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**ST. MARY'S UNIVERSITY**

**SCHOOL OF GRADUATE STUDIES**

**AN ASSESSMENT OF COMPENSATION PRACTICE. THE CASE OF  
ETHIOPIAN PUBLIC HEALTH INSTITUTE**

**By**

**TIZITA KIFLE**

**SGS/0025/2010B**

**DECEMBER, 2020**

**ADDIS ABABA, ETHIOPIA**

**AN ASSESSMENT OF COMPENSATION PRACTICE.THE CASE OF  
ETHIOPIAN PUBLIC HEALTH INSTITUTE**

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**TIZITA KIFLE**

**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF  
GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE  
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**DECEMBER, 2020**

**ADDIS ABABA, ETHIOPIA**

**ST. MARY'S UNIVERSITY  
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Internal Examiner

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## **DECLARATION**

I, hereby, declare that this thesis is my original work, entitled “An Assessment of compensation system the case of Ethiopian public health institute.” submitted by me in partial fulfillment of the requirements for the award of Degree of General Master of Business Administration (MBA) to the St. Mary’s University Faculty of Business, this original work prepared under the guidance of my Advisor Dr. Solomon Markos. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Declared by: Tizita Kifle

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Signature

# **CERTIFICATION**

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

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Advisor

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Signature

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

**December, 2020**

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Furthermore, I would like to express my heartfelt gratitude goes to my families for their unreserved support all through my school year.

# **LIST OF ACRONYMS**

**DTM:** Department of Traditional Medicine.

**ENI:** Ethiopian Nutrition Institute.

**EPHI:** Ethiopian Public Health Institute.

**HEW:** Health Extension Workers.

**HR:** Human Resource.

**HRM:** Human Resource Management.

**NRIH:** National Research Institute of Health.

**SPSS:** Statistical Package for Social Science.

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## **ABSTRACT**

*Attractive compensation package scheme enables an organization to attract, recruit and retain competent employees, to increase employee's morale and productivity and ensure transparency. Since employees are a resource it is important for managers to ensure that they are able to get a return on their investment. This research was aimed at assessing the compensation practice of Ethiopian public health institute. The major initiation to conduct this research was to understand the financial and non-financial benefits that EPHI offers to employees. A descriptive research method on both quantitative and qualitative research study was adopted to undertake this research. The questioners were developed using a five-point Likert scale and the researcher used simple random sampling technique to select sample population. The interview was semi-structured. Interview was also conducted with HR manager of the institute. As per the overall survey, the existing compensation practice doesn't satisfy the overall needs of the employees. Therefore, EPHI needs to revise the compensations package policy by assessing the current cost of living, the nature of jobs and employee's expectation.*

**Key Words:** *Compensation, Financial compensation, Non-financial compensation.*

# **CHAPTER ONE: INTRODUCTION**

This chapter deals with the background of the study that presents a detailed explanation of the study. It also includes the statement of the problem, with basic research questions, objectives of the study, significance of the study and delimitation/scope of the study. In addition to this, it reveals an overall organization of the study.

## **1.1 BACKGROUND OF THE STUDY**

The term compensation represents the exchange between employees and organization, both gives something in return for something else. In the past, the compensation issues were often confidential and govern by individual employer's preferences and choices. However, in today's competitive world the compensation policies are more transparent and the employees take their own choices based on the compensation package. Thus, balancing the cost of compensation and retaining the employees have become the most important priority for the organization (Bhattacharyya, 2009).

The compensation is a substitute word of wages and salaries and it has recently originated. The literature of wages and salaries are enormous but it considers the issues from a legal viewpoint. However, wages have now become very significant as a cost factor (Bhattacharyya, 2009).

Rewards include direct compensation, indirect compensation and non-financial reward. Developing an effective and appropriate compensation system is an important part of the human resource management process that can help to attract and retain competent and talented individuals who can help meet organizational objectives (Dessler 2002). It is commonly believed that if rewards are used effectively, they can motivate individuals to perform and thus can have a positive effect on organizational performance (Thorpe and Homan, 2000).

As stated by Griffin (2012), compensation is a financial remuneration given by an organization to its employee in exchange for their work. The compensation scheme has to be such that it will be attractive to attract and retain competent workforce. Today's competitive conditions make it more difficult for organizations to acquire and retain experienced and productive talent. Thus, finding, motivating, developing, and keeping employees has become a strategic function of the human resource departments of most organization.

As it is noted by Griffin (2012), Compensation is an important and complex part of the organization employee's relationship and it should be enough to provide and cover the basic necessities of an employee and help him maintain a reasonable standard of living. Furthermore, he argued that if employees don't earn enough to meet their basic economic needs, they will look for employment elsewhere. In most societies, however, a person's earnings also serve as an indicator of power and prestige and are tied to feelings of self-worth.

According to World at Work (2004), employee compensation and rewards play a critical role in the ability for large and complex global organizations to attract, motivate and retain the talent they need to be successful. There are so many different ways to reward or compensate employees and the basics of compensation are job evaluation, merit pay, market surveys, the changing nature of pay, and performance-based pay (Heneman, 2002).

The compensation management is an organized practice which is important for balancing the work and employee relationship by providing monetary and non-monetary compensation to employees. Compensation includes all form of pay given to the employees which arise from the employment. One of the key functions of compensation management of any company is to create a hearty competition among the employees in order to attain more efficiently and provide growth opportunities to its employees (Khan, Aslam, Lodhi, 2011). According to Cascio (1995) the "Compensation includes direct cash payments and indirect payments in form of employees benefits and incentives to motivate employees to strive for higher levels of productivity".

Armstrong (2002) stated that compensation management is an integral part of human resources management approach to productivity improvement in the organization. It deals with the design, implementation and maintenance of compensation system toward the improvement of organizational, team and individual performance. Reward management is more concerned with people (employee) and the value they create in the organization (Schneider, 1987). For organizations to achieve a highly committed business environment and its overall business goal, a reward strategy must be developed to ensure that the contribution people make to achieving organizational or team goals are valued, recognized and rewarded (Armstrong, 2010).

The issue of compensation management is one of the important functional areas of human resources (Ramlall, Maimani & Diab, 2011; Absar, Nimalathan & Mahmood, 2012).



## **1.2 BACKGROUND OF THE ORGANIZATION**

According to the information found from the institute Ethiopian Public Health Institute (EPHI) is the result of the merger in April 1995 of the former National Research Institute of Health (NRIH), the Ethiopian Nutrition Institute (ENI) and the Department of Traditional medicine (DTM) of the Ministry of Health. The merger was affirmed by the council of minister's regulation No 4/1996, which recognized the Institute as an autonomous public authority having its own legal personality. Based on the existed appropriate health policies, research output from the institution contributes to wards the health sector development. Some of the policy terms, which guide research priorities and health intervention programs and strategies, are put as follows: The control of communicable diseases, epidemics and disease related to malnutrition and poor living conditions. The development of beneficial aspect of traditional medicine, including related research and its gradual integration into modern medicine; applied health research addressing the major health problems; Strengthen research capacities of national institutions and scientist in collaboration with responsible agencies. Since its inception about 70 years ago, the present Institute has contributed a lot for the improvement of public health and nutrition problems of the country in different names and organizational structures.

## **1.3 STATEMENT OF THE PROBLEM**

Compensation plays a vital role in attracting, motivating and retaining talented employees. According to Ibrahim and Boerhaneoddin (2010), compensation encourages effective employees to remain in employment for longer periods of time. The compensation management is an organized practice which is important for balancing the work and employee relationship by providing monetary and non-monetary compensation to employees. The compensation management is considered to be a complex process which requires accuracy and precision and if not carried out properly may lead to employees' dissatisfaction. (Aswathappa 2004). Job dissatisfaction culminates in higher absenteeism, turnover, labor problems, labor grievances and a negative organizational climate (Cherrington, 1994; Khumalo, Mohase, 2014). Similarly, it makes sense that when employees are dissatisfied, the resulting environment is not conducive to fostering satisfaction for customers (Adeyemi, 2011).

An ideal compensation policy motivates the employees to work harder and with more determination, therefore compensation system is a very necessary issue in the organization.

Hence, the compensation and benefit strategy is extremely important to keep the company competitive and successful. If one organization has poor compensation system it may lead to employees turn over, employees' dissatisfaction, absenteeism and it has an effect on employee performance.

Ethiopian public health institute is a service giving organization and it has a mission to protect and promotes the health of the Ethiopian people by addressing priority public Health and Nutrition problems through problem-solving research, public health emergency management, establishing and maintaining quality laboratory system. During the internship program of the researcher in the organization it is observed that most of the employees were not satisfied by the benefit of the organization .as a result of poor compensation system employees are not fully committed to do their best to the organization which is detrimental to the effectiveness of the organization in general.

Most of the existing researches on compensation and benefit have been focused on nongovernmental organization sector, banking sector, construction sector, higher educational sector and private hospitals and so on. For instance, Alemayehu (2014), Addis Ababa University, with her comparative study of reward and employee motivation in two selected private hospitals, the researcher investigates the relationship between reward and motivation of the health care professional and qualitative testing the effect of variables such as payment, benefit, promotion, perception, work content and working condition on motivation of employees working in public hospital.

Dagne menberu (2018), conduct his research on the actual compensation practices and challenges of Network of Networks of HIV Positives in Ethiopia. The researcher was investigating the practice of compensation on employee's basic salary, ability to pay, job requirement, government regulation, cost of living index, and labor market.

Ermiyas kebede (2017), his study assessed the compensation practice and turnover intention of employees in selected private commercial banks in Ethiopia. The study tries to determine different types of compensations practice on banks under study and analyze the type of compensation which attracts employees more.

Ahmed Kelil (2010), AAU, conduct his research on Employees Perception towards Compensation and Benefit the case of some selected Government Higher Education Institutions in Addis Ababa: the researcher found that many employees believe that the current compensation and benefit is not adequate with ongoing cost of life.

The above studies are the other motivating factor for this study to minimize the gap in existence to be filled by looking at compensation management from the public research institute perspective because there are not enough studies on compensation system in public research institute.

According to an evidence based policy brief of July, 2014 reported by the technology transfer and research translation directorate of Ethiopian public health institution written and prepared by Sabit Ababor, Mamuye Hadis, Amanuel Dibaba, Amaha Kebede indicates that low salary and high work load are some of the causes of dissatisfaction among health extension workers (HEWs) and Most of the EPHI employees are not satisfied with their monthly salary. Besides the inconsistent remuneration across the organization is also found to be source of dissatisfaction (Teklehaymanot 2007). Additionally, the researcher observed during the apprenticeship program there are some problems that are directly related to the compensation system of the organization such as employees perceived that the payment system of the organization is not flexible& not well organized and also there is a lack of motivation for doing a job because of the payment system. The organization implements some of indirect financial compensation packages but there are other benefits that are not satisfactorily administered and this has an unenthusiastic effect of reducing morale of employees; thus, their productivity level is negatively affected. Therefore, the researcher initiated by such practical gap and aims to assess the compensation system of Ethiopian public health institute.

