ASSESSMENT OF EMPLOYEES COMPENSATION PRACTICES (IN CASE OF WOLKITE UNIVERSITY ACADEMIC STAFF)

A RESEARCH THESIS SUBMITTED TO THE COLLEGE OF BUSINESS AND ECONOMICS IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE BACHELOR OF ARTS DEGREE IN MANAGEMENT

PREPARED BY: TSEGAW HAILU

ADVISOR: MR. TAFESE A. (MBA)

Wolkite, Ethiopia

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ABSTRACT

The research was conducted to assess employees' compensation practices in Wolkite University Academic Staff. The researcher used descriptive type of research design. This research focused on identifying and clarifying employees' compensation practices in Wolkite University Academic Staff. To conduct the study the researcher used primary and secondary source of data, with questionnaires. The study adapted stratified random sampling to collect full information from measurable employees' i.e. lecturers Of Wolkite University. The Study took 266 lecturers from the total of 802. The researcher used descriptive analysis method with the help of table and percentage to analyze the data collected and to provide possible conclusion and recommendations. Both quantitative and qualitative method of data obtained through questionnaire are analyzed and interpreted. Accordingly both financial and nonfinancial compensation exists in the organization. Employees were more motivated by financial compensation.

***KEYWORDS**: Compensation practices, financial and nonfinancial, Wolkite University*.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Today in the age of technology, people are still the most important resource to the organization. The resources that are available in the organization might be monetary, physical, material or human resource. From this resource, the most useful is human resource because human resource manages the other resources. Labor is the most crucial job because it fulfills organizational objectives with it. It is concerned with any activity relating to human element and relation to the organization (Mathis and Jackson, 1989).

Human resource is one of the most significant tools to achieve goals and objectives of the company. Hence, organizations need to attract, retain and motivate employees. Human resource managers must plan excellent and attractive compensation and benefit strategy that would be excellent to help in the achievement of desired goals of the company. Compensation and benefit plan and procedure should be developed and implemented in line with organization's goal and strategy and it needs continuous assessment, evaluation and improvement based on company performance and achievements. Organizations that are more successful are due to their best compensation program (Ivancevich and Glueck, 1989).

Compensation is a motivation factor; it has a great effect on employees' performance. Many studies indicate that, tied with performance employees productivity becomes high with quality work achievement and many more (Ivancerich and Glueck, 1989). Compensation is an important factor affecting how and why people choose to work at one organization over others. Employers must be reasonably competitive with several types of compensation to attract and retain competent employees (Mathis and Jackson, 2000).

Compensation refer to every type of reward that individual receive in return for their appropriate functions. The types of compensation program are direct form financial

compensation and indirect form financial compensation (Werther, William and Davies, 1993).

Compensation practices in Africa particularly Ethiopia is being given top priorities nowadays. In the past, no care was given to employees and was not listened if there was a complaint; they simply were terminated from their jobs. In the present, care for employees is being given because in order to achieve goals of an organization, satisfaction and motivation of employees is very much in demand. The previously stated independent variables about this research topic are supply and demand for employee skills, labor unions, firms' ability to pay, productivity of the firm, government and cost of living, which have effect on the dependent variable that is employee compensation practices.

1.2 Statement of the problem

Employee compensation practices differ across employment units (e.g., organizations, business units, and facilities) on several dimensions (Gerhart & Milkovich, 1990, 1992; Gerhart, Milkovich, & Murray, 1992). The problem for the study is not knowing which compensation best motivates employees more i.e. direct form financial compensation or indirect form financial compensation. In addition, this research tried to solve the associated problems with compensation in the organization. In order to get employee's full abilities, skills and experiences, the organizations must solve different problems that are related to employee compensation practices.

With the existence of the above theoretical facts, the study undertook on the assessment of employee compensation on Wolkite University Academic Staff. Many past researchers have studied about employees' compensation practices in general. The research gap of for the study is that no sufficient studies were conducted about Academic Staffs compensation practices in particular. Since they are shaper of minds they need to be compensated in the best possible way.

1.3 Research Question

In this study, the researcher tried to answer the following basic questions.

- What type of compensation practice the organization uses?
- What type of compensation motivates employees more?
- What problems faced by the organization in implementing employee compensation practice?

1.4 Objectives of the study

1.4.1 General objectives

The general objective of this study was to assess the employees' compensation practices in Wolkite University Academic Staff.

1.4.2 Specific objective

- To examine the types of compensation practices used in the Wolkite University Academic Staff.
- To examine the type of compensation that motivates employees more.
- To identify the problems of employees' compensation practices faced in Wolkite University Academic Staff.

1.5 Significance of the study

The study is helpful for the researcher to fulfill an academic requirement for BA degree in management program and it would also help the researcher get experience by conducting this study. This research would help to solve the problem of compensation practices and understand the weakness and strength of the organization on employee's compensation practices. It was also useful for other researchers who work on this title as a literature. The study would provide relevant information for interested individuals and the research groups as reference for further related research.

1.6 Scope of the study

Geographically, the study was limited to only Wolkite University Academic Staff. The study assessed employee's compensation practices in Wolkite University Academic Staff particularly the lecturers of the campus. Methodologically the study used descriptive type of research design and also both quantitative and qualitative techniques.

1.7 Limitation of the study

This research was unable to provide full data from distributed questionnaires due to the corona virus pandemic. Also the research was limited with shortage of information that are necessary for the study. Financially the researcher was unable to finish the thesis on time. There was also unwillingness of respondents to fill out questionnaires and biased responses.

1.8 Organization of the paper

The study consisted of five chapters; the first chapter introduction that contained back ground of the study statement of the problem, research objective, scope of the study, significance of the study, limitation of the study & organization of the paper. The second chapter included related review literature. The third chapter included research methodology, which deals with research design, sources of data, and methods of data collection, target population and sampling techniques. The fourth chapter deals with data analysis and interpretation whereas summary of finding conclusion and recommendation is included in chapter five.

