment that such business institutions demonstrate to attain their goals is attributed to the value they attach to their customers and employees who are the driving forces and the means to maximize the profit the institutions aspire. So the result implies (99%) that employees of Abay bank are satisfied on the bonus scheme which they have an effect in the motivation of the employees. The theory of motivation acknowledges that though money may not consistently help to increase motivation level in employees, it helps to decrease the level of demotivation that could occur when it is unavailable so, we can say that Abay bank have good practice on this section.

Table 4.3 Employee’s perception towards Performance based salary

Items		Number and percentage of responses				
		SA	A	N	D	SD
8	Performance based salary increase is merit based and fair	0	2 3.22%	0	51 82.26%	9 14.52%
9	Performance reward system helped Abay bank to retain efficient, skilled, and experienced employees	0	13 20.97%	0	49 79.03%	0 _%
Overall mean		-	12.095%	-	80.65%	7.26%

Source: researcher survey, 2015

The question that the respondents were asked to express their opinion on, as indicated in illustrated on the table 4.3 above was whether the merit based salary increment that Abay Bank is implementing is fair. When the responses are observed, it is well manifested that out of the total 62 respondents, 60 of them revealed that there is no fair merit based salary increment while only two of them agree that there is a fair merit oriented salary increment practice. Therefore, such a disparity of perception of the same issue among employees one employer organization invites further enquiry on the issue at hand as to why the most significant amount of staff of an organization is contentious about the practice the bank exercises to please all its employees. As shown in on the above table 4.3, asked to testify whether Performance reward system helped Abay bank to retain efficient, skilled, and experienced employees, more than 79 % of the respondents disagreed to the notion that Abay bank is benefiting from its performance reward system in terms of retaining efficient, skilled and experienced employees. Nevertheless, the rest 21 % of the respondents believe that the bank has benefited from its performance reward system as a strategy to retain efficient, skilled and experienced personnel. Seeing that the consistency of the divided opinion, views and perspectives of the respondents in the previous

questions pertaining to salary, incentive and reward, one can further speculate that there could be any form of discrepancy between the practice and the platform or principle related to payment/salary, incentive, reward and whatsoever is tied to financial remuneration. However, out of an inquisitive mind scrutinizing the matter depending on such empirical evidences where majority of the employees explicitly express their disappointment of the system, we can come up with a tentative inference that majority of the employees have some sort of expectation which the bank could not uniformly and comprehensively meet for some reasons. So that implies that the employees of the bank are not satisfied on the bases of performance reward system to retain existing efficient, skilled and experienced employees.

Table 4.4 Employee’s perception towards Benefit.

Items		Number and percentage of responses				
		SA	A	N	D	SD
10	The bank provides quality and regular free transportation services for all employees of their position	0	0	0	6 9.68%	56 90.32%
11	The bank gives financial assistance to an employee for scholarship/study	0	0	0	61 98.39%	1 1.61%
12	Employees are communicated on the cost of non-cash benefits like medical scheme, educational assistance, free transportation services etc	0	17 27.42%	0	45 72.58%	0
13	The medical schemes provided by the bank is fair	3 4.84%	24 38.71%	0 _%	31 50%	4 6.45%
Overall mean		1.21%	16.532%	0%	57.66%	24.595%

Source: researcher survey, 2015

The researcher also asked whether the Bank provide quality and regular free transportation services for all employees assuming different positions. In light of this, all the respondents marked that the bank does not at all provide transportation services. The response that is obtained using qualitative interrogation with the employees signifies that the benefit and compensation scheme the bank laid is not satisfying them. When we think of benefits and compensation to employees, one aspect that we consider is whether there is free transportation facility an organization provides to its employees or an alternative compensation. The information gathered during the face-to-face interview the managers; however, the participants acknowledge that there is allowance for transportation but argues that it has never been revised since the establishment of the bank whereas the cost of transportation is regularly mounting.

