



**EMPLOYEES' PERCEPTION TOWARDS COMPENSATION AND BENEFIT  
MANAGEMENT: THE CASE OF ADDIS ABABA UNIVERSITY MAIN CAMPUS**

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**SGS/0229/2007B**

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ADDIS ABABA**

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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL OF  
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**ADVISOR:**

**TEREFE FEYERA (PhD)**

**DECEMBER, 2018  
ADDIS ABABA, ETHIOPIA**

## DECLARATION

I hereby declare that this thesis entitled " Employees' Perception towards Compensation and Benefit Management: The Case of Addis Ababa University Main Campus " has been carried out by me under the guidance and supervision of **Terefe Feyera (PhD)**.

The thesis is original and has not been submitted for the award of any degree or diploma to any other university or institutions.

**Tigist G/MeskelTakele**

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Signature

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Date

## **ENDORSEMENT**

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

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Advisor

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Signature & Date

**ST.MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES  
FACULTY OF BUSINESS**

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## ABSTRACT

*The main purpose of this research is to assess employee perception towards compensation and benefit management. The specific objectives of the study are to describe the employees' perception about the compensation management system of the organization, to describe the role of employees in compensation, benefit decisions and degree of communications about and benefit Packages, and to identify the most favored type of benefit Management available with the organization. The researcher used random sampling technique and 296 employees were selected from 6 killo main campus in this study. Questionnaires were distributed to sample respondents and all questionnaires were returned. Interview questions also developed for 6 killo main campus employee's compensation, benefit and relation manager. Data analysis was done using descriptive statistics like tables, frequency and percentage, in order to present the perception of the respondents. Findings showed that Majority of the respondents reflect that the company compensation and benefit does not a capability of attract new employee and retain the existing employees in the company. The current compensation management system is not allows employees for taking up higher responsibilities. Employees less participation in compensation and benefit decision process. Regarding to the compensation and benefits updated and communicated periodically the majority of respondents are disagreeing; it is not periodically updated and communicated. The organization to attract and retain top talent should give more incentives than the private companies can do. It can motivate and improve the morals of the employees by rewarding employees based on their performance. Employee empowerment is also a key strategy to enable people who have the need, the answers, and the knowledge, to make decisions about how to best serve customers takes high responsibility. The organization should work with employees to create an environment which foster improved decision making. Compensation and benefit should not be a onetime issue and need to be evaluated periodically for effectiveness. The company should seek for various ways of improving employees' performance in their company by finding out the effect, causes or problems associated the compensation and benefit scheme which will help them to identify those things that motivate their staff and apply them properly.*



## **CHAPTER ONE**

### **1. INTRODUCTION**

#### **1.1. Background of the study**

Compensation Management is an integral part of the management of the organization. Compensation is a systematic approach to providing monetary value to employees in exchange for work performed. Compensation may achieve several purposes assisting in recruitment, job performance, and job satisfaction. To be effective, the managers must appreciate the value of competitive pay, their human resources, and have an investment view of payroll costs (Bhattacharya, 2009).

Compensation is defined as the total amount of the Monterey and non-Monterey pay provided to an employee by an employer in return for work performed as required. It is the remuneration received by an employee in return for his/her contribution to the organization. It is an organized practice that involves balancing the work-employee relation by providing monetary and non-monetary benefits to employees. Compensation is an integral part of human resource management which helps in motivating the employees and improving organizational effectiveness. Essentially, its combination of the value of your pay, vacation bonuses, health insurance, and any other perk you may receive, such as free lunches, free events, and parking, these components are encompassed when you define compensation (Bhattacharya, 2009).

Compensation is designed to encourage performance of individual's regardless of the different type incentives form used. Its play an active role in pushing forward individual's capacity and moving abilities, motivating them to develop their skills, and balance between organization requirements and the individuals' needs which enhance the organization performance efficiently and effectively (Marwan, 2012). Employee satisfaction is one of the most important aspects in the organization that cannot be ensured without proper compensation management system.

Competent Employees are the greatest assets of an organization. The proficiency of employees plays a vital role in the context of diverse challenges faced by the modern organizations (Shukla and Tiwari, 2013).

## **1.2 Statement of the problem**

The behavioral scientists want to find out why people behave the way they do. It is assumed that most people are motivated primarily by economic rewards and emphasize the role of compensation and other incentives for increase in productivity. The behavioral approach claim better physical environment and increased economic benefit in themselves were not sufficient motivators in increasing productivity and shifted to psychological and social forces (Chandan, 1995).

Competent employees are the greatest assets of an organization. The proficiency of employees plays a vital role in the context of diverse challenges faced by the modern organizations. Compensation is the remuneration received by an employee in return for his/her contribution to the organization. It is an organized practice that involves balancing the work-employee relation by providing monetary and non-monetary benefits to employees. Compensation is an integral part of human resource management which helps in motivating the employees and improving organizational effectiveness. Compensation Management is an integral part of the management of the organization. Compensation is a systematic approach to providing monetary value to employees in exchange for work performed. Compensation may achieve several purposes assisting in recruitment, job performance, and job satisfaction. To be effective, the managers must appreciate the value of competitive pay, their human resources, and have an investment view of payroll costs (Harish and Shweta 2013).

To compete with other competitor, each university must increase their competitive advantage. The key competitive advantage is employees. Therefore, the issues of the employee job satisfaction become very important for the employer. There are many factors which can influence job satisfaction among university staff, for example, job security, compensation and benefits, opportunities to use skills and feeling safe in the work environment (Ovidiu-Iliuta, 2013).

Even though compensation and benefit are important in maintaining competitiveness by motivating and satisfying the need of employees to be productive and perform well, workers leave the organization due to the fact that they are not compensated enough; some are not willing to leave the organization because they are enjoying some benefit in terms of promotion.

The loss of employees represents a loss of skills, knowledge and experiences which can create a significant economic impact and cost to the organization. Organization can compensate employees and assist the organization by improving employee retention (Carolina, 2010).

The reason why the researcher chose this research topic is that nowadays there are many organizations that are relying on employees for success and competitiveness. According to the resource-based view, employees are the resources and assets of an organization. Consequently, organizations need to figure out strategies for identifying, encouraging, measuring, evaluating, improving and rewarding employees 'performance at work. According to this respect, compensation and benefit management have come to play an indispensable role in helping organizations to reach their goals of productivity (Stevens& Joyce, 2000).

Therefore, it is important that this research were conducted, or existing research will be expanded to understand Employees' perception towards compensation and benefit management so that a completed and comprehensive performance system could be built up. Moreover, it is important for employees and managers to understand that compensation and benefit management are the key determinants of an organization's long-term success or failure. If employees are not happy or do not agree with the compensation and benefit management; they are likely to be unwilling to take an active part in the process because they do not see any value of it. As a result, the organizational performance and productivity would decrease due to the inefficient employee performance. To conclude, this topic would be interesting and meaningful for any organization because the performances of employees have a significant relationship with organizational performance.

### **1.3 Research question**

1. What is the employees' perception about the compensation management system of the organization?
2. Do employees have a role in compensation, benefit decisions and degree of communications and benefit practices?
3. Which type of benefit management is perceived most favorably with the organization?

### **1.4 Objective of the study**

#### **1.4.1 General objective**

This study was tried to assess the employee perception towards compensation and benefit management in case of Addis Ababa university main campus.

#### **1.4.2 Specific objective**

1. To study the employees' perception about the compensation management system of the organization.
2. To describe the role of employees in compensation, benefit decisions and degree of communications about and benefit Packages.
3. To identify the most favored type of benefit Management available with the organization

## 1.5 Delimitation /scope of the study

The scope of the study is delimited with its title, geographically, conceptually, methodologically and timely.