This research is intended to investigate the existing compensation practice of Ethiopian public health institute, and analyze different types of compensation systems and to recommend possible solutions.

#### **1.4 RESEARCH QUESTION**

Hence, this study is primarily aimed to assess the compensation system and practice in the case of EPHI and more specifically to answer the following basic research questions:

1. What is the perception of employees of the organization on the compensation practice?

2. What is the current compensation practice in EPHI?
3. What are the challenges of compensation practice in Ethiopian public health institute?

## **1.5 OBJECTIVE OF THE STUDY**

The study has the following general and specific objectives

### **1.5.1 GENERAL OBJECTIVE**

- The general objective of this study is to assess the compensation practice of Ethiopian public health institute

### **1.5.2 SPECIFIC OBJECTIVES**

- To assess the current perception of employees on the compensation practice.
- To assess compensation practice (financial and non-financial) practice of EPHI.
- To identify the major challenges of compensation practice of EPHI.

## **1.6 DEFINITION OF TERMS**

**Compensation:** The term compensation is used to indicate the employee's gross earnings in the form of financial and non-financial rewards. Compensation means the reward that is received by an employee for the work performed in an organization. The term compensation is often used as an alternative to reward or remuneration, especially in the USA, although it is becoming more common in the UK (Armstrong, 2002).

**Financial compensation:** Financial compensation includes salary, bonus, and all the benefits and incentives (Mathis and Jackson, 2010).

**Non-financial compensation:** Non-financial compensation includes awards, praise, recognition and appreciation, which can motivate the employees towards highest productivity (Mathis and Jackson, 2010).

**Benefits:** Are elements of remuneration given in addition to the various forms of cash pay that is basic salary and incentive or bonus payment (Michael 1991: 620).

## **1.7 SIGNIFICANCE OF THE STUDY**

The result of this research is expected to give feed back to the company, especially to Human resource and management department to have better understanding about the perception of

employees in compensation system of the organization. this will help in attracting and retaining the staff. And also the research paper can help the organization which is EPHI, to distinguish its strength and weakness of compensation and benefit administration. In addition, this study can help the management of the organization by anchoring their decisions based on scientific study like this to make informed resolution. On the other hand, to researchers this study can be serve as a stepping stone for subsequent employee compensation practice studies, which means when other researchers want to address issues related to compensation. Also policy makers can be benefited from this study to make relevant and appropriate policies, procedures and framework to develop and implement for an effective compensation system within the organization and it would be important to know areas in which they can provide the institute with further incentive, for such a worthy course of growing the reliance on research institute. Therefore, if the policy makers found this study it might be relevant to them to custom as a supportive idea.

## **1.8 SCOPE OF THE STUDY**

The scope of the study was assessing compensation system of Ethiopian public health institute. Hence it was found imperative that the scope of the study be delimit conceptually, methodologically and geographically.

Conceptually, this study was focused on those variables which are perception, direct financial benefits, indirect financial benefits, and non-financial benefits. Based on those variables the study was try to assess the perception of employees and the financial and non-financial benefits that EPHI offered to the scientific researchers of the organization.

Methodologically, this research was conducted by qualitative and quantitative approaches i.e. data is obtained from a questionnaire filled by professional employees of the organization and the study is also delimited interview with the HR Director of the organization.

Geographically, this research study was conducted in Addis Ababa because EPHI doesn't have other branches and the study was focused mainly on scientific researcher employees of the organization to collect the required data from the data collection instrument this is because of inconvenience and time limitation in addition to that the organization is a research institute and most of the employees are researchers based on this the researcher of the study thought to focus on the scientific researchers employees of the organization. The study excludes non-permanent

employee, employees that are working on contract base, and employees those are in administrative position was also exclude from target population.

The variables are also limited as Employees perception towards compensation system, direct financial benefits, indirect financial benefits, and non-financial benefits.

## **1.8 ORGANIZATION OF THE PAPER**

This study was organized into five chapters. The first chapter presents the introductory part of the study including the background of the study, Significances of the study, statement of the problem, research questions, and objectives of the study, scope and organization of the paper. The second chapter was about brief literature review regarding the research topic. The research methodology and design was discussed in the third chapter. It is all about the methods, approaches, procedure and instruments that was used to achieve the purpose of study. In the fourth chapter, the collected data were analyzed, discussed and interpreted. And the last chapter contains a summary, conclusion, recommendation, references and an annex.

## **CHAPTER TWO: REVIEW OF RELATED LITERATURES**

In this part of the study various literatures written on the area of compensation system and management are reviewed in order to shed light on the concept of compensation system and to provide the theoretical as well as conceptual frame work of the study.

### **2.1 DEFINITIONS AND CONCEPTS: COMPENSATION**

Employee's compensation refers to all forms of pay or rewards going to employees and arising from their employment, and it has two main components: direct financial payment (in the form of wages, salaries, incentives, commission and bonus) and indirect payment (in the form of financial benefits like employer paid insurance and vacation (Gary 2004).

Literally, compensation is a form of reward given as a result of a job that has been done or effort put in to achieve a set goal and as such this serves as a motivational factor that encourages an individual to put more energy or commitment into his or her job (Armache, 2012; Ederer and Manso, 2013; Qureshi, 2013). In most organizations, the main aim of compensation is to motivate the behavior of the employee in a particular way. Hence, an organization not only desires to motivate employees to stay within the organization, but reinforces employee's performance through adequate and encouraging compensation.

### **2.2 TYPES OF COMPENSATION**

One of the crucial aspects in managing an organization is the compensation management. It is a process by which employees are being remunerated for their input at their workplace (Khanet al., 2011). As it is explained by Monney and Noe (1990), compensation is an important factor affecting how and why people choose to work at one organization over the others. In general, there are two types of compensation.

#### **2.2.1 FINANCIAL COMPENSATION**

Financial compensation includes direct compensations, which is paid to employees in the form of wages, salaries, bonuses, and commission in exchange for their performance and indirect compensation in the form of insurance plans (life, health, social assistance), retirement benefits, educational assistance, employee services, and paid absence for vacation, holydays, sick leave, etc Monney and Noe (1990).

Financial payments are rewards that enhance employees financial well-being directly or indirectly (Decenzo et al, 2007). According to Dessler (2008) the direct financial rewards refers to payment to employees which when done they enhances employee’s financial position directly.

Direct financial rewards come in form of wages, salaries, incentives, commissions and bonuses (Dessler, 2008). Bowen (2000) also notes that financial rewards mean those direct and indirect payments that enhance an employee's well-being, they make employee financially sound so that he/she can fulfill his/her material desire. There are two main categories of direct financial rewards namely: -Base/Basic pay and Contingent pay.

Dessler (2008) reckons that financial payments are determined on the basis of equity which he defines as the fair treatment of employees. This may be internal equity where employees are paid according to relative value of their jobs within same organization or external equity where organizations’ employees are paid comparably to workers who perform similar jobs in other firms.

Table 2.1 Components of a Compensation Program

COMPENSATION	
<p><b>DIRECT</b></p> <p><b>Base Pay</b></p> <ul style="list-style-type: none"> <li>• Wages</li> <li>• Salaries</li> </ul> <p><b>Variable Pay</b></p> <ul style="list-style-type: none"> <li>• Bonuses</li> <li>• Incentives</li> <li>• Stock options</li> </ul>	<p><b>INDIRECT</b></p> <p><b>Variable Pay</b></p> <ul style="list-style-type: none"> <li>• Medical insurance</li> <li>• Paid time off</li> <li>• Retirement pensions</li> <li>• Workers’ compensation</li> </ul>

**Source** (Adopted from Thompson 2002, P.743)

**base/ basic pay**

Base/ Basic pay also known as membership based reward, refers to the amount of pay that constitutes the rate for the job, it may be varied according to the grade of the job or for manual workers, the level of skill required (Amstrong, 2008). Several factors influence the base pay; these include legal (government regulations), union (staff labour relations), company policy



(company strategic aims) and equity (internal and external/market comparisons) (Dessler, 2004). Chrudden and Sherman (1980) indicate that other additional factors include worth of the job and individual bargaining power. According to Armstrong, (2008) some of the key determinant of an individual basic pay include; organization policies, labour market, the job content and finally the employees themselves.

### **Variable Pay**

Variable pay refers to additional financial rewards that may be provided and are related to performance, competence, contribution, skill or experience (Armstrong, 2008). They may come in form of incentives, commissions, bonuses and merit pays (Decenzo et al, 2007).

### **2.2.2 NON-FINANCIAL COMPENSATION**

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

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

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

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

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

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

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

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

## **2.3 COMPENSATION PACKAGE**

Compensation package consists of two kinds of payment, during employment and after employment.

### **2.3.1 DURING EMPLOYMENT PACKAGE**

It basically consists of four components, the basic salary, cash allowances, bonus and non-financial perquisites.

#### **1. Basic salary**

It is the major component of during employment compensation package. Basic salary is worked out on the basis of job evaluation and is adjusted either because of reclassification or changes in the cost of living index. Basic salary is a range with top and base clearly defined. It is also called scale. The scale reflects the time period with in which a person reaches the top of the scale if he or she starts at the base.

An increment is simply a constant addition in the basic salary (a reward for work done according to exception). Increment value is fixed but employees can get additional or accelerated increments in a year.

#### **2. Allowances**

Some of the well-known allowances are house rent, travel, dearness allowance, daily allowance in case of outstation travel shift allowance. The concept of allowance is based on the cost of living index to compensate for the extra efforts, needed to perform once normal duties. Allowance can be added to the basic depending up on the contingencies of the job. Some organizations pay high risk allowance for the extra ordinary hazards in the job as in petroleum industry or forest fire fighting. The exact quantum of most allowance is usually linked to the basic salary as they represent a percentage of the basic.

#### **3. Bonus**

This payment is a gesture of goodwill over and above the regular wages. Sometimes different acts adopted by organizations may not define bonus. In the absence of a definition, there are two interpretations of bonus-profit sharing and deferred wages. Bonus as profit sharing is a welcome measure as it focuses in strategies to improve productivity for the benefit of both employers and employees. Here operational efficiency becomes the focal point. However, employers take the stand that if it is profit sharing, they should not pay any bonus, when no profits made.

#### 4. Perquisites

Perquisites are those benefits that do not usually come in the form of cash but are provided to maintain certain needs and status of the employees and the image of the organization. These may include such perks as stock options, club membership, car or housing loans, reimbursement of the cost of children education, paid holiday, generous medical benefits, furnishing and refurnishing of residence and many cash perks.

#### 2.3.2 COMPENSATION AFTER EMPLOYMENT

Once the employee has left the organization voluntarily or on superannuation, he or she can continue to draw certain kinds of benefits from it. These may not be in the form of pension, gratuity, limited medical facilities and purchases from cooperatives society. Some of these are formal elements of the compensation package which are agreed up on at the time of employment (Mirza2004).