CHAPTER TWO

LITERATURE REVIEW

2.1Introduction

One of the most difficult functions of personal management is that of determining rate of monetary compensation. Not only it is one of the most complex duties, but it is also one of the most significant to both the organization and the employee to the organization (Flippo, 1988). As far as the organization is concerned employee compensations programs are designed to do three things; to attract capable employees to the organization, to motivate them towards superior performance and to retain their services over on extended period of time.

A number of persons are involved in making compensation decisions. Tops management makes the decisions that determine the totals amount of the budget that goes to pay. The pay form to be used (time versus incentive pay) and pay policies (Ivancevich & Glueck, 1989). From the employee's point of view, pay is necessity in life. The compensation received from work is one of the chief reasons people seek employment (Ivancerich & Glueck, 1989).

This chapter gives brief insights about compensation practices, which were formerly studied. In addition, it will give the reader information about compensation and related terms.

2.2 Definition of compensation

According to different authors compensation have different meaning. Some of these are:

Compensation is an important factors affecting how and why people choose to work at one organization over others (Mathis and Jackson, 2000).

Compensation is parts of transaction between an employee and employer that results in an employment contract. From the employees point of view pay is necessity in life. The compensation received from work is one of chief reasons people see their family's needs. Compensation may be the only (or certainly a major) reasons why they work others find compensation contributing factors to the only (or certainly a major). Reasons why they

work others find compensation a contributing factor to their efforts. What person is paid indicate his or her wealth to an organization. (Ivancevich and Glueck, 1989)

Remuneration (compensation) occupies and important place in the life of an employee his/her standard of living, Status in the society, motivation loyalty and productivity depend upon the remuneration he/she receives. (Aswathappa, 1999)

Compensation is one of the most important planning human research management functions for employer, in addition, compensation often equals 50% of the cash flow of an organization and for some service organization, it is an ever-larger percentages. It may be the major to try to motivate employees more effective performance. (Ivancevich and Gluck, 1989)

2.3 Objectives of compensation

According to John M, invacevich, the objectives of compensation function is to create a system of rewards that is equitable to the employee and employer alike. The desire outcome is an employee who is attracted to the work and motivated to do a good job for the employer. Patton suggests that in compensation policy there are seven criteria for effective compensation should be:

Adequate - minimal governmental union and managerial level should be met

Equitable - each person should be paid fairly, in line with his/her efforts, ability, and contribution.

Balanced - pay, benefit and other rewards should provide a reasonable total reward packages

Cost effectiveness - pay should not be excessive, considering what the organization can affords to pay.

Secure - pay should be enough to help an employee full secure and did him or her in satisfying basic needs.

Acceptable to the employee - the employee should be motivated for effective and productive work.

Employee should understand the pay system and feel it is a reasonable system for the enterprise and him or herself (invacevich, 1998).

- According to Robert Mathis and john H. Jackson, compensation systems have the following objectives.

Acquired qualified personnel; Compensation needs to be high enough to attract applicants. Pay level must respond to the supply and demand of workers in the labor market since organizations compete for employees.

Retain current employees; Employees may quit when compensation levels are not competitive, resulting in higher turnover.

Ensure equity; Compensation management strives for s internal and externals equity. Internal equity requires that pay be related to the s relative worth of a job so those similar get similar pay. External equity means paying employees what comparable employees are paid other organization in the labor market.

Control costs; A rational compensation system helps the organization obtain and s retain employees at reasonable cost. Without effective compensation management, employees could be over paid or unpaid.

Comply with legal rejections; a sound wage and salary system considers the legal challenges imposed by the government and ensures the employers compliance.

Facilitate understanding; Human's resource specialist, operating managers and employees should easily understand the compensation management system.

2.4 Factors affecting compensation

Supply and demand for employee skills

The firm desires these services and it must pay a price that wills bring forth the supply, which is controlled by the individual worker or by group of worker s acting in concrete. (Flippo, 1988)

Labor union/Organization

In structure of economic relationship, the labor union attempts to work primarily on the supply side. In strike for a higher wages, the employer's demand for labor to meet a market need is pitted against a supply withheld by the unions. Union's leaders are often very adroit in selecting the appropriate time to strike as judged by the markets for the employer's

product. To strengthen their control over the supply or labor, union seek such goals as union or closed shops, regulated or restricted substitution of capital for labor through technology and control entry into apprenticeship programs.(Flippo,1988)

The firms' ability to pay

If the firm is highly successful, there is little need to pay for more than the s competitive rate to obtain personnel. If a firm is marginal and cannot afford to pays competitive its employees will generally leave if for better paying jobs. (Flippo, 1988)

Productivity of the firm

A Company cannot pay its workers more than the work given back to the firms through their productivity. However, if a company does find itself paying more than productivity affords(because) of security of workers or union power), the company musts either redesign the jobs, train new workers to increase the supply, automate, go out of business or innovate (Flippo, 1988)

Government

The government directly affects compensation through wage control and guidelines, which prohibit on increase in compensation times and law, directed at the establishment of minimum wage rates, wage and hour regulation and preparation of discrimination directed at certain groups (Ivancevich and Gluck, 1989)

Cost of living

It is useful as a stoppage device in times of inflation when labor is pressed to keep up with the rise in prices (Flipped, 1988). Most of compensation experts believe that pays effects motivation of employee and number of studies that is pay is tied to performance, that the employee produces a higher quality and quantity of work. (Ivancevich and Glueck, 1989)

2.5 Types of compensation

Compensation is divided into two main broad categories. This are

- Financial compensation
- Non-financial compensation

2.5.1 Financial Compensation

There are two general types of financial compensation, direct financial and indirect financial compensation. Direct compensations consist of the pay all employees receive in the form of base pay and incentives.

2.5.1.1 Direct financial compensation

Is most widely known and recognized form of compensation. Most sought after by workers, direct compensation is the money which is paid directly to employees in exchange for their labor. This includes salaries and wages, bonus, tips, promotion and commission. Compensation includes issues regarding wage and salary programs, structures and job descriptions, incentives, bonus- based programs, commission based programs, benefits usually refers to retirement pension, health insurance, disability insurance, vacation, employee stock ownership among others (Mc Namara, 2006).

