



**ST. MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES**

**ASSESSMENT OF COMPENSATION PRACTICE AND EMPLOYEE  
TURNOVER INTENTION IN SELLECTED PRIVATE  
COMMERCIAL BANKS IN ETHIOPIA**

**BY:  
ERMIYAS KEBEDE BEDASO**

**MAY 2017  
ADDIS ABABA, ETHIOPIA**

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**BY:**

**ERMIYAS KEBEDE BEDASO**

**I.D NO: SGS/0179/2008A**

**ADVISOR:**

**AREGA SEYOUM (PHD)**

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**ADDIS ABABA, ETHIOPIA**

**ST. MARY'S UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**  
**FACULTY OF BUSINESS**

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**APPROVED BY BOARD OF EXAMINERS**

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**Dean, Graduate Studies**

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**Signature**

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**Advisor**

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**Signature**

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**External Examiner**

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**Signature**

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**Internal Examiner**

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**Signature**

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## LIST OF ACRONYMS

AB	Abay Bank
AIB	Awash International Bank
NIB	Nib International Bank
HR	Human Resource



## **ABSTRACT**

*This study assesses compensation practice and turnover intention of employees in selected private commercial banks in Ethiopia. The study is also tries to determine different types of compensations in practice on banks under study and analyze the type of compensation which attract employees more. In conducting the study both quantitative and qualitative methods were used to gather information through questionnaire and interview as primary source of data. Bulletins, Internet and other references like the banks' procedure manuals had been used as secondary sources of data. Stratified sampling is applied in order to identify the number of sample employee selected from each bank under study, and Purposive sampling techniques was employed to select HR and compensation and benefit managers of each bank under study. 375 questionnaires were distributed to selected sample respondents of each bank under study, out of which 315 questionnaires were filled and returned. Exit interview and other documents obtained from the banks under study were useful in determining turnover trends and causes of turnover. Descriptive statistics data analysis method was applied to analyze quantitative data using SPSS version 20 and qualitative analysis method. The result of this study indicates that, there is no equity in pay system, the reward system does not take in to account the qualification and experience of employees, there is no stock option and profit sharing program and there is no carrier advancement. On the other hand employees are happy with assistance for housing, vehicle, personal and staff loans. In general direct financial compensation is one common cause of turnover and indirect financial compensation and non-financial compensation is less likely to cause turnover. The study recommended that banks under study has to revise their compensation strategy, offer attractive salary and benefit packages, provide enough career development or training opportunities, create conducive working environment, so as to retain their experienced and top talented employees and reduce turnover gradually.*

**Key Words:** *Compensation Practice. Turnover Intention*

# CHAPTER ONE

## 1 INTRODUCTION

### 1.1. Background of the Study

Employee compensations refer to all forms of pay or reward going to employees arising from their employment (Gary, 2005). People work for a living. It is rational that employees demand an appropriate level of compensation for their effort. Such compensation may be offered in monetary (direct) reward, such as salary and bonus, or bundled with other non-monetary (indirect) reward such as medical insurance (Mondy 2010)

Rewards include direct compensation, indirect compensation and non-financial reward. Developing an effective and appropriate compensation system is an important part of the human resource management process that can help to attract and retain competent and talented individuals who can help meet organizational objectives (Dessler 2002).

Compensation has been recognized as a major motivator of employees. Motivation is described as an inner force that derives individual to act toward something. Hence, if an employee believes that he/she is underpaid, he/she will likely reduce expending effort, work slowly and negligently, prone to absenteeism, and finally quit the organization in search of a better one. As the issue of motivation is concerned, compensation system has been found to be the most commonly adopted technique among organizations, especially banks in our country, to motivate their employees as the competition among banks becomes tough.

These days, employees are found to be the most important assets of an organization. In order for a business to retain its productive employees and be profitable, it has to design functional compensation system that overcomes the problem of employee turnover. In this regard, the study hopefully will contribute a lot to identify the problems of employee turnover in relation to the pay system of Banks under study as the case is an apprehensive issue presently.

The aim of this research is, therefore, to assess the compensation practice of selected private commercial banks in Ethiopia (AIB, NIB and AB), and analyze different types of compensation system and also determine the type of compensation that have greater contribution to the increasing employee turnover, that is a problematic phenomenon in the human resource management of the banks, and to formulate suggested practices to eliminate its negative effect.

## **1.2. Statement of the problem**

With globalization which is heightening competition, organizations must continue to develop tangible products and provide services which are based on strategies created by employees. These employees are extremely crucial to the organization since their value to the organization is essentially intangible and not easily replicated Meaghan et al. (2002). Managers should control employee turnover for the benefit of the organization success (Henry, 2007)

As the banking industry expands, the competition among various banks become intensive; as a result retention of skilled manpower becomes a great challenge that affects their sustainability. Currently, there is competitive labor market for the banking industry that avail job opportunities with attractive compensation system. And as cost of living is swiftly increasing with each passing day, employees are seeking better remuneration in other relevant banks, if they found inequity in their existing one. It is obvious that, new banks join the market and existing banks expand the network of their branches so this may lead the competition gets tougher and recruiting and retaining qualified and experienced employee in tight job market become often pose up as a great challenge for the bank (Beruk, 2013).

Employees are valuable assets who, in principle, are expected to remain in the organization they work in, provided that their required provisions are fulfilled. Any organization incurs a significant expenditure on employees related to hiring, training and retaining hence, employee turnover affects organizations negatively, since they risk losing talented staffs. There are a number of factors that contribute to employee turnover. At the employers' side, dissatisfaction with the employee due to inadequate performance, repeated absenteeism

from work, tardiness, infringes of institution rules and regulations, etc. While at the employee's side, insufficient remuneration, dissatisfaction with working conditions, job insecurity and lack of career development on the job, lack of work challenge, poor working conditions, etc. are the reasons that force an employee to quit job and join other higher paying organization. Moreover; retirement, end of contract, rejoining school, resignation due to poor health, accident, injury on the job and death are the other causes of employee's turnover which are unavoidable. Unavoidable employee turnover stems from causes over which the organization has little or no control of it (Yohanes, 2014). Among all the above mentioned reasons that causes employee turnover, poorly designed framework of compensation system is the major one and needs a great deal of concern by banks in order to retain their well-trained, professional and talented staff.

Employee compensation offers a diversity of rewards that may be monetary or non-monetary. When employees found that they are under paid, they likely become ill-motivated, dissatisfied and start to look for a better compensation package in other working environment. According to Shukla, et, el (2013), "One common cause of high employee turnover rates is low pay and benefits packages. When a worker is employed in a low-wage position with limited benefits, there is little incentive to stay if a similar employer offers even a slightly higher rate of pay". On the other hand organizations expend large amount of resources to recruit, train, develop and retain employees yearly. However, due to poor compensation packages (low salary and benefit), they lose valuable employees and incur a number of costs as a result of employee turnover. Substantial turnover rates in the workforce end up with a serious impact on an organization's profitability, and even survival.

Employee turnover in private commercial banks is becoming a serious problem. Employees, even at higher level positions left the bank in looking for a better salary and benefits in other competing banks in the industry. This problem is increasing at an alarming rate. The reason for these professionals to switch working places is primarily in search of better pays and benefit packages. As most of the human resource officials of the banks under study believe there is high shortage of skilled and competent manpower that are capable of filling the higher positions in the banking industry, as a result most banks have recently started to offer attractive salary and benefit packages to attract this

professionals or made personal contact with this competent individuals for negotiation. This will lead turnover of upper officials to become higher. Therefore, there is a need to conduct a profound study to identify key compensation factors for investigating employees to leave the bank; in association with the existing compensation system employed by the banks under study.

This research is intended to investigate the existing compensation practice of selected private commercial banks in Ethiopia, and analyze different types of compensation systems and also determine the type of compensation which mostly cause employees' turnover, and to recommend possible solutions.

### **1.3. Basic Research Questions**

This research is intend to assess compensation practice and employee turnover intention in banks under study, and raises the following basic research questions and recommended solutions for them:

- What types of compensations are currently adopted by banks under study?
- What causes the intention of employees to quiet their job?
- To what extent employees are satisfied with direct financial compensation, indirect financial compensation and non-financial compensation?
- Does employees involve in compensation related decisions?
- What compensation practice do employees need to stay in the organization?

### **1.4. Objective of the research**

#### **1.4.1. General Objective**

High employee turnover has a negative impact on the bank's overall success and profitability, leading to increased costs and loss of skilled manpower. The aim of this research is, therefore, to assess compensation practice and turnover intention of employees in selected private commercial banks in Ethiopia.

#### 1.4.2. Specific Objectives

- ❖ To analyze different types of compensations implemented in banks under study
- ❖ To assess the intention of employees to quiet their job?
- ❖ To explain the level of employees satisfaction with direct financial compensation, indirect financial compensation and non-financial compensation
- ❖ To describe whether employees will participate in compensation related decisions.
- ❖ To suggest possible recommendations on compensation practices to retain employees in their profession based on the findings of the study

#### 1.5. Scope and limitations of the study

This research has been conducted in selected private commercial banks in Ethiopia which is believed to have compensation problem and high employee turnover.

As in all researches, this study has some limitations. The first is that the data were collected from selected private commercial banks in Ethiopia. Even though, the selected banks under study have a number of branches throughout the country, due to time and location constraint, the study was conducted on selected branches of the banks in Addis Ababa. Secondly there are about 16 private commercial banks and other three public banks including the National Bank of Ethiopia in the country, but this research focuses only to three private commercial banks in Ethiopia (AIB, NIB and AB). This may reduce the generalizability of the findings; however, the outcome of the research is expected to benefit all banks operating in the country and also useful for further researchers.

