



**THE EFFECT OF REWARD MANAGEMENT PRACTICE ON
EMPLOYEE ENGAGEMENT:THE CASE OF COMMERCIAL
BANK OF ETHIOPIA (CBE)**

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

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July , 2016

ST MARY'S UNIVERSITY
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The Effect of Reward Management Practice on Employee Engagement: The Case Of
Commercial Bank of Ethiopia (CBE)

By

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Declaration

I, Abeba Habte, hereby declare that the study “**The Effect of Reward Management Practice on Employee Engagement: The Case of Commercial Bank Of Ethiopia**” is my original work and has not been presented for a degree or diploma in any other university and that all sources of material used for the project have been duly acknowledged.

Abeba Habte

Name

Signature

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List of Acronyms

CBE= Commercial Bank of Ethiopia

HRM = Human resource management

HR = Human resource

CIPD = Chartered Institute of Personal and Development

BPR= Business Process Reengineering

SPSS = Statistics package for social science

Sig. = Significance

UWES = Utrecht work engagement scale

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Abstract

Organizations are seeking to develop, motivate and increase the performance of their employees in a variety of human resources applications. Therefore, the reward management system has been considered to be the most considerable practices of the human resource management system. Hence, the main objective of conducting this research study is to determine the relationship between reward and employee engagement. The result of the study may significantly contribute to the knowledge with regard to reward and employee engagement management since it is a contemporary issue of the organization. Quantitative research method through descriptive statistics, correlation and regression analysis were used and in this study 306 data collected from employees of Commercial Bank of Ethiopia found at head office using questionnaires. The data collected was analyzed using SPSS version 20 software. As a result, the result of this study support that reward management practices have significant positive relationship with employee engagement. The findings of this study also propose that integrated reward management approach (total reward) has more positive significant approach on engagement. The study also investigate which components of reward management has unique large contribution on employee engagement and as the result shows pay and compensation has largest unique contribution on employee engagement relative to others components. Therefore, its sound to recommend the organization implement a total reward approach instead of standalone one. It is also advisable for the organization to focus more of on the pay and compensation reward.

Keywords: *Employee Engagement, Reward Management, Total Reward*

Chapter One

Introduction

The focus of this section is mainly addresses the background of the study, statements of the problem, Objectives of the study, Significance of the study, Scope of the study, limitation of the study and organization of the paper in the separate section.

1.1. Background of The Study

Due to competitive pressure organization are continually looking to increase the 'added value' of their employees by encouraging them to increase their effort and performance (Beard Well et.al,1994). Undoubtedly, the most important factor is human in organizations. One of the main management strategies of the organizations is to invest in employees. Organizations are seeking to develop, motivate and increase the performance of their employees in a variety of human resources applications. Therefore, the reward management system has been considered to be the most considerable practices of the human resource management system. The purpose of reward systems are to provide a systematic way to deliver positive consequences. Fundamentally, its purpose is to provide positive consequences for contributions to desired performance. (Wilson 2003).

Reward management deals with the strategies, policies and processes required to ensure that the value of people and the contribution they make to achieving organizational, departmental and team goals is recognized and rewarded. It is about the design, implementation and maintenance of reward systems (interrelated reward processes, practices and procedures) which aim to satisfy the needs of both the organization and its stakeholders and to operate fairly, equitably and consistently (Armstrong, 2012).

The challenge today is not only just retaining talented people, but fully engaging them, capturing their minds and hearts at each stage of their work lives. In recent years the term "employee engagement" has taken a fundamental role on organizational effectiveness (Saks, 2006). According to Kahn (1990) employee engagement is "the harnessing of organizational members' to their work roles; in engagement people employ and express themselves physically, cognitively, and emotionally during role performances."

The research evidence linking employee engagement with performance and other important organizational outcome generated a widespread belief amongst senior executives and HR practitioners that improving and sustaining high levels of employee engagement is good for business (Attridge, 2009). (Harter et al., 2002) argued that within the broad category of employee well-being, engagement is associated with more frequent experiences of positive effect, which then lead to “the efficient application of work, employee retention, creativity and ultimately business outcomes”. Having an engaged workforce in the organization is important because research shows that engaged workers help organizations gain benefits such as increased efficiency, higher levels of customer satisfaction, higher productivity, and lower turnover rates (Buhler, 2006).

Increasing motivation and raising levels of commitment and engagement are key organizational requirements. The development of reward management policies, structures and practices is supported by the assumptions about how people can best be motivated to deliver high levels of performances, discretionary effort and contribution (Armstrong and Murlis, 2004). The approach to employee engagement, discussed by Robinson et al (2004), stresses the importance of 'feeling valued and involved' as a key driver of engagement. Within this umbrella of feeling valued and involved there are a number of elements that have a varying influence on the extent to which the employee will feel valued and involved and hence engaged. The diagnostic model of Robinson et al (2004), illustrates the drivers of engagement in which the 'hygiene' factors, such as pay and benefits and health and safety, training, learning, career and development, performance appraisal and communication, work life balance are included.

According to Dewhurst (2010), employees want to get both types of rewards means financial and non-financial rewards. Some employees prefer the financial rewards and other are non-financial rewards that opportunity to take an important tasks and projects, attention and encouragement of leadership. In this way employees feel that they are being valued by the employers and also feel that the company is seriously involved in employee's career and development.

The provisions of competitive compensations (financial, non-financial as well as good employee benefit package) are important in maintaining the employees engagement, reducing turnover, minimizing absenteeism and overall to ensuring the well-being of the organization for long period of time in current volatile environment. (Armstrong, 2006)

As we all know CBE is the leading bank in Ethiopia, established in 1942 and this bank is also Pioneer to introduce modern banking to the country. It has more than 1000 branches stretched across the country. The aim of this study is to investigate and analyze how well the current reward system of CBE helps to generate employee engagement. More specifically it aims to find out which aspects of the reward system functions well, and which aspects could be further developed and improved in order to increase employee engagement.

Therefore, in the view of above concepts the study was conducted to identify the relationship between reward and employee engagement in Commercial Bank of Ethiopia. This result helps the Commercial Bank of Ethiopia managers to give more attention to the variable that enhanced employee engagement and to formulate effective reward management practice in the competing environment.

1.2.Statement of The Problem

Now a days all firms or business entities are facing so many issues related to employee's job performance and employee's job satisfaction. Many literatures mention that businesses that wants to deliver better quality to satisfy its customers should first solve any problems related to employees unfulfilled need as fulfilling employee needs enhances employee motivation and retention. And as a consequence, the higher the degree of employee satisfaction result in the higher the possibility of generating customer satisfaction and loyalty (Zampetakis and Moustakis2007). Sita Mishra, (2010) noted in the service organization like banks that employees play a vital part as the service offered to customers, and hence there is a need to ensure that they can proficiently deliver the promises made to customers in all service delivery encounters.

The study of CIPD (2007) underlined that the key driver for engagement are importance of the nature of the work and the resources available to do the job, career and development opportunities, the work environment and the rewards and benefits on offer. Particularly Rewards & benefits (Pay, benefits, recognition & incentive etc.), career opportunities, learning and development, quality of life (work/life balance, physical work environment) which are the constituent of total reward have grater impacts on employee engagement. In addition the research report of CIPD (2007) revealed that various demographic and biographic factors like gender, age, salary level, experience, education, job position etc affects engagement of employees.

The research by Reilly and Brown (2008) contend that appropriate reward practices and processes, both financial and non-financial and managed in combination, can help to build and improve employee engagement, and that badly designed or executed rewards can hinder it. Their model based on research into how reward policies influence performance through engagement; providing regular open feedback, building team work, career development, and work life balance through applying variable pay strategy, team rewards, recognition to end up with the employee engagement through satisfaction, feeling involved, developed and committed performance.

Derara,(2014) shown that when employees receive rewards and recognition from their organization, they will feel obliged to respond with higher levels of engagement. And also the study discovered that when employees believe that their organization is concerned about them and cares about their well-being, they are likely to respond by attempting to full fill their obligations to the organization by becoming more engaged. Maslach et al, (2001) have also suggested that while a lack of rewards and recognition can lead to burnout, appropriate recognition and reward is important for engagement.

Due to the increased importance and critical role of the intellectual assets plays i.e human resources, Commercial Bank of Ethiopia started to hire academically qualified graduate students especially following the BPR program held in the bank. According to the HR manager at the interview session, among others, one of the expected output of the process reengineering were to make a convenience environment to the employee so as to gain the maximum advantage that can be gained from them. The manager also extended its words, though the program brought about a good progress towards the enablement of the employee to engage more on their duties, still remained a lot to be done.