- **Base pay**

Employees receive the basic compensation usually as wage or salary. Organizations use base pay categories, namely hourly pay and salary pay (Robert L. Mathis and John H. Jackson 1997).

- **Incentives**

An incentive is a compensation that rewards an employee for efforts beyond normal performances. It is a method for paying employees on the base of output. it is flexible and links the futures of the firm and the employee in positive. Examples of incentives are such as bonuses, commission and profit sharing planes.

Types of Incentives

According to MBAKNOL.COM, Incentives can be defined as monetary or non-monetary reward offered to the employees for contributing more efficiency. Incentive can be extra payment or something more than the regular salary or wage. Incentive acts as a very good stimulator or motivator because it encourages the employees to improve their efficiency level and reach the target. The two common types of incentives are:

- **Monetary or Financial Incentives**

The reward or incentive which can be calculated in terms of money is known as monetary incentive. These incentives are offered to employees who have more physiological, social and security need active in them. The common monetary incentives are:

1. **Pay and allowances**. Regular increments in salary every year and grant of allowance act as good motivators. In some organizations pay hikes and allowances are directly linked with the performance of the employee. To get increment and allowance employees perform to their best ability.
2. **Profits sharing**. The organization offer share in the profits to the employees as a common incentive for encouraging the employees for working efficiently. Under profits sharing schemes generally the companies fix a percentage of profits, and if the profits exceed that percentage then the surplus profits are distributed among the employees. It encourages the employees to work efficiently to increase the profits of the company so that they can get share in the profits.
3. **Co-partnership/stock option**. Sharing the profit does not give ownership right to the employees. Many companies offer share in management or participation in management along with share in profit to its employees as an incentive to get efficient working form the employees. The co-partnership is offered by issue of shares on exceeding a fixed target.
4. **Bonus**. Bonus is a onetime extra reward offered to the employee for sharing high performance. Generally when the employees reach their target or exceed the target then they are paid extra amount called bonus. Bonus is also given in the form of free trips to foreign countries, paid vacations or gold etc. some companies have the scheme of offering bonus during the festival times.
5. **Commission**. Commission is the common incentive offered to employees working under sales department. Generally the sales personal get the basic salary and also with this efforts put in by them. More orders mean more commission.
6. **Suggestion system**. Under suggestion system the employees are given reward if the organization gains with the suggestion offered by the employee. For example, if an employee suggests a cost saving technique of then extra payment is given to employee for giving that suggestion. The amount of reward or payment given to the

employee under suggestion system depends on the gain or benefit which organization gets with that suggestion it is a very good incentive to keep the initiative level of employees high.

7. **Productivity linked with wage incentives**. These are wage rate plans which offer higher wages for more productivity. Under differential piece wage system efficient workers are paid higher wages as compared to inefficient workers. To get higher wages workers perform efficiently.
8. **Retirement benefits**. Some organizations offer retirement benefits such as pension, provident fund, gratuity etc. to motivate people. These incentives are suitable for employees who have security and safety need.
9. **Perks/ fringe Benefits/ perquisites**. If refers to special benefits such as medical facility, free education for children, housing facility etc. these benefits are over and above salary. These extra benefits are related with the performance of the employees.

❖ **Non-Monetary/Non-Financial Incentives**

Money is not the only motivator, the employees who have more of esteem and self-actualization need active in them get satisfied with the non-monetary incentives only. The incentives which cannot be calculated in terms of money are known as non-monetary incentives. Generally people working at high job position or at high rank get satisfied with non-monetary incentives. The common means or ways of non-monetary incentives are:

1. **Status.** Status refers to rank, authority, responsibility, recognition and prestige related to job. By offering higher status or rank in the organization managers can motivate employees having esteem and self- actualization need active in them.
2. **Organizational climate.** It refers to relations between superior/ subordinates. These are the characteristics which describe and organization. These characteristics have direct influence over the behaviour of a member. A positive approach adapted by manager creates better organizational climate whereas negative approach may spoil the climate, Employees are always motivated in the healthy organizational climate.

3. **Career advancement.** Managers must provide promotional opportunities to employees. Whenever there are promotional opportunities employees improve their skill and efficiency with the hope that they will be promoted to high level. Promotion is a very big stimulator or motivator which induces people to perform to their best level.
4. **Job enrichment/ assignment of challenging job.** Employees get bored by performing routine job. They enjoy doing jobs which offer them variety and opportunity to show their skill. By offering challenging jobs, autonomy to perform job, interesting jobs, employees get satisfied and they are motivated. Interesting, enriched and challenging job itself is a very good motivator or stimulator.
5. **Employee's recognition.** Recognition means giving special regard or respect which satisfies the ego of the subordinates. Ego-satisfaction is a very good motivator. Whenever the good efforts or the positive attitudes are show by the subordinates then it must be recognized by the superior in public or in presence of other employees. Whenever if there is any negative attitude or mistake is done by subordinate then it should be discussed in private by calling the employee in cabin. Examples of employee's recognition are congratulating employee for good performance, displaying the achievement of employee, giving certificate of achievement, distributing mementos, gifts etc.
6. **Job security.** Job security means life time bonding between employees and organization. Job security means giving permanent or confirmation letter. Job security ensures safety and security need but it may have negative impact. Once the employees get job secured they lose interest in job. Of example government employees do not perform efficiently as they have no fare of losing job. Job security must be given with some terms and conditions.
7. **Employee's participation.** It means involving employee in decision making especially when decisions are related to workers. Employees follow the decision more sincerely when these are taken in consultation with them for example if target production is fixed by consulting employee then he will try to achieve the target more sincerely.

8. **Autonomy/employee empowerment.** It means giving more freedom to subordinates. This empowerment develops confidence in employees. They use positive skill to prove that they are performing to the best when freedom is given to them.