#### 1.6. Significance of the study

The outcome of the research will benefit banks under study because the study has contribution to what, why and how part of the stated problem in the compensation practice and employee turnover intention in banks under study. Therefore it helps banks under study to realize the magnitude of turnover as a result of the compensation practice placed and to devise strategies to handle this problem. Other banks will also benefit from this study, as they take lesson from banks understudy. Finally, to other researchers in the

future, who are interested in studying on compensation practice and employee turnover intention.

## **1.7. Organization of the Study**

This research is organized into five chapters. Chapter one contains background of the study, statement of the problem, basic research question, research objectives, scope and potential limitations of the study, and significance of the study. Chapter two provides a literature review informing the reader of what is already known in this area of study. Chapter three discusses the methodology employed in the study, including, research design, sample size and sampling technique, data source and collection method, procedure of data collection and method of data analysis. Chapter four is about data analysis and discussion of results. Finally, chapter five contains summary, conclusions and recommendations.

## **CHAPTER TWO**

### **2 REVIEW OF RELATED LITERATURE**

#### **2.1 Theoretical Underpinnings**

##### **2.1.1 Definition of Compensation**

Compensation is the remuneration received by an employee in return for his/her contribution to the organization. It is an organized practice that involves balancing the work-employee relation by providing monetary and non-monetary benefits to employees. Compensation is an integral part of human resource management which helps in motivating the employees and improving organizational effectiveness. Compensation is the human resource management function that deals with every type of reward individuals receive in exchange for performing organizational tasks. Money and benefits received may be in different forms-based compensation in money form and various benefits, which may be associated with employees service to the employer like provident fund, gratuity and insurance scheme, besides any other payment which the employees receives or benefits he enjoys in lieu of such payment (Saiyadain, 2003)

Compensation is a reward for service rendered by people at work place (Dunn and Rachel, 1971). According to Stahl (1995), compensation is the monetary payments (wages, salaries emoluments, bonuses-current and deterred) used to reward employees.

Compensation is systematic way to providing monetary value to employees in exchange for their performance (SHRM, 2012). To determine compensation, organizations should develop a compensation and rewards program. This type of program outlines an equitable process for compensating employees. A well-structured program with a good balance of pay or salary structure and rewards will support an organization to remain competitive in today's labor market and ensure sustainability in future.

Compensation systems are designed keeping in minds the strategic goals and business objectives. It is usually designed on the basis of certain factors after analyzing the job or work and responsibilities. Compensation systems in organizations must be aligned to organizational objectives and strategies and also requires balancing the interests of the employer with the expectations of employees (Gebremedhin, 2013)



## **2.1.2 Need of compensation Management**

A good compensation package is important to motivate the employees to increase the organizational productivity. Unless compensation is provided no one will come and work for the organization. Thus, compensation helps in running an organization effectively and accomplishing its goals. The compensation employees receive for their work provides them with more than the means to purchase desired goods and services or to take care of other short term and long term financial needs. It also affects their self-image and the perception of their worth and stature among their peers in their work family and social communities (Richard Hennderson, 1980)

## **2.1.3 Types of Compensation**

In order to create incentives for employees to achieve the organization's goal, different types of compensation system are used. By definition, compensation can be understood as total amount of the monetary and non-monetary reimbursement provided to an individual in return for labor. There are three general varieties of compensation including direct, indirect and non-financial.

### **2.1.3.1 Direct financial compensation**

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

**Wages and salaries:** Wages and salaries are the remuneration paid or payable to employees for work performed on behalf of an employer or services provided.

**Bonus:** is an extra payment over and above salary and it acts as an incentive to perform better. It is linked to the profitability and productivity of the organization.

**Tips:** is a payment received for providing an excellent service

**Promotion:** Promotion is attached with increase in pay, and this motivates the employee to perform better.

**Commission:** is a sum of money paid to an employee up on completion of a task or set performance.

### **2.1.3.2 Indirect financial compensation**

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

**Group Medical insurance coverage:** supplementing group medical with group dental coverage, short term and long term disability insurance and life insurance can provide employees with a sense of security for themselves and their families.

**Retirement plan:** a company's promise to pay a certain amount of retirement benefits to an employee upon the employee's retirement.

**Stock Option:** This is a system by which the employee receives shares on a preferential basis which results in financial benefits to the employees.

**Profit Sharing:** This is an arrangement by which organizations distribute compensation based on some established formula designed around the company's profitability.

Stock options and profit sharing programs are not only an incentive for employees to stay but also provide an incentive for employees to be more productive because employees share in the gains

There are also additional indirect financial compensations that organizations will provide to their employees such as medical allowance, travelling allowance, house rent allowance, hard duty allowance and children educational allowance.

### **2.1.3.3 Non-Financial Compensation**

Non-Financial compensation doesn't have any monetary value; instead, it involves the satisfaction that an employee receives from his work environment. Non-financial compensation includes the satisfaction that an employee gets from the job itself or from the psychological and/or physical environment in which the employee works (Gebremedhin,2013) This satisfaction can be emotional and psychological. Includes:

**Status:** An employee is motivated by better status and designation. Organizations should offer job titles that convey the importance of the position.

**Appreciation and recognition:** Employees must be appreciated and reasonably compensated for all their achievements and contributions.

**Work-life balance:** Employees should be in a position to balance the two important segments of their life—work and life. This balance makes them ensure the quality of work and life.

**Delegation:** Delegation of authority promotes dedication and commitment among employees. Employees are satisfied that their employer has faith in them and this motivates them to perform better.

**Working conditions:** Healthy working conditions such as proper ventilation, proper lighting and proper sanitation improve the work performance of employees.

**Job enrichment:** This provides employees more challenging tasks and responsibilities. The job of the employee becomes more meaningful and satisfying.

**Job security:** This promotes employee involvement and better performance. An employee should not be kept on a temporary basis for a long period.

#### 2.1.4 What is turnover?

Turnover means a termination of membership of an organization by an employer or employee of the organization (Morell, Clarke & Wilkinson, 2001:220). This means turnover can be voluntary or involuntary. Voluntary turnover is initiated by employees whereas the involuntary one is initiated by employer.

Employee turnover is a ratio comparison of the number of employees a company must replace in a given time period to the average number of total employees (Agnes, 1999). Turnover refers to the amount of movement of employees in and out of an organization, normally present in terms of the turnover rate (Chruden & Sherman, 1972)

Employees' turnover is much studied phenomenon Shaw (1998). But there is no standard reason why people leave organization. Therefore, there is need to develop a fuller understanding of the employee turnover, more especially, the major sources-what determines employee turnover, effects and strategies that managers can put in place to minimize turnover.

Turnover rate can be briefly described as how fast the employers recruit and lose employees (Chikwe, 2009). It is used to measure the effectiveness of recruitment (Mondy, 2010) and is sometimes considered as one of the indicators of organizational performance (Cho, Woods, Jang, & Erdem, 2006). Mondy (2010) clearly defined turnover rate as how many new recruitments were hired to replace resigned employees. By these definitions, turnover occurs only when a replacement is successfully hired.

#### 2.1.5 Types of Employee Turnover

Employee turnover is the rotation of workers around the labor market, between firms, jobs and occupations, and between the states of employment and unemployment (Abassi & Hollman, 2000).

##### **Involuntary Turnover**

Involuntary employee turnover is when the company asks an employee to leave. Reasons can range from poor performance or behavioral issues to budget cuts or structural reorganization. Involuntary turnover is the one in which employee has no choice in the

termination as it might be due to long term sickness, death, moving overseas, or employer-initiated termination. (Heneman, 1998).

### **Voluntary Turnover**

Voluntary turnover is occurs when employee chooses to leave his/her organization for whatever reason at their own will (Dess & Shaw, 2001: 446). voluntary turnover data help employers understand why an employee left, what they could have done about it, what lies ahead for the exiting employees, and the impact his or her loss will have on the organization. .Organization pay directly influences to employee voluntary turnover employee compare to their pay available in other organization (Henman and Schwab,et.al.1987). Voluntary turnover refers to termination initiated by employees (Heneman, 1998).

#### **2.1.6 Causes of Employee Turnover**

Many employees in different industries leave their job because of multiple internal and external factors. Different writers states that employees quit because of their supervisors, lack of trust, communication, lack of familiarity, unfair treatment of employee, low wage, hard working environment, and others. Because of this, organizations miss their customers and client face poor operating system or low productivity (Flex, 2012).

Employee turnover is the difference in the rate of employees leaving a company and new employees filling up their positions. Nowadays, it is becoming a major problem among most companies, especially in low-paying jobs. There are many aspects that play a significant role in the employee turnover rate of a particular company. Such aspects can stem from both the company as well as the employees. The employers generally give more importance to the turnover rate, as it is a very expensive aspect of the business. Employees' turnover has been always a key concern issues faced by organizations regardless of its locations, sizes, and nature of business (Gebremedihin, 2013).

**Salary Scale:** This is the most common cause of the turnover rate being so high. Employees are in search of jobs which pay well. If the companies which they are working don't offer good salaries, they tend to hunt for jobs that pay them considerably well. In order to resolve this problem, the employers should make it a point to offer salaries that would be competitive enough to retain and attract well-qualified and talented personnel.

Inequity in pay structures or low pay is great causes of dissatisfaction and can drive some employees to quit ([www.bizfilings.com](http://www.bizfilings.com))

**Benefits:** Employees always flock to companies who offer more benefits. There are many employees who are not aware of the benefits that are provided to them in their compensation package. Employers need to reduce their bureaucratic procedures in order for the employees to receive the best available benefits without any difficulty. They should make a note of what all benefits other organizations are providing, which may attract their current employees.