As it is indicated on the table 4.4, asked whether the company gives financial assistance to the employees for scholarship/study, all of them denounced that the bank does not have the tradition of providing scholarship sponsorship to its employees. The academic profile of the study participants implies that the bank tends to recruit those professionals majority of those who graduated with the first degree qualification. In this case, the bank looks like to avoid the expenses that it can incur in the process of building its employees' capacities through further education. This has also been well fortified during the interview held with the participants, when they complained about the culture of the bank. Their points of contention in this regard include but not limited to that the human resource management department never worries about the high turnover of employees. The respondents feel a bit surprised why the employees who submit a resignation letter were not asked why they are leaving. The participants of this research claim that the bank managers and as well the HR have no worries about whoever is coming in and going out as an employee.

The reflection of employees on the pre-informing practice that their employer in this case Abay bank uses about the non-cash benefit schemes such health coverage, study fees, transportations allowance and so on. Accordingly, more than 72% of them indicated that they are aware of the benefit schemes ahead of time. As the study participants mentioned about presence of the human resource manual which they still complain needs revision considering the current economic situation, we can presume that majority of them are acquainted with the information from this manual.

It is of human nature that not everyone is equally inquisitive about rules, regulations and procedures of an organization where one is officially hired. This is manifested in above table as a significant number, 27.42% of the respondents declined to testify for the organization with regards to its tradition of pre-informing them about the benefit schemes available.

Informants were approached to reflect on the health and medical benefit packages they get from the bank. Consequently, they have expressed their opinion in this regard both in the survey questionnaire where 27 out of the 62 respondents expressed that they are satisfied with health benefit scheme. But 35 of the total 62 informants argue that the health related benefit package is not satisfying is their health care coverage. This has been well illustrated during the interview that the 7000 Birr annual health care allowance is not adequate enough to cover the health care expense they have for their entire family members. When we analyze the responses in this regard, we can anticipate that employees with a relative large family size are concerned about the amount of health and medical care benefit package. On the contrary employees with small family size or those who have not established a family are apparently satisfied with the existing health and medical care allowance.

Table 4.5 Employees perception towards fairness.

Items		Number and percentage of responses				
		SA	A	N	D	SD
14	The company gathers information/input using questionnaire interview regularly the employees perception towards the existing salary and Benefits	0 -%	23 37.10%	0 -%	39 62.9%	0 _%
15	The salary allocated to my current position and the benefits the company provides is satisfactory	0 -%	35 56.45%	0 -%	27 43.55%	0 _%
16	The state of internal mobility like promotion, transfer and demotion is fair in the company	5 8.06%	6 9.68%	1 1.61%	22 35.48%	28 45.16%
Overall mean		2.686%	22.043%	0.53%	47.31%	15.053%

Source researcher survey, 2015

Based on the responses obtained in this regard as shown in table 4.5 we can infer that the employees who recognize that the bank regularly gathers information from its employees could be those who have once or more got the chance to provide the required information. On the other hand, respondents who state that the bank does not regularly collect information from the employees are presumed not to have involved as respondents in any circumstance. There is also the possibility that the bank may consider people only in the

management position through the administrative hierarchy to provide information it collects using survey questionnaire and interviews. In this regard, the employees who are functioning down at the operation level may be overlooked to participate as informants.

The other factor addressed in the survey questionnaire is the state of the employees' satisfaction they have on the position they are assuming at the time of the study when associated with the salary and benefit levels allocated. Accordingly, as enumerated in table 4.5, almost 57% of them assert that they are satisfied with the position they have. Nonetheless, a good number of the rest of the informants showed their dissatisfaction on their current position bank. In this case the nature of the job in some positions which might be routine and unable to pay off these employees up to their expectation could be the factor dissatisfaction. This could also be one of the potential pushing factors for the high staff turnover mentioned earlier on the issue raised regarding retention where the respondents claimed that the management and the human resource department paid less attention to the matter.

With respect to the fairness of promotion, transfer and demotion which the human resource management decision outcomes, there is diverse outlook among research participants. While the more than 80% of the respondents expressed their disagreement on the prevalence of fair promotion, transfer as well as the demotion decision. However, more than 17% of the informants believe that the bank embarks on fair transfer, promotion and demotion practices. The reflection here is likely that not every employee could have the same attitude, satisfaction and emanating from the process and result of the human resource decision outcomes such promotion, transfer and demotion due to the fact no such decisions would evenly and equally address the demand from each employee.

