

**THE ROLE OF COMPENSATION SYSTEM FOR EMPLOYEES
MOTIVATION (IN CASE OF WOLKITE HEALTH CENTER)**



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DEPARTMENT OF MANAGEMENT

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DECLARATION

I would like to declare that the senior essay entitled the “the rules of compensation system for employees motivation in case of Wolkite health center”, submitted to department of management faculty of business and economics, University of wolkite in partial fulfillment of the requirement of the bachelor of art in management is a record of the original report work done by me, the basis for the award of any degree.

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ABSTRACT

The study is conducted on the role compensation on employee motivation in case of Wolkite health center. The major objective of this study is the role of compensation on employee motivation in Wolkite health center. The respondents to the study used both employees and manager of Wolkite health center. All necessary data for accomplishment of this study would be collected from primary source of data and secondary data such as published documents and from internet. The primary data was collect through distributing questioner from employees and manager.I used to a sample of 44 employees 'out of 80 employees of the health center was performed the study. The sampling methods was simple random for employee and purposive sampling for manager. The result of data would be organized and analyzed by using simple descriptive statics. The findings of the study were reflect that how the health center uses compensation strategy on employee motivation that can use to boost the performance of employees the organizations in Wolkite health center. The benefits and incentives provided by the health center is not fair. This unfair provide of benefits and incentives leads to reduce the motivation and the performance of employees, increase employee turnover and it also decrease employee relationship in job as the result the productivity of the center is decline.so the Wolkite health center respondents have answered about work experience of the employee in the institution. 44 of the sample employees, the majority of the company workers have 5-8 work experience. the salary level of the employee of the health center is above 6000.Based on the analysis the respondent were answered the Wolkite health center used mostly bonus and too some extent the center also used salary increase, over time payee and flexible time types of incentive in the Wolkite health center.

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

The success or failure of an organization is highly dependent on the motivation of employees in the organization. Compensation is one of the key drivers of motivation because humans are naturally inclined to perform better when they perceive that they will get sufficient payment or returns from their efforts. While people exert effort for different reasons, today's competitive economic environment coupled with the consumer society has made compensation arguably the most important motivation factor. Most people are motivated by money at least for their basic needs and wants. Compensation in any form is the most obvious extrinsic reward; it provides the carrot that most people want. (Armstrong, 2008).

Denise and Griffins (2008) defines compensation as the set of rewards that organizations provide to individuals in return for their willingness to perform various jobs and tasks within the organization. Motivation is something that moves the person to action and continues him the cause of action already initiated. Motivation has the role to develop and intensify the desire of every member of the organization to work effectively and efficiently in his position. Even though money occupies a major place in the mix of motivators, money alone cannot motivate employee well to work unless it is coupled with other non-monetary motivators (Frey and Osterloach, 2002). Compensation systems are important; they are also interesting. It is fascinating to examine the tug-of-war between supervisors and subordinates over incentives. It is fascinating to evaluate the pronouncements about incentives that come down from on high and explore the correspondence between rhetoric and reality — for example, companies are fond of saying that their employees are their asset, but does employee pay reflect this? Often not. It is also intriguing to consider the wide gap between what people say motivates them and what the evidence says does (Ryne's, Gerhart, & Minette, 2004) promoting organizational effectiveness. Besides, it is evident from everyday life and conversations that compensation matters to people. If we read the newspapers, we find many stories about issues and benefits related to compensation and incentive systems — just recently, one report indicated that weight loss was facilitated by the use of financial

incentives (Kullgren& Norton, 2013); another report suggested that teachers who were given incentives at the beginning of a school year, but had to return the incentive money if they did not meet performance goals during the year out performed teachers were simply promised an incentive at the end of the year if performance goals were met (Fryer, Levitt, List, &Sadoff, 2012); another sensational report announced the indictment of the Atlanta Public School superintendent and others in a massive cheating scandal attributed to incentives offered for the improvement of student performance (Dransfield ,2000) To attain high levels of performance as an employee and manager, you must be sure that you and your employees have the ability, motivation and the resources to meet objectives. When performance is not at the standard level or above, you must determine which performance factor needs to be improved and improve it (Lussier, 2005). Beardwell (2004) explains that understanding of motivation is important within the reward and development of reward strategies for it enables organization to humanize work for employees, make the jobs more satisfying, and finally it enables the management to control the behavior of subordinates more effectively.

All organizations are concerned with what should be done to achieve sustained high levels of performance through people. Consequently the subject of adequate incentives for workers, as derived from the so many attempts made by management practitioners, is to look for the best way to manage so as to accomplish an objective or mission with the least inputs of materials and human resources available. (Lussier, 2005).

Motivation is the energizer of human behavior or the process of stimulating action. It is a complex combination of individual needs, drives tension discomforts and expectation. If the organization can motivate employees they become effective problem solvers and to meet and exceed customer expectations. Employees have a desire to be a part of company with positive encouraging work environment motivating strongly working relationship during the work will provide on environment that employees will want to be a part of this involves focusing employees on achievement and maintaining the equity in work plays. This idea of equity as to do with the participation of employees has their importance in relation other within the company. If employees do not believe and they are treated with equity they will not perform well (Stephen, 2003,).

Motivation is a force that influence or stimulate someone to adopt a desired course of actions and the level of employee motivation can be justly specified as one of the major factors contributing to overall organizational competitiveness (Kumar 2008, p.12). Employee motivation can be defined as influencing others in a specific way stated by the motivator, confronting with organizational constraints (Mackay 2007). Employee motivation is defined as the psychological forces which are responsible for the behavior of employees in an organization various factors which may be internal or external stimulates the desire and enthusiasm in people and makes them committed and interested in attaining a particular goal. Every human being has skill and desires (Fred Luthans 2011).

The success of any business depends largely on the motivation of the employees. Human resource are essential to prosperity, productivity and performance of any company. Motivation is the key to creating an environment where the optimal performance is possible.(staff@incentivequotes.com). The development and growth of business organization in competitive business environment is depends on the efficient utilization of resource. The performance of organization is affected by different factors such as motivation, working condition, and job security. Taking this in to account motivating employees helps organization to get competitive advantage.

No doubt that the survival of an organization largely depends on effective and efficient management of its resource. Human resource is one of these that needs to be well managed. It plays a crucial role in achieving both the long- run and short- run objectives of an organization. Managing people is not as easy as managing resource. This is due to the complex nature of human being and as a result in as single organization different people may have different personalities, attitudes, beliefs and values. Managers must use different strategies and skills to wards motivating employee for the survival and best performance of organization. The rationale provides some of the reasons for doing this study are there is no good motivational practice in this branch which make employee unpunctual and absent from their work. (Fred Luthans 2011).

According to Pate (1998) the study of motivation is concerned, basically, with why people behave in a certain way. The basic underlying question is „why do people do what they do? Kovach (1980) states that despite numerous studies done on motivation, managers still are not close to understanding employees“ motivation than their colleague more than fifty years ago.