**Advancements and Promotion Policies:** This is the prime reason why many mid-level executives leave the company. Due to no potential opportunity for advancements or promotions, they prefer other companies which may provide them with higher posts and increased compensation packages. The companies need to evaluate and modify their promotion policies in a fair way which would enable promotions for candidates only on the basis of employee performance.

**Working Environment:** This is also one of the main causes for employee turnover. Employees prefer to work in an environment which is suitable for them. This is the most common reason why they jump from company to company in just a few months. If they find an appropriate work environment in a specific company, they may work in the same organization for several years.

**Working Procedures:** The companies should analyze and alter their work procedures and policies in a way which would enable employees to use their full potential and even gain significant work experience. There are many cases where employees have left the company due to no projects or assignments which do not require their full potential. Employees would certainly leave if they don't get experience and are just placed on the 'bench'.

### **2.1.7 The Cost of Employee Turnover**

When an employee leaves your business, it costs the business money every time because it takes even more resources to return to the same level of productivity or level of

performance that the business have had before. The following are some of the costs of employee turnover ([www.bizfilings.com](http://www.bizfilings.com)).

- Productivity.** When the employee leaves, productivity will usually take a downturn because other workers may have to add the former employee's duties to their own workload, at least temporarily.

- Money.** In addition to the monetary costs associated with lower productivity, you may have to pay employees overtime to get them to take up the slack left by the former employee until a replacement can be found.

- Time.** Turnover, not only destruct regular duties to cover for former employees but also, spend time and money advertising, interviewing, and otherwise looking for a replacement employee. And also much time had been spent training and hiring the former employee.

Hinkin and Tracey (2000) measured the cost of turnover in terms of separation cost, replacement cost and lost productivity, etc. In their samples the overall cost of turnover of one front office attendant ranged from about USD \$6000.00 to USD \$12,000.00, in which the lost productivity accounted the largest portion of the cost. This lost productivity mainly came from the difference between the high productivity of the departing employees and the missed sales opportunities, and low performance of new employees when they were at the beginning of the learning curve. High employee turnover has a negative impact on the organization outcome.

## **2.2 Empirical survey**

Beruk. (2015) conducted a study on “assessment on professional employee turnover causes at bank of Abyssinia”. The study adopted a descriptive research design to identify the employee turnover causes. The research investigated the reasons why professional employees leave bank of Abyssinia and the reasons why they stay in the bank. Hence, the study revealed that the bank has not attractive salary and benefit package, the employee employer relationship was not good, there is job security problem, the employee reward program was not competitive, the work place were unfavorable, employees were handled unfairly and irrespectively. The study recommended that the bank need compensation policy, retention scheme policy, modify promotion policies to implement zero-

discrimination, implement more aggressive reward and recognition program and create conducive working environment to retain its experienced and qualified employees.

Seifu, (2014), conducted a study on Compensation management practice in Ethio Telecom. The study investigates compensation management practice in Ethio telecom by analyzing the link between compensation package, job satisfaction, motivation and job performance. The study used multi stage sampling procedure to select 368 respondents. Data's are analyzed using descriptive and inferential statistics such as correlation, mean score and standard deviations. The result indicated that employees are somehow satisfied with some of their compensation and benefit package and this could not be taken as the best compensation management practices of the organization. The researcher recommends that equitable and holistic compensation packages are more likely to attract, develop, motivate and retain qualified and competent personnel.

Tilahun, (2015) assess the study on the title: Assessment of compensation strategy in some selected private commercial banks in Ethiopia. The study was conducted in three private commercial banks, where 348 sample populations was selected from these banks, and questionnaire and interview was used to examine the attitude of employees towards the compensation strategy of their respective bank. The result of the study revealed that the effectiveness of compensation strategy of their respective bank has not been evaluated and the policy was not revised for long time. The researcher recommends that the compensation strategy of the bank and compensation policy should be periodically revised taking in to account the market conditions and the current performance of the employees.

Most people work for a living. It is rational that employees demand an appropriate level of compensation for their effort. Such compensation may be offered in monetary (direct) reward, such as salary and bonus, or bundled with other non- monetary (indirect) reward such as medical insurance (Mondy, 2010).

There are indications that employees are more likely to stay when there is a predictable work environment and vice versa (Zuber, 2001). In organizations where there was a high level of inefficiency, there was also a high level of staff turnover (Alexander et al., 1994). Therefore, in situations where organizations are not stable, employees tend to quit and look for stable organizations because with stable organizations, they would be able to predict their career advancement.



Griffeth et al. (2000) examined the relationship between pay, a person's performance and turnover. They concluded that when high performers are insufficiently rewarded, they quit. If jobs provide adequate financial incentives, the more likely employees remain with organization and vice versa.

Becker (1975) indicated that higher paid employees are less likely to resign than lower paid employees. Human capital theorists say that firms pay skilled employees more than their unskilled counterparts, because skilled employees have higher marginal productivity. There are tangible evidences to support negative relationship between salary level and turnover.

Harman et al., (1999) that negative job attitudes (e.g. low levels of job satisfaction) is one of the causes of leaving. In their seminal work, March and Simon (1958) proposed a psychological explanation of turnover that is based on individuals' utility functions: when outcomes (such as pay or promotion opportunities) are too low relative to the employees expectations, an employee becomes dissatisfied and motivated to leave.

Yohanes, (2014) also assesses the study on the title: factors affecting employee turnover and its impact on Ethiopian Evangelical church Mekane yesus. The study has applied stratified random sampling technics by choosing 75 existing employees and 11 ex-employees and also used purposive sampling technic to choose 3 department heads. As per the findings of the study dissatisfaction with pay structure, mismanagement, unfair reward and promotion systems were some of the factors for employee turnover. The researcher has further concluded that lack of career advancement, job dissatisfaction, and leader's unwillingness to allow staff participation in decision making, and unfair training system were core factors for turnover.

Sajjad et al., (2013) conducted a study on the title: The impact of motivation on employee turnover in banking sector of Pakistan: the researcher used a total sample of 106 collected from branches of different banks, Descriptive statistics are used to describe the basic features of the data in a study. The result of the study shows motivation significantly affect employee turnover in banking sector which suggest that when motivation increase it would reduce the value of employee turnover in banking sector.

Murphy and Williams (2005), in their study, examine the perceived notion that the compensation plan of Outback Steakhouse reduces the intention to turnover of its unit level managing partners. According to the study The eight monetary compensation offerings at Outback are: Ownership equity; Retirement plan; Cash flow bonus, Base salary; Stock option; Deferred compensation; Medical, dental and life insurance; Vacation/ paid time off. The five Non-monetary compensation offerings are: Quality of work; Status as manager/ partner; Community association/ location; Job Autonomy; Job status. As per their finding, the eight individual monetary factors/elements identified in the compensation plan for Outback Steakhouse's managing partners have significant positive impact on manager retention, consequently reducing their intention to turnover.

Various researches were conducted related to the topic under study, but most of them focus on, the effect of compensation on employee performance and productivity, causes of employee turnover, and compensation strategy. This study describes; the perceptions of employees towards direct financial compensation, indirect financial compensation and non-financial compensation, and explain the level of employee's satisfaction with this compensation system. And analyze the type of compensation which employees mostly chose to stay in their current organization.

## **CHAPTER THREE**

### **3 RESEARCH METHODOLOGY**

This part of the proposal consists of Research Design, Data Collection Methods and Data analysis.

#### **3.1 Research Methods**

This research is a descriptive research that focuses on assessing compensation practice and employee turnover intention. Its major purpose is to describe compensation practice and employee turnover intention in three private commercial banks in Ethiopia, as it exists at present.

The method of data collection is the most vital aspect of any research. The data should be reliable and accurate since it has an impact on the result, otherwise, the result of the study will be invalid. In order to get relevant data the researcher employed both primary and secondary data. Primary data has been gathered through questionnaire from employees of managerial and non-managerial level staff of the banks. And interview was conducted with HR managers and Compensation and benefit managers. The researcher has also reviewed exit interview reports, human resource manuals, different publications and website of the banks under study as a secondary source of data.

#### **3.2 Research Design**

Even if there are different types of research methods to conduct the studies, this research was employed descriptive type of research method, as it is a preferable method to find existing facts, practices and phenomena as they are and finally interpret it. With the objective to assess compensation practice and employee turnover intention within the banks under study, both quantitative and qualitative methods of data collection has been used. Descriptive statistics data analysis method was applied to analyze quantitative data using SPSS version 20. Qualitative data analysis method was also employed to analyze qualitative data gathered using the interview and documents from the department.

### 3.3 Sampling Method and Size

The target populations for the study were employees of three selected private commercial banks namely AIB, NIB and AB in selected branches of Addis Ababa; these banks have 6,097 employees in Addis Ababa as of June 2016 (annual bulletin and HR documents of banks under study). A representative sample of 375; (Awash Bank 221, Nib Bank 95 and Abay Bank 41) employees were selected from a total population of 6,097, which is determined by the ratio based on the number of employees of the banks under study.

Purposive sampling techniques was employed to select HR managers or compensation and benefit managers of each bank under study, since they have the knowledge about the employees under their supervision and are concerned with compensation practice and staff turnover. Other employees were selected using stratified random sampling to get representative sample. The stratified sampling is applied in order to identify the number of sample employee selected from each department and selected city branches of banks under study. To get appropriate sample size, the Yamane (1967) formula for calculating sample size has been used to calculate the sample size at 95% confidence level and  $P = 0.05$ :

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

Where:

n = is sample

N= total population

(e) = 0.05 or allowance of random error

$$n = \frac{6097}{1 + 6097(.05)^2} = 375$$

Thus, sample size of 375 employees has been selected from the population of 6,097.