4.4.1 Interview with managers

The researcher had conduct an interview with the four managerial level personnel's regarding the following questions.

1. Is there a clear compensation and benefit package policy which formally communicated to the employees?

One this case all the respondents respond that, there is a compensation and Benefit policy manual and on the issue communicate to all the employees by giving the hard copy and by using online system.

2. How often the company compensation and benefit policy manual reviewed?

There answer in general the company never made any amendment to the policy starting from the company establishment because of many reasons especially as they said, it is because of work load but only on the salary case the company always made adjustment annually.

3. What is the level of satisfaction of employees on compensation and benefit management practice in Abay Bank S.C

The managers says that employees always complain informally about the existing compensation especially on the benefit package so they can't that there employees are happy on the current compensation and benefit package.

4. What are the main challenges of compensation and benefit practice on the company?

On the last interview the managers says that the employee's expectation is unlimited and the existing competitors company's bring more challenge for the existing practice.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter deals with summary of findings conclusions and recommendations. The summary of findings includes the demographic information of respondents and employees perception towards to the existing Compensation and Benefit Packages.

5.2 Summary of Finding

In term of length of service at the institution, 100% of the respondents had worked for the institution fewer than five years A respondent was young than 30 years, 79.03% were between 20-30 years, 14.52% were between 30-40 years, and 6.45% were over the age of 40. Regarding qualification, 4.84% were 2nd degree and 95.16% were 1st degree,. In terms of the job category in their institution, 98.39% of those responding from non-management while the rest management

The items included in the leinkert rating scale were grouped in to four categories. These are employees perception toward compensation, performance based salary, employees perception towards benefit and employees perception towards fairness. Based on the finding the following summary of finding discussed.

The data on table 4.2 showed that Employee perception on the dimensions of compensation; most of the employees of the organization (49.54 %) of the employees are satisfied with the current compensation scheme of the organization, only 24.42% of the employees are dissatisfied with current scheme of the organization. 7.6 % of the employees had a neutral view on the proposed questionnaires' this indicate that the salary scale the employees fall in their monthly earning as well as the level of satisfaction with

the amount they earn signifies that they are happy with it. They also believe that the salary scale and the amount they are currently paid is competitive to other banks and relatively considerate of the exiting market. However, these same employees have reservation and dissatisfaction that the compensation packages are not up to their expectation.

The data on table 4.3 showed that Employee perception on the dimensions of performance based salary; 80.645% of the employees are dissatisfied with current performance based salary of the company, only 12.095% of the employees are satisfied with the performance based salary of current scheme of the company. On this dimension AB doesn't consider performance for the increment of salary. As the interview with the manager also indicate that Performance Appraisal isn't considered for any adjustment of their salary, what matters is their education level and score of the written exam.

The data on table 4.4 showed that Employee perceptions on the dimensions of Benefit; 57.66% and 24.6% the employees are foal in the view of dissatisfied and strongly dissatisfied with current Benefit of the company, only 16.53% of the employees are satisfied with the existing company Benefit. On this dimension it has been realized from the information obtained from the informants that while they are expecting quality transportation services for free, the bank does not yet avail such provision. According to the employees, there is no bonus paid to them since the establishment of the bank. The medical and health benefit package allocated on annual basis does not seem to satisfy some of the employees as they claim that it does not cover the family health care needs. Nevertheless, some of the employees who are not married does not large family believe that the amount allocated for the health coverage addresses their annual health care and medical expenses.

The data on table 4.5 showed that Employee perception on the dimensions of level of satisfaction; 47.31%the employees are in the view of dissatisfied and15.053% strongly dissatisfied with current practice of gathering information towards the salary , benefit and transfer/ promotion (demotion) is wither it is fair or not ,Only 22.043% of the employees are satisfied with the existing company culture . But as the Percentage indicate the culture of relying on clear merit based compensation and reward modalities. There is also significant concern among employees, that the bank is adamant to collect relevant information from employees and the equivalent sector to take corrective measures on

what they say are not well organized and procedural, in this case the compensation and benefits which they condemn that they are not communicated in advance about the implementation.