To this end, the bank in collaboration with an international consultancy group, made a survey to assess the bank's employee engagement practice some 5 years before, and according to the HR manager, the output of the assessment reveals that there is a gap and the banks employees are not engaged as per it should be. Consequently, the bank has made an appropriate action to bridge the gap and make each employee more engaged in his/her duties. Among others, financial and non-financial benefits were deployed. As result progress has been shown in the bank's various organs.

As mentioned in the above, from the informal interviews conducted with HR managers and the researcher's personal observation have shown that there is an increasing employee turnover and also it is routine to hear complains and grievance from the employee side. All this negative perception of employee might be the outcome of unsuccessful reward practice that fails to achieve its target.

Hence, this research was attempted to investigate the relationships between reward management practice and employee engagement in CBE.

1.3. Research Questions

The study aimed to answer the following questions.

1. What is the perception of the practice of reward management and employee engagement in CBE?
2. Is there any relationship between reward practice and employee engagement in CBE?
3. What specific elements of reward management practice most affect CBE's employee engagement?
4. What is the effect of reward management practice on employee engagement?

1.4. Objectives of the study

1.4.1. General Objective

The general objective of the study was to investigate the effect of reward management practices on employee engagement of Commercial Bank of Ethiopia (CBE).

1.4.2. Specific Objectives

The specific objectives of this study was ;

1. To investigate the perception of the practice of reward management and employee engagement in Commercial Bank of Ethiopia.
2. To identify the relationship between reward management practices and employee engagement.
3. To identify the specific components of reward management practices that lead to employee engagement.
4. To investigate the impact of reward management practices on employee engagement

1.5.Scope of The Study

The study was focus on investigating the effect of reward management practice on employee engagement in CBE. CBE is a pioneer bank in Ethiopia and it has the largest number of employees of any other banks in the country. For the purpose this study, and due to the cost and other resource limitation, the researcher delimit its scope on head office, that is found in Addis Ababa with the assumption that it could be representative of other branches in the country.

Armstrong`s (2010), reward survey questionnaire or measurement tools were applied to collect data on reward. The CBE`s reward management system is analyzed in terms of financial and non-financial rewards. The financial category, which is also called total remuneration, includes base pay, contingent pay, allowance, and employee benefits. The non-financial rewards, on the other hand, encompass employee recognition, certificates, assignments in team responsibilities, and the like. So the study focus on the financial and non-financial part of reward system.

The most commonly used measurement of engagement, within the research community has been the one associated with the definition of engagement as a “positive, fulfilling, work related state of mind” (Schaufeli et al, 2002). This is known as the ‘Utrecht Work Engagement Scale (UWES), characterized by vigor, dedication, and absorption. According to Schaufeli et al, (2002), ‘**Vigor** is characterized by high levels of energy and mental resilience while working, the willingness to invest effort in one’s work, and persistence even in the face of difficulties. **Dedication** refers to being strongly involved in one's work and experiencing a sense of significance, enthusiasm, inspiration, pride, and challenge. **Absorption**, is characterized by being fully concentrated and happily engrossed in one’s work, where by time passes quickly and one has difficulties with detaching oneself from work. Hence, the two tools were combined and made a unit measurement tool for this study.

1.6. Limitation of the Study

The researcher had faced different limitations in the process of collecting relevant information such as lack of cooperation of the respondents and their commitment to complete filling the questionnaires as well as delaying in responding the questionnaires. The lack of relevant and up to date literature, lack of localized previous research papers in the area was also major constraints in this study.

1.7. Significance of the study

This study has a good deal of lessons because it was conducted in a large institution with many years of experience in banking service provision. Beneficiaries of the research output will include the organization itself; to identify its gaps in reward management and employee engagement practice and filling those gaps. Other organizations also benefited and they might take it as an input to deal with similar problems in their respective cases. The other potential beneficiaries of this study will be other researchers who can use it as an additional reference for further research. Finally, it was a great privilege for me to gain a great deal of knowledge and understanding of basic theories and concepts of reward management and employee engagement which play a crucial role in the overall achievement of the organization's success.

1.8. Organization of The Study

This study has five chapters. Chapter one consists of introduction/background of the study, statement of the problem, research question, objective of the study, significance of the study and scope of the study included in a separate section. Chapter two presents the related literature to the subject under study. The research methodology and design were discussed in the third chapter. Chapter four dealt with data analysis, results and discussion and finally summaries of major findings, conclusions, and recommendations were discussed under chapter five. Survey questionnaire that was used for data collection is attached to this document as an appendix.

Chapter Two

Related Literature Review

2.1.What Is Reward?

Reward refers to all the monetary, non-monetary and psychological payments that an organization provides for its employees in exchange for the work they perform. It includes extrinsic and intrinsic rewards. (Bratton, 2007). Intrinsic rewards are derived from ‘the content of the task itself and include such factors as interesting and challenging work, self-direction and responsibility, variety, creativity, opportunities to use one’s skills and abilities and sufficient feedback regarding the effectiveness of one’s efforts. Extrinsic rewards on the other hand comprise promotions, private office space and the social climate. Other examples include competitive salaries, pay raises, merit bonuses and time-off’ (Hatice, 2012).

2.2.Reward Management

Reward management is concerned with the strategies, policies and practices required to ensure that the value of people and the contribution they make to achieving organizational, departmental and team goals is recognized and rewarded. It is about the design, implementation and maintenance of reward systems that aim to satisfy the needs of both the organization and its stakeholders and to operate fairly, equitably and consistently. Reward management is not just about pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility. (Michael Armstrong, 2010)

2.3. Aims of Reward Management

As Michael A. & Stephen T (2014) pointed out, the overall aim of reward management should be to add value to people. It is not just about attaching value to them. More specifically, the aims are to:

- Support the achievement of business goals through high performance;
- Develop and support the organization’s culture;
- Align reward practices with employee needs;

- Help to attract and retain the high-quality people the organization needs;
- Win the engagement of people.
- Define what is important in terms of behaviors and outcomes;
- Reward people according to what the organization values and rewarding them according to the value they create;

2.4. Reward Philosophy

According to Armstrong & Taylor (2014) The reward philosophy of the organization represents its beliefs about how people should be rewarded. Reward philosophies can be expressed as guiding principles that define the approach an organization takes to dealing with reward. They are the basis for reward policies and provide guidelines for the actions contained in the reward strategy. The reward philosophy can be communicated to employees so that they understand the background to the reward policies and practices that affect them. Guiding principles are often agreed by top management with advice from company reward specialists or external consultants. But they will be more acceptable if members of the organization are involved in their definition. Guiding principles can then be communicated to everyone to increase understanding of what underpins reward policies and practices.

Reward guiding principles are concerned with matters such as:

- Operating the reward system justly, fairly, equitably and transparently in the interests of all stakeholders;
- Developing reward policies and practices that support the achievement of business goals;
- Rewarding people according to their contribution;
- Recognizing the value of everyone who is making an effective contribution, not just the exceptional performers;
- Creating an attractive employee value proposition;
- Providing rewards that attract and retain people and enlist their engagement;
- Helping to develop a high-performance culture;
- Maintaining competitive rates of pay;
- Maintaining equitable rates of pay;

- Allowing a reasonable degree of flexibility in the operation of reward processes and in the choice of benefits by employees;
- Devolving more responsibility for reward decisions to line managers.

2.5.Reward System

According to Armstrong and Stephen T. (2014) A reward system consists of the interrelated processes and practices which combine to ensure that reward management is carried out effectively to the benefit of the organization and the people who work there. The major components of reward are financial and non-financial rewards, which are combined to form a total reward system.

2.5.1. Financial Rewards

Financial rewards consist of job-based pay, which provides pay related to the value of the job, and person-based pay, which provides rewards that recognize the individual's contribution. They also include employee benefits and pensions and financial, recognition schemes. The management of job and person-based pay involves:

- **Pay determination** – making decisions on the value of jobs by means of market pricing and job evaluation.
- **Base pay management** – developing and operating pay structures that group jobs into grades, bands or levels in accordance with internal and external relativities and usually provide for pay progression.
- **Contingent pay** – planning and managing schemes that provide for pay progression related to performance, contribution, competence, skill or length of service.

2.5.2. Non-Financial Rewards

Non-financial rewards focus on the needs people have to varying degrees for recognition, achievement, personal growth and acceptable working conditions. They include the non-financial recognition of achievements, the design of fulfilling jobs, giving people the scope to develop their skills and careers and offering a work environment that provides a high quality of working life and an appropriate relationship between work and private life (work-life balance). Non-financial rewards can be extrinsic, such as praise or recognition, or intrinsic, associated with job challenge and interest and feelings that the work is worthwhile.

