ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
MASTERS OF BUSINESS ADMINISTRATION

THE EFFECT OF REWARD MANAGEMENT PRACTICES ON EMPLOYEE'S JOB PERFORMANCE: THE CASE OF ETHIOPIAN ELECTRIC POWER, WEST ADDIS ABABA DISTRICT

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KEDIJA MELES

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ACRONYMS AND ABBREVIATIONS

AL   Allowance

BO   Bonus

CP   Contingent Pay

EEP   Ethiopian Electric Power

EEPCO   Ethiopian Electric Power Corporation

EEU   Ethiopian Electric Utility

EP   Employee Performance

HRM   Human Resource Management

PR   Promotion

RC   Recognition

SA   Base Pay/Salary

WC   Work Condition

WF   Work Freedom

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ABSTRACT

This study aimed to determine the effects of the reward system on employee's performance in Ethiopian Electric Utility (EEU) West Addis Ababa District customer service centers. This research is descriptive and explanatory in nature. Questionnaire was distributed to 229 sample respondents who work at EEU West Addis Ababa District customer service centers. The sample respondents were selected from the eight customer service centers and the respondents from each group (stratum) was selected using simple random sampling method, and proportional to their population share. Data were analyzed using statistical techniques like descriptive statistics techniques, and regression analysis with the help of SPSS. This study confirmed that the monetary and non-monetary reward practices are important for employee performance in the case organization. The study findings revealed that there is a significant and positive relationship between three monetary reward practices (salary, bonus and allowance) and employee performance, and two non-monetary reward practices (promotion and recognition) and employee performance. This implies that reward practices improve employees' performance and hence organizational performance. Therefore the study recommended that the EEU should put more emphasis, considerations and formulates clear policies and plans on monetary rewards (salary, bonus and allowance) and non-monetary rewards (promotion and recognition) from which it can result in greater employee performance and further employee productivity and commitment.

Key words: Reward Management Practices, Monetary Rewards, Non-Monetary Rewards, Employee Performance.

CHAPTER ONE

INTRODUCTION

This study investigates the effects of reward management practices on employee performance in EEU. This chapter covers the background of the study, statement of the problem, research questions, research objectives, research hypotheses, significance of the study and scope of the study.

1.1. Background of the Study

Employees, considered the heart of any business, play a crucial role in achieving organizational goals (Armstrong, 2009). Thus, the satisfaction and performance of employee is crucial for organizational success. Employee performance is influenced by various factors, including working hours, development opportunities, job security, and rewards. Among these, employee reward management practice is a critical facet for organizations aiming to elevate employee satisfaction and performance. According to Armstrong (2010) rewarding is a powerful management tool that significantly influences employees' behavior, skills, and performance. Consequently, organizational policies and practices aimed at rewarding employees contribute to motivation, retention, and overall performance improvement.

A well-administered reward management practices, encompassing both monetary and non-monetary aspects, have been used historically to appreciate employees and drive better performance (World at work, 2007). Faced with intense competition for a talented workforce, organizations strive to attract, recruit, motivate and reward employees better than their competitors to retain a talented workforce and achieve superior results (Armstrong, 2010; Ezigbo, 2011). Therefore, aligning reward practices with human resource (HR) strategies and organizational goals becomes paramount (Sarvadi, 2005). Key areas of focus in reward systems include compensation, benefits, recognition, and appreciation (Dalvi & Ebrahimi, 2013).

Hence, recognizing the importance of rewards, organizations implement strategic management to improve performance across various departments. Different organizations design their reward systems based on their unique activities and needs. Moreover, according to Armstrong and Brown

(2009), effective reward management aligns with organizational values, promoting fairness, equity, and reliability.

Most organizations have problems to decide the right reward systems and which reward system suit the most for the employees. A properly administered system of rewards can provide good quality of employee performance. If the organization does not have a proper reward system, it will lead to problems such as low employee morale, the unproductive performance of the employees, or it can lead to high turnover rate among employee (Wilson, 2003). Edward and Christopher (2006) have mentioned that most of the employees are not automatically will come to work, continue to work or work hard for the organization. The organization needs employees with high performance to meet goals, deliver products and services and to achieve competitive advantage in the market (Ojeleye, 2016). Performance is very crucial same as to reward system because when employees achieve their high level of performance, they want an adequate reward in return. If they cannot achieve the goals and show low performance in the organization, it will result in dissatisfaction (Ojeleye, 2016).

Quite a number of empirical studies have been conducted and indicated that reward practices improves employee's performance. For instance, Anyago (2011) conducted a study on the effects of rewards system on employee performance in the Kenya Pipeline organization. Anyago (2011) found that employees were poorly remunerated hence they were dissatisfied, hence influenced their performances. Ali and Ahmed (2009) conducted a survey at UNILEVER companies, findings indicated that reward systems have a positive relationship to employee's motivation and satisfaction. Studies conducted in Tanzania by Peter (2017) and Kikoito (2014) who investigated the impact of promotion and reward systems on employees and organization performance in Dar es Salaam and Mwanza cities have indeed linked reward systems with employee performance. However, these studies did not have an in-depth look at the circumstances surrounding the actual reward management practices used to address them. Moreover, these studies did not examine the effects of the actual reward practices on employees' performance. Additionally, key research variables and dimensions were different due to differences in the type of organizations studied.

In conclusion, the overarching theme across these introductions is the significance of effective reward management practices in driving employee motivation and performance. From aligning with organizational values to addressing the diverse needs of employees, a well-crafted reward

management practices contributes to the success and competitiveness of organizations in the dynamic business landscape. This research paper delves into the intricate relationship between reward practices and employee performance, exploring various types of reward specific and their impact on organizational success, with a specific focus on Ethiopian Electric Utility (EEU), West Addis Ababa District.

As the research explores the effects of reward practices on employee performance, it aims to provide insights into the evolving landscape of reward management in contemporary business settings. By analyzing various types of reward practices and their impact, the study seeks to contribute valuable knowledge that can guide organizations in optimizing their reward strategies for enhanced employee satisfaction, motivation, and overall performance.

1.2. Statement of the Problem

The effect of reward on employee's performance cannot be over-emphasized. Reward management practices in any organization are a vital tool and play an important role as far as employee motivation and performance was concerned. According to Armstrong (2010) reward packages can influence employees' performance. For instance, the study conducted by Dewhurst et al. (2010) shows that by adequate rewards, management can motivate employees, particularly low performers, but also increase job satisfaction particularly of high achievers. However, due to differences in personalities and personal preferences, some employees are more motivated by monetary rewards while others prefer non-monetary rewards.

EEU in Ethiopia is an organization that offers essential energy services that support other sectors of the economy. It works on distribution and sales of energy and plays very important role in the country's economic development. Transport (Railway), Agriculture, processing Industries, Large-scale Housing Programs and many other day to day activities need electric power. Electricity Export Market creates big opportunity in terms of foreign exchange, and government revenue. Moreover it creates provision of employment. The industry has thus come up with an extensive reward management practices that needs to be studied in an attempt to determine the effect of reward management practices on employee performance.

Even though there have been various studies attempting to explain the issues of reward and employee performance in Ethiopia, no or little studies have addressed the effect of reward management practices on EEU employees' performance rigorously in the country in general and West Addis Ababa District in particular. For instance, Petros (2017) examines the effect of reward management system, focusing on reward policy and strategy, on employee performance in the case of EEU, South Region, Arba Minch District. Solomon (2019) also assesses the effect of reward on employees' performance in the case of Abay Bank S.C. Whereas, Wegayehu (2020) attempts to investigate the effect of reward on employees' job satisfaction, the case of Ethiopian Wildlife Conservation Authority. Moreover, Samrawit (2020) identifies the effect of reward system on employees' performance in the case of Ethiopian Airlines. More recently, Habtamu (2021) studies the effect of performance appraisal on employee satisfaction in the case of EEU, West Addis Ababa District.

Nevertheless of these efforts undertaken to address the issue of employees' performance in Ethiopia, all of the above studies focused either on industries different from the EEU energy sector (Solomon, 2019; Wegayehu, 2020 and Samrawit, 2020) or reward policies and strategies rather than actual specific reward practices (Petros, 2017) or effect of performance appraisal instead of reward management practices (Habtamu, 2021). Consequently, none of these studies focuses specifically on the effects of the various reward management practices on employees' performance in the case of EEU, West Addis Ababa District.

Additionally, being found in one of the overpopulated capital city in the continent gives an opportunity for the EEU West Addis Ababa District to be visited by a large number of people with different issues to get the District's service. According to the researcher's pre-research time observation; there were problems with employees to serve customers with the needed speed and with fairness and justice and the District's customers always make a repeated complaint in relation with employees' performance in service delivery and thus, the need of the public is not satisfied with the current employees' performance. This situation indicated that the organization faced performance problem. Through the preliminary study, the researcher identified various reasons for this, for example, many of the employees are not well paid and recognized for their efforts. Similarly in many cases the allowances such as house allowances, phone allowances, and travel allowances in the District are not at the required level as a result of which employees lack motivation to serve the District. Moreover the physical and emotional attributes of the working environment is not at the expected level rather in

some cases employee did not like their work environment. As a result, the employees put in less effort and came in late and left work early. Therefore, by taking into account these major problems in the EEU West Addis Ababa District, the researcher provides a detailed outline of reward management practices that affect employees' performance, organized into two broad categories; monetary reward practices (Base pay/Salary, Contingent pay, Bonus and Allowance) and non-monetary reward practices (Recognition, Promotion, Work Condition and Work freedom) and determine their relative effect on employees' performance to enable mangers prioritize the reward management practices to use for optimal employees' performance.

As mentioned earlier the lack of researches on assessment of the effects of various reward management practices on employees' performance in the case of EEU in general and EEU West Addis Ababa District in particular also motivated the researcher to conduct this study. To fill the research gap this study assesses the performance of EEU employees' with various reward management practices mainly with four monetary reward practices (Base pay/Salary, Contingent pay, Bonus and Allowance) and four non-monetary reward practices (Recognition, Promotion, Work Condition and Work freedom), undertaken by EEU West Addis Ababa District. So, this study will add to that body of knowledge in addition to its contribution to EEU's mangers.

Therefore, the main objective of this study is to assess the eight reward management practices and their subsequent effect on EEU West Addis Ababa District employees' performance.

1.3. Objectives of the Study

1.3.1. General objective

The general objective of the study is to investigate the effects of reward management practices on employee performance in EEU.

1.3.2. Specific objectives

The specific objectives include:

i) To determine the level of monetary and non-monetary reward practices implemented by EEU.

ii) To investigate current level of employees performance in EEU.

iii) To assess the relationship between reward practices and employees performance at EEU.

iv) To examine the effects of monetary and non-monetary rewards on employees performance in EEU.

1.4. Research Questions

In order to adequately address the research problem, the researcher came up with the following questions:

1. To what extent does the monetary and non-monetary reward practices implemented at EEU?
2. What does current level of employees' performance in EEU?
3. What are the relationships between the reward practices and employees performance at EEU?
4. What are the effects of the monetary and non-monetary rewards on employees' performance?

1.5. Research Hypotheses

The research hypotheses are as follows:

H_{01}: Monetary rewards have no positive significant relationship with employees' performance in EEU.

H_{a1}: Monetary rewards have positive significant relationship with employees' performance in EEU.