**Geographically** this study is delimited to the political boundary of the Federal Democratic Republic of Ethiopia, FDRE, declared in 1991. Specifically samples for this study are taken from University in Addis Ababa found in the capital city namely Addis Ababa University(AAU) main campus only.

**Conceptually** this study is intended to assess employees' perception towards compensation and benefit management. Particularly the study tried to assess the employees' perception about the compensation management system of the organization, to describe the role of employees in compensation, benefit decisions and degree of communications about and benefit practices, and to identify the most favored type of benefit management available with the organization.

**Methodologically** this study used survey study type which it allows the researcher to gather information from a sample of respondents using questionnaire. Cross sectional survey are employed in which data are collected at one point in time i.e. 2018.

**Timely** impact it will be good if the study assess all governmental higher education but due to time constrain the study focused on only in 6 kill main campus.



## 1.6 Significances of the study

The study might have crucial role for different stakeholders.

The result of this study will greatly help the management of the HEIs to have another look at its compensation and benefit management. This study will be used as an input for academicians and other researchers by providing a clue on compensation and benefit management. The researchers was gain know how to conduct research and the researcher was read more articles and journals on compensation and benefit management.

This research was conduct to know the employees' perception about the compensation management system of the organization, to describe the role of employees in compensation, benefit decisions and degree of communications and benefit Packages and to identify the most favored type of benefit Management available with the organization.

## 1.7 Definition Of term

Compensation: - includes any direct or indirect payments to employees.

Benefit: - The opportunity to attract and retain valued employee. Additional payment which are transportation, leave travel allowance, bounce, insurance, hospitalization etc.

Management:-Concerned with the formulation and implementation of management strategies which are to reward people fairly, equitable and consistently.

Perception: - is the process by which people translate sensory impressions into a coherent and unified view of the environment around them. Though necessarily based on incomplete and unverified (or unreliable) information, perception is equated with reality for most practical purposes and guides human behavior in general.

## **CHAPTER TWO**

### **2. LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

Compensation is designed to encourage performance of individual's regardless of the different type incentives form used. Its play an active role in pushing forward individual's capacity and moving abilities, motivating them to develop their skills, and balance between organization requirements and the individuals' needs which enhance the organization performance efficiently and effectively (Marwan, 2012).

“Compensation is the reward employees receive in exchange for their performance. It is concerned with wages and salaries, pay raises, and similar non-monetary exchange for employee’s performance” (Holt, 1993). Well-designed compensation and benefit system enables organizations to attract qualified employees required and retain and motivate the existing work force towards goal achievement. The most obvious reward employees get form work is pay (Decenzo and Robbins, 1999)

Compensation can have a direct impact on employee retention. While employers may use employee incentives and monetary rewards to retain employees, there are ways to complement compensation that have a much greater impact. Based on the type of compensation, along with the terms and conditions of an employee compensation package, an employer can boost employee retention (Dessler, 2011).

Employees are the backbone of an organization. The attainment of organizational objectives largely depends on the motivation of employees to work. Among other things employees are motivated to work when they are provided a fair financial and non-financial compensation for service rendered to the organization. Compensation refers to any factor which may be financial or non-financial that enables or motivates a particular course of action.

Adequate incentives have been found one of the means through which organization can adopt to motivate employees and increase their workers' performance (Olubusayo,2014).

Well-designed compensation system enables organizations to attract qualified employees required and retain and motivate the existing work force towards goal achievement. The most obvious reward employees get form work is pay (Decenzo and Robbins, 1999).

Compensation Management is a key function in HRM systems in modern enterprises, playing an important role in attracting, retaining and motivating employees. In the global world of today, for any organization to have competitive edge, there must be in place a formidable compensation strategy to attract, motivate people to join the firm. This should also reduce the turnover intent from the employees. The need for organizations to develop a program that will facilitate a performance-enhancing system leading to the best management and development of employees and thus increase their competitive advantage has made the links between human resource management and organizational performance a prominent issue in the field of human resource management across the core functional areas of human resource practices. These practices range from staffing, performance appraisals, training and development, manpower planning, workers management participation and compensation management. Notably, the relationship between compensation management and employee performance has been visible in the management literature. It is generally believed that if there is proper management of compensation, individuals can be motivated to perform and thus have a resultant positive effect on the organizational performance (Werther and Davis, 1996).

Compensation management performs organizational influence the employer's ability to compete for employees in the labor market that attract the new employees and retain the existing company work force. In the other hand pay dissatisfaction may lower performance, causes strike, increase grievance, and leads to forms of physical or psychological withdrawal ranging from absenteeism and turnover to increased visit to dispensary and poor mental health (Werther and Davis, 1996).

## 2.2. Objective of compensation

The objective of compensation system is creating a system of reward that is equitable to employers and employees. So that employees are attracted to work and motivated to good job for the employers.

Employee compensation management system supports the achievement of the business strategy and it concern with developing a positive employment relationship and psychological **contract**, to address longer term issues relating to how people should be valued for what they do and what they achieve. It holds both financial and non-financial rewards, and thus all these need to be taken into account and integrated in order to maximize the effectiveness of the organization.

According to David Ross; success requires satisfied and loyal employees. Researches provide evidence that re-taking employees help customers and investors. “Organization with low turnover and satisfied employees tend to perform better. Job is the primary source of income and financial 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 meeting the organization’s goals. It is a screen that filters which kind of employees are attracted and remain with the organization. For these reasons, satisfaction with pay is significant in dealing with employees.

In general compensation system in an organization is designed to achieve certain objectives.

Some of the objectives are the following.

1. To retain or hold employees in the organization,
2. To attract experienced employees,
3. To positively influence the attitudes and behaviors of employees,
4. To motivate employees at work,
5. To enhance the performance of the organization

## **2.3. Types of Compensation**

There is potentially a very large number of compensation that could be utilized. Organizations use different incentives schemes to motivate employees. Compensation is designed to get the maximum performance from the employees and help retain the most productive among them. Compensation are divided into direct (financial) and indirect (non-financial) compensation (Luthans, 2003).

### **2.3.1. Direct (Financial) compensation**

Financial compensation is regarded as variable payments made to employees or a group of employees on the basis of the amount of output or results achieved. Alternatively, it could be payments made with the aim of pushing employees' performance towards higher targets. And it could also be defined as compensation other than basic wages or salaries ( Ugwu and Coker,2012).

Employees are to work smarter and harder with the hope of receiving financial compensation over and above their normal pay. Financial compensation has been proved to be effective in improving work quality and reducing project time and cost (Najimu, 2010).

Money ,whether it is in the form of wages, piecework or any other compensation pay, bonuses, stock options, company-paid insurance, or any of the other things that may be given to people for good perception, is important. The way to ensure that money has meaning, as a reward for accomplishment and as a way of giving people pleasure from accomplishment, is to base compensation as much as possible on employees' perception (Pamela, 2015).

There are major components of a salary structures to use it as a motivating factor. These are the job rate, which relates to the importance the organization attaches to each job; payment, which encourages workers or groups by rewarding them according to their performance; personal or special allowances, associated with factors such as scarcity of particular skills or certain categories of information professionals or librarians, or with long service; and fringe benefits such as holidays with pay, pensions. (Forson, 2012).