### **3.4 Source and Type of Data**

The study made use of data from both primary and secondary sources. Primary data about compensation practice and employee turnover intention from the employee's perspective and HR and compensations managers view has been collected through questionnaire and interview. The secondary data relating to the above subject matter was collected from the company document, annual bulletin, and company website.

### **3.5 Instruments of Data Collection**

#### **Questionnaire**

The study was used questionnaire to collect data from employees of selected branches of banks under study in Addis Ababa. Closed and scaled items were carefully applied to get and generate all necessary information. Data was systematically categorized, so that respondents easily understand and express their fillings. The researcher was used Likert scale which enables to understand respondents' degree of agreement with each statement.

#### **Interview**

Kothari (2004) stated that, in an interview the interviewer on the spot has to meet people from whom data have to be collected. Interview helps generate in depth information and gives greater flexibility for questions, and is suitable for intensive investigations. Hence, face to face interview was carried with HR managers and compensation and benefit managers of banks under study. This method helped the researcher to get additional information.

#### **Document Analysis**

Documents have been observed by the researcher to collect data on the number of population of the banks under study. Further, document Analysis was made to gather necessary information on number of employees who has left the organization including their reason to leave.

### 3.6 Validity and Reliability of the Questionnaire

To assess the inner consistency of every component bunch acquired, the variables were subjected to reliability test. Chronbach alphas were computed to test the internal consistency. It is most commonly used when we have multiple likert questions in a survey/questionnaire that form a scale and you wish to determine if the scale is reliable It was deemed that a minimum value of 0.70 would be considered acceptable (Nunnally, 1978).

Table 3.1 Reliability test

	Cronbach's Alpha	No. of Items
Direct Financial Compensation	0.72	8
Indirect Financial Compensation	0.70	6
Non-Financial Compensation	0.76	6
Compensation Practice	0.71	7
Turnover Intention	0.78	6

Source: own survey

These variables delivered alpha coefficients of above 0.7 demonstrating high inside textures and reliability

### 3.7 Data Analysis Technique

The data gathered from the respondents was analyzed in terms of the objectives of the study already designed. The data collected from respondents through questionnaire has to be processed; processing implies, editing, coding, classification and tabulation of collected data so that they are amenable to analysis. Then, analyzed by using statistical package for social science; SPSS version 20.tool such as frequency tables has been applied to analyze data.

## CHAPTER FOUR

### 4 DATA ANALYSIS AND DISCUSSION

In this chapter the data gathered and collected through questionnaire were analyzed, interpreted and presented. The findings are discussed using descriptive statistics. The sample for the study comprised a total of 375 employees in three private banks in Ethiopia (Awash Bank 221, NIB Bank 113 and Abay Bank 41). The respondents for the questionnaire were selected from different branches of Banks under study in Addis Ababa. A total of 375 questionnaires were distributed to respondents, out of which 315 questionnaires were filled and returned. This represents (84%) were collected, which is considered satisfactory to come up with realistic conclusions.

#### 4.1 Data collected from questionnaire

375 questionnaires were distributed to employees in selected branches of Awash Bank, Nib Bank and Abay Bank in Addis Ababa. 221, 113 and 41 Questionnaires were distributed to AIB, NIB and AB respectively, out of which 185, 95 and 35 questionnaires were filled and returned from each respective bank. This has an 84% response rate. The responses of the subjects are presented, analyzed, and interpreted using SPSS version 20,

Table: 4.1 Response rate of questionnaire by Bank

<b>Banks</b>	<b>Number of Questionnaires Distributed</b>	<b>Number of Questionnaires Returned</b>	<b>Percentage</b>
Awash International Bank	<b>221</b>	<b>185</b>	<b>58.7</b>
Nib International Bank	<b>113</b>	<b>95</b>	<b>30.2</b>
Abay Bank	<b>41</b>	<b>35</b>	<b>11.1</b>
<b>Total</b>	<b>375</b>	<b>315</b>	<b>100</b>

Source: own survey

## 4.2 Demographic Information of the Respondents

This include respondents' sex category, age group, work experience in the industry, work experience in the current organization, educational qualification, salary level, and job category.

Table: 4.2 Respondents Gender distributions

Employee Characteristics		Frequency	Percent	Cumulative Percent
<b>Valid</b>	Male	173	54.9	54.9
	Female	142	45.1	100
	<b>Total</b>	<b>315</b>	<b>100</b>	

Source: own survey

As can be seen from the above table gender distribution of sample respondents, out of the total of 315 responded questionnaires, 173(54.9%) are males and the rest 142(45.1%) are females. This is an indication that both male and female were involved in this study.

Table: 4.3 Respondents' Age group

Employee Age		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	<25	199	63.2	63.2	63.2
	25-35	105	33.3	33.3	96.5
	35-45	11	3.5	3.5	100.0
	Above 45	0	0	0	
	<b>Total</b>	<b>315</b>	<b>100</b>	<b>100</b>	

Source: own survey

As indicated in the above table majority of the respondents lie in the age of less than 35 years. Thus, from the total of 315 respondents 199 or 63.2% are at the age of less than 25 years, 105 or 33.3% are between 25-35 years and 11 or 3.5% are between the age group of 35-45. Altogether, the respondents whose age ranges from 20-35 are 304 or 96.5%. This is



the dominant age group. This indicates that the bank is losing energetic, experienced and matured employees.

Table: 4.4 Respondents work experience in the industry

No. of Years	Frequency	Percent	Valid percent	Cumulative Percent
Valid	0-5	160	50.8	50.8
	5-10	105	33.3	84.1
	10-15	45	14.3	98.4
	Above 15	5	1.6	100.0
	<b>Total</b>	<b>315</b>	<b>100.0</b>	<b>100.0</b>

Source: own survey

As can be seen from the above table, 160 or 50.8% of the sample respondents have been working in the industry for about 5 years. While, 105 or 33.3% are working in the industry between 5-10 years, and the rest 45 or 14.3% and 5 or 1.6% have 10-15 years and above 15 years' experience respectively in the banking industry.

Table: 4.5 Work Experience of the Respondent in the Current Bank

No. of Years	Frequency	Percent	Valid percent	Cumulative Percent
Valid	0-5	200	63.5	63.5
	5-10	76	24.1	87.6
	10-15	23	7.3	94.9
	Above 15	16	5.1	100.0
	<b>Total</b>	<b>315</b>	<b>100.0</b>	<b>100.0</b>

Source: own survey

As indicated in the above table, out of the total of 315 respondents, 200 or 63.5% have 0-5 years of experience in their current bank. Moreover, 76 or 24.1% have been working for their current bank from 5-10 years. The rest 23 or 7.3% and 16 or 5.1% are working in the bank for more than 10 years. The result shows majority of the respondents have below 10 years of experience which constitutes 276 or 87.6%. This indicates that the banks under

study have difficulty in retaining experienced staffs, in which only 12.5% have more than 10 years of experience. This will have negative impact in overall performance and growth of the banks

Table: 4.6 Respondents Educational Qualification

Employee Qualification		Frequency	Percent	Valid percent	Cumulative Percent
Valid	Diploma	15	4.8	4.8	4.8
	BA/BSc Degree	279	88.6	88.6	93.3
	Masters or Above	21	6.7	6.7	100.0
	<b>Total</b>	<b>315</b>	<b>100.0</b>	<b>100.0</b>	

Source: own survey

As it has been indicated in the above table the majority of the sample respondents have BA/BSc degree, which constitutes 279 or 88.6%. And 21 or 6.7% have masters or above. This shows that 300 or 95.3% of the employees possess BA/BSc degree or above. This indicates that there is high demand for experienced and qualified bankers in the industry. Therefore, unless the banks under study revise their compensation strategies and motivate employees to stay in the bank the likelihood of losing their qualified employees will increase.

Table: 4.7 Respondents Salary Level

Monthly Salary Range		Frequency	Percent	Valid percent	Cumulative Percent
Valid	<5,000	35	11.1	11.1	11.1
	5,001 – 10,000	200	63.5	63.5	74.6
	10,001 – 15,000	60	19.0	19.0	93.7
	Above 15,000	20	6.3	6.3	100.0
	<b>Total</b>	<b>315</b>	<b>100.0</b>	<b>100.0</b>	

Source: own survey

As shown in the above table 35 or 11.1% of the respondents earn below 5,000.00. And majority of the respondents salary fall between 5,001 and 10, 000, which accounts for 200 or 63.5%. The rest 60 or 19% and 20 or 6.3% earn a salary range of 10,001-15,000 and above 15,000 respectively. This indicates that majority of the respondents earn an average salary, that will not motivate them to stay in their current position. So they will look for other banks in the industry in search for a better salary.

Table: 4.8 Respondents Job Category

Employee Characteristics		Frequency	Percent	Valid percent	Cumulative Percent
Valid	Clerical	238	75.6	75.6	75.6
	Managerial	77	24.4	24.4	100.0
	<b>Total</b>	<b>315</b>	<b>100.0</b>	<b>100.0</b>	

**Source: own survey**

The above table reveals that out of the total sample respondents 238 or 75.6% are clerical employees (Tellers, Bank Clerks, Auditors, Accountants and credit and foreign banking officers) 77 or 24.4% are employees at managerial level.

### 4.3 Descriptive Analysis

This section deals with the analysis and interpretation of data gathered from selected respondents of banks under study through questionnaires. Therefore the analysis and interpretation of collected data are presented following each table.