H_{02}: Non-Monetary rewards have no positive significant relationship with employees' performance in EEU.

H_{a2}: Non-Monetary rewards have positive significant relationship with employees' performance in EEU.

1.6. Significance of the Study

The study will be of great importance to the managers in EEU industry as well as other industries in designing policies on improving employee performance as well as policies on employee reward. The study will also be of great help to the human resource management (HRM) academic field and practitioners as it will give new empirical evidences and further theoretical elaborations. The study will expand the depth of available knowledge on reward management practices and its effect on employee performance in EEU in Ethiopia in general, and in West Addis Ababa District in

particular. It will also shape the HRM practice across various firms in regards to aligning reward management to the need to optimize employee performance and helpful to bring the employees vision to have more emphasis and perform their duty to increase efficiency and effectiveness. Finally, the study will also contribute to the corpus of literature would help for future scholars as it will form foundation for their future studies in related field. The study also gives suggestions for further studies which will guide the future scholars in selecting their topics for research.

1.7. Scope of the Study

Due to cost and difficulty to maintain large number of population throughout all the districts of EEU in the country as study participant, geographically, this study was delimited to Addis Ababa district customer service centers. In addition, the study targeted only employees of EEU, west Addis Ababa customer service centers as study population, and will not include employees of other districts' customer service centers in Addis Ababa, which is its methodological delimitation. Therefore, the findings may not be the reflection of employees of the whole customer service centers in Addis Ababa and the country. The timeframe of the study was from December, 2023 to May, 2024 G.C. Therefore, this study focused on the effects of monetary and non-monetary reward management practices on employees' performance of EEU, West Addis Ababa District during this time period.

1.8. Limitation of the Study

The study will have certain limitations. It was limited by constraints of resources, access, and time. The finance and material resource that were needed for a larger sample size for this study is inadequate. Again, by the constraint of academic calendar within which the study should be completed, not every EEU customer service centers in Ethiopia were included in the sample, though that is desirable for generalizing the findings to the entire EEU customer service centers in the country. Consequently, the expected results of this study could be applied up to some extend in the same EEU customer service centers but cannot be generalized for the whole customer service centers.

1.9. Definition of Key Terms

> **Employee Performance**

Employee performance is defined as the successful completion of tasks, responsibilities or assignments by a selected employee or group of employees based on set performance objectives and indicators of efficiency and effective utilization of available resources (Dewhurst et al., 2009).

> **Reward Practices**

Reward practices are the schemes, structures and techniques used to implement reward strategy and policy.

> **Monetary Rewards**

Monetary rewards are said to be tangible rewards presented by the management to the employees and may take the form of salary and wages, allowances, contingent payment as well as annual bonuses (Siti-Nabiha, Thum, & Sardana, 2012).

> **Non-monetary Rewards**

Non-monetary rewards are essentially intangible rewards (Taylor, 2008). They are positive psychological rewarding work-related experiences and activities that individuals gain from their work and work environment (Thomas, 2009).

1.10. Organization of the Study

This study is organized into five chapters. The first chapter focuses on background of the study, statement of the problem, objectives of the study, significance of the study, and scope of the study. The second deals with a comprehensive review of literature related on rewards management practices and employee performance. The third concerns with the research design and methodology with sub sections such as data analysis, data sources and data gathering tools. The fourth deals with the analysis and interpretation of data. The last concludes the essence of the whole discussions in summary conclusions and recommendation.

CHAPTER TWO

LITERATURE REVIEW

This chapter presents a review of related literature on the effects of reward management practices on employees' performance. The chapter is divided into the following three subheadings: theoretical literature review, empirical literature review, and conceptual framework.

2.1. Theoretical Literature Review

2.1.1. The concept of reward management practice

Reward management practice refers to all of the monetary and non-monetary payments that an organization provides for its employees as part of employees relations. A reward can be defined as the return offered by an organization in the return of what employees has achieved in terms of meeting their job descriptions, meeting targets and attaining organizational objectives and showing higher engagement (Bloom and Milkovich, 1998). Furthermore, Armstrong (2010) defines reward management practice is concerned with the design, implementation and maintenance of strategies and policies, aimed at rewarding people fairly, equitably and consistently in accordance with their value to the organization and thus help the organization to achieve its strategic goals to the improvement of organizational, team and individual performance.

In other words, reward management practice is one of the strategies used by human resource managers for attracting and retaining suitable employees as well as facilitating them to improve their performance. Therefore, human resource managers must design reward structures that facilitate the organizations strategic goals and the goals of individual employees (Maund 2001). Fundamental purpose is to provide positive consequences for contributions to desired performance (Wilson, 2003). Reward practices include; salaries and wages, awards and other forms of recognition, promotions, reassignments, non-monetary bonuses like vacations or simple appreciations (Kotelnikov, 2010). Gerhart and Rynes (2003) explain that reward relates to pay, both fixed in the form of salaries and wages, and variable through schemes such as incentives and bonuses.

The full impact of reward on employee performance can better be appreciated when viewed from the angle of total rewards. "Definitions of total reward typically encompass not only traditional,

quantifiable elements like salary, variable pay and benefits, but also more intangible non-cash elements such as scope to achieve and exercise responsibility, career opportunities, learning and development, the intrinsic motivation provided by the work itself and the quality of working life provided by the organization" Thompson (2002) cited by Armstrong, (2009). Bratton and Gold (2003) defined rewards as "all the cash, non-cash and psychological payments provided by an organization in return for their contribution". Work rewards indicate the benefits workers receive from their workplace and are considered the determinants of job commitment and satisfaction (Malhotra, Budhwar and Prowse, 2007). Gross and Friedman (2004) view rewards to include compensation (consisting of base pay, short and long term incentives), benefits (health issues, work/ life, and other benefits), and careers (training and development, career progression). Whereas Gross & Friedman (2004) view reward management practices to include compensation (consisting of base pay, short and long-term incentives), miscellaneous benefits (health issues, work life, and other benefits), and career benefits (training and development, career progression).

In conclusion, the above review shows us that there are generally two types of reward management practices. The first include monetary reward which is the most common type of every reward management practices. It is not necessarily the most important type of the practices but has a high motivating impact on employee performance. It is the financial part of reward (Merchant, 2007). Some of the monetary reward practices include base pay, cost of living adjustment and contingent pay, bonus and allowance. The second is the non-monetary reward management practices which are intangible non-cash rewards such as scope to achieve and exercise of responsibility, career opportunities, learning and development, career progression, the intrinsic motivation provided by the work itself and the quality of working life provided by the organization. A word of appreciation and certificates of recognition are other forms of non-monetary part of a reward system (Jaghult, 2005). It also includes relation rewards such as recognition, promotions, status and employment security. Nonmonetary part of a reward system creates a long term effect on employee commitment than the monetary part. However, an effective reward system must contain both components (Armstrong, 2007).

2.1.2. The concept of employee performance

According to Shield (2016) employee's performance has been defined as the degree to which an

employee executes the duties and responsibilities. Herbert, John & Lee (2000) defined employee performance as the employees' outcome or contribution in reference to the attainment of set goals. Employee performance is also defined as the achievement of set standards in terms of accuracy, and completeness over a specified period of time. Employee performance involves factors such as quality, quantity and effectiveness of work as well as the behaviors of employees shown in the workplace.

In an organizational context of performance, employee performance is defined as the degree to which an organizational member contributes to achieving the goals of the organization. Employee performance is vital to an organization as they play as an imperative mechanism that contributed to the success of an organization. Most organizations can measure employee performance through the quantity of output, quality of output, timeliness of output and labor productivity (George, 2015). What employee does or does not do will affect the reputation of the organization. The successful of supervising, create and empower the employees is an important basis of organization performance (Christensen, 2011). Therefore, outcomes achieved by the employee can be measured by using indicators that can describe an employee's pattern of performance over time (Ying, 2004).

According to Njanja, et al. (2013), many writers in human resource management suggest the following indicators for measuring employee performance and they include: quality that can be measured by percentage of work output that must be redone or is rejected; Customer satisfaction that can be measured by the number of loyal customers and customer feedback. Also, timeliness, measured in terms of how fast work is performed by the employee when given a certain task; absenteeism/tardiness observed when employees absent themselves from work; and achievement of objectives measured when an employee has surpassed his/her set targets, he/she is then considered to have performed well to achieve objectives (Hakala, 2008; Armstrong, 2006). This buttresses the need to measure individual performance of employees as a way of weighing the effect the reward practice has on the workforce and by extension, the organization. In addition, It is increasingly being recognized that planning and an enabling environment have a critical effect on individual performance, with performance goals and standards, appropriate resources, guidance and support from the managers all being central (Torrington et al., 2008). The level of employees' performance is dependent not just on their actual skills but also on the level of motivation exhibited by the individuals. Motivation is an inner drive or an external inducement to behave in a particular way. In typical situations, this is a way that will lead to rewards. Overachieving and talented employees are

the driving force of all organizations so it is essential that, organizations strive to motivate and hold on to the best employees. The quality of human resources management is a critical influence on the performance of the institution (Dessler, 2003).

2.1.3. Theories related to reward and employee performance

The following sub-headings would outline some theories related to reward and employee performance.

2.1.3.1. Expectancy theory

The expectancy theory was developed in 1964 by Victor H. Vroom. Expectancy theory argues that individuals will be motivated to act provided they expect to be able to achieve the set goals. Further the employee believes that achieving these goals will lead to rewards and that the rewards offered are valuable to him or her. The theory argues that the strength of a tendency to act in a specific way depends on the strength of an expectation, followed by a given outcome and on the attractiveness of that outcome to the individual. In the public sector, especially utility provider, an employee can be motivated to perform better when there is a belief that the better performance will lead to good performance and that this shall result into realization of personal goal in the form of some reward.

Therefore in its application to the study, the strength of expectation will be determined by monetary rewards and performance relationship, promotion schemes and reward relationship; and recognition and rewards relationship. Motivation arising from the expectancy theory produces desired actions, which gives the required results in the form of performance and satisfaction from rewards for the employees (Vroom, 1964).

2.1.3.2. Equity theory

Equity theory was developed by J. Stacey Adams in 1963 and is primarily based on employees' comparisons with others. Thus equity theory is based on the idea that individuals are motivated by fairness. The equity theory claims that in most cases, employees do compare the reward a given job situation gives them in relation to their input in the job, comparing the input-outcome ratios of other employees relevant to their job type and level. It thus becomes imperative to understand how employees perceive their input-outcome ratios when deciding on the plausible ways to motivate or reward those (Robbins et al., 2013). A state of equity will always exist when

employees perceive that their input-output ration is equal to those of other employees relevant to their levels. This does not present issues when it comes to rewarding the employees. However, whenever employees perceive that there is a given level of inequity in input-outcome ratio, there are several actions they likely will take including, distorting their own inputs or outcomes or those of others. It is highly likely that when employees realize they are over-rewarded or under- rewarded they will behave in a way that will eventually induce other employees to change their input-outcome ratios.