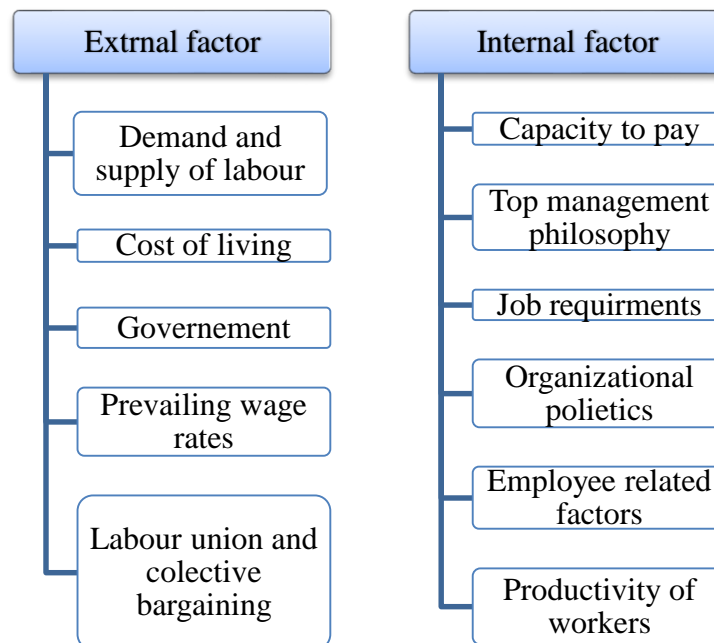
#### 2.4 FACTORS INFLUENCING EMPLOYEE REMUNERATION

According to (Aswathappa, 2004: 246) a number of factors influence the remuneration payable to employees they can be categorized into:

**1. External**

**2. Internal**

Figure 2.1 Factors Considered in Deciding the Compensation



Source: (Adopted from Aswathappa, 2004:246)

### **2.4.1 EXTERNAL FACTORS**

**Labor Market:** Demand and supply of labor influence wage and salary fixation. A low wage may be fixed when the supply of labor exceeds the demand for it. A higher wage will have to be paid when the demand exceeds supply as in the case of skilled labor. As it is stated by Judge & Bretz (1992) the labor market conditions or supply and demand forces operate at the national, regional and local levels, and determine organizational wage structure and level. If the demand for certain skills is high and supply is low, the result is a rise in the price to be paid to these skills. The other alternative is to pay higher wages if the labor supply is scarce; and lower wages when it is excessive. Similarly, if there is a great demand for labor expertise, wages rise; but if the demand for manpower skill is minimal, the wages will be relatively low. The supply and demand compensation criterion is very closely related to the prevailing pay, comparable wage and ongoing wage concepts since; in essence, all of these remuneration standards are determined by immediate market forces and factor.

**Cost of Living:** Another important factor affecting the wage is the cost of living adjustments of wages. This tends to vary money wage depending upon the variations in the cost of living index following rise or fall in the general price level and consumer price index. It is an essential ingredient of long-term labor contract unless provision is made to reopen the wage clause periodically.

**Labor Unions:** The presence or absence of labor organizations often determine quantum of wage paid to employees. Employers in nonunionized factory enjoy the freedom to fix wages and salaries as they please. Because of large-scale unemployment these employers hire workers at little or even less than legal minimum wages. So that labor union helps in paying better wages to the workers. Higher wages have to be paid by the firm to its workers under the pressure of the labor unions.

**Government Regulations:** In order to protect the working class from wage exploitation by strong employers, the government enacts various laws and judicial decisions. Such laws and regulations affect compensation management. Because, they emphasize on minimum wage rate, overtime rate, working hours, equal pay for equal work, payment of bonus, etc. So, an organization has to design its pay system as per the government rules and regulations.

### **Prevailing Wage Rates**

Wages in a firm are influenced by the general wage level or the wages paid for similar occupations in the industry, region and the economy as a whole. External alignment of wages is essential because if wages paid by a firm are lower than those paid by other firms, the firm will not be able to attract and retain efficient employees. For instance, there is a wide difference between the pay packages offered by multinational and Indian companies. It is because of this difference that the multinational corporations are able to attract the most talented workforce.

**Society:** Remuneration 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. (Invancevich and Gluek, 1989:498).

**The Economy:** The last external factor that has its impact on wage and salary fixation is the state of the economy while it is possible for some organizations to thrive in a recession; there is no question that the economy affects remuneration decisions. For example, a depressed economy will probably increase the labor supply.

### **2.4.2 THE INTERNAL FACTORS**

Among the internal factors which have an impact on pay structure are and the worker himself or herself:

**Ability to Pay:** Employer's ability to pay is an important factor affecting wages not only for the individual firm, but also for the entire industry. This depends upon the financial position and profitability of the firm. However, the fundamental determinants of the wage rate for the individual firm emanate from supply and demand of labor. If the firm is marginal and cannot afford to pay competitive rates, its employees will generally leave it for better paying jobs in other organizations. But, this adjustment is neither immediate nor perfect because of problems of labor immobility and lack of perfect knowledge of alternatives. If the firm is highly successful, there is little need to pay more than the competitive rates to obtain personnel. Ability to pay is an important factor affecting wages, not only for the individual firm but also for the entire industry.

**Top Management Philosophy:** Wage rates to be paid to the employees are also affected by the top management's philosophy, values and attitudes. As wage and salary payments constitute a major portion of costs and /or apportionment of profits to the employees, top management may like to keep it to the minimum. On the other hand, top management may like to pay higher pay to attract top talent.

**Productivity of Workers:** To achieve the best results from the workers and to motivate him to increase his efficiency, wages have to be productivity based. There has been a trend towards gearing wage increase to productivity increases. Productivity is the key factor in the operation of a company. High wages and low costs are possible only when productivity increases appreciably.

**Job Requirements:** Job requirements indicating measures of job difficulty provide a basis for determining the relative value of one job against another in an enterprise. Explicitly, job may be graded in terms of a relative degree of skill, effort and responsibility needed and the adversity of working conditions. The occupational wage differentials in terms of: Hardship, Difficulty of learning the job, Stability of employment, Responsibility of learning the job and Change for success or failure in the work. This reforms a basis for job evaluation plans and thus, determines wage levels in an industry

**Employees related factors:** Several employee-related factors interact to determine his or her remuneration. These include performance, seniority, experience, potential, and even sheer luck. These include

**Performance:** productivity is always rewarded with a pay increase. Rewarding performance motivates the employees to do better in future.

**Seniority:** Unions view seniority as the most objective criteria for pay increases whereas management prefers performance to effect pay increases.

**Experience:** Makes an employee gain valuable insights and is generally rewarded

**Potential:** organizations do pay some employees based on their potential. Young Managers are paid more because of their potential to perform even if they are short of experience.

## **6. Organizational Politics**

Compensation surveys, job analysis, job evaluation and employee performance are all involved in wage and salary decisions. Political considerations may enter into the equation in the following ways:

- Determination of firms included in the compensation survey: managers could make their firm appear to be a wage leader by including in the survey those organizations that are pay followers.
- Choice of compensable factors for the job evaluation plan: Again, the job value determined by this process could be manipulated.
- Emphasis placed on either internal or external equity and

- Results of employee performance appraisal may be intentionally distorted by the supervisor.

## 2.5. OBJECTIVES OF COMPENSATION MANAGEMENT

As World at Work noted, the goals of compensation packages for employees are: First, the compensation package should be positive enough to attract the best people for the job. An organization that does not pay as well as others within the same industry will likely not be able to attract the best candidates, resulting in a poorer overall company performance. Second, once the best employees and talent come to work for your organization, you want the compensation to be competitive enough to motivate people to stay with your organization. Although we know that compensation packages are not the only thing that motivates people, compensation is a key component. Smart, successful organizations do regular planning and evaluating of their compensation and performance appraisal systems. Because compensation is visible and important to employees, it is critical to consistently communicate a clear message regarding how pay decisions are made. The main objective is to „drive desired behaviors in your workforce“ (World at Work, 2000).

The main objectives of the compensation function are to create a system of rewards that is equitable and acceptable to both parties in employment relationship. The resultant outcome of compensation is an employee who is attracted to the work and motivated to do a good job for the employer. Ivancevich (2004: 298) and Nickels et al (1999: 331) highlight the objectives of compensation as follows:

**Attract:** Attracting the right kind of people in terms of qualification and experience as required by the organization and in sufficient numbers.

**Equitable:** Each person should be treated fairly as regards the amount paid in line with his or her effort, abilities, skills and training acquired.

**Balanced:** Pay, benefits and other rewards should provide a reasonable total reward package.

**Security:** Providing employees with some sense of financial security through insurance and retirement scheme.

**Cost Effective:** The pay should not be excessive, considering what the organization can afford to pay.

**Incentive-Providing:** The pay should provide incentives that will motivate effectively, efficiently and productively at work.

**Retention:** The pay should be able to keep valued employees from leaving and going to competitors or starting competing firms.

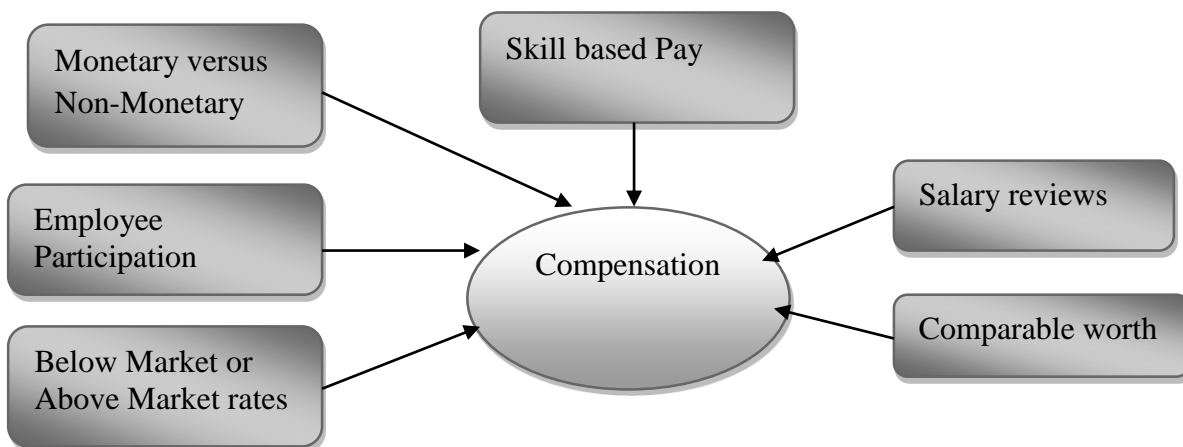
**Competitive Position:** The pay should maintain a competitive advantage in the market place by keeping costs low through high productivity from a satisfied workforce.

## 2.6. CHALLENGES OF COMPENSATION

People who administer wage and salary face challenges which often necessitate adjustments to a remuneration plan. The more important of the challenges are: skill-based pay, salary reviews, comparable worth, employee participation, below market or above market rates, and marketing versus non-marketing rewards.

The following figure shows the challenges of compensation.

Figure 2.2 Challenges of Compensation



Source: Aswathappa, HRM (text and cases), New Delhi, Tata McGraw Hill, 7th edition, 2014

. **Skilled based pay:** in the traditional job-based pay, employees are paid on the bases of job they do. In the skill-based system, workers are paid on the basis of number of jobs they are capable of doing, or on the depth of their knowledge. The purpose of this system is to motivate employees to acquire additional skills so that they become more useful to the organization.