Payment by Result is historically the most widely used compensation scheme, it reward employees according to the number of items or units they produce or the time they take to produce them. This scheme has been criticized due to its tendency to reward quantity of output rather than quality which can lead to reduced quality of the product or service. There is a great need to modify and evaluate the effectiveness of this scheme if it is to retain the impact of productivity. And skills-based pay is an input-based payment system in which employees receive pay for the skills or competencies which they acquire. This system gives the employees an opportunity to influence their pay by acquiring more skills that lead to pay increases. Skills-based pay encourages multitasking and flexibility, which in turn enables the organization to respond faster and more effectively to the needs of customers (Carolina, 2010).

There are compensations like commissions which are given based on a percentage of total sales. Used typically with sales people, commissions intended to act as an incentive and a means of recognizing achievement (Armstrong, Michael, Taylor and Stephen, 2014). This scheme is claimed to increase employees' commitment to their company by linking pay to profit, and hence improve the level of mutual interest. Profit sharing also encourages the thought of everyone being on the same team; the employees have the same goals and are rewarded equivalently.

From the employee's point of view profit sharing has disadvantage on the fact that pay levels may decline if the company do not meet its profit expectations (Carolina, 2010).

Gain-sharing on the other hand is the payment of cash sums to employees related to the financial gains made by the company because of its improved performance (Armstrong, Michael, Taylor and Stephen, 2014).

There is a rapid and immediate impact on the individual's efforts that motivate the individual to increase production and improve performance. The individual gains several psychological and social benefits as a result of enhancing his purchasing power to satisfy his needs of goods and services. But financial incentives alone are not sufficient unless assisted by other types of incentives. Their effects are limited to satisfy the biological needs of individuals and have a little impact after it reaches the limit of needs. Therefore individuals are not seeking to increase production for additional financial gains, thus cannot be financially motivated to contribute in increasing production except for a certain amount based on their efforts (Marwan, 2012).

### **2.3.2. In-direct (non-financial) compensation**

Compensation of this type relies on increasing an employee's sense of satisfaction in his or her work. It is based on Management's recognition that an employee's work is valuable to the business as a whole, and providing employees with the feeling that the project undertaken is inherently meaningful (Najimu, 2010). Non-financial compensation schemes are aimed at moral motivation to serve in the interest of the community. Usually it attracts certain kind of people who readily identifies the mission of the organization. It could be in the form of participate in decision-making, certificates of thanks and appreciation, training and parties for distinguished employees. (Ugwu and Coker, 2012).

Non-financial incentives are those related to aspects of psychological needs, the increased attention to this aspect came after the emergence of human relations theories. Those incentives are based on respect of a human being who has feelings, hopes and aspirations. It could be in the form of participate in decision-making, training, certificates of thanks and appreciation (Marwan, 2012).

Special opportunities, for instance the chance to experience special training, favored assignments, flexible working conditions and mentorship can be considered as non-financial incentive to employees. Recognition is one means of employee incentive which relatively low cost but high impact means to reward to employees. It is a return on employee's effort. This recognition could be done and expressed through a host of simple gestures such as holding annual dinners, luncheons at which high achievers or performers are celebrated.

Recognition is the demonstration of appreciation for a level of performance it can be confidential or public, causal or formal. It is always in addition to pay. Recognition and appreciation of job effort to employee increase individual's satisfaction and loyalty to work enhance more cooperation with colleague (Marwan, 2012).

Excellent motivation can be achieved when an individual share his/her achievements with others and recognized and celebrated. If employers rely only on financial incentive to recognize contribution and achievements, it is possible that objective of employees will become modified to secure only the financial aspects and this in turn will lead to a degraded culture of the organization. Recognition will

be cost effective way of enhancing achievements and enable people to feel involved in the company culture, if it is used correctly (Marwan, 2012).

Recognition, whether it is cash or non-cash has an advantage over base pay and variable pay because it can be used at any time. Companies can immediately reward and acknowledge something of importance that was not necessarily planned, such as unexpected and outstanding achievements of individuals and teams. Non-cash recognition can be especially meaningful to the recipient since it can be customized or personalized. Non-cash recognition also gives the company a possibility to distinguish themselves from other employers due to the fact that this type of recognition cannot be imitated by other companies. (Carolina, 2010)

Promotion is a movement of a position in which responsibilities and presumably prestige are enhanced. And empowerment is also the process which enables employees to set their own work goals and solves problems within their sphere of responsibility and authority can be considered as incentives (Khan & Gautam, 2014).

#### **2.4. Employees Attitudes toward Compensation and Benefits**

Theoretically, increasing levels of benefits should be satisfying to most employees. However, recent data (Schiemann, 1987) indicates that employee attitudes toward benefits have not kept pace with increases in employer contributions to benefit plans.



### **2.4.1. Attitudes towards Pay**

According to Morgan & Schieman, (1986) employee attitudes toward pay show decreases in favorable pay ratings among managers, exempt, and non-exempt employees. These downturns are attributed to diminishing pay increases (due to lower inflation and lower merit increases); poor pay for performance relationships, and poor employee understanding of how pay is determined. Moreover, organizations are facing a problem with their performance appraisal.

### **2.4.2. Attitudes toward Benefits**

Attitudes toward various benefits differ substantially. The most favorably rated benefits are profit sharing, savings plans, and stock purchase plans. The least favorably rated benefits are pensions, disability (short and long term), and sick leave (for some job groups). Although 84% of employees rate medical benefits as the most important benefit they receive, only 67% rate health insurance favorably. Moreover, 60% or fewer rate dental, sick leave, and disability insurance favorably (Day, 2011).

## **2.5. Benefits**

Benefits are paid for being a member of the organization. It provides protection against health and accident-related problems and ensures income at the end of one's work life. For example, in the United States, legally required benefits include social security, unemployment compensation, and workers' compensation; private programs include health care, life and disability insurance. Retirement income is provided through pension and saving plans (Randal, 1998).

Benefit programs also include pay for time not worked (for example, vacation, holidays, sick leaves, and absence pay, breaks, and wash-up and clean-up time). According to Randal (1998), benefits provide firms the opportunity to attract and retain valued employees.

He identified several reasons why organizations pay much money into benefit programs.

These include:

- Attracting good employees
- Increase employee morale
- Reduce employee turnover
- Increase job satisfaction
- Motivate employees
- Enhancing the organizations image among employees and in the community
- Make better use of compensation Dollars

### 2.5.1 Types of benefit

**Disability Insurance** is a form of Insurance that insures the beneficiary's earned income against the risk that a Disability creates a barrier for a worker to complete the core functions of their work.

**Pension** is a fund into which a sum of money is added during an employee's employment years, and from which payments are drawn to support the person's retirement from work in the form of periodic payments.

**Child care** is the care of a child during the day by a person other than the child's legal guardians, typically performed by someone outside the child's immediate family.

**Tuition payments** are charged by educational institutions in some countries to assist with funding of staff and faculty, course offerings, lab equipment, computer systems, libraries, facility upkeep and to provide a comfortable student learning experience. Employers may dedicate money to cover accrued tuition fee of their recruits.

**Sick leave** is time off from work that workers can use to stay home to address their health and safety needs without losing pay. Some employers extend the duration of sick leave with pay beyond the base specified by law.

**Annual leave** is paid time off work granted by employers to employees to be used for whatever the employee wishes. Depending on the employer's policies, differing number of days may be offered.

**Profit sharing** refers to various incentive plans introduced by businesses that provide direct or indirect payments to employees that depend on company's profitability in addition to employees' regular salary and bonuses.

**Employer student loan contributions** are a type of employee benefit in the United States. With this benefit, employers pay back student loans on behalf of employees, at certain amount per month as decided by the employer.