Motivation is something that moves the person to action and continues him the cause of action already initiated. Motivation has the role to develop and intensify the desire of every member of the organization to work effectively and efficiently in his position. Even though money occupies a major place in the mix of motivators, money alone cannot motivate employee well to work unless it is coupled with other non-monetary motivators (Frey and Osterloach, 2002).

1.2 Statement of the problem

It is very known that well administrated compensation system practice in an organization result in reducing turn over in an organization, increasing job satisfaction and increasing moral of employees. Compensation system contributes for the worth function of the organization in significantly. But it is not common in our country because employees have no choice except to be employed in the organization, even though they know the problems. Researchers focused on how health center use compensation system that are formulated by health center of Woilkte to motivate their employee and problem on compensating employee based on performance, does not give flexible work time for employee, give more priority to compensate employees for only who have high performance. Due not the employees work overtime, no position among the employees in the organization; provide reward only for employees who contribute vastly but does not consider who contribute less. The health center would be to given great deal of important and must be able to understand and manage its very well. Otherwise there would be problem arise and lead to great deal of loss in the health center performance. Compensation is the problem in many organizations, regardless to the nature of activity, physical location and their size based on these reasons the health center manager to compensate the employees' financial and non-financial service because of the health center compensation increase the effectiveness and efficiency of the health center by increasing productivity and profit. (Dessler, 2004).

Nelson and Spitzer (2003) states that in today's work environment, there is more change and uncertainty, there is increased need for empowered employees, there is decline in traditional incentives, there is rise of nontraditional incentives and there is increased use of variable compensation. Studies have also shown that compensation programs and the methods of administration affect employee motivation (Bowen, 2000). Many researchers have focused on

satisfaction, recognition, appreciation and work environment as employee motivators in different organizations. However, none has studied employee compensation. Nelson and Spitzer (2003)

1.3 Research questions

The study would try to answer the following question

- How the health center practices its compensation system?
- What is the employees' reaction to the reward system of the health center?
- What is problem that hinders the compensation system being effective?

1.4 The objective of the study

The objective of the study is general and specific objective

1.4.1 General objective

The general objective of this study is to assess the role of compensation system on employee's motivation in the Wolkite health center.

1.4.2 Specific objectives

Specifically, the study would try to achieve the following objective

- To investigate the compensation system of the health center.
- To assess employees' reaction towards the reward system of the health center.
- To identify challenge that hinders the compensation system

1.5. Significance of the study

This study contain the following significance, the student researcher; the student researcher is beneficiary on getting knowledge about the study and experience on conducting such assessment and get satisfaction when the study to find about the solution , the organization; the organization is beneficial in that the manager of the organization see the identified problem and recommend solutions and take corrective actions accordingly this study, other researcher: other researcher can take this study as reference for conducting other similar assessments and other similar organization: This study can also used for other organizations which are similar by taking this study and they can team selves with identified problem and if the problem is originated on them can take their corrective measure.

1.6. Scope of the study

1.6.1. Issue specification

The scope of the study is limited to asses' Wolkite health center, the researcher used stratified techniques because of there are many divisions of departments in Wolkite health center. However, the researcher tooks samples from six departments. i.e. Pharmacy, midwifery, clinical, laboratory ,assistance and extension only.

1.6.2. Space specification

The researcher would be focused on particularly in Wolkite health center, which is found in Gurage zone in wolkite town, Wolkite health center located around 10 kilometer from wolkite university main campus. Other private and government health center or clinics would be not included on the research, because of it needs high man power, finance, transportation cost and time.

1.7 Organization of the study

The paper would be organized in five chapters. The first chapter contains the introduction part, This include background of the study, statement of the problem, objective of the study, Significance of the study, Scope of the study, the second chapter would be deals with related review literature, the third chapter deals with research methodology and the chapter 4 would be deals with presentation and analysis of data and finally chapter 5 would be contains, conclusion and recommendation.

CHAPTER TWO

REVIEW OF LITRATURE

2.1 Over Review of Compensation

The history of making level of paying someone her working is a long tradition which expressed in employee's relationship is the product of industrialization, but management of pay is recent phenomenon. The field was professionalized and highly standard during twenty centuries. Especially the economic and social pressure of the 1980s and 1990s has forced in to accesses formula more multi-disciplinary approach of compensation on management. Given the fact that those labor costs are significant part of operating expert management and strategy. It is often expressed as compensation administration when its consent and principle are applied to organization. Manager of compensation are immersed in the one of the society great challenge. As all ready noted compensation decision are many and vary. This includes how much to pay people to perform both similar and different types of work (H. John Bernardino, 2003).

Employees' compensation refers to the all form of payee or reward going to employee and arising from their employment. Reward includes direct compensation, indirect compensation and non-financial reward. Developing an effective and appropriate compensation system is an important part of human resource process. An effective and appropriate compensation system can help attract and retain competent and talented individual who can help the organization accomplish its mission and goal (dessler2002). Compensation is the total of all reward provided to employee in return for their service. Compensation can be divided into different forms. Such as direct financial compensation consists of the pay that person receive in the form of wage, salary, bonus, and commission .indirect financial compensation include all financial reward that are not included in the direct financial compensation like payment for medical service and hospital cost .nonfinancial compensation consists of the satisfaction that the person receives from the job itself or from the psychological and the physical environment that in which the job is performed.

Work is an important event, a fact that is inevitable in the life of an individual in whatever form it is done, it is an activities and source of satisfaction one needs. Employee try to find satisfaction in what they do and as a result the manager should be able to understand the problems faced by his employees and find a way of satisfying their needs and aspiration. The general assumption is

that an adequately motivated worker will in turn give in his or her best towards the attainment of a general consensus. Consequently when a worker is motivated the question of poor performance and inefficiency will be a forgotten issue in an organization. Managers who are successful in motivating employees are made often providing an environment in which appropriate or adequate goals called incentives are made available for the needed satisfaction of the employee.

A good number of employees are adequately paid in their jobs so as to work hard and maintain a high standard of productivity while some even work hard but do not receive much material gains to show for it. The issue under consideration is how a worker in an organization with a particular set of does needs achieve the reward he desires. The employee motivation has major impact on economic performance of the firm. The firm used different essential resource for its economic performance. Especially human resource is most and significant and ingredient part of resource and managers apply a variety of motivational scheme to give employees highly productive and always they stand for a common good of firm. This chapter tries to present the theoretical aspects of motivation. (staff@incentivequotes.com)

A good number of employees are adequately paid in their jobs so as to work hard and maintain a high standard of productivity while some even work hard but do not receive much material gains to show for it. The issue under consideration is how a worker in an organization with a particular set of does needs achieve the reward he desires? Today managers cannot rely solely on the manipulation of pay, benefit or working conditions to encourage workers to perform effectively and efficiency.