#### 4.3.1 Cause of Direct Financial Compensation (Salary, Bonus, and Commission) on employee turnover

Direct financial compensation is a pay received in the form of wages salaries, bonuses and commissions provided at regular and consistent interval

Table 4.9 Direct Financial Compensation as a cause to employee turnover

No.	Item		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
1	The amount of pay I receive for my job is about equal to others doing similar work in other banks	Frequency	90	110	60	45	10	315
		Percentage	28.6	34.9	19.0	14.3	3.2	100.0
2	I feel that I am well paid in comparison with my experience, responsibilities and qualification that is equal to the required job	Frequency	93	115	37	65	5	315
		Percentage	29.5	36.5	11.7	20.6	1.6	100.0
3	I feel that the performance bonus structure fairly rewards my effort	Frequency	75	86	29	100	25	315
		Percentage	23.8	27.3	9.2	31.7	7.9	100.0
4	I am fairly rewarded taking into account the amount of education, training and experience that I have had	Frequency	100	95	30	80	10	315
		Percentage	31.7	30.2	9.5	25.4	3.2	100.0
5	Salary packages/monetary incentives are sufficient in my bank	Frequency	90	120	30	65	10	315
		Percentage	28.6	38.1	9.5	20.6	3.2	100.0
6	The current salary and benefit being offered by the bank is adequate to cope with the ongoing cost of life	Frequency	120	125	35	30	5	315
		Percentage	38.1	39.7	11.1	9.5	1.6	100.0
7	Salary and Reward available in your bank is fair	Frequency	104	104	43	60	4	315
		Percentage	33	33	13.7	19.0	1.3	100.0
8	I feel that I am rewarded with better appraisal rates and grade promotions on my actual performance	Frequency	85	125	30	70	5	315
		Percentage	27.0	39.7	9.5	22.2	1.6	100.0

Source: own survey

As some researches state the common reason for employee turnover to become high is the amount of pay they receive, as a result employees are always searching for jobs that pay well. Price, (2004) stressed that pay is the main reason why people work and it is an important feature of human resource management. Santript Shukla, and Dr. Ambalika Sinha, (2013) posits One common cause of high employee turnover rates is low pay and benefits

packages. When a worker is employed in a low-wage position with limited benefits, there is little incentive to stay if a similar employer offers even a slightly higher rate of pay. Accordingly, as can be seen from item (1) of table 4.9 above, the respondents are asked to confirm whether the amount of pay the bank gives to its employees is fair relative to other employees in the industry. As can be seen in the table 200 or 63.5% of the respondents confirmed that the amount of pay they receive is not equal to others doing similar work in other banks. On the other hand 60 or 19% remain neutral. In addition, 55 or 17.5% of the respondents confirm that the amount of pay they receive for their job is about equal to others doing similar work in other banks.

According to the finding in item (2) of table no. 4.9, respondents are asked about their feeling that they have been paid well in comparison to their experience responsibilities and qualification, to the required job, as can be observed in the table 208 or 66% of the respondents disagree with the statement, on the other hand 65 or 20.6% remain neutral. Moreover 70 or 22.2% of the respondents agree with the statement.

A performance bonus is compensation beyond normal wage and is typically awarded after a performance appraisal and analysis of projects completed by the employee over specific period of time. Accordingly respondents are asked to confirm whether they feel the performance bonus structure fairly rewards their effort. As can be seen in item (3) of table no, 4.9, 161 or 51.1% of the respondents confirm that they don't feel the performance bonus structure fairly rewards their effort. And 29 or 9.2% of the respondents remain calm. Beside, 125 or 39.6% of the respondents confirm the performance bonus structure fairly rewards their effort. This indicates poor performance bonus structure will force employees to quit their job.

Item (4) of table 4.9 asks respondents whether they are fairly rewarded taking into account the amount of education, training and experience that they have had. Hence, 195 or 61.9% of the respondents disagree with the statement, 30 or 9.5% remain neutral and 90 or 28.6% of the respondents confirm they are fairly rewarded taking into account the amount of education, training and experience they have. This indicates that unless the banks adjust their reward system they will lose more qualified and experienced employees.

Most employees will always search for organizations with a better salary packages and incentives. Accordingly in item (5) of table 4.9 respondents are asked whether salary

packages/incentives are sufficient in their organization. Thus, 210 or 66.7% of the respondents confirm that salary packages/incentives are not sufficient. And 30 or 9.5% of the respondents are neutral. Also, 75 or 23.8% of the respondents confirm salary packages/incentives are sufficient. According to this finding the majority of the respondents disagree with the statement; this indicates that salary packages and incentives are one of the reasons for employee turnover.

Most employees will depend on their salaries to cover their ongoing cost of life. Therefore the amount of salary they receive must be adequate to meet their requirements. Therefore, item (6) of table 4.9 asks respondents adequacy of current salary and benefits to cope with ongoing cost of life. Hence, 245 or 77.8% of the respondents confirm that the current salary and benefit being offered is not adequate to cope with ongoing cost of life. 35 or 11.1% remain silent and moreover 35 or 11.1% are agreed with the statement. This indicates, since the amount of salary and benefit received by employees do not cop up with ongoing cost of life employees will look for other banks in the industry which will provide better salary and incentives.

According to the finding in item (7) of table 4.9, majority of the respondents, i.e. 208 or 66% of the respondents confirm that salary and reward available in the bank is unfair. Furthermore, 43 or 13.7% of the respondents are neutral, while 64 or 20.3% of the respondents confirm that salary and reward available in the bank is fair. Hence, salary and reward available in banks under study is unfair. This will result in a high employee turnover.

Item (8) of table 4.9, asks respondents about their feeling that whether or not they are rewarded with a better appraisal rate and grade promotion on their actual performance. Hence, 210 or 66.7% of the respondents disagree with the statement, 30 or 9.5% of the respondents remain neutral and 75 or 23.8% of the respondents agree with the statement.

#### **4.3.2 Indirect Financial Compensations (Insurance Retirement plan, stock option and Profit Sharing) as a cause to employee turnover**

Employers provide rewards and services, other than those in direct financial compensation (salary, bonus, tips promotion and commission). In the table below respondents are asked different question related to indirect financial compensation to assess whether they have

been enjoying the firms benefits like insurance, retirement plan, stock option and profit sharing programs.

**Table 4.10 Indirect Financial Compensations as a cause to turnover**

N o	Item		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
1	The number of vacation, Sick leave and Insurance policy (safety, health) set by the Bank is adequate for me	Frequency	32	45	33	151	54	315
		Percentage	10.2	14.3	10.5	47.9	17.1	100
2	I am happy with company's assistance for loans - housing, vehicle, personal and staff loans	Frequency	32	49	35	149	50	315
		Percentage	10.2	15.6	11.1	47.3	15.9	100
3	My qualification and experience are considered for promotion and the opportunity are equal to other employees	Frequency	75	80	39	101	20	315
		Percentage	23.8	25.4	12.4	32.1	6.3	100
4	My company's retirement plan is competitive with others in the industry	Frequency	20	30	100	130	35	315
		Percentage	6.3	9.5	31.7	41.3	11.1	100
5	My bank provides me a stock option and profit sharing programs	Frequency	170	95	30	10	10	315
		Percentage	54	30.2	9.5	3.2	3.2	100
6	I receive services such as, counseling, legal referral, career planning, wellness plan and fitness club membership from my bank	Frequency	115	115	55	15	15	315
		Percentage	36.5	36.5	17.5	4.8	4.8	100

Source: own survey

From the findings in item (1) of table 4.10, majority of the respondents 205(65%) agreed that, the number of vacation, Sick leave and Insurance policy (safety, health) set by the bank is adequate. On the other hand, 77(24.5%) of the respondents disagree with the statement and 33(10.5%) are neutral. This shows that most of the employees are happy with vacation, Sick leave and Insurance policy (safety, health) and it is not possible cause for turnover.

Almost all banks provide their employees with benefits like housing loan, vehicle loan personal and emergency loans as a mechanism to attract and retain their experienced and

talented employees. Accordingly, item (2) of table 4.10, reveal majority of the respondents 199(63.2%) are happy with company's assistance for loans - housing, vehicle, personal and staff loans. Moreover, 81(25.8%) of the respondents are unhappy with company's assistance for loans - housing, vehicle, personal and staff loans. Beside, 35(11.1%) of the respondents neither agree nor disagree.

As indicated in item (3) of table 4.10, respondents are asked whether their qualification and experiences are considered for promotion and the opportunities are equal to other employees, 155 or 49.2% of the sample respondents disagree with the statement. On the other hand, 124 or 38.4% of the sample respondents agree with the statement, and 39 or 12.4% of the respondents are neutral.

The sample respondents are also asked whether their banks retirement plan is competitive with others in the industry, item (4) of table4.10, reveals 50 or 15.8% of the respondents disagree with the statement. On the other hand, 165 or 52.4% agree with the statement. This shows that most of the banks do have similar retirement plans. Moreover, 100 or 31.7% of the respondents choose to remain neutral. This is because, as indicated in the age group distribution majority of the respondents are below the age of 35. And majority of the respondents have less than 5 years of experience. Thus, in this group retirement plan is less attractive, and do not considered by this group. As consulting firm Towers Watson noted, "in general retirement plan do a much better job of retaining workers than attracting workers" and "older employees are significantly more likely than younger employees to have been attracted to their firm by the retirement plan". (Towers Watson, 2005).

If an organization has stock option and profit sharing plan, employees will develop sense of belongingness towards their organization, this intern increases performance of the firm and help to reduce turnover. In view of that, in item (5) of table 4.10, respondents are asked if there is stock option and profit sharing program in their organization. Thus, 265 or 84.2% of the respondents agree that there is no stock option and profit sharing program in their organization. Alongside, 20 or 6.4% are disagreeing with the statement, and 30 or 9.5% of the respondents remain silent. This indicates that there is no stock option and profit sharing program in those banks which are understudy. Therefore, activating these programs will help reduce turnover.