## **2.6. Compensation Strategy**

A Compensation Strategy is a plan that dictates how employees are paid and rewarded for their work. These ideas are based on the current market for people with the same skills and the overall available funding a corporation is able to expend on payroll. Compensation strategy is also a means of motivation and incentive that increases the value of general payroll systems Compensation strategy is the method by which organizations attract and retain top talent. This system offers pay packages and annual rewards for ongoing loyalty to a business.

It allows a firm to remain competitive with other organizations and helps companies set forth a strong impression of the goals they want to achieve. By generating a compensation strategy, organizations make a show of the skills they value and the type of personnel they want to attract. Creating a diverse pay range encourages employees to work hard and attain higher levels within the business to achieve more accolades and greater compensation. (Shpetim, 2012).

## 2.6.1. Keys to an Effective Compensation Strategy

### 1. Budget Allocation

The strategy should include the organization's approach to allocating compensation dollars into salary and benefits. This strategy will determine how much of the total compensation budget will be spent on salary and what percentage will be spent on benefits and other incentives ( Chappra, 2006).

### 2. Benefit Package

Many organizations use benefit packages, in addition to salary, to attract and retain employees. Their goal is to be competitive with health, retirement, tuition reimbursement and other benefits because they understand that it can be the determining factor for a job candidate who is deciding whether to accept a position with an organization, or an employee who is considering leaving (Chappra, 2006).

### 3. Performance Management System

It is important to have a structured performance management process to ensure employees are meeting corporate objectives and are assessed on a regular basis. This process should include development of annual goal annual performance appraisals and a structured process for coaching and mentoring employees. Compensation strategies can positively influence employee engagement and improve employee productivity (Chappra, 2006).

## 2.6.2. Compensation Strategy Alternatives

Compensation is an expense in the sense that it reflects the cost of labor (Dessler, 2011), often governed by compensation policies. As organization differ in size and purpose, so do in pay level.

Mathis, Robert and Jackson (2003) have identified three alternative strategies. These are:

**1) The high-pay-level strategy:** under this strategy organizations choose to pay higher than the Average pay level that the market pays. The assumption is that a higher salary or wage will enable organizations attract and retain competent employees and this, in turn enhances Employee's productivity.

**2) The low-pay-level strategy:** In this alternative, the organization pays a minimum salary or wage to employees. This may be because a poor financial condition or the work doesn't require highly qualified personnel.

**3) The comparable-pay-level strategy:** This strategy requires organizations to follow “equal Pay for equal work”. In this strategy employees are paid based on comparable value of jobs they are performing within the company and/or the market.

### 2.7 Employee Pay Perception

Employees’ pay perceptions are important in organization and it will impact the organization talent and business outcomes. But unfortunately, employees often have a negative view of their pay (Dunn and Martin, 2014). Employees usually do comparison regarding pay, and based on this comparison they made their perception. Employee feel unhappy or dissatisfied if they feel they are been paid less than their friends. Managers should effort so that employee believes their compensation is directly related with their performance and they had paid accordingly.

Thus employee pay perception could be improved if they get right pay information at time from their supervisor or managers. Pay satisfaction is an important component of overall job satisfaction of employee. Employee job satisfaction highly influence by the compensation and its component. (Dunn and Martin, 2014). Pay knowledge is the key of employee pay perception. If an employee’s has limited pay knowledge, then they don’t know how compensation system works, how they can earn more by giving better performance in organization (Diekmann, 2015). Employee pay perception depends on the pay information and communication, how clear or timely pay information organization provide to employee. When workers believe they receive pay communication on time, they create more positive perception towards organizational procedures, distributions, interpersonal treatment, and information (Day, 2011). If employees receive continuous pay information, their perception about pay system will be more positive. High pay knowledge leads to more pay satisfaction and perceived pay effectiveness at the organizational level (Sweins, Kalmi, &Hulkko, 2009).

Pay knowledge can be improve by shifting communications to focus on themes, helping employees to find information according to their preferences, and enabling managers to have actionable pay conversations, organizations can significantly improve the delivery of pay messages. These

improvements also increase the impact of communication strategies on employees' pay perceptions. (Dunn and Martin, (2014)

Pay perception is also based on perceived fairness of compensation. Fairness is required in all organization decision, and the absence of fair policy lead to feelings of dissatisfaction and to perceptions of discrimination. Study found that pay satisfaction is depends on actual pay but it more depends on whether employee perceive pay. Policy as fair (Jawahar and Stone, 2011).

Employee perceptions of unfairness are being related by many negative factors. These factors are generically called counterproductive Work Behaviors (CWB) that is pay fairness as important pillar of pay perception. If employee feel that benefit is distributed fairly they feel more motivated, but in lack of pay fairness employee feel less motivated and dissatisfied (Okpara, 2006). However apart from pay fairness, Performance based pay was an important dimension affecting pay perception. It is an important factor influence the overall pay satisfaction of employee. Organization need to tightly link the pay and performance, because employee want pay equitable their performance level and should be improve with the performance improvement (Mone& Kim, 2008). Pay system have essential feature pay equity. Employee feel discrepancy if they found their pay is not equal to their contribution in the job.

Pay perception is also differing on basis of sex, education and experience. Female has negative perception about pay and promotion policy of the organization as compare to male. Because male are more satisfied with organization pay and promotion (Okpara, 2006). Employee perceive pay policy ineffective if they found difference between individual objective and organization objective. Thus pay information, transparency in pay policy want pay to be linked with performance (Diekmann,2015).

## 2.8. Factors Affecting Compensation System

As Armstrong (2002) noted, the most significant decisions that have to be made by those concerned with compensation management are about levels of pay. In making these decisions it is necessary to be aware of the various factors that influence pay levels.

The following are economic theories and concepts provide guidance on the factors that affect pay levels: Labor theory of value, the labor market, classical economic theory, external competitiveness versus internal equity, efficiency wages theory, the effort bargain.

According to (Barr y A .Gerhart, Har vey B. Minkoff, Ray N. Olsen) Employee compensation plays such a key role because it is at the heart of the employment relationship, being of critical importance to both employees and employers. Employees typically depend on wages, salaries, and so forth to provide a large share of their income and on benefits to provide income and health security. For employers, compensation decisions influence their cost of doing business and thus, their ability to sell at a competitive price in the product market. In addition, compensation decisions influence employer's ability to compete for employees in the labor market (attract and retain) as well as their attitudes and behaviors while with the employer.

(Gerhart & Milkovich, 1992; Heneman& Schwab, 1979; Milkovich& Newman, 1993). Explain about compensation pay dimensions, pay can be in the form of cash or benefits (e.g., health care, retirement, paid vacation). On average, 70% of employees receive their payment in the form of cash, 30 % in the form of noncash. As per (Noe, Hollenbeck, Gerhart, &Wright, 1994) health care has been the fastest growing benefit, and most employers describe the challenge of controlling this cost while providing quality coverage as one of their top human resource management challenges. Second, both benefits and cash compensation can be described in terms of their level (how much). Most organizations use one or more market pay surveys to help determine what other organizations pay specific jobs in making their own pay level decisions.

Therefore, to assess competitiveness in the product market, organizations should not focus only on pay levels. They should compare total labor costs, and better yet, they should compare with other organizations the sort of return (or productivity) they receive in terms of profits.

In addition, the compensation pay nature can be differing within organization, an employing unit, steps or employee grades and also between different levels in the company structure.