The fields of employee motivation and employee performance are solidly grounded in the researcher of Maslow, Taylor, and Herzberg, to name just a few. The concepts of motivation and performance are constructs within the larger organizational behavior model. While each of these constructs can be reviewed on their own, employee motivation is linked closely to employee performance. Employees need to feel their stories are being heard, understood, and valued by those requesting the stories. By forging these relationships, the employee feels valued by the employer, supervisor, and organization as a contributor. This value translates into higher work performance and stake within the organization (Silverman, 2006; Whiteling, 2007).

Definition: of motivation as the willing to exert high level of effort towards organizational goal conditioned by the effort ability to satisfy some individual needs. While the general motivation is concerned with the effort to wards and goal. Well narrow the focus to the organization goal in order to reflect our sinecure interest in the work relates behavior. The effort of the element is measure of intensity when someone is motivated, but high-level effort is unlikely to lead to favorable job performance (stephon, p. Robbins, 2001).

Compensation

Compensation comprises three major components: pay level (base wage or salary), pay increases, and incentives (cash bonuses) (Gerhart & Rynes, 2003). The sections following examine each of these components in turn. Pay level: most of organizations follow an elaborate process to establish pay level (R. Heneman, 2001). This process starts with job analysis—gathering information about the attributes of specific roles and the people holding them. The end product of this analysis is a job description (a summary of the role's duties and responsibilities) and a job specification (details explicating the knowledge, skills, abilities, and other attributes of the person needed to perform those duties and responsibilities).

Pay Increases

Organizations can provide pay increases through two means: merit pay, and promotion pay. With merit pay, the employer correlates the pay increase with performance ratings: The higher the performance rating, the higher the pay increase. To minimize the cost of merit pay, companies can link merit raises to the employee's position in the pay grade: The higher the pay level of the employee in the range, the smaller the merit increase. Merit-pay plans have generated mixed results. Empirical research has consistently shown a connection between these plans and employee attitudes (R. Heneman & Werner, 2006). There is a positive correlation between merit pay and pay satisfaction. In turn, pay satisfaction leads to better attendance, retention and union vote (H. Heneman & Judge, 2000). But merit pay's impact on productivity is mixed. Some studies have found a positive correlation; others, a negative one. Clearly, more research is needed to further illuminate this relationship. With promotion pay, a company considers criteria such as an employee's previous performance, anticipated performance, difficulty of the job, and position in the pay range. Every organization seems to make promotion-pay decisions differently, so it's difficult to draw lessons from their practices. Moreover, there are no empirical

studies in this area showing which factors most employers use to determine the size of a promotion increase, the reasons for the increase, and the outcomes associated with such increases. “How Big a Pay Increase” and “What Do Employees Want?” provide additional insight into this subject?

Incentives; take the form of a cash bonus or stock. To award incentives, organizations use more objective measures of performance, such as an employee’s productivity, rather than performance ratings (R. Heneman& Werner, 2006). Because incentives are not linked to base salary, they do not compound over time. Therefore, they are less costly for employers than merit pay, and promotion pay. Companies can award incentives based on individual, group, or organizational performance. “An Overview of Incentives” compares the advantages and disadvantages of these criteria.

Individual incentives; provide a cash or stock payment for performance measured at the level of the individual employee. Classic examples of individual incentive plans would be sales commissions and piece-rate pay systems. With this approach, the greater the person’s job performance, the greater the cash bonus he or she receives. Individual incentives exert the most powerful impact on productivity of all total rewards practices, usually increasing productivity by about 30% However, they do not ensure a commensurate increase in product quality. Also, they don’t promote teamwork, because they emphasize individual rather than team performance. Lastly, many jobs do not have readily available metrics for assessing individual performance. Thus, an employee’s contribution may be difficult to measure.(Dessler,2005).

Group incentive; provide a cash or stock payout for performance measured at the group or work-team level. Classic examples of group incentives would be gain sharing.

2.2 Pay equity

Organization must attract, motivate, and retain competent employees. Because achievement of this goal is largely accomplished through firm’s compensation system organization must strive for compensation equity. Pay equity is perception by the worker that they are being treated equally (Dessler 2005). There are several dimensions of equity

Internal equity: is payment of employees according to their relative value of their job within organization.

External equity: payment of employee at comparable to worker who perform similar job in other organization.

Individual equity: condition that exist when individual performing similar job for the same firm are paid according to factors unique to the employee, such as performance level or seniority.

Team equity: paying more productive team in an organization at higher rate than lessproductive team.

2.3. Objective of compensation

Objective of compensation are to create a system reward that is equitable to the employer and employee like desire outcome. The all employees who is attracted to the work and motivated to do-good job for employee compensation to be motivate in the workplace. When employee to be motivate by compensation the organization achieve the goal efficiently and effectively

Compensation is viewed as; Motivate employees to perform, important mechanism that enables organization to achieve their business objective, enable organization to attract and retain qualified worker, Organization conveys and rain forces, value, culture, and the behavior they required.

Effective compensation systems have typically the following characteristics

1. It enables organization to attract and retain qualified worker
2. It complies with government regulation
3. It motivates employees, foster feeling of equity and provide direction to their effort
4. It communicates, and rain forces an organization cultures, value and competitive advantage
5. Its cost structure reflects the organization ability to pay

2.4 Types of compensation

In general compensation can be divided in to two.

These are direct and indirect compensation

2.4.1 Direct compensation

Compensation system is what an Employee receives in exchange of their contribution. There are several types of compensation systems like basic salary, increasing salary, overtime payee, bonus, house rent allowance, flexible time, transport service, insurance, health protection...etc. compensation can be incentive and benefit. (MondyR.woyne 2003)

Refers to the monetary benefit offered and provided to the employee in return to their service provided to the organization. Direct compensation is typically comprised of salary payment and health benefit. Monetary benefit includes, salary, house rent allowance, conveyance, leaves travel allowance, bonus, etc.

Basic salary

Salary is amount received by employees in view of work done by him/her for certain period like day, week, and month. Many employees receive from his /her employer by rendering his/her service.

House rent allowance

Organization either provide accommodation to its employee who from different state or country or they provide house rent allowance to the employees.

Conveyance

Organization provide for the cab facility to their employee; few organizations provide vehicle and petrol allowance to their employee to motivate them.

Leave travel allowance

Provide to retain the best talent in an organization. The employees are given allowance to visit any place which they wish with their family.

Bonus

It is extra payment or unexpected payment and welcome thing to the employee from the organization. The organization will pay the bonus at the time of festival season to motivate them and to provide them social security.

Special allowance

Such as over time, mobile allowance, meal commission and travel expense, reduced internet loan, club membership, etc.

2.4.2 Indirect compensation

Refers the non-monitory benefit offered and provided to employees in life of service provided by them to the organization. Common type of in direct compensation includes;

Leave policy

It is the wright of employee to get adequate number of leave while working with the organization. Organization provides for paid leave such as medical leave. Cause leave, family illness leaves, sick leave, etc.

