



WOLKITE UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICIS
DEPARTMENT OF MANAGMENT

**ASSESSMENT OF THE ROLE OF COMPENSATION IN REDUCING
EMPLOYEE TURNOVER IN CASE OF COMMERCIAL BANK OF
ETHIOPIA IN WOLKITE BRANCH**

**A SENIOR ESSAY RESEARCH PAPER SUBMITTED TO THE
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THE REQUIREMENTS FOR BACHELOR OF ARTS DEGREE IN
MANAGEMENT**

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ABSTRACT

The main objective of this study is to assess the role of compensation in reducing employee turnover in Wolkite branch. Employee's turnover is one of the basic problems of many organizations. The literature review was enables us to understand the various theories on compensation and its role in reducing employees turnover. The data have been organized using descriptive research design and also in order to gather relevant information the researcher used both primary and secondary data. The tools of data collection were questionnaire for employees and structured interviews for manager of the organization. The study populations were 30 employees and all of them selected as a sample. The study used census survey because the target population is small in number. The data has been analyzed by using quantitative and qualitative method of data analysis. Finally, the researcher was concluded and recommend based on the findings.

Key Term: compensation, financial compensation and non-financial compensation

ACKRONOYMS AND ABRIVATION

FLSA –Fair labor standards act

EPA- Equal pay act

COBRA- Consolidated omnibus budget reconciliation act

HMOS-Health maintenance organizations

PPOS- preferred provider organizations

EAPs - Employee assistance programs

FMLA- Family and medical leave act

CBE- Commercial Bank of Ethiopia

BA- Bachelor Arts (Bachelor science)

CSO- Customer Service Officers

ETB- Ethiopian Birr

CHAPTER ONE

1 INTRODUCTION

1.1 Background of the Study

The word compensation defined as the human resource function that deal with every type of reward that individual receive in return for performing work (cosico 2006). Compensation is all forms of financial returns, tangible service and benefits employees receive a part of an employment relationship (Milkouich and Neroman 2000).

According to Judy (2010) employee turnover are happened in every organization, so that organization who wants to reduce employee turnover should pay certain amount of incentive and reward to employee, because turnover is costly and affect the organization productivity, profitability and moral aspect. According to (Deloitte 2007) understanding and efficiently managing compensation on organization is important to keep the people who are doing a great work and to stay competitive to attract the best new talent.

Compensation refers to all forms of financial returns and tangible benefit that employees receive as part of an employment relationship. The phrase "financial returns" refers to attain individual base salary as well as short term and long term incentive (Bernarian, 20 03). To develop competitive advantage in global economy, the compensation program of the organization must support totally the strategic plans and actions of the organization, without adequate compensation, employees are not satisfied and decrease moral. Those are may lead to high employee turnover, high absenteeism according to (Robin, 2008).

1.2 Statement of the Problem

The impact of employee turnover has received considerable attention by senior management, human resources professionals and industrial psychologists. A high staff turnover rate has negative consequences on the organization whichever way one looks at it. Besides the costs associated with actual separation of the employee and recruiting, hiring and training of new employees other costs may not be easy to measure. The indirect cost of turnover may extend to

decrease in the quality of customer service and performance of commercial banks internationally and locally (Suzuki, 2007).

Employee turnover is one of the aspects most studied in organizational research as it has a direct implication to the organizations "day to day running and survival in the industry (Mitri and Gupta, 2002). The cost of high turnover can be substantial, and in fact, according to a study that was conducted by Hay Group (2004), it indicates that employees "turnover could cost companies up to 40% of their annual profits, and most of the organizations fail to recognize the cost of losing employees, particularly indirect costs. For example, if an employee leaves, there could be a lost opportunity cost in terms of technical expertise, dedication, productivity, drive and determination, high achievement, creative capacity, experience, educational level, position in the industry or field or any combination of these and other factors (Price, 2007).

According to studies that have been conducted by various authors this include; (Blake, 2006); (Armstrong, 2006); (Sekuguchi, 2004), who identified that the common reason why employees leave is the existence of a poor relationship between the employee and his/her immediate manager. There is a saying that "people leave managers, not organizations" many employees decide to resign from an organization as a result of conflict they may be having with their immediate managers. The lack of a career advancement plan is another reason why employees leave their organizations. This results in high job dissatisfaction leading the managerial-level employees to look for alternative employment there by increasing the employee turnover rates of an organization. Another reason why employees leave their organization is due to the poor match between the employee compensation and the job or the organization (Price, 2007). The past researcher (mwami 2014) investigated employee compensation practice, management relationship on employee turnover. But now the researcher intends to assess the role of compensation in reducing employee turnover in commercial bank of Ethiopia at wolkite branch.

1.3. Objective of the Study

1.3.1. General Objective of the Study

The general objective of the study is to assess the role of compensation in reducing employees' turnover in case of commercial bank of Ethiopia in wolkite branch.

1.3.2. Specific Objectives of the Study

To identify the role of compensation package which have importance to reduce employee turnover.

To assess the development of compensation package in the bank

To suggest better compensation packages that will minimize employee turnover.

1.4 Research Questions

The research questions of the study are as follows

1. What is the role of compensations packaging on employee turnover?
2. How to develop compensation packaging program in government owned Company?
3. How employees satisfy with compensation packaging?

1.5 Significant of the Study

1. It will help the researchers to get experience and knowledge for further research.
2. It recommend the bank on problems related to compensation system within their organization.
3. It can be used as a source for other researchers who are interested in this topic.
4. It help the society indirectly by decreasing unemployment.

1.6 Scope of the Study

The study delimited geographically, in commercial bank of Ethiopia Wolkite town conceptually, the study used delimited to the role of compensation in reducing employee turnover in case of commercial bank of Ethiopia wolkite town especially in wolkite branch. Methodologically, the researcher was descriptive type of research design.

1.7 Limitation of the Study

The researcher assessed the major factors that cause turnover the type of compensation packages offered to employees have direct impact. Among many factors that leads employee's turnover the researcher focus only the role of compensation on employee's turnover in commercial bank of Ethiopia

Generally, the major challenge of this study was

the respondents were unwilling to provide the necessary information

- Budget and time constraints
- The employees carelessly filled the questionnaire.

the respondents were unwilling to provide the necessary information

1.8 Organization Of The Study

The research is organized by five chapters which is stated in the following manner. Chapter one deals with introduction of the research, under this chapter there are a back ground of the study, statement of the problems, objective of the study, significant of the study, scope of the study and chapter two deals with the review literature, chapter three deals with the research methodology, chapter four deals with data presentation and analysis and finally chapter five deals with conclusion and recommendation.

CHAPTER TWO

2 RELATED LITERATURE REVIEW

2.1 Definition of Compensation

Compensation is the human resource management function that deals with every type of reward that individual receive in return for performing work. (Cascio, 2006)

Employee's compensation refers to all form pay or reward to employees and arising from other employment and it has two components, direct financial payment (in the form of salaries incentives, commissions and bonuses) and indirect payment in the form of financial benefits like employees paid insurance and vacations. (Dessler, 2003)

Compensation is the human resource management function that deals with every type of reward individuals receive in exchange for returning organizational tasks. (Ivancevich, 2001)

In the broad senses "turnover" refers to the movement in to and out the organization by work force. Unnecessary movement is undesirable and expensive when an employee's level the company, such cost as the following are usually involved.

- Hiring costs, involving time and facilities for recruitment, interviewing and examining a replacement.
- Training cost
- The pay of a learner in excess what is produced
- Accident rate of new employees are often higher
- Less of production in the interval between separation of the old employees and replacement by the new
- Production equipment not being fully utilized during the hiring interval and the training person.
- Scrap and waste rate climb when new employees are involved.