In situation where employees perceive they are over-rewarded, they will be motivated and thus will put more effort in their work (Robbins et al., 2013). Eventually, these employees might act in ways that other employees will perceive they are under-rewarded which may result in tension or a reduction in the other employees' performance. In situations that employees feel under- rewarded, they might employ less effort in their work resulting in reduced levels of production while in cases where employees perceive they are over-rewarded, they feel more motivated to work harder (Robbins et al., 2013). Additionally, under-rewarded employees may decide to quit their jobs or the over-rewarded employees cause other employees to quit their jobs. Moreover, the equity theory has its own inherent problems. This theory leaves several core issues unclear. Such issues include how employees define their inputs and outcomes as well as those of others. Another key issue left unclear by this theory is how employees combine outcomes and inputs as well as weigh them to come up or arrive at totals (Robbins et al., 2013). Moreover, the theory does not explain how these factors change over time. Despite the limitations of the equity theory, it rides on an impressive research support, offering crucial insights into employee reward systems.

2.1.3.3. Hierarchy of Needs Theory

Abraham Maslow proposed this theory in 1943. This work is considered pioneer in motivation theories and has served as a basis for many other theories. Abraham Maslow organized five major types of human needs into a hierarchy. The need hierarchy illustrates Maslow's conception of people satisfying their needs in a specified order, from bottom to top. The needs, in ascending order, are: Physiological (food, water, and shelter.), Safety or security (protection against threat and deprivation), Social (friendship, affection, belonging, and love), Ego (independence, achievement, freedom, status, recognition, and self-esteem), and Self-actualization (realizing one's full potential;

becoming everything one is capable of being (Adams, 1963).

In the context of rewards, needs entails internal states that make certain outcomes appear attractive. For example, money in Maslow's theory would essentially satisfy lower needs and motivate employees to work harder aiming at higher needs. In most cases, employees fight for money as a security need, provision of clothing, food, and shelter while on the other hand, money could act as a self-esteem need capable of giving the individual a sense of self-worth. It is also instructive for managers to understand that as each of the employee's need is substantially satisfied, another need becomes dominant. Therefore, at no time will every need be fully gratified as well as no substantially satisfied need motivates (Maslow, 2013). In motivating employees, it is highly recommended that the manager understands the employee's position in the hierarchy and focusing on rewarding the employees by satisfying needs at that level or a level immediately above the employee's level.

Maslow also created the term "met motivation" to describe the level of motivation of a person who attempts to go beyond the basic needs and strives for improvement constantly. He explained that due to the human complexity, it is not an easy task to motivate employees, and organizations must have an efficient well- thought reward system to be able to influence workforce job satisfaction level, commitment to an organization performance and personal development (Latham, 2012).

This theory has an intuitive logic as well as it is easy to understand. Despite its intuitive logic, this theory is rarely validated by research since it lacks empirical substantiation (Maslow, 2013).

2.1.4. Relationship between reward management practices and employee performance:

Many organizations use various forms of rewards to enhance employee performance. However, they unfortunately, are not able to distinguish which type of rewards is most effective in terms of performance. Employees who help achieve organizational goals are appreciated through rewards (Salah, 2016). Previous studies have shown that the more employees feel dissatisfied with monetary rewards received, the higher the possibility of them leaving the organization (DeConinck & Stilwell, 2004)

Researchers have established that managers are divided on the issue of rewards but tend to agree that rewards influence employee performance (Salah, 2016). Recent Studies established that there is

less relation between monetary rewards and performance. Study on monetary rewards such as bonuses, pay increase has indicated that these rewards affected innovativeness amongst employees and managers. Similar findings were reached by Durant et al. (2006) in their study on performance paradigm in which they explain that monetary rewards are not the most motivating factors to performance instead they have demotivating effects on employees.

Although monetary rewards generally appeal and are welcomed by employees, Nelson and Spitzer (2003) concluded that monetary should not be used as a tool to motivate employees to improve performance. Appropriate, effective and timely reward increases employees and managers' motivation. Researches and experience regarding the theory of performance reinforcement have proved that effective and timely feedback can be regarded as a motivation to increase employees' productivity and spirit (Cook, 2008). Studies reveal that there is a significant relation among the current employees, compensation, information sharing, stress levels and job burnout in the workplace (Terluin, et al., 2004).

In the past, both HR practitioners and researchers and scholars focused mainly on financial rewards. However, organizations continue to experience challenges in attracting and retaining talented employees due to changes in the internal and external environment such as budget constraints, age and strive for talents (McDonnell, 2011). As a result, managers are working at doing total reward analysis i.e. manage both intrinsic and extrinsic rewards. Rewards that have greater impact on performance receive more attention from mangers. Total reward management agrees that there is need to provide appropriate financial rewards to performing employees (Chiang & Birtch, 2011).

2.2. Empirical Literature Review

Mehta (2014) conducted a descriptive and quantitative study in Pakistan on the impact of monetary and non-monetary rewards on employee performance and job satisfaction in insurance companies of Pakistan. The study used a structured questionnaire to collect data; and data were analysed using Pearson's correlation coefficient and regression analysis. Findings revealed that monetary rewards have a significant positive impact on employee performance and job satisfaction. The result of the study shows that this significant relation is due to factors, which vary from individual to individual whether the employee is working in the private sector or public sector.

Peter (2017) conducted a study in Dar es Salaam City Council to assess the impact of promotion to employees' performance. The study employed a case study research design with a sample of 150 employees who were subjected to self-administered questionnaires and interview guides. Data were analyzed descriptively using percentages and frequencies. Findings revealed that promotion has an impact on individual and organizational performance as it induces motivation, good performance, good relations and increased remunerations. Additionally, the findings indicated that there were impacts for non- adherence to promotion procedure, which affects individual performance and organization such as poor performance, accumulated promotion, poor relations and labour turnover.

Jehanzeb Khawaja, (2012) investigated the relationship between rewards and employee's performance in cement companies in Pakistan. A total of two hundred questionnaires were randomly distributed among the employees of private schools in the Khyber Pakhtoonkhawa Province of Pakistan. The results revealed that there is a direct relationship between reward system and employee's performance.

Ali and Ahmad, (2009) revealed that there is a positive relationship between "recognition and reward", "performance" and stated that if reward and recognition are given to employee then there is a huge change in their employee performance.

Ermias (2017) did his study to investigate whether reward system has an impact on performance of employees at national bank of Ethiopia. His multiple regression analysis showed there is a positive relationship between monetary and non-monetary rewards with the perceive employee performance in the bank.

The study conducted by Kibet et al. (2013) on Kenya Power and Lighting Company (KPLC) Ltd focused on the examination of whether cash bonus has an effect on employee performance. The study was conducted through correlation research design. Descriptive and chi-square analysis was used to investigate the relation between cash bonus with performance of employees. The result showed that cash bonus has no significant impact on employee performance (p=0.8). This finding shows there are conditions where reward may not affect the employees performance though the study was conducted through one reward element.

Furthermore, a study conducted by Ajila (2004) tried to investigate the effect of reward and

compensation on employee's performance of central Bank Nigeria, Abuja. The data were collected through a self – designed questionnaire. They tested their finding at 95% degree of confidence. The result indicated that there is a positive relation between extrinsic reward and compensation with the staffs' performance in the bank. However, no relationship existed between non-monetary rewards and performance of workers.

The above are empirical works carried out by different researchers in the areas of reward and productivity. Judging from all these empirical studies and findings, one may generally conclude that a good reward system can be expected to result in higher performance. However, the above studies were done in other organizational contexts, due to differences in social, cultural and economic situations a related study needed to be conducted in EEU, West Addis Ababa District.

2.3. The Conceptual Framework of the Study

Conceptual framework below was formulated carefully by the researcher from the various literature reviewed. This framework will guide this research throughout. This framework sees reward practices as being made up of monetary and non-monetary reward practices. The monetary and non-monetary reward practices will serve as independent variable while employee performance will be the dependent variable. Studies have shown that the reward practice is a major control or influence mechanism available to organizations. A proper understanding of the effect will help draw attention to the impact of reward on employee performance. Considering the discussion above this study adopts the following framework to conduct research about reward practices of EEU and it relationship with employee performance. Figure 1 below depicted the relationships between variables used in this study.

Figure 1 Conceptual Framework of the study

Independent Variables   Dependent Variable

Reward management practices

➢ **Monetary Rewards**

➢ **Non-Monetary Rewards**

Employees' Performance
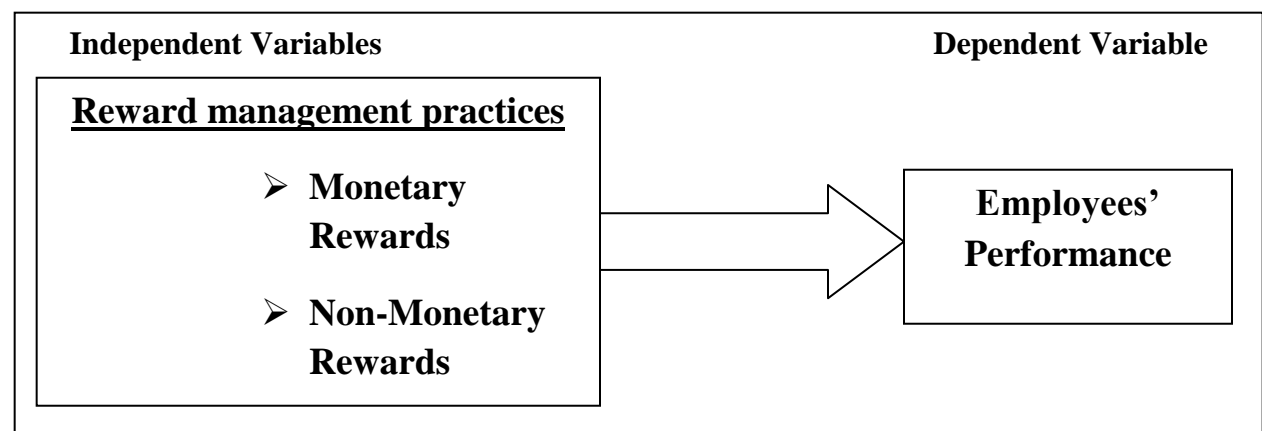
Source: Own construct

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

Research methodology is away to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically (Kothari, 2004).

3.1. Research Design

Descriptive and explanatory research design was used to examine the effect of reward management practices on employee performance. The purpose of using such approach is, it is important to gather data that help the researcher to describe and explain the phenomenon of interest, i.e., to assess reward management practices of EEU and to investigate the impact of reward management practices on employee performance.

3.2. Research Approach

Quantitative research methodologies were used in this research. According to Allison Shorten[1] and Hui Bian (2018), the method focuses on gathering, analyzing, and using quantitative data in a single study or series of studies.

3.3. Source of Data

Data collection is the systematic gathering of data using a specified scientific process (Cooper & Schindler, 2014). Primary data refers to information obtained first-hand by the researcher on the variables of interest for the specific purpose of the study while secondary data refers to information gathered from existing sources (Dawson, 2002). This study used both primary and secondary data.

3.4. Data Collection Tools

This study used a structured questionnaire to collect primary data. The study questionnaire is divided into four sections. Section I consists of general questions; Section II contains questions on monetary rewards, section III on non-monetary rewards while section IV focuses on the dependent variable; employee performance. A Likert Scale of five levels (strongly disagree, disagree, neutral, agree and strongly agree) were adopted.