Insurance

Organization also provides for accidental insurance and life insurance for employees, these gives them emotional security and they feel themselves valued in the organization.

Retirement and benefit

Organization provides for pension plan and other benefit for their employees which benefit them after retiring from the organization at the reached particular age.

Holiday home

Organization provides for holiday home and gust house for their employees at different location. These holiday homes are usually located in historical and other most wanted holiday spot.

Flexible timing

Organization provides timing to the employees who cannot work during normal shift due to their Personal problem.

2.5 Importance of compensation to the organization

A well-designed compensation and benefit plan to attract, motivate, and retain talent in the organization .and it has its own role in the organization; such as

- To attract capable employee to the organization
- To motivate employee toward superior performance
- To retain their service over an extended period
- To increase moral satisfaction of employee
- To achieve internal and external equity to increase job satisfaction
- To reduce turnover and absenteeism of the employees in the workplace

If there is an appropriate compensation system, it will encourage normal worker to perform better and achieve the goal of the firm.

2.5.1 Factors affect compensation

A. Cost of leaving people leaving on fixed income are especially hard hit by inflation, most employee also suffer financially.

B. Economic condition; affects financial compensation especially affects degree competitiveness this affects the organizational ability to pay high wage. If the firm is very productive it can be high.

C. Government legislation: the federal and state government affects the amount of employee receives. Government has enacted law to protect the interest of working class. no organization can violate the law.

D. productivity: there is an increasing trend towards linking wage increase in productive or performance of the worker.

2.6 Compensation policy

The technological progress in payment and settlement system and quality change in operation system process that have been undertaken by various payer in market forces of compensation have enabled to come in to pay to improve efficiencies in provide better service to user of the system. the policy is based on principle of transparency and fairness in the treatment customer (www.ofpc/compensationpolicy).

2.6.1 The objective of compensation policy

The objective of this policy is to establish system where organization compensate the customer or any financial loss, he or she might incur due to deficiency in services on part of organization or any act mission or commission directly attribute to the bank.

A good compensation policy provide systematically administered salary, equitable salaries, reconciling employee's career aspiration, keeping cost under control

There are many factors which also roles in the establishment of rational compensation policy, some of them are scarcity supply of skill flightiness of labourer market, labourer mobility and market activate in response to pay differently. Recruitment and relation associated costing moving physical and psychological. Lifestyle aspiration of current employees

(www.ofpcedu.com/policy).

2.7 The job as determinant of financial compensation

A good number of employees are adequately paid in their jobs so as to work hard and maintain a high standard of productivity while some even work hard but do not receive much material gains to show for it. The issue under consideration is how a worker in an organization with a particular set of does needs achieve the reward he desires? Today managers cannot rely solely on the manipulation of pay, benefit or working conditions to encourage workers to perform effectively and efficiency.

The fields of employee motivation and employee performance are solidly grounded in the researcher of Maslow, Taylor, and Herzberg, to name just a few. The concepts of motivation and performance are constructs within the larger organizational behavior model. While each of these constructs can be reviewed on their own, employee motivation is linked closely to employee performance. Employees need to feel their stories are being heard, understood, and valued by those requesting the stories. By forging these relationships, the employee feels valued by the employer, supervisor, and organization as a contributor. This value translates into higher work performance and stake within the organization (Silverman, 2006; Whiteling, 2007).

The individual employee market force has become most prominent as wage criteria in some firm. However, the job itself continues factor, especially in the firm that have internal pay equity as primary consideration. Management techniques utilized for determining a job relative worth includes

A. **Job analysis:** is the systematic process of determine the skill and knowledge required for performing the job. Job description is the primary by product of job analysis, consisting written document that describes essential job duties or function and responsibility.

B. Job evaluation: is that part of compensation system in which firm determines the relative value of one job in relation to another. The basic purpose of job evaluation is eliminating pay inequalities.

The four historic job evaluation methods;

Ranking method: is the simplest method of job evaluation where the rater examines the description of each job being evaluated and arranges the jobs in order according to their value to the company.

Classification method: Job evaluation method in which classes or grades are defined to describe a group of jobs.

Factor comparison method: raters need not keep an entire job in mind as they evaluate and make a decision assumption.

Point method: raters assign numerical values to specific job components and the sum of these values provides a quantitative assessment of a job's relative worth.

2.8 incentive compensation

Incentive compensation is a type of compensation based on the performance of an entity. Often an incentive compensation plan is designed to attract and retain key employees and align the interests of employees and the company. Compensation plans are often based on net income and the stock price of the company or some other performance measure. Incentive compensation is the oldest form of performance-based reward.

The following criteria might be considered when drafting a compensation plan;

- Performance measurement
- Eligibility
- Plan period
- Award size and frequency
- Formal plan
- Vesting schedule

Advantages of incentive compensation

- Aligns managers' incentives with the incentives of shareholders
- Tax deductible to the company

- Require no investment by and downside risk to the individual
- Doesn't dilute shareholder equity

2.8.1 Limitation incentive compensation

As with merit of system incentive compensation system have some short coming weakness .one measure short coming is there practical use of only when performance can be easily and objectively measure (simple study for incentive compensation system).

2.10 Empirical reviews

After considering theories that bear on the impact of extrinsic rewards on intrinsic motivation and discussing a specific study by two authors (Kohn and Pink) to demonstrate that extrinsic rewards can actually increase intrinsic motivation, according to Gerald, Gerhart, and Fang, (2013) come to an outcome that rewards clearly tend to increase performance, and this is because they increasetotal motivation (extrinsic plus intrinsic). Detrimental effects of extrinsic rewards are not inevitable, and appropriate use of rewards can increase intrinsic as well as extrinsic motivation. Negative effects on motivation can be averted systematically by clearly understanding and avoiding the conditions that could create a negative effect. Further, the effects of the reward depend on the social context in which it is provided. If the reward is appropriately implemented, it should enhance, rather than undermine, intrinsic motivation making the incentive effect that much more powerful than if it relies on extrinsic motivation alone. This requires appropriate communication about the importance of the task and the nature of the incentive; specific, meaningful performance goals; appropriate feedback and support from supervisors; selection systems that help sort out those who do not fit the desired culture (and reward strategy) of the organization; and an organizational culture in which incentives are supported by managers and employees. This discussion serves as a reminder that contextual factors are at least as important to success or failure of reward programs as the technical merits of the programs (Gerald et al, 2013)

Remuneration does not simply compensate employees for their effort has impact on the recruitment and reaction of talented people according to Milkovich and Newman (2001). Armstrong (2005) in his own analysis says compensation management is all about development relationship and psychological content that adapt total compensation approach which recognize that there are number of ways in which people can compensate. In their study reward are central policy of employment contract after all its main reason why people work. This includes all type of reward

both intrinsic and extrinsic that are received as result of employment by the organization. Lack of compensation is one of appropriate main reason behind to the employees turn over. According to calista (2009) compensation is lead to better performance and keep worker to focus on their work. Researcher would be used to study and analysis of compensation system on employee's motivation in the Wolkite health center. Harrison and Liska (2008).

