

**THE ROLE OF EFFECTIVE COMPENSATION SYSTEM IN
ENHACING EMPLOYEE COMMITMENT THE CASE STUDY
OF ETHIO TELECOM WOLKITE BRANCH**



WOLKITE UNIVERSITY

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DEPARTMENT OF MANAGEMENT

**A RESEARCH PAPER SUBMITTED TO DEPARTMENT OF
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(BA) IN MANAGEMENT**

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DECLARATION

I can declare that this research work entitled “role of effective compensation system in enhancing employees commitment in Ethio- telecom wolekit branch ”it is my original work, it has not been presented earlier for award of any degree or diploma to any other university and that all source of materials used for the study have been acknowledged. I can produced it independently except for the guidance and suggestion of our research advisor and other cooperatives

Name of the student; Getenet Degife

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Signature.....

CERTIFICATION

It is certified that this research project titled “the role of effective compensation system in enhancing employee commitment” is based on original research work carried out by Getenet Degife under the supervision and that it has not been submitted for the award of any degree in this or any other University.

1. _____
Advisor Signature Date

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Appendix I: Questionnaire

Acronyms

HRM.....Human Resources Management

ETS.....Ethiopian Telecommunication Services

ETS.....Ethiopian Telecommunications Corporation

CBD..... Compensation and Benefits department

ABSTRACT

The study was made to assess the role of effective compensation system in enhancing employee commitment in Ethio-telecom wolkite branch and Identify major problem areas and suggest suitable solutions and recommendation to improve compensation system. In the study descriptive research design was used to state the existing practice of compensation system in Ethio-telecom. The researcher used only primary sources of data to attain the above objective. To conduct the study census survey were used and questionnaires were distributed for 42 employees of the telecom. Finally the collected data were analyzed, Presented and interpreted by using statistical techniques such as tabulation, percentage and frequency. The study revealed that employees in Ethio-telecom cannot compensate based on commitment rather than performances this lead to employees are not committed, because of unsatisfied in compensation system in the organization and this affect productivity, reduces commitments towards their job and increase turnover. So the organization should give attention encouraging compensation system or giving sufficient compensation or benefit to the employees.

Key words: Compensation system, Productivity, Commitment

CHAPTER ONE

INTRODUCTION

1. Background of the Study

There are many resources in organization and human resource is one of the most critical resources. They all want appropriate management technique to achieve the objective of the organization. Therefore, organization must manage human resources effectively and efficiently to achieve its objectives. There are many methods to manage human resources such as giving better reward to attract better employees (Dessler and Gary, 2009).

The reason behind developing business organization in the world is making profit. In order to achieve these objectives, organization uses material, machine, information and employee's etc. Employee play the main and great role in the activity of the organization. Because other requirement cannot perform the activities by themselves rather it is workers. When employee carry out their activities organization evaluates them for several different reason that includes determining and giving feedback, assessing for training programs and making compensations. Compensation is human resource management function that deals with every type of rewards individual receive in exchanging for performing organizational tasks. Organization compensates employees through wages and salaries, bonuses and benefits such as health insurance vacation time, pension program. These activities are important to increase the commitments of employee (Dessler and Gary, 2009).

At a broad level, an organization reward system includes anything an employee values and desires that an employer is able and would to offer in exchange for employee contributions. More specifically, such compensation includes both financial and non-financial rewards. Financial rewards include direct payment such as salary plus indirect payment in the form of employee benefits. Non-financial reward includes everything in a work environment that enhances a worker's sense of self-respect and esteem by others such as work environment that are physically, socially and mentally healthy, opportunities for training and personal development, effective supervision recognition (Cascio, 2006).

In organization commitment of employee is critical factor to successful organization which can be doubtful. According to Soliven, (2009) commitment of is a sacred covenant without which life is unimaginable. Lee and Kim (2009) define employee commitment as perceived psychological state that binds person towards an entity. This indicates subscribing to the value and objectives of the organization the willingness to stay in the organization and readiness to work in the name of the organization. Armstrong (2003) whatever organization need employee who are fully committed.

Commitment of employee is influenced by various factors like organizational culture, critical success factor, standard and benefits. And also compensation is identified as one such important factor. Hence when employee is satisfied with appropriate type of compensation their commitment may be increased or maintained minority (Jurkiewicz M, 2012)

The study will to examine effective compensation system and its role on enhancing employee commitment, the bases for good compensation system, employee expectation at different level and how the compensation system is based on employees' performance of individuals or job requirement of employees. Therefore, the researcher tends to draw attention to the telecom compensation system capable of improving employees' commitment and enhance organization productivity and effectiveness more specifically on ethio-telecom of wolkite branch.

