

ST. MARY'S UNIVERSITY COLLEGE
BUSINESS FACULTY
DEPARTEMENT OF MANAGEMENT
AN ASSESMENT OF COMPENSATION
AND BENEFIT PACKAGE PRACTICES IN
ETHIOPIAN ROAD AUTHORITY

BY
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JULY 2010
SMUC
ADDIS ABABA

**AN ASSESSMENT OF COMPENSATION
AND BENEFIT PACKAGE PRACTICE IN
ETHIOPIAN ROAD AUTHORITY
A SENIOR ESSAY SUBMITTED
TO THE DEPARTMENT OF MANAGEMENT
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IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE DEGREE
OF BACHELOR IN MANAGEMENT
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CHAPTER ONE

Introduction

Background of the study

An organization needs resources to exist and to achieve both the longer and short run objective of organization among those; human resources the most decisive part for success or failures of one organization (Hederson, 1985:186).

As one resource of organization all human resources and making employees to do their jobs up to the maximum they can do. This can be done by motivating employee one of motivational techniques which an organization use to initiate or encourage employees for high performance is compensation (Ibid, 1985:182).

Compensation is all form of pay or rewards going to employees and arising from their employment. It includes both intrinsic and direct financial payment that received as a result of employment by the organization. Company benefit from the compensating management in attracting motivation retaining productive work force (Leap.L.Terry and crino.D Micheal, 1990:182).

Compensation is subjected that near and dear to employees and employers alike. To employers it is potentially powerful influence on employee's behavior, attitude and cost. To employees word that is a source of both economic and psychological income. Usually as organization are getting complex and expanded in their departments the importance of effective compensation to workers is demanding to meet the required future potentials by retaining those workers (Henderson, 1982:3).

Therefore effective human resources management plays a great role in organization to acquire handle and retain loyal committed employees to perform

job assignment effectively. Owing to this good human resource managers usually forecast the need and demands of their organization potentials. Managers also look the day to day performance of their organization, employee attitudes towards their jobs and salary's the benefit and rewarding system of their organization and then they try to find out compensation problems.

Ethiopian Roads Authority (ERA) was established by proclamation No 115 of 1951 as an autonomous agency of Ethiopian government which was known as "Imperial highway Authority" with a board of commissioners.

Ethiopia Roads Authority, when established as Imperial high way Authority (IHA) had About 650 permanent employees of which all supervisory personnel, Engineers and Majority of construction equipment operators and mechanics were expatriates.

During the past fifty years, the Authority has undergone four major Reorganization by making change of names. The names, their duration and purpose of their establishment,

Powers and duties that each of them was holding are explained here under:

The proclamation tried to give more emphases to

- To construct roads in all directions which are essential to the socio-economic Development of a nation.

- Strengthen the institution that deals with the requests for technical aid in road

Construction by various communities that mobilize their own human and financial Resource.

The research will try to investigate the effect of compensation and benefit Package in Ethiopian road Authority (ERA) and propose alternatives Approaches for improving

The benefits of employees. Finally they search for better solution to the problem. To arrive at effective compensation systems personnel specialist require to conduct compensation Surveys which help them to discover what other employees in the same labour market are playing for specific key jobs.

1.2 Statement of the problem

Compensation is what employees receive for the contribution to the organization. Compensation refers to all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship. It's what employees receive for the contribution to the organization. It also includes direct monetary payments (such as salaries, commission and bonuses).As the theory implies compensation will increase Productivity, reduce turn over rate growth and expansion of organization (Gomez.et.al 1998:325).

Based on the realities discussed above ERA has a problem with regard to direct compensation on the company under informal discussion which includes, delay of salary payments along with inadequate compensation and absence of reward. Hence if not tackled properly this may affect the motivation of employee in particular the productivity of the organization is not effective in general. Consequently this may lead to employee turnover and absenteeism becomes high.

As a result, organization decreases their productivity which they get from employee.

Since ERA Compensation and benefit practices are not balanced and appropriate employees are not satisfied with in their jobs.

1.3Research Questions

1. What factors affect employee's compensation?
2. How can inadequate compensation affects employee motivation?
3. Are there enough compensation packages in the organization?

4. What is the current practice of ERA with respect to benefit package?

1.4. Objective of the study

General objective

- The general objective of this study is to assess the compensation and benefit package of Ethiopian road authority.

Specific objectives

- To identify factors that affects the compensation and benefit package of the organization.
- To assess the possible actions takes by the organization with regard to improving employee benefits.
- To examine the relationship between benefit package and employee motivation.
- To investigate whether there is a clear cut compensation and benefit package system.

1.5. Significance of the study

This study was significance to the case of institution in a sense that, it helps to tackle the existing problems of compensation and benefit package. In addition to this, the study enables to broaden the insight Solution to the manger, in the area of compensation and benefit package finally the study also has a great contribution for in depth and further study in the area that was conducted by other researcher and moreover, It would serve as a stepping- stone for other researchers who aspire to make in depth study about the issue under study.

1.6. Scope of the study

Although the paper is not exhaustive enough to incorporate all the details, it covers the important aspects of compensation and benefit package of Ethiopian road authority, head office.

1.7. Research Design and methodology

1.7.1. Research Design

To collect the data needed so as to address the above mentioned problems descriptive research design was employed. And moreover, the researcher was used both qualitative and quantitative to collect the data.

1.7.2. Population and sampling techniques

The population of the study was included only permanent employees of Ethiopian Road Authority (ERA) Because of difficulties to take the whole population for conducting the study, the study was used sample of the population. The study first selected its sample using stratified random sampling technique. The total numbers of employees which are considered as population of the study is 717 out of these 10% (i.e.72) employees are selected. Reason for selecting 10 % is that the student researcher of this paper believes that the selected sample population gives adequate information to assess the compensation and benefit package of Ethiopian road authority.

Departments	No. of Population	Sample size
Internal Audit Service	23	2
Legal Service division	32	3
Human Resource Division	16	2
Personnel Administration Division	236	24

Finance Division	124	12
Engineering Service Division	78	8
Equipment and supply Division	32	3
Procurement service	28	3
Central warehouse	148	15
Total	717	72

1.7.3. Types of Data Used

The student researcher was used both primary and secondary data from primary and secondary sources.