- To study the gap in terms of compensation component offer by organization and expected by employees.
- To know the effect of compensation management system on productive level of employees.
- To analysis the factor that hinder the compensation management system.

A number of studies have been conducted on evaluating the relationship between rewards and employee motivation and there exist a large number of studies in the literature describing effect of reward on employee motivation. Among those studies, we can site a research by Puwanenthiren Pratheepkanth (2011) under the title 'Reward System and its impact on Employee Motivation in municipality. Based on the findings, the study revealed that there is a positive relationship between total rewards system and employees' motivation, and this relationship has its own effect on employees' consistency in achieving higher performance, increased cooperation among the staffs, employees' willingness to accept a challenging work and increased responsibility.

Among the studies conducted on this regard, we can site a research by Patrick K. Mwangi (2014) under the title 'The Effect of Compensation on Employee Motivation: According to this study, almost all of the participants agreed that their basic salary was reviewed periodically to adjust for the cost of living; and the study revealed that half of the participants were motivated by their current pay.

The case study of the Harrah's Entertainment sales teams lays out the use of team incentives to increase sales across the various branches of the Harrah's Entertainment family of products. However, the core to the incentive packages, that Jakobson discusses, is the use of Merchandise Awards. Jakobson states that Merchandise Awards are even more effective than Top Seller Trips. Harrah's also uses simple employee motivation tactics such as recognition at weekly and monthly sales meetings of the top sales teams (Jakobson, 2007).

Ali and Ahmed (2011), indicated that there is a statistically significant, direct and positive relationship between rewards (promotion, recognition, working conditions, benefits, the dimension of personal, leader/supervisor, general and work satisfaction and motivation .Hence, if rewards offered to employees were to be altered, then there would be a corresponding change in work motivation and satisfaction. Further, research by Hafiza, Shah and Jamsheed (2011) as cited in Belay (2013) indicate that there is significant and positive relationship between extrinsic rewards and employee motivation but organizations are not offering right amount of financial rewards (extrinsic rewards) to their employees. Pay is a significant factor which affects employee motivation. Added, study by Ali and Mohammed (2012) as cited in Belay (2013) pointed out that there is positive impact of financial rewards on employee's motivation and satisfaction. That is, financial rewards lead to employee's motivation. It is also discovered that new entrants in to an industry are highly motivated and the working conditions, environment and superior's behavior plays a vital role in determination of their satisfaction level.

CHAPTER THREE

3.RESEARCH METHODOLOGY AND DESIGN

The research method part discussed about the research design, sources of data, sampling techniques, instruments of data gathering, and methods of data analysis consecutively. The process used to collect information and data for the purpose of making decision on the study

3.1 Research design

The study used descriptive study. Many writer said “A descriptive study attempts to describe or define a subject, often by creating a profile of a group of problem, peoples, or events, through the collection of data and tabulation of frequencies on research variables or their interaction “the researcher would be used the descriptive design because it provides an opportunity of collect data from various sources such as manager and employees to provide appropriate information.

3.2 Source of data

In this study the researcher would used both primary and secondary source. Primary source would collected from the employees and managers of the Wolkite health center. The secondary collected from books, published journals and document of the health center.

3.3 Data collection method

To collect the require data questioners and interviews the most valuable tool to collect data from the participant. Questioner with close ended and open ended would be used mostly in the study and interview is the other hand data collection method and we also used interview the manager of the health center.

3.4 Sampling method/ technique

The study used simple random sampling to simplifying study and to select employees because simple random sampling would be easy to analyze accurate result and save money and times enable to collect relevant information about the role of compensation on employee motivation.

3.5 Target population and sample size

3.5.1 Target population

The target populations of the study would be in Wolkite health center have 80 permanent employee of the organization.

3.5.2 Sample size

The study are made on by select permanent 44 employee from 80 employee of the health center and 80 employee of the health center are sample size to get relevant information because of, firstly the researcher have not enough money and time to cover more than this number secondly the researcher expect those select individual provide enough information regarding the role of compensation on employee motivation. By using the final size for each of the category or group would be determined with taro yemane in 1967 formula

$$\text{Sample size} = \frac{N}{1+N(e)^2}$$

Where N =total population

n= sample size

e= alpha level (sample error)

The researcher would be used **90%** level of confidence and **10%** level of significance so, the given is sample size

$$n = \frac{N}{1+N(e)^2} = \frac{80}{1+80(0.1)^2} = 44$$

$$n = 44$$

3.6 Data analysis and presentation

After data collect by using questioner and interview, the data analysis and presentation through simple descriptive statics, tabulation and percentage. The data analysis method going to undertake based on the nature of the data the necessary information collects from the element of the Study. The data would be analyzed through tabulation.

CHAPTER FOUR

4. DATA ANALYSIS, INTERPRETATION, AND PRESENTATION

This part of research deals with the Analysis, Interpretation of data which is collected from both the Employees of the bank and managers. The researchers distributed 44 questioners to the Employees of the bank.

4.1. General employee's background

Table 4. 1: Background of the respondent

No	Item	Frequency	Percentage
1	Gender		
	Male	33	75%
	Female	11	25%
	Total	44	100%
2	Age		
	18-30	20	45%
	31-45	18	41%
	45-65	6	14%
	Total	44	100%
3	Educational level		
	Diploma	2	4.5%
	Degree	26	59%
	Master Degree	13	29.5%
	Other	3	7%
	Total	44	100%
4	Work Experience		
	Below 2 Year	4	9%
	2-5 year	14	32%
	5-8 year	20	45%
	Above 8 year	6	14%
	Total	44	100%

5	Level of Salary		
	4000-5000	4	9%
	5000-6000	7	16%
	Above 6000	33	75%
	Total	44	100%

Source Questioner from 2020

As indicated in the table 4.1 Item one shows that 33(75%) of respondents are males. And 11(25%) of respondents are females. This indicates that the majority 33 (75%) respondents are males and the health center is dominated by males. As shown in table 4.1 Item shows that 20(45%) of the respondents are found in the age of 18-30 year and 18(41%) of the respondents are found in the age of 31-45 year and 6(14%) of the respondent are found in the age of 45-65 year. This means that most of the respondents who are working in the health center are young and some of them are between 45 and 65 years. When we see the table 4.1 Item four shows that 2(4.5%) of the respondents are diploma holders and 26(59%) of the respondents are with first degree and 13(29.5%) of the respondent are master degree and 3(7%) other holder. This shows that most of the Employees in the health center are degree holders. As shown in table 4.1 Item four shows that 4(9%) of the respondents have an experience below 2 year and 14(32%) of the respondents have an experience between 2 and 5 year, plus 20(45%) of the respondents has an experience between 5 and 8 year and 6(14%) respondent has an experience above 8 years. This shows that most of the Employees have an experience between 5 and 8 years. As shown in table 4.1 Item four shows that 4(9%) of the respondents have a salary level between 4000 and 5000, and 7(16%) of the respondents have a salary level between 5000 and 6000 and 33(75%) respondent have a salary level above 6000. This shows that the salary level of most of the Employees is above 6000.