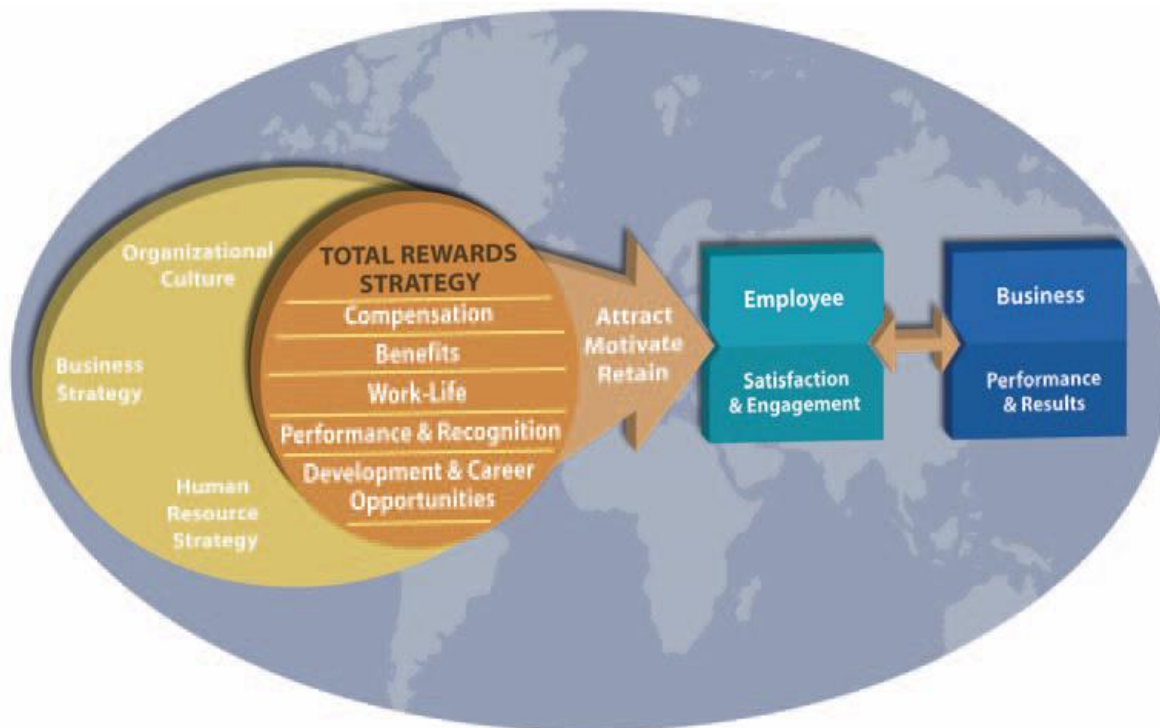
2.6.Total Rewards.

As defined by Manus and Graham (2003), total rewards include all types of rewards – indirect as well as direct, and intrinsic as well as extrinsic. A total reward approach is holistic, reliance is not placed on one or two reward mechanisms operating in isolation, and account is taken of every way in which people can be rewarded and obtain satisfaction through their work. The main objective of total reward is to maximize the combined impact of a wide range of reward initiatives on motivation, commitment and job engagement.(Armstrong, 2010)

The other definition offered by WorldatWork (2006), who stated that total rewards are all of the employer's available tools that may be used to attract, retain, motivate, satisfy and win the engagement of employees.

The Worldat Work (2006), model recognizes that total rewards operate in the context of overall business strategy, organizational culture and HR strategy. Indeed, a company's exceptional culture or external brand value may be considered a critical component of the total employment value proposition. The backdrop of the Worldat Work model is a globe, representing the external influences on a business, such as, legal/regulatory issues, cultural influences and practices and competition. This model is shown in figure 1.1 below.

Figure 1.1: WorldatWork model of total reward



(Source WorldatWork (2010), retrieved from www.worldatwork.org/totalrewards)

2.6.1. The Elements of Total Rewards

According to Armstrong (2010), there are five elements of total rewards, each of which includes programs, practices, elements and dimensions that collectively define an organization's strategy to attract, motivate and retain employees. These elements are:

- **Compensation**:- Pay provided by an employer to an employee for services rendered (i.e. time, effort and skill). Includes both fixed and variable pay tied to levels of performance.
- **Benefit Programs** an employer uses to supplement the cash compensation that employees receive. These health, income protection, savings and retirement programs provide security for employees and their families.
- **Work-Life**:-A specific set of organizational practices, policies and programs, plus a philosophy, that actively supports efforts to help employees achieve success at both work and home.

- **Performance and Recognition:-**

- **Performance:** The alignment of organizational, team and individual efforts toward the achievement of business goals and organizational success. It includes establishing expectations, skill demonstration, assessment, feedback and continuous improvement.
- **Recognition:** Acknowledges or gives special attention to employee actions, efforts, behavior or performance. It meets an intrinsic psychological need for appreciation of one's efforts and can support business strategy by reinforcing certain behaviors (e.g., extraordinary accomplishments) that contribute to organizational success. Whether formal or informal, recognition programs acknowledge employee contributions immediately after the fact, usually without predetermined goals or performance levels that the employee is expected to achieve. Awards can be cash or noncash (e.g., verbal recognition, trophies, certificates, plaques, dinners, tickets, etc.)

- **Development and Career Opportunities:-**

- **Development:** A set of learning experiences designed to enhance employees' applied skills and competencies. Development engages employees to perform better and engages leaders to advance their organizations' people strategies.
- **Career Opportunities:** Involve the plan for employees to advance their career goals. May include advancement into a more responsible position in an organization. The company supports career opportunities internally so that talented employees are deployed in positions that enable them to deliver their greatest value to the organization.

2.7.The significance of total rewards

The basic premise of total rewards is that there is more to rewarding people than throwing money at them. As Giancola (2008) notes, 'It is effective because it focuses on the big picture.' For O'Neal (1998), a total rewards strategy is critical to addressing the issues created by recruitment and retention, employee engagement as well as providing a means of influencing behavior. It can help create a work experience that meets the needs of employees and encourages them to contribute extra effort, by developing a deal that addresses a broad range of issues and by spending reward dollars where they will be most effective in addressing workers' shifting values.

2.8. Approach to Reward Management

According to Armstrong (2010), the following are different approach to reward management practice:-

A) Stakeholder Approach

The purpose of human resource management is to meet the needs of all the stakeholders in the business – employees, customers, and suppliers and the public at large as well as management and shareholders. Reward management shares that purpose. In doing so, it can make a significant contribution to meeting the varied needs of stakeholders successfully. It is accordingly concerned with improving business performance, shaping the behavior of employees and developing a climate of trust and employee engagement. And reward management can best do this if it is evidence based.

B) Integrated Reward Management

Integrated reward management is an approach to reward management that provides for reward policies and practices to be treated as a coherent whole in which the parts contribute in conjunction with one another to ensure that the contribution people make to achieving organizational, departmental and team goals is recognized and rewarded. It consists of a related set of activities that impinge and impact on all aspects of the business and the HRM practices within it.

Strategic integration: the vertical integration of reward strategy with business strategy.

HRM integration: the horizontal integration of reward strategies with other HR strategies, especially those concerned with high performance, engagement, talent management and learning and development.

Reward integration: the internal integration of reward to ensure various aspects cohere and that a total reward philosophy is adopted that means a full range of mutually supporting financial and non-financial rewards is used.

C) Strategic reward management

Strategic reward can be described as an attitude of mind to be convinced of the virtue of systematically deciding what must be done and to believe in the need to plan ahead and make the plans happen. In the words of Brown (2008) strategic reward is ultimately a way of thinking that you can apply to any reward issue arising in your organization, to see how you can create value. Its aim is to create reward processes which are based on beliefs about what the organization values and wants to achieve through engagement. It does this by aligning reward practices with both business goals and employee values.’ Strategic reward focuses on methods of achieving vertical, horizontal and internal integration.

D) Evidence-based reward management

It is the management of reward systems on the basis of fact rather than opinion, on understanding rather than assumptions, on grounded theory rather than dogma. It is concerned with establishing what constitutes good practice, although it does not assume that good practice is necessarily ‘best practice’. What works well elsewhere will not necessarily work as well within the organization. In general, best fit is more important than best practice.

2.9. Concept of Employee Engagement

The concept of engagement was defined by Gallup (2009) as: ‘The individual’s involvement and satisfaction with as well as enthusiasm for work’. Sparrow (2009) noted that a number of other well-known applied research and consultancy organizations have defined engagement on similar lines, often emphasizing the importance of discretionary effort as the key outcome or distinguishing feature of an engaged employee. An academic definition based on research by Maslach et al (2001) referred to engagement as: ‘A positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption’.