1.2. Statement of the Problem

Compensation is an important aspect of human resource management, commitment of the employees depends not only on compensation but also on the other factors like: organizational culture, employee engagement, empowerment, transparency and mutual trust. Recognition through monetary and nonmonetary means will motivate the employees to get further recognition, but will not create sense of belonging or loyalty to the organization. Commitment is more important than compliance but commitment will lead to retention in modern organization competitive world, business organizations are facing over challenges regarding commitment and retention of the employees. Different studies in different country and across industries show that employees who are passionate their jobs and the organization in which they work are in the minority (Jurkiewicz M, 2012)

According to (Leigh Branham, 2010) employees usually don't leave for money; he concluded they leave because they're no longer motivated to work for the organization. The relationship between turn over and motivation is relatively unexplored turn over isn't always a result of lack of motivation and dissatisfaction among employees; turn over itself also an impact on employee motivation, causing dips and spikes in employee motivation. The lack of employees compensation in the organization will further caused absenteeism, high cost of recruitment, lower service, rising competition, lack of employee retention (Lee –Ross, 2009)

Compensation is a key factor towards of job performance. Lack of adequate motivation will reported in civil service to influence poor employee's performance in working areas (Toga, 2011)

One of the biggest challenges in developing countries is that the commitment of the employee is always below expected even when the employees are supposed according to mission of the organization and up to date job description, job performance requirement and job standards, sometimes employees were seen carelessly advocate about organization objectives that lead to perform below expected (Riket, 2002)

In today's conservative fiscal climate incentive programs are becoming increasingly popular tools not just only improve economic performance but also to retain valuable employees, promote on- the-job safety and encourage long-term client's relationships. According to a document assessment of annual telecommunication report, news, and achievement letter there was high employees' commitment, belongings and loyalty for the company in the previous time (Ethiopian Telecommunication corporation, 1999/10).

The telecom should gave great deal of important and must able to understand very well and also the telecom manager to compensate the employees financial and no financial service because of the telecom compensation increase effectiveness and efficiency of the telecom by increasing productivity and profit.

Compensation system contributes for the worth function of the organization in significantly. But it is not common in most organization is due to the fact that employees have no choice except to be employed in the organization, even though they know the problems. (Alganih bezabih, 2015)

Problems related to ethiotelecom of wolkite branch is high turnover ,inefficiency ,ineffectiveness ,poor performance ,indiscipline at work place, carelessness and also May not have more knowledge to properly handle the organization performance and this lead to decrease in the company profitability and productivity the researcher identifies those existing problem through structured interview the purpose of these research is to find solution for those problem and increase efficiency and effectiveness of the organization.

1.3. Research Question

From the above description of the problem the researcher answered the following questions

1. How assess employee compensation system of ethio telecom?
2. What are the levels of employee commitment towards ethio telecom of wolkite branch?
3. What are the roles of compensation system in ethio telecom of wolkite branch?
4. What is the challenge of compensation system of ethio telecom of wolkite branch?

1.4. Objectives of the Study

1.4.1. General Objective

The general objective of this study was to assess the role of effective compensation system on enhancing employees' commitment in the case Ethio-telecom Wolkite branch.

1.4.2. Specific Objective

- To assess the employee compensation system of ethio telecom.
- To assess the level of employee commitment towards ethio telecom of wolkite branch.
- To identify the role of compensation system in ethio telecom of wolkite branch.
- To identify the challenges of compensation system of ethio telecom of wolkite branch.

1.5 .Significances of the study

The findings of this study are believe to be helpful for a number of bodies such as the organization under study, the current researcher, the future researchers and other concerned parties. Therefore, the following are identified to be the potential beneficiary of the study: For the researcher the primary significance of full filling an academic requirement for degree in management program. The study was provided relevant information for interesting individual and research groups as the guideline for further related research. The study was give to the researcher a chance to gain experience and knowledge in conducting research. For the organization it can use to understand about the role of compensation in enhancing employee commitment.

1.6. The Scope of the study

The study was focus on the role of effective compensation system on in enhancing employee commitment in case wolkite branch of ethio telecom.

Methodologically the researchers was used descriptive research design which involves only one contact with the study population and describes the phenomena as they exist and also there are many method Among those methods the researchers used census method for collecting of purified information from all respondents because in this method all employee are participate in responding of the questions.

Geographical the study was limited to only Ethio telecom of Wolkite branch and conceptually this research limited to the role of effective compensation system on enhancing employee commitment.

1.7 .Limitations of the study

The researcher was face some limitation during the study however the following challenges was face while undertaking the study like shortage of published reference materials and unwillingness of very few subjects to respond the question inequitable attitudes and there was the problem of job stress from employees this leads to some employees does not return the questionnaire and not explain their own idea.

1.8 .operational definitions

Compensation- is any rewards which provided to the employee though the organization.

Commitment- the act of how employee can per forming activities by gaining rewards not returning

Incentive payment both financial and nonfinancial rewards.

Financial reward is expressed in terms of salary and wage.

Non financial- is expressed in terms of benefits of employee which includes payment for medical, pensions and

CHAPTER TWO

2. REVIEW OF RELATED LITARATURE

2.1. Definition of Compensations

Compensation is defined by many authors. Among the definition some are as follows: Compensation is package of quantitative reward an employee receives for his or her labors includes three components base compensation pay incentives and direct compensation or benefits .Compensation is human resource management function that deals with every type of rewards individual receive in exchanging for performing organizational tasks. Organization compensates employees through wages and salaries, bounces and benefits such as health insurance vacation time, pension program. These activities are important to increase the commitments of employee (Dessler and Gary, 2010)

According to Monday 2010 compensation is total of rewards provided to employees in return for their services.

Compensation and pay are not synonymous terms. Compensation refers to all the extrinsic rewards employees receives in exchanges for their work pay refers to only the actual dollars employees receives in exchanges for their. Work usually compensation composed of the bases wages or salary, any incentives or bonus, and any benefit the base wages or salary is the hourly, weekly or monthly pay employees receives for their work (Byars2010).