4.2 Types of rewards

Table 4. 2: The table below shows each type of reward.

1	Both financial and non financial reward compensation system of the company	Frequency	Percentage
	Strongly disagree	18	41%
	Disagree	13	29.5%

	Agree	9	20.5%
	Strongly agree	4	9%
	Total	44	100%
2	In the company compensation system,financial reward are greater than non financial rewards		
	Strongly disagree	16	36.4%
	Disagree	15	34%
	Agree	5	11.4%
	Strongly agree	8	18.2%
	Total	44	100%
3	The company compensation package is competitive with companies in the same company		
	Strongly disagree	14	32%
	Disagree	16	36%
	Agree	10	23%
	Strongly agree	4	9%
	Total	44	100%
4	The company compensation package is capable to retain best performers		
	Strongly disagree	13	29.54%
	Disagree	17	38.63%
	Agree	8	18.2%
	Strongly agree	6	13.64%
	Total	44	100%

Source Questioner from 2020

In the above table 4.2.1 Shows that 18(41%) of respondents strongly disagree with the reward system of the health center 13(29.5%) of respondents are not agree with the payment system of the health center,9(20.5%) responded that they are agree with payment system of their health center and also 4(9%) of the respondents answered that they are strongly agree with the payment

system of their health center. This data shows that the majority of the employees are strongly disagree with the payment system of their health center.

As it has been seen from the table 4.2.2 Item four shows that 16(36.4%) of respondents are replied that they are strongly disagree with the financial rewards in the health center, 15(34%) of respondents are disagree with the financial rewards of their health center, 5(11.4%) of the respondents are agree with financial rewards of their health center and 8(18.2%) of the respondents are strongly agree with the financial rewards of their health center. This data analysis shows that the majority of respondents are strongly disagree with the financial rewards of their health center.

As we can understand from the table 4.2.3 Item four shows that 14(32%) of respondents said that strongly disagree the compensation package of the company health center, 16(36%) respondent are disagree the compensation package of the company health center, 10(23%) respondent said that agree the compensation package of the company health center, and 4(9%) respondent said that strongly agree the compensation package of the company health center use to employees. This data analysis shows that the majority of respondents are disagree with the compensation package of the company health center.

In the above table 4.2.4 Item four shows that 13(29.54%) of respondent said that strongly disagree the retain best performance for the health center, 17(38.63%) of the respondent said that disagree the retain best performance for the health center, 8(18.2%) of the respondent said that agree the retain best performance for the health center and 6(13.64%) of the respondent said that strongly agree the retain best performance for the health center. This data analysis shows that the majority of respondents are disagree the retain best performance for the health center.

4.3 Benefit types

Table 4. 3:

1	The company compensation package is linked to performance	Frequency	Percentage
	Strongly disagree	11	25%
	Disagree	16	36.3%
	Agree	8	18.2%

	Strongly agree	9	20.5%
	Total	44	100%
2	Someone with highest performance evaluation score, maynot be entiled for additional pay		
	Strongly disagree	12	27.3%
	Disagree	13	29.5%
	Agree	12	27.3%
	Strongly agree	7	15.9%
	Total	44	100%
3	The existing compensation package drives company performance		
	Strongly disagree	13	29.5%
	Disagree	16	36.3%
	Agree	12	27.2%
	Strongly agree	3	7%
	Total	44	100%
4	My salary is satisfactory in relation to what I do		
	Strongly disagree	14	32%
	Disagree	13	29%
	Agree	7	16%
	Strongly agree	10	23%
	Total	44	100%
5	The amount of basic pay I receive to the company averge		
	Strongly disagree	17	39%
	Disagree	14	32%
	Agree	7	16%
	Strongly agree	6	13%
	Total	44	100%

Source from questioner 2020

In the above table 4.3.1 Shows that 11(25%) of respondents said that Strongly disagree the compensation package liked to performance of health center, 16(36.3%) of respondents said that disagree compensation package liked to performance of health center, 8(18.2%) of respondents said that agree compensation package liked to performance of health center, and 9(20.5%) of respondents said that Strongly agree compensation package liked to performance of health center. This data analysis shows that the majority of respondents are disagree the compensation package liked to performance of health center.

In the above table 4.3.2 Shows that 12(27.3%) of the respondents said that Strongly disagree the highest performance evaluation score health center, 13(29.5%) of the respondents said that disagree the highest performance evaluation score health center, 12(27.3%) of respondents said that agree the highest performance evaluation score health center, and 7(15.9%) of the respondents said that Strongly agree the highest performance evaluation score health center. This data analysis shows that the majority of respondents are disagree the highest performance evaluation score health center.

In the above table 4.3.3 Shows that 13(29.5%) of respondents said that Strongly disagree the existing compensation package drives company performance health center, 16(36.3%) of respondents said that disagree the existing compensation package drives company performance health center, 12(27.2%) of respondents said that agree the existing compensation package drives company performance health center, and 3(7%) of respondents said that Strongly agree the existing compensation package drives company performance health center. This data analysis shows that the majority of respondents are disagree the existing compensation package drives company performance health center.

In the above table 4.3.4 Shows that 14(32%) of the respondents said that Strongly disagree the salary is satisfactory in relation of health center, 13(29%) of the respondents said that disagree the salary is satisfactory in relation of health center, 7(16%) of the respondents said that agree the salary is satisfactory in relation of health center, and 10(23%) of the respondents said that Strongly agree the salary is satisfactory in relation of health center. This data analysis shows that the majority of respondents are Strongly disagree the salary is satisfactory in relation of health center.

In the above table 4.3.5 Shows that 17(39%) of the respondents said that Strongly disagree the respondent receive from company average of health center, 14(32%) of the respondents said that disagree the respondent receive from company average of health center, 7(16%) of the respondents said that agree the respondent receive from company average of health center, and 6(13%) of the respondents said that Strongly agree the respondent receive from company average of health center. This data analysis shows that the majority of respondents are Strongly disagree the respondent receive from company average of health center.