1.7.4. Methods of Data Collection

Primary data was collected from each respondents based on their responses on the questionnaires and interviews. Questionnaires was designed for the employees. The interview also conducted for some of the managers in the organization. Secondary data was collected from books, annual report and documents.

1.7.5. Methods of Data Analysis

The data was collected from sample respondents, it was analyzed and presented using percentage, frequency and summarized in table format.

1.8. Limitation of the Study

As many researches, especially conducted for the fulfillment of academic purpose lack of enough time and limitation of financial and other resources constrains were evident in this study.

1.9. Organization of the Study

The study comprises four chapters. The first Chapter is Background of the study, statement of the problem, research question, and objectives of the study, significance, limitation, and scope of the study, Research designs and methodology, organization of the study. The second chapter is review of related literature on compensation and benefit package. The third chapter is Data presentation, analysis and interpretation. The last chapter is consists of summary, conclusion and recommendation of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2 An overview of compensation

Compensating is a key a success factor to have competent employees in an organization. Acquired and retaining a well developed human resource management in an organization is essential if the organization is to be successful and competitive (Aswatahahappa, 2002:243).

2.1 Definition of Compensation

Compensation refers all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship. It is some thing

given or receives as payment such as money. It also includes direct monetary payments (such as salaries, commissions and bonuses) and indirect payments (such as paid vacations, health and life insurance benefits and retirement plans), (Gomez, et.al 1995:325).

Compensation program is one of the most power full tools available to organizations to attract, retain and motivate employees. Poorly designed compensation packages may have disastrous impact in the organization short term and long term strategy. Conversely well designed compensation packages and employee benefit is one of the factor to influence the employee for a long term superior performances and to enforce the organization to it's achievement (Aswathappa, 2002:243).

Different authors have defined compensation in different terms. Some of the definitions given to compensation are the following.

- Compensation is the Human Resource Management function that deals with every type of rewards individuals receive in exchange for performance organization tasks (Ivancevich, 2004: 297).

- Compensation does more than provide for the physiological needs of employees however what a person is paid indicate his or her worth to an organization. For the employer compensation is one of the most important HRM function. In today's service based economy, pay often equals 50% or more of the cash flow of an organization (Ivancevich, 2004: 298).

- According to (Aswathappa, 2002:243). Remuneration is the compensation an employee receives in return for his or her contribution to the organization. Remuneration occupies an important place in the life of an employee. His or her standard of living, status in the society, motivation, loyalty and productivity employer too employee remuneration is significant because of its contribution to the cost of production.

•Economic compensation constitutes a segment of total reward system in an organization. Despite that money still play a major, more persistent and more trouble some role in the over all satisfaction of the employees. Compensation or paying employees for work and developing structures of compensation packages thus becomes one of the major responsibilities of HRM managers. A good pay package not only helps in attracting the most talented employees but also helps in retaining them for a long time in the organization. Financial compensation with accompanying economic securities is certainly an important input in the organization's goal of maximizing returns (Saiyadain, 2003:329).

2.2 Components of Remuneration

An average employee in the organized sector is entitled to several benefits-both financial as well as non-financial.

2.2.1 Financial Remuneration

Wages and Salary

Wages represent hourly rates of pay and salary refers to the monthly rate of pay, irrespective of the number of hours put in by an employee. Wages and salaries are subject to annual increments. They differ from employee to employee, and depend upon the nature of job, seniority, and merit (Aswathappa, 2002: 243).

Wages and salary administration is a pivotal function of human resource management. Its importance is evident from the fact that a majority of union-management problems and disputes relate to the question of wage payment. According to the hierarchy of needs proposed by Abraham Maslow, money, food and shelter are the first needs of a person. It's therefore of utmost importance to

develop a sound wage and salary scheme to attract capable employees Motivate them toward better performance and retain them (Goyal, 2000:195).

Incentives

Also called payments by results and paid in addition to wages and salaries. There are individual incentive schemes and group incentive schemes depending of task accomplishment whether it is accomplished by individual or group effort. Incentives depend up on productivity, sales, profit or cost reduction efforts (Aswathappa, 2002:244).

Incentives payments remain one of the idea that fascinated managers as they search for the magic formula (Taylor, 2002:594).

Fringe Benefits

Include such employee benefits as provident fund, gratuity, medical care, hospitalization, accident relief, health and group insurance, canteen, uniform, recreation and the like (Aswathappa,2002:244).

Perquisites

Perks are those benefits that do not usually come in the form to cash but provided to maintain certain needs and status of the employee and the image of the organization. This may include such perks as stock options, club membership, car or housing loans, reimbursement of the cost of children's education, paid holidays, generous medical benefits, furnishing of residence and many such perks (saiyadain, 2003:330).

These are allowed to executive and include company car, club membership, paid holiday; furnished houses stack option scheme and the like. Perquisites are offered to retain competent executives (Aswathappa, 2002:244).

Bonus

The payment is gesture of good will over and above the regular wages. It usually amounts to 8.33% of salary which basically works out to be equivalent to one month salary. This is the minimum and the organizations have freedom to pay more than this minimum depending up on the available surplus (Saiyadain, 2003:330).

2.2.2 Non- financial Remuneration

These include challenging job responsibilities, recognition of merit, growth prospects, competent supervision, comfortable working conditions, job sharing,

Management suitability, ergonomics, work organization, autonomy- freedom, and task identify significance, safety welfare and flextime (Aswathappa, 2002:244).

2.3 Theories of Remuneration

In order to understand which components of remuneration are more effective, we need to understand the conceptual frame work or theories of employee remuneration. Three such theories are reinforcement and expectancy theories, equality theory and agency theory (Ibid, 2002:244).

2.3.1 Reinforcement and Expectancy Theories

The reinforcement theory postulates that a behavior which has a rewarding experience is likely to be repeated. The implication for remuneration is that high employee performance followed by a monetary reward will make future employee performance more likely (Aswathappa, 2002:244).

Expectance theories focus on the link between reward and behavior. Motivation according to the theory is the product of valence, instrumentality and expectancy.

Expectancy perceptions often have more to do with job design and training than pay systems (Ibid, 2002:245).