2.2. Objectives of Compensation System

The objective of the compensations function is to create a system of rewards that is equitable to the employer and employee alike. The desired outcomes are an employee who is attracted to the work and motivated to do a good job for the employee. Patton suggest that in compensation policy there are seven criteria for effectiveness compensation should be Adequate -minimal governmental union and managerial level should be met Equitable- each person should be paid fairly, in line with his/her efforts, ability and contribution. Balanced-pay, benefit and other rewards should provide a reasonable total rewards packages Cost effectives- pay should not be excessive, considering what the organization can affords to pay. Secure – pay should be enough to help an employee full secure and did him or her in satisfying basic needs Incentive’s providing Incentives payment should motivates effectives and productive work Acceptable to the

employee- the employee should understand the pay system and feel it is a reasonable system for the enterprise and him or herself (Ivancevich, 2012).

2.3 .Goal of Compensation System

What does an organization try to achieve in its compensations System? Understanding the answer to that question may help both employee and the organization to operate more effectively. As an example if you may be able to concentrate your efforts better and therefore receive higher compensations from an organization perspectives the better the match between what is desired and what is actually rewarded the more likely the business objectives will be met. Organizations attempt to achieve goals will thought compensation attempt programs- such. Complying with legal argument, Maintaining absences of growth and fairness among employees, Attracting new highly current employees, Retaining current employees, Motivating employees and Controlling cost of course most organizations will use other means besides these compensation system to achieve these goal for examples non-monetary rewards such as the nature of the work, interesting assignment and flexible hours are likely to be used as well for most organization, though the compensations system is an important in recruiting and motivating employees. But the compensation system also a large parts of most organizations system operating expenses.(S.CSharma,2013)

2.4. Determinant of Compensation

There are a number of factors that determine the individual financial compensation. According to R.Wayne Mondy (2010) the following are the determinant of compensation.

2.4.1. Organization

Managers tend to view financial compensation as both an expense and asset. It is an expense in the sense that it reflects the cost of labor. However, financial compensation is clearly an asset when it is instrumental in recruiting and hiring good people's encouraging them to put for their best efforts and remain in their jobs. A firm that pays well attracts many applicants, enabling management to pick and choose the skills and traits it values. It holds onto these quality hires by equitably sharing the fruits of its financial success, not only among the management team but also with the rank and file. Compensation programs have top management's attention because

they have the potential to influence employee work attitudes and behavior that leads to improved organizational performance and implementation of the firm's strategic plan.

2.4.2 .Labor Market

Potential employees located within the geographic area from which employees are recruited comprise the labor market. Labor market for some jobs extends far beyond the location of firm's operations. The market rate is an important in determine pay many employee's view it as standard for judging the fairness of their firms compensation System. Long organization routinely conducts compensation survey to determine market pay rates within the labor market.

2.4.3. Job

The individual employee and market forces are most prominent as wage criteria. However, the job itself continuous to be a factor especially in those firms that has internal pay equity as an important consideration these organizations pay for the value they attach to certain duties, responsibilities and other job-related factors such as working condition. Management techniques utilized for determining a job-relative worth include job analysis, job description and job evaluation.

2.4.4 .Employee

In addition of the organization the labor market and job factors related to the employee are also essential in determining the compensation system. Factors related to employee are the following:

- Pay performance: The factor most controllable by employees is their performance on the job. It is typically reflected in the performance appraisal. Appraisal provides the input for such approaches as merit pay, variable pay, skill based pay and competency based pay.
- Seniority: The length of time an employee has been associated with the company division, department or job is related as seniority.

The followers of seniority based pay believe that the use of seniority provides on objective and fair basis for pay increase.

- Experience: Regardless of the task, experience has potential for enhancing a person's ability to perform. However, this possibility can be realized only of the experience acquired is positive and the job is to be performed.

2.5 .Role of Compensation

Pay plans are typically used to energize direct or control employee behavior. Most employee's compare this own pay with that of others, especially those in the same job as described inequality theory. Perception of inequality may cause employee to take actions to restore equity. Some of these actions are (e.g. Quitting or lack of cooperation, dissatisfaction) which are not helpful to the organization. In addition to equality theory there are three theories which may explain role of compensation.

2.6 .Theoretical Review

2.6.1 .Reinforcement Theory

EL. Thorndike's law of effect states that a response followed by rewards is more likely to recur in the future. The implications for compensation manager is that high employee performance followed by monetary reward will make future high performance if not followed by a reward it makes less performance in the future.

2.6.2. Goal Theory

According to Robertson (1992) goals inform individual to achieve particular levels of performance in order for them to direct and evaluate their action, while performance feedback allows the individual to track how well he or she has been doing in relation to the goal. So that if necessary adjustments in effort, direction or possibly task strategies can be made.

2.6.2. Expectancy theory

According to Vroom (1964) where an individual chooses between alternatives which involve uncertain outcomes, it seems clear that his behavior is affected not only by his preferences among these outcomes but also by the degree to which he believes these outcomes to be possible. Expectancy is defined as a momentary belief concerning the likelihood that a particular act will be followed by a particular outcome. Expectancies may be described in terms of their strength. Maximal strength is indicated by subjective certainty that the act will be followed by the outcome, while minimal (or zero) strength is indicated by subjective certainty that the act will not be followed by the outcome.