. **Salary reviews:** pay, once determined, should not remain constant. It must be reviewed and changed often, but how often becomes a relevant question. Pay reviews may be made on



predetermined dates, anniversary dates or there could be flexible reviews. In the fixed-date reviews, wages and salaries of all employees are reviewed and raised on a specified date each year. In the anniversary-date review, salaries may be reviewed at twelve-month intervals from the date of the employee's anniversary date of hire. Using variable timing ensures flexibility.

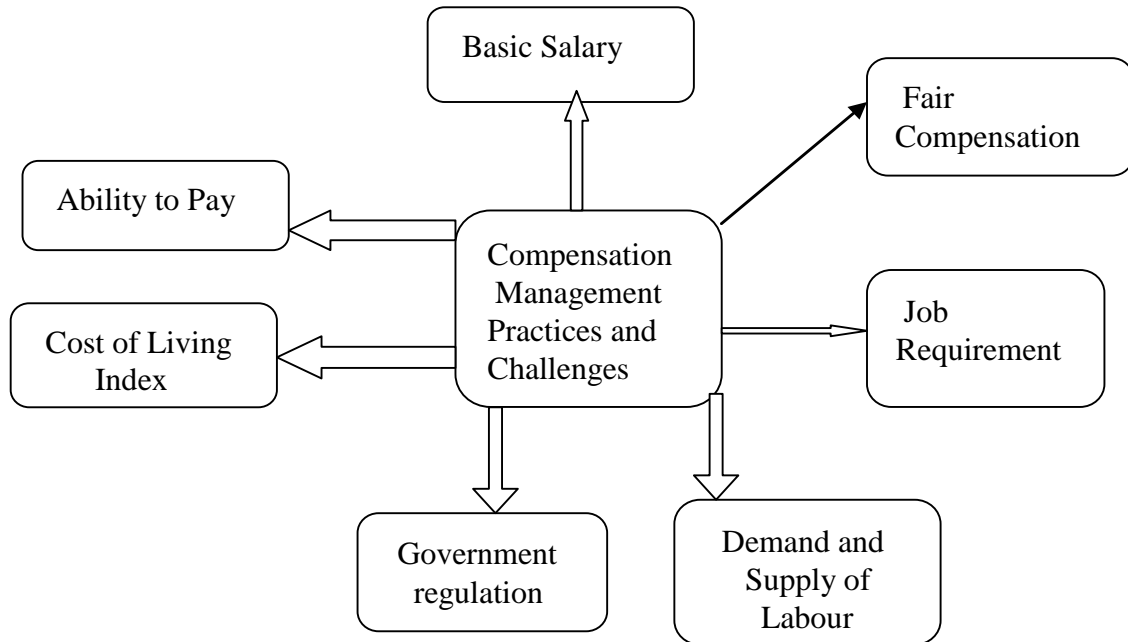
. **Comparable worth:** One of the popular principles in employee remuneration is equal pay for equal work. In fact, this principle has been the inspiration behind the enactment of the Equal Remuneration Act. Under the Act, male and female nurses are to be paid the same if their merit and seniority match, but a female nurse and a male electrician could be paid different rates.

. **Below Market versus Above Market Remuneration:** Remuneration involving decision relating to below market or above market pay structure has two implications. First, a firm's ability to attract talent from other depends on employee's pay relative to alternative employment opportunities. Second, the choice has an important cost component. Decision to above going rate obviously adds to the cost. However, in general, above market pay policies are more prevalent among larger companies in less competitive industries, such as utilities and among companies that have been performing well and have the ability to pay more.

. **Employee Participation:** When employees are involved in designing a remuneration plan, they exhibit little resistance in accepting it. Such a plan is much more likely to be a successful motivator than the one imposed by the management.

Other Challenges of compensation system based on the theoretical perspective and empirical results, every compensation practice will be faced a problem due to external and internal factors of the organization.

Figure 2.3 Other Challenges of Compensation



Source: Ahmed Kelil. (2010)

**Ability to Pay:** Employer’s ability to pay is an important factor affecting wages not only for the individual firm, but also for the entire industry. This depends upon the financial position and profitability of the firm. However, the fundamental determinants of the wage rate for the individual firm emanate from supply and demand of labor.

**Cost of Living:** Another important factor affecting the wage is the cost of living adjustments of wages. This tends to vary money wage depending upon the variations in the cost of living index following rise or fall in the general price level and consumer price index.

**Demand and supply of labour:** The presence or absence of labor organizations often determine quantum of wage paid to employees. Employers in nonunionized factionary enjoy the freedom to fix wages and salaries as they please. Because of large-scale unemployment these employers hire workers at little or even less than legal minimum wages.

**Government Regulations:** In order to protect the working class from wage exploitation by strong employers, the government enacts various laws and judicial decisions. Such laws and regulations affect compensation management.

**Job Requirements:** Job requirements indicating measures of job difficulty provide a basis for determining the relative value of one job against another in an enterprise.

**Basic salary:** It is the major component of during employment compensation package. Basic salary is worked out on the basis of job evaluation and is adjusted either because of reclassification or changes in the cost of living index. Basic salary is a range with top and base clearly defined. It is also called scale. The scale reflects the time period with in which a person reaches the top of the scale if he or she starts at the base.

## **2.7. EMPIRICAL WORKS ON COMPENSATION PRACTICE**

There are different studies which describes about compensation management practices. Each of the researches has their own distinctions and conducted with different context and in different country in this section; an attempt is made to assess the empirical studies conducted by different authors.

- Tilahun, (2015) assess compensation strategy in some selected private commercial banks in Ethiopia. The result of the study revealed that the effectiveness of compensation strategy of their respective bank has not been evaluated and the policy was not revised for long time. The researcher recommends that the compensation strategy of the bank and compensation policy should be periodically revised taking in to account the market conditions and the current performance of the employees. It is rational that employees demand an appropriate level of compensation for their effort. Such compensation may be offered in direct reward, such as salary and bonus, or bundled with other indirect reward such as medical insurance.
- Bililign Lemma (2012), studied employee's benefits package and turnover intention in the case of Dashen Bank. His finding confirmed that the benefit package of the bank is not enough to cover the basic need of its employee and their families. Moreover, his study also established that the benefit package of the bank is lower than from different banking sectors to cover the needs of its employees. Finally, he concluded that for all Dashen Bank and other similar industry in general to use a flexible benefit package on their policy and program and reduce employees" turnover intension.
- Binyam (2015), analyzed and assesses compensation Management practices the case of Ethio telecom. His findings revealed that many aspects of the compensation management practices of the telecom are exercised poorly. Due to this reason he found that the existing practice of the telecom fails to satisfy the needs of the employees and it makes the employees less motivated and dissatisfied in the telecom to work for long period service time. Eventually, he

recommended that telecom should focus on provision of appropriate compensation for its employees, review its pay systems, redesign the compensation strategy, establish and introduce communication channel and to make need assessment of the compensation policies.

- Seifu, (2014), made an evaluative study on Compensation management practice in Ethio Telecom. The study investigates compensation management practice in Ethio telecom by analyzing the link between compensation package, job satisfaction, motivation and job performance. The result indicated that employees are somehow satisfied with some of their compensation and benefit package and this could not be taken as the best compensation management practices of the organization. The researcher recommends that equitable and holistic compensation packages are more likely to attract, develop, motivate and retain qualified and competent personnel.
- Dagne menberu (2018), studied the actual compensation management practices and challenges; the researcher was investigating the practice of compensation on employee's basic salary, ability to pay, job requirement, government regulation, cost of living index, and labour market. Major findings revealed that the practices of compensation in the organization are unsatisfactory, unfair and not competent with the market. The researcher recommended the organization must have revised the existing compensation package aligned with the internal and external factors and also top management must keep themselves up to date with the compensation package of the competitors.
- Ermiyas kebede (2017), analyzed compensation practice and turnover intention of employees in selected private commercial banks and the researcher argues that there is no equity in pay system, the reward system does not take in to account the qualification and experience of employees, there is no stock option and profit sharing program and there is no career advancement. The study recommended that banks under study has to revise their compensation strategy, offer attractive salary and benefit packages, provide enough career development or training opportunities, create conducive working environment, so as to retain their experienced and top talented employees and reduce turnover gradually.

Various researches were conducted related to the topic under study, but most of them focus on, the effect of compensation on employee performance and productivity, causes of employee turnover, and compensation strategy. This study describes; the perceptions of employees towards

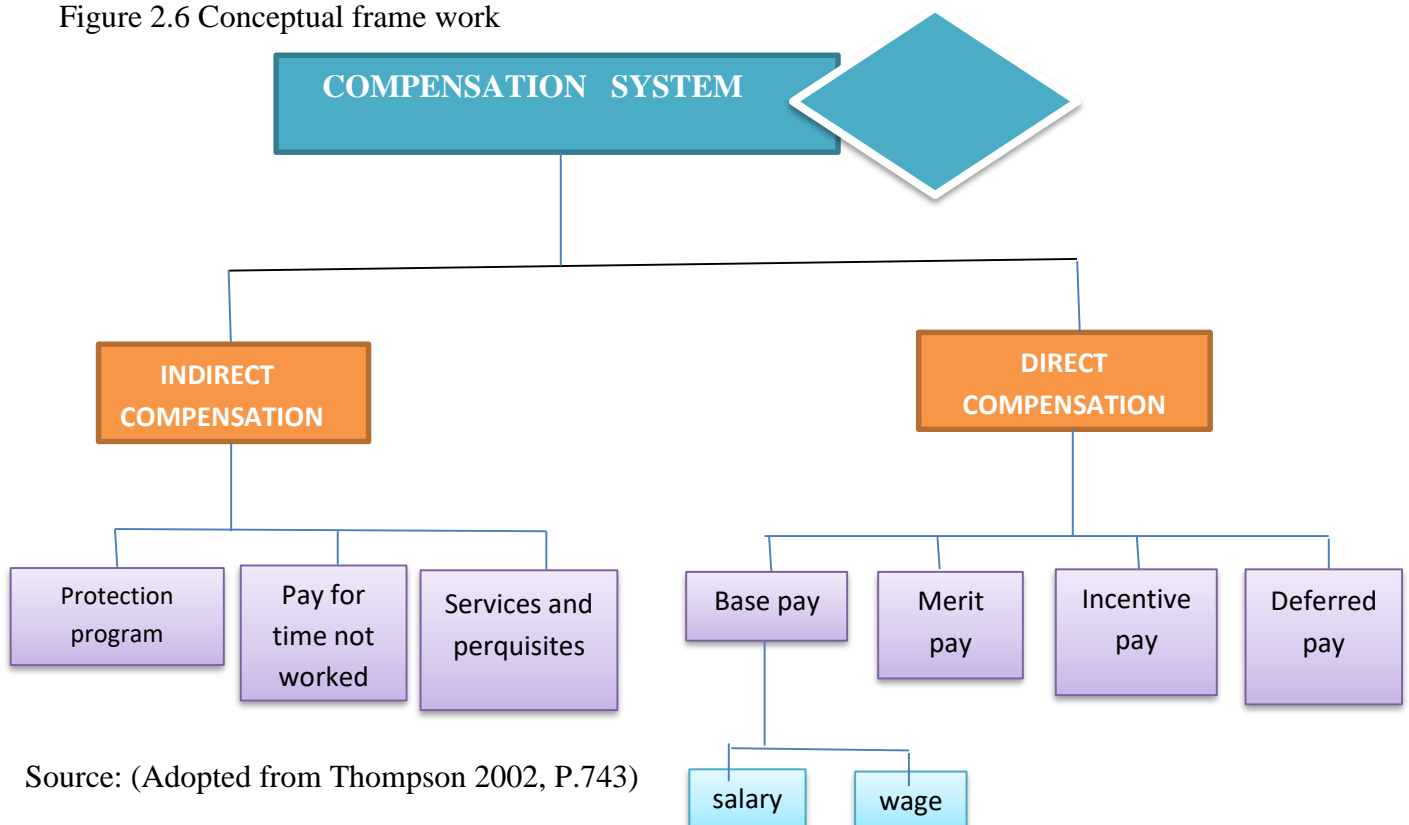
financial compensation and non-financial compensation, and explain the level of employee's satisfaction with this compensation system. And the study tries to analyze the challenges of compensation system in the institute.