## **2.9 Empirical Review**

The researcher Ahmed Kellil (2010) researched on employee perception on compensation and benefit policy in the case of some selected government institute in Addis Ababa. This study examined the perception of employees regarding the compensation and benefit policy in government higher education institutions found in Addis Ababa. The findings showed that employees perceived the current compensation and benefits inadequate, employees did not participate in compensation and benefits decision, and is not well communicated to employees. Moreover, it was perceived that the effectiveness of compensation and benefits was not evaluated and the policy was no revised. He concluded and recommended that the compensation and benefit policy should be periodically revised taking into account the market conditions and nature of the job. The analysis indicated that there was no significant difference in perception between gender and job category there was a slight difference between age groups, educational qualification, work experience, and salary level of employees.

Another researcher 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 so 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 lead to increased turnover and absenteeism.



He also recommended that the company should give attention for improvement in area of existing remunerating system to increase the level of satisfaction of employees and the organization should administer the salary scale fairly based on the responsibility qualification and relevant year of experience to retain and motivate employees for higher performance.

As we have seen above the researchers have given most emphasis on the assumption of compensation and benefit practices in different organizations, affect employee motivation organizational performance and retention.

### **2.10. Compensation Management Philosophy**

Compensation management is based on a well-articulated philosophy – a set of beliefs and guiding principles that are consistent with the values of the organization and help to pass them. These include beliefs in the need to achieve fairness, equity, consistency and transparency in operating the reward system. The philosophy recognizes that if HRM is about investing in human capital from which a reasonable return is required, then it is proper to reward people differentially according to their contribution (i.e., the return on investment they generate)(Armstrong, 2006).

Compensation management processes are based on compensation philosophies and strategies and contain arrangement in the shape of policies and strategies, guiding principles, structures and procedures which are developed and managed to provide and maintain appropriate types and levels of pay, benefits and other forms of compensation. This constitutes measuring job values, designing and maintaining pay structures, paying for performance, competence and skill, and providing employee benefits.

However, compensation management is not just about money. It is also concerned with non-financial compensation which provides intrinsic or extrinsic motivation. Process of compensation management is to establish and maintain an equitable wage and salary structure and an equitable cost structure. It involves job evaluation, wage & salary survey, profit sharing and control of pay costs. John R.walker, Jac E Miller (2009)

The philosophy of compensation management recognizes that it must be strategic in the sense that it addresses longer-term issues relating to how people should be valued for what they do and what they achieve. Reward strategies and the processes that are required to implement them have to flow from the business strategy (Bohlander, G. & Snell, S, 2004).

According to Mathis & Jackson (2010), two basic compensation philosophies lie on opposite ends of a continuum and most compensation systems fall somewhere in between these two extremes.

The philosophy will be affected by the business and HR strategies of the organization, the significance attached to reward matters by top management, and the internal and external environment of the organization (Armstrong, 2006).

Furthermore, Mathis & Jackson (2010) advocates regularly communicate to employees and managers about the compensation philosophy helps to reinforce the organizational commitment to it. A recent study found that communication of profit-sharing information increased knowledge, which influenced commitment and satisfaction.

Communication also can enhance understanding and perceptions of pay policies, encouraging greater generalized pay satisfaction and career development. Finally, establishing a dialogue with employees about total rewards enables them to be more involved with the development of pay systems that enhance talent and return on investment. A company's compensation philosophy can be used to develop individual talent in an organization.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

This chapter represents the methods and methodologies that are adopted in conducting the study such as: the research design, description about the variables, source and type of data, data collection methods and procedures, ethical clearance, reliability of the instrument and data analysis techniques.

#### **3.1 Research Design**

The research design ensures that the required data are accurately collected and it serves as a framework to control the collection of data. A research design is a set of advance decisions that makes up the master plan specifying the methods and procedures for collecting and analyzing the needed information (Burns & Bush, 2003). Saunders, Lewis and Thornhill (2007) indicate that research design is the general planning about how the researcher will go about answering research questions. The researcher used mixed (both qualitative and quantitative) approaches to analyze the collected data. Accordingly, data is collected from the sampled respondents through an effective utilization of a five points Likert scale questionnaire, in addition to a systematic observation of the researcher that would be used in the process. For the purpose of this study, descriptive statistical analysis was used to obtain a picture of employees' perception towards compensation and benefit management.

### **3.2 Source & type of data**

To successfully achieve the research objectives and answer the stated research questions, the researcher used both primary and secondary data sources and which can be collected from the respondents and review literature. Primary sources are used to get first-hand information collected from the employees of Addis Ababa university main campus (6 kilo) and to analyze the quantitative characteristics of the prevalence; it depends on collecting primary data by questionnaire as a main tool. The secondary sources are also used to strengthen the primary sources includes books, journals, articles, websites and other published information from the university. An advantage of secondary data is that the data is already available which can save time and money. Secondary data also provides the possibility for longitudinal analysis that enables to observe potential trends and tendencies over time. On the other hand, since the secondary data is not gathered to solve the specific problem at hand, it could mean that the information is not sufficient to draw any new conclusions from. Further, the data could be of a complex character that can result. In that it takes time for the researcher to become familiar with the information and how it is coded (Ghauri & Gronhaug, 2010).

### **3.3 Population and Sampling Techniques**

The target population of this study are from out of 1150 employee of 6 killo main campus the researcher were selected total of 296 Population for the study were constitute employees of Addis Ababa University Main campus 6 killo . Hence, unit of analysis for this study was individual employee of the Addis Ababa University Main campus 6 killo.

Questionnaires were distributed simultaneously to all the respondents were given 25 minutes to respond to the questions independently to 296 respondents .The perception of employee towards Compensation and Benefit management is assessed using sample respondent's by using Random Sampling Technique and Interview was conducted the Employee Compensation, Benefits and Relation Manager with regarding to the issue.

In this study a statistical method is used to find the appropriate sample size. The sample size is calculated statistically and the equation finds the required sample size of the study based on the population size and also taking the number of standard errors into account. By using this method, the researchers can ensure that the sample they investigate statistically represents the whole population under the survey.

The sample size of the study is determined based on the following simplified formula proposed by Yamane 1997 as cited in Israel (2003).

$$n = \frac{N}{1 + N (e^2)}$$

Where,

n = sample size,

N = the population size and e is the level of precision.

e = 0.05 used for the purpose of determining sample size for this study A 95% confidence level

Accordingly, the sample size for the study is calculated as follows.

$$n = \frac{1150}{1 + 1150(0.05^2)}$$
$$n = 296.4 \approx \mathbf{296}$$

296 of employees were randomly selected using systematic random sampling technique.

### **Sampling procedures**

To represent were be used. 296 employees were selected using systematic random sampling technique.

### **3.4 Method of Data Collection**

#### **Quantitative Study**

Quantitative methods look to quantify data and generalize results from a sample of the population of interest. Standardized and structured questionnaire was developed for the purpose of data collection after reviewing relevant literatures. The questionnaire in the beginning was prepared in English and then translated into Amharic to ensure the internal consistency.

To support the quantitative data, semi structured interview was conducted with Addis Ababa University Main campus 6 kilo personnel officer. The researcher conducted interview and the responses of the participants was written manually.

#### **Qualitative Study**

Qualitative methods provide insights into the setting of a problem, generating ideas and/or hypotheses. Here in this research both qualitative and quantitative study approach were also applied.

### **3.5 Methods of data Analysis**

The collected data are clearly presented by using tables which are expressed in the form of frequency, percentage, mean and standard deviation. Then, descriptive statistical analysis technique was used to interpret and analyze the organized data.

### **3.6 Ethical Standard**

The participants enrolled in the study were informed about the study objectives, expected results and the challenges associated with i.e. formal consent was taken from the participants before the interview. The secrecy of the subjects was protected and guaranteed by preventing to write their names and providing clear instruction. The researcher relayed all important details of the study, including its aim and purpose. People who participated in the research have been given enough time to respond to the questions posed on them to avoid errors and inaccuracies in their answers.