2.7 .Definition of Employee Commitment

The commitment of an employee to the organization plays a pertinent role to perform tasks. This is because an employee will identify his or her self with emotionally connected and be deeply involved in the achievement of organizational goals. It makes employees become naturally connected to the organization through strong identification with emotional bonds and social supportive barriers. The employees also cultivate a feeling of loyalty, affection and belonging to the organization. Research has demonstrated employee commitment and to achieve given tasks (Rikert 2002). The other scholar Isenberg and Arimeli,(2002) illustrate that affective commitment of an employee increases when the employees perceive that there are favorable organizational rewards and procedural justice and supervisor support. When employees are highly committed maintain their membership in the organization (Mantetje and Mortiten 2009). The external consideration and perception of the employee's recognition of "cost" associated with discounting work for the organization influence commitments. These continuance commitments have feelings to the organization (Addie, 2008).

2.8 .Dimension of employees commitment

The concept of employee commitment has attracted a great deal of interest in the human resource management and psychology literature (Meyer 2014). And has three dimensions.

- i. Affective commitment
- ii. Continuance commitment
- iii. Normative commitment

2.8.1 .Affective commitment

It occurs when the employees wish to remain with the organization because of an emotional attachment. Employees who are committed effectively accept the organization's goal and values, willingness to work hard, desire to stay with the organization. It encompasses loyalty, but it is also deep concern for the organization's welfare (Soliven 1997).

Also if viewed as a three components on emotion comprising identification with goal and values of organization, high involvement in work activities and loyal attachment to the organization (Mery 2003). Better definition is given by another affective commitment is defined

as internalization of the organization values, willingness to put in strong effort towards helping the organization goal and desire to keep membership of the organization(Spector 2000).

2.8.2 .Continuance commitment

When employee enter in to the organization, they are bound to maintain a link with the organization because lack of alternative opportunities or awareness of the cost associated with the leaving including the alternative benefits, the treat of wasting the time, effort, spending acquiring disrupt personal relationship. This is more appropriately defined by Allen and Meyer (2014). They proposed that continuance commitment develop on basic of two factors.

- I. Numbering of investment (side best) in individual make in their current organization
- II. Perceived lack of alternatives. The investment can be anything that individual consider valuable such as pension plans, organization benefits status and etc.....

The approach continuance commitment develops when an individual recognize that he or she lost investment. (investment is the amount of money they earn as a result of the time spent on the organization and perceive that there are no alternative)when individual have awareness or consideration about expenses and threat link to leaving the organization. This form of commitment considered to be calculative (Meyer and Allen 2012).

2.8.3. Normative commitment

This type of commitment comes from the value of employees. The person believes that he or she ounce eat to the organization to remain out of anise that this is the right things to do because of the obligation he/she has. Example of an organization is layout to employee or has supported his/her educational effort. The employee may report higher degree of normative commitment. Attractive commitment tends to be most highly related to these out comes. Review of the research support that has typical focus on organizational out comes and correlated of commitment. However more recently, research ermine individual level corrective of affective commitment steer weak being and work formally conflicts (Meyer and Allen 2009).

2.9 Binds of employee commitment

Individual binds in the organization to perform the task and to achieve the mission of the organization. With since of independence form the management power to promote the course well stipulating rules that providing fair treatment (Hollenbeekgrahand 2009)

2.9.1 .Employee's commitment

Commitment is force that binds an individual to course of action relevance to one or more target (Herskovits 2001). As its cause in prevent life many individual have conflicting commitments in work life, such toward work profession course , colleges, departments and the organization as whole. There are different force that compel an individual particularly course of action. we may do so, because people have good reason for their commitment (rational choose) (Meyer and Allen 1990).according to Sector (2000) employee commitment defined as below ,employees are only as good as their respective is: due to their pursuit of particularly goal or lack information employees delegate do not necessarily act in correspondence with employee or company policy.Mululday, poter and dubin (2012) suggest that high commitment employee may perform better than less committed one. Schein (2012) and Steer (2014) state that commitment may present one use full indicate of effectiveness of the fire

2.10 .Empirical review

Various studies have been done to see the role of rewards for employee commitment. While some of the studies indicate that the reole of reward for motivation and employee commitment, others note that rewards do not commit employee.

In 2004 research by Desta and Amare in Addis Ababa aimed to examining 'whether monetary rewards can reduce failures to act on cued task goal' (2010). With a research sample

Comprising of thirty-six (36) undergraduates, the authors experimented to see how quick their respondents reacted to specific tasks when given a range of monetary rewards ranging from low to high rewards. The studies found out that giving relatively high monetary rewards, led to 'overall faster responses' to the specific tasks and commit of employee. The authors noted that respondents overall fast response to task will positively correlated to the high rewards given them. Conversely, the authors also note that when rewards will on the low side, respondents either slacked or showed little in the task at hand. Their finding is consistent with other studies

which note that relatively high monetary rewards may function as a catalyst for enhanced effort or determination by employees to commitment.

In a meta-analysis of seventy-two field studies, Stajkovic and Luthans(2012) found that the use of monetary rewards by organizations led to a 23% improved performance of employee while social recognition and the giving of feedback improved task performance 17% and 10% respectively. The authors however note that when all three forms of incentives were combined, it led to a 45% improvement in task performance. They thus concluded that financial incentives or rewards only improve task performance moderately to a significant level. The effectiveness of the use of monetary rewards is thus contingent on the conditions which pertain in the organization in question.