2.3.2 Equity theory

Adam's equity theory posits that an employee who perceives inequity in his/ her rewards seeks to restore equity. The theory emphasizes equity in pay structure of employee's remuneration. Employee's perception of how they are being treated by their firm is prime importance to them (Aswathappa, 2002: 245).

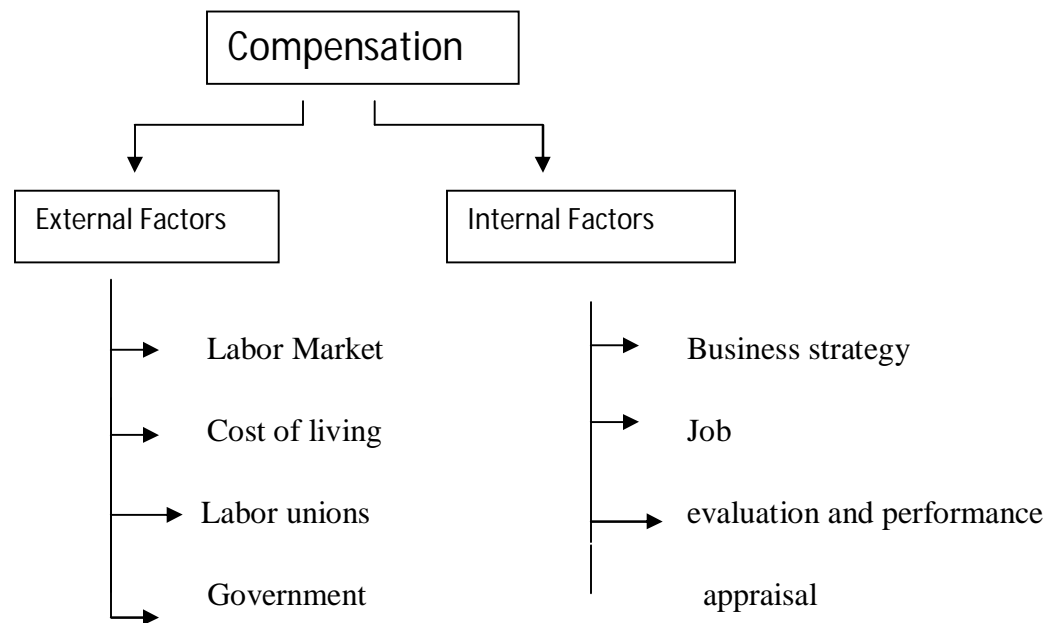
2.3.3 Agency Theory

The agency theory focuses on the divergent interests and goals of the organizations stakeholders and the way that employee remuneration can be used to align these interests and goals. Employers and employees are the two stakeholders of a business unit, the former assuming the role of principals and the latter role of agents. The remuneration payable to employees is the agency cost. The agency theory says that the proposal must choose a contracting scheme that helps align the interest of the agents with principals own interests.

2.4 Factors affecting compensation

The factors that affect or influence the compensation payable to employees can be categorized in to: - internal and external factors related to compensation decision. According to (Goitom, 2007:101).These factors are the following.

Figure 2.1 factors affecting compensation.



2.4.1 External factors

The commonly known factors external to an organization that have significant impact on employee compensation are labour market, cost of living, labour unions, government, the society and the economy.

Labour Market: - Demand for and supply of labor usually influence, wage and salary fixation. A low wafer may be fixed when the supply of labour exceeds the demand for it. A higher wage will have to be paid when the demand exceed supply, as in the case of skilled labour (Aswathappa,2002:249).

A. Going rate of pay: is another labour related factor influencing employee remuneration. Going rates refer to those rate that are paid by different units (Goitom, 2007:101).

B. Productivity of labour: also determines wage fixation. Productivity can be arising due to increased effort of the workers or as a result of improved technology, machine and equipment (Goitom, 2007:102).

Cost of Living

Cost of living adjustment of compensation constitutes no fundamental solution to equitable compensation to employees. It is used as stopgap device in times of inflation when labor is pressed to keep up with the raise in prices (fliippo, 1984:284).

Labor Union

Invancevich and Gluck (1989:394) extend the influence of labour union in a given organization to affect compensation policies (acting as a pace settlers of demands for pay benefits and working conditions) of another organization in the same area.

Government

Governments usually develop various labour laws at the central and at the state level. The comely known laws which have a bearing on employee remuneration are such as the payment of wages act: the minimum wages act the equal remuneration Act etc (Aswathappa, 2002:249).

Society

Compensation paid to employees is reflected in the prices fixed by an organization for its goods and services. For this reason the consuming public is interested in remuneration decisions. This is to mean that as the society pays high to the goods and services that an organization offers, then the higher will be the compensation (Ivancevich and Glueck 1989:498).

Economy

The state of economy also has its impact on wage and salary fixation. In most cases, the cost of living will rise in an expanding economy (Goitom, 2007:103).

Since the cost of living is commonly used as pay standard, the economy's health experts a major impact up on pay decisions. Labour unions, the government, and the society are all less likely to press for pay increases in a depressed economy (Mirza, 2004:334).

2.4.2 Internal Factors

The internal factors which have an impact on pay structure include, the organizations strategy job evaluation performance appraisal, and the employee himself or herself.

Business Strategy

The overall strategy of an organization should determine the remuneration to its employees. For instance if the strategy of the enterprise is to achieve rapid growth, remuneration should be higher than what competitors pay (Aswathappa, 2002:252).

Job evaluation and Performance Appraisal

Job evaluation helps to establish satisfactory wage differential among jobs. Performance appraisal helps to reward pay increases to employees who show improved performance. (Goitom, 2007:103).

Job evaluation is aimed at deeming a job's relative worth. It's a formal and systematic comparison of jobs to determine the worth of one job relative to another and eventually results in a wage or salary hierarchy .The basic principles in this jobs that require grater qualifications, more responsibilities and more complex job duties should be paid more highly than jobs with lesser requirements .Its aimed at deeming a jobs relative worth. Also formal and systematic

comparison of job to determine the worth of one job relative to another and eventually results in wage or salary hierarchy (Dessler, 2004:310).