2.2 Importance of Compensation

Compensation is important to personal managers for many reasons of all personnel problems, paying employees are perhaps the most perplexing one. Leo (megginson), (1981), stated that it involves many internal factors to employees and employees.

2.2.1. To Employees

- ✓ It is the primary (and often theory y) source of income for employees and their family
- ✓ It is fair reward for the work employee's performing and the benefits they provide for the employers.
- ✓ It determines employees social states, income levels often used as a measure of a person's worthy.

2.2.2. To Employers

- ✓ To attract capable employees to the organization
- ✓ To motivate employees towards superior performance level
- ✓ The retain their services for extended period of time
- ✓ To increase the company's and profit.

2.2.3. To the Nation's Economy

The nation also has an interest in compensation problem, most over complaints of workers focus on their absolute and relative wage rate, Consequently, most strives and relative wage rate.

Most strives and grievances are over some aspects of wages. Second there is the ever present danger of inflation. It wages takes increase faster than increase employee productivity, unit labor cost groups and the inevitable results is a large price spiral.

2.3. Objectives of Compensation

The objective of a compensation system is to create a system of reward that is equitable to the employer and employees un like , so that the employee who is attracted work and motivated to do a good job for the employer over time. Patton suggests that in compensation policies there are seven criteria for effectiveness.

The compensation should be

- A. **Adequate:** - minimum govern mental, union and managerial level should be net
- B. **Equitable:** - each person be paid fairly, line with his/her effort, abilities and training.
- C. **Balanced:** - pay, benefited and other rewards should provide a reasonable total reward packages.
- D. **Secure:** - pay should enough to help an employee fell secure and did him/her in satisfying basic needs.
- E. **Cost:** - effectives:- pay should not be excessive, considering what the organization can offered to pay.
- F. **Incentive providing:**- pay should motivate effective and productive worker
- G. **Acceptable to the employee:**- the employee should understand the pay system and feel it is a reasonable system for the enterprise and himself or herself. (Ivancevich, 2001)

2.4. Components of Employee Compensation

Employee compensation refers to all forms of pay or rewards going to employees and a rising from other employment and it have two components.

2.4.1. Financial Compensation

It has direct or indirect financial compensation

- A. **Direct financial compensation:** - it consists of the pay an employee receives in the form of wages, salaries, bounces or commissions.
- B. **Indirect financial compensation:** - consists of all form of financial rewards that not involved indirect financial rewards. The typical benefits include vacation. Various kinds of insurance service child or elder care.

2.4.2 Non- Financial Compensation

Consist of praise, self-esteem and recognition. It also affects employees' motivation, productivity, satisfaction and turn over which in turn affects organization's performance. (Dessler, 2003)

2.4.3 Factors Affecting Compensation

Compensation can be influenced by both internally as well as externally.(Ivancevich, 2001)

2.4.3.1 External Factors that Influences on Compensation

- **Government** :-every government provides laws for compensation areas like:
Minimum wages rate
Equal pay provision top a avoid pay differentials based on sex in jobs requiring substantially equal skill, effort, responsibility and working conditions.
- **Cost of living**: as measured in terms of consumer price index may affect the organizations compensation policy as it tries to adjust its employees earning to the rate of inflation. This process is called cost of living adjustment (Cal).
- **Market condition**:- regardless of other factors involved, supply and demand relationship in the labor market will determine have wage and salary level in the organization.
Economic condition: the economic condition of the industry especially the degree competitiveness which affects the organization ability to pay high wages. If affect is very productive, it can be compensation high.
- **Unions influence**: - unions and labor relations law also influences pay plan design. Historically, the wage rate has been the main issue in collective bargaining. However, union also negotiates other pay related issue. If the organization stays in an area where unions are strong. Its compensation policy will be affected.

2.4.3.2 Internal Factor that Influence on Compensation

In addition to external in fluencies on compensation, several factors affect compensation:

- **The size and age of the organization**:- it is argued that large and new organizations tend to pay higher wages compared to small and old ones
- **The labor budget (resource allocation strategy)**;- it normally identities the amount of money available for annual employee compensation
- **Managerial philosophy and strategy**: as top level management have the final say on pay level derision, their views and strategies affect payment decision. There are numerous organizations experience problem with high turnover. “High turnover is usually a function of negative job attitude and or low job as factory condone with an

ability to secure employment elsewhere” Oliver, (1998). Poor training, non-competitive compensation and organization practice are also factors contributing to high turnover. (Davison, 1997)

Management can obtain important guidance in modifying programs by predictably identifying employee performance. Firms often make the correct assumption when they do not make inquiries. Some of the methods used to identify these presenters are personal interviews with a cross section of employees meeting with small group employees (focus group) and questionnaires accompanied by computer printouts of current benefits so that employees can reduce visualizing the present package. French, 1998)

When designing a compensation package for employees, managers should be concerned about being equitable meeting legal and strategic requirements and linking compensation philosophy to various market factors. When certain types of work are in short supply, managers may have to offer premium compensation a leader in terms of the compensation in offers will probably be able to attract and help the best employees. (Plunked and AHnaer, 1996)

Management and career development represent efforts to increase the organizations present and future ability by to meet its goals by the providing educational and developmental experiences for managers and all above and beyond the immediate requirements of their jobs (the distinction between skill training and management are career development is obviously somewhat arbitrary, but the former tends to cannot a more immediate objectives and the letter more of long range, boarder purpose. In today’s highly competitive and rapidly changing business world management and leadership development is particularly important. In addition to competence in their own areas of specialization, managers must be prepared to handle new assignments and meet the complex demands of accounting changes into the environment. (French, 1998).

2.5 Government Influence on Compensation

The government also provides a legal framework about direct compensation within which organization must operate. These rules ensure that minimum operating standards of fairness and humanity are applied to compensation materials employer employee relationship.

2.5.1 The Fair Labor Standards Act

The broad, most comprehensive legislation that affects direct compensation is the fair labor standards act (FLSA). The law was passed in 1938 to regulate child labor, minimum wage, and overtime pay. In 1963 the equal pay act (EPA) amended the FLSA to include a prohibition against pay differentials based on gender. The act also requires that employers maintain detailed records of time worked and pay received by each employee. The record keeping requirement is used to determine whether or not an organization has complied with the law.

2.5 2 Federal Laws Affecting Direct Compensation

1. **Fair labor standards act (FLSA) of 1938:-** sets minimum wages (\$15 per hour in 2001), over time pay requirements, and rules governing child labor.
2. **Equal pay act (EPA) of 1963:-** this provision sets men and women are paid the same when they hold “substantially equal” jobs interims of skill, effort and responsibility and are performed under the same working conditions. It also provide for a few exceptions. When pay difference are trace able to differences in job tenure, quality or quantity of performance, or individual differences in education or experience- provide that the pay system actually recognizes and rewards these factors pay differences between men and women are permitted.
3. **Davis- Bacon act of (1931):-**workers employed in construction industry must be paid at the prevailing local pay rate when working on government contracts.
4. **Waish Healey act of (1936:-** workers employed in organizations providing goods to government offices and projects must pay the reviling local rate for such work.
5. **Services contract act of (1995):-** workers providing services to government offices and projects must be paid the prevailing local for such work.