## 2.8. CONCEPTUAL FRAME WORK

According to Mondy and Noe (1990), Financial compensation includes direct compensations, which is paid to employees in the form of wages, salaries, bonuses, and commission in exchange for their performance and indirect compensation in the form of insurance plans (life, health, social assistance), retirement benefits, educational assistance, employee services, and paid absence for vacation, holydays, sick leave, etc. and Gebremedhin, 2013 stated that Non-Financial compensation doesn't have any monetary value; instead, it involves the satisfaction that an employee receives from his work environment.

Non-financial compensation includes the satisfaction that an employee gets from the job itself or from the psychological and/or physical environment in which the employee works. Therefore, this conceptual frame work was drawn based on the theoretical perspective of different literatures.

Figure 2.6 Conceptual frame work



Source: (Adopted from Thompson 2002, P.743)

## **CHAPTER THREE: RESEARCH METHODOLOGY**

This chapter elaborates on the detailed research design and approach of the study. It explains the target population of the study, sampling technique and methods, sample size determination, data collection instruments, method of data analysis, reliability test and ethical consideration to be applied over the course of the study.

### **3.1. RESEARCH DESIGN**

A research design is the arrangement for a precise statement of goals and justification (Chopra, 2012). To describe the characteristics of a particular phenomenon, descriptive research is preferable, and Kothari (2004). It is concerned with specific predictions, with narration of facts and characteristics concerning individual group or situation. Therefore, to describe the current practices of compensation system of EPHI descriptive research design was adopted by using both qualitative and quantitative methods that are mixed research approach. This descriptive type of research method is preferable because it is used to find the current and existing practices of the organization. Since the general objective of this research is to assesses the compensation practices of the EPHI, this method was found to be appropriate for collecting valuable and vast information.

### **3.2. RESEARCH APPROACH**

There are two types of research approaches mentioned in research method such as quantitative and qualitative approaches, quantitative research is a type of research in which the researcher decides what to study, asks specific narrow questions, collects numeric (numbered) data from participants and analyzes these numbers using statistics, and conducts the inquiry in an unbiased, objective manner (Creswell, 2005). This research was conducted by quantitative and qualitative approaches i.e. data was obtained from structured questionnaire filled by employees of the organization and the interview applied for HR Directorate of the institute.

### **3.3. SOURCE AND METHODS OF DATA COLLECTION**

#### **3.3.1. SOURCES OF DATA COLLECTION**

In order to carry out any research activity, information must be gathered from proper sources. Therefore, to achieve the objective of this study both primary and secondary sources of data were used in conducting the research. Primary data is a type of data which is sourced from first hand origin and secondary data is a type of data sourced from documents and other literatures about

the issue. Accordingly, Primary source of data were collected from the sampled employees in order to get first-hand information and secondary data were the materials/documents used or referred from the organization in order to get supplementary data. The reason to select this data source is to get exclusive types of data about the practices and compensation system of Ethiopian public health institute. As the research is intended to assess compensation system of the organization, a set of questionnaire were distributed to scientific researchers of the institute. A questionnaire is used to get a broad range of information from selected staff respondents and interviews used to collect deeper and specific information from HR management members to give depth to the study.

### **3.3.2 METHOD OF DATA COLLECTION**

The study was employed both qualitative and quantitative data. The qualitative data are those collected through interview whereas quantitative data are the items which are collected through questionnaires. The data collection methods of this study was interview and questionnaire. A questionnaire is a formalized set of questions for obtaining information from respondents that translate the researcher's information needs into a set of specific questions that respondents are willing and able to answer. The study was used mainly close ended questionnaire as data collection instrument. The questionnaires were structured in a Likert five scale model which ranges from strongly disagree to strongly agree. This enabled the study to easily convert the qualitative aspects of the data set into quantitative scales.

The questioners were distributed for scientific employee's respondents. Filled questionnaires were collected on the deadline set at the time of distribution. Data were then analyzed, categorized, summarized and presented in the research paper. And the interview applied for HR Directorate of the organization. Interview were chosen to allow new ideas to be brought up during the interview as a result of the interviewee's responses. Concerning HR management interview, one to one interview was held with senior HR manager of EPHI. More questions were raised as necessary while the interview progressed flexible, in line with the principles of a semi-structured interview. Likewise, information and insights obtained from HR manager were summarized and reported.

## **3.4. TARGET POPULATION AND SAMPLING TECHNIQUES**

### **3.4.1. TARGET POPULATION**

A research population is generally a large collection of individuals or objects that is the main focus of a scientific query. Population is also known as a well-defined collection of individuals or objects known to have similar characteristics (Business Explorable, 2017). The report of EPHI human resource department indicates that there are 887 employees and from those 207 are researchers. So the sample were drawn from the scientific researchers since the organization is a research institute. Therefore, scientific researchers of Ethiopian public health institute are selected as a population.

Table 3.1 Total Number of population in target study areas

No	Directorate	Number of Researcher
1	Bacteriology ,parasitology& snoozes Directorate	59
2	Food Science & Nutrition Research Directorate	52
3	Traditional & Modern Medicine Research Directorate	27
4	Technology transfer & Research Translation Directorate	11
5	Health System Directorate	1
6	Scientific & Ethical Review Office	4
7	HIV & TB research Directorate	53
	Total	207

Source: Ethiopian public health institute Human Resource Management

### 3.4.2 SAMPLING TECHNIQUES

The sampling frame is source materials from which the sample is selected. In this research, Because of financial and data administration problem, the participants of the study were more of scientific researchers who are working on Ethiopian public health institute. To minimize respondent’s selection bias, the study employed simple random sampling method to select those individuals who was participated in responding the questionnaire from the selected sector.

#### 3.4.2.1 SAMPLE SIZE

Scientific sample size determination is important to come up with a high precision and efficiency since too small sample reduces the precision while too large sample engenders unnecessary cost and time.

As indicated below, Taro Yamane, (1967) formula was used to determine the sample size, from the scientific researchers of the institute.

$$n = \frac{N}{1 + N(e)^2} = \frac{207}{1 + 207(0.05)^2} = 136$$



Where,  $n$  - sample size,  $N$  -  $N_0$  of total population and  $e$  - constant value

Accordingly, out of the total population 136 employees were participated in this particular study.

### **3.5. DATA ANALYSIS AND PRESENTATION**

To analyze the data, the study mainly used Statistical software applications called SPSS. This statistical software's was employed to analyze and present the data by using different statistical tools. In the study both qualitative and quantitative methods of data analysis techniques was adopted. Analysis of data in this research were done by using statistical tools like frequency, percentage and mean. A descriptive analysis also used for demographic characteristics such as gender, age, experience, educational level and current department. To analyze the data, the researcher used descriptive analysis to transform raw data into a form that are easy to interpret and to calculate frequency distribution, percentage distribution and mean.

### **3.6. PRE TEST**

Pre-testing is essential while conducting research to correct instruments that we are using to collect primary data. The draft questionnaires and interview questioners were given to the selected 20 staff who are knowledgeable professionals in the area to review the items for clarity and completeness. By incorporating the suggestions and comments given, the instruments were handed to the advisor for the same purpose. After advisor confirmation, the survey questioners and interview questions are distributed. Finally, the nominal scale was used to collect personal information about respondents, closed-ended questioners and a five-point Likert scale were used to empirically measure the response of the staff. Having completed the data collection, the investigator checked and verified the completeness of the collected questionnaire. Then, the data were tabulated to facilitate the analysis process.

### **3.7. RELIABILITY AND VALIDITY**

#### **3.7.1 RELIABILITY**

Reliability refers to the consistency or dependability of a measuring instrument. It is defined as the proportion of the variability in the responses to the survey which is the result of differences in the respondents. The study was employing the Cronbach's alpha test to measure the internal consistency of the survey instrument. According to Hair, et al., (2006), if  $\alpha$  is greater than 0.7 and smaller than 0.3 it means that it has high reliability and low reliability respectively. To measure the internal consistency of the instruments, the questionnaire was distributed to 20 selected employees of EPHI and Cronbach's Alpha was found to be 0.872. The Cronbach's alpha

for the total scale and the sub scales are above 70% which means that the scales that was used in this study are considered reliable.

Table 3.2 Reliability Statistics

<b>Cronbach's Alpha</b>	<b>N of items</b>
<b>0.872</b>	<b>35</b>

Table 3.3 Cronbach's Alpha of all factors

<b>No</b>	<b>Item names</b>	<b>N of items</b>	<b>Cronbach's Alpha</b>
1	Employee perception	8	0.75
2	Direct financial compensation	5	0.78
3	In direct financial compensation	12	0.79
4	Non-financial compensation	6	0.80
5	Overall questions	4	0.84

### **3.7.2 VALIDITY**

According to Marczyk (2005), the concept of validity refers to, what the test or measurement strategy measures and how well it does so. Conceptually, validity seeks to answer the following question: "Does the instrument or measurement approach measure what it is supposed to measure?" The researcher checked the validity of questionnaires developed for this study. Before distributing the final questionnaires to the respondents, it was checked and commented by 20 employees of EPHI and the advisor of the researcher. The final version of the questionnaires was distributed after incorporating all the comments and feedback obtained from them.

### **3.8. ETHICAL CONSIDERATIONS**

Ethical considerations are expected to arise in any kind of research study. This paper took into consideration those ethical issues on using proper citation, formulating and clarification of the topic, design, access and use of data, analysis and reporting of the findings in a moral and responsible way. The researcher was try to get the consent of the participants and assured them that the source of data collected would remain confidential and that their anonymity will be maintained. The respondents were given a privilege of not writing their name and other

identities. Further to this the participant's assured on the confidentiality of their responses. No respondent was forced to fill the questionnaire unwillingly and before the actual purpose of the research were made clear to him/her.

## CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

The primary focus of the study is to assess the compensation system at Ethiopian public health institute. Therefore, this chapter presents the analysis of the responses that were received from the closed-end questionnaires distributed to the employees. In addition to this, this chapter assesses compensation practices based on data gathered through semi-structured interviews with senior HR management.

### 4.1. RESPONSE RATE OF RESPONDENTS

Questioners were distributed to 136 respondents, out of which 125 questioners were completed and returned. Therefore, the response rate was 125 (92%).due to the incompleteness of data five questionnaires had to be discarded and six questionnaires were not returned from respondents. Therefore, 125 questionnaires were considered for the data analysis. On the other hand, interview was conducted with HR manager of the organization.

Table 4.1: Response Rate

	<b>Number</b>	<b>Percent</b>
Questionnaires sent	136	100%
Total Responses	125	92%
Unable to answer the survey	11	8%

Source: Survey (2020)

As shown in the table 4.1, a total of 136 questionnaires were distributed to employees of Ethiopian public health institute. Out of the total questionnaires, 125 (%) were filled up and returned.

### 4.2. DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS

In the first part of the analysis, the study sought to establish demographic characteristics of respondents based on gender, age distribution, experience, educational background, and current department.

Table 4.2 Demographic Data of Respondents

<b>Gender</b>		<b>Frequency</b>	<b>Percent</b>
	Male	87	69.6
Female	38	30.4	
<b>Total</b>	<b>125</b>	<b>100</b>	
	Under 25	3	2.4

<b>Age</b>	26-35	77	61.6
	36-40	43	34.4
	41-50	2	1.6
	<b>Total</b>	<b>125</b>	<b>100</b>
<b>Education</b>	BSc degree	40	32
	Master's degree	85	68
	<b>Total</b>	<b>125</b>	<b>100</b>
<b>Experience</b>	1-2	14	11.2
	3-5	52	41.6
	6-10	44	35.2
	Above 10 years	15	12
	<b>Total</b>	<b>125</b>	<b>100</b>
<b>Department</b>	Bacteriology, parasitology & snoozes	20	16
	Traditional & modern medicine research	14	11.2
	Health system directorate	15	12
	HIV&TB research directorate	22	17.6
	Food science & nutrition	24	19.2
	Technology transfer & research translation	13	10.4
	Scientific & ethical review office	17	13.6
<b>Total</b>	<b>125</b>	<b>100</b>	

Source: Own Survey (2020)

As illustrated in table 4.2, of the total of respondents 87 (69.6%) were males while the remaining 38(30.4%) were females. From these, we can observe that the workforce of EPHI is dominated by a male. When it comes to age, 3(2.4%) of respondents are under 25 and most of the respondents in the sample are in the age range of 26-35(61.6%) or 77 respondents This shows that most of respondents are at the age of maturity that is productive age.43 respondents (34.4%) were within 36-40 age range and the last 2 (1.6%)of respondents were within 41-50 years.

As shown in table 4.2 most of the respondents hold master's degree which is 85 respondents (68%) have master's degree. There were 40(32%) degree holders. This shows that the majority of employees have master's degree. Data gathered through questioner regarding how long the respondents serve the organization as shown in table 4.1 14(11.2%) of the respondents serve less than 3 years and 52(41.6%) of respondents have worked in the organization between three and five years which is the highest percentage of all.44 (35.2%) of respondents have worked in the institute between six and ten years this shows that they are senior ones. This may indicate they are the right people to give reliable information. And 15(12%) of respondents have worked for more than ten years.

Item five of the table is concerning respondent's department and large proportion 19.2 % of respondents are food science and nutrition researchers followed by HIV & TB research directorate, Bacteriology, parasitology & snoozes, Scientific & ethical review office, Health system directorate, Traditional & modern medicine research and Technology transfer & research translation constitute 17.6%,16%,13.6%,12%,11.2%10.4% of the respondents, respectively.

Generally According to Bein (2009), Description of the participant demographic characteristics allows readers and researchers to determine to whom the research finding generalize and allows for comparison to be made across replication of studies. It also provides information needed for research syntheses and secondary data analysis.

### 4.3. DESCRIPTIVE ANALYSIS OF DATA RELATED TO THE STUDY

Accordingly, the analysis below reveals the data of respondents with the help of frequency and percentage tables.

#### 4.3.1. EMPLOYEES PERCEPTION TOWARDS COMPENSATION SYSTEM

Table 4.3. Employee's perception on compensation system

	Statements		Opinion						Mean
			SDA	DA	N	A	SA	Total	
1	I have a clear understanding of the concept of compensation system	<b>F</b>	3	18	28	66	10	125	3.49
		<b>%</b>	2.4	14.4	22.4	52.8	8	100	
2	The compensation practice is equivalent with my responsibility and performance	<b>F</b>	19	78	20	7	1	125	2.14
		<b>%</b>	15.2	62.4	16	5.6	.8	100	
3	I am happy with the salary that the institute pays for me	<b>F</b>	46	65	11	3	-	125	1.76
		<b>%</b>	36.8	52	8.8	2.4	-	100	
4	The institute has paid and offered a competitive salary and benefit comparing with similar institutions	<b>F</b>	49	62	8	6	-	125	1.76
		<b>%</b>	39.2	49.6	6.4	4.8	-	100	
5	I am satisfied with the institute benefits package	<b>F</b>	32	74	17	2	-	125	1.91
		<b>%</b>	25.6	59.2	13.6	1.6	-	100	
6	Compensation and benefit package of EPHI is fair	<b>F</b>	32	70	20	3	-	125	1.95
		<b>%</b>	25.6	56	16	2.4	-	100	
7	The current compensation and benefit package is capable of attracting and retaining competent employees	<b>F</b>	51	54	18	2	-	125	1.76
		<b>%</b>	40.8	43.2	14.4	1.6	-	100	
8	The organization provides a more flexible compensation system	<b>F</b>	40	68	17	-	-	125	1.81
		<b>%</b>	32	54.4	13.6	-	-	100	
Aggregate Mean									2.07

Source: Survey (2020)

Index: SDA= Strongly Disagree, DA=Disagree, N=Neutral, A =Agree SA=Strongly Agree

Mean score < 3.39 was considered as low, the mean score from 3.40 - 3.79 was considered as moderate and mean score > 3.8 was considers as high as illustrated by comparison bases of mean of score of five point Likert scale instrument (Zaidaton & Bagheri, 2009).

Employees perception about the compensation system of their organization is prime importance to understand their perception on compensation system. As shown in Table 4.3, most of the respondents have a clear understanding of the concept of compensation system mean of 3.4960.

According to the equity theory compensation package must be fair enough internally as well as externally and it should take employees performance in to account. From the respondent's response it is observed that 62.4% of the respondents said that the company's compensation package did not take in to consideration employee's level of performance. This may reduce performance of employees as well company's success.

The finding of the questioners has revealed that the majority (52%) of the respondents were not happy with the current salary they received. This has been also supported by the data generated from interview. The HR manager stated that most of the employees were resigned due to the low level of the salary. This implied that the qualified and experienced employees are looking for other job opportunities. More over Werther and Davis (1996) have identified that effective compensation has the objectives of acquiring qualified personnel, retain employees, ensure pay equity, reward desired behavior, control cost, comply with legal considerations, and facilitate understanding. If this is aligned with the well-designed compensation structure the organization could achieve its goals and objectives.

As we could observe from table 4.3 above 39.2 % of the respondents strongly disagree and also 49.6 % disagree with the similarity of salary scale with other similar organizations. This showed that the salary and benefit of EPHI is less than other similar organizations. Bililign Lemma (2012) demonstrated that if the compensation packages of the organization are not adequate to cover the basic needs of its employees and their families, or if the compensation package of the company is lower than other similar companies, it might be hardly possible to reduce staff turnover.

As it is illustrated from table 4.3 employees are asked whether they are satisfied with the institute benefits and packages, majority 59.2% of the respondents disagree and 25.6 %

respondents were strongly disagreed and 13.6% respondents remains neutral. This shows most of the employees are not satisfied by the benefit of the institute.

The other question forward to employees was to give their opinion of whether the existing compensation system and benefit package of EPHI is fair. As per their response, 32(25.6%) of the respondents express their strong disagreement and 70(56%) of the respondents disagree about the motivating potential of the existing compensation practices. Some of employees 20(16%) and 3(2.4%) of respondents remain neutral and agree respectively to question raised. however, the overall response shows the employees“ disagreement and the existing compensation practice and benefit of EPHI isn’t fair to the organization employees.

The other question present to employees was their opinion about the potential of the existing compensation practice to attract new employees and retain the existing ones. Accordingly, 2(1.6%) of the respondents express their agreement. In contrast, 18(14.4%) of the respondents were unable to decide to the statement, but majority of 51(40.8%) and 54(43.2%) of the respondents strongly disagree and disagree on practice and said that current compensation system has lack the potential to attract new applicants and also has less potential to retain the existing work force. Due to those responses of employees, the organization seems unable to attract as well as retain its employees.

Compensation serves many functions and can helps to attract, motivate, and retain the competent employees of an organization. An effective compensation practice supposed to be transparent, have fair distribution of rewards, consistency, well communicated, ensure equity, and involve flexibility with changes (Werther and Davis, 1996). Based on this idea the last question from table 4.3 was presented for the employees.

The question was that the organization provides a more flexible compensation system. As per their response, many of the employees said there is no flexibility of the benefit package based on employee’s demand. Like that of the previous question under this section, many of the employees express their disagreement, 40(32%) of the respondents said strongly disagree with the statement and another 68(54.4%) of the respondents express their disagreement. As Baron & Cook (2002), noted, there is a need for flexible compensation plans in the present day because a rapid change is taking place both in the work environment and in the workforce. Organization must deal with challenges, change is inevitable, and it is good for most businesses to make their organizations more dynamic, profitable, and efficient. One of the best solutions possible to



manage change effectively is the flexible compensation plan. This plan would help the business in reducing turnover, tardiness, and absenteeism.

In general, the overall employees' perception shows the employees disagreement and there is the presence of gap in existing benefit packages and current demand of employees.

The researcher inquired HR manger he believes that the employees are satisfied with the benefit package of the organization or Not, he described He doesn't believe the organization's employees are fulfilled by what they are getting as a benefit package because as per his information the employees being paid less compensation or benefit package than other rival research institutions with the same level.

On the other hand, HR manager were asked about if he thinks the current compensation of the institution is capable of retaining the qualified employees the manager replied he doesn't think the current compensation of the institution is proficient to retain the skilled employees that's the reason why employees are leaving the organization looking for a job with a better compensation and benefit package. In addition to that the researcher also got the chance to gather some information that other competitive research institutions are providing enough compensation and benefit package for their employees when it compares to EPHI.