### 3.7 Reliability and Validity

The reliability of the research was also tested through a pilot test before the final work is ready to send to the respondents. As a check on face validity, questionnaire items were sent to the pilot group to obtain suggestions for modification. The content and construct validity was also be ensured by seeking the opinion of the respondents on the suitability of the questionnaires. The reason for the pre-test is to check that the information was appropriate for the research or not. Hence, the internal consistency of each factor was examined using Cronbach Alpha reliability analysis.

Statistical Package for Social Science (SPSS) software version 23.0 was used for data analysis. A reliability test was done by observing the Cronbach's Alpha value with the cut-off point of 0.7. George and Mallery (2003).Table 3.1: Model reliability and validity

<b>S.N</b>	<b>Construct</b>	<b>Cronbach's Alpha</b>	<b>#Items</b>
1	Employees' perception about the compensation management system of the organization	0.990	11
2	Employees have a role in compensation, benefit decisions and degree of communications about and benefit practices	0.785	5
3	Type of benefit management perceived most favorably with the organization.	0.886	6

*Source from SPSS reliability analysis output*

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND INTERPRETATION**

This chapter deals with presentation, analysis and interpretation of data gathered from employees of the Addis Ababa University by using questionnaire. Data was collected and analyzed in order to assess the root causes of Employees' Perception towards Compensation and Benefit Management. As stated under the methodology part, to collect the data from employees, questionnaires were prepared and distributed to selected employees. In this study, 296 questionnaires were distributed to the respondents and all questionnaires were returned. The questionnaire was structured in a 5 point Likerts' Scale format. A highly structured question format allows for the use of closed questions that require the respondent to choose from a predetermined set of responses or scale points. This involves the use of special rating scale that asks respondents to indicate the extent to which they agree or disagree with a series of mental belief of the statements about a given subject (Strongly Agree = 5, Agree = 4, Neutral = 3, Disagree=2 and Strongly Disagree = 1).

When presenting the results, strongly agreed and agreed responses were combined, as with strongly disagreed and disagreed responses were also combined for the percentages. The first section in this chapter deals with the results of the study. First, the demographic characteristics of the study sample are described, followed by key findings on employees' perception towards compensation and benefit management of Addis Ababa University, main campus.

#### **4.1 Demographic Characteristics of the Respondents**

##### **Table 4.1 Demographic Characteristics of the Participants**



Demographic Variable	Category	Frequency	Percent
Gender	Male	191	63.5%
	Female	105	36.5%
	Total	296	100%
Age Group	25-30	60	20.3%
	31-35	46	15.5%
	36-40	135	45.6%
	Above 40	55	18.6%
	Total	296	100%
Marital Status	Single	109	36.8%
	Divorced	16	5.4%
	Married	171	57.8%
	Total	296	100%
Educational Back Ground	Diploma	29	9.8%
	Undergraduate (1st degree)	233	78.7%
	Postgraduate (2nd degree)	32	10.8%
	Other	2	7%
	Total	296	100%
Current Position	Top level management	12	4.1%
	Middle level management	114	38.3%
	Clerical staff	97	32.8%
	Non-clerical staff	42	14.2%
	Other	31	10.5%
	Total	296	100%
Work Experience	<2 years	15	5.1%
	2-5 years	121	40.9%
	6-10 years	111	37.5%
	Above 10 years	49	16.6%
	Total	296	100%

Table 4-1 shows that 63.5% of the respondents are male and the rest 36.5 % are female. Based on the data, in the management and non-management category, the respondents dominantly constitute male employees in relation with this data; proportion of male employees is higher in the case of all staff in the company. Male employees cover 63.5% of the total population of employees whereas the remaining 36.5 % % is covered by female employees. Therefore, from the investigated fact, one can conclude that 6kilo main campus human resources are highly dominated by male employees.

Whereas 20.3 % of the respondents are between 25 to 30 years old, 15.5 % are between 31 to 35 years old and 45.6% of the respondents are between ages 36 to 40, while the remaining 18.6% are above 41 years old.

The result also shows that majorities (57.8%) of the respondents were married and few respondents (5.4%) were divorced. As stated earlier in age distribution most employees are in good age and some of them are ready for taking this kind of responsibility so the employees will have stability in the work place.

Regarding to employee qualification, from all respondents, 9.8% are below first degree, 78.7% are first degree holder and the rest 10.8% are with post graduate degree. Therefore, 6 Killo main campus majority staffs have a first degree therefore, well-educated employees are more goal oriented, better work performance, accept more responsibility and accountable for what they are doing.

Table 4.1 indicates that 4.1% of the respondents are top level management 38.5% respondents are middle level management while the rest of the respondent are clerical and non-clerical staff. From this data, most of the employees are in the position of middle level management of the organization.

Regarding to work experience, 5.1% of the respondents have an experience less than 2 years, 40.9% respondents have 2-5 years' experience 37.5% respondents have an experience 6-10 years. the rest of 16.6% respondents have more than 10 years' experience.

## 4.2 Employees' perception towards compensation and benefit management

**Table 4.2 Employees' perception about compensation and benefit management of the organization**

Variable	Strongly Agree	Neutral	Strongly Disagree	Total	Mean	Std. Deviation
The current compensation management system is able to attract, retain & motivate talents	11%	5%	84%	100%	2.07	0.883
The current compensation management system allows employees for taking up higher responsibilities	14%	6%	80%	100%	2.09	0.978
I am satisfied with current compensation management system.	5%	5%	90%	100%	1.85	0.859
The Current compensation system allows you to put your efforts according to your specified jobs.	16%	2%	82%	100%	2.13	1.053
The Current compensation system fulfills the psychological and self-actualization needs of employees.	18%	8%	75%	100%	2.16	1.15
The Compensation management system & programs are clearly and transparently designed & understood by everyone.	16%	13%	71%	100%	2.15	1.184
The Compensation programs are timely updated without affecting the core work	11%	10%	79%	100%	2.07	1.1
The compensation and benefit management at the university are focus on the real need of employee.	12%	10%	78%	100%	2.07	1.16
I'm satisfied towards monetary compensation.	12%	10%	78%	100%	2.05	1.188
I am satisfied towards recognition and reward.	16%	5%	79%	100%	2.08	1.219
I am satisfied with compensation management is appropriate and fair	14%	3%	83%	100%	2.03	1.11

Compensation and benefit system enables organizations to attract qualified employees required and retain and motivate the existing work force towards goal achievement. The most obvious reward employees get from work is pay (Decenzo and Robbins, 1999). Compensation has an impact on attracting, retaining and motivating the executive. Disparities in compensation pattern often lead to dissatisfaction among executives.

As it can be seen from table 4.2, respondents were asked to reflect their opinion whether the current compensation management system is able to attract, retain & motivate talents, 84% respondent are disagree, 11% respondents strongly agree, the rest of percent is agreed and no opinion with these statement.

Regarding to current compensation management system allows employees for taking up higher responsibilities, 80% respondent are strongly disagree, 14% respondents are strongly agree, the rest of percent is agreed and no opinion with these statement. This implies the organization did not to motivate a highly performed employee to do more in next time based on the performance. This does not help the organization to stay their employees. Employees “willingness to stay on the job largely depends on compensation packages of the organization therefore to ensure employees optimal performance organizations need to consider a variety of appropriate ways to compensate the employees to get the desired results.