The Institute for Employment Studies (IES) and (Robinson et al, 2004) defined employee engagement as follows:

- Engagement is a positive attitude held by the employee towards the organization and its values. An engaged employee is aware of business context, and works with colleagues to improve performance within the job for the benefit of the organization. The organization

must work to nurture, maintain and grow engagement, which requires a two-way relationship between employer and employee.

An engaged employee was defined by Bevan et al (1997) as someone who is aware of business context, and works closely with colleagues to improve performance within the job for the benefit of the organization. Watson et al, (2001) defined engaged performance as a result that is achieved by stimulating employees' enthusiasm for their work and directing it towards organizational success. This result can only be achieved when employers offer an implied contract to their employees that elicit specific positive behaviors aligned with the organization's goals.'

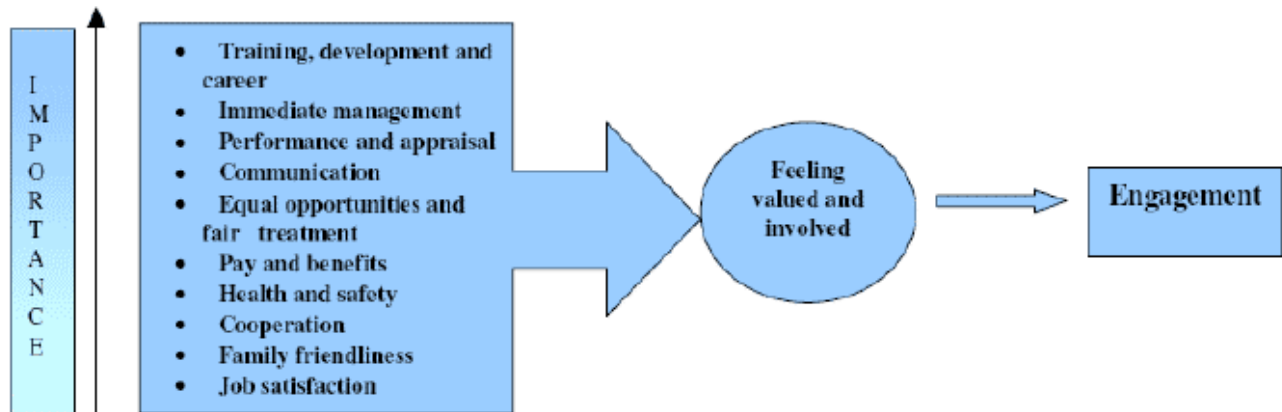
According to Schaufeli et al. (2002), defined engagement as a persistent, positive affective-motivational state of fulfillment in employees that is characterized by vigor, dedication, and absorption. Vigor refers to high levels of energy and resilience while working, the willingness to invest effort in the work, the ability to not be easily fatigued, and persistence even in the face of difficulties. Dedication refers to a strong involvement in one's work, accompanied by feelings of enthusiasm and significance, and by a sense of pride and inspiration. Finally, absorption refers to a pleasant state of total immersion in one's work, which is characterized by time passing quickly and being unable to detach oneself from the job

2.10. Factors Affecting Employee Engagement

Research cited by IDS (2007) has identified two key elements that have to be present if genuine engagement in its broadest sense is to exist. The first is the rational aspect, which relates to employees' understanding of their role, where it fits in the wider organization, and how it aligns with business objectives. The second is the emotional aspect, which has to do with how people feel about the organization, whether their work gives them a sense of personal accomplishment and how they relate to their managers.

Above all engagement will be affected by reward element like pay, benefits, promotion or career opportunities, learning and development, recognition and feedback, work and job design, the quality of life provided by the working environment and the quality of leadership which are the components of total reward management (Robinson, 2004). The following figure 1.2 shows the mode.

Figure,1.2. Model of engagement By Robinson et al.



Source: Robinson et al (2004)

2.11. Empirical Reviews

According to the research study by Mori, (2008) there is no single driver for employee engagement. Rather it requires a whole organization approach that taps into its specific strategic need to be successful. What's equally clear is that many employers instinctively understand that reward management and recognition are a crucial factor in building the engagement of their employee and many have yet to fully integrate it into an engagement strategy.

Further, the study of "Corporate Leadership Council" Studies (2004) and CIPD (2007) underlined that the key driver for engagement are importance of the nature of the work and the resources available to do the job, career and development opportunities, the work environment and the rewards and benefits on offer. Particularly Rewards & benefits (Pay, benefits, recognition & incentive etc.), career opportunities, learning and development, Quality of life (work/life balance, physical work environment) which are the constituent of total reward have greater impacts on employee engagement.

The worldat work, (2010), study shows that the causal relationship between total reward and organizational performance linked by employee engagement which comprises compensation, benefits, work life balance, performance feedback and career and development that increase employee engagement which in turn improves organizational performance.

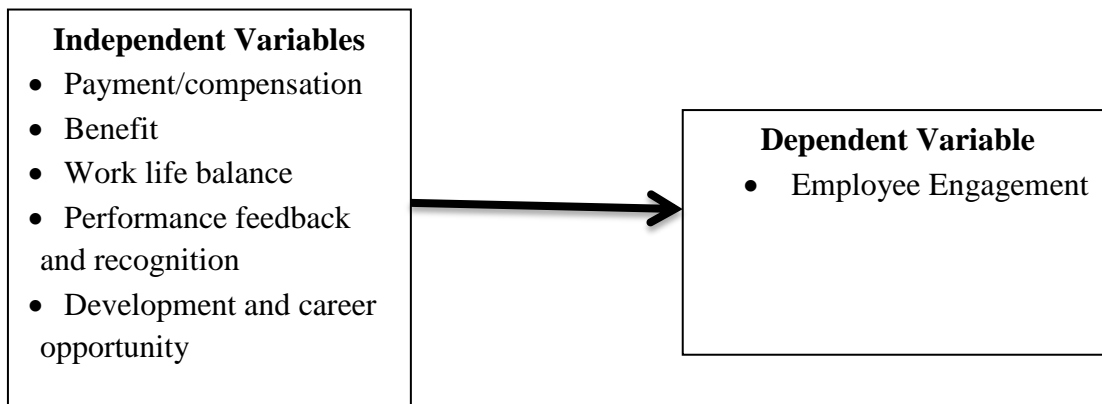
According to the research by Reilly and Brown (2008) contend that appropriate reward practices and processes, both financial and non-financial and managed in combination, can help to build and improve employee engagement , and that badly designed or executed rewards can hinder it. Their model based on research into how reward policies influence performance through engagement; providing regular open feedback, building team work, career development ,and work life balance through applying variable pay strategy, team rewards, recognition to end up with the employee engagement through satisfaction , feeling involved, developed and committed performance.

Derara (2014), study supports the inclusion of job characteristics, rewards and recognition, and organization justice in models of employee engagement. The results have important implications for assisting managers and companies to better understand and control factors that may lead to improved levels of employee engagement. And the result also shows that when employees receive rewards and recognition from their organization, they will feel obliged to respond with higher levels of engagement.

2.12. Conceptual Framework of The Study

Based on the overall review of related literatures the following conceptual frame work is develop by the researcher. The conceptual frame work used in this study shows the relationship between reward management practice and employee engagement.

Figure 1.3 Conceptual Framework



(Source: Modified from Robinson and worldatwork`s 2004 and 2006)

Chapter Three

Research Design and Methods

The purpose of this chapter is to describe the research design that was employed to achieve the objectives of the study. It also discuss the research design, source of data and sampling technique, the data collection instrument and methods of data analysis used in the entire study.

3.1. Research design

The method of this study was explanatory survey study, which is used to answer the research questions as it is considered appropriate. The aim of this explanatory research is to deeply examine the relationship of reward management practice with employee engagement. In this study the researcher was used quantitative data and the questionnaire was used to gather data on reward and employee engagement. Further, Armstrong`s reward survey questionnaire or measurement tools was applied to collect data on reward. Data on employee engagement was gathered with help of Utrech point work engagement scale (UWES). Therefore, the two tools are combined and made a single questionnaire.

3.2. Type and Source of Data

The necessary data for this study was collected from both primary and secondary sources. The primary data was collected through questionnaires from the employee of CBE. And also in this study secondary information was used from books, journals, published/unpublished materials, from the corporation website and newsletters of the organization.