2.5.1.2 Indirect financial compensation

It is a benefit given to an employee that has financial value, but is not a direct monetary payment. It is often referred to as a non-cash benefit. In certain circumstances, these noncash benefits may be more valuable to an employee than a high salary or wage. Include group medical insurance coverage, retirement plan stock option and profit sharing. Some type of indirect composition offered by today organization (byars and rul 2008), this include social security, workers compensation, retirement plan, paid holiday and paid for vacation etc.

- **Benefit and Service**

It can be defined as an employer-provided reward and services, other than wage or salaries arising from the following categories; legally required social insurances payments, private insurances, and retirements plans, payments for time not worked, extra cash payments other than bonuses based on performances and cost of services like subsidized cafeterias, clothing allowances, and soon. Unlike pay performances and other incentive plans, most benefits and services are available to workers as long as they are employed by an organization regardless of seniority or performance (John M. ivacevich, 2007).

The strategic reason for offering benefit includes attracting and retaining employees, improving the company's image and enhancing job satisfaction. The average employee receives an amount equal to about 40%of his/her base pay in benefit compensation (Robert L. Maths and John H. Jackson, 1997).

Types of Benefits

Organizations today offer various types of benefits to their employees dependent on the organizations size, location, type of business, industry and the position the individual holds within the organization as previously indicated (Yasin, 2005). Benefits are categorized into

two main categories mainly, statutory benefits and voluntary or discretionary benefits (Mahoney, 2001).

- **Statutory Benefits** - These are benefits mandated by law. Organizations regardless of the industry or type are required to provide the benefits under this category to their employees. These benefits ensure workers are paid fairly for the hours they put in, are eligible for government assistance should they be unable to procure work through no fault of their own, and are compensated for any injuries, illnesses and disabilities (both temporary and permanent) sustained on the job (Mahoney, 2001).

Employee benefits required by the law vary from country to country dependent on the employment laws enacted in the country. Examples of such benefits are social security, workers compensation and unemployment security. Unemployment security is determined by eligibility and may be available for a temporary period of time depending on the legislations or laws of a particular country (Robinson et al., 2004).

- **Voluntary or Discretionary Benefits** - These are optional benefits made available to employees at the workplace and are not required by law for them to be offered. They serve different goals and also receive different tax treatments. Some are fully taxable others are tax -exempt. They vary from organization to organization. Examples are given in the subsequent paragraphs. An example of a voluntary benefit is the retirement benefits. A retirement plan or a pension is an arrangement by an employer to provide their employees with an income when they are no longer earning a regular income from working. Retirement plans may be set up by in a variety of ways but typically will have a form of a guaranteed payment. Often retirement plans require both the employer and employee to contribute money into a fund while employed so that they will receive benefits upon retirement. Pension plans are considered a form of delayed income (Pegg, 2009).

Another benefit that falls under this category is health or medical insurance. Medical insurance covers the costs of physician and surgeon fees, hospital rooms, and prescription drugs. Dental and optical care might be offered as part of an overall benefits package. It may be offered as separate pieces or not covered at all. Coverage can sometimes include the employee's family (dependents). Employers usually pay all or part of the premium for employee medical insurance (Schaufeli et al., 2006). Another benefit that sometimes goes

hand in hand with medical insurance is life insurance which protects an employee's family in the case of his or her death. While it can be purchased privately, it is usually more expensive. Company sponsored life insurance plans are standard for most full-time workers (Milkovich and Newman, 2006).

Lastly, some organizations also offer paid time off (PTO) benefits, which are accumulated while employees are at work. The most common types of paid time off benefits include sick leave, vacation days and paid holidays. The accrual of hours or days differs according to the company. In providing payment for time not worked, employers recognize that employees need time away from the job with an opportunity to rest, become rejuvenated and hopefully become more productive. Some payments are also provided for time taken during work hours such as rest periods, coffee breaks, and lunch break or sometimes even travel time (Pegg, 2006).

2.5.2 Non-financial Compensation

These types of compensation include everything in work environment that enhances worker senses of self-respect and esteem by others. For example, work environment physically, socially and mentally healthy; opportunities for training and personal development; effective supervision; recognition (Wayne F. Casio, 2010).

2.6 Compensation and Benefits Model

Schliemann, (1987) in his article described that employers obviously have many goals that vary from one organization to another. However, there are a number of common goals that transcend most organizational boundaries like profitability (except in nonprofit organizations) long life, growth, and mission. For most organizations, this implies an effective use of labor. The cost of labor continues to be a major variable in the cost equation of most organizations. Employers strive to maximize labor output (in all forms) while minimizing the labor costs necessary to generate the output. The major labor costs come from direct and indirect forms of compensation, usually wages and fringe benefits. To maximize organizational goal attainment and productivity, it is crucial for most employers to carefully evaluate both labor costs and output in all forms. This implies the use of compensation and benefit policies that improve output yields while controlling

costs. Practically, this means enhancing employee motivation, attitudes, and performance at costs that are less than the gains from increasing labor output. For example, if increases in compensation in the form of wages and benefits reduce unwanted employee turnover at a cost that is less than the labor replacement cost, then the investment might prove valuable. The following model shows the various variables that affect compensation and benefits (www.erieri.com):