Employees in different positions have a divided attitude that some of them argue that the amount of salary they are currently earning does not accommodate their needs. However, there are also employees who commend that their present salary considers their needs and expectations.

5.3 Conclusion

Based on the findings listed earlier, the following concluding remarks have been generated. The result of the study revealed that employees of Abay Bank satisfied with compensation (salary and Bonus) scheme of the bank. Majority of the respondents are satisfied with the current scheme of salary and bonus, the rest 36 % of the employees are dissatisfied with the current scheme of salary. Based on this findings, it is possible to conclude that most of the employees of Abay bank are satisfied with the current compensation scheme , the bank management should able to keep up with the external environment, by doing so the bank able to retain its existing employees and in turn the bank employees will perform their best.

The second dimension under this study is perception towards performance based salary. Most of the employees are dissatisfied on the existing performance based practice of the bank. In order to make the employees perform well the bank managers have to revise the current performance based salary manual.

The third dimension under this study is Benefit, it is possible to conclude that most of Abay bank employees are dissatisfied with benefit package of the bank. Based on the findings 86 % of the employees are dissatisfied with the benefit package of the bank. The researcher had able to understand the fact that the benefit package manual of the bank never revised since its establishment. The bank managers need to revise the current benefit package manual.

The final dimension under this study was fairness. Employees of the bank are dissatisfied with the fairness dimension. 62 % of the respondents are dissatisfied with the fairness dimension. Statements like “the company gathers information regularly to know the perception of employees towards the existing salary and Benefits” 62.9% of the

respondents disagreed under this statement. The bank management need to improve the fairness dimension of the bank, by regularly conducting research to know the perception of the employees on the fairness dimension of the compensation and benefit package.

5.3 Limitation of the study

The study is on Compensation and Benefit practice and its implication on the employee's performance of Abay Bank S.C by using the perceptions of employees towards the compensation and benefit practice and literature assessment of the same area of other countries. This research will be limited to the following points:

The time frame will be very limited which limits in-depth treatment of the research topic which will have been done by increasing the number of samples.

There will be limitation of resource especially with respect to finance to travel to the regional states to find more balanced view;

Sampling frame is taken from five branch's including head office at Addis Ababa , which will have a limitation on the generalizability of the finding to the whole Country's respondents.

5.4 Recommendations

On the basis of the findings and the preceding conclusions, the following recommendations are forwarded. The researcher commends that if with full heartedly taken into consideration and wisely implemented, the following recommendations can bring about desirable results that could be aspired to be attained provided that the issue of employee compensation and benefit questions are well addressed thereof.

In order to solve the problem of Abay Bank need to revise the compensation and benefit policy by assessing the external market condition, the nature of jobs and employees expectation. So that the dissatisfied employees be properly considered.

To attain its objectives and motivate employees towards better performance, The bank needs to make periodic needs and satisfaction level surveys using cost effective and informative mechanisms so that employees would be able to express their genuine feelings thereby minimizing behind the veil rumors and backbiting. This actually plays an important role in developing the culture of transparency, participatory decision making and belongingness to the employees among employees. Furthermore; Abay bank needs to

lay the platform for clear, transparent and merit based compensation, benefit, and promotion procedures thereby disclosing and communicating all its community ahead of time so that everyone will participate in the competition.

The result of the study shows that the contemporary transportation problem in Addis Ababa is affecting all employees in many sectors. As recommended by Abay bank employees, the bank needs to devise a mechanism where the transportation challenge its employees are facing could at least be mitigating by providing free or a cost sharing modality transportation provision modality on mutual consensus with the employees in an affordable means. If possible, the bank may revise the health and medical benefit scheme now in place in a way that it can address the needs all employees both single and married ones who are taking care of relatively different family members dependent on them.