In the survey questionnaire consists previously tested questions and it has three sections. The first section was designed to collect demographic profile of the employees. The second section is about reward management practice and Michael Armstrong`s reward measurement tool was used in developing the questionnaire. All items were responding to 5 point Likert agreement scale. 1. Strongly disagree, 2. Disagree, 3. Neutral, 4 Agree, 5. Strongly disagree. And the last section was focus on engagement and Utrech point work engagement scale (UWES) was also used to collect the data on the level of employee work engagement of the respondents. It measures how often the participants have felt about their job and the feeling was marked by 7 scale likert scale.

3.3. Sample Design and Sampling Techniques

The study is particularly interested to identify the effect of reward management practice on employee engagement in the case of commercial bank of Ethiopia. Thus, the population of the research study is employees of CBE who are working at the head office that are found in Addis Ababa. The sampling technique that is used in this study is a non-probabilistic convenience sampling technique. The preliminary survey undertaken by the researcher collected from the human resource transaction office of commercial bank of Ethiopia indicates that currently there are 2629 permanent employees working at the head office. Based on the above targeted population the sample size of this study determined by the following formula. (Cochran , 1977)

$$S = \frac{X^2NP(1 - P)}{d^2(N - 1) + X^2P(1 - P)}$$

Where:

S = Sample Size

X= the table value of 95% confidence interval which is conventional, x value is 1.96

N = the population size

P = the population proportion (assumed to be 0.5 for it provides the maximum sample size)

d = the degree of accuracy expressed as a proportion (0.05)

$$X = 1.96 \quad N = 2629$$

$$P = 0.5 \quad d = 0.05$$

$$S = \frac{(1.96^2)(2629)(0.5)(1 - 0.5)}{(0.05^2)(2629 - 1) + (1.96^2)(0.5)(1 - 0.5)}$$

$$S = \frac{(3.8416)(1314.5)(0.5)}{(0.0025)(2628) + (3.8416)(0.5)(0.5)}$$

$$S = \frac{2524.89}{7.5304}$$

$$S = 335.29$$

Therefore, the result of the equation was 335.29 and approximately 336 representative samples were taken from 2629 population size for the questionnaire survey.

3.4.Data Collection Method And Measurement Procedures

In this study the researcher used structured questionnaire to obtain first-hand information by using reward measurement and employee engagement instrument that exist in the literature. Michael Armstrong`s reward measurement tool (Armstrong, 2010) was used in developing questionnaire to collect data on reward management practice. The questions on reward management were respond to 5 point Likert agreement scale. And also Utrecht work engagement scale (UWES) (Schaufeli et al, 2003) was also used to collect data on the level of employee work engagement of the respondents.

3.5.Reliability of the Measurement

Hair et al. (2007) defines reliability as the extents to which a variable or a set of variables is consistent in what it is intended to measure. To insure the consistency of the instrument in this study it was used the cronbach`s alpha coefficient. According to Kothari (2004) the Cronbache alpha coefficient of a scale should be above .70. When the Cronbach alpha is low, it indicates low reliability and this means that the measuring instrument is not consistent in its measurement. The following table shows that the reliability test result from the pilot study.

Case Processing Summary

| | N | % |
|-----------------------------|----|-------|
| Valid | 29 | 97.3 |
| Cases Excluded ^a | 1 | 2.7 |
| Total | 30 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

| Cronbach's Alpha | N of Items |
|------------------|------------|
| .857 | 50 |

As it is shown from the above Cronbach's alpha coefficient, which in this case is result for the reliability test is 85.70 % which is in the range of acceptable limit.

3.6.Validity

Hair et al. (2007) defined the validity as “the degree to which a measure accurately represents what is supposed to”. Validity is the degree to which all of the evidence points to the intended interpretation of test scores for the proposed purpose. In this study to reduce the ambiguity and vagueness the questionnaires were distributed to 30 employees found at head office and tested the Armstrong's reward measurement survey questionnaire and Utrech work engagement scale (UWES) to serve the purpose of the study more before using it to the actual study.

3.7.Data Analysis Method

As repeatedly stated on this study questionnaire were used for collecting data from the employees of the bank found at head office.

The study use descriptive analyses to analyze the data collected. Correlations analysis was implement to measure the statistical significant relationship of the reward and its component and employee engagement. Simple and multiple regressions were used to study the relation of the independent variable (reward) and its elements on the dependent variable (employee engagement). Then, the data inputted into the Statistical Package for Social Sciences (SPSS) to interpret the result.

Chapter Four

Data Analysis and Presentation

This study was conducted at commercial bank of Ethiopia in the head office to assess the effect of reward management practice on employee engagement. This analysis was conducted by using the data collected from primary and secondary sources. The researcher distributed 336 questionnaires to employees of the commercial bank of Ethiopia. Out of which 306 questionnaires are returned so the response rate is 91.1%. The data collected through questionnaires are presented below with the help of tables.

4.1. Demographic Characteristics of the Respondent

Table 4.1. The respondents general profile in the study

| Parameters | | Frequency | Percent |
|-------------------------------|------------------------|-----------|---------|
| Gender | Male | 187 | 61.1 |
| | Female | 119 | 38.9 |
| | Total | 306 | 100.00 |
| Age | 20-25 | 38 | 12.4 |
| | 26-30 | 87 | 28.4 |
| | 31-35 | 126 | 41.2 |
| | 36-40 | 37 | 12.1 |
| | 41-45 | 18 | 5.9 |
| | Total | 306 | 100.00 |
| Experience In CBE | 1-5 | 187 | 61.1 |
| | 6-10 | 55 | 18.0 |
| | 11-15 | 45 | 14.7 |
| | 16-20 | 14 | 4.6 |
| | 21-25 | 5 | 1.6 |
| | Total | 306 | 100.00 |
| Educational Background | Diploma | 10 | 3.3 |
| | Degree | 249 | 81.4 |
| | Master | 47 | 15.3 |
| | Total | 306 | 100.00 |
| Salary Level | 4501-6500 | 30 | 9.8 |
| | 6501-7500 | 54 | 17.6 |
| | 7501-8500 | 124 | 40.5 |
| | 10501-11500 | 35 | 11.4 |
| | Over 11501 | 63 | 20.7 |
| | Total | 306 | 100.00 |
| Position | Clerk | 48 | 15.7 |
| | Professional Employees | 248 | 81.0 |
| | Manager | 10 | 3.3 |
| | Total | 306 | 100.0 |

As it shows in the above table 4.1 more than half of the respondents were male which is 187(61.1%) and 119(39.9) were female from out of 306 respondents. Therefore, the majority respondents are male. The above table also illustrates respondent's age category. From the valid number of participants, the number of respondent in the age 20 -25 years range is equal to 38 (12.4%) and 87(28.4%) respondents are between 26 -30 years age range. Further,126 (41.2%) respondents are fall in the range of 31-35 while 37(12.1%) is in the year range of 36-40. The rest 18(5.9%) respondents are fall in the year range of 41-45. This indicates the majority of the research participant was found between the age ranges of 31-35 years.

The majority of the respondents 187 (61.1%) had between from 1-5 years and 6-10 years which is 55(18.0%) in number. 45(14.7%) are serving the bank for 11-15 years while 14(4.6%) and 5(1.6%) respondents fall in the service year of 16-20 and 21.-25 years respectively. The description shows that majority of the respondents serving the bank for 1 up to 5 years.

Result from the above table shows about educational background of the respondents' revealed that the majority 249 (81.4%) of the respond had first degree level. The rests 47(15.3%) and 10(3.3%) had MA degree and diploma holders respectively. This implies that the majority of employees under this study area are first degree graduates.

The majority of respondents which is 124(40.5%) has a salary level of 7501-8500 while 63(20.7%) of the respondent get a salary level over 11501. 54(17.6%), 35(11.4%) and 30(9.8%) have a pay level of 6501-7500,10501-11500 and 4501-6500 respectively.

As table 4.1 shows that the number of clerk is 48(15.7%) and the major share of the respondents are fall professional employees which is 248(81.0%) . The rest of the respondents 10(3.3%) are managers.

4.2. Correlation analysis

Correlation analysis is used to describe the strength and direction of the linear relationship between two variables. According to Julie P. (2011), Pearson correlation coefficients (r) can only take on values from -1 to $+1$. The sign indicates whether there is a positive correlation (as one variable increases, so too does the other) or a negative correlation (as one variable increases, the other decreases). The size of the absolute value (ignoring the sign) provides an indication of the strength of the relationship. A perfect correlation of 1 or -1 indicates that the value of one variable can be determined exactly by knowing the value on the other variable. This part contains the relationship between reward and employee engagement.