The Employee

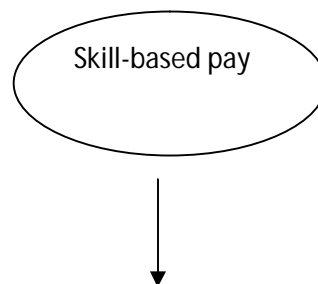
The employee-related sectors that impact his or her remuneration include performance, seniority experience, and potential and even sheer luck. Performance is usually rewarded with pay increase; because it motivates the employee to do better (Aswathappa, 2002:253).

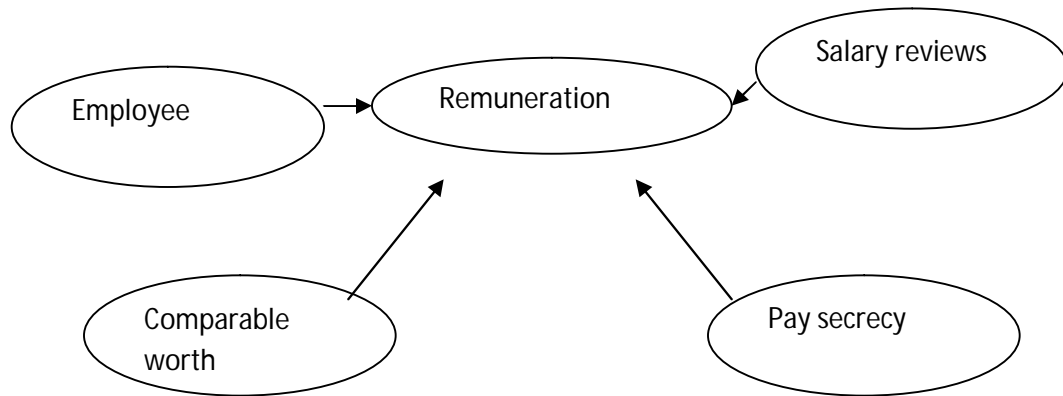
2.5 Challenges of Remuneration

(Aswathappa, 2002:258).

People who administer wage and salary face challenges which often necessitate adjustments to a remuneration plan. The more important of the challenges are:-

Fig 1-9 Challenges of remuneration





2.6 Compensation Tools

There are two broad categories of compensation tools:-

Job-based approaches and skill based approaches. The typical job-based compensation plan has three components:-

1. To achieve external equity- they use salary data on benchmark or key jobs obtained from market surveys to set a pay policy.
2. To achieve internal equity – firms use job calculation to asses the relative value of jobs through hold the firm.
3. To achieve individual equity- they use a combination of experience, seniority, and performance to establish individual’s position with the pay range for his or her job.

Skill-based compensation systems are more costly and more limited in use. Skill- based pay rewards employees for acquiring depth skills (learning more about more areas) (Gomez, 2003: 351).

2.7 Categories of Employee Benefits

Employee benefits may be classified into five general categories:-

1. Government – mandated programs.

2. Employee welfare plans including all forms of health care plans, survivor benefits, and disability programs.
3. Pension plans and other long term capital accumulation programs.
4. Time-off programs (whether paid or unpaid), such as reaction, sick pay.
5. Employee services, which include tuition reimbursement plans, child or family care housing and relocation services (Bernardin, 2004, 228).

2.8 Compensation Plans in Practice

Yet in practice, discussions of compensation's strategic role may how reflect more smoke than fire. In one recent survey, only 40% of the participants reported that they attempted to assess the effectiveness of their new compensation systems.

Based on this survey, "there is little evidence that pay is seen as a management tool or that measuring and monitoring program effectiveness is an important priority. Payroll may be the single largest item in the budget that apparently has not prompted many companies to determine if they are getting enough bangs for their buck (Dessler, 2004:326).

2.9 Compensating Managers

Compensation for a company's top executives usually consists of four main elements base pay, short – term incentives long-term incentives, and executive benefits and perks. Base pay includes the person's fixed salary as well as, often, guaranteed bonuses such as "10% of pay at the end of fourth fiscal quarter, regardless of whether or not the company makes a profit." Short-term incentives are usually cash or stock bonuses for achieving short-term goals, such as year-to – year increases in sales revenue. Long-term incentives aim to encourage the executive to take actions that drive up the value of the company's stock. Finally, executive benefits and perks might include supplemental executive retirement plans, supplemental life insurance, and health insurance with out a deductible or coinsurance. With so many complicated elements, employers must be alert to the

tax and securities law implications of their executive compensation decisions (Dessler, 2004: 319).

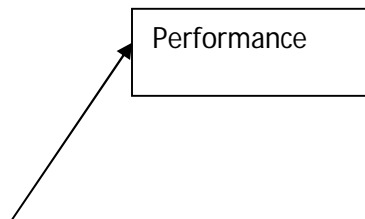
According to (mejia, et.al1998:324). “Total compensation has three components. The relative proportion of each known as the pay mix varies extensively by firm.

2.10 Types of Incentive Plans

Incentive plans can be classified in two ways. They can be. Individual incentive and group incentive plans.

- a) Individual incentive plans provide income over and above base salary to individual employees who meet specific individual performance standards.
- b) Group incentive programs pay all members when the group or team collectively meets its performance standard (Dessler, 2004: 334-335).