A second meta-analysis by Stajkovic and Luthans (2011) focusein manufacturing and service industries. The authors note that the use of financial incentives or rewards generally led to improve performance in manufacturing industries than the service ones. Significantly, their findings suggest that a combination of financial, nonfinancial, and social rewards produce the greatest role in task performance and employee commitment.

Another meta-analysis of 39 studies done by Jenknsn, et al. (2000) focuse specifically on college students. Here, the authors were interested in the effect of the use of financial rewards on the quality and quantity of performance. The study note that the use of financial reward is positively related to the quantity of performance but not its quality.

Also Manase (2012) did a study on Assessment of the Role of Fringe Benefits Scheme in Human Resource Retention. The general objective will to assess the contribution of fringe benefits to human resource retention. Fringe benefits consist of a broad range of special payments or benefits in kinds that are made available to workers. They may include occupational sick pay, maternity pay, pensions, company cars, company canteens, housing, welfare recreation services, access to education and opportunity for personal development. Finally Manase (2008), concluded that despite the fact that adequate fringe benefits schemes contribute to retention, their effectiveness in retaining employees depends on other factors like salary schemes, good working environment, industrial relations and career development schemes. Khan, and Farooq (2010) conduct a research on telecom of Kohaat, Pakistan. There were 200 questionnaires distributed

among employees of the different telecom of Kohaat, Pakistan and response rate was 167 employees. This study shows that there is positive statistical significant relationship between rewards and employee motivation and commitment of employee among the telecom of Kohaat, Pakistan. Reward system is directly proportional to employee work motivation. Compensation systems motivate employees to give their maximum efforts towards assigned work. Compensation systems deliver other objectives such as legal compliance, labour cost control, perceived fairness towards Employees and enhancement of employee performance to achieve high level of productivity and customer satisfaction.

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1. Research Design

The researchers were used descriptive research design. The research design is descriptive in nature because to describe the existing situation in theoretical way which involves only one time contact with the study population and describes the phenomena as they exist. The study where focus on the role of effective compensation system in enhancing employees' commitment. It can be conduct for the purpose of understanding the main role of effective compensation system in enhancing employees' commitment in Ethio-telecom wolkite branch.

3.2. Target populations of the study

The target populations of the study are employees of Ethio-telecom wolkite branch and their number are 42. Therefore, the researchers used census method and take all of 42 employees to respond the questionnaires.

3.3. Sampling techniques

There are many sampling techniques those are simple random sampling techniques, census survey, and lottery methods and stratified random sampling. Among those methods the researchers used census method for collecting of purified information from all respondents and in this method all employee are participate in responding of the questions.

3.4. Source of data

Since the different research papers have different data collection method in order to get the necessary information this study makes use of primary data. Primary source is original material that is not altered or distorted in any way and are related material of original document and objects which were created at the time. Primary data are original observation that had been collected by the researchers.

3.5. Method of data collection

Primary data were be sampling techniques collected through questionnaire proposed tools for the primary data collection method that is close ended and open ended type of questions prepare to employee to express their feeling and provided alternative to choose and the researchers use interview (structured interview)

3.6 .Method of Data analysis and Presentation

The collected data has been analyzed by using descriptive data analysis method the quantitative data analyzed by using tables, percentage and frequency, Whereas the qualitative data which has been collected through open ended question, closed ended question and structured interview can be organized by recognizing the similarity of ideas and finally the collected data whereas interpreted well organized way.

CHAPTER FOUR

4. Data presentation, Analysis and Interpretation

This chapter deals with the result obtained from questioner filled by employees and interviews asked to manager of Ethio telecom Wolkite Branch. In order to conduct this research 42 questionnaires were distributed to employees of Ethio telecom and 36 copies were properly completed and returned by employees. The rest of 6 questioners were not returned because of various reasons such as employees have shortage of time and lack of sufficient ideas did not fill up and returned the questionnaire on time there data were analyzed by using table; frequency and percentage.

4.1. Demographic characteristics of respondents

Before going to see the basic part of the results of the study it would be appropriate to know the respondents general back ground information or demographic details. It contains respondents Sex, age, educational back ground and work experiences.

Table 4.1 respondent's profile

No	Items	Alternatives	Respondents	
			Frequency	Percentage
1	Sex	Male	30	61%
		Female	6	39%
		Total	36	100%
2	Age	20-30	22	61%
		31-40	10	27%
		41-50	4	11%
		Total	36	100%
3	Educational back	Certificate	3	8%

	ground	Diploma	13	44%
		Degree and above	20	56%
		Total	36	100%
4	Work experiences	0- 10 year	5	14%
		11-20 year	21	58%
		21-30 year	10	28%
		Above 30 year	0	0%
		Total	36	100%

(Source: Own survey, 2019)

As table 4.1 item1 shows regarding gender issue 30(83%) of the respondent were males and 6(17%) of the respondent were females. This shows most of the employees in Ethio-telecom wolkite Branch are males. In the same table item 2 shows age ranges of the respondent in the organization 22(61%) of the respondent were between 20-30 years where as 10(27%) of the respondent are between 31-40 4(11%) of the respondent were between 41-50 So we can conclude that majority of the employees are between 20-30 years this means that are in middle age or productive.