3.5. Population and Sampling

3.5.1. Target Population

The target population of this study was all permanent employees of the EEU west Addis Ababa district customer service centers. According to the human resource department of the district, there are a total of 572 permanent employees; (and of which 8 are managers) who have been working in the 8 customer service centers of the district. The lists of all employees were used as a sample frame to select representative sample of employees. This study is not included managers as a target population. This is because the performance of managers is measured by the regional director and with different performance measurement system of the other employees. This implies the target population is 564 permanent employees working in the 8 customer service centers of the district.

3.5.2. Sampling

Since the number of permanent employees in the company are finite (564) and there is a sample frame, using the formula for finite population (Kothari, 2004), 229 permanent employees were taken as a representative sample. The formula for determination of sample size for finite population is:-

$$n = \frac{z^2.p.q.N}{e^2(N-1) + z^2.p.q}$$

where

n is sample size

Population proportion p = 0.5

q=1-p

Confidence level = 95%

Population size N = 564

Z-value for α, 0.05= 1.96

The standard error e=0.05

By using stratified proportionate sampling method 229 respondents were selected from the eight customer service centers and the respondents from each group (stratum) was selected using simple random sampling method, and proportional to their population share.

Table 1 Proportionate Stratified sample size from each stratum

Customer Service Center	Total population (N)		Sample Size (n)	
	Frequency	Percentage	Frequency	Percentage
1	94	16.67%	229*0.1667=38	16.59%
2	81	14.36%	229*0.1436=33	14.41%
3	60	10.64%	229*0.1064=24	10.48%
4	61	10.81%	229*0.1081=25	10.92%
5	60	10.64%	229*0.1064=24	10.48%
6	49	8.69%	229*0.0869=20	8.73%
7	66	11.70%	229*0.1170=27	11.79%
8	93	16.49%	229*0.1649=38	16.59%
Total	*564*	100%	229*1.0000=**229**	100%

Source: HR Dep't EEU west Addis Ababa District 2023

3.6. Measurement of Variables

3.6.1 Measurement of Independent Variables

The independent variable of this study was four monetary reward practices (Base pay/Salary, Contingent pay, Bonus and Allowance) and four non-monetary reward practices (Recognition, Promotion, Work Condition and Work freedom) in total eight independent variables. These variables are adopted from previous researches including Petros (2017), Solomon (2019), Wegayehu (2020) and Samrawit (2020). In order to measure these independent variables a likert scale of five levels, (strongly disagree, disagree, neutral, agree and strongly agree), were adopted to rate how the sample employees agree with a total of 28 statements regarding the eight independent variables within the monetary and non-monetary reward practices in their organization (see Section 2 and 3 of the questionnaire in the Appendix).

3.6.2. Measurement of Dependent Variable

The dependent variable in this study is employee performance. In order to measure employee performance, the respondents were asked to rate 8 statements regarding employee performance, which are adopted from Nyambura (2018), with five point Likert scale in the following manner: 'strongly disagree', 'disagree', 'neutral', 'agree' and 'strongly agree' (see Section 4 of the questionnaire in the Appendix).

3.7. Data Analysis

The collected data was entered and coded into the statistical Package for Social Sciences

(SPSS) version 22 and then was used to analyze the data for descriptive and inferential statistics. Descriptive data was analyzed for mean, standard deviation, percentages and frequencies, while inferential statistics analyzed for correlations, and regressions. For the inferential statistics analysis, the independent variables are reward management practices and were used as the X variables, and the dependent variable which in this case is employee performance and was used as the Y variable to determine the correlation coefficient which indicated the nature of the relationship between the two variables and the effect of independent variables on dependent variable. The model that was used is:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + e$$

Where:-

Y is employee performance, β_0 is the constant, β_1, β_2, β_3, β_4, β_5, β_6, β_7, β_8 are coefficients of each independent variables, X1 is Salary, X2 is Contingent pay, X3 is Bonus, X4 is Allowance, X5 is Recognition, X6 is Promotion, X7 is Work Condition, X8 is Work freedom and e= error term or residual or unexplained variable

The analysis of the data was presented using tables and figures.

3.8. Validity and Reliability

In order for results to be usable to conduct further research they must be valid and reliable.

3.8.1. Validity

Validity means the validity of the results, i.e. how well the questions measure the matters chosen to be studied (Webropol, 2011). The content validity of the instrument for the present study ensured as the four monetary reward practices (Base pay/Salary, Contingent pay, Bonus and Allowance) and four non-monetary reward practices (Recognition, Promotion, Work Condition and Work freedom) and items would be identified from the literature and from similar thesis works. Researcher was also conducted pilot testing study to see whether the questionnaires can able to measure what it is aimed to measure.

3.8.2. Reliability

Reliability tells about stability of the results i.e. how accurately the study or measuring has been carried out (Webropol, 2011). Reliability refers to whether a measurement instrument is able to yield consistent results each time it is applied.

In this regard this study conducted Cronbach's Alpha reliability test as a measure of internal consistency of the mean of the items at the time of administration of the questionnaire. Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively related to one another.

Alpha coefficient ranges in value from 0 to 1. The higher the score, the more internally reliable the generated scale is. Cronbach's coefficient alpha value over 0.7 is believed to be acceptable reliability coefficient (Pallant, 2005).

Table 2 Cronbach Alpha Coefficient for each variable

Variables	Cronbach's Alpha	Number of Items	Number of questionnaire
Base pay/Salary	0.803	3	188
Bonus	0.724	3	188
Contingent pay	0.720	4	188
Allowance	0.850	4	188
Recognition	0.762	3	188
Work Condition	0.725	3	188
Promotion	0.844	4	188
Work freedom	0.760	4	188
Employee performance	0.829	8	188

Source: Own Survey, computed in SPSS, 2024

The above table illustrates the values of Cronbach's alpha for each of the questionnaire. According to Table 2 the values of Cronbach's alpha for the nine variables ranged between 0.720 and 0.850 which is highly acceptable according to Malhotra and Birks (2007) that the value of 0.60 is considered as the lower limit of acceptability for Cronbach's alpha. Hence, based on the above reliability statistics, it is above the minimum required threshold and showed that the high reliability of the questionnaire.

3.9. Ethical Considerations

The study was conducted by considering ethical responsibility. It was included providing information to the respondents the purpose of the study and the use of the information as well. Information gathering was held in strict confidentiality by the researcher. Respondents' anonymity is kept so that participants are feeling free and safe to express their ideas. The researcher was also notifying participants that their participation in the study is voluntary, that they have the freedom to get information easily at any time.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

This chapter deals with the results and analysis of the findings and it contains three sections. The first section presented descriptive and correlation analysis on variables of the study; the second section presented fulfillment of the assumptions; the third section laid down the results of regression analysis that constitute the main findings of this study.

4.1. Response Rate of Respondents

Table 3 Response Rate

Questionnaires distributed	Questionnaires returned	Percentage
299	188	82.1

Source: Own Survey

As shown table 3 above, regarding the response rate of respondents, 229 questionnaires were distributed and 188 were returned with response rate of 82.1%. Based on this result, the next analysis is carried out.

4.2. Demographic profile of respondents

The questionnaire included a segment on employees' profile, as an assortment of demographic and other factors which likely to influence employee performance within public service sector in case of EEU west Addis Ababa district customer service centers. The demographic profile of the respondents is described in Table 4 below.

Table 4 Demographic Profile about employee's profile

Demographics		Frequency	Percentage
Gender	Female	64	34.0%
	Male	124	66.0%
Age in years	18-25	22	11.7%
	26-35	71	37.8%
	36-45	56	29.8%
	>45	39	20.7%
Education level	Certificate (Level 1 & 2)	56	29.8%
	Diploma (Level 3)	89	47.3%
	First Degree	38	20.2%
	Second Degree and above	5	2.7%
Service Experience in	< 1	10	5.3%

year	1-5	53	28.2%
	6-10	62	33.0%
	11-15	49	26.1%
	>15	14	7.4%
Work Position	Officer	126	67.0%
	Team Leader	16	8.5%
	Supervisor/main casher	29	15.5%
	Forman	17	9.0%

Source: Own Survey, computed in SPSS, 2024

As shown from Table 4 above the findings on gender distribution of this study had 124 (66.0%) males and 64 (34.0%) females. The findings indicate that EEU west Addis Ababa district customer service centers are male dominated as more males compared to females were registered in the study.

The results on age level were grouped as follows; 18-25 years, 26-35 years, 36-45 years, 45 and above. It was noted that 22 (11.7%) were between 18-25 years, 71 (37.8%) of the respondents were 26-35 years, 56 (29.8%) were 36-45 years, and finally 45 and above were 39 (20.7%) years as shown in Table 4 above. The findings show that the majority of the respondents' age group lied between 26-35 years old as indicated in the above table. This implies that majority of the respondents are young and matured employee, meaning they were at their prime time to work at the customer service centers and also were able to respond to the data collection instruments with ease.

The finding on the highest level of education attained by the respondents in EEU west Addis Ababa district customer service centers were distributed as follows; 56 (29.8%) had college level certificate, 89 (47.3%) had college diploma certificate, 38 (20.2%) had university degree certificate and 5 (2.7%) had postgraduate certificate. This result was attested that the respondents of this study were college and university graduates who have the required knowledge to understand the questions in the questionnaire that asked employees to measure the level of reward practices and rate their overall level of employee performance in EEU west Addis Ababa district customer service centers.

The category of work position filled by the respondents showed that 126 (67.0%) were officers, 29 (15.5%) were Supervisor/main casher, 17 (9.0%) were Forman and 8 (5.6%) were team leaders as shown in Table 4, while number of years worked at the organization by the respondent showed that 10 (5.3%) had less than a year experience, 53 (28.2%) had between 1

and 5 year experience, 62 (33.0%) had between 6 and 10 year experience, 49 (26.1%) had between 11 and 15 year experience and 14 (7.4%) had more than 15 years experience. This finding revealed that majority 125 (66.5%) had 6 and above years experience in EEU west Addis Ababa district customer service centers. Therefore, it can be said that majority of the respondents are well experienced, meaning they can give relevant opinion about the organizations reward management practices and employee performance status.

4.3. The level of reward management practices

The first objective of the study was to determine the extent to which reward management practices is conducted at EEU. In this study this was achieved by breaking down reward management practices into its components namely monetary reward practices and non-monetary reward practices.

4.3.1. Monetary reward practices

In this study four monetary reward practices (Base pay/Salary, Contingent pay, Bonus and Allowance) were considered for analysis and their mean score is presented as follows:

4.3.1.1. Base pay/Salary

Table 5 Measures of Base pay/Salary practice

Items	Mean	St. dev.
My salary is sufficient in relation to what I perform.	2.98	0.984
My annual salary raise (increment) is satisfactory	3.03	0.913
The amount of salary I receive is competitive with similar jobs in the industry	3.01	1.057
Base pay/Salary practice average	**3.01**	**0.835**

Source: Own Survey, computed in SPSS, 2024

Table 5 above shows that the respondents were slightly disagree on the organization salary pay is sufficient in relation to what they perform (mean 2.98). This result implies that employee dissatisfied in the organization and pay is not based on the amount of work. The respondents were however slightly agreed on the organization annual salary raise (increment) is satisfactory (mean 3.03) and the salary is competitive with similar jobs in the industry (mean 3.01). This implies that annual salary raise is slightly satisfactory. Moreover, salary pays in respondent organization are slightly satisfactory compared to similar organization.