Table 4.2. Relationship of reward and employee engagement

| Correlations | | | |
|---------------------|---------------------|--------|------------|
| Construct | Measure | Reward | Engagement |
| Reward | Pearson Correlation | 1 | .346** |
| | Sig. (2-tailed) | | .000 |
| | N | 305 | 299 |
| Engagement | Pearson Correlation | .346** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 299 | 299 |

** . Correlation is significant at the 0.01 level (2-tailed).

As shown in the above table the reward is significant and positively correlated with employee engagement with the coefficient of ($r=.346$, $p<0.01$). According to the above table the result shows that the increase or decrease of reward practice will change employee engagement.

Table 4.3 Relationship of Pay/compensation with employee engagement

| Construct | Measures | Pay or compensation | Engagement |
|---------------------|---------------------|---------------------|------------|
| Pay or compensation | Pearson Correlation | 1 | .497** |
| | Sig. (2-tailed) | | .000 |
| | N | 295 | 291 |
| Engagement | Pearson Correlation | .497** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 291 | 291 |

** . Correlation is significant at the 0.01 level (2-tailed).

As it is shown in table 4.3 above Pay or compensation has significant and strong positive correlation with employee engagement since the value of Pearson correlation ($r=.497$ and $P<.01$).

Table 4.4 Correlation of benefit and employee engagement

Correlations

| | | Benefit | Engagement |
|------------|---------------------|---------|------------|
| Benefit | Pearson Correlation | 1 | .279** |
| | Sig. (2-tailed) | | .000 |
| | N | 304 | 302 |
| Engagement | Pearson Correlation | .279** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 302 | 304 |

** . Correlation is significant at the 0.01 level (2-tailed).

As it shows in the above table since ($r =.279$, $p<.01$) benefit and employee engagement has significant and positive relationship. i.e the decrease or increase of benefit for employee has direct relationship with employee engagement.

Table 4.5 Relationship of work life balance with employee engagement

| Construct | Measures | Work Life Balance | Engagement |
|-------------------|---------------------|-------------------|------------|
| Work Life Balance | Pearson Correlation | 1 | .444** |
| | Sig. (2-tailed) | | .000 |
| | N | 299 | 291 |
| Engagement | Pearson Correlation | .444** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 291 | 291 |

** . Correlation is significant at the 0.01 level (2-tailed).

According to the above table result there is a significant strong correlation between work life balance and employee engagement since the value of Pearson correlation($r= .444$ and $p<.01$).

This result implies that the presence or absence of work life balance has direct relationship with the employee engagement.

Table 4.6 relationship of performance recognition and employee engagement

| Construct | Measure | Performance and recognition | Engagement |
|-----------------------------|---------------------|-----------------------------|------------|
| Performance and recognition | Pearson Correlation | 1 | .417** |
| | Sig. (2-tailed) | | .000 |
| | N | 301 | 291 |
| Engagement | Pearson Correlation | .417** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 291 | 291 |

** . Correlation is significant at the 0.01 level (2-tailed).

As it can be shown in the table 4.6, above the Pearson correlation($r=.417$ and $p<.01$) indicates that there is a significant and strong positive relationship between Performance and recognition and employee engagement. That means the absence or presence of good performance management and recognition is directly related to employee engagement.

Table 4.7 Relationship of development and career opportunities with employee engagement

| Construct | Measures | Development and Career Opportunity | Engagement |
|------------------------------------|---------------------|------------------------------------|------------|
| Development and Career Opportunity | Pearson Correlation | 1 | .382** |
| | Sig. (2-tailed) | | .000 |
| | N | 302 | 291 |
| Engagement | Pearson Correlation | .382** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 291 | 291 |

** . Correlation is significant at the 0.01 level (2-tailed).

As it is shown in table 4.7 above development and career opportunities have significant and strong positive correlation with employee engagement since the value of Pearson correlation ($r=.382$ and $P<.01$).

Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | 95.0% Confidence Interval for B | | Correlations | | | Collinearity Statistics | |
|------------------------------------|-----------------------------|------------|---------------------------|---------|------|---------------------------------|-------------|--------------|---------|-------|-------------------------|-------|
| | B | Std. Error | Beta | | | Lower Bound | Upper Bound | Zero-order | Partial | Part | Tolerance | VIF |
| | | | | | | | | | | | | |
| (Constant) | 42.465 | 6.090 | | 6.973 | .000 | 30.479 | 54.451 | | | | | |
| Pay or Compensations | -3.550 | .280 | -.663 | -12.675 | .000 | -4.101 | -2.998 | .279 | -.594 | -.512 | .596 | 1.677 |
| Benefit | 2.446 | .223 | -.556 | -10.98 | .000 | -2.007 | 2.884 | .497 | -.539 | -.444 | .637 | 1.569 |
| Performance and Recognition | 2.049 | .270 | .422 | 7.592 | .000 | 1.518 | 2.580 | .444 | .405 | .307 | .529 | 1.890 |
| Work life balance | .885 | .272 | .163 | 3.256 | .001 | .350 | 1.420 | .417 | .187 | .132 | .655 | 1.527 |
| Development and Career opportunity | -1.106 | .379 | -.183 | -2.913 | .004 | -1.852 | -.359 | .382 | -.168 | -.118 | .512 | 1.953 |

a. Dependent Variable: Engagement

In this study the researcher wants to compare the contribution of each independent variable. As it shows the beta value in the above table the largest beta coefficient is $-.663$. This means that this variable means pay or compensation makes the strongest unique contribution to explaining the dependent variable, when the variance explained by all other variables in the model is controlled for.

4.3. Regression analysis

According to Julie P. (2011), multiple regression is not just one technique but a family of techniques that can be used to explore the relationship between one continuous dependent variable and a number of independent variables or predictors (usually continuous). It allows a more sophisticated exploration of the interrelationship among a set of variables. Further, the end result of conducting multiple regressions to develop the regression equation or the line of best fit between dependent variable and several independent variables.

There are a number of different types of multiple regression analyses that you can use, depending on the nature of the question you wish to address. The three main types of multiple regression analyses are; standard or simultaneous, hierarchical or sequential; and stepwise. For this study, standard or simultaneous type of multiple regression analysis was used. To measure statistical significance of the effect independent (predictor) variables on dependent (constant) variable, simple linear regression analysis is used. Since the researcher believe that the specific objective could be answered by this model i.e.

- To determine the practice of reward management and employee engagement with reference to the perception of employees.
- To determine the relationship between reward management practices and employee engagement.
- To identify the specific components of reward management practices that lead to employee engagement.
- To investigate the impact of reward management practices on employee engagement.

Adjusted R square is values used to measure the percentage variable explained by the independent variable. The following tables explain and discuss the effect of every independent variable on dependent respectively.

Reward and employee engagement

The following table presents the effect of reward on employee engagement statistical significance using regression analysis.

Table 4. 8. Regression table of reward and engagement

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .509 ^a | .459 | .454 | 1.05130 |

a. Predictors: (Constant), Reward

b. Dependent Variable: Engagement

ANOVA^a

| | Model | Sum of Squares | Df | Mean Square | F | Sig. |
|---|------------|----------------|-----|-------------|--------|-------------------|
| 1 | Regression | 52.329 | 1 | 52.329 | 40.101 | .000 ^b |
| | Residual | 377.118 | 289 | 1.305 | | |
| | Total | 429.446 | 290 | | | |

a. Dependent Variable: Engagement

b. Predictors: (Constant), Reward

As it shows in the above model summary table reward value of adjusted R square = .454; $P < .05$; indicating that 45.4% of the variance in engagement is accounted for reward practice.

As it's illustrated in the above table 4.8, the casual relationship between reward and employee engagement $F(1, 289) = 40.101$; $P < 0.001$ is significant at 0.001. This indicated that reward is significantly affect employee engagement.

Pay/Compensation and Engagement

The next table shows the statistical significance of the effect of pay or compensation and employee engagement using multiple regression analysis.

Table 4.9 Regression table of pay/ compensation and engagement

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .509 ^a | .359 | .354 | 1.05130 |

a. Predictors: (Constant), Pay or Compensation

b. Dependent Variable: Engagement

ANOVA^a

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|-------|------------|----------------|-----|-------------|--------|-------------------|
| 1 | Regression | 74.559 | 1 | 72.559 | 50.716 | .000 ^b |
| | Residual | 354.888 | 289 | 1.228 | | |
| | Total | 429.446 | 290 | | | |

a. Dependent Variable: Engagement

b. Predictors: (Constant), Pay and compensation

In the above model summary table shows that pay or compensation expressed in terms of the variance on engagement was due to the scores reached adjusted R square value of .354; $P < .05$; that means 35.4% of the change in engagement is by pay or compensation.

According to table 4.9 above, the casual relation between engagement and work life balance $F(1, 289) = 50.72$; $P < 0.001$ is significant at 0.001 level. This implies that pay or compensation significantly affect employee engagement.