2.6 Employee Benefits

Employee benefits are indirect forms of compensation that are intended to maintain or improve the quality of life for employees. Employees’ benefits are aimed at providing a level of protection and financial securing to workers and to their dependents in the event that they die, become ill, or are otherwise unable to work. Like direct compensation, the major objective for most organizational indirect compensation programs is to attract, retain, and motivate qualified,

competent employees, research supports the importance of the benefits package in applicants' job selector process. Recent research, for example, shows the women are particularly attracted to a company with a strong pro-family indirect compensation package. The packages become relatively more important when the unemployment rate is low and the compensation for qualifies workers is high.

There are three general type of tax ad vantages relate to employee benefit programs, provided that the plans comply with certainness. First employees are allowed tax deduction for the cost of benefit programs. In this way, the cost of benefits is treated in the same way as direct payroll costs.

Second, employees receive many benefits plans, as well as cost plan pay outs, on a tax- free basis. In other words, when an employer offers a health care plan, three things typically occur:-

1. The organization deducts the cost of the plan from its earnings for tax purpose

Employees are not taxed on the cost of the plan that the employer has provided to them
Employees are not taxed on the reimbursement they receive under terms of the plan for covered services. Particularly when individual tax rates are rising significantly, these tax advantages make employees benefits programs attractive alternative to direct pay for many-employees, the third tax advantage is that some benefits are tax deferred

2.7 Five Categories of Employee Benefits

Employee benefits may be classified into five general categories:

1. Government –mandated program
2. Employee welfare plans; including all forms of health care plans, survivor benefits, and disability programs.
3. Pension plans and other long term capital accumulation program
4. Time of programs (whether paid unpaid) such as valuation, sick pay, and sabbaticals and
5. Employee services, which including tuition reimbursement plans, child (family are housing and relocation service, employee assistance programs, and employee recognition programs.

2.7.1 Government – Mandated Program

Five benefits programs are required by federal law. Unemployment insurance, social security and workers compensation are basic income continuity programs.

In other words, they provide payments when an individual is not working. The consolidated omnibus budget reconciliation act (COBRA) and the family medical have act focus primary on employees' right to maintain their employee benefits, specially their health care benefits.

2.7.2 Employee Welfare Programs

The benefits of greats concern to both employees and employers in this category are health care plans, also included in this category are service or benefits, which including all types of life insurance.

Health care management tools: four other health care management tools are increasingly popular.

1. Wellness program: are typically used in two ways

To educated employees to make informed decisions about their life styles and their health care and to challenge employees' benefits that employees are responsible for their health care and for paying all their medical care cost.

2. Personal responsibility causes: are based on the principle that if employees or their dependents take personal risks, then they should bear addition responsibility for the costs arising from resulting illness or injuring.
3. Health care plan audits: focus on carefully tracing plan utilization and costs in order to determine whether the organizations health care spreading is generally effective.
4. Managed care: continues to grow popular approaches include health maintenance organization (HMOS) and preferred provider organization (PPOs).

2.7.3 Pension Plans and Other Long-term Capital Accumulation Plans

A pension is a payment to a retired employee based on the extent and level of employment with the organization. The term long- term capital accumulation plan is the generic name for any

program that seeks to systematically set aside money during one's working life time, primarily for use during one's retirement.

The main pension plans:

A defined benefit plan: guarantees aseptic retirement based on a percentage of preretirement income. Typically, the amount is based on years of service, average earning during a specified time period (e.g. - last five years) and ago at time retirement. The typical target benefit in a defined benefit plan is to replace approximately fifty percent of an individual's final average pay.

A defined contribution plan: an employer provides a specific amount of money (typically) a percent of base salary) that is paid in to an individual's account each period.

2.7.4 Time –off programs

The cost of paid time off represents one of the highest benefits cost for employers to day. In small, private organizations, vacations are the most prevalent type of paid time off benefit.

2.7.5 Employee services

Although there are a variety of programs, the most common employee services are education programs, employee assistance programs, employee- recognition programs and child care, we will briefly discuss each of this below.

Education programs: Many organizations have educational programs for their employees that range from literacy programs to return for college or graduate senior.

Employee Assistance programs (EAPS):-typically provide counseling, diagnosis and treatment for substance abuse, family and marital problems, depression and financial and other personal difficulties.

Employee Recognition programs: a growing number of organizations offer awards to employees for extended service, work-related achievements, and suggestions for improving organization effectiveness. Awards are often in the form of gifts and travel rather than cash.

Child care: a growing number of companies also are offering various forms of child care benefits. There is evidence that these benefits can reduce employee absents, improve recruitment, and help retain valuable employees.

Federal Laws Affecting Indirect Compensation

Social security act of (1935): requires that companies cover employees under comprehensive program of retirement, survivor, disability, and health benefits. In addition requires that employees pay taxes to cover benefits payable to worker who are out of work” through no fault of their own.”

Workers compensation laws: requires that employers finance variety a benefits (i.e. lost wages, medical benefits, survivor benefits and rehabilitee service) for employees with work related illness or injuries on “no fault” basis.

Consolidated omnibus budget reconciliation act (COBRA):- requires employers to provide access to health care coverage in particular insurance when coverage would otherwise determinate cost of coverage may be complete passed on to worker.

Family and medical leave act of 1993(FMLA):- requires employers to continue providing health care coverage to employees who are on FMLA leave (up to 10 weeks per year for specified family emergencies) on same basis as it was provided before the level.

International Compensation

Compensation for International assignment typically has four compensation of which is explained below: base salary, foreign service in documents, allowance and benefits

- a. Base salary: - in International compensation

Base salary represents the amount of cash compensation that will be provided to an international pay period plus if often serves as a reference point for calculating other allowance.

- b. Foreign senile premiums are more tray payments above and beyond base salary that companies offer in order to encourage employees to accept expatriate assignment.

- c. Allowance: there is great variation in the type of allowance that is used in international compensation. Most organizations provide some type of housing allowance in order to provide a level of comfort to the international worker.
- d. **Benefits:** in many ways, expatriate benefits are bigger problems in international compensation than pay. Employee benefits and the related tax issue vary considerably from country to country.

CHAPTER THREE

3 RESEARCH METHODOLOGY

3.1 Research Design

The study has used descriptive type of research design. The reason behind choosing descriptive type of research is in order to describe and assess existing situations of the subject matter. Bickman and Rog (2007) suggested that descriptive type of study can answer ‘what is’ or ‘what was’ questions, in general, “why” questions.

3.2 Target Population

The target population of this study has been permanent employees who are working in commercial bank of Ethiopia, wolkite branch. The total target population of commercial bank of Ethiopia is 30 employees.

3.4 sample size and sampling technique

In order to gather relevant and necessary data the researchers used census survey technique. Since the total number of the employee of the commercial bank of Ethiopia is 30. As result of questionnaires’ has been distributed to all employee of bank in order to make the more representative. The reason why to use census employee in commercial bank of Ethiopia is small, so they are manageable, known and also to increase the accuracy of the study.

3.5 Source of Data

The researchers has been used both primary and secondary type of data to achieve expectation of this study. The primary data has been collected from employee and supervisor, so primary source has been collecting from permanent employee of the organization for the first hand or direct evidence concerning topic under consideration. The secondary data have been collecting from different a source that is already exists published and un published material and written document like journal, internet and books.

3.5 Method of Data Collection

The researchers have been used both questionnaires’ and interview. The questionnaire was organized in both cloths ended and open ended. The interview aspect both structured and

unstructured interview has been used. The reason why the researcher uses an open ended questionnaire is when the question cannot be answered with yes or no, and to help the respondents in order to express their idea unlimited way. And also the researchers used close ended questionnaires, which can be answered by a simple yes or no and refers to any question for which researcher provides research participants with option from which to choose a response. The researchers used structured interview, in which a particular set of predetermined question are prepared by the interviewer in advance. And the researchers used unstructured interview, an interview which the question to be asked to the respondent are not set in advance.