#### 4.3.2 DIRECT FINANCIAL COMPENSATION

Table 4.4 Direct financial compensation

	Statements		Opinion						Mean
			SDA	DA	N	A	SA	Total	
1	Cash bonuses are awarded besides regular wages as performance incentives to increase employee satisfaction	<b>F</b>	65	45	15	-	-	125	1.60
		<b>%</b>	52	36	12	-	-	100	
2	My organization provides me with salary/wages increase to adjust the cost of living	<b>F</b>	46	67	12	-	-	125	1.72
		<b>%</b>	36.8	53.6	9.6	-	-	100	
3	My basic pay motivates me to do my work well	<b>F</b>	38	69	18	-	-	125	1.82
		<b>%</b>	30.4	55.2	14.4	-	-	100	
4	My basic pay is reviewed periodically	<b>F</b>	38	61	17	8	1	125	1.98
		<b>%</b>	30.4	48.8	13.6	6.4	.8	100	
5	Salary packages are sufficient in EPHI	<b>F</b>	48	71	6	-	-	125	1.66
		<b>%</b>	38.4	56.8	4.8	-	-	100	
Aggregate Mean								1.75	

Source: Survey (2020)

Index: SDA= Strongly Disagree, DA=Disagree, N=Neutral, A =Agree SA=Strongly Agree

As shown in table 4.4 the respondents first question were Cash bonuses are awarded besides regular wages as performance incentives to increase employee satisfaction, the findings showed that 52% of the respondents strongly disagreed, 36% disagreed and 12% of the respondents were not sure. There were 0% responses for agree and strongly agreed. However, the overall response shows most employees' attitude is tending to disagreement in this regard.

As it is illustrated from table 4.4 the majority (67%) of the respondents depicted that the current Salary couldn't cover their basic living expense, 36.8% respondents strongly disagreed, and 9.6% respondents were not sure. There were 0% responses for agree and strongly agreed. The findings show that the current payment of the staff is less likely to cover the basic expenses of employees this may cause staff turnover, lower motivation to perform duties, and spending time in searching a new job. This implied that the compensation system was not compatible with the labor market, and could also create unhappiness. In addition if the amount of salary and benefit received by employees do not cop up with ongoing cost of life employees will look for other organization in the industry which will provide better salary and incentives.

Price, (2004) stressed that pay is the main reason why people work and it is an important feature of human resource management. Some employees are motivated by money. In fact, most are motivated by money; at least for their basic needs. Employee motivation through compensation can come in the form of raises, performance bonuses, commissions, profit sharing, or any number of "extra benefits" like, automobiles, vacations, or other tangible items purchased and used as rewards. (George Elton Mayo).

Accordingly, as can be seen from table 4.4 above, the respondents are asked to confirm whether their basic pay motivates them to do their work well 30.4% & 55.2% respondents were strongly disagreed and disagreed respectively with the statement, 14.4% of the respondents forwarded no comment and there were 0% responses for agree and strongly agreed.

The respondents were asked if the basic pay was reviewed periodically. The findings showed that 0.8% of the respondents strongly agreed, 6.4% agreed and 48.8% of the respondents disagreed. There were 13.6% responses for neutral and 30.4% strongly disagreed. This implies the majority of the respondents are disagreed with the statement.

Compensation and benefit management must be updated timely with accurate information to keep current with events that have an impact on compensation and benefits programs.

Companies provide a variety of compensation and benefits to employees for performing their jobs. These compensation and benefit strategies should be clearly defined and communicated to employees through employee handbook or company policies and procedure manual as the later should also be updated when the policy is updated. (Study.com instructor Sherri Nash).

Accordingly, in item 5 of table 4.4 respondents are asked whether salary packages/incentives are sufficient in their organization. Thus, 38.4% and 56.8% of the respondents confirm that salary packages/incentives are not sufficient. And 4.8% of the respondents are neutral. Also, 0% of the respondents were agreed with the statement that salary packages/incentives are sufficient. According to this finding the majority of the respondents disagree with the statement. Most employees will depend on their salaries to cover their ongoing cost of life. Therefore, the amount of salary they receive must be adequate to meet their requirements.

The HR manager were asked about the financial benefits which the institution provides to its employees, the interviewee stated that currently the employees have a financial benefit like reimbursement of mobile card or telephone expense, house allowance and have annuity income when the employees are going to another place for field work.

#### 4.3.3. IN DIRECT FINANCIAL COMPENSATION

Table 4.5 Indirect financial compensation

	Items		Opinion					Total	Mean
			SDA	DA	N	A	SA		
1	Job-related education opportunity are provided, and the reimbursement of the expenses is made by the institute	<b>F</b>	1	6	13	75	30	125	4.01
		<b>%</b>	.8	4.8	10.4	60	24	100	
2	My institute allows reimbursement of telephone and cellular phone expenses	<b>F</b>	2	8	15	87	13	125	3.80
		<b>%</b>	1.6	6.4	12	69.6	10.4	100	
3	EPHI provides loan to their employees with the lower rate of interest to meet their additional financial needs	<b>F</b>	20	50	32	21	2	125	2.48
		<b>%</b>	16	40	25.6	16.8	1.6	100	
4	My organization provides furnished house or house allowance to employees	<b>F</b>	17	11	9	85	3	125	3.36
		<b>%</b>	13.6	8.8	7.2	68	2.4	100	
5	My organization covers life insurance for all employees with the reasonable contribution from their monthly salary/wage	<b>F</b>	74	39	9	3	-	125	1.52
		<b>%</b>	59.2	31.2	7.2	2.4	-	100	

6	Medical bills with reasonable amounts are reimbursed for all employees in my organization	<b>F</b>	35	18	31	41	-	125	2.62
		<b>%</b>	28	14.4	24.8	32.8	-	100	
7	Employees are permitted time off from work to attend for their higher studies class	<b>F</b>	1	3	16	64	41	125	4.12
		<b>%</b>	.8	2.4	12.8	51.2	32.8	100	
8	My organization provides transport facilities to-and-from the organization	<b>F</b>	-	1	1	76	47	125	4.35
		<b>%</b>	-	.8	.8	60.8	37.6	100	
9	There are subsidized meals in our organization cafeteria	<b>F</b>	-	-	1	81	43	125	4.33
		<b>%</b>	-	-	.8	64.8	34.4	100	
10	EPHI provides to its employees library facilities with good collection of books, journals, newspapers etc. to upgrades their knowledge	<b>F</b>	-	3	20	92	10	125	3.87
		<b>%</b>	-	2.4	16	73.6	8	100	
11	Severance pay is granted to employees up on termination of employment based on length of service and it is attractive	<b>F</b>	9	18	55	40	3	125	3.08
		<b>%</b>	7.2	14.4	44	32	2.4	100	
12	My organization provides female employees with adequate paid maternity leave	<b>F</b>	3	1	36	72	13	125	3.72
		<b>%</b>	2.4	.8	28.8	57.6	10.4	100	
<b>Aggregate Mean</b>									3.44

Source: Survey (2020)

Index: SDA= Strongly Disagree, DA=Disagree, N=Neutral, A =Agree SA=Strongly Agree

For the question of “Job-related education opportunity are provided, and the reimbursement of the expenses is made by the institute”, 0.85% of the respondents are Strongly disagree and 4.8% them are dis agree with the statement and the rest 60% and 10.4% of the respondents agree and have no opinion in their respective order at last 24% respondents are strongly agreed.

This implies that maximum numbers of respondents are agreed that job-related education opportunity is provided, and the tuition reimbursement is covered by the institution

For the question “My institute allows reimbursement of telephone and cellular phone expenses”,1.6% of the respondents are Strongly disagree and 6.4% of them are dis agree, the remaining 69.6% and 12% of the respondents are agree and have no opinion in their respective order and lastly 10.4% of the respondents are strongly agreed with the statement.

This indicates that major numbers of respondents are agreed that the institution permits reimbursement of telephone expenses for the employees.

For the query of “EPHI provides loan to their employees with the lower rate of interest to meet their additional financial needs”,16% of the respondents are Strongly disagree and 40% of them are disagree with the statement, the rest 16.8% and 25.6% of the respondents agree and have no opinion in their respective order and 1.6% of respondents are strongly agreed.

As a result, maximum number of respondents expressed their disagreement on the institution provides loan to their employees with the lower rate of interest.

For the question “My organization provides furnished house or house allowance to employees”,13.6% Strongly disagree and 8.8% dis agree with the statement, the rest 68% and 7.2% of the respondents agree and have no opinion in their respective order and 2.4% respondents are strongly agreed.

To conclude the above statement major number of the respondent’s mentioned their agreement on the institution provide furnished house or house allowance for them.

For the question “My organization covers life insurance for all employees with the reasonable contribution from their monthly salary/wage”,59.2% of respondents are Strongly disagree and 31.2% of them are dis agree with the statement, the rest 2.4% and 7.2% of the respondents agree and have no opinion in their respective order and 0% respondents are strongly agreed.

As per the above findings, maximum number of respondents are strongly disagreeing that the institution covers life insurance for all of them with reasonable contribution from their monthly salary/wage.

For the query “Medical bills with reasonable amounts are reimbursed for all employees in my organization”, from the total number of respondents 28% of the respondents are Strongly disagree and 14.4% of them are dis agree with the statement, the rest 32.8% and 24.8% of the respondents agree and have no opinion in their respective order and last of all 0% respondents are strongly agreed. Which implies that the major number of respondents are expressed their agreement with that the institution offers reimbursement of medical bills with reasonable amount for all of them.

For the question “Employees are permitted time off from work to attend for their higher studies class” ,0.8% of the respondents are Strongly disagree and 2.8% of them are dis agree with the statement, the rest 51.2% and 12.8% of the respondents agree and have no opinion in their respective order at last 32.8% of the respondents are strongly agreed.

From the above findings, maximum number of respondents stated their agreement that the institution allowed time off from work for their higher education class.

For the question “My organization provides transport facilities to-and-from the organization”, From the total number of respondents 0% of them are Strongly disagree and 0.8% of the respondents are disagree with the statement, the rest 60.8% and 0.8% of the respondents agree and have no opinion in their respective order and lastly 37.6% of the respondents are strongly agreed.

The above finding suggested that major number of the respondents are expressed their agreement that the institution offers transport facilities to-and-from the workplace.

For the request which is asked as “There are subsidized meals in our organization cafeteria” ,0% of the respondents are Strongly disagree and disagree with the statement, 64.8% and 0.8% of the respondents agree and have no opinion respectively and the rest 34.4% respondents are strongly agreed.

As per the above findings most of the respondents are agreed that the institution cafeteria offers subsidized meals for the employees.

For the question “EPHI provides to its employee’s library facilities with good collection of books, journals, newspapers etc. to upgrades their knowledge”, 0% of the respondents are Strongly disagree and 2.4% of them are disagree with the statement, the rest 73.6% and 16% of the respondents agree and have no opinion in their respective order and finally 8% of the remaining respondents are strongly agreed.

This indicates, maximum number of respondents is agreed that the institution provides library facilities with a collection of reading materials for them.

For the question “Severance pay is granted to employees up on termination of employment based on length of service and it is attractive”, 7.2% of the respondents are Strongly disagree and 14.4% of them are disagree with the statement, the rest 32% and 44% of the respondents agree and have no opinion in respectively and the remaining 2.4% respondents are strongly agreed.

This implies that the major number of the respondents have no opinion that the Severance pay will be arranged to them.