When consider the educational states of the respondent the greater percentage 20(56%) show that they are degree and above holders, 13(44%) are having college diploma and there are above 3(8%) with educational states of certificate from this the researchers can conclude majority of employees have degree and above this enables the researcher to get enough and accurate information.

In the same table item 4 shows that about work experiences 5(14%) of the respondents had 0-10 year experiences, 21(58%) of the respondents had 11-20 year experiences, 10(28%) of the respondents had 21-30 year work experiences. This shows that majority of the respondents have 11-20 work experiences.

4.2 Issues related with compensation system and types

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.(R.wayne 2003)

4.2.1 Types of Incentives

There are several types of incentives. The table below shows each type of incentive;

Table 4.2: Types of incentives

What Type of incentive that the telecom uses?	Frequency	Percentage
Increase Salary	8	22%
Over time pay	7	19%
Bonus	11	31%
Flexible work time	6	16%
Salary	4	12
Total	36	100%

(Source: Own survey, 2019)

The table 4.2 shows that 8(22%) of respondents said that the telecom uses incentive of increase salary and 7(19%) of respondent said that the telecom can use over time pay type of incentive to the Employee and item three shows that 11(31%) of respondent said that the telecom can use bonus type of incentive to the Employees and 6(16%) of the respondent said that the telecom uses flexible work time type of incentive and 4(12%) of the respondent said that the telecom uses salary.

4.3 Types of Benefit

There are several types of benefit which collected from an open ended question like.

- House rent allowance, Transportation service, Insurance, Health protection and Holiday
- Home etc.

It Shows that 11(29%) of respondents said that the telecom provides house rent allowance type of benefit and 8(22%) of the respondents said that the telecom provides transport service to the Employee, and 7(19%) of the respondents said that the telecom provides insurance to Employees. 13(36%) of respondents said that the telecom provides benefit type of health protection and the data is generated from an open ended question.

Table 4.3 Types of Benefits

What type of benefit that the telecom uses?	Frequency	Percentage
House rent allowance	8	22%
Transport service	7	20%
Insurance	6	17%
Health protection	10	27%
Holiday home	5	14%
Total	36	100%

(Source: own survey, 2019)

In table 4.3 shows that 8(22%) of respondents said that the telecom provides house rent allowance type of benefit and 7(20%) of the respondents said that the telecom provides transport service to the Employee, and 6(17%) of the respondents said that the telecom provides insurance to Employees 10(27%) of respondents said that the telecom provides benefit type of health protection and 5(14%) of respondent said that the telecom provides holiday home type of benefit.

Table 4.4: methods in which the telecom pays benefit and incentive to employee

How the telecoms pay benefit and incentive to the Employee?	Frequency	Percentage
When the telecom is profitable	14	39%
When the telecom is satisfied by worker	10	28%
When Employee finish his/her duties	7	19%
Based on the location of the telecom	5	14%
Total	36	100%

(Source: own survey, 2019)

In table 4.4 14(39%) of the respondents said that the telecom provides incentive and benefit to the employee when the telecom is profitable and 10(28%) of the respondents said that the telecom provides incentive and benefit based on the satisfaction of the telecom by its workers and the telecom provides incentive and benefit to the Employees when they finish their duties as 7(19%) of the respondents said. In addition 5(14%) respondents said that the telecom provides incentive and benefit Employees based on the location of the telecom.

4.5 Employees level of satisfaction as a result of compensation system

Table 4.5 Level of satisfaction

How do you rate level of satisfaction with the benefit you get from your telecom?	Frequency	Percentage
Highly dissatisfied	4	11%
Dissatisfied	5	14%
Moderate	14	39%
satisfied	7	19%
Highly satisfied	6	17%
Total	36	100%

(Source: own survey, 2019)

In table 4.5 shows that 14(39%) of respondents said that the employees are moderately satisfied with the benefit they get from the telecom and 7(19%) of the respondents said that they are satisfied with the benefit they get from the telecom and 5(14%) of the respondents said that they are dissatisfied with benefit they get from the telecom and 6(17%) of the respondent said that they are highly satisfied with the benefit they get from the telecom and 4(11%) of the respondent said that they are highly dissatisfied with the benefit they get from the telecom.

Table 4.6 Working in other organization before

Items	Alternatives	Frequency	Percentage
Have you ever been employed in other organization before?	Yes	14	39%
	No	22	61%
	Total	36	100%

(Source: own survey, 2019)

As table 4.6 among the respondents of 14(39%) are employed in other organization before one the rest of 22(61%) are not employed in other organization.

4.7 Internal Equity of Compensation System (Basic salary)

Internal equity is a payment of Employees according to their relative value of their job within organization.

Table 4.7 Internal Equity

How do you rate the level of your salary comparing with your telecom's Employee?	Frequency	Percentage
High	5	14%
the same	22	61%
Low	9	25%
Total	36	100%

(Source: own survey, 2019)

Table 4.7 shows that 22(61%) of respondents said that the level of salary compare with the telecom’s Employee the same and 9(25%) of respondents said that the level of salary which is compare with the telecoms employee is low, and 5(14%) the level of salary in which compare with the Employees of the telecom is high as the respondents said.

Table 4.8 Responses about the compensation package of the organization.