3.6 Data Analysis and Processing

After the relevant data are collected with the help of question arise and interview collected, the analysis of data was done first by editing the collected data to avoid some errors during data collection process which are not in parallel to each other. The process and analysis of data has been presented in the form of table and percentage which are not in parallel to each other. The process and analysis data have been presented in the form of table and percentage which is based on the appropriate process of data and qualitative approach of data analysis. From the analysis and process of data interpretation data , the researcher will put conclusion by summaries the main points about the study and also forward his own recommendation based on some major findings obtain from respondent.

CHAPTER FOUR

4 DATA ANALYSISLS AND I N T E R P R E T A T I O N

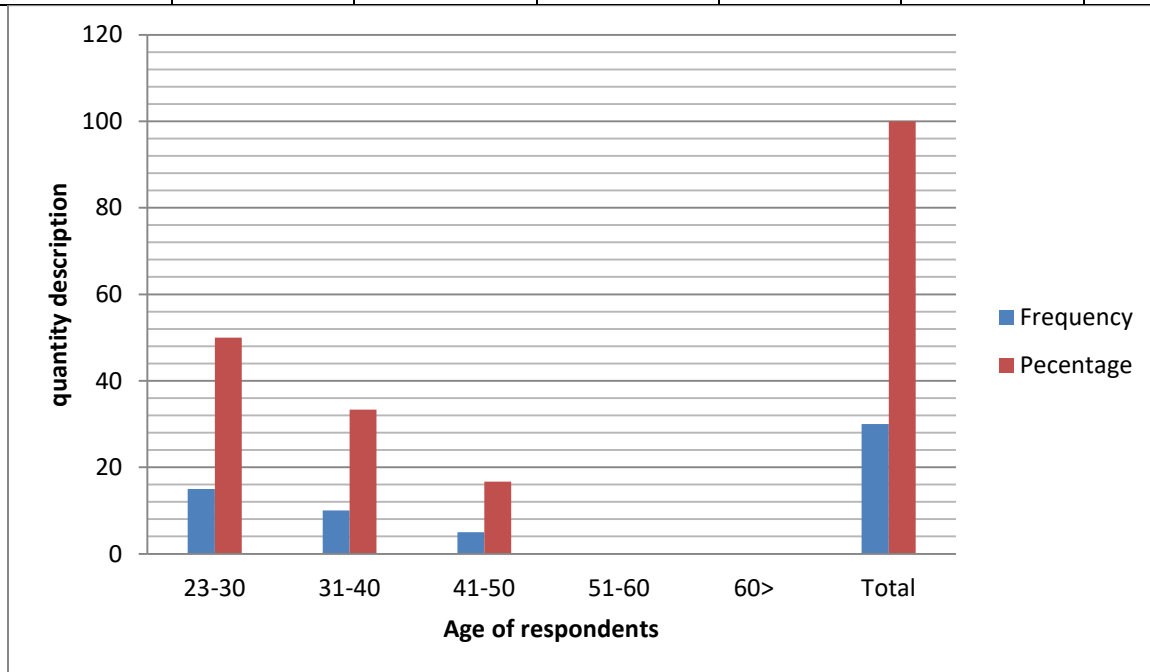
4.1 Personnel Information

This chapter presents an analysis and interpretation of the data collected through questionnaire. Both primary and secondary data were used as a source of information for the study. The data was collected by distributing questionnaire. The researchers distributed 30 questionnaire and all of the respondents returned by filling it properly. Therefore, the analysis of this research conducted based on the data collected from employees through questionnaires, (both open ended and close ended questions).

This is the first to analyze how the company was compensating its employees and then how employees perceive their compensation system and to find out whether their employees were not comfortable with aspects of the total compensation packages. Based on the data collected, respondent’s comprehensive presentation and analysis is given using table and percentages comparison

Table 1: **Personnel Information**

Age	Sex				Total	
	Male	%age	Female	%age	Sum	%
20 – 30	14	46.7	1	3.3	15	50
31 – 40	10	33.3	0	0	10	33.3
41 – 50	5	16.7	0	0	5	16.7
51 – 60	0	0	0	0	0	0
50 >	0	0	0	0	0	0
Total	30	100	1	3.3	30	100



Source: questionnaire 2012

Figure 1: Personnel Information in Line Chart

As shown in the above table 1 of the total respondents (3.3%) of them were female and (96.7%) were male, this show that male workers were dominant in the company. Age group, among the

total respondents 15 (50%) found at the age group of 20-30, 10(33.3%) found at the age group 31-40 and the remaining 5(16.7%) of them found at the age group of 41-50. This implies that majority of the employees of commercial bank of Ethiopia are found at the age group of 21-40 so, they are productive.

4.2 Educational Level of the Respondents

The table bellow shows that (50%) and (40%) of the total respondent were 1st degree and Masters Respectively. and 3.33% each are diploma and grade 12th. This implies almost all employees of commercial bank of Ethiopia are BA degree holders and Masters. This implies that commercial bank of Ethiopia needs to continue its educational qualification of employee by providing training and development and by hiring employees who have high educational qualification.

Table 2: **Educational level of the respondents**

Level of literacy /Educational Level/	Frequency/ Number		Percentage %	
	Male	Female	Male	Female
Grade 10	0	0	0	0
Grade 12	1	0	3.33	0
Certificate	0	0	0	0
Diploma	1	0	3.33	
1 st Degree	15	1	50	3.33
Masters	12	0	40	0
Total	30	1	96.66	3.33

Source: questionnaire: 2012

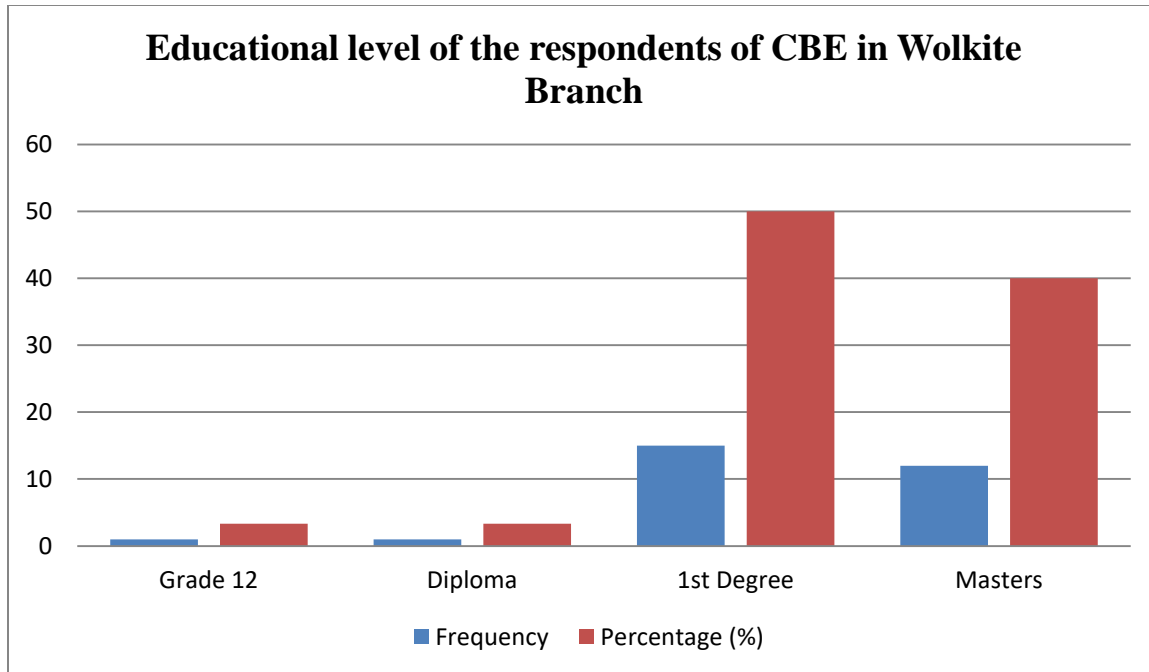


Figure 2: Educational level of the respondents

4.3 Employees' Position in the Bank

The table below shows that (33.3%) and (26.7%) of the total respondents are teller and customer service officer respectively. In addition the table shows that (26.7%) and (10%) of the total respondents were auditor and personnel banker respectively and in addition the table shows that (3.3%) of the total respondents are manager of the bank respectively. From this implies that commercial bank improved its CSOs work force to serve customers effectively and timely.