4.3.1.2. Bonus

Table 6 Measures of bonus practice

Items	Mean	St. dev.
I receive bonus with respect to my effort	2.65	1.052
I am satisfied with the bonus that the EEU provides	2.57	1.128
If I perform well, I am certain that amount of bonus increase	2.79	1.113
Bonus practice average	**2.67**	**0.881**

Source: Own Survey, computed in SPSS, 2024

Table 6 above shows that the respondents were disagreed that the bonus pay of employees depend on their effort (mean 2.65), the bonus EEU provides is satisfactory (mean 2.57) and that the organization increase the amount of bonus if they perform well (mean 2.9). This result implies that almost no bonus is given with respect on job effort. This result also indicates respondents are not satisfied with bonus provided. Over all bonus issue needs better attention.

4.3.1.3. Contingent pay

Table 7 Measures of contingent pay practice

Items	Mean	St. dev.
The organization pays for overtime	3.36	0.951
The organization gives additional benefits for its employees	3.13	0.994
I am satisfied with the benefits I receive	2.78	0.933
The benefit package of the EEU is equitable	3.10	0.940
Contingent pay practice average	**3.09**	**0.704**

Source: Own Survey, computed in SPSS, 2024

Table 7 above shows that the respondents slightly agreed that the organization pays overtime for the employees (mean 3.36), gives additional benefits for its employees (mean 3.13) and that the benefit package of the organization is equitable (mean 3.10). The respondents are however dissatisfied on the benefits they received (mean 2.78). This indicates that the organization pays overtime for the employees, gives additional benefits for its employees and the benefit package is equitable. However the organization does not seems it has provided sufficient benefits for its employees. It is thus seen that the organization used contingent pay as a reward management practice but with insufficient amount of benefits provision to its employees.

4.3.1.4. Allowance

Table 8 Measures of allowance practice

Items	Mean	St. dev.
I receive transportation allowance	2.90	1.339
I receive medical allowance	2.85	0.877
I receive special allowances such as airtime and night outs	3.05	0.918
I receive house allowance	2.85	1.118
Allowance practice average	**2.91**	**0.896**

Source: Own Survey, computed in SPSS, 2024

Table 8 above shows that the respondents slightly agreed that the organization pay special allowances such as airtime and night outs (mean 3.05). The respondents are however disagreed on the fact that the organization pays medical allowance (mean 2.85), house allowance (mean 2.85) and transportation allowance (mean 2.90). This means that the organization seems to pay special allowances such as airtime and night outs but not medical, house and transportation allowances.

4.3.2. Non-monetary reward practices

In this study four non-monetary reward practices (Recognition, Work Condition, Promotion and Work freedom) were considered for analysis and their mean score is presented as follows:

4.3.2.1. Recognition

Table 9 Measures of recognition practice

Items	Mean	St. dev.
I get formal and informal recognition from my supervisors for my efforts	2.86	1.145
I receive adequate recognition for doing my job well	2.74	1.138
I feel that my job receives enough attention from my company	2.85	1.153
Recognition practice average	**2.81**	**0.943**

Source: Own Survey, computed in SPSS, 2024

Table 9 above shows that the respondents were disagreed on the items that say the employees get formal and informal recognition from supervisors for their efforts (mean 2.86), employees receive adequate recognition for doing their job well (mean 2.74) and employees feel that their job receives enough attention from the organization (mean 2.85).This, therefore, implies a majority respondent indicates that they are not getting recognition from their supervisors for for their efforts, adequate recognition for doing their job well and they are dissatisfied by the lack

of enough attention for their job from my company. This means that the organization does not seem effectively use recognition as a reward management practice.

4.3.2.2. Work Condition

Table 10 Measures of work condition practice

Items	Mean	St. dev.
The physical surroundings where I work are secured and well-furnished clean office	2.96	1.130
The EEU has guaranteed job security to its employee	3.34	1.090
I receive adequate resource on my work place	2.97	1.156
Work condition practice average	**3.09**	**0.904**

Source: Own Survey, computed in SPSS, 2024

Table 10 shows that the respondents agreed that the organization has guaranteed job security to its employee (mean 3.34). However they slightly disagreed on that the physical surroundings they worked are secured and clean (mean 2.96), that the organization provides adequate resource on their work place (mean 2.97). This means that the organization guaranteed job security to its employees but does not seem pay more attention to secure and clean the physical surroundings of work places and the organization does not seem provide adequate resource in the work place. It therefore shows that majority respondent's dissatisfied in physical surrounding needs improvement, well furnished and clean office implies better satisfaction and performance level. This result also indicates dissatisfaction on adequate working resources in the organization.

4.3.2.3. Promotion

Table 11 Measures of promotion practice

Items	Mean	St. dev.
The way promotion is given at EEU is job performance based	2.82	1.011
EEU is giving priority for merit in promotion decision	2.99	.922
The opportunity for advancement on this job is interesting	2.96	1.038
All employees get a fair chance of being promoted	2.76	1.050
Promotion practice average	**2.88**	**0.831**

Source: Own Survey, computed in SPSS, 2024

Table 11 above shows that the respondents are on disagreement that promotion given at the organization is job performance based (mean 2.82), that the organization is giving priority for merit in promotion decision (mean 2.99), that the opportunity for advancement on this job is

interesting (mean 2.96) and that all employees of the organization get a fair chance of being promoted (mean 2.76). Respondents result indicates that the organization seems not giving priority for merit in promotion and promotion is not job performance based. Additional, the opportunity for advancement on job is not interesting majority of respondents seems dissatisfied.

This implies that the way promotion is given in the organization not satisfactory as per the respondents. In promotion variable the study result shows that there is a dissatisfaction and awareness problem in the organization.

4.3.2.4. Work freedom

Table 12 Measures of work freedom practice

Items	Mean	St. dev.
I have the chance to work alone on my job	3.25	1.083
I have freedom to use my own judgment	3.31	1.124
EEU let employee participating on decision making that concern them	3.35	1.130
I have freedom to try new methods of doing in my job	2.90	1.343
Work freedom practice average	**3.20**	**0.895**

Source: Own Survey, computed in SPSS, 2024

Table 12 above shows that the respondents agreed that the organization gives employees the chance to work alone on their job (mean 3.25), that the organization gives employees the freedom to use their own judgment (mean 3.31) and that the organization lets employees participating on decision making that concern them (mean 3.35). The respondents are however disagreed on the organization allowing employees to try new methods of doing their job (mean 2.90). This indicates that the organization gives employees the chance to work alone on their job, gives employees the freedom to use their own judgment and lets employees participating on decision making that concern them. However the organization does not seem it allows employees to try new methods of doing their job. It is thus seen that the organization used work freedom as a reward management practice relatively better than the other reward management practices but with less interest to give permission to employees to try new methods of doing their job.

4.4. The level of employee performance

The second objective of the study was to determine the level of employees' performance at EEU and the result of the study presented in table 13 below.

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Table 13 Measures of employee performance

Items	Mean	St. dev.
EEU employees serve with needed speed	3.02	.992
Employees at EEU are sensitive to customer requirements	3.10	.982
EEU employees have team work spirit	3.30	.980
EEU employees meet targets	3.23	.957
EEU employees show a lot of commitment to their work	3.25	.923
EEU employees respond adequately to challenges faced by customers	3.16	1.018
EEU employees are keen in meeting deadlines with minimal mistakes	2.97	.791
EEU employees are keen on keeping time for reporting and meetings	3.17	.829
Employee performance average	**3.15**	**0.632**

Source: Own Survey, computed in SPSS, 2024

Table 13 shows that the respondents moderately agreed that the employees have team work (mean 3.30), they show a lot of commitment to their work (mean 3.25), they meet the desired targets (mean 3.23), are keen on keeping time for both reporting and meeting (mean 3.17), respond adequately to challenges faced by customers (mean 3.16), are sensitive to customer requirements (mean 3.10), and serve with needed speed (mean 3.02). The respondents are however disagreed on that they are keen in meeting deadlines with very minimal mistakes (mean 2.97). This therefore indicates that the employees perform moderately with special focus on team work, commitment to their work, meet the desired targets, keeping time for reporting and meeting, respond adequately to challenges faced by customers, sensitive to customer requirements and serve with needed speed. However the employees do not meet deadlines with very minimal mistakes.

4.4.1. Summary table of reward practices and employee performance

In general form the study results both monetary and non-monetary reward variable practice is low in the organization while the employees' performance is moderate. The overall means and standard deviations among the variables of the study are shown in the descriptive statistics displayed in Table 14 below.

Table 14 Summary statistics of reward practices and employee performance

Variables	Mean	Standard deviation
Base pay/Salary	3.01	0.835
Bonus	2.67	0.881
Contingent pay	3.09	0.704

Allowance	2.91	0.896
Overall monetary reward practice average	2.92	0.602
Recognition	2.81	0.943
Work Condition	3.09	0.904
Promotion	2.88	0.831
Work freedom	3.20	0.895
Overall non-monetary reward practice average	3.00	0.512
Employee performance	3.15	0.632

Source: Own Survey, computed in SPSS, 2024

As indicated the mean and standard deviation of reward variables such as; base pay/salary, bonus, contingent pay, allowance, recognition, work condition, promotion and work freedom are presented in the above table rated by respondents. The result from this study showed that highest overall mean result was recorded for work freedom (mean 3.20) compared with other reward variables, and the least overall mean result is shown in the bonus reward variable (mean 2.67). In general, overall average of monetary reward practices (mean 2.92) and non-monetary reward practices (mean 3.00) are low, meaning the level of reward practices in the organization is lower than what the employees expected. It indicates that most of the respondents are not satisfied with the level of reward practices in the organization.

Finally, the result in Table 14 above shows that the overall performance among employees had a mean of 3.15. It can be concluded that employees were moderately performed.

4. 5. The relationships between rewards management and employee performance

The third objective of the study is investigating the relationship between rewards (monetary and non-monetary) and employee performance. Correlation analysis was used by the researcher to find the connection of the variables. That is, to check how much strong is the relation of variables and also to check if the variables are positively or negatively related. As explained in the previous section the independent variables of this study were base pay/salary (SA), bonus (BO), contingent pay (CP), allowance (AL), recognition (RC), work condition (WC), promotion (PR) and work freedom (WF) and dependent variable was employee performance (EP).

Correlation is the degree of correspondence between variables. This implies the relationship is mutual or reciprocating, but we do not include in our concept of correlation any proposition that one thing is the cause and the other the effect. Pearson correlation coefficient is a technique used to measure the degree of association between two variables which may have any value

between -1.0 and 1.0. The correlation coefficient is represented by r. Correlation can take on any value in the range [-1, 1]. The sign of the correlation coefficient indicates the direction of the relationship, while the magnitude of the correlation (how close it is to -1 or +1) indicates the strength of the relationship.

To interpret the strengths of relationships between variables, the guidelines suggested by Field (2005) were followed, mainly for their simplicity. His classification of the correlation coefficient(r) is as follows: 0.1 to 0.30 is weak; 0.3–0.50 is moderate; and > 0.5 is strong. Regarding the relationship between the variables, Table 15 below clearly shows that figures with the symbol (**) indicates that each of the variables are significantly correlated at a significant level of p<0.01.