Salary is fair with work load?	Alternatives	Frequency	Percentage
	Yes	22	62%
	No	14	38%
	Total	36	100%

Ethio telecom of wolkite branch gives promotion to employees?	Alternatives	Frequency	Percentage
	Yes	24	67%
	No	12	33%
	Total	36	100%

(Sources: own survey, 2019)

As indicated in the above table 4.8 item 1 shows that of the respondents said that 22(62%) of the respondents yes with the salary is fair with the work load, 14(38%) of the respondents were not.

Item 2 show that 24(67%) of the respondent where yes, 12(33%) of the respondents were not.

Table 4.9 level of employee commitment

No	Items	Alternatives	Frequency	Percentage
1	How do you rate the level of employee commitment?	High	8	22%
		Medium	24	66%
		Low	4	12%
		Total	36	100%

(Sources: own survey, 2019)

In the above table, 8(22%) of respondents had high commitment with their job and 24(66%) of the respondents said that they are medium in their commitment and the rest 4(12%) of the respondents had low level employee commitment.

Table 4.10 role of compensation on commitment

No	Items	Alternatives	frequency	Percentage
1	Do you think that compensation has a role on employee's commitment?	Yes	32	88%
		No	4	12%
		Total	36	100%

(Source: own survey, 2019)

From the above table 4.10 item 1, 32(88%) of respondents replied that compensation has its own role on employees commitment and the rest of 4(12%) said compensation has no role on employees commitment.

4.11 Challenges that hinders compensation system

There are several challenges that hinder compensation system in the telecom. Such as, government rule and regulation, productivity of the organization competitiveness, culture of the organization, location of the telecom and the leadership style in the telecom...etc.

Table 4.11 challenges that hinder compensation system

What are the challenges that hinder compensation system of the telecom?	Frequency	Percentage
Government regulation	6	16%
Productivity	4	12%
Competitiveness	6	16%
Culture of the telecom	4	12%
Location of the telecom	5	14%
Leadership style	11	30%
Total	36	100%

(Source: own survey, 2019)

Table 4.11 shows that 6(16%) of respondent said that the government rule and regulation is challenges that affect the compensation system in the telecom and 4(12%) of respondent said that productivity is challenge that hinders compensation system in the telecom and 6(16%)of respondent said that competitiveness challenge that hinder compensation system and 4(12%) of respondent said that culture of the telecom affect the compensation system of the telecom and 5(14%) of respondents said that the location of the telecom is challenge that affects compensation system in the telecom and 11(30%) of the respondents said that the leadership is challenge that hinder compensation system in the telecom.

Table 4.12 role of lack fair and equitable compensation

What are the role of lack of fair and equitable compensation	Frequency	Percentage
Turnover increase	12	33%
Less commitment	16	45%
Productivity decrease	8	22%
Total	36	100%

(Source: own survey, 2019)

Table 4.12 shows that 16(45%) of respondent said lack of fair and equitable compensation is less employees commitment in the organization. 12(33%) replied that increasing of turn over from their job, 8(22%) said productivity decrease.

Table 4.13 Compensation System on Quality of work (job)

How do you rate the compensation system on quality of work life?	Frequency	Percentage
Very high	7	19%
Very low	4	11%
High	8	22%
Moderate	12	33%
Low	5	14%
Total	36	100%

(Source: own survey, 2019)

Table 4.13 shows that 12(33%) of respondent said that the compensation system improves moderately quality of work life in the telecom and 5(14%) of respondent said that compensation system improve quality of work life lowly, and 8(22%) of respondent said that compensation system improves quality of work life highly and 7(19%) of respondent said that compensation system improves quality of work life in the telecom very highly and 4(11%) of respondent said that compensation system improves quality of work life in the telecom is very low.

CHAPTER 5

CONCLUSION AND RECOMMENDATION

5.1 Summary of the findings

This topic deals with the summary of what has been done in the research process and point out the summary of the finding.

- Most of the employees of the organization are males and they are found between 22-30 age group. Most of them are also with education back ground of degree and above; that means they are young and productive and also professional.
- Most of the employees have been primarily employed before employed in other organization and some are employed in other organization and they can leave that organization due to some reason such as less satisfaction of salary, fringe benefits, growth opportunities, leaving opportunities and by having less job satisfaction.
- Majority of the respondent are satisfied by incentive, benefits and bonus which is provided from the organization.
- Majority of respondent agreed with salary is fair with work load when we consider with other governmental organization.
- The majority of employees are agreeing with the promotional strategy that organization can provide to employee.
- Employee of Ethio-telecom has medium level commitment towards their job and employee cannot feel as part the organization because of the compensation package is not satisfactory.
- Less commitment also arises due to lack of fair and equitable compensation.

5.2 conclusions

This study has attempted to investigate the role of compensation system in enhancing employee's commitment in Ethio-telecom wolkite branch under this subtopic the researcher wants to put the conclusion of this particular study forward to the readers as follows.