To achieve the company mission the employee should satisfied with compensation management system. With regard to satisfied with current compensation management system 5% respondents strongly agree, 90% respondents strongly disagree. The rest of percent agreed and no opinion with these statement. This result indicates that the majority of the respondents not believe with this idea. This implies that Compensation and Benefit are not given to achieve the company mission by assessing the current living standard of the employees.

As organization compensation management system and program should clearly and transparently designed and understood to the employee. Regarding to these 71% respondents are strongly disagree, 16 % respondents strongly agree the rest of percent is agreed and no opinion with these statement. From the above data the majority of the respondents are disagree.

This indicates that the organization are not read clearly and transparently designed and to communicate with the employee and solve any problem by discussing with each other this is not a good for the organization to attract and retain a top talent.

Some employees are motivated by money. In fact, most are motivated by money; at least for their basic needs. Employee motivation through compensation can come in the form of raises, performance bonuses, commissions, profit sharing, or any number of "extra benefits" like, automobiles, vacations, or other tangible items purchased and used as rewards. (George Elton Mayo). Regarding to the compensation and benefit management at the University are focus on the real need of employee. 78 % respondent are strongly disagree, 12% respondents strongly agree, the rest of percent is agreed and no opinion with these statement. The compensation and benefit management at the university are not focused on the real need of employee.

Recognition is a process of giving employees a certain status within the organization. The recognition of employees' performance can be in the form of praise, awards or ceremonies. Through reward and recognition programs, employees' morale will increase and a link will be created between the performance and motivation of employees. The above table 4.2 shows that 78% of respondents strongly disagree and 12 % strongly agree with the statement. This does not help the organization to stay their employees. Employees "willingness to stay on the job largely depends on compensation packages of the organization therefore to ensure employees optimal performance organizations need to consider a variety of appropriate ways to compensate the employees to get the desired results especially monetary compensation.

Employees are the backbone of an organization. The attainment of organizational objectives largely depends on the motivation of employees to work. Among other things employees are motivated to work when they are provided a fair financial and non-financial compensation for service rendered to the organization. Compensation refers to any factor which may be financial or non-financial that enables or motivates a particular course of action .Adequate incentives have been found one of the means through which organization can adopt to motivate employees and increase their workers" performance (Olubusayo,2014). Regarding to satisfy with compensation management is appropriate and fair.

83% respondent are disagree, 14% respondents are strongly disagree, the rest of percent is agreed and no opinion with these statement.

### 4.3. The role of employees in compensation, benefit decisions and degree of communications and benefit Packages

**Table 4.3 the role of employees in compensation decisions and degree of communications**

Variable	Strongly Agree	Neutral	Strongly Disagree	Total	Mean	Std.Deviation
I am participating in compensation and benefit decision process.	5%	15%	80%	100%	1.98	0.844
The organization is communicated with me about my benefit effectively	9%	16%	75%	100%	2.34	0.934
The organizational strategy aligned with my benefits, culture and values.	3%	17%	79%	100%	2.05	0.81
The Compensation and Benefit updated and communicated periodically.	12%	11%	77%	100%	1.93	0.63
The compensation and benefit management of my organization clearly identified all compensation and benefit that employee offered.	1%	7%	92%	100%	1.68	0.71

Table 4.3 shows that the participating in compensation and benefit decision process 5 agree, 15% doesn't give their opinion but 80% of respondents strongly disagree. This shows that there is a huge gap in the process of decision making of staffs related to benefit and compensation in the university.

Respondents answers to questions "The organization is communicated with me about my benefit effectively" Where only 9% of the respondents comply in agreement in the respective order of the questions. But the rest of 75% of respondents are strongly disagreeing with these statements.

Respondent were asked concerning the organizational strategy alignment with staffs benefits, culture and values and the result shows that 79% of them strongly disagree and 3% of them strongly agree. This shows that the organizational strategy is not aligned with staffs benefits, culture and values.

Communication is a major element in this entire compensation and benefits decision process. Many employees are unaware of employer efforts. Also, many employees do not understand how their usage patterns ultimately affect cost. Hence, employee education is a major gap that remains to be filled in most organizations .Finally; tomorrow's systems will be highly dependent on an effective understanding and acceptance of compensation policies. With an increasingly educated workforce who desire more information about pay and benefit practices, it will be essential to communicate far more effectively than today (Suddarth, et al. (1984) as cited by Schiemann, 1987).Participants of the study were asked whether the compensation and benefit updated and communicated periodically or not. The result shows that 12% strongly agree and 77% strongly disagree with fact that compensation and benefit were not updated and communicated periodically.

The last the result shows that the compensation and benefit management of the organization is not clearly identified all compensation and benefit that employee offered for majority of the respondents 92% strongly disagree. So we can see the company did not clearly identify all compensation and benefit to their employee. The compensation and benefit management identification and clarity of all compensation and benefit that employee offered score was below average (mean = 1.68 and standard deviation = 0.710).

#### 4.4 The most favored type of benefit Management available with the organization

**Table 4.4 Type of benefit Management available with the organization**

Variable	Strongly Agree	Neutral	Strongly Disagree	Total	Mean	Std. Deviation
The current compensation and benefit management of my company is connected to the organization's strategic plan.	13%	7%	80%	100%	2.17	0.71
The current compensation and benefit package is capable of attracting and retaining competent employees.	21%	20%	59%	100%	2.68	1.25
The compensation and benefit package available in my organization keep a balance between employee's contribution and cost of the employer	11%	7%	82%	100%	2.17	1.07
In my opinion, the current pay system has a positive effect on employee Productivity.	13%	8%	79%	100%	2.11	1.24
It provides the opportunity to attain self-interests like building house, car, paying children school fee etc.	97%	3%	0%	100%	4.21	0.479
The benefits I receive as good as most available in private sector.	23%	5%	72%	100%	2.38	1.2



As shown in the above Table 4.4, the first question was posed to the current compensation and benefit management of my company is connected to the organization's strategic plan. Majority of respondents are which were 80% of respondents are strongly disagree. The respondents score on the item the current compensation and benefit management of my company is not connected to the organization's strategic plan. Was below average (mean = 2.17 and standard deviation = 0.71).

Compensation is a key factor in attracting and keeping the best employees and ensuring that the organization has the competitive edge in an increasingly competitive world. Regarding with the question of current compensation and benefit package is capable of attracting and retaining competent employees. 21% of the respondents strongly agree, 20% of respondents are have no opinion, and the rest of 59% respondents strongly disagree. In fact most of employees are not attracting current compensation and benefit package. The respondents score on the item "the current compensation and benefit package is capable of attracting and retaining competent employees" was below average (mean = 2.68 and standard deviation = 1.258).

Concerning with the question that compensation and benefit package available in my organization keep a balance between employee's contribution and cost of the employer 11% of the respondents strongly agree for the statement and 82% of respondents are strongly disagree, 7% of the respondents have no opinion for this question. The respondents score on the item "The compensation and benefit package available in my organization keep a balance between employee's contribution and cost of the employer" was below average (mean = 2.17 and standard deviation = 1.057).

Regarding to the current pay system has a positive effect on employee productivity was partially reflected in the first question of this category, to clarify more, 13% of my respondents strongly agree, 74% strongly disagree and 8% have no opinion. The respondents score on the item "In my opinion, the current pay system has a positive effect on employee Productivity" was below average (mean = 2.11 and standard deviation = 1.240).

As current modern situations attach owning of a house, school fee and a vehicle as normal necessities, a question to assess the company's interference in assisting employees to realize such needs was posed. With this regard 97% of respondents strongly agree positively and the rest 3% have no opinion. The benefit does provide the opportunity to achieve self-interest.