Table 3: Employees' position in the bank

No	Position of employees	Frequency	Percentage
1	Tellers	10	33.3%
2	CSOs	8	26.7%
3	Auditors	8	26.7%
4	Personnel Bankers	3	10%
5	Manager	1	3.3%
	Total	30	100%

Source questionnaire: 2012

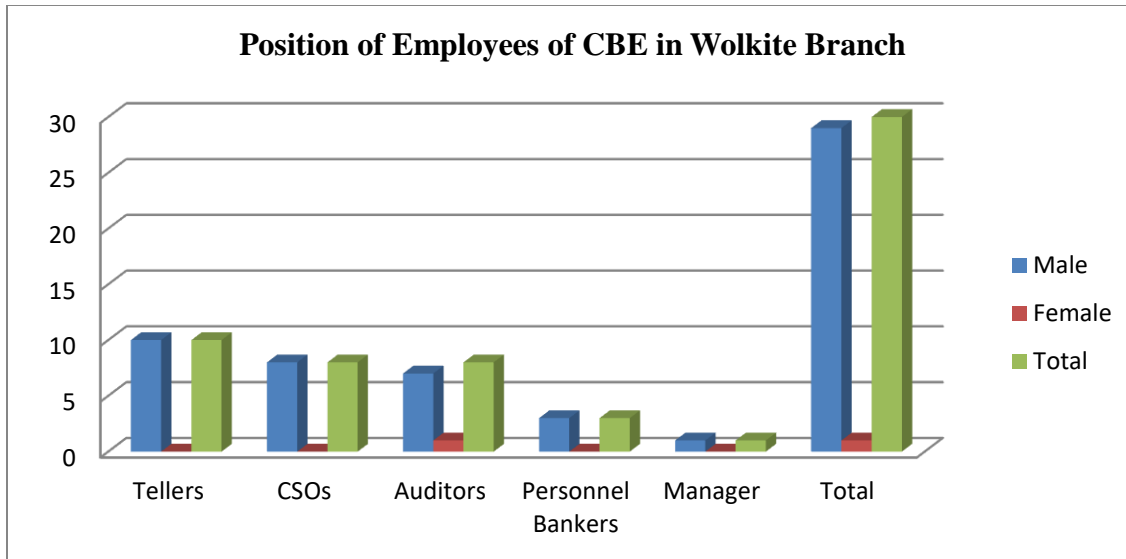


Figure 3: Position of respondents the study area

4.4 Marital Statuses of Employees'

From below table, majority of respondents are married which is (60%) where as the remaining respondents are unmarried (40%). As the study shows that unmarried employees were less equal and not retained by the company since, Married employees will retain for long time of period in the same organization they are wanted by the organizations. On the other hand single persons are less wanted by the organization because even if they perform their activity they will absent or leave the organization than married employees. This implies that the majority of respondents were married in the organization.

Table 4: Marital Status of Employee

Variable	Category	Over all Total	
		Frequency.	Percentage
Marital status	Divorced	0	0
	Married	18	60
	single	12	40
	Widowed	0	0

	Total	30	100
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Source questionnaire: 2012

4.5 Employees' Salary

From the table below show that 16.7% and 26.7% are earning birr between 7,001-10,000 and 10,001-13,000 respectively. 33.3% and 20% are earning birr between 13,001-16,000 and 16,001-19,000 respectively. The remaining 3.3% respondents are earning Above 22,000. And any respondent is earning 19,001-22,000. So this implies that majority of respondents' income salary is below 16,000.

Table 5: Employees' Salary

No	Salary Per Month	Respondents	
		Frequency	Percentage
1	<7.000ETB	0	0
2	7,001-10,000ETB	5	16.7%
3	10,001-13,000ETB	8	26.7%
4	13,001-16,000ETB	10	33.3%
5	16001-19,000ETB	6	20%
6	19,001-22,000ETB	0	0%
7	22,000ETB>	1	3.3%
	Total	30	100%

Source questionnaire: 2012

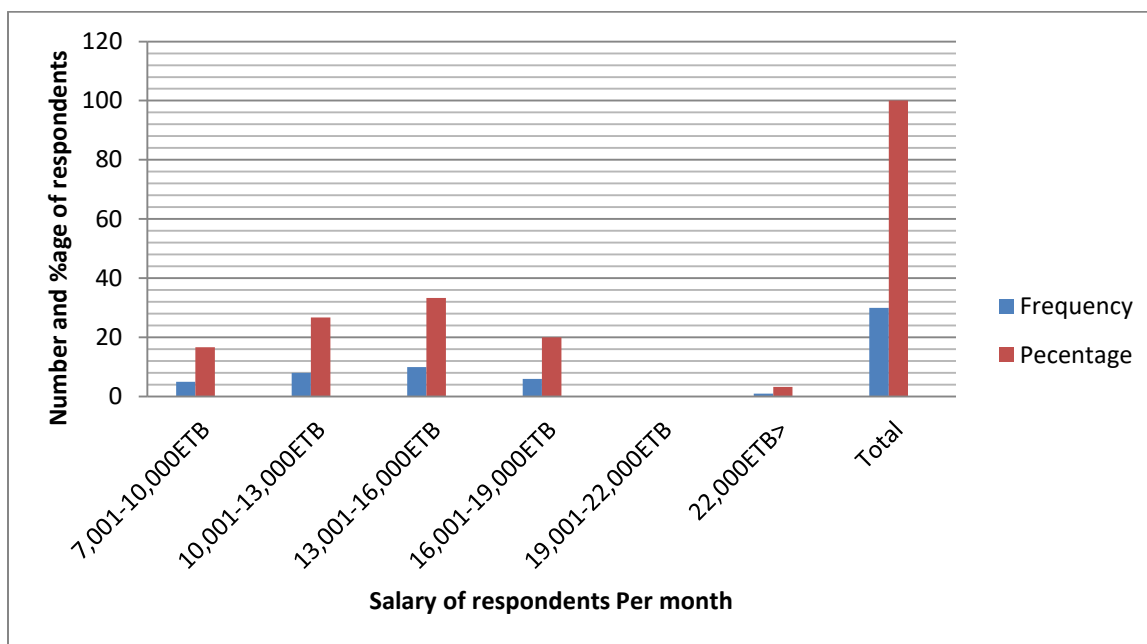


Figure 4: Respondents' salary description in column chart

4.6 Type of Compensation Offering Besides Wage and Salary

In addition to basic wage and salaries, the benefits supplied by the organization are very important to the well-being and security of its employees it carefully selected and properly managed, employees benefits can help in the recurring and retaining qualified employees.

As per the response of the respondents the company supplies other compensation packages other than wages and salaries to its employees.