2.11 Importance of an Ideal Remuneration System.



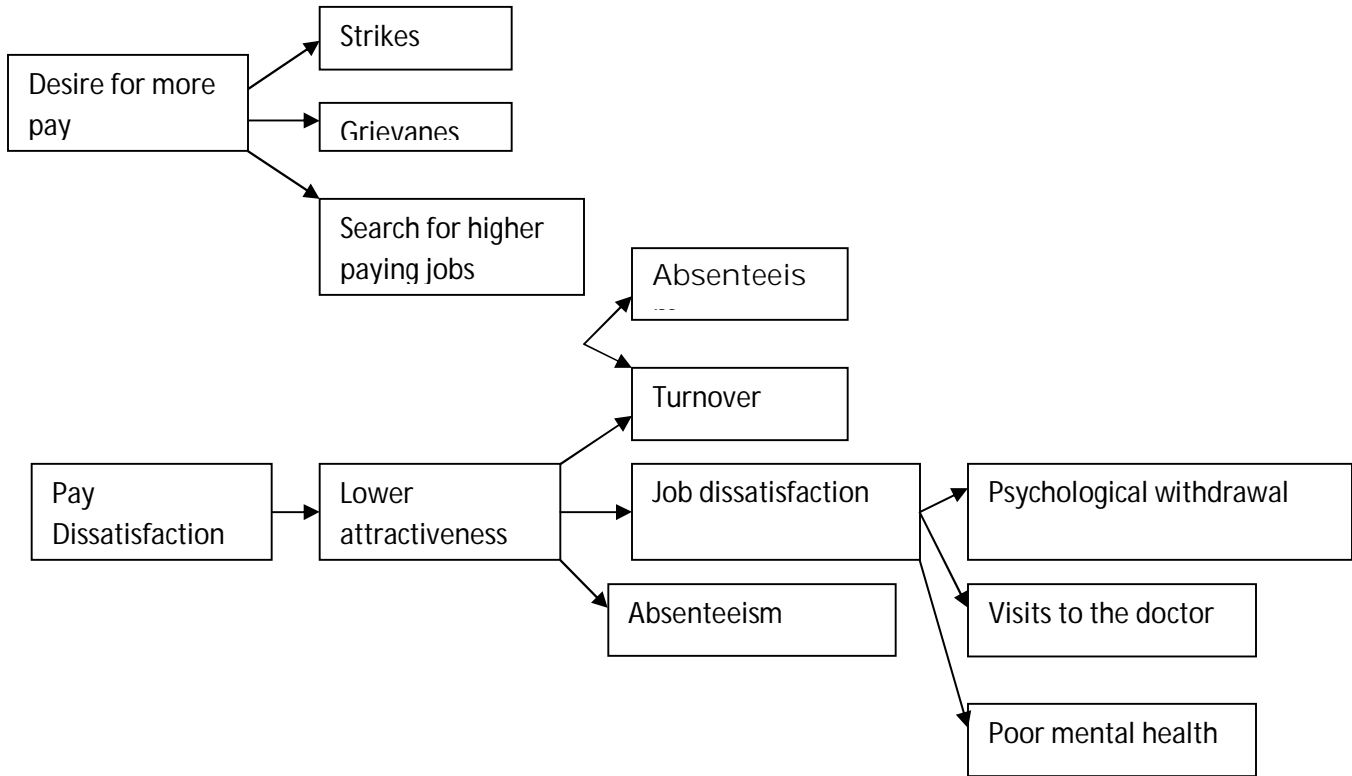


Fig 11.2 Consequence of pay dissatisfaction

(Aswathappa, 2004, 246)

CHAPTER THREE

3. DATA PRESENTATION ANALYSIS AND INTERPRETATION.

The study has revealed to assess compensation and benefit package in Ethiopian road Authority (ERA).The study involved out of seven hundred twelve employees,10% (i.e. 72) employees selected randomly from different department.

In view of this, the researcher was distributed seventy two questionnaires filled by the sample employees and it's collected in number and changes in to percentage while, the interview was conducted with HRM head.

3.1 GENERAL BIO-DATA OF THE RESPONDENTS.

The respondents were requested to maintain their sex, term of employment, year of service, Age, level of education, and basic salary. So that the detail is indicated in table as follows.

Table 1: Profile of Respondents

No	Item	Number of Respondents	percentage
1	Sex:		
	Male	51	70
	female	21	30
	Total	72	100
2	Term of employment:		
	Permanent	46	63
	contract	26	37
	Total	72	100
3	Year of service:		
	Less than 1 year	8	11
	1-3 year	22	30
	Total	72	100
4	Age group:		
	18-25	5	6
	26-30	14	19
	31-35	7	10
	Total	72	100

5	Level of education:		
	Below 10th	-	-
	10 th /12 th complete	15	20
	Diploma	38	53
	Total	72	100
6	Basic salary		
	Below 500 birr	-	-
	501-1000 birr	38	52
	1001-1500 birr	12	17
	Total	72	100

Item -1 show the sex distribution of respondents: 70% were males and 30% were female .This indicates that most of the organization workers are males. But as interview results, there was not discrimination when ever the organization hired employees.

Item-2 explains term of employment, 63% of the respondents said that permanent .The rest 37% of the respondents said contract, so most of employees working in the organization are permanent.

Item -3 indicates respondents year of service .Among the total respondents 86% are stay in the organization up to 9 year and the rest 14% of the respondents serve for 10 years and above in the organization .This data shows that most of employees stay in the organization for long period of time.

Item-4:-regarding to age of respondents 58% of the respondents is between the ages of 18-40. The rest 42% of the total respondents belongs to the age group of 41 and above. It can be said that the majority of the respondents are young.

Item-5 indicates level of education of the respondents , out of the total respondents 6% are above degree and 7% MA/ MSC degree holder ,14% BA/ BSc degree holder ,53% of the respondents are diploma holder and the rest 20% are grade 10th/ 12th complete. No one from the respondents has below certificate .This data shows most of the employees found in the organization are diploma holder.

Item-6 Indicates respondent’s Basic salary .It shows that no one from respondent has a salary below 500 birr and 87% of the respondents said that the salary is between 501-2000 birr and The rest 13% the organization pays to employees in between 2001 birr and above respectively. This indicates that most of employees earn between 501-1000birr.Therefore, the amount of salary is fair as far as our country’s reality is concerned.

3.2 Analysis relating to the topic under consideration

Table-2 Employees remunerations are paid based on performance

The organization pays remuneration to employees based on their performance	Number of respondents	percentage
Strongly agree	42	58
Agree	8	11
Agree some what	5	7

Disagree	7	10
Strongly disagree	10	14
Total	72	100

The above table indicates that employee's performance pay system of the organization 58% of the respondent responds that the organization pay based on performance is strongly agree, while 18% of respondent said that agree and agree to some what that the payment of the organization has relation to their Performance. And the rest 24% of them pin pointed by saying the payment of the organization has no relation to their performance. This data indicates that the organization pay system is balanced with the performance of employees.

Table-3: The impact of Reward on Employee Performance

Have you ever been rewarded for your performance	Number of respondents	percentage
Yes	58	81
No	14	19
Total	72	100

From the above table, majority of 81% respondent's positively responded regarding reward for their performance and 19%of respondents have negative

responses. The above data shows most of the respondents are rewarded based on their performance.