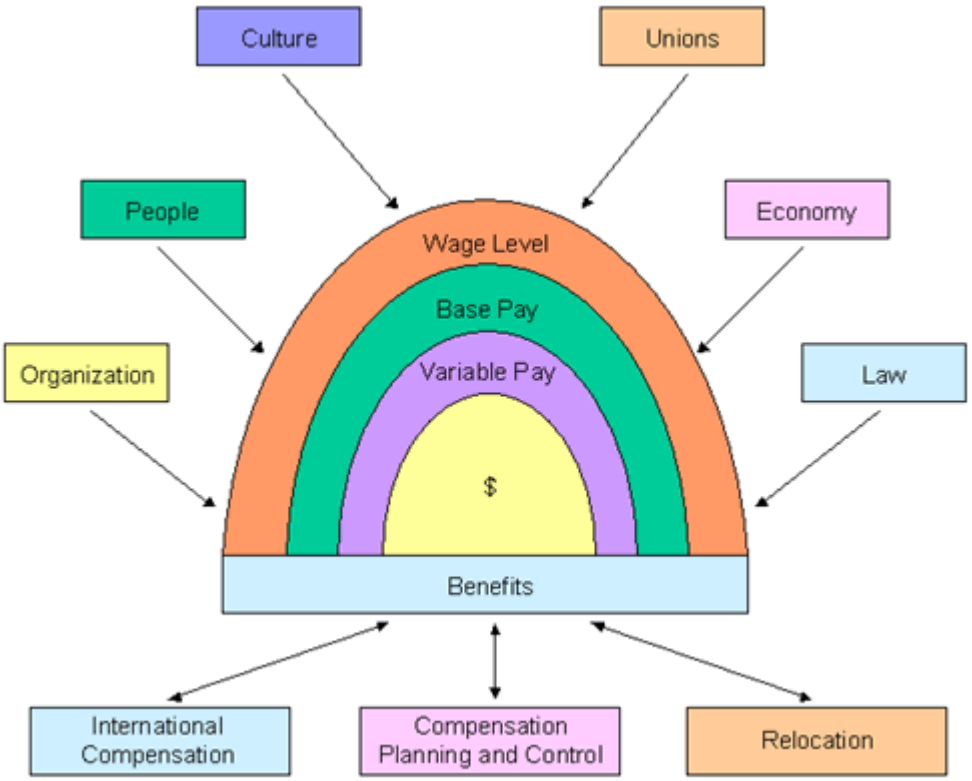


Figure 2.1 a model of compensation and benefits determinants

2.7 Empirical Review

The researcher Eman Fuad in his assessment of compensation and benefit package practice in Ethiopian Road Authority (July 2010) he found that there is no employees discussion in preparing compensation plan in organization, not only this they don't know from where they can get information regarding the compensation plan of the organization. Employees are unsatisfied with the current monetary incentives bonus and so on. In general, his finding shows that satisfaction level of employees with the existing remuneration system of the organization is limited in case of salary.

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

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

2.8 Theoretical Framework

Employee compensation practices differ across employment units (e.g., organizations, business units, and facilities) on several dimensions (Gerhart & Milkovich, 1990, 1992; Gerhart & Milkovich, & Murray, 1992). The focus of the employee compensation literature has been on defining these dimensions, understanding why organizations differ on them (determinants), and assessing whether such differences have consequences for employee attitudes and behaviors, and for organizational effectiveness.

Independent Variables	**Dependent variable**
- Salary	- Employee Performance and Motivation
- Rewards and Incentives	
- Indirect Compensation	

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter gives brief insight about the methodologies used for conducting the research.

3.2 Study Area

This research was conducted in Wolkite University located in Gubre town, Gurage zone, Ethiopia. Located in Southern Nation Nationalities and Peoples region, found west of Addis Ababa at 155 km.

3.3 Research design

In order to conduct this study the researcher used descriptive type of research design. Descriptive type research design describes and interprets the study and to provide description of events or to define a set of attitude, opinions and behaviors that are collected at the study time.

3.4 Source and Method of Data Collection

To conduct this research, the researcher used both primary and secondary source of data. Primary data was collected from lecturers of Wolkite University through questionnaires. Secondary data were collected from different sources such as articles, books, internets, organization manual, written materials and other sources.

3.5 Population and Sample Design

The target populations for this particular study was the Academic staff i.e. lecturers of Wolkite University. According to the data obtained from the academic staff in 2012 E.C, the total population size of lecturers was 802 i.e. active staff. The sample size of the study was 266 respondents/lecturers from the academic staff. The sample size is determined by using the Yamane formula (1967-86), which provides simplicity to calculate sample size as follows:

$$\mathrm{n} = \frac{N}{1 + N(e)2} = \frac{802}{1 + 802(0.05)2} = \frac{802}{3.005} = 266$$

Where, e= error

N=population

Table 3.1 Sample size determination technique

Strata	No of Lecturers	Proportionate allocation formula	Sample from each college
Engineering and Technology	188	188/802*266	62
Computing and Informatics	82	82/802*266	27
Natural and Computational Sciences	131	131/802*266	43
Medicine and Health Sciences	126	126/802*266	42
Agriculture and Life Sciences	94	94/802*266	31
Business and Economics	66	66/802*266	22
Social Science and Humanities	74	74/802*266	25
School of Law	21	21/802*266	7
Educational and Behavioral Sciences	20	20/802*266	6
Total	802		266

Source: Wolkite University Academic Staff

To collect the necessary data the researcher used proportionate stratified random sampling technique. The reason for the researcher to use this technique is to give equal chance of being selected in stratum.

When using stratified sampling, the population is first divided into subgroups (or strata) who all share a similar characteristic. It is used when we might reasonably expect the measurement of interest to vary between the different subgroups, and we want to ensure representation from all the subgroups.

3.6 Data Analysis and Presentation

Data analysis is a process of converting raw data in to information which is useful for decision making by users or researchers. For this data analysis the researcher used both

quantitative and qualitative type of data that would be obtained through questionnaires. The qualitative data was collected through questionnaires for analysis of theoretical concepts, while quantitative data was analyzed by percentage, tabulation and frequency.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

The analysis and discussion of this chapter gives detailed interpretations of the theoretical and practical parts of compensation practices in Wolkite University Academic Staff. The researcher distributed 266 questionnaires to the employees i.e. lecturers of the university, but due to the corona virus pandemic, only 178 questionnaires were collected. The rest 88 questionnaires distributed were unavailable due to inaccessibility and unreturnability. So the data analyzed and presented were dependent on 178 respondents. This implies a 66.91% response rate.

4.1 Background of respondents

Before we start the details analysis it is important to discuss some demographic or personal characteristics of the respondents involved in the survey.