The respondents were further asked to identify the compensation packages offered to them besides their basic monthly salary. Regarding the provision of other employee's compensation all of them are in position to receive of such as packages like: Indemnity allowance, Transportation allowance, living hard ship allowance, Loan opportunities, and Educational opportunities.

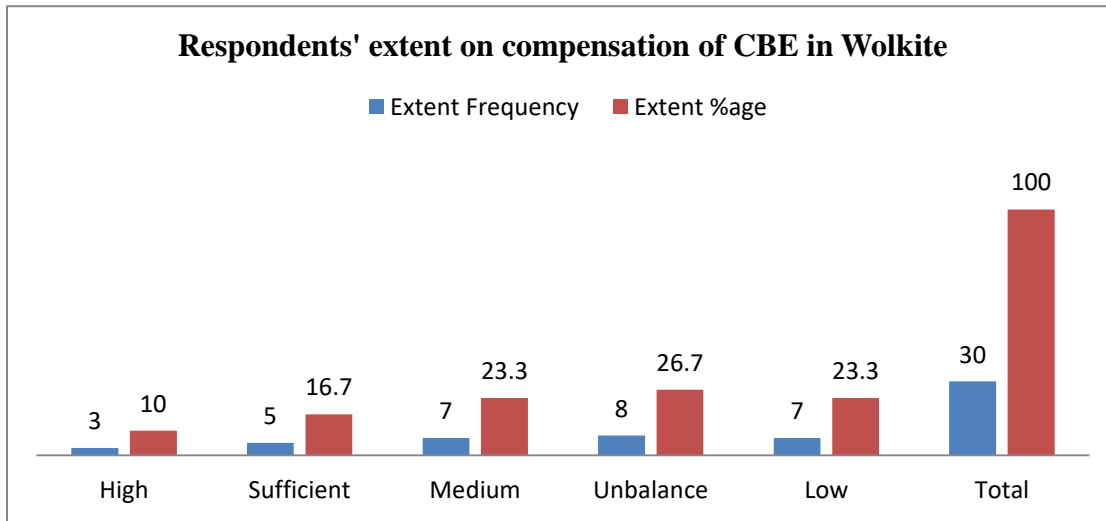
4.7 The Extent that Compensations have role on Employees Turnover

As shown in the table figure bellow mostly the workers said that the extent compensation has role on employee turnover. Most the respondents are unsatisfied with their compensation. To show in percentage 10%, 16.7%, 23.3%, 26.7%, 23.3% for those responses high, sufficient, medium, unbalance, and low respectively. Respondent in the organization some of them said that turnover compensation is medium and low. Therefore, it can be generalized as commercial bank of Ethiopia incurs high compensation for employees because to service long period of time within the organization and to do something critically for organization achievement. The employees are satisfied with compensation and their capabilities are increased for a day to day operation.

Table 6: The extent compensation have role employee on Employees turnover

No	Respondents for compensation	Extent Frequency	Extent %age
1	High	3	10%
2	Sufficient	5	16.7%
3	Medium	7	23.3%
4	Unbalance	8	26.7%
5	Low	7	23.3%
6	Total	30	100%

Source questionnaire: 2011



Source questionnaire: 2011

Figure 5: Respondents' data on compensation

4.8 The Employees to Satisfy by Compensation in the Organization

As the table 4.8 shows that (43.3%) respondents said that they are satisfied by organization compensation and (56.7%) of respondents said that they are not satisfied by organization compensation. Consequently, 33.3% of them are satisfied by reward received for amount of effort they put in to the job and 66.7% of them are not satisfied because weather they are not competent or lack of view. This implies that most employees of commercial bank of Ethiopia are not satisfied by the compensation. But almost all of the respondents (93.3%) thought compensation has positive impact to organizational Productivity and Efficiency. So, commercial banks of Ethiopia lacks compensate its employee effectively and efficiently. The researchers concludes that commercial bank of Ethiopia shall work more on compensation to satisfy, motivate and committed its employee.

According to the view point of respondents the reason that (56.7%) employees were said that they are not satisfied by the compensation of the organization because of lacks of fair and equitable compensation system based on. Therefore, the researchers conclude that the organization pay compensation according to employees skilled contribution.

Table 7: The Employees to Satisfy by Compensation in the Organization

No_	Basic questionnaire	Yes		No	
		Frequency	%age	frequency	%age
1	Does the employees are satisfied by their compensation in the organization?	13	43.3%	17	56.7%
2	Does the organization place the right person at the right place?	15	50%	15	50%
3	Does reward receive and satisfactory for amount of effort you put in to the job?	10	33.3%	20	66.7%
4	Do you think compensation has positive impact to organizational Productivity and Efficiency?	28	93.3%	2	6.7%

Source questionnaire: 2012

4.9 Employees Evaluated on their Payment Level as Compared to Other Organization

Table 4.9 shows employees evaluated on their payment low us compared to different factors. The above table shows the (50%) of the total respondent think that they were earning fair salary and (20%) of the them believe that they were paid high salary and (30%) of them be live that they were earning low salary. This implies that the company salary when compare to different organization, are fairs like salary of employees having similar position, educational status and experience the employees.

Table 8: **Employees Evaluated on their Payment Level as Compared to other Organization**

What do you think about your basic salary when compared to other organization?	Item	No_ of respondents	Percentage
	Very high	0	0%
	High	6	20%
	Fair	15	50%
	Low	9	30%
	Very low	0	0%
Total		30	100

Source questionnaire: 2012

4.10 View of Existence Staff about Reasons Turnover Excluding Seeking for a New Job

As we observe in the bellow table 36.7%, 23.3%, 13.3%, 16.7%and10% of the respondents answered that employee leave the job due to all of the factor non competitive compensation, High stress, unconducting working conditions, poor administrative all of the above factor

respectively these shows that majority of the respondents non competitive compensation (36.7%) suggested that were the main cause for employee turnover that highly seen in wolkite branch commercial bank of Ethiopia besides high stress is tress is also to majority reason their interest employee were their job

Table 9: View of Existence Staff about Reasons Turnover Excluding Seeking for a New Job

Why employee leave the job excluding seeking for new job?	Frequency	Percentage
Non-competitive compensation	11	36.7%
High stress	7	23.3%
Poor administrative	4	13.3%
Unconsulting working condition	5	16.7%
All of the above factor	3	10%
Total	30	100%

Source, questionnaire: 2012

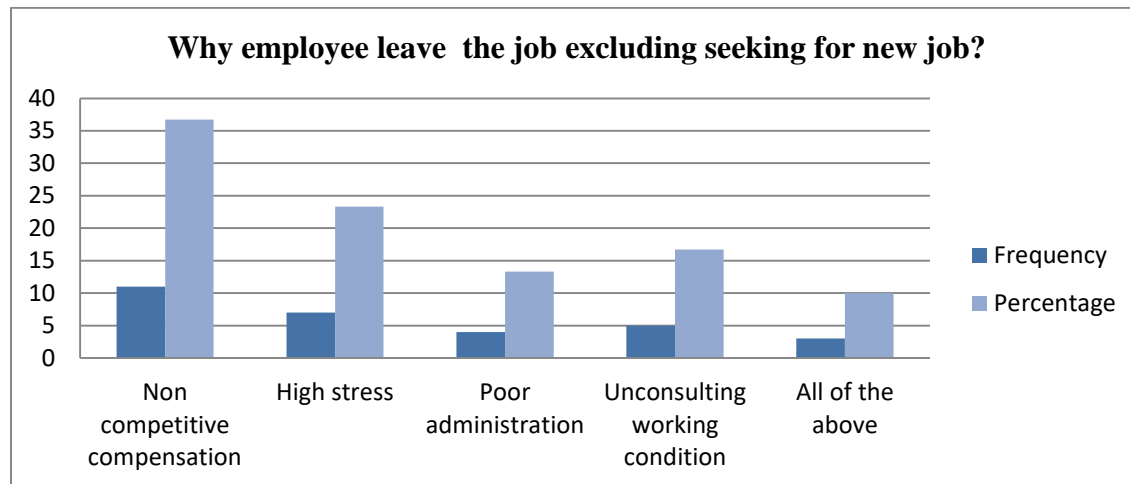


Figure 6: Reason on employee leaving for seeking new job

4.11 How is Kind of Organization that the Employees Intended to Work in the Future

As shows on the table bellow, most the employee porters to work in an organization which pay good salary (43.3) some others would like to work in an organization which have a good management (20%) an organization with fair treatment of employee (16.7%), an organization with good health care plan(20%)and some of the respondent.