Table-4 Employees Satisfaction with Payment System

Are you satisfied with the pay system of the organization	Number of respondents	Percentage
Yes	11	15
No	61	85
I don't know	-	-
Total	72	100

As indicated the above table, most of 85% of respondents have negative responses on they receive, this means the organization does not provide satisfactory payment system. Based on the above data the student researcher can deduce that these may lead to absenteeism and turnover. Where as 15% of the respondents have positive response. In general this shows most of employees are dissatisfied with pay system of the organization.

Table-5 Employees Satisfaction Level in Wages and Salary.

How do you see the wage and salary of the organization	Number of respondents	percentage
Very good	-	-
Good	5	6
Fair	12	17
Poor	28	39
Not good at all	27	38
Total	72	100

As its stated in the above table, 6% of the respondents respond that the organization wages and salary is Good, while 17% of the respondents said that fair and the rest 77% of the respondents said poor and not good at all. This indicates that majority of the employees are dissatisfied with the organizations wage and salary. This data indicates that there is lack of attractive wage and salaries.

Table-6: Salary fairness to responsibility and service of employees.

Do you think your salary is fair to the responsibility you have and service you provide	Number of respondents	percentage
Yes	13	19
No	59	81
No idea	-	-
Total	72	100

From table 6, the responses of respondents that the degree to which respondents is fairly paid for what they contribute to their organization. The majority of 81% respondents responded negatively regarding with fairness of pay based on their contribution, while 19% of respondents responded positive. This data shows majority of employees concerned with salary are not attractive in relation to the responsibility they have and service they provide.

Table-7 Rate of Absenteeism and Turnover in the Organization

How would you see the rate of absenteeism and turnover in the organization	Number of respondents	Percentage
Very high	40	56
High	20	27
Medium	12	17
Low	-	-
Very low	-	-
Total	72	100

Table 7, the above asked respondents the rate of absenteeism and turnover of employees in the organization, 56% of the respondents accept that, there is very high absenteeism and turnover in the organization and 27% of respondents says high, the rest 17% of respondents said that medium. This indicates that there is very high absenteeism and turnover in the organization.

Table-8 Availability of Compensation Package

To what extent are you benefited from the compensation package available in the organization	Number of respondents	percentage
Very high	-	-
High	-	-
Medium	8	11
Low	29	40
Very low	35	49
Total	72	100

According to the availability of compensation package, the extent to which only 11% of the respondents said that medium with regard to compensation package available, 40% of the respondents said low compensation package available, and the rest 49% of the respondents said that very low compensation package available. This indicates most of employees don't consider the compensation package of ERA as satisfactory. And also few number of employees are medium satisfactory by available compensation package.

Table-9 Employees discussion on the organizations remuneration system

To what extent are employees given the chance to discuss on the organization remuneration system	Number of respondents	percentage
Very high	-	-
High	7	9
Medium	18	25
Low	44	61
Very low	3	5
Total	72	100

Table 9 above asked respondents the extent to which they are given the chance to discuss their organization's remuneration system, and out of the total sample respondents none of them said very high, 9% indicated there is high chance available in the particular company to air their view points/discontents on the organization's remuneration system, 25% of them said there is medium chance, 61% of the total respondents pointed out it is low, and the rest 5% of them pin pointed by saying there is very low chance in the company to discuss on the remuneration system employed in the company.

In line with the above data one can deduce that more than half of the respondents 66% said there is either low or very low chance given to them to discuss on the remuneration system employed in the company under consideration. As it is indicated in the review of the related literature if at all any organization desires to have a very effective and efficient remuneration system the company must provide its employees the very chance to discuss it with its own employees.

Table-10 Employees existing remuneration system based on motivation.

To what extent is the existing remuneration system attractive enough to retain good people as keep moral of employees	Number of Respondents	Percentage
very High	5	6
High	6	9
Medium	22	31
Low	34	48
Very Low	5	6
Total	72	100

According to table 10, which asked respondents to rate whether the company's remuneration system is attractive enough to keep their moral, 6% of them indicated very high, 9% of them said high, the rest 31% , 48% , and 6% pointed out medium, low, and very low respectively. In line with these data the student researcher can deduce almost half of the respondents are with some displeasure on the remuneration system of the company which in turn affects their moral and their feeling to be loyal to the company under consideration. Moreover, this data imply to us the company is doing very little to improve their remuneration system which can help them to keep good people (employees) that have strong desire in achieving the company's short and long term objective.

Table 11: Level of Satisfaction in ERA

How would you rate your satisfaction with the existing remuneration system in the ERA	Number of respondents	percentage
Very satisfied	-	-
Satisfied	5	6
Neutral	12	16
Dissatisfied	33	46
Very Dissatisfied	22	32
Total	72	100

With regard to table 10, none of the respondents are very satisfied with the remuneration system of the company, while 6% of them pin pointed they are satisfied, 16% of them said they are neutral, 46% of them are dissatisfied, and the rest 32% of the employees indicated they are dissatisfied with the remuneration system employed by the company. Based on the above indicated data the student researcher can deduce that larger proportions of the respondents are either dissatisfied or very dissatisfied with the remuneration system designed and applied in the company under consideration. And as it is indicated in chapter two about view points of different authors on remuneration system companies should try their best to create a mutual understanding between employees and themselves and give chance to their employees to indicate their view points about the remuneration system that would be employed in the company.

Table-12: Respondent’s opinion to the importance of employee’s satisfaction for organization success.

In your opinion to what importance does the employee's job satisfaction have on your organization success	Number Of respondents	Percentage
Extremely important	50	70
Very important	15	20
Important	5	7
Some extent important	2	3
Has no effect	-	-
Total	72	100

As it is shown in table 12 out of total respondents 70% of the respondents said extremely important while 20% of employees said very important, and while the rest 10% of respondents said Important and some extent important. and none of the respondents said no effect. This indicates that respondents attached an extremely important to greater productivity and increases effectiveness of the organization.

In addition to above factors analyzed, Human Resource Management said that employees satisfaction is other point that has to be analyzed, because it affect employees performance, certain factors that lead to comfortable work atmosphere increase job satisfaction for employees with at least an average work ethics.