Table 15 Pearson correlation results

		EP	SA	BO	CP	AL	RC	WC	PR	WF
EP	Pearson Correlation	1								
	Sig. (2-tailed)									
	N	188								
SA	Pearson Correlation	$.703^{**}$	1							
	Sig. (2-tailed)	.000								
	N	188	188							
BO	Pearson Correlation	$.567^{**}$	$.380^{**}$	1						
	Sig. (2-tailed)	.000	.000							
	N	188	188	188						
CP	Pearson Correlation	$.400^{**}$	$.353^{**}$	$.282^{**}$	1					
	Sig. (2-tailed)	.000	.000	.000						
	N	188	188	188	188					
AL	Pearson Correlation	$.545^{**}$	$.433^{**}$	$.372^{**}$	$.372^{**}$	1				
	Sig. (2-tailed)	.000	.000	.000	.000					
	N	188	188	188	188	188				
RC	Pearson Correlation	$.665^{**}$	$.537^{**}$	$.656^{**}$	$.273^{**}$	$.435^{**}$	1			
	Sig. (2-tailed)	.000	.000	.000	.000	.000				
	N	188	188	188	188	188	188			
WC	Pearson Correlation	-.013	-.058	.090	-.028	-.037	.078	1		
	Sig. (2-tailed)	.863	.433	.219	.699	.614	.289			
	N	188	188	188	188	188	188	188		
PR	Pearson Correlation	$.560^{**}$	$.479^{**}$	$.438^{**}$	$.226^{**}$	$.480^{**}$	$.488^{**}$	.034	1	
	Sig. (2-tailed)	.000	.000	.000	.002	.000	.000	.647		
	N	188	188	188	188	188	188	188	188	
WF	Pearson Correlation	.062	.065	.030	.039	$.369^{**}$	.019	$-.155^{*}$	$.180^{*}$	1

Sig. (2-tailed)	.401	.377	.682	.598	.000	.791	.033	.013	
N	188	188	188	188	188	188	188	188	188

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed)

Source: Own Survey, computed in SPSS, 2024

Based on the result revealed in the above Table 15, base pay/salary (SA) was found to have a statistically significant strong positive relationship with employee performance (EP) at (r = 0.703, p= 0.000) in EEU west Addis Ababa district customer service centers. Bonus (BO) was also found to have a statistically significant strong positive relationship with employee performance at (r = 0.567, p = 0.000) in EEU west Addis Ababa district. Contingent Pay (CP) was also found to be significantly positively correlated with employee performance at (r = 0.400, p = 0.000) in the study organization. There is statistically moderate relationship between contingent pay and employee performance. The forth variable is allowance (AL) and it is significantly positively correlated with employee performance at (r = 0.545, p = 0.000) in the study organization. There is statistically strong relationship between allowance and employee performance. The fifth variable is recognition (RC) and it is found significantly positively correlated with employee performance which is (r = 0.665, p = 0.000) in the study organization. There is statistically strong relationship between recognition and employee performance. Promotion (PR) is also found to be significantly positively correlated with employee performance at (r = 0.560, p = 0.000). There is statistically strong relationship between promotion and employee performance. However, the results in Table 15 above indicate that work condition (WC) and work freedom (WF) have not statistically significant relationship with employee performance

4.5.1. Correlation analysis between employee performance and overall reward practices

A Pearson correlation was done to establish the relationship between employee performance and overall monetary and non-monetary reward practices and the findings revealed that there was a positive strong relationship between employee performance and overall monetary rewards (r=0.771, p<0.01) and overall non-monetary reward (r=0.676, p<0.01). Therefore it was concluded that there is strong positive relationship between monetary rewards and employee performance as well as between non-monetary rewards and employee performance at EEU as shown in Table 16.

Table 16 Correlation analysis of employee performance and overall reward practices

		Employee Performance	Monetary reward practices	Non-monetary reward practices
Employee Performance	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	188		
Monetary reward practices	Pearson Correlation	.771**	1	
	Sig. (2-tailed)	.000		
	N	188	188	
Non-monetary reward practices	Pearson Correlation	.555**	.615**	1
	Sig. (2-tailed)	.000	.000	
	N	188	188	188

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed)

Source: Own Survey, computed in SPSS, 2024

4.6. The Effect of Reward Management on Employee Performance

The fourth objective of this study was to examine the effects of reward management practices on employee performance. This objective was achieved using multiple regressions model.

4.6.1. Assumption Tests for Multiple Regressions

To confirm that the obtained data truly represented the sample and that the researcher has obtained the best results meeting the assumptions of regression analysis is necessary (Hair, et al., 1998). The assumptions for multiple regressions include; Multicollinearity (uncorrelated with the predictors/independent variables), Linearity (the relationship between each of the predictor variables and the dependent variable is linear), Normality (the error, or residual, is normally distributed), homoscedasticity (the variance of the errors is constant) and no autocorrelation (no serial correlation among the error terms or residuals).

4.6.1.1. Multicollinearity test

Multicollinearity means a state of very high inter-correlation or inter-associations among the independent variables. It is therefore a type of disturbance in the data, and if present in the data the statistical inferences made about the data may not be reliable. Multicollinearity generally occurs when there are high correlations between two or more predictor variables. In other words, one predictor variable can be used to predict the other. This creates redundant information (Kothari, 2004). Strong relationship between explanatory variables is a problem of multicollinearity and not acceptable for ordinary list square regression analyses.

Table 17 Multicollinearity problem test of VIF and Tolerance

Variables	Tolerance	VIF
Base pay/Salary	.595	1.682
Bonus	.538	1.857
Contingent pay	.797	1.254
Allowance	.560	1.786
Recognition	.447	2.240
Work Condition	.951	1.052
Promotion	.618	1.619
Work freedom	.807	1.239

Source: Own Survey, computed in SPSS, 2024

If tolerance value closed to 1 and VIF value is around 1 and not more than 10, it can be concluded that there is not multicollinearity between independent variable in the regression model (Pallant, 2005). As the above table 17 indicates both the values of tolerance and VIF calculated for each independent variable on both regression analyses fulfills the criteria discussed above, which indicate the non- existence of multicollinearity.

4.6.1.2. Linearity test

Multiple regression analysis assumes linearity that the residuals should have a straight-line relationship with predicted dependent variable scores. The study applied Normal P-Plot of regression Standardized Residua l (See Figure 2 below) to test linearity. Since the points were symmetrically distributed around diagonal line, linearity pattern was observed. Hence, the straight line relationship between the residuals and the predicted dependent variable scores depicted that linearity was achieved.

Figure 2 Normal Point Plot of Standardized Residual

Normal P-P Plot of Average value of employee performance
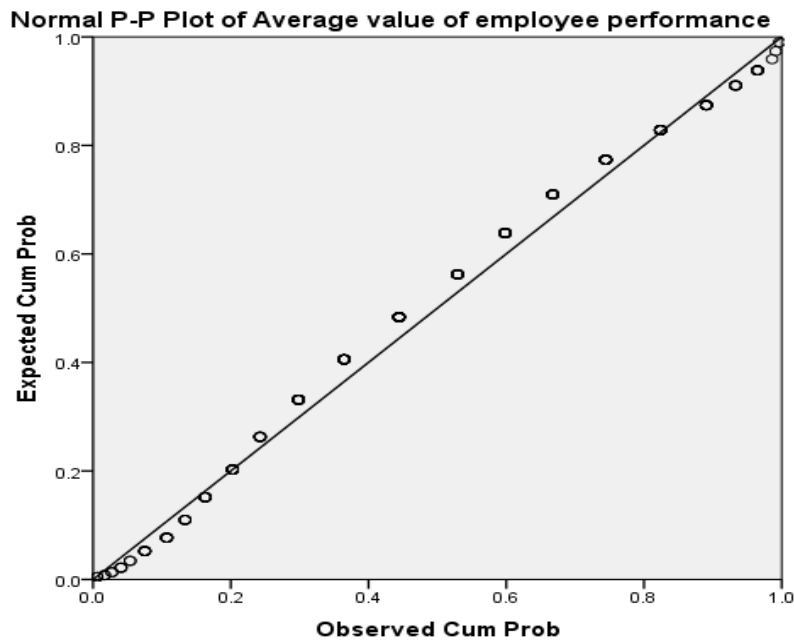
Source: Own Survey, computed in SPSS, 2024

4.6.1.3. Normality test

Tests are based on the assumption of normality i.e., the source of data is considered to be normally distributed. Kurtosis is also used to measure the peakedness of the curve of the frequency distribution (Kothari, 2004). The index of skewness takes the value zero for a symmetrical distribution. A positive skewness value indicates right skew while a negative value indicates left skew. The kurtosis index measures the extent to which the peak of a unimodal frequency distribution departs from the shape of normal distribution. A value of zero corresponds to a normal distribution; positive values indicate a distribution that is more pointed than a normal distribution and a negative value a flatter distribution. As shown in Table 18 below, all items show close to normal distribution considering the criteria proposed by George and Mallery (2010) of Skewness and kurtosis values between -2 and 2. Moreover, histograms of the residuals with a superimposed normal curve that showed distribution presented Figure 3 below. In this case, as indicated in figure 3 below, the graph showed relatively equal distribution on both sides. Therefore, the data used in this study is normally distributed.

Table 18 Kurtosis and Skewness

	Skewness		Kurtosis	
	Statistic	Std. error	Statistic	Std. error
Base pay/Salary	-.261	.177	-.742	.353
Bonus	.215	.177	-.863	.353
Contingent pay	-.047	.177	-.638	.353

Allowance	.108	.177	-1.234	.353
Recognition	.163	.177	-1.085	.353
Work Condition	-.439	.177	-.715	.353
Promotion	.070	.177	-1.169	.353
Work freedom	-.471	.177	-.444	.353
Employee performance	-.471	.177	-.201	.353

Source: Own Survey, computed in SPSS, 2024

Figure 3 Histogram plot for regression standardized residual
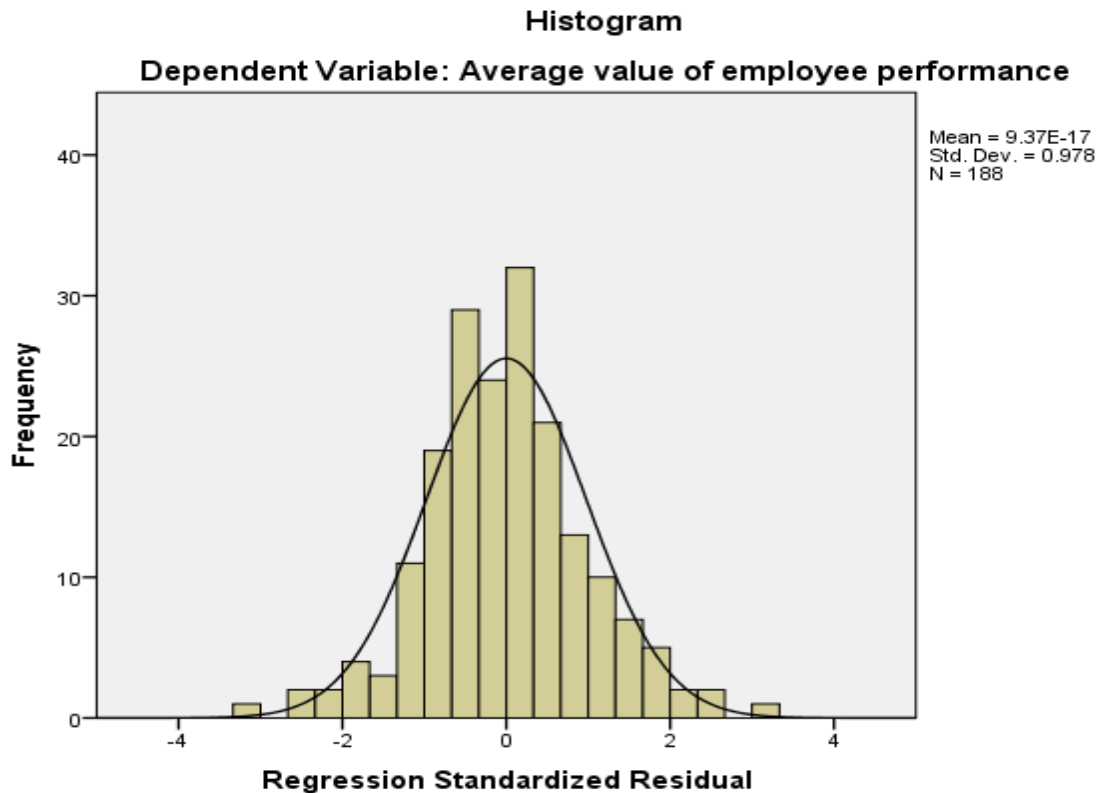
Source: Own Survey, computed in SPSS, 2024