As duplicated from the above table, salary, government, and fair treatment the majority tools that the organization should use to minimize turnover rate. Generally, use of criteria can say that most of employees proffer to work in an organization which fulfills such type.

Table 10: How kind of organization that the employees intended to work in the future

What idea is smart the organization to minimize turnover rate?	Frequency	Percentage
An organization which have good management	6	20
Fair treatment of employee	5	16.7
An organization with good salary to employee	13	43.3
Good health care plan	6	20
Total	30	100

Source questionnaire 2012

4.12 Views of Employees about the Factors that make them Unsatisfied with their Job

The table bellow (table 12) shows that mostly the respondents (40%) disabled with the salaries and benefits (30%) of the rest respondents are unstated due to lack advancement, or promotional opportunity. The rest reason are ranked in the following way lack recognition with existing is (16.7%), (13.3%) lack of dissatisfaction respectively. From the researcher it can be concluded that the absence of adequate salary, benefit, and of advance or promotional opportunity bring low dissatisfaction on the part of the employees.

Table 11: views of employees about the factors that make them unsatisfied with their job

What makes you unsatisfied with job?	Frequency	Percentage (%)
Inadequate salaries of benefit	12	40
Dissatisfaction with the job	4	13.3
Lack recognition	5	16.7
Lack of advantage of promote opportunity	9	30
Total	30	100

Source questionnaire 2012

4.13 Attitude of Employees about the Relationship with there

As Shown bellow from the table (13) of the respondents said that their relationship with their manager was excellent and 36.7% & 26.7%. And 16.7% of them have very good and good relationship with their managers. However, the rest 13.3% and 6.7% the respondents have medium and low relationship with their managers. We can generality that the majority of the

employees have excellent relationship with their managers. This may satisfaction on the side of employees.

Table 12: attitude of employees about the relationship with there

What is the relationship between you and the manager	Frequency	Percentage (%)
Excellent	11	36.7
Very good	8	26.7
Good	5	16.7
Medium	4	13.3
Low	2	6.7
Total	30	100

Source questionnaire 2012

4.14 Opinions of Employees about Performance Evaluation System

As shown from above table (57%) of the respondents believed that the performance evaluation system practiced by the organization were faire, while (43%) of the respondents said the performance evaluation system practiced by the organization were unfair. It was implied from the above table, majority of the respondents, replied that performance evaluation system practiced by the organization was fair. This indicates that if the performance evaluation system is fair high performer may be seen as high performer w/h results satisfaction and lead to reduce turnover.

Table 13: Opinions of employees about performance evaluation system

Does performance evaluation is fair?	Frequency	Percentage
Yes	17	57%
No	13	43%
Total	30	100

Source questionnaire 2011

4.15 Feeling of Staff about Placement of Position and their Reason

As shown on the table below 46.7% of the respondents are that the organization doesn't place the right person at the right position, 53.3% respondents are agree the right person at the right place. This implies that the majority of the employees are agreeing the right person right place. But the organization assign person without their Experience and qualification based on relationship this is a reason for employee to leave to the job.

Table 14: Feeling of staff about placement of position and their reason

Does the organization place the right person at the right place?	Frequency	Percentage
Yes	16	53.3%
No	14	46.6%
Total	30	100%

Source questionnaire 2011

4.16 View of Reward receive and Satisfactory for Amount of Effort you Put in to the Job

The table below shows that 60% respondents are said that yes “does reward receive and satisfactory for amount of effort you put in to the job?” And some other 40% respondent are said that no “Does reward receive and satisfactory for amount of effort you put in to the job?” So this implies that the majority respondents are believed that yes. Reward receives and satisfactory for amount of effort you put the job necessary

Table 15: view of reward receive and satisfactory for amount of effort you put in to the job

Does reward receive and satisfactory for amount of effort you put in to the job?	Frequency	Percentage
Yes	18	60%
No	12	40%
Total	30	100%

Source Questioners 2012

4.17 Impact of Compensation

table 17 below shows that 66.6% respondents are said that yes compensation have positive impact to organizational productivity and efficiency and some other 33.3% respondents are said that no so the researches concludes that the majority respondent's sure compensation have positively impact organizational productivity and efficiency.

Table 16: Impact of compensation

Do you think compensation have positive impact organizational productivity efficiency?	Frequency	Percentage
Yes	20	66.7%

No	10	33.3%
Total	30	100%

Source; questioner 2011

4.18 Analysis of Interview

The interview held with a manager of the commercial bank of Ethiopia explained that commercial bank of Ethiopia raises a timely salary increments for its employees by comparing the workers work experience, ability, performance, with what their organizations having the same qualification working at a different position gates and with what other similar organization pays to their employees. The interview implied that the organization was incurred visible costs such as, recruitments and selection, training development and induction costs and invisible costs such as, loose of production, dissatisfaction, disturbance of the team sprite and other costs.

From the above interview discussion, we understand that staff there is increasing level of employee turnover. Generally, the employees are sensitive with the higher salaries, compensation package and additional vanities, and they can easily attract to the organization which have better image in this regard.

CHAPTER FIVE

5 Summary, Conclusion and Recommendation

This chapter presents summary of finding, conclusion and recommendation of the study regarding about bank of commercial bank of Ethiopia in Wolkite branch concerned with the assessed the role of compensation in regarding employee turnover.

5.1 Summary of Finding

- Large percentage of the respondents (83.3%) were found under the range of 21-40 years, age, this age group can be considered the most productive, energetic and highly active to change.
- The operational work force dominated by male (96.7%). This is probably the relation of the country general static of educated work force.
- Regarding to the educational level, most of the respondents (53.33%) were BA (first degree) holders, and 40% of them were above 1st degree. This shows that the bank had educated people as compared to the country experiences.

- With regarding to marital status of employees the majority of respondents (40%) were unmarried.
- Majority of respondent's position of employees (33.3%) were teller in the bank.
- Large proportion of the employees (33.3%) had earned from 13,001 up to 16,000 birr so they had moderate income level as per the current friend of our country.
- Large percentage of respondents (56.6%>) think that they were earning fair salary, when compared to different organizations like salary of other employees having similar position educational states and experience of the employees.
- With regarding to compensation packages besides wage and salary the majority of employees (80%) were compensation package by indemnity allowances, loan opportunities.etc.
- Regarding to the researchers conclude that the majority of respondents (50%) were the role of compensation is high in the bank, because to service long period of time within the organization achievement.
- The majorities of employees (46.4%) were minimized and control employee turnover rate by providing an organization with good salary to employees.