For the question “My organization provides female employees with adequate paid maternity leave” ,2.4% of the respondents are Strongly disagree and 0.8% of them are disagree with the

statement, the rest 57.6% and 28.8% of the respondents agree and have no opinion in their respective order and the remaining 10.4% respondents are strongly agreed.

Which shows that, Maximum number of the respondents is agreeing that the institution provides adequate paid maternity leave for female employees?

As per the above findings, most of the respondents are not satisfied by what the institute is offering as a direct financial compensation when it compared with the indirect financial compensation which is given by the institute. Employees would be so grateful and feel motivated if their organization will review their direct compensation periodically to get adequate salary/wage in order to satisfy their basic needs and to have a stable living condition. As per the respondents reply they informed that they need a fair direct compensation to get different benefits packages as an indirect financial compensation.

During the interview time the researcher inquired HR manger about indirect financial compensation the institute offers to employees then the interviewee stated that employees can have meal with less expenses in the organization's cafeteria, the organization gives recognition for the employees who have done a good research work by publishing their research paper and acknowledge the same.

In addition, the organization will provide the transport service facility for the employees.in addition the organization covers some present of medical expenses for all the employees who are working in the organization and the institute gives Job-related education opportunities for the employees who has been working in the organization for a longer working time span.

#### 4.3.4. NON-FINANCIAL COMPENSATION

Table 4.6 Non-financial compensation

	Items		Opinion						Mean
			SDA	DA	N	A	SA	Total	
1	I am happy with the working condition	<b>F</b>	7	12	25	76	5	125	3.48
		<b>%</b>	5.6	9.6	20	60.8	4	100	
2	I conduct my job in healthy working condition	<b>F</b>	6	19	27	67	6	125	3.38
		<b>%</b>	4.8	15.2	21.6	53.6	4.8	100	
3	I will receive praise from my boss every time I accomplish a task successfully	<b>F</b>	14	36	30	43	2	125	2.86
		<b>%</b>	11.2	28.8	24	34.4	1.6	100	
4	The organization gives enough recognition for well done work	<b>F</b>	16	32	43	33	1	125	2.76
		<b>%</b>	12.8	25.6	34.4	26.4	.8	100	
5	I am happy with organizational culture and work environment	<b>F</b>	9	17	15	77	7	125	3.44
		<b>%</b>	7.2	13.6	12	61.6	5.6	100	
6	Employees are not engaged in arduous or harmful work to their health	<b>F</b>	22	44	32	25	2	125	2.52
		<b>%</b>	17.6	35.2	25.6	20	1.6	100	
Aggregate mean								3.07	

Source: Survey (2020)

Index: SDA= Strongly Disagree, DA=Disagree, N=Neutral, A =Agree SA=Strongly Agree  
 A better working condition helps to increased employee commitment and productivity, (Gebremedihin, 2015). Accordingly, respondents are asked whether they are happy with the working condition of their organization. Hence item 1 of table 4.6 tells, 5.6 and 9.6% of the respondents are unhappy with working condition of their organization. Beside, 60.8% are happy with working condition and 20% of the respondents are neutral. Therefore, from the finding most of the employees are grateful by the working condition even if they are not satisfied by the organization incentives and benefit.

From the findings of item 2 of table 4.6, respondents are asked whether they conduct the job in healthy working condition, 4.8% strongly disagree, 15.2% disagree, 21.6% neutral, 53.6% agree and 4.8% strongly agree with the statement.

From the findings of item 3 of table 4.6, respondents are asked whether they receive praise from their boss up on successful accomplishment of a task, 11.2% strongly disagree, 28.8% disagree, 24% neutral, 34.4% agree and 1.6% strongly agrees with the statement. As we concluded from the findings the respondents described that they have a better approach on these items regarding working condition, organizational culture, recognition and safety than the financial benefit what the organization is offering.



Employees expect recognition and encouragement for their services because nobody likes to be unappreciated for the efforts he or she made Saira Y.,et.al (2014), as the finding in item 4 of table 4.6 reveal, some of the respondents 26.4% are confirmed that there is recognition and appreciation for well done work. Although, 25.6% and 12.8% disagree and strongly disagree respectively with the statement, and 34.4% of the respondents are neutral. From this we can see that the institute under study must do a lot of work in this regard because the majority of the respondents are neutral for this statement this shows either they have they haven't positive opinion with the statement or they feel the organization doesn't give enough recognition for well done work. Another theory proposed by Maslow s Hierarchy of Needs Theory is also support this issue. One of the hierarchy of need is esteem needs: This associated to an employee's self-confidence and self-respect. They include the need for self-assurance, freedom, recognition, Independence, appreciation, gratitude and achievement. Therefore, the organization should fulfill this hierarchy of needs to employees.

In line with this in item 5 of table 4.6, respondents are asked about their happiness on organizational culture and working environment of their institution, the result shows 7.2% strongly disagree, 13.6% disagree, 12% neutral, 61.6% agree and 5.6% strongly agree with the statement. This indicates that majority of the respondents about 61.6% agree that there is good organizational culture and work environment.

Work-related safety and health are important for the growth, promotion, and conservation of the workplace atmosphere, policies and programs as well as to ensure the mental, physical, and emotional well-being of employees. Organizations should make the workplace environment relatively free from actual or potential hazards that could injure employees Nyirenda V, Chinniah Y, Agard B (2015). Occupational safety and health are a discipline concerning with the anticipation of work-related injuries, diseases. The main objective of protection and promotion of the health of worker is the Improvement of working condition and environment safety among the them as well as to increase the employee's motivation which will make the employees to increase their performance. Based on this theory in item 6 of table 4.6, respondents are asked if they are not engaged in arduous or harmful work to their health, the result shows that 17.6% strongly disagree, 35.2% disagree, 25.6% neutral, 20% agree and 1.6% strongly agree with the statement. The majority of the respondents are dis agreed with the statement this implies that the most of the respondent believed that they are exposed to arduous or harmful work to their health.

Therefore, the institute should implement an effective safety program to employees by giving periodic educational and training programs in order to improve their skills on safety at work and to prevent employees from harmful work. These training sessions can be directed through various methods like worker orientation, safety introduction, toolbox talks, or communication agendas.

HR manager were asked about if he feels the employees earn adequate financial and non-financial compensation when compared to another research institution, he replied that he feels employees who are working in the institution are not getting satisfactory financial and non-financial compensation as he can have collected some information from other competitive organization EPHI employees are earning less financial and non-financial compensation compared with other rival organizations. This shows that the employee’s responses are relatively the same as HR manager response.

Table 4.7 Overall questions

	Items		Opinion					Total	Mean
			SDA	DA	N	A	SA		
1	Overall, I am satisfied with my institute	F	6	22	46	45	6	125	3.18
		%	4.8	17.6	36.8	36	4.8	100	
2	I would recommend others to be an employee of EPHI	F	6	21	54	43	1	125	3.09
		%	4.8	16.8	43.2	34.4	.8	100	
3	I am not searching for another job	F	21	37	38	28	1	125	2.60
		%	16.8	29.6	30.4	22.4	.8	100	
4	The current compensation system of EPHI satisfy the overall needs of employees	F	29	76	17	3	-	125	1.95
		%	23.2	60.8	13.6	2.4	-	100	
Aggregate mean								2.71	

Source: Survey (2020)

Index: SDA= Strongly Disagree, DA=Disagree, N=Neutral, A =Agree SA=Strongly Agree

The first question presented to employees was to evaluate whether they satisfy with their institute. As shown in the above table, .4.8% of the respondents express their strongly disagreement, 17.6% of them disagree with the idea, among the total 36.8% of the respondents were unable to decide to the statement,36% & 4.8% of respondents were agreed and strongly agreed to the statement. This shown us that most of the employees are not be able to reply if they are satisfied or not with their institute. Which means the employees feels both satisfaction and

non-satisfaction in their institution that's because, they have found the institution is becoming satisfactory on some compensation type which is non-financial compensation and un-satisfactory on the other type which is financial compensation.

The other question forward to employees was to give their opinion about whether they recommend others to be an employee of EPHI, as per their response, 4.8% of the respondents express their strong disagreement and 16.8% of the respondents disagree about the question. Some of employees 34.4% and 0.8% of respondents agreed and strongly agree to question raised and 43.2% respondents remain neutral. In the second question which was forwarded to employees most respondents are being impartial if they would endorse others to be an employee of EPHI.

According to the finding in item 3 of table 4.7 which the employees are asked whether they are not searching for another job majority of the respondents close to 30.4% was being neutral and 22.4% agreed, On the other hand, 29.6% of the respondents disagree with the statement and 16.8% are strongly disagreed. The result shows that if the employees can get the opportunity they are going for another job. The theoretical definition of turnover intentions is the relative strength of an individual's desire to leave the organization and is operationally defined by three single indicators: thinking of quitting, intent to search, and intent to quit, Hom and Griffeth (1991).

Employee's satisfaction level has an effect on the organization profitability. So knowing the satisfaction level of employees with compensation helps the organization to modify its compensation package scheme item 4 in table 4.7 above thus deals with this issue. As can be seen from the table above the result shows that 23.2% express their strongly disagreement, 60.8% of them disagree with the idea, 13.6% of the respondents were unable to decide to the statement and, 2.4% agree and 0% strongly agree with the statement. Almost majority of the respondents seem to be dissatisfied with the benefits of EPHI because majorities employee's opinion is between disagree and strongly disagree.

The HR manager answered the question if he conducts exit-interview with employees when they resign from EPHI, If so, to share the most common reasons for their resignation with the researcher is that he had the chance to interview some of the employees who are already resigned from the organization recently and the main reason behind their resignation is that the EPHI is

not providing enough payment to undertake their day to day life due to this reason they require a job which can offer a better compensation regarding to salary or other benefits packages.

Finally, the EPHI HR manager replied for the question of what are the major problems/challenges that EPHI is facing with respect to compensation is that the institution is managed by Civil Service commission and the organization’s policy is updated on 2007 regarding compensation and the policy has not been updated since then. However, most of the government organizations are administered by Ethiopians labor and social affairs for Example Ethiopian telecommunication corporation, Ethiopian Air Lines, Commercial Bank of Ethiopia...etc. These organizations are attaining a better compensation and benefit package compared with EPHI. The organization’s management is trying to do some activities to get an update on compensation policy for institute.

Table 4. 8 Aggregate Mean of the variables

<b>Description</b>	<b>Employee perception towards compensation system</b>	<b>Direct financial compensation</b>	<b>Indirect financial compensation</b>	<b>Non-financial compensation</b>	<b>Overall question</b>
<b>No of population</b>	125	125	125	125	125
<b>Mean</b>	2.0705	1.75	3.44	3.07	2.71

Source: Survey, 2020

As it is shown in table 4.8, the aggregate mean score of the employee’s response on most of the variables/items used to examine the compensation system of EPHI were below 3. According to (Zaidaton & Bagheri, 2009) Mean score < 3.39 was considered as low, the mean score from 3.40 - 3.79 was considered as moderate and mean score > 3.8 was considers as high as illustrated by comparison bases of mean of score of five point Likert scale instrument. this