Table 13: Remuneration system that motivates employees

Remuneration System	Very High	High	medium	Low	Very Low	No	Total

								idea	
Commission& Bonus	No	-	9	11	42	10	-	72	
	%	-	13	15	58	14	-	100	
Transportation service	No	34	20	8	10	-	-	72	
	%	40	42	4	14	-	-	100	
Medical service	No	40	25	2	5	-	-	72	
	%	55	35	3	7	-	-	100	
Appreciation& award	No	5	-	18	20	21	8	72	
	%	7	-	25	28	29	11	100	
Monetary incentives	No	-	10	9	48	5	-	72	
	%	-	14	13	66	7	-	100	
Insurance	No	-	8	5	23	22	14	72	
	%	-	11	7	32	31	19	100	
Cafeteria service	No	55	10	7	-	-	-	72	
	%	76	14	10	-	-	-	100	

The above table 13 shows about commission and bonus 13% of the respondents said High, 15% of the respondents medium, 58% of respondents said Low and the rest 14% of respondents very Low. According to the respondent's majority of

employees said Low, which means the organization does not give commission and Bonus to the employees.

On the other hand, regarding to transportation service 40% of the respondents said very high, 42% of respondents said high, 4% of respondents said medium, the rest 14% of respondents said Low. This shows that majority of employees are satisfy with the service that the organization provide.

Regarding to medical service 55% of the respondents said very high, 35% of the respondents said high, only 3% of the respondents said medium and the remaining 7% said Low, This shows most of employees expressed medical service benefits is very high.

In line with Appreciation and award 7% of respondents said very High, 25% of respondents said medium, 28% of respondents said Low, 29% of respondents said very low and the rest 11% said No idea. This data explains that the organization does not provide attractive award and appreciation.

Regarding to monetary incentives, 14% of respondents said that High, 13% of respondents said medium and 66% of respondents said Low, the rest 7% of respondents said very Low. This data shows most of employees expressed the monetary incentives is Low, that means the organization does not provide monetary incentives.

Beside this about Insurance 11% of the respondents said High, 7% of respondents said medium, 32% of the respondents said Low, 31% said very low and the remaining 19% said No idea. This indicates that the most respondents have negative response. Regarding to cafeteria service 76% of the respondents said very high, 14% of the respondents said High, the rest 10% of the respondents said medium. This data show most of employees are satisfy with cafeteria provide in the organization.

Table -14 Attitude of employees towards the remuneration system of ERA

Sick, Annual, maternity leave	No	10	32	22	8	-	-	72
	%	14	44	31	11	-	-	100
Safety cloth	No	-	-	29	30	3	10	72
	%	-	-	40	42	4	14	100
Education assist	No	-	29	35	4	4	-	72
	%	-	40	48	6	6	-	100
Promotion	No	-	15	27	11	19	-	72
	%	-	21	38	15	26	-	100
Loan	No	-	-	21	44	5	2	72
	%	-	-	29	61	7	3	100
Annual trip	No	41	20	11	-	-	-	72
	%	57	28	15	-	-	-	100
Over time	No	-	8	-	28	36	-	72
	%	-	11	-	39	50	-	100

Regarding to sick, annual, maternity leave 14% of the respondents said very high, 44% of the respondents said high in benefits of leave, 31% of the respondents said medium, the rest 11% said Low. This data shows most of respondents deduce that

there is a high leave benefit in the organization. In terms of safety cloth, 40% of respondents said medium, 42% of the respondents said low, 4% of respondents said very low and while, 14% of the respondents said no idea in relation to safety cloth. This implies that the majority of employees said average in relation to safety cloth.

Beside this about Educational assistant 40% of the respondents say High, 48% of the respondents says medium, and the remaining 12% of the respondents says low and very low. This indicates that the organization provide the opportunity to educate the employees.

According to promotion 21% of the respondents say that there is High promotion, 38% of the respondents says medium, 15% of respondents says low and 26% of the respondents says very low regarding to promotion. This data shows that most of respondents expressed promotion in medium level. In terms of Loan 29% of the respondents said that medium, 61% of the respondents said that Low, 7% of the respondents said that very Low and the rest 3% of the respondents they don't have the idea about the loan. This shows that most of employees have positive thinking regarding to Loans.

In terms of Annual trip, 57% of the respondents said that very high, 28% of the respondents said that High Annual trip, the rest 15% said that medium. Regarding this majority of the respondents have positive thinking that means they are happy with the Annual trip?

In the last respondents expressed the over time, 11% of the respondents said that there is high over time in the organization, 39% of the respondents said that low, and 50% of the respondents said that very Low. This implies that most of the employees are not satisfied by ERA overtime system.

Table 15: Respondents satisfaction with there job

To what extent are you satisfied with your job	Number of Respondents	percentage
Very satisfied	2	3
Satisfied	4	5
Neutral	13	18
Dissatisfied	35	49
Very Dissatisfied	18	25
Total	72	100

As indicated in table 11, which asked respondents the extent to which they are satisfied with their job for achieving one's own task, 3%, 5%, and 18% of the respondents pointed out that they very satisfied, satisfied, and neutral for the particular question. Moreover, the rest of the respondents which includes 49% and 25% of them said they are either dissatisfied or very dissatisfied. And from these data the student researcher can deduce that most of the respondents are dissatisfied with their job that is given to them by the company for achieving their personal and professional goals. If its not satisfied their needs, employees may not stay in the organization for long period of time.

CHAPTER FOUR

SUMMARY, CONCLUSION AND RECOMMENDATION

4.1 Summary

The general objective of this study is to assess and analyze the practice of compensation and benefit package in ERA. In order to achieve these objective related literatures were reviewed, relevant interview questions to HRM were raised and questionnaires were distributed to randomly selected employees. The data obtained presented and analyzed using percentages.

According to the basis of the data collected and analyzed the study has come up with the following findings:

The majority of the respondents, i.e. 81% responded denied the fairness of the salary. However scholars assert that, merit based payment system is fair and rational.

It has been also indicated that there is a Sevier problem in motivating employees particularly in monetary incentives, commission and insurance service by 73%, 72%, 63% under the company.

Regarding to sex and education level, the majority of employees are males. And majority of them are diploma holder. In addition to these, more than half of the respondents, i.e. (52%) earn a salary between 501-1000 birr.