Table 4.1 Demographic information of the respondents

Demographic information	F	%
Sex		
Male	114	64.04
Female	64	35.96
Total	178	100
Age		
18-30	56	31.46
31-43	101	56.74
44-56	20	11.23
57 and above	1	0.57
Total	178	100
Education level		
BA Degree	4	2.24
Master Degree and above	174	97.76
Total	178	100
Years of service in the University		

1-5	142	79.77
6-10	36	20.23
Above 10 years	0	0
Total	178	100

Source; questionnaire 2012 E.C

The above table shows the respondent's gender, age, education level and years of service/experience in the University. Accordingly, 114(64.04%) are male and 64(35.96%) are female.

Age composition of respondents are 56(31.46%) which represents age group between 18-30 years of the total respondents, 101(56.74%)were between 31-43 years, 20(11.23%)of the respondents were between 44-56 years and the rest 1(0.57%) represents age group 57 and above years. From this result the researcher concludes that the majority of the respondents lay in the middle age.

When we see their education level 4(2.24%) of them are BA Degree holders, 174(97.76%) of them are master degree and above holders.

From the total respondents, 142(79.77%) have served in the organization 1-5 years, 36(20.23%) have between 6-10 years' of service. So the majority of the employees by their years of service/experience in the organization are between 1-5 years.

4.2 Responses related with compensation practices

The following table shows respondents response for questions related with compensation practices in the university/organization.

Table4.2 Compensation types ever taken by the organization

Compensation practices	Response	
	F	%
Have you ever taken compensation from your organization?		
Yes	178	100
No	0	0
Total	178	100
What kind of compensation exist in your organization		
Financial compensation	0	0
Nonfinancial compensation	0	0

Both exist	178	100
Total	178	100
If for question number 2 your answer is nonfinancial which compensation can you get?		
Recognition	0	0
Promotion	0	0
Opportunity for training and personal development	0	0
Comfortable environment	0	0
All are available	178	100
Total	178	100
If your answer is financial in question number 2 which financial benefit did you get?		
Holiday	20	11.24
Sick leave	15	8.43
Pension	99	55.62
Bonus	0	0
Time off pay	44	24.71
Health insurance	0	0
Total	178	100

Source; questionnaire 2012 E.C

The above table shows whether employees took compensation from the organization. Accordingly, 178(100%) of respondents have taken compensation from the organization.

The next question asked what kind of compensation existed in their organization and 178(100%) of the respondents answered both financial and nonfinancial compensation practices exists in the organization.

Then, since nonfinancial compensation exists, 178(100%) of them responded by all are available (recognition, promotion, opportunity for training and personal development and comfortable working environment).

Based on the above analysis, which type of financial compensation were given to employees and 20(11.24%) of the respondents responded as Holiday, 15(8.43%) of them responded as sick leave, 99(55.62%) of them responded as pension, 44(24.71%) of them responded as time off pay.

By watching the above table we conclude that, both financial and nonfinancial compensation exists in the organization. And all of the respondents have got either one of the compensations types.

4.3 Analysis of Incentive pays practice

Incentives are one category of the direct financial compensation offered in return for beyond expected performance and productivity. Failure to offer an incentive for employees performing better will lead employees to have negative attitude towards their organization and to feel demoralize in their work.

Table 4.3 Whether or not employees have ever been given an incentive

Incentive pays	Respondents	
	F	%
Have you ever given an incentive as a result of performing better		
Yes	79	44.38
No	99	55.62
Total	178	100
If for the above question, your answer is yes what is the type of incentive you have ever got?		
Bonus	0	0
Profit sharing	47	59.5
Status	22	27.84
Employee empowerment	10	12.66
Total	79	100

Source; questionnaire 2012 E.C

This is analysis about whether or not the employees have got an incentive ever as the result of performing beyond expected. The above table shows, 79(44.38%) of the respondents answered as they have got an incentive. The other 99(55.62%) of the respondents respond as they haven't ever got an incentive.

According to the above table, 47(59.5%) of the respondents responded for profit sharing, 22(27.84%) of them responded for status and 10(12.66%) of the responded for employee empowerment.

The number of employees who got an incentive as a result of performing better is lower than those who didn’t get an incentive. This number of employees who get an incentive

needs to be greater than the other by either the employees performing better or the organization recognizing his employees' performance and motivation.

4.4 Types compensation for motivating employees

Both financial and nonfinancial compensation motivates employees. The following table shows which one of them employees prefer much more.

Table 4.4 Employees Opinion on the type of compensation that motivates them

Types of compensation	Respondent	
	F	%
What type of compensation motivates employees more?		
Financial	104	58.42
Nonfinancial	74	41.58
Total	178	100
If your answer in the above question is financial, Which type		
Vacation	21	20.2
Bonus	31	29.8
Health insurance	43	41.34
Pension	9	8.66
Total	104	100
If your answer for the first question is nonfinancial, which of these compensations motivates you more?		
Recognition	22	29.73
Opportunity for training and personal development	45	60.81
Comfortable work environment	7	9.46
Total	74	100

Source; Questionnaire 2012 E.C

The above table indicates that among total respondents 104(58.42%) of them prefer financial compensation and the remaining 74(41.58%) of them prefer nonfinancial compensation in order to be motivated.

The next category shows that 21(20.2%) of the respondents responded for vacation, 31(29.8%) of them responded to bonus, 43(41.34%) of them responded for health insurance and 9(8.66%) of them responded for pension.

Then for nonfinancial compensation, 22(29.73%) of the respondents are responds as to recognition, 45(60.81%) of them responded to opportunity for training and personal development and 7(9.46%) of them responded for comfortable work environment.

From the total respondents, the number of those who prefer financial compensation is greater than nonfinancial. But this doesn't mean nonfinancial compensation isn't necessary. Organizations need to make both compensation practices available for employees' performance and motivation.

Table 4.5 whether or not hindrance is available in compensating employees

Hindrance on compensation	Respondents	
	F	%
Is there any hindrance from government, cost of living or the organization, to compensate employees properly?		
Yes	178	100
No	0	0
Total	178	100

Source; Questionnaire 2012 E.C

Table 4.5 shows that, there is hindrance in compensating employee properly. All 178(100%) of the respondents responded as yes, indicating that hindrance is available in compensation.