According to the finding in item (6) of table 4.10, 230 or 73% of the sample respondents confirm that there is no counseling, legal referral, career planning, wellness plan and fitness club membership services in their organization. On the other hand, 30 or 9.6% of the respondents agree with the statement. And 55 or 17.5% are neutral. Therefore, providing these services to employees will reduce turnover.

**4.3.3 Non - Financial compensation (working condition, appreciation and recognition and job enrichment) as a cause to employee turnover.**

According to Gebremedhin, (2015), Non-financial compensation includes the satisfaction that an employee gets from the job itself or from the psychological and/or physical environment in which the employee works.

**Table 4.11 Non - Financial compensation as a cause to employee turnover**

No	Item		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
1	I am happy with working condition	Frequency	55	90	85	60	25	315
		Percentage	17.5	28.6	27.0	19.1	7.9	100
2	The working hours are satisfactory in the organization	Frequency	20	35	50	175	35	315
		Percentage	6.3	11.1	15.9	55.6	11.1	100
3	I am happy with organizational culture and work environment	Frequency	40	115	55	65	40	315
		Percentage	12.7	36.5	17.5	20.6	12.7	100
4	The bank gives enough recognition for well done work and I feel I am appreciated at work	Frequency	70	110	60	50	25	315
		Percentage	22.2	34.9	19.0	15.9	7.9	100
5	I will receive a praise from my boss every time I accomplish a task successfully	Frequency	70	60	45	120	20	315
		Percentage	22.2	19.0	14.3	38.1	6.3	100

Source: own survey

A better working condition helps to increased employee commitment and productivity, (Gebremedihin, 2015). Accordingly respondents are asked about working condition of

their organization. Hence item (1) of table 4.11 tells, 145(46.1%) of the respondents are unhappy with working environment of their organization. Beside, 85(27%) are happy with working condition and 85 or 27% of the respondents are neutral. Therefore, from the finding working condition is less likely to cause turnover.

As shown in item (2) of table 4.11, sample respondents are asked whether working hours are satisfactory in their organization, the result shows that majority of the respondents 210(66.75%) are agreed with the statement, whereas, 55(17.4%) of the respondents disagree with the statement. On the other hand, 50(15.9%) are neutral. From this we can conclude that employees are satisfied with the working hours of the organization. Hence, it is not a cause for turnover.

In line with this in item (3) of table 4.11, respondents are asked about their happiness on organizational culture and working condition of their respective bank, the result shows 40(12.7%) strongly disagree, 115(36.5%) disagree, 55(17.5%) neutral, 65(20.6%) agree and 40(12.7%) strongly agree with the statement. This indicates that majority of the respondents about 49.2% agree that there is good organizational culture and work environment. Therefore, it is less likely to cause turnover.

Employees expect recognition and encouragement for their services because nobody likes to be unappreciated for the efforts he or she made Saira Y.,et.al (2014), as the finding in item (4) of table 4.11 reveal, majority of the respondents 180(57.1%) are confirmed that there is no recognition and appreciation for well done work. Although, 75(23.8%) disagree and strongly disagree with the statement, and 60(19%) of the respondents are neutral. From this we can see that the banks under study must do a lot of work in this regard so as to reduce turnover.

From the findings of item (5) of table 4.11, respondents are asked whether they receive praise from their boss up on successful accomplishment of a task, 70(22.2%) strongly disagree, 60(19%) disagree, 45(14.3%) neutral, 120(38.1%) agree and 20(6.3%) strongly agree with the statement. Thus the banks under study should work hard on these issues so as to retain their talented and experienced employees.

#### 4.3.4 How employees perceive current compensation practice placed by the bank

The following table assesses the feelings of employees towards current compensation practice of their respective bank.

**Table 4.12 perception of employees towards current compensation system**

No	Item		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
1	The bank provides a more flexible compensation system	Frequency	40	170	55	40	10	315
		Percentage	12.7	54.0	17.5	12.7	3.2	100
2	My bank periodically evaluate the effectiveness of compensation	Frequency	50	141	49	60	15	315
		Percentage	15.9	44.8	15.6	19.0	4.8	100
3	There is reasonable periodical increase in salary	Frequency	30	75	65	110	35	315
		Percentage	9.5	23.8	20.6	34.9	11.1	100
4	I am involved in a compensation related decisions	Frequency	116	123	45	20	11	315
		Percentage	36.8	39.0	14.3	6.3	3.5	100
5	My bank conducts proper exit interview	Frequency	55	85	85	70	20	315
		Percentage	17.5	27.0	27.0	22.2	6.3	100
6	My bank takes corrective action based on feedback from exit interview	Frequency	95	85	80	40	15	315
		Percentage	30.2	27.0	25.4	12.7	4.8	100
7	I feel the bank is fair in general and treat employees fairly	Frequency	60	80	115	40	20	315
		Percentage	19	25.4	36.5	12.7	6.3	100

Source: own survey

As shown in in item(1) of table 4.12 above sample respondents are asked whether the bank provides them with a more flexible compensation system, the result shows, 210(64.7%) of the respondents disagree and strongly disagree with the statement. Alongside, 55(17.5%) are neutral and 15(15.9%) of the respondents agree or strongly agree with the statement. Since majority of the respondents (64.7%) disagree banks under study should have to revise their compensation system in order to help reduce turnover.

Employees are sensitive with regard to compensation, if they feel they are undercompensated relative to others in the industry they will probably leave the organization even for slight difference in benefit. Therefore, organizations should assess whether employees are satisfied with the implemented benefit. In line with this, item (2) of table 4.12 discloses, majority of the respondents 191(60.7%) believe that there is no periodic evaluation to check effectiveness of compensation in their organization. While, 75(23.8%) agree that the bank periodically evaluate effectiveness of compensation. And the rest 49(15.6%) remain silent. Therefore, banks under study should evaluate effectiveness of compensation periodically and take corrective actions if there is any gap so as to decrease turnover.

As it can be seen in item (3) of table 4.12, asks respondents if there is reasonable periodic increase in salary in their organization, the result reveal that 105(33.3%) of the respondents disagree with the statement, 145(46%) of the respondents agree with the statement and 65(20.6%) are neutral. In this case a greater number of employees confirm that there is periodic increase in salary. But its reasonableness is under question because more than half of the respondents are strongly disagree, disagree and neutral with the statement.

According to Colleen p., William m. (1993), involving all the members of an organization in formulating and overseeing compensation policies and procedures can be a potent means of demonstrating a genuine commitment to empowerment in the work place. Accordingly, in item (4) of table 4.12, respondents are asked about their involvement in compensation related decisions. Thus, the result showed that majority of the respondents 239 or 75.8% confirm that they are not involved in compensation related decision. Further, 90 or (28.5%) are disagree with the statement. And 45 or 14.3% are neutral. This indicates that banks under study should consider this and give chance to their employees to participate in compensation related decision. That will help the firm as a retention mechanism.

Companies commit a significant amount of time and resource to recruit, interview and train new employees. The revenue lost when these employees resign is substantial. Determining why employees leave is one key to taming turnover ([www.backtracker.com](http://www.backtracker.com)). In line with this, the findings in item (5) of table 4.12 above reveals 140(44.5%) of the respondents confirm there is no proper exit interview, 85(27%) are neutral and 90(28.5%)

of the respondents believe there is proper exit interview. Accordingly in item (6) of table 4.12, respondents are also asked whether their bank uses feedback from exit interview and take corrective action, the result shows 180(57.2%) disagree with the statement, 80(25.4%) are neutral and 55(17.5) of the respondents agree with the statement. Therefore, the banks under study must make use of proper exit interview in order to know their weakness and strength and take corrective actions.

As indicated in item (7) of table 4.12, respondents express their feelings on the statement “I feel the bank is fair in general and treat employees fairly”. Thus, 60(19%) strongly disagree, 80(25.4%) disagree, 115(36.5%) neutral, 40(12.7%) agree and 20(6.3%) are strongly agree with the statement. This implies that majority of the employees think that their bank is unfair and treat employees unfairly.

#### 4.3.5 Turnover Intention

**Table 4.13 The intention of employees to leave or stay with the bank**

No	Item		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
1	I often think about quitting my present job	Frequency	14	90	65	111	35	315
		Percentage	4.4	28.6	20.6	35.2	11.1	100
2	I am prepared to leave my job because of poor compensation I receive from this bank	Frequency	0	70	70	155	20	315
		Percentage	0	22.2	22.2	49.2	6.3	100
3	I am not satisfied with the working environment in my current job, so I would look for outside opportunities	Frequency	0	55	115	125	20	315
		Percentage	0	17.5	36.5	39.7	6.3	100
4	I would look for other job opportunities, if I find no career advancement in this bank	Frequency	0	35	65	160	55	315
		Percentage	0	11.1	20.6	50.8	17.5	100
5	I am already fed up with working in this bank, so I am searching for better organization in the moment	Frequency	0	50	33	125	107	315
		Percentage	0	15.9	10.5	39.7	34.0	100
6	As soon as possible I will leave this organization	Frequency	25	39	67	135	49	315
		Percentage	7.9	12.4	21.3	42.9	15.6	100

Source: own survey

As indicated in table 4.13 of item (1) respondents express their feelings about the statement “I often think about quitting my present job”. Hence, most of the respondents 146(46.3%) have an intention to quit their present job. Whereas, 104(33%) of the respondents do not think of quitting their present job. And 65(20.6%) are neutral. This implies majority of the employees are ready to leave the organization. Therefore, the banks under study must take corrective action to reduce turnover.