4.6.1.4. Homoscedasticity Test

This assumption homoscedasticity requires even distribution of residual terms or homogeneity of error terms throughout the data. Homoscedasticity can be checked by visual examination of a plot of the standardized residuals by the regression standardized predicted value (Osborn & Waters, 2002). If the error terms are distributed randomly with no certain pattern then the problem is not detrimental for analyses. The following Figure below shows that the standardized residuals in this research are distributed evenly indicating heteroscedasticity are not a serious problem for this data.

Figure 4 Scatter Plot of Standardized Residual

Scatterplot

Dependent Variable: Average value of employee performance

Source: Own Survey, computed in SPSS, 2024

4.6.1.5 Autocorrelation Test

Autocorrelation or independence of errors refers to the assumption that errors are independent of one another, implying that subjects are responding independently. Durbin- Watson statistic can be used to test the assumption that our residuals are independent (or uncorrelated). This statistic can vary from 0 to 4. For this assumption to be met, the DW value needs to be close to 2. Values below 1.5 and above 2.5 are problematic and causes for concern.

Table 19 Test of Autocorrelation

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.824[a]	.680	.665	.36552	1.673
a. Predictors: (Constant), SA, BO, CP, AL, RC, WC, PR, WF					
b. Dependent Variable: EP					

Source: Own Survey, computed in SPSS, 2024

In this study as presented in Table 19 above the Durbin-Watson test regression result DW is 1.673 and this is within the acceptable rang of 1.5-2.5. Hence, as the test indicated there is no serial autocorrelation between residuals.

According to the above five diagnosis tests preformed, there is no data problem that violates the assumptions of multiple regressions.

4.6.2. Regression Analysis Result

To determine the effect of independent variable on the dependent variable (employee performance) regressions analysis was conducted. Regression analysis helps in establishing a functional relationship between two or more variables and predicts the values of dependent variables from the value of independent variables. The result of the regression analysis presented in two parts. The first part determine the effect of the eight independent variables including Base pay/Salary, Bonus, Contingent pay, Allowance, Recognition, Work Condition, Promotion and Work freedom on the dependent variable (employee performance) to see the individual effect of each of these reward practice variables on employee performance. Whereas the second part of the regressions analysis conducted in this study presented the cumulative effect of the monetary and non-monetary reward practices on employee performance by categorizing the above eight variables into monetary reward practices (Base pay/Salary, Bonus, Contingent pay and Allowance) as one variable and into non-monetary reward practices (Recognition, Work Condition, Promotion and Work freedom) as another variable in order to test the proposed hypotheses of this study presented in chapter one above.

4.6.2.1. Model summary of employee performance and the eight independent variables

In this model, employee performance as dependent variable and reward management practice variables including Base pay/Salary, Bonus, Contingent pay, Allowance, Recognition, Work Condition, Promotion and Work freedom as independent variables were used.

From Table 20 below, multiple regression coefficient represented by R = 0.824, shows that 82.4% relationship exists between dependent variable and independent variables. The coefficient of determination represented by R Square = 0.680 shows that 68.0% of variation in employee performance is explained by the predictor variables jointly, while the remaining 32.0% could be due to the effect of extraneous variables.

Table 20 Model summary of employee performance and the eight independent variables

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.824[a]	.680	.665	.36552

Source: Own Survey, computed in SPSS, 2024

From Table 21 below, we can see that the overall regression model was significant, $F_{(8, 179)} = 47.485$, $P = 0.000$, which is less than $P < 0.001$, R Square = 0.680. This implies that over all regression models is statistically significant, valid and fit. The valid regression model implied that all independent variables, taken as a set explained that there is a positive and significant relationship with dependent variable.

Table 21 ANOVA of employee performance and the eight independent variables

ANOVA[a]					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	50.755	8	6.344	47.485	.000[b]
Residual	23.916	179	.134		
Total	74.670	187			
a. Dependent Variable: EP					
b. Predictors: (Constant), SA, BO, CP, AL, RC, WC, PR, WF					

Source: Own Survey, computed in SPSS, 2024

4.6.2.2. Regression Coefficient of the eight independent variables

The results of the regression analysis of employee performance and the eight independent variables are depicted in the following table.

Table 22 Regression Coefficient

Coefficients[a]					
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	.974	.199		4.902	.000
Base pay/Salary	.283	.042	.374	6.814	.000
Bonus	.107	.041	.150	2.599	.010
Contingent pay	.070	.043	.078	1.652	.100
Allowance	.118	.040	.168	2.970	.003
Recognition	.143	.042	.214	3.377	.001

	Work Condition	-.019	.030	-.027	-.620	.536
	Promotion	.095	.041	.125	2.329	.021
	Work freedom	-.045	.033	-.063	-1.340	.182

a. Dependent Variable: Employee Performance
Source: Own Survey, computed in SPSS, 2024

The result of multiple regression analysis of the above table clearly indicates that out of the four monetary reward practices three of them have significant influence on employee performance. Among the monetary reward practices salary pay has the strongest significant influence on employee performance (p<0.01), followed by allowance (Sig.003 and P<0.01) and bonus (Sig.010 and P<0.05). Besides, the values of beta in salary pay (Beta=.283), allowance (Beta=.118) and in bonus (Beta=.107) show the positive effects on employee performance. This implies that a one unit increase in salary pay, allowance and bonus will bring a 0.283, 0.118 and 0.107 unit increase respectively in employee performance. The result of multiple regression analysis of the above table clearly indicates that two non-monetary reward practices have significant influence on employee performance among the four non-monetary reward practices considered in this study. From these recognition variable has significant influence on employee performance at (p<0.01), while promotion practice has significant influence on employee performance at (p<0.05). Besides, the values of beta in recognition (Beta=.143) and promotion (Beta=.095) show the positive effects on employee work motivation. This implies that a one unit increase in allowance and bonus will bring a 0.143 and 0.095 unit increase respectively in employee performance.

Thus, the above result indicates that majority of the monetary reward practices (three out of the four) and some of the non-monetary reward practices (two out of four) have positive and statistically significant effect on employee performance. However, this does not guarantee that the overall monetary and non-monetary reward practices have positive and statistically significant effect on employee performance. Therefore, to test the proposed hypotheses of the study i.e., whether the overall monetary and non-monetary reward practices have positive and statistically significant effect on employee performance or not, this study conducted another regression analysis on employee performance and overall reward practices and the result is presented as follow.

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4.6.2.3. Regression analysis of employee performance and overall reward practices

The researcher transformed variables for employee performance factors by computing means of the study variable into two main categories listed as: monetary and non-monetary reward. These variables were used to carry out the regression analysis, and the results were as follows: Table 23 shows the results of the regression model summary for monetary and non-monetary rewards (independent variables), and the dependent variable which was employee performance. The adjusted R square value for the model showed that 60.1% of the variance in the model (employee performance) can be explained by monetary and non-monetary reward variables jointly, while the remaining 39.9% could be due to the effect of other variables.

Table 23 Model summary of employee performance and overall reward practices

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.778[a]	.605	.601	.39914
a. Predictors: (Constant), overall monetary rewards, overall non-monetary rewards				
b. Dependent Variable: employee performance				

Source: Own Survey, computed in SPSS, 2024

ANOVA analysis results of the regression between employee performance and monetary rewards and non-monetary rewards was performed at 95% confidence level, the F critical was 141.852 and the P value was (0.000) therefore below 0.05 this implied that it was a statistically significant and can be used to assess the association between employee performance and monetary rewards and non-monetary rewards as illustrated in Table 24 below.

Table 24 ANOVA of employee performance and overall reward practices

ANOVA[a]					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	45.198	2	22.599	141.852	.000[b]
Residual	29.473	185	.159		
Total	74.670	187			
a. Dependent Variable: employee performance					
b. Predictors: (Constant), overall monetary rewards, overall non-monetary rewards					

Source: Own Survey, computed in SPSS, 2024

The proposed hypotheses were tested using multiple regression analysis. Table 25 shows the regression coefficients for the model and it predicts the relationship between the variables

(monetary rewards and non-monetary rewards) and employee performance. The regression coefficient indicates that monetary rewards had a positive significant influence on employee performance since their precision levels were less than the threshold of <0.05. The table also shows that non-monetary rewards also had a positive and significant influence on employee performance since its precision level was lower than the threshold of <0.05. The two variables had P values of: monetary reward (0.000), and non-monetary reward (0.028). This therefore concludes that monetary rewards and non-monetary rewards had positive influence on employee performance.

Table 25 Regression Coefficient

Coefficients[a]					
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	.552	.179		3.075	.002
Monetary rewards	.726	.061	.691	11.808	.000
Non-monetary rewards	.160	.072	.130	2.217	.028

a. Dependent Variable: Employee Performance
Source: Own Survey, computed in SPSS, 2024

Hypothesis 1

H1: Monetary reward practices have positive and statistically significant effect on employee performance.

The result of multiple regression analysis of the above table clearly indicates that cumulatively monetary reward practices have significant influence on employee performance. The monetary reward practices has strong significant influence on employee performance ($p<0.01$). Besides, the values of beta in salary pay (Beta=.726). This implies that a one unit increase in cumulative monetary reward practices will bring a 0.726 unit increase in employee performance. Thus, we reject the null hypothesis and accept the alternate hypothesis (the above proposed hypothesis of existence of significant relationship with performance) since cumulatively the monetary reward practices have positive and statistically significant effect on employee performance.

Hypothesis 2

H2:   Non-monetary reward practices have positive and statistically significant effect on employee performance.

The result of multiple regression analysis of the above table clearly indicates that cumulatively non-monetary reward practices have significant influence on employee performance. The non-monetary reward practices has strong significant influence on employee performance (Sig.028 and $P<0.05$). Besides, the value of beta in non-monetary (Beta=.160) shows the positive effect on employee performance. This implies that a one unit increase in cumulative non-monetary reward practices will bring a 0.160 unit increase in employee performance. Thus, we reject the null hypothesis and accept the alternate hypothesis (the above proposed hypothesis of existence of significant relationship with performance) since cumulatively non-monetary reward practices have positive and statistically significant effect on employee performance.