Benefit and engagement

The statistical significance of the effect of benefit on employee engagement is also done below using regression analysis and its result is presented in the table 4.15 below.

Table 4.10. Regression of benefit and engagement

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .533 ^a | .284 | .271 | 1.03874 |

a. Predictors: (Constant), Benefit

b. Dependent Variable: Engagement

ANOVA^a

| | Model | Sum of Squares | Df | Mean Square | F | Sig. |
|---|------------|----------------|-----|-------------|-------|-------------------|
| 1 | Regression | 6.546 | 1 | 6.546 | 4.474 | .035 ^b |
| | Residual | 422.900 | 289 | 1.463 | | |
| | Total | 429.446 | 290 | | | |

a. Dependent Variable: Engagement

b. Predictors: (Constant), Benefit

In the above table shows that benefit reached adjusted R square of .271; $P < .05$ indicating that, 27.1 % of the change on engagement can be accounted for benefit. And the above table shows that the casual relationship between employee engagement and benefit package $F(1, 289) = 4.47$; $P < 0.005$ is significant at 0.005 level. This implies that benefit significantly affects employee engagement.

Performance and recognition and engagement

The next table 4.11 shows the statistical significance of the effect of performance feedback and providing recognition on the employee engagement using regression analysis.

Table 4.11 Regression of performance and recognition

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .509 ^a | .259 | .254 | 1.05130 |

a. Predictors: (Constant), Performance and recognition

b. Dependent Variable: Engagement

ANOVA^a

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|-------|------------|----------------|-----|-------------|--------|-------------------|
| 1 | Regression | 74.559 | 1 | 74.559 | 60.716 | .000 ^b |
| | Residual | 354.888 | 289 | 1.228 | | |
| | Total | 429.446 | 290 | | | |

a. Dependent Variable: Engagement

b. Predictors: (Constant), Performance and recognition

As it shows in the model summary table the performance and recognition value of adjusted R square = .254; $P < .05$; indicating that 25.4% of the variance in engagement is accounted for performance and recognition.

According to the result from table 4.11 above, the casual relation between engagement and performance feedback and recognition $F(1, 289) = 60.72$; $P < .001$ is significant at 0.001 level. This also implies that performance and recognition significantly affects employee engagement.

Work life balance and employee engagement

Using regression analysis, the statistical significance of the effect work life balance on employee engagement is measured in the following table 4.12.

Table 4.12 Regression of work life balance and engagement

Model Summary^b

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .444 ^a | .197 | .194 | 1.09246 |

a. Predictors: (Constant), Work life balance

b. Dependent Variable: Engagement

ANOVA^a

| Model | Sum of Squares | Df | Mean Square | F | Sig. |
|--------------|----------------|-----|-------------|--------|-------------------|
| 1 Regression | 84.536 | 1 | 84.536 | 70.833 | .000 ^b |
| Residual | 344.910 | 289 | 1.193 | | |
| Total | 429.446 | 290 | | | |

a. Dependent Variable: Engagement

b. Predictors: (Constant), Work life balance

In the above model summary table shows that work life balance expressed in terms of the variance on engagement was due to the scores reached adjusted R square value of .194; $P < .05$; that means 19.4% of the change in engagement is by work life balance.

According to table 4.12 above, the casual relation between engagement and work life balance $F(1, 289) = 70.833$; $P < 0.001$ is significant at 0.001 level. This implies that work life balance significantly affect employee engagement.

Development and career opportunity

The next table depicts the measure the statistical significance effect of development and career opportunity on employee engagement using multiple regression.

Table 4.13 Regression of development and career opportunity and engagement

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .516 ^a | .266 | .259 | 1.04780 |

a. Predictors: (Constant), Development and career opportunity

c. Dependent Variable: Engagement

ANOVA^a

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|-----|-------------|--------|-------------------|
| 1 | Regression | 57.949 | 1 | 57.949 | 45.081 | .000 ^b |
| | Residual | 371.497 | 289 | 1.285 | | |
| | Total | 429.446 | 290 | | | |

a. Dependent Variable: Engagement

b. Predictors: (Constant), Development and career opportunity

As it shown in the above summary table the development and career opportunity R square is .259; indicating that 25.9% of variance in engagement can be accounted for development and career opportunity.

According to table 4.14 on the previous page, the casual relationship between engagement and development and career opportunities $F(1, 289) = 45.081$; $P < 0.001$ is significant at 0.001 level. This implies that development and career opportunities are significantly affect the employee engagement.

4.4. Discussions

As it indicated in the above findings the study shows that the result is consistent with the suggestion given by Armstrong and Murlis, 2004, and Robinson et al (2004), which states that; increasing reward and raising levels of commitment and engagement are key organizational requirements. The development of reward management policies, structures and practices is supported by the assumptions about how people can best be motivated to deliver high levels of performances, discretionary effort and contribution (Armstrong and Murlis, 2004). The other approach to employee engagement, discussed by Robinson et al (2004), stresses the importance of 'feeling valued and involved' as a key driver of engagement. Within this umbrella of feeling valued and involved there are a number of elements that have a varying influence on the extent to which the employee will feel valued and involved and hence engaged. The diagnostic model of Robinson et al (2004), illustrates the drivers of engagement in which the 'hygiene' factors,

such as pay and benefits and health and safety, training, learning, career and development, performance appraisal and communication, work life balance are included. Generally the result shows that Reward management practice has direct significant effect on employees work engagement and majority of the employees are satisfied with the reward practice in the organization.

The result of this study is similar with the worldatwork, (2010) model of total reward study that there is a significant positive relationship between total reward(pay, benefit, work life balance, development and career opportunity and performance feedback and recognition) and employee engagement.

In addition, the results of this study are consistent with the conceptual frame work discussed in the literature part which shows reward management is major sources of competitive advantage in this competitive and dynamic business environment. And as it shows the result of this study pay or compensation has unique highest contribution on employee engagement among other components of total reward system.

As the relationship between the reward component and employee engagement indicated in this study what really causes engagement, and what it causes in turn are found to be constant with the conceptual frame work proposed by the researcher of this study.

In general the argument or view by different scholars as stated in theory and research result that reward and its constituent has significantly affect employee engagement in this research study. Apart from that, the claims that total reward also affects employee engagement more when the reward components are tailored together than individually is also validated again.

Chapter Five

Summary, Conclusions and Recommendation

5.1. Summary of Major Findings

The study was conducted to assess the effect of reward management practice on employee engagement in commercial bank of Ethiopia. In order to attain these, relevant data were gathered through questionnaire with 306 employees at head office and the data was analyzed with the aid of descriptive statistics, correlation and regressions. Based on the discussion of the data, the following summaries are drawn.

- The majority of the respondents are males.
- As per the result of this study the majority of the research participant was found between the age ranges of 31-35 years
- The result of the study shows that most of the respondents are serving the bank for 1 up to 5 years.
- This study implies that the majority of employees under this study are first degree graduates.
- The majority of the respondents are professional employees
- According to the research finding reward have significant and positive correlation with employee engagement.
- The result implies that increase or decrease in pay or compensation will bring a significant change in employee engagement.
- The study shows that benefit and employee engagement has significant and strong positive relationship. i.e the decrease or increase of benefit package for employee has direct relationship with employee engagement.
- The study finding shows that there is a significant and strong positive relationship between Performance and recognition and employee engagement.
- The finding of the study indicates that, there is a significant strong correlation between work life balance and employee engagement. It implies that the presence or absence of work life balance in the given organization has direct relationship with the employee engagement.

- According to the research finding development and career opportunities have significant and strong positive correlation with employee engagement.
- According to the finding of this research pay or compensation has a unique highest contribution on employee engagement relative to others components of total reward. (Beta Value = -.663)
- Reward can have an effect of increasing the overall engagement by 45.4%
- As the result indicates pay or compensation have an effect of increasing the over all engagement by 35.4%
- As per the study finding Benefit can increasing the overall engagement by 27.1%.
- According to the study an increase in Performance feedback and recognition can have an effect of increasing the overall engagement by 25.4%
- As the result indicates work life balance can have an effect of increasing the overall engagement by 19.4%
- Development and carrier opportunity can have an effect of increasing the overall engagement by 25.9%

5.2. Conclusions

The main purpose of this research study was to assess the effect of reward management practice on employee engagement, and on this study it was found that reward and its components (payment, benefit, performance feedback and recognition, work life balance and development and career opportunities) use to attract, motivate and retain skilled and talented human resource have a significant positive effect on employee engagement. Hence, the higher the employees are satisfied with the reward practice in the organization, the higher the engagement of their employee engagement will be and lead to better organizational performance.