According to the findings in item (2) of table 4.13, respondents are requested to express their feeling on the statement” I am prepared to leave my job because of poor compensation I receive from this bank”. Hence, 175(55.5%) of the respondents agree with the statement, 70(22.2%) are neutral and 70(22.2%) are disagree with the statement. This implies that, banks under study have poor compensation plan, as a result they are losing their employees.

As shown in item (3) of table 4.13 above respondents are asked to express their feeling on the statement “I am not satisfied with the working environment in my current job, so I would look for outside opportunities”. Hence the result showed, 145(46%) of the respondents agree with the statement, 55(17.5%) disagree and 115(36.5%) are neutral. This indicates that employees are unhappy with working environment. Therefore, banks under study must create conducive work environment in order to reduce turnover.

Respondents are also asked on the statement “I would look for other job opportunities, if I find no career advancement in this bank”, the finding in item (4) table 4.13 shows, majority of the respondents 215(68.3%) agree with the statement, 35(11.1%) disagree with the statement and 65 (20.6%) are neutral. This indicates that there is poor carrier advancement plan in banks under study. As a result employees are searching for a job in other banks.

As indicated in item (5) of table 4.13 above, respondents give their feelings about the statement “I am already fed up with working in this bank, so I am searching for better organization in the moment”, the result shows majority of the respondents 232(73.7%) agree with the statement, whereas, 50(15.9%) disagree with the statement and 33(10.5%) are neutral. This implies that large numbers of employees are dissatisfied with their current job and if they get a better offer from other banks they should possibly leave their bank.

In item (6) of table 4.13, sample respondents are asked about their feeling with the statement “As soon as possible I will leave this organization), hence large number of respondents 184(58.5%) agree and strongly agree with the statement, 64(203%) disagree and strongly disagree with the statement and 67 (21.3%) are neutral. This indicates that there are a large number of employees who are ready to leave the organization. This is a negative signal for the banks under study, unless they would make immediate corrective action or create a retention mechanism they would possibly lose their experienced employees.

#### 4.4 Document Analysis

##### 4.4.1 Employee Turnover Trends at banks under study

Before conducting the study the researcher has gathered information regarding compensation practice and turnover intention of private commercial banks through observation, informal discussion with employees of different banks and by reviewing different publications of private commercial banks. Therefore, the researcher has come to know that compensation offered by private commercial banks other than those which are under study was more or less similar or have had competitive compensation practice, as a result, the intention of employees to leave their organization was less likely. But Awash, Nib and Abay banks were facing recurrent staff turnover. This is mainly because there is no equity in pay system as compared to others in the industry. As a result these banks are losing their qualified employees.

As per the data obtained from annual reports, human resource documents and quarterly reports of banks under study, the respective banks turnover trend for the last three years is presented in the table below.

Table 4.14 Employee Turnover Trends

Name of the Bank	Fiscal year (July 1 to June 30)		
	2013/14	2014/15	2015/16
Awash Bank	238	364	283
NIB Bank	221	270	284
Abay Bank	56	64	82

Source: own survey

The data in the above table shows trends of employee turnover in banks under study for three consecutive years from 2013/14 to 2015/16. The data shows these banks are facing recurrent staff turnover.

#### **4.4.2 Exit interview**

Even if, it is not well organized the banks under study will undertake exit interview every time an employee leave the organization. Therefore, from the exit interview document the researcher came to know that employees do leave the bank for various reasons such as, to start own business, to go abroad, to continue school etc... But majority of employees who has left the bank raise compensation issues, that they left the bank because they have got better salary and benefit in another bank.

#### **4.5 Interview with HR and Compensation and Benefit Managers**

The researcher has made an interview with human resource and compensation and benefit managers of the banks under study. All of the interviewees agree that their bank is facing turnover of experienced staffs.

Interviewees are asked a question about whether or not compensation policy of the bank is serving its purpose, and they reply that their bank has compensation policy and rewards its employees as per this policy. But since the banking industry is growing and almost all banks are expanding their branches to be more accessible, there is high need of experienced workforce in the market, as a result most of the banks are offering different benefit packages in order to retain their experienced and qualified staffs and attract potential work force. As a result interviewers agree that their bank is not responding to the change in compensation practice in the banking industry especially with basic salary due to this they are losing their employees.

Interviewees believe that the current compensation practice of their bank is poor in retaining qualified employees as compared to other competitors in the industry; therefore, revising the compensation policy is a must in order to decrease the turnover rate.



Interviewees are also replied that their bank undertake exit interview every time an employee leave the bank and main reasons why employees would leave the organization is summarized from the exit interview and forwarded to top officials for their corrective action.

According to the interviewers the bank uses various mechanisms like, periodic salary increase, providing assistance for housing loan, vehicle loan and other staff loans, and providing different types of training and personal development programs etc...

But they all believe that, the current compensation placed by their respective bank, especially with respect to direct financial compensation (basic salary) is below what others are paying in the industry. But with benefits related to indirect financial compensation and non-financial compensation the benefit is nearly the same with other banks in the industry.

Moreover, they have said that their bank is undertaking a study on salary of employees and planned to provide their employees with a better benefit package that is equal or more than what the industry is offering.

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## CHAPTER FIVE

### 5 SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

#### 5.1 Summary of Findings

This research aims to assess compensation practice and employee turnover intention of selected private commercial banks. The study tries to determine the magnitude of direct financial compensation, indirect financial compensation and non-financial compensation on the cause of turnover. Accordingly, the followings are some of the major findings of the study

- ❖ A total of 375 sample questionnaires were distributed to employees in selected branches of Awash bank, Nib bank and Abay bank, where, 221, 113 and 41 questionnaires are distributed, out of which 185,95 and 35 questionnaires are filled and returned respectively.
- ❖ Most of the respondents (54.9%) are male and (45.1%) are female. Majority of the respondents (63.2%) are in the age of less than 25 years. Moreover; (84.1%) of the respondents; have less than 10 years of experience in the industry. And employees who have less than 10 years of experience in the current bank accounts 87.6% of the respondents. With regard to educational qualification, majority of the respondents 95.3% possess BA/BSC degree or above. Beside, (74.6%) of the respondents earn a salary of range of below 10,000 and out of the total respondents (75.6%) are clerical employees, whereas, (24.4%) are at managerial level.
- ❖ Employees are asked different questions related to direct financial compensation, and the result revealed that (63.5%) of the respondents confirmed that the amount of pay they receive is not equal to others doing similar work in other banks, and also 66% of the respondents feel that the bank do not pay well in agreement with the experience, responsibility and qualification they have. Besides, 51.1% of the respondents confirm that they don't feel the performance bonus structure fairly rewards their effort. Moreover, 66.7% of the respondents confirm that salary packages/incentives are not sufficient in their bank. Majority of the respondents feel that the current salary and benefit being offered by the bank is not adequate to cope with ongoing cost of life

(77.8%), the salary and reward available in the bank is unfair (66%) and employees do not feel that they are rewarded with better appraisal rates and grade promotion on their actual performance (66.7%).

- ❖ With regard to indirect financial compensation respondents are asked to express their feelings about the various indirect compensations provided by their respective organization, hence, majority of the respondents (65%) feels that the number of vacation, Sick leave and Insurance policy (safety, health) set by the bank is adequate. in addition (63.2%) are happy with company's assistance for loans - housing, vehicle, personal and staff loans and (52.4%) of the respondents believe that banks retirement plan is competitive with others in the industry. Moreover, 84.2% of the respondents agree that there is no stock option and profit sharing program in their organization and most employees believe there is no counseling, legal referral, career planning, wellness plan and fitness club membership services in their organization (73%).
- ❖ Respondents are also given answers to questions on non-financial compensations currently available in their bank; accordingly, most of the respondents (46.1%) are happy with working condition, and majority of employees are happy with working hours of the organization (66.75%). Furthermore, large numbers of respondents are happy with organizational culture and work environment (49.2%). In contrast, employees are not given enough recognition for well done work (57.1%) and also they don't get praise from their boss up on accomplishing a task successfully (44.4%).
- ❖ Employee's response regarding current compensation practice reveals, 64.7 % of the respondents believe there is no flexible compensation system, and the effectiveness of compensation is not periodically evaluated (60.7%). Also, some employees agree there is periodic increase in salary (46%), and others 33.3% believe there is no reasonable periodic increase in salary. In addition, 75.8% confirm that they are not involved in compensation related decision. Moreover, (44.5%) of the respondents confirm there is no proper exit interview and also (57.2%) believe that the bank do not use feedback from exit interview for corrective measures. In general most respondents do not feel that the bank is fair and are not happy on employee treatment (44.4%).
- ❖ Large amount of respondents (46.3%) have an intension to quite their present job, in contrast (33%) of the respondents do not have an intention to quite their current job.

Majority of the employees (55.5%) are prepared to leave the organization because of poor compensation they receive. And also more employees are looking for outside opportunities since they are not satisfied with the working environment (46%), in addition, 68.3% of the respondents confirm that if they don't get any career advancement, they could possibly look for other job opportunities. On the other hand, majority of the respondents (73.7%) are searching for a better organization in the moment because they are fed up with their current organization. And also (58.5%) of the respondents are planned to leave the organization as soon as possible.

- ❖ An interview was made with human resource and compensation and benefit managers of the banks under study. The result from the interview reveal that, even if the banks under study have compensation policy and rewarding their employees accordingly, the current compensation practice of their bank is poor in retaining qualified employees as compared to other competitors in the industry. Therefore, their bank is studying the salary and benefit packages of its employees by referring the industry so as to reduce turnover.