Table 4.6 Regularity of compensation in the organization

Regularity of compensation	F	%
Do you obtain compensation regularly?		
Yes	0	0
No	178	100
Total	178	100

If your answer is no, what is the problem?		
Lack of capital	0	0
Unwise use of resource	27	15.17
Unsuitable rules and regulations	22	12.36
Lack of managerial skill	56	31.46
Lack of top management commitment	73	41.01
Total	178	100

Source; Questionnaire 2012 E.C

As shown in the above table, all 178(100%) of the respondents said that they didn't get compensation regularly. 27(15.17%) of the respondents didn't get compensation due to unwise uses of resource, 22(12.36%) of them due to unsuitable rules and regulations, 56(31.46%) of them due to lack of managerial skill and 73(41.01%) of them due to lack of top management commitment.

To sum up, the organizations doesn't give compensation regularly due to the above mentioned factors. This makes the organization vulnerable to increased turnover rate.

4.5 Employees performance and motivation with compensation

The following '5 point Likert-type scale' analysis shows employees opinion towards their organizations compensation and benefit practices.

Table 4.7 Employee opinion on motivation of organization compensation

Employee motivation		SA	A	N	D	SD	Total
The organization compensation practice motivates me	F	7	16	97	39	19	178
	%	3.93	8.99	54.49	21.91	10.68	100
In my opinion the current pay system has a positive effect on employee productivity	F	13	21	64	60	20	178
	%	7.3	11.8	35.96	33.7	11.24	100

Source; Questionnaire 2012 E.C

As indicated on the above table, 23(12.92%) of the respondents are in agreement with organizations compensation being motivating, while 58(32.59%) of the respondents

disagree, and 97(54.49%) of the respondents remained neutral about the organizations compensation practice.

Based on the above table, 80(44.94%) of them disagree the current pay system. 34(19.1%) of the respondents agree by the pay system and 64(35.96%) of the respondents were neutral.

Table 4.8 Employee opinion on attractiveness of compensation practice

Compensation attractiveness		SA	A	N	D	SD	Total
The current compensation is capable for attracting new and retaining existing competent employees	F	15	64	24	65	10	178
	%	8.42	35.96	13.49	36.51	5.62	100
The compensation and benefit free from discrimination based on demographic factors such as race, gender, age, etc.	F	40	62	35	28	13	178
	%	22.48	34.83	19.66	15.73	7.3	100

Source; Questionnaire 2012 E.C

On the current compensations capability of attracting new and retaining existing competent employees, the respondents responded by 79(44.38%) of them agreed and 75(42.13%) of them disagreed. The rest 24(13.49%) of them responded as neutral. Generally this implies that the compensation is powerful enough to attract new employees and retain the existing ones.

Regarding the question, whether compensation and benefit practice of the company are free from discrimination based on demographic factors such as race, gender, and age, the response was 102(57.31%) of the respondents are in agreement. 41(23.03%) of them disagreed and 35(19.66%) respondents were indifferent. Discrimination cannot be completely abolished, and most of the response shows agreement in the current compensation being free from discrimination.

Table 4.9 Employee assumption on periodically policy update of compensation and link with government regulation

Policy update of compensation		SA	A	N	D	SD	Total
My organization periodically	F	43	65	50	20	0	178

evaluate the effectiveness of compensation and benefit packages	%	24.16	36.52	28.09	11.23	0	100
The compensation and benefit scheme in my organization comply with government regulation	F	5	11	42	57	63	178
	%	2.8	6.18	23.6	32.02	35.4	100
The current compensation being offered by my organization are sufficient to survive with the ongoing cost life	F	67	15	8	20	68	178
	%	37.65	8.42	4.5	11.23	38.2	100

Source; Questionnaire 2012 E.C

As shown the above table the first question was posed on the issue that the company periodically evaluates the effectiveness of compensation and benefit packages, overall of the respondents 108(60.68%) agreed and 20(11.23%) of the respondents disagreed. This indicates that the organization periodically evaluates the effectiveness of the compensation and benefit packages.

The second question was posed to evaluate the issue that compensation and benefit practice of their organization is in accordance with government regulation. Of all the respondents 120(67.42%) were in disagreement. 16(8.98%) respondents agreed and 42(23.6) remained indifferent.

Lastly on the current compensation offered by the organization being sufficient to survive with the ongoing cost of life, 88(49.43%) of the respondents disagreed and 82(46.07%) of them agreed. The rest 8(4.5%) were neutral.

Table 4.10 Employees opinion towards the equity aspect of compensation practice of the organization

Equity aspect of compensation		SA	A	N	D	SD	Total
Employees who perform the same type of work get equal pay	F	0	33	41	50	54	178
	%	0	18.53	23.04	28.09	30.34	100
The Wolkite university	F	5	18	25	61	69	178

promotion practice treats all lecturers equally	%	2.8	10.11	14.04	34.27	38.76	100
Employees at similar position who served the same number of years are provided with the same amount of benefits	F	7	16	38	64	53	178
	%	3.93	8.99	21.35	35.96	29.77	100

Source; Questionnaire 2012 E.C

Accordingly 104(58.43%) of the response were in disagreement, about the practice of equal payment for those who work same type of task. 41(23.04%) respondents remained indifferent, while 33(18.53%) of them agreed. This shows majority of the respondents disagree on the practice of equal payment in the organization for those who perform the same tasks.

The second question asked respondents whether the existing promotion practice treats all employees/lecturers equally or not. In this regard, majority of 130(73.03%) employees responded in disagreement and 23(12.91%) of them in agreement, while 25(14.04%) were neutral on the chance of getting equal promotion and opportunities.