- Regarding to the question about salary compared with other organization majority of employees {53.7%) were responded salaries to employee is fair.
- Regarding to for employee turnover that highly seen in Commercial bank of Ethiopia the majority of respondents (33.7%) were non-competitive compensation is the reason their initiate's employee leave their job.
- In the commercial bank of Ethiopia many problems to face the organization the majority of respondents (40%) were the absence of adequate salaries is the main reason for employee turnover in the organization.
- Regarding to the question factors which creates unsatisfied with the job majority of the employee (40%) were responded inadequate salaries of benefit.
- Regarding to the question does performance evaluation system majority of respondents (60%) were responded the organization evaluation system is fair.
- Regarding to the researcher conclude that the majority of the employee (66.7%) were the organization give attention for personal relationship with manager those other than

technically select based on experience and sinner staff placement was based on the relationship with management.

5.2 Conclusion

Based on the data analysis and interpretation the following conclusions were drawn for the study conducted at commercial bank of Ethiopia in Wolkite branch. The male workers were dominant in the company, the higher education level of an employee there was higher probability of being in the higher income group.

- ✓ Majority of employees believe that their salary scale was not sufficient because the company pay medium salary, the company supplies other compensation packages other than wages and salaries to its employees and the youth or most productive forces prefer the education opportunity and loan benefit where the early adult and age are who were sensitive for education opportunity benefit.
- As implied from the analysis part of the study, turn were employee turnover trends in commercial bank of Ethiopia. Mainly due to disagreement with management, inadequate salaries, lack of good governance, lack of promotional opportunity and non-competitive compensation
- The study shows that the majority of the employees of Commercial bank excellent attitude towards the organization due to the presence of adequate salaries, adequate promotional opportunities and other employ benefits. Besides better relationship between employees and their managers, and fair performance evaluation system were also the major reasons. This is indicating that if the performance evaluation system is fair, high performer employees may see as excellent performer, and high recognition due to fair performance evaluation system, which results in satisfaction and lead to employer stability.
- The study also justified that the organization only place the right person at the right place placement was based on relationship with management with better experience and qualification and the organization was giving more emphasis for those rather than technically selected staff this kind of fair placement was also there as on for employee to leave the job.

- From the exits interview with manager in commercial bank of Ethiopia justified that employees especially the qualified ones left from commercial bank of Ethiopia mainly due to the absence of adequate salaries, (seeking for his/her paying jobs) lack of promotional opportunities.
- Therefore, in adequate salaries, lack of promotion and less availability of education program in Wolkite branch in commercial bank of Ethiopia is the main reason behind the exit of employees. The major drawback of wolkite branch commercial bank of Ethiopia which indicate the employee to leave are lack of competitive pay scheme, lack of motivation, unconducive working condition for the employee, and lack of recognition of the employees with respect to their performance are the main factors lie behind employee commercial bank of Ethiopia. This indicates that higher ever of dissatisfaction due to above factors which factors w/h results in making employees to work half heredity and they may consciously save them serves from fully applying their efforts towards the higher performance. This problem leads to reduce the overall performance on the organization decrease.
- ❖ The study indicates that paying good and competitive salary fair treatment, good working condition, good manager and offering valuation plans minimizes and controls the employee turnover rate. Furthermore, the workers' states that the organization should develop motivation and job satisfaction to employees that minimizes employee turnover.
- More over the study indicate that the organization has incurred visible cost such as recruitment and selection costs, training cost, orientation costs and induction costs that can improve performance of the organization if invested on for other purposes, and invisible costs such as loose of works, disturbance of the team spirit, wastage of time to replace, and many other invisible cost it is difficult to the organization to replace specially those who have high experiences

5.3 Recommendation

- ✓ By taking into consideration the facts discussed in the analysis parts and the major findings, the researcher was forwarded the following recommendation

- ✓ Administering salary scale objectively and fairly and make the salary scale competence based on the labor markets price. The job qualification competence of employees, redesigning conducive work environment making fair performance evaluation system divesting placement of the position based on required qualification and experience is of the position based on required qualification and experience is advisable to commercial bank of Ethiopia reduce employee turnover.
- ✓ Wolkite branch commercial bank of Ethiopia should provide opportunities for turner education; improve management style to participatory, creating good relationship between worker, and their managers, paying bonuses preparing employee compensation program and other motivational tools. Therefore, commercial bank of Ethiopia to continue at the same way by to applied good rules and regulations about education, management style salary and compensation programs.
- ✓ Wolkite branch commercial bank of Ethiopia management should be give necessary attention for the grievances, questions and suggestions of the employees clearly and response should be given to the request of the employees after the critical analysis of the request. So, Commercial bank of Ethiopia continue at the same way due to by use in grievance handling methods of like; negotiation mediation, arbitration, and litigation order to answer, questions and suggestions of employee.
- ✓ Wolkite commercial bank of Ethiopia should be create job satisfaction through training job enlargement and allow the employees to practice decision making concerning the attractive work environment.
- ✓ Priority an employee's separation, in commercial bank of Ethiopia should try to find out the problem in order to know and understand the reasons and any to solve problem. Therefore, wolkite branch commercial bank of Ethiopia should understand that experienced work force is means through higher performance is achieved and losing them is great damage to commercial bank of Ethiopia performance. Therefore, commercial bank of Ethiopia should be investigate thoroughly the reason as to why the employee resigns and take appropriate action to reduce employee turnover, further, commercial bank of Ethiopia has to give its due attention to the turnover situation and discuss only what the reason behind.

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APPENDIX

WOLKITE UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

Questionnaires

I would to say thank you for giving your valuable time and for your cooperation. The questionnaires are fill only for educational purpose; it has no any connection with any government agency. this question are prepared by third year management students who are working a research on the topic of assessing the role of compensation in reducing employee turnover in commercial bank of Ethiopia in wolkite branch

Instruction

- Put () mark on the answer that you will choose close ended question
- Write appropriate answer for open ended question
- No need of writing your name

Part I. personal information

- ❖ Age: 20-30 31-40 41-50 above 51
- ❖ Sex: Male Female
- ❖ Educational status:

 High school certificate master and above

 Diploma first degree
- ❖ Marital status: Married Divorced unmarried
- ❖ Your basic monthly salary (in birr)
 < 7000 7001-10000 10001-13000 13,001-16,000 16,001-19,000 22,000>

✓ Your position in the bank:

Teller auditor manager personnel banker Customer service officer

Part II: research question for employees

❖ What type of compensation offerings you besides your salary?

❖ What extent compensation have role employee on employee turnover?

Low medium high very high

❖ Does the employees are satisfied by compensation in the organization? Yes No

❖ If No, please mention the reason if any?

❖ What do you think about your basic salary when compared to other organization?

Very low fair high very high low

❖ Why the employee leaves the job excluding seeking for new job?

Non-competitive compensation high stress poor supervisor

Un-conducting working condition all of the above factors

❖ According to you, what idea that smart organization use to minimize turnover rate?

An organization which have good management

An organization which have fair treatment

An organization which have good salary

Good health care I don't know

❖ What makes you unsatisfied with your job?

In adequate salary lack of promotional opportunities

Dissatisfaction with existing able lack of recognition

❖ How is the relationship between you and your manager?

Excellent very good Good medium low

❖ Does the performance evaluation system is fair? Yes No

❖ Does the organization place the right person at the right place? Yes No

❖ If No, please mention the reason if any

❖ Does reward receive and satisfactory for amount of effort you put in to the job? Yes

No

❖ Do you think compensation have positive impact to organizational Productivity and Efficiency? Yes No

Part III Interview

1. Is there any staff development program in this organization?
2. What kind of motivation tools does the adept use to motivate its employees?
3. What kind of cost incurred by organization does you to turnover?