4.4 Methods in which the health center provides benefit and incentive

Table 4. 4:

1	My base pay is determined based on the knowledge, accountability and decision making required from my role	Frequency	Percentage
	Strongly disagree	8	18%
	Disagree	16	36%
	Agree	10	23%
	Strongly agree	10	23%
	Total	44	100%
2	I value the medical benefits more than other benefit schemes		
	Strongly disagree	11	25%
	Disagree	13	29%
	Agree	14	32%
	Strongly agree	6	14%
	Total	44	100%
3	Ienjoy my annual leave as part of my benefit		
	Strongly disagree	17	39%
	Disagree	13	29%
	Agree	8	18%
	Strongly agree	6	14%
	Total	44	100%
4	Salary increment made for high performers will encourage others to perform more		
	Strongly disagree	11	25%
	Disagree	11	25%
	Agree	13	29%
	Strongly agree	9	21%
	Total	44	100%

Source Questioner from 2020

As we can understand from the table 4.4. using question one determined based on the knowledge, accountability and decision making 8(18%) of the respondents said that strongly disagree with the health center provides incentive and benefit to the employee when the health center is profitable, 16(36%) of the respondents said that disagree by the center does provide incentive and benefit to the Employee on the basis of profit of the health center. 10(23%) of respondents said that agree the health center does provide incentive and benefit to the Employee and 10 (23%) of the respondents said that strongly agree the health center provides incentive and benefit in the health center. This data analysis shows that the majority of respondents are disagree with the health center provides benefit and incentive determined based on the knowledge, accountability and decision making.

As we can understand from the table 4.4. by using question two workers and the health center provides incentive and benefit to the Employees when they finish their duties as based on the medical benefits more than other benefit schemes 11(25%) of the respondents said. Strongly disagree, 13(29%) of the respondents said the health center does provide benefit and incentive when Employees finish their duties. In addition, 14(32%) respondents said agree that the health center provides incentive and to the benefit Employees and 6(14%) of respondents said that strongly agree health provide incentive and benefit to the Employees. So, the above listed data analysis shows that as the majority of the respondents said agree by the health center provides incentive and benefit to the Employees when the health center is profitable.

As understood from the table 4.4.3 the health center provide benefit and incentives for the employees by enjoy annual leave as part of benefit from the sample 17(39%) of respondent said that disagree by the health center incentive and benefit, 13(29%) of the respondents said that disagree by the health center incentive and benefit, 8(16%) of the respondents said that agree by health center incentive and benefit and the other 6(14%) of respondents said strongly agree by health center incentives and benefits. As a result of the table majority of the respondents were strongly disagree by health center incentives and benefit.

As the researcher can understand the table 4.4.4 the health center provide incentive and benefit Salary increment made for high performer encourage others to perform more based on the data 11(25%) of the respondent said that strongly disagree by the health center incentive and benefit,

11(25%) of the respondent said that dis agree by the health center incentive and benefit, 13(29%) of the respondents said that agree in health center incentive and benefit by encouraging others to perform more and the other remain respondets 9(21%) said that stongly disagree by health center incentive and benefit. From this data the researcher concluded that mest of the respondents are said agree in the health center incentive and benefit.

4.5 External equity compensation system with (incentive and benefit)

Table 4. 5:

1	Benefit packages are modified as necessary to ensure organization competitiveness	Frequency	Percentage
	Strongly agree	2	4%
	Agree	7	16%
	Neutral	13	30%
	Disagree	17	39%
	Strongly disagree	5	11%
	Total	44	100%

Source Questioner from 2020

As table 4.5 shows, 2(4%) of respondents said that the Employee get the benefit and incentive from the health center compared with another same center is strongly agree. And 7(16%) of respondent said that the benefit they get from the health center compared with other similar health center is agree and 13(30%) of respondents said that the benefit and incentive they get from the health center is relatively the same in contrast to other neutral health center and 17(39%) of respondent said that the benefit they get from the Wolkite health center compared with other similar health center is disagree and 5(11%) of respondent said that the benefit they get from the Wolkite health center compared with other neutral health center is strongly disagree. As a result, the data shows majority 17(39%) of respondent said that the Wolkite health center provides benefit and incentive is disagree when compared with other same health center.

4.6 Level of satisfaction

Table 4. 6:

1	The transportation service (allowance) of the company is motivating	Frequency	Percentage
	Strongly agree	3	7%
	Agree	3	7%
	Neutral	15	34%
	Disagree	15	34%
	Strongly disagree	8	18%
	Total	44	100%

Source Questioner from 2020

In table 4.3.1 shows that 3(7%) of respondents said that the employees are strongly agree with the benefit they get from the health center and of the respondents said that they are agree with the benefit they get from the center. Plus, 15(34%) of the respondents said that they are neutral with benefit they get from the Wolkite health center and 15(34) of respondent said that the employee are disagree with benefit they get from the center and 8(18%) of respondent said that the employee are strongly disagree with benefit they get from the health center. So, the above data analysis shows that the majority (34%) Employees are neutral and disagree with the benefit they get from the Wolkite health center.

4.7 External Equity (Basic Salary)

Table 4. 7

1	Salary adjustment/increment is made within a reasonable/ logical time period	Frequency	Percentage
	Strongly agree	5	11%
	Neutral	6	14%
	Disagree	25	57%
	Strongly disagree	8	18%
	Total	44	100%

Sources Questioners from 2020

Table 4.7 shows that 5(11%) of respondents said that the salary rate of the employee in which the health center provide contrast to another similar center is agree and 6 (14%) of the respondents

said the salary rate of employees in which the center provides to them in contrast to another similar center is the neutral. And 25(57%) of respondents said that the salary rate is disagree which compare with another similar health center. 8(18%) of the respondent said that the salary rate is strongly disagree. As a result, the analysis shows that the Wolkite health center provides the salary to the Employee which is compare with other similar center is disagree, but the Wolkite health center does not provide disagree salary for the whole Employees which compare with another similar health center.

4.1 Analysis of Interview

When we asked the manager, saying “what are the major challenges that hinder compensation not to be effective?” The manager said that the competitiveness or the leadership style of the bank, intervention of the government this means at the time of competition between the bank to provide better service and to attract and satisfies customer by this means compensation some time absent and leadership style also have an influence in compensation system this means the leadership style used by the bank is democratic. It is hinder to compensation system because it is time consuming to compensate the employees.

When we asked the manager, he said “what is the benefit of compensation for both employees’ motivation and the bank?” He replied that compensation is important to motivate Employees to work the job properly and to work hard for the growth of the bank. When employees perform the job properly, they can achieve the goal and objective of the bank so, the bank become profitable and satisfied their customer needs

When we asked the manager, he said “how do you assess the compensation policy?” The manager said that compensation policy is assessed by success for organizational (banks) objective and goals based on principles of transparency, accountability and fairness treatment of employees.