Most of employees are permanent and regarding to age, the study shows that majority of the respondent's age is under 18-45 years ago.

The study indicates that employees are unsatisfactory. Further more, the respondents agree that there is no discussion of discussion of employees of employees in relation to the existing remuneration system in this organization.

The findings also indicate that employees are dissatisfied with the existing remuneration system of the organization. This means the organization does not satisfied their needs, so employees may not stay in the organization for long period of time, turnover and absenteeism becomes high.

According to the finding, the organization does not motivate employees. From these we can understand that even though ERA has many benefit packages, there was still the need to revise it, so that it will motivate its employees more.

According to the study few employees know about the available compensation package to some degree. And majority of them they don't know whether compensation package is available or not.

4.2 Conclusions

Based on the findings stated above the following conclusions can be drawn, employee in ERA have different composition like age, sex, educational level, salary scale and term of employment and year of service.

The findings also indicate employees in ERA there is no employees discussion in preparing compensation plan in organization. Not only this, the employees they don't know from where they can get information regarding the compensation plan of the organization.

Moreover the compensation and benefit of the employee that includes cafeteria service, sick, annual, and maternity leave, annual trip. Regarding this employees

are satisfied with compensation benefits; also employees are unsatisfied with the current monetary incentives, bonus and so on.

The findings show that, few number of employees satisfied by the available compensation package. Because more attention didn't give to compensation package in ERA.

The finding shows that, the satisfaction level of employees with the existing remuneration system of the organization is limited in the case of salary. This means employees may not stay in the organization for long period of time and this may not lead to increases turnover and absenteeism of the organization.

4.3 Recommendations

Based on conclusions made so far, the students researcher realized and learned that there were lots of issues that need improvement, to motivate the employees through compensation and benefit. Because motivation is one of the keys that increase the satisfaction of employees. Therefore, the following suggestive recommender are forwarded.

Attention should be given for improvement in area of existing remuneration system to increase the level of satisfaction of employees; the organization could be able to allocate appropriate remuneration system for satisfaction of employees.

The student researcher also advice to improve lack of discussion with employees in order to have strong relationship with employees and must give more attention to compensation package, in order to solve problems related to turnover and absenteeism.

ERA needs to improve its compensation and benefit package as satisfactory, they should see the case of compensation package as critical for the organization scratch and study the case very well. And also after looking that corrective action is must for the organization success.

The organization should administer the salary scale fairly based on the responsibility they have qualified and relevant year of experience to retain and motivate employees for higher performance.

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. APPENDICES

St Mary's University College

Faculty of Business

Department of Management

Questionnaire on assessment of compensation and benefit package practice in ERA.

Dear respondents, the objective of this study is for partial fulfillment of the requirements for the completion of Bachelor of Art Degree in Management also to assess the impact of compensation and benefit package in ERA. Your views and response are very important for the success of the research. You are, therefore urged to express your opinions and experiences as openly as possible.

Please,

- Give you response to all the statements found in this questionnaire put a right sign on the given box (✓) and for the questions which needs more detailed answers you can write your comments, ideas and answers on the space provided.
- To maintain confidentiality, do not write your name
- Do not consult others while responding.

Thank you in advance for your cooperation to answer my questions.

Part: I General characteristics of respondents

1. Sex

Male

Female

2/Term of employment

Permanent

Contract

3/ Year of service in organization

Less than 1 year

7-9year

1-3 year
above

10yrs and

4-6 year

4/ Age group

18-25

36-40

26-30

41-45

31-35

46-50

Above 51

5/ level of education

Below certificate

BA/Bsc

10th /12th complete

MA/Msc

Diploma

Above MA

6/ your basic salary

Below 500

1501-2000 birr

501-1000 birr

2001-2500 birr

1001-1500 birr

2500 birr and above

Part: II Question relating to the topic under consideration.

1/ The organization pays remuneration to employees base on their performance?

Strongly agree

Disagree

Agree

Strongly disagree

Agree some what

2/Have you ever been rewarded for your performance?

Yes

No

3/ Are you satisfied with the pay system of the organization?

Yes

No

I don't know

4/ If your Response for item #3 is No, the reason is -----

5/ How do you see the wage and salary administration system of the organization?

- Very good Poor
Good Not good at all
Fair

6/Do you think your salary is fair for the responsibility you have and service you provide?

- Yes
No
No idea

7/ How would you see the rate of turnover and absenteeism in the organization?

- Very high Low
High Very low
Medium

8/ To what extents are you benefited the compensation package available? Very high

- Low
High Very low
Medium

9/To what extent are employees given the chance to discuss on the organizations remuneration system?

	Very high	High	Medium	Low	Very low	No idea
Commission & Bonus						
Transportation service						
Medical services						
Appreciation & award						
Monetary incentives						
Insurances						
Cafeteria service						
Sick, annual, maternity leave						
Safety Cloth						
Educational assist						
Promotion						
Loan						
Annual trip						
Over Time						

Please mention if other system of compensation available?

14/What is your attitude towards remuneration system of ERA?

15 / To what extent are you satisfied with their job?

Very satisfied

Dissatisfied

Satisfied

Very Dissatisfied

Neutral

16/Any constructive command you would like to forward for your department to attract new employees get satisfied existing employees and retain them, which are keys for it success now and future in such dynamic and competitive business? _____

Thank You

Interview conducted with HR manager

- 1/ Are there adequate organizational policies to support the execution of ERA strategies?
- 2/ Do you think that the strategic plan of ERA is prepared in line with benchmark theories?
- 3/ Do you believe employees are satisfied with the amount you pay as benefits?
- 4/ what is the basic purpose of employee benefit in your organization?
- 5/ would you explain about the organization turnover & absenteeism?
- 6/ what is your general comment on your organization remuneration practice?

Thank you

DECLARATION

I, the undersigned, declare that this senior essay is my original work, with the help of Ato Biruk G/Michael. All sources of materials used for the manuscript have been duly acknowledged.

Name : Eman Fuad

Signature : _____

Place of submission : SMUC Department of Management

Date of submission : _____

SUBMISSION APPROVAL SHEET

This senior Research paper has been submitted to the Department of Management in partial fulfillment for the requirements of BA Degree in Management with my approval.

Name : Biruk G/Michael

Signature : _____

Date of Submission : _____