4.7. Discussion of the Finding and Hypothesis

The result of the first test of hypothesis showed that monetary rewards have positive and significant effect on employee performance of west Addis Ababa district service centers of EEU. The finding is in line with the results of Martha (2013), Edirisooriya (2014), Mehta (2014), Nigatu (2015), Nazir et.al. (2015), Eshak et al (2016) and Ermias (2017) who found that monetary reward has a positive and significant effect on employee performance. Moreover, specifically, among monetary rewards the result of this study also indicates that salary pay and allowance have strong positive significant effects on employee performance and bonus has moderate significant positive influence on employee performance. The results of this specific significant effect of the three monetary reward components on employee performance are in line with previous studies. For instance, several studies conducted by Bello and Adebayo (2014), Edirisooriya (2014) and Nazir et al. (2015) showed a strong positive relationship between salary and employee performance. Whereas with regard to allowance variable, Bello and Adebayo (2014) found a significant positive relationship between employees' performance and employee job allowances. Similarly, on bonus variable, Hameed et al (2014) showed that bonus has positive and significant effect towards employee performance. This implies that these three monetary rewards are effective ways of motivating employees for optimal performance in the organization. They are also very important for attracting high talented employees and retaining them. Competitive salaries, allowance and bonuses as components of monetary reward are very good in attracting employees with necessary competencies which the organizations need to

maintain their competitive advantage, particularly in this era of intense competition in business environment which is necessitated by globalization and information communication technology.

The result of the second test of hypothesis showed that non-monetary rewards have positive and significant effect on employees' performance of west Addis Ababa district service centers of EEU. The finding is in line with the results of Tausif (2012), Martha (2013), Edirisooriya (2014), Nigatu (2015), Ermias (2017), Ngwa et al (2019) when they found from their studies of effect of non-monetary rewards on employees' performance in different organizations, that there is a positive and significant relationship between non-monetary rewards and employee performance. Non-monetary rewards also known as intrinsic or non-financial rewards, appeals more to employees on higher wage levels, employees who have passed the biological or physiological needs level in 'Maslow's Hierarchy of Needs Theory'. Moreover, specifically, the result of this study also shows that the significant non-monetary reward variables on employee performance were recognition and promotion. In this result recognition variable has strong significant influence on employee performance, while promotion practice has moderate significant influence on employee performance. This result is consistent with the report of Ali and Ahmad (2009) who revealed that recognition has positive and significant effect on employee performance. The finding also supported by Edirisooriya (2014) and Hussain et al (2019) who reported that recognition has a positive and significant effect on employee performance and stated that if recognition is given to employee then there is a huge change in their employee performance. Moreover, the result of promotion having a positive and significant effect is in line with the findings of Tausif (2012), Gupta and Kumar (2012) and Peter (2017) who found that promotion has a positive and significant effect on employee performance. Therefore, recognition and promotion have been identified as the most efficient non-monetary rewards that enhance employees' performance in the organization as they induce motivation, good relations and increased the level of job satisfaction of employees hence the need for management to consider recognition and promotion in a bid to promote job satisfaction, which eventually translates to higher performance rates.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

This chapter deals with the highlights of the study findings, conclusions that are derived from the data analyses and discussions and finally recommendations are provided based on the conclusions drawn from the study based on the findings of the study. Thus, the chapter is organized in to three sub-sections the first section summarizes major findings of the study, the second section presents the major conclusions of the study and the third section deals with the recommendation drawn from the study.

5.1. Summary of Major Findings

The objective of this study was to examine the effect of reward on employee performance at EEU west Addis Ababa district. In order to achieve the purpose of the study, some basic questions regarding reward practices and employee performance in the organization was assessed. The result of the descriptive statistics tells that the current reward practice of bonus and allowances from monetary reward practices and promotion and recognition from non-monetary reward practices were below average and needs improvement. On the other hand according to the respondent the performance of the employee in the organization is just average. This might be due to the lower level of reward practices undertaken in the organization.

The Pearson's Correlation Coefficient was computed for the purposes of determining the relationships: the relationship between the different practices of the reward variables and employee's performance. Regarding the relationship between independent and dependent variable the correlation analysis showed that base pay/salary is highly correlated with (r=0.703), followed by recognition (r=0.665), bonus (r=0.567), promotion (r=0.560) and allowance (r=0.545). This implies both monetary reward variables and non-monetary variables have high degree of positive relationship with performance of employees.

Regarding the result of the multiple regression analysis, the coefficient of multiple correlations extrinsic R and Adjusted R that is the degree of association between selected reward variables and employees' performance is 0.824. The value of the adjusted R square calculated as (0.680x100= 68.0%) of variation in employees' performance is explained by four monetary reward practice variables (base pay/salary, bonus, contingent pay and allowance) and four non-

monetary reward practice variables (recognition, working condition, promotion, and working freedom), whereas 32.0% of variance is explained by other factors.

According to the study result the relationship of three monetary reward practice (base pay/salary, bonus and allowance) and two non-monetary (recognition and promotion) independent variables, were found positive and statistically significant strong relationship between dependent variables.

In general, the study finding indicates that both monetary and non-monetary reward variables have effect on the employee performance. This implies that the more reward practice the more will by employee perform and the higher the improvement of the organizations performance.

5.2. Conclusion

Based on the findings the following conclusions are made;

When it was started the study, the objective was to examine the effect of reward on employee performance. The findings of the study showed that there were positive and strong relationship between the independent and dependent variables. From the result of the study, it is possible to conclude that both monetary and non-monetary reward practices are important factors for the performance of employees of EEU west Addis Ababa district.

According to finding EEU west Addis Ababa district has to reexamine its reward system and to modify it in order to fulfill the needs of the employees for better performance and output of them. In spite of the reward scheme employed by the organization the survey result shows that the level of the reward practices is below average.

5.3. Recommendation

Based on the findings and conclusions of the research the following recommendations were forwarded to EEU managements.

The management of EEU should redesign its monetary reward package system in general and its salary scale/base pay structure in particular based on the work load of employees, the inflation rate as well as market condition. Because the highest influential factors for employee performance were base pay/salary.

With regard to bonus, it is better if the organization reconsiders and improves its bonus package according to employees' effort as the employees perceive the bonus they are paid can lead to the upgrading of workforce quality. This can help boost the motivation of the employees and consequently, their performance.

Allowance has been found to be very potent in motivating employees to put up better performance. It is better to work on this item to provide employees with adequate rewarding practice to facilitate the achievement of desired high productivity. The more efficiently an organization manages its reward practices, the better the employees will perform.

Recognition was one of the most important non-monetary reward practice that affect strongly employee performance. Thus, it is recommended that the EEU west Addis Ababa district should put more emphasis, consideration and formulate clear plans and criteria on employee recognition from which it can result in greater employee performance and further employee productivity and commitment. Additionally, supervisors and managers have to acknowledge employees deeds on a daily/weekly/monthly basis. The organization is also recommended to train and encourage managers and supervisors to give feedbacks to their employees. Also arrangement to offer official feedback frequently must be created.

Finally, with regard to promotion, and based on the findings of this study, it was noted that promotion has a significant and positive effect on employee performance in EEU west Addis Ababa district. Therefore this study recommends that the district should establish proper promotion schemes, which will enhance employees' morale and consequently, their performance.

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APPENDIX

QUESTIONNAIRES

Dear respondent,

This questionnaire is designed to gather information on the assessment of the effect of reward management on employee performance in Ethiopian Electric Power West Addis Ababa District Service Centers. The purpose of the study is to fulfill a thesis requirement for a Master's Degree in Business Administration. The information that you provide will be used only for the purpose of the study and will be kept strictly confidential. Thanks for your cooperation.

Section 1: General Information

 ➢ Please circle your answer

1. Gender

    a) Male   b) Female

2. Age in Year

    a) 18-25   b) 26-35   c) 36-45   d) >45

3. Service experience in year

    a) < 1   b) 1-5   c) 6-10   d) 11-15   e) >15

4. Educational Level

    a) Certificate   b) Diploma   c) First Degree   d) Second Degree and above

5. Work position

    a) Officer   b) Team Leader   c) Supervisor/main casher   d) Forman

Section 2: Monetary reward management practices

Please indicate your level of agreement with the following statements regarding monetary rewards in your organization (tick as appropriate)

Key: 5 = strongly agree, 4 = agree, 3= neutral, 2 = disagree and 1= strongly disagree.

No	Items of Questions	1	2	3	4	5
	1. Base pay/Salary					
1.	My salary is sufficient in relation to what I perform.					
2.	My annual salary raise (increment) is satisfactory					
3.	The amount of salary that I receive is competitive with similar jobs in the industry					
	2. Bonus					
4.	I receive bonus with respect to my effort					
5.	I am satisfied with the bonus that the EEU provides					
6.	If I perform well, I am certain that amount of bonus increase					
	3. Contingent pay	1	2	3	4	5
7.	The organization pays for overtime					
8.	The organization gives additional benefits for its employees					
9.	I am satisfied with the benefits I receive					
10.	The benefit package of the EEU is equitable					
	4. Allowance					
11.	I receive transportation allowance					
12.	I receive medical allowance					
13.	I receive special allowances such as airtime and night outs					
14.	I receive house allowance					

Section 3: Non-monetary reward management practices

Please indicate your level of agreement with the following statements regarding non-monetary rewards in your organization (tick as appropriate)

Key: 5 = strongly agree, 4 = agree, 3= neutral, 2 = disagree and 1= strongly disagree.

No	Items of Questions	1	2	3	4	5
	1. Recognition					
1.	I get formal and informal recognition from my supervisors for my efforts					
2.	I receive adequate recognition for doing my job well					
3.	I feel that my job receives enough attention from my company					
	2. Working Condition					
4.	The physical surroundings where I work are secured and well-furnished clean office					
5.	The EEU has guaranteed job security to its employee					
6.	I receive adequate resource on my work place					
	3. Promotion	1	2	3	4	5
7.	The way promotion is given at EEU is job performance based					
8.	EEU is giving priority for merit in promotion decision					
9.	The opportunity for advancement on this job is interesting					
10.	All employees get a fair chance of being promoted					
	4. Work freedom					
11.	I have the chance to work alone on my job					
12.	I have freedom to use my own judgment					
13.	EEU let employee participating on decision making that concern them					
14.	I have freedom to try new methods of doing in my job					

Section 4: Employee Performance

Please rate how you agree with the following statements regarding Employee Performance. (tick as appropriate)

Key: 5 = strongly agree, 4 = agree, 3= neutral, 2 = disagree and 1= strongly disagree.

No	Items of Questions	1	2	3	4	5
1.	EEU employees serve with needed speed					
2.	Employees at EEU are sensitive to customer requirements					
3.	EEU employees have team work spirit					
4.	EEU employees meet targets					
5	EEU employees show a lot of commitment to their work					

6	EEU employees respond adequately to challenges faced by customers					
7	EEU employees are keen in meeting deadlines with very minimal mistakes					
8	EEU employees are keen on keeping time for both reporting to duty and attendance to meetings					

Thank You Very Much for Your Cooperation