CHAPTER FIVE

5. CONCLUSION AND RECOMMENDATION

5.1. Conclusion

As we try showing in the analysis respondent's answer to the questionnaire and the response for the interview questions, the researchers tried to conclude as follows:

- From the total number of respondents, majorities 33 (75%) percent of the employees are males and only 11(25%) percent of the employees are females. so, the company dominated with workers who are males.
- From the respondents' response about the age distribution of the employees, most of the employees of the company were categorized in productive age group, which means 41% percent of the company's employees were between 31-45 years.
- According to the respondents' response about the educational level of employees, most of the employees at the institution were degree holders, this means above 59%percentsof the sample employees had got their degree and they dominated the Wolkite health center.
- When we see the respondents answer about work experience of the employee in the institution, of the sample employees, the majority of the company workers have 5-8 work experience. When we see the answers of the respondent the salary level of the employee of the health center is above 6000.
- Based on the analysis the respondent answers the Wolkite health center use mostly bonus and too some extent the center also uses salary increase, over time payee and flexible time types of incentive in the Wolkite health center.
- Based on the analysis the health center provides too much extent house rent allowance, health protection and transport service but in some extent the health center provides insurance and holiday home to the employee of the Wolkite health center.
- According to the respondent point of view the health center provides benefit and incentives is more linked to when the health center is profitable and when the health

center is satisfied by worker, based on the location of the health center and when the employee finishes their duties less linked to the Wolkite health center provide of benefits and incentives.

- From the response of respondent about the provides benefits and incentives compares with another similar center is very low. This means the bank have less attention for benefits and incentives of employees.
- According to the respondent response about the benefits and incentives get from the center is no fair. This means around (45%) of respondent were disagree about the benefit and incentives that get from the health center. Based on the analysis the salary level of employees compare to within the health center is low.
- Based on the analysis the challenges that hinder the compensation system of the health center are related with government regulation and the leadership style of the center. Wolkite Health center of Ethiopia is governmental organization, so the government intervene in the health center.
- According to the sample of employee's response the rate of compensation system on quality of life is low.as the result the employee shift to another organization that pay good payment for employees to improve their quality of life. Based on the analysis the level of satisfaction compares with benefits and incentives that get from the health center is moderately satisfied.
- Based on the analysis the center does not pay bonus based on performance. So, strong worker not rewarded to work hard than the previous work. According to the respondent the bank provides benefits and incentives it can reduce employees turn over and it also used to increase productivity.

5.2 Recommendations

Based on the major finding of the study, the researchers suggest the following recommendation that helps to solve the problems of the health center on compensation system activities.

- The benefits and incentives provided by the health center is not fair. This unfair provide of benefits and incentives leads to reduce the motivation and the performance of employees, increase employee turnover and it also decrease employee relationship in job as the result the productivity of the center is decline.so, the Wolkite health center should

better to provide benefit and incentives fairly for employees in order to satisfy and motivate employees to perform properly and to achieve the goal of the health center.

- As we conclude from the analysis the size of health protection and insurance provided by the center is small. This leads to decrease the warranty of the center by the employee, consequently the employees less concern to the objective and the goal of the health center. As the result the center should increase the supplies of health protection and insurance service to the employee.
- According to respondent's response about benefits and incentives, they get from the center is low compare to another similar center. This leads to increase the center loss talented or hard worker employees and it also increase the shift of employee to another organization that pay high benefits and incentives to employees than the previous one, so the center should increase the payment of benefits and incentives to minimize employee turnover.
- Government regulation and style of leadership are the major challenges that hinder the compensation system of the health center. This condition leads to decrease the profitability of the center because the employee move to other organization by the intervention of government and style of leadership practiced by the center. As the result the center should be practice good types leadership convenient for employees and the government also reduce their intervention in the health center.
- As we conclude from the rate of compensation system on quality of life is low. this leads to employees are less concern to work of the center because employees add another work to improve their quality of life and this also leads increase employee turnover to improve their quality of life .so, the health center is better to increase the rate of compensation to improve employees quality of life because it is used retain and attract talented or intelligent employees.
- According to the respondent response the health center does not pay bonuses based on employee performance. This leads to discourage hard worker employee or employees who have high contribution to the center and the not use their full potential.so the center should pay based on performance to the employee because hard worker employees are motivate to work hard than their previous work and also used to motivate other employees of the health center. If employee in job motivation increase the profitability and competitiveness of the health center also increase.

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APPENDIX
WOLKITE UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT

Questions to be filled by the respondents

INTRODUCTION: First, we would like to thank you for your willingness to fill the questionnaire format. We would like to speak there is no risk by filling this questioner. This questionnaire is intended to collect data regarding to a study on the role of compensation system on employees motivation in case of Wolkite health center

Part One: Demographic and Other Information

Please put tick mark (✓) in the circle which most closely represents your personal situation.

Please mark one item only per question.

1. Gender ☐Male ☐Female
2. Age _____
3. Educational Qualification ☐Diploma ☐First Degree ☐Master's Degree ☐Other
4. Work Experience in EABSC in years _____
5. Competency ☐Finance ☐Sales & Marketing ☐Logistics ☐Manufacturing
6. Position Status ☐Management ☐Non-Management
7. Marital Status ☐Single ☐Married
8. You get benefit and incentive from your health center.

Highly disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ High agree ☐

The following questions are presented on a five point Likert scale.

If you completely disagree with the item choose 1(strongly disagree)

If you moderately disagree with the item choose 2(disagree)

If you do not have any information about the item choose 3(neutral)

If you moderately agree with item choose 4(Agree) and

If the item strongly matches with your response choose 5(Strongly agree)

Part Two:General Questions on the Company's Compensation System

N o.	Financial & Non Financial Rewards	1	2	3	4	5
1	Both financial and non financial reward compensation system of the company					
2	In the company compensation system,financial reward are greater than non financial rewards					
3	The company compensation package is competitive with companies in the same company					
4	The company compensation package is capable to retain best performers					
5	The company compensation package is linked to performance					
6	Someone with highest performance evaluation score, maynot be enitled for additional pay					
7	The existing compensation package drives company performance					

Part Three:The influence of Financial Rewards

	Salary/pay	1	2	3	4	5
8	My salary is satisfactory in relation to what I do					
9	The amount of basic pay I receive to the company averge					
10	My base pay is determined based on the knowledge, accountability and decision making required from my role					
11	Salary adjustment/increment is made within a reasonable/ logical					

	time period					
12	Salary increments are made based on the performance results of workers					
13	Salary increment made for high performers will encourage others to perform more					
	Benefit packages	1	2	3	4	5
14	I value the medical benefits more than other benefit schemes					
15	I enjoy my annual leave as part of my benefit					
16	I am happy with the canteen service by now					
17	The transportation service (allowance) of the company is motivating					
18	Benefit packages are modified as necessary to ensure organization competitiveness					
19	I am happy with overall benefit packages of the company					

1. at are mWhajor challenges that hinder compensation system to be effective in Wolkite health center?

2. What is the benefit of compensation for both employee's motivation and the health center?

3. How do you assess compensation policy?

4. What methods of motivating employee is often used by the Wolkite health Centre?

5. What is contribution of paying the benefit and incentive to employee for the health centre?