Regarding the question that the benefits received is as good as most available in private sector 5% of respondents are having no opinion and 23% of the respondents disagree and 72% respondents strongly disagree. So it shows that the benefit they receive is not good when compared to private sector organizations. In other words, there is a belief among employees that 6 kilo main campus compensation and benefit package is less than other private sector.

## **CHAPTER FIVE**

### **CONCLUSIONS AND RECOMMENDATIONS**

This final chapter of the paper contains the summary of the major findings of the study drawn from the key findings and recommendations made on the basis of the conclusions.

#### **5.1. CONCLUSIONS**

Understanding the employees' perception towards compensation and benefit management is useful for future policy designs. This study attempts to the employees' perception towards compensation and benefit management in Addis Ababa University main campus. On the basis of the information collected from 296 employees to assess the compensation and benefit management perception of the employees.

The result shows Management systems attract and retain and motivate talent employees, majority of the respondents reflect that the company compensation and benefit does not a capability of attract new employee and retain the existing employees in the company. Regarding to 6 killo main campus compensation and benefit most available in private sector majority of respondent responded that the company benefit is less than privet sector. The management group is agreeing with theses statement. But the management groups contradict with the employee's argument that they reflect current compensation management systems attract and retain and motivate talent employees. Regarding to the current compensation management system allows employees for taking up higher responsibilities majority of respondents are responded disagree. Regarding to the satisfaction towards recognition and reward majority of respondents are disagrees in relation to satisfied with compensation management is appropriate and fair majority of respondents are responded disagree. These decrease company productivity.

In case of participating in compensation and benefit decision process majority of employees disagree with the statement. But the management groups contradict with the employee's argument that they reflect that some employees participate compensation and benefit decision process.

Regarding to the compensation and benefits updated and communicated periodically the majority of respondents are disagreeing; it is not periodically updated and communicated.

The majority of respondents are disagreeing. But the management group disagrees with this statement that they replay periodically communicated and updated. Majority of the respondents agree with there is poor strategic alignment between the company compensation, benefit Management and company strategic plan and organization goal. The management groups reflect that the company benefit management has a link with company strategy plan and organization goal. Majority of the respondents are disagreeing that when comparing the amount 6 killo main campus pay system is less than what employees estimated. No one could absolutely rise their current earning as fair. Regarding to providing the opportunity to attain self-interest majority of respondents are strongly agree with statement. And also the management group also agreed with statement.

## 5.2 RECOMMENDATIONS

In this section, the researcher has described some of the potential solutions in order to overcome the problems which hinder the compensation and benefit management as follows:

- In the competitive environment the most difficult task is attracting and retaining top talent employees. The organization to attract and retain top talent should give more incentives than the private companies can do. It can motivate and improve the morals of the employees by rewarding employees based on their performance.
- Organizations that are committed to the ongoing growth of their employees recognize employee empowerment as one of their most important strategic methods to motivate employees. Employee empowerment is also a key strategy to enable people who have the need, the answers, and the knowledge, to make decisions about how to best serve customers takes high responsibility. The organization should work with employees to create an environment which foster improved decision making.
- Certainly an important motivator to reward the employees for their market worth and also for achievement of the desired organizational results the healthier ways to motivate employees and reward the stellar performers is to have variable pay rewards system based upon the individual and team performance to their contribution towards the achievement of organizations business objectives.
- Communication is a major element in this entire compensation and benefits decision process. The compensation and benefit decision process should one in which employees participate, so that the sense of responsibility entrusted into employees. Compensation and benefit should not be a onetime issue and need to be evaluated periodically for effectiveness.
- The company should seek for various ways of improving employees' performance in their company by finding out the effect, causes or problems associated the compensation and benefit scheme which will help them to identify those things that motivate their staff and apply them properly.



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EMPLOYEES' PERCEPTION TOWARDS COMPENSATION AND BENEFIT  
MANAGEMENT: THE CASE OF ADDIS ABABA UNIVERSITY, MAIN CAMPUS

**ST. MARY'S UNIVERSITY**

**SCHOOL OF GRADUATE STUDIES**

**GENERAL MBA PROGRAM**

**Questionnaire to be filled by Employees**

Dear Respondent,

I am a graduating class MBA student of 2019 at St. Mary's University. Currently, I am conducting research on "EMPLOYEES' PERCEPTION TOWARDS COMPENSATION AND BENEFIT MANAGEMENT: THE CASE OF ADDIS ABABA UNIVERSITY, MAIN CAMPUS

". This paper is required as a partial requirement for MBA degree at the University and its purpose is merely academic. Hence, I want to assure you that the confidentiality of the information you give me will never be identified by your name nor disclosed to any other party

Please answer items below by **putting (√) sign a number from 0 to 5** that best reflects your perception. Judge how frequently each statement fits you. The word "others" may mean your peers, clients, direct reports, supervisors, and/or all of these individuals. I would like to thank you in advance for your indispensable cooperation!!!

## Appendix-1

### ✦ Questioner

#### General profile respondent

##### 1. Gender

Male

Female

##### 2. Age

25-30  30-35  35-40  Above 40

##### 3. Marital Status

Single  Divorce  Married

##### 4. Education Background

Primary school

High school completed

Undergraduate (1<sup>st</sup> degree)

Post graduate (2<sup>nd</sup> degree)

Diploma

Other (please specify)...

5. Please specify your current position in the company

Top level management

Middle level management

Clerical staff

Non-clerical staff

Other (please specify)...

6. How long have you been working in the company

> two years  2-5Year  6-10 years  above 10 year

★ Data related with employees' perception about the compensation management system of the organization.

		Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
1	The current compensation management system is able to attract, retain & motivate talents					
2	The current compensation management system allows employees for taking up higher responsibilities					
3	I am satisfied with current compensation management system.					
4	The Current compensation system allows you to put your efforts according to your specified jobs.					
5	The Current compensation system fulfills the psychological and self-actualization needs of employees.					
6	The Compensation management system & programs are clearly and transparently designed & understood by everyone.					
7	The Compensation programs are timely updated without affecting the core wok					
8	The compensation and benefit management at the university are focus on the real need of employee.					
9	I'm satisfied towards monetary compensation.					
10	I am satisfied towards recognition and reward.					
11	I am satisfied with compensation management is appropriate and fair					

- ✦ Data related with employees have a role in compensation, benefit decisions and degree of communications about and benefit practices.

		Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
1	I am participating in compensation and benefit decision process.					
2	The is organization communicated with me about my benefit effectively					
3	The organizational strategy aligned with my benefits, culture and values.					
4	The Compensation and Benefit updated and communicated periodically.					
5	The compensation and benefit management of my organization clearly identified all compensation and benefit that employee offered.					

- ✦ Data related with type of benefit management perceived most favorably with the organization.

		Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
1	The current compensation and benefit management of my company is connected to the organization's strategic plan.					
2	The current compensation and benefit package is capable of attracting and retaining competent employees.					
3	The compensation and benefit package available in my organization keep a balance between employee's contribution and cost of the employer					
4	In my opinion, the current pay system has a positive effect on employeeProductivity.					

5	It provides the opportunity to attain self-interests like building house, car, paying children school fee etc.					
6	The benefits I receive as good as most available in private sector.					

## Appendix-2

### Interview Questions for managers

1. Do you think that the compensation and benefit management of your company is serving its purpose?
2. How do you communicate the compensation and benefit practice to employees in your institution?
3. Do you think the current compensation and benefit package available in your institution is linked to the institutions strategic plan?
4. Do you think the current compensation and benefits is sufficient? If No, why?
5. Finally, is there anything that you want to comment about current compensation and benefit management of your organization?