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APPENDIX

St. Mary's University

School of Graduate Studies

MBA in HRM

Appendix- Two Questionnaires

Questionnaires to be filed by voluntary employees

Dear Respondant

The questionnaire is prepared to measure and evaluate the compensation and benefits system of Abay Bank S.C

This questionnaire is for the purpose of academic study that will be kept confidential and presented to St. Marry University in partial fulfillment of the requirement for masters of Human Resource Management (HRM). I kindly requisite you fill this questionnaire at the best of your heart and knowledge.

Thank You!

Note: no need to explain your identity

When a question has a choice please circle the selected choices

A. General Information

1. In which division you are currently working on?

2. How long have you been working with Abay Bank?

A/ 0-5 B/5-10 C/10-15 D/ 15 years and above

3. Your age?

A/ between 20 and 30 B/ between 30 and 40 C/ between 40 and 50

D/ 50 and above

4. What is your educational background?

A/ high school B/ first degree C/ second degree D/ P.H.D E.
diploma

5. Your current position is functionally categorized as?

A/ line staff B/ supporting staff C/ higher executives

6. How long have you been in your current job/position?

A/ 0-5 B/ 5-10 C/10-15 D/ 15 years and above

7. Under which category shall your current position classified?

A/ management position B/ non-management position

8. Your marital status?

A/ single B/ married C/ divorced D/ widowed

9. How many children do you have?

A/ no child B/ one C/ two D/ three E/ four and above

10. What is your monthly average gross salary (including variable pay and other benefits)?

A/ below 1000 B /between 1000 and 1500 C/ between 1501 and 2500
D/ between 2501 and 3500 E/ between 3501 and 4500 F/ between
4501 and 6000 G/ above 6000

B. Questionnaire in relation to compensation (wage, salary and other benefits) Please put tick () where you think it's appropriate in the space provided.

No.	Description	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
I. Compensation						
1	Respondents reaction towards the competitiveness of the payment they earn as compared to the market					
2	The salary level of Abay Bank is competitive with its competitors					
3	Company pays a reasonable/fair pay or salary to its employees					
4	Comparing the salary and benefits with external labor market helps the company in adjusting its compensation package whenever necessary					
5	The bank regularly conducts a proactive audit function on the wage and salary administration					
6	Currently there is performance based incentive and compensation system					
7	Abay bank has guaranteed bonus to the employees whenever it is profitable					

II Performance based salary						
8	Performance based salary increase is merit based and fair					
9	Performance reward system helped Abay bank to retain efficient, skilled, and experienced employees					
III Benefit						
10	The bank provides quality and regular free transportation services for all employees of their position					
11	The bank gives financial assistance to an employee for scholarship/study					
12	Employees are communicated on the cost of non-cash benefits like medical scheme, educational assistance, free transportation services etc					
13	The medical schemes provided by the bank is fair					
IV. Fairness						
14	The company gathers information/input using questionnaire interview regularly the employees perception towards the existing salary and Benefits					
15	The salary allocated to my current position and the benefits the company provides is satisfactory					
16	The state of internal mobility like promotion, transfer and demotion is fair in the company					

17. What is your opinion regarding the benefits the company provides to its employees? Is there any other benefit that you think shall the company has to guarantee to its employees? -----

18. In general what could be your comment regarding the salary and benefits of the abay bank in relation to retaining skilled, efficient and experienced employees?-----

19. Does your monthly salary can fully cover the whole of you expenditure?

A/ YES B/ NO

20. Do you really have an interest and commitment for your work?

A/ YES B/ NO

23. Do you have another means of income generation besides your actual work? A/ YES B/ NO

24. Do you think you are competent enough and loyal worker by exerting full capacity on your actual work? A/ YES B/ NO

If your answer is NO for this question please mention-----

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Appendix - One Interview Checklist

This interview checklist is intended to gather relevant information regarding the compensation and Benefit management practice in Abay Bank S.C. This will help to clearly see employee's performance (Motivation), belongingness filing and satisfaction with the existing Compensation and Benefit management practice.

Interview Questions

1. Is there a clear compensation and benefit package policy which formally communicated to the employees?
2. How often the company compensation and benefit policy manual reviewed?
3. What is the level of satisfaction of employees on compensation and benefit management practice in Abay Bank S.C
4. What are the main challenges of compensation and benefit practice on the company?