In addition, 117(65.73%) of the respondents disagree and 23(12.92%) of them agree, while 38(21.35%) respondents were neutral with the amount of benefits employees at similar position who served the same number of years get. This shows inequality among the distribution of benefits.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Conclusion

Overall of the respondents prefer a type of compensation practice which includes both financial and nonfinancial compensation. But the number of financial compensation was greater than nonfinancial. Because of increased cost of living, most of the respondents chose financial compensation as a result of motivating them more and the researcher also concludes that most employees of the organization were motivated by bonus, health insurance, vacation and pension.

The organization had comfortable work environment and did have good compensation practice. The organization gave both financial and nonfinancial benefits like pension, sick leave, time off pay and recognition, promotion, comfortable work environment, respectively.

Most of the respondents have not ever got an incentive as a result of performing better. Those others have got an incentive of status, profit sharing or employee empowerment. And the organization does not give compensation regularly. The reason behind this is unwise use of resource, unsuitable rules and regulation and lack of managerial skill.

Based on the finding most of the respondents responded that the organization has both good and bad compensation and benefit policy that has a capability of retaining the organizations' existing employees and attract new ones. The organizations' compensation practice also not biased on demographic factors. It indicates that the organization compensation practice is attractive and has a power to maintain its employees for a long time in the organization.

The researchers finding also revealed that the organizations compensation practice provision is not conformity with employee’s qualification and work experience. Equity aspect related to equal pay of employees who is performing the same activity is claimed not applicable in the organization. In addition, as per the assessment of employee’s opinion they have question regarding equal opportunities for promotion. This can create hostility among employees and less output for the organizational performance.

5.2 Recommendation

- The organization should improve in working on the financial compensation practice more to better motivate employees in order to improve their productivity. Cost of living is increasing and employees need financial compensation to survive in this economy.
- The organization should use various form of incentives, like bonus to motivate employees. Employee motivation is important for insuring success of an organization and also to help execute various activities for which employees are responsible and to carry out the best interest of the organization.
- The organization should give evaluation to its compensation and benefit packages effectiveness. The organization should also give compensation regularly to its employee's for good performance and motivation.
- The employees will try to do better and increase their performance, when the organization gives reward to them based on their contribution. By having this in mind, the organization must give reward on the bases of his employees' contribution.
- Using resources wisely and the manager should exert full effort to achieve the organizations compensation goals, rather than lacking commitment to the staff.
- To solve equity problems, appropriate job evaluation and task distribution is supposed to be made to employees who are at different levels of the job hierarchy. Further to this, the benefit administration unit is expected to ensure the provision of all the benefits designed to be delivered to employees at varied job level and education level.

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APPENDIX

Questionnaire

Assessment of Employees Compensation practices: A Case Study of Wolkite University Academic staff

Dear Respondents,

I would like to bring to your kind notice that I am doing B.A Degree on the topic "Assessment of Employees Compensation practices: A Case Study of Wolkite University Academic staff" in the Department of Management, Wolkite University, Wolkite. The aim of this survey is to know what kind of compensation practices motivates employees more and which identified factors influences employee performance and motivation. The information collected in this survey will be used only for academic research purpose and would be kept confidential. I request to you to spend your precious few moments to fulfil the questionnaire. Thank you for your cooperation.

Section: 1

Demographic Information

1. College Name: _____

2. Gender: (M) _____ (F) _____ Age: _____

3. Education Level: _____

4. Work experience in Wolkite University: _____Years

Section: 2

Questions related with compensation practices

1. Have you ever taken compensation from your organization?

Yes ☐ No ☐

2. What kinds of compensation exist in your organization?

Financial Compensation ☐ Nonfinancial compensation ☐

Both Financial and nonfinancial compensation ☐

3. If for question number 2your answer is nonfinancial, which compensation can you get?

Recognition ☐ Promotion ☐

Opportunity for training and personal development ☐

Comfortable work environment ☐ all are available ☐

4. If your answer is financial in question number 2, which financial benefit did you get?

Holiday ☐ sick leave ☐ Health insurance ☐

Pension ☐ Bonus ☐ Time off pay ☐

5. Have you ever been given an incentive as a result of performing better?

Yes ☐ No ☐

6. If for question number 5 your answer is yes what are the type of incentives you have ever get?

Status ☐ Bonus ☐ Profit sharing ☐ employee empowerment ☐

7. What type of compensation motivates employees more?

Financial ☐ Nonfinancial ☐

8. If your answer in question number 7 is financial, which type?

Vacation ☐ Bonus ☐ Health insurance ☐ Pension ☐

9. If your answer in question number 8 is nonfinancial, which of this compensation are more motivate to you?

Recognition ☐

Opportunity for training and personal development ☐

Comfortable work environment ☐

10. Is there any hindrance from government, cost of living or the organization, to compensate employees properly?

Yes ☐ No ☐

11. Do you obtain compensation regularly?

Yes ☐ No ☐

12. If your answer is No, what is the problem?

Lack of capital ☐ unwise use of resource ☐

Unsuitable rules and regulation ☐ lack of managerial skill ☐

Lack of top management commitment ☐

Section: 3

Note: There is no right or wrong answer, you are requested to put your opinion on a "5 Point Scale." Where,

5= Strongly Agree, 4= Agree, 3= neither Agree nor Disagree, 2= Disagree, 1=Strongly Disagree

Please tick (√) only one option that best describes your opinion in each of the statements.

Employee Performance and Motivation	1	2	3	4	5
1. The organization compensation practice motivates me					

2. In my opinion the current pay system has a positive effect on employee productivity					
3. The current compensation is capable for attracting and retaining new and existing competent employees					
4. The compensation and benefit free from discrimination based on demographic factors such as race ,gender, age, etc.					
5. My organization periodically evaluate the effectiveness of compensation and benefit packages					
6. Compensation and benefit scheme in my organization comply with government regulations					
7. The current compensation being offered by my organization are sufficient to survive with the ongoing cost of life					
8. Employees who perform the same type of task work get equal pay.					
9. The Wolkite University promotion practice treats all Lecturers equally.					
10. Lecturers at similar position or who serve the campus the same numbers of years provided with the same amount of benefit.					

Thank You!