## **5.2 Conclusion**

The study tries to assess compensation practice of selected private commercial banks in Ethiopia and to what extent compensation placed by the banks under study would cause employee turnover. The study is also tries to determine the type of compensation that employees most value in order to stay in the organization. As a result the feeling of employees towards direct financial compensation, indirect financial compensation and non-financial compensation has been assessed in the study.

The study is conducted on selected 3 private commercial banks (AIB, NIB and AB). The basis of selection is that employees of these private commercial banks were not satisfied with the current compensation practice of their respective bank and these banks have high employee turnover rate as compared to others in the industry.

Based on the findings of the study the following conclusions are drawn:

- Banks under study do not fairly pay their employees with respect to others in the industry; as a result of this employees are leaving these banks.

- The current salary and benefits offered by these banks is not sufficient to cop up with the ongoing cost of life; due to this employees are looking for a job that rewards better.
- Employees are not rewarded well taking in to account their experience, education and training they have; as a result banks under study are losing most of their talented employees.
- Employees feel positive with regard to indirect financial compensation offered by the bank like; insurance policy (safety, health), assistance for housing loan, vehicle loan, personal and staff loans. But banks under study do not have stock option and profit sharing programs. In addition there is no counseling, legal referral, career planning, wellness and fitness club membership services.
- Banks under study do not acknowledge their employees for well done work and when employees accomplish a task successfully they do not get praise or appreciation, this will affect moral of employee.
- Employees are not happy with the compensation practice placed by their respective bank; so they are ready to leave the organization as soon as they get a better offer from competitors.
- Banks under study do not consider feedback from exit interview to take corrective actions
- Majority of sample respondents agree that they don't have participation in compensation related decisions
- Employees give much concern to direct financial compensation (salary, bonus, commission and tips) in order to stay or leave their organization.
- Indirect financial compensation and non-financial compensation are less likely to cause turnover, because most employees has given positive response.
- Based on the result of the interview, interviewees reply that there is competitive labor market in the industry as a result banks are offering attractive benefit packages to attract potential candidates. In this regard, interviewees believe that their bank was not reacting to this change. Due to this, there is inequity in pay system as compared to others in the industry. As a result of this they are losing their experienced staffs. To tackle this, their bank is undertaking a study on staff benefit.

### 5.3 Recommendation

Based on the findings, the researcher forwarded the following points as recommendation which need to be improved by banks under study.

- Direct financial compensation (salary, bonus, tips and commission) are compensations that employees give value mostly, and are also common causes of employee turnover. According to Henery, (2007), management must compensate employees adequately. They should pay employees based on their performance and in addition they should give employees incentives like individual bonus, lump sum bonus, sharing of profits and other benefits. Hence, if these are put in place they would minimize employee turnover. From the findings banks under study has a problem in this regard. Hence, unless these banks offer attractive salary and benefit to their employees, they will tend to lose their experienced and most talented employees to potential competitors. Therefore, to tackle this problem banks under study must revise their compensation strategy, made a research on the industry on how other competitors are compensating their employees and set their own attractive and competitive salary and benefit. This will help the firms under study not only to retain their experienced staffs but also help to attract potential workforce from the market.
- Working condition is the other factor which will lead employees to turnover. Employees spend most of their time at work, therefore it is important that they have good environment to work in. not only can a poor work environment slow down productivity, but also it can cause employees to consider resigning and moving on to a new job. If employees feel comfortable with their working environment they may stay longer. Therefore, banks under study must create a conducive work environment; where employees will work comfortably, so as to retain their experienced and talented employees.
- Reward and benefits offered by the bank is not fair and not enough to cop up with ongoing cost of life, so the banks has to offer best benefits that reward the effort of the employees. And develop improved compensation strategy, to attract the best candidates who can innovate and lead the company in the industry, and retain high performance employees.

- Banks under study must acknowledge their employees for their best performance, and give praise and recognition every time they accomplish a task successfully. When employees receive recognition and appreciation, it confirms their work is valued, and this increases their satisfaction. On the other hand recognizing and appreciating employees for their good performance will help lower employee turnover.
- Banks under study has to make use of feedback from exit interview. Because exit interviews help to better the organization and boost employee engagement for current workforce by learning from potential mistakes, or looking for opportunities that can be fixed.
- Lack of career advancement in the work place is another factor that causes employees to leave their organization. Therefore, banks under study have to offer enough career development or training opportunities to grow within the company. This will create employee satisfaction and let them to serve the bank longer.

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# Appendix I

ST.MARRY’S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES  
MBA PROGRAM

**Research Questionnaire to be filled by Employees of Selected Private Commercial Banks**

**Dear Sir/Madam;**

This questionnaire is used to collect data from employees of selected private commercial banks in Ethiopia, for conducting Masters of business Administration (MBA) thesis on the title “**Assessment of Compensation Practice an Employee Turnover Intention in selected Private Commercial Banks in Ethiopia**”, as academic requirement for General MBA degree. I assure you that your response to the questionnaire will be treated with utmost confidentiality. The survey result will be analyzed for academic purposes. Thank you for your cooperation in the conduct of this study. Your response will contribute to this academic research.

General instructions

- No need to write your name
- Please complete the following questions to reflect your opinions as accurately as possible and to answer factual questions to the best of your knowledge and at your earliest possible time.

Please check mark (√) the box that best corresponds to your answer for each question below

If you have any query, please contact Ermiyas Kebede, Mobil – 0911471771 e-mail – [ermymar@yahoo.com](mailto:ermymar@yahoo.com)

**Part I: Background of the Respondents**

1. Gender

Male  Female

2. Age Group

20-30  31-40  41-50  Above 50

3. Number of years you have worked in the banking industry

0-5  6-10  11-20  Above 20

4. Number of years you have worked in your current Bank

0-5  6-10  11-15  Above 15

5. Educational Qualification

Diploma  BA Degree  Masters or above

6. Monthly Salary (in Birr)

1000-5000  5001-10000  10001-15000  Above 15000

7. Job Category

Clerical  Managerial

**Part II: Questions related to Compensation and Turnover Intension**

Listed below are statements related to compensation and turnover in your bank. Please indicate your level of agreement with the statement by putting a check mark (√) on appropriate number. Where

**1=Strongly Disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree**

No.	Items	1	2	3	4	5
A	Direct Financial Compensation					
1	The amount of pay I receive for my job is about equal to others doing similar work in other banks					
2	I feel that I am well paid in comparison with my experience, responsibilities and qualification that is equal to the required job					
3	I feel that the performance bonus structure fairly rewards my effort					
4	I am fairly rewarded taking into account the amount of education, training and experience that I have had					

5	Salary packages/monetary incentives are sufficient in my bank					
6	The current salary and benefit being offered by the bank is adequate to cope with the ongoing cost of life					
7	Salary and Reward available in your bank is fair					
8	I feel that I am rewarded with better appraisal rates and grade promotions on my actual performance					
<b>B</b>	<b>Indirect Financial Compensation</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	The number of vacation, Sick leave and Insurance policy (safety, health) set by the Bank is adequate for me					
2	I am happy with company's assistance for loans - housing, vehicle, personal and staff loans					
3	My qualification and experience are considered for promotion and the opportunity are equal to other employees					
4	My company's retirement plan is competitive with others in the industry					
5	My bank provides me a stock option and profit sharing programs					
6	I receive services such as, counseling, legal referral, career planning, wellness plan and fitness club membership from my bank					
<b>C</b>	<b>Non-Financial Compensation</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	I am happy with the working condition					
2	The working hours are satisfactory in the organization					
3	I am happy with organizational culture and work environment					
4	The bank gives enough recognition for well done work and I feel I am appreciated at work					
5	I will receive a praise from my boss every time I accomplish a task successfully					
<b>D</b>	<b>Compensation Practice</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	The bank provides a more flexible compensation system					
2	My bank periodically evaluate the effectiveness of compensation					
3	There is reasonable periodical increase in salary					
4	I am involved in a compensation related decisions					
5	My bank conducts proper exit interview					

6	My bank takes corrective action based on feedback from exit interview					
7	I feel the bank is fair in general and treat employees fairly					
E	Turnover Intention					
1	I often think about quitting my present job					
2	I am prepared to leave my job because of poor compensation I receive from this bank					
3	I am not satisfied with the working environment in my current job, so I would look for outside opportunities					
4	I would look for other job opportunities, if I find no career advancement in this bank					
5	Whenever I get a job in another bank definitely I leave this bank					
6	As soon as possible I will leave this organization					

**Thank you for your cooperation to fill the questionnaire willingly!!!**

## **Appendix II**

**ST.MARRY’S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES  
MBA PROGRAM**

**Interview Questions to be answered by HR Managers/Compensation and Benefit  
Managers of Selected Private Commercial Banks**

The following interview questions are designed to collect information from HR officials regarding “**Assessment of Compensation Practice and Employee Turnover Intention in selected Private Commercial Banks in Ethiopia**”, as academic requirement for General MBA degree.

**List of Interview Questions:**

1. Do you think the compensation policy in your bank is serving its purpose?
2. Do you think the current compensation is sufficient?
3. Do you think the current compensation of the bank is capable of retaining qualified employees?
4. What are the basic factors that affect your compensation decision in your bank?
5. Do you feel that your employees earn adequate financial compensation when compared to the market?
6. Does the bank make exit interview, when employees resign?
7. Does the bank use the information obtained from exit interview?
8. What are the mechanisms the bank used to retain its experienced and qualified employee?

## DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Arega Seyoum (Phd.). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Ermiyas Kebede

Name

\_\_\_\_\_

Signature

**St. Mary's University, Addis Ababa**

**May, 2017**



## ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

Arega Seyoum (Phd.)

Advisor

**St. Mary's University, Addis Ababa**

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Signature

**May 2017**