As it has been discussed in the discussion and result section, the correlation between reward management practices and employee engagement of the studied bank has a positive relationship

According to the result of this study, it has been inferred that reward components or practices which referred to compensation, benefit packages, performance feedback and recognition, work life balance, development and career opportunities will have more significant effect on employee engagement when they tailored together (as a total reward) in reward management practice rather than as an isolation manner even and also it was discovered that pay or compensation has the largest unique contribution to explaining the employee engagement.

As the researcher mentioned in the statement of the problem, the reason why employees of CBE are not engaged, in the first hand assumed (hypothesized) to be the outcome of unsuccessful practice of reward management but as the result of this study shows reward management practice and employee engagement has a positive relationship. So, it might be another reason and the researcher leaves it to future study

Therefore, in general it can be concluded that reward management practice has significant positive effect on the employee engagement in the studied organization. Moreover, it has more direct significant effect on employees work engagement when tailored as a total reward than stand alone.

5.3. Recommendations

Based on the above findings and conclusion the following points are recommendation are provided

- Since the finding of the study proofed that reward and its components directly and significantly affect employee engagement, organization should implement better reward management practice. That is, both financial and non-financial rewards components are important for the enhancement of employee satisfaction which leads to employee engagement. Today's market trend, employees not only interested at the benefits entitlement and compensation packages offered by the company but they also seek for overall organizational incentive plans.
- Since pay or compensation play an important role in reflecting the employee engagement, CBE need to modify their rewards strategy to be aligned with more of the pay or compensation strategy.
- Organizations should tailor a total reward management approach in order to increase their level of employee work engagement since it has more direct and significant casual relationship. In other words, integrated reward management ought to be recommended that provides for reward policies and practices to be treated as a coherent whole in which the parts contribute in conjunction with one another to ensure that the contribution people make to achieving organizational, departmental and team goals is recognized and rewarded.
- The reward philosophy of the organization advised to be, the sense that it addresses longer-term issues relating to how people should be valued for what they do and what they achieve. Thus, since employee engagement is believed that one of the drivers of organizational performance, reward strategies and the processes that are required to implement them ought to have to flow from the business strategy.
- As managers get things done through others, it is essential that they should understand matters that motivate employees to perform better to the extent of their capacity and get full commitment toward ensuring organizational effectiveness through good reward management.

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Appendix : Survey Questionnaire

ST. MARY'S UNIVERSTY
SCHOOL OF GRADUATE STUDIES
MBA PROGRAM

Questionnaire to be filled by commercial bank of Ethiopia staff at head office.

Dear Respondent,

The purpose of this questionnaire is to collect the necessary data to conduct a research entitled “*Effect of reward management practice on employee engagement*” in partial fulfillment of Requirements for award of Master of Art Degree in Business Administration. The information gathered will be used only for academic purpose and it remains confidential. The success of this study depends on your frank response to the questions given below. No need to write your name in any place on this questionnaire.

Should you have any enquiry feel free to contact the researcher at the following contact addresses:

Email: abebahabte81@gmail.com

Phone: +251911729776

Thank you in advance for your full cooperation.

General Instruction: Put “√” mark in the box that highly reflects your idea parallel to your choice.

PART I - Respondent Profile

1. Gender :

Male Female

2. Age:

20-25 26 - 30 31 – 35 36-40 41-45 46-50 51 or 50

3. Work Experience in CBE:

1-5 6 – 10 1 – 15 16-20 21-25 over 26

4. Academic Qualifications:

High school graduate Diploma Degree Master PhD

Other, Please specify _____

5. For how long have you been working on the same job position?

< 2 years 2-5 6-10 11-15 > 15 years

6. Salary level

<2000 2001-3500 3501-4500 4501-6500 6501-7500
7501-8500 8501-9500 9501-10500 10501-11500 >11501

7. Under which job title is your job position categorized? _____

(Checker/maker, SCSO-Account, SCSO-Cash, SCSO-Auditor, CRO, CSM, Manager) Other, please specify _____

Part II Reward

Please answer the following statement by marking “√” sign in box that corresponds your answer.

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

| No | Pay/ Compensation related questions | 1 | 2 | 3 | 4 | 5 |
|----|--|---|---|---|---|---|
| 1 | The reward are distributed rightfully | | | | | |
| 2 | The reward match my work effort | | | | | |
| 3 | I am satisfied with the quality/quantity of the rewards | | | | | |
| 4 | I am ready to increase my work efforts in order to gain the rewards. | | | | | |
| 5 | Employees work more as a team in order to gain | | | | | |

| | | | | | | |
|----|--|--|--|--|--|--|
| | the rewards. | | | | | |
| 6 | I am satisfied with work atmosphere | | | | | |
| 7 | The reward motivates me to perform well in my job. | | | | | |
| | Benefit related questions | | | | | |
| 8 | I am not satisfied with CBE's current benefit package | | | | | |
| 9 | The benefit we receive are better or as good as other organization offers. | | | | | |
| 10 | There is equity in benefit we receive internally | | | | | |
| 11 | CBE provide me with transport service or fuel allowance | | | | | |
| 12 | I am happy with the house allowance | | | | | |
| 13 | There are benefits we do not have which we should have | | | | | |
| | Performance & recognition related question | | | | | |
| 14 | I get good feedback for my performance | | | | | |
| 15 | I get appreciation for my better performance | | | | | |
| 16 | CBE's performance evaluation is objective and fair | | | | | |
| 17 | I am praised as long as I do good job | | | | | |
| 18 | The reward by the bank has importance in recognition of our effort | | | | | |

| | Work life balance related question | | | | | |
|--------------------------------------|--|--|--|--|--|--|
| 19 | I like the people I work with | | | | | |
| 20 | There is too much internal strife and fighting at work | | | | | |
| 21 | I have flexible working time and place | | | | | |
| 22 | My job is not difficult to meet my personal and professional life | | | | | |
| 23 | My supervisor promotes healthy work life balance | | | | | |
| 24 | My job is enjoyable | | | | | |
| 25 | Sometimes I feel my job is meaningless | | | | | |
| 26 | I feel a sense of pride in doing my job | | | | | |
| Development and career opportunities | | | | | | |
| 27 | There is really too little chance for promotion on my job | | | | | |
| 28 | Those who do well on their job stand a fair chance of being promoted | | | | | |
| 29 | People get a head as fast here as they do in other places | | | | | |
| 30 | Workers are promoted in fair manner | | | | | |
| 31 | The organization promotes worker to develop new skill | | | | | |
| 32 | I am happy with CBE's chance for further | | | | | |

| | | | | | | |
|----|---|--|--|--|--|--|
| | education sponsorship | | | | | |
| 33 | I am satisfied with my chance for promotion | | | | | |

Part III Work Engagement

The following 17 statements are about how you feel at work. Please read each statement carefully and decide if you ever feel this way about your job. If you have never had this feeling mark “√” signs under the column “0”. If you have had this feeling, indicate how often you feel it by marking “√” sign under the number that best describes how frequently you feel that way.

0= Never ; 1=Almost never (a few times a year or less); 2=Rarely (once a month or less); 3=Sometimes (a few times a month) ; 4=Often (once a week); 5=Very often (a few times a week); 6=Always(every day)

| No | Vigor | 0 | 1 | 2 | 3 | 4 | 5 | 6 |
|----|---|---|---|---|---|---|---|---|
| 1 | At my work, I feel that I am bursting with energy | | | | | | | |
| 2 | At my job, I feel strong and vigorous | | | | | | | |
| 3 | When I get up in the morning, I feel like going to work | | | | | | | |
| 4 | I can continue working for very long period at a time | | | | | | | |
| 5 | At my job, I am very resilient, mentally | | | | | | | |
| 6 | At my work I always insist, even when things do not go well | | | | | | | |
| | Dedication | | | | | | | |
| 7 | I find the work that I do full of | | | | | | | |

| | | | | | | | | |
|----|---|--|--|--|--|--|--|--|
| | meaning and purpose | | | | | | | |
| 8 | I am enthusiastic about my job | | | | | | | |
| 9 | My job inspires me | | | | | | | |
| 10 | Am proud of the work that I do | | | | | | | |
| 11 | To me my job is challenging | | | | | | | |
| | Absorption | | | | | | | |
| 12 | Time flies when I'm working | | | | | | | |
| 13 | When I am working, I forget everything else around me | | | | | | | |
| 14 | I feel happy when I am working intensely | | | | | | | |
| 15 | I am immersed in my work | | | | | | | |
| 16 | I get carries away when I'm working | | | | | | | |
| 17 | It is difficult to detach myself from my job | | | | | | | |