- ❖ Based on the analysis made challenges that hinder compensation system in the telecom Such as, government rule and regulation, productivity of the organization competitiveness, culture of the organization, location of the telecom and the leadership style in the telecom
- ❖ Based on analysis made most employees job satisfaction rate are compare with they get from the organization are not equally satisfied.
- ❖ The analysis shows that the telecom provides benefit and incentives compare with other similar telecom is unfair or not equally satisfied.
 - ❖ Base on the analysis mad compensation system improves quality of work life in the telecom is very low.
- ❖ The salary rate of compensation in the telecom compare with employees within other telecom is not satisfied the employee.
- ❖ Based on analysis made the telecom can use incentive types of bones fully but doesn't provide increase salary equally for the whole employees of the telecom.
- ❖ Based on analysis made the telecom doesn't provide incentive and benefit based on the employees performance.
- ❖ Based on analysis mad leadership style is challenge that hinders compensation system to be effective in the telecom.
- ❖ Based on analysis mad the telecom provides benefit not fairly to the whole employee.
- ❖ Based on analysis mad that doesn't provide bonus based on employees performance.
- ❖ According employee's response lack of fair and equitable of compensation can provide employees less commitment, decrease organization productivity and increase turn over from the organization.

- ❖ Less commitment of employee arise due to dissatisfied compensation system in the organizations.
- ❖ According to the employee's response causes of leaving or turn over from one organization are less in salary, dissatisfied fringe benefit, job dissatisfaction, growth opportunities and learning opportunities from the other organization . In generally less financial as well as less non-financial rewards are the cause of leave from or turnover from one organization.
- ❖ As a manager response lack of effective compensation and unawareness about the advantage of compensation are decrease the compensation system of the organization

5.3 Recommendations

Based on the finding the researcher forwarded the following recommendations for Ethio telecom of wolkite branch.

- ❖ As it discussed in the analysis so the organization should be recommendable for finding solution for those existed challenge
- ❖ As it is discussed in analysis significant number of respondents is satisfied with compensation system of the organization which became leads increases of productivity, commitments of employee towards their job and decrease employees' turnover. So the organization should give due attention encouraging compensation strategy or giving sufficient compensation or benefit to the employees
- ❖ The telecom is better to provide benefit fairly for employees in order to satisfy and motivate employees to perform properly and to achieve the goal of the telecom.
- ❖ The telecom is better to provide health protection service to the employee and provide insurance.
- ❖ To increase more the satisfaction of employee on the job the telecom should pay overtime pay and pay incentive and benefit fairly.
- ❖ As it discussed the telecom recommendable to increase quality life of the employee .
- ❖ To increase more the relationship of employees in the telecom the telecom should provide the incentive and benefit equally for the whole employees of the telecom.
- ❖ To make the compensation system good in the telecom the telecom must be pay bonus and other incentives based on employees performance.
- ❖ As it is discussed in analysis significant number of respondents is satisfied with compensation system of the organization which became leads increases of productivity, commitments of employee towards their job and decrease employees' turnover. So the organization should give due attention encouraging compensation strategy or giving sufficient compensation or benefit to the employees.
- ❖ As it is shown in analysis most of employees are not satisfied in their job and because the organization cannot compensate employees based on commitment due to this reason most

employees' loss their commitment so the organization should make the existing compensation system based on performance and commitment towards of job.

- ❖ As it is shown in analysis compensation has one of important human resources managing tools to get competitive advantage increasing the profit of the organization, to use human resource effectively and increase their job satisfaction. So the organization should take compensation strategy as one part of their strategy.

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Appendix
WOLKITE UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT

Dear respondents, we are graduating class student conducting research study on **the role compensation system in enhancing employee commitment in case of Ethio telecom Wolkite branch** for Bachelor of Arts Degree (BA) in management. So you are kindly requested to give accurate and relevant information which is the most valuable input for the success of my study. Please be aware that there is no any political, economical social or psychological harm on you due to responding these questions. Therefore, the researcher hopes that you will answer all questions confidently and frankly.

Instruction

Writing your name is not needed

Please put a tick («√») for your choice in the boxes provided under each question and give your opinion on the space provided.

THANKS IN ADVANCE FOR YOUR COOPERATION!

Part one: Demographic data of respondents

1. Sex: Male Female
2. Age in year 20-30 31-40 41-50 above 50
3. Educational Background masters certificate
- C) Diploma D) Degree and above
- 4 work experiences: 0-10 11-20 21-30 above

Part two Questions related with compensation system

5. What type of incentive that the telecom uses?

Increases salary overtime bonus salary flexible
work time

6. What type of benefit that the telecom uses?

House rent allowance health protection insurance holiday home
transport service

7 How telecom pays benefit and incentive to the employee?

When the telecom is profitable when employee finish his or her duties when
the telecom is satisfied by worker based on location of the telecom

8 How do you rate level of satisfaction with the benefit you get from your telecom?

Highly dissatisfied dissatisfied moderate satisfied highly satisfied

9. Have you ever been employed in other organization before?

Yes NO

10. If you yes for answer no 9 why you leave to the
organization.....
.....

11. How do you rat the level of your salary comparing with your telecom employee?

High the same Low

12 Salary is fair with work Load?

Yes No

13. Ethio telecom of Wolkite branch give promotion to employee?

Yes No

14. How do you rate the level of employee's commitment?

High medium low

15 what is you reason for low level of commitment? -----

.....

16 Do you think that compensation has a role on employee commitment?

Yes NO

17 what are challenges that hinder compensation system of the telecom? (You can chose more than one).

Government regulation productivity competitiveness culture of the
telecom location of the telecom leadership style

18.What are the role of lack of fair and equitable compensation?

Turnover increase less commitment

Productivity decrease all

E) Other, specify -----

19. In your opinion would you mention the roles of compensation on employee's commitment in your organization?-----

20 How do you rate the compensation system improves quality of work life in the telecom?

Very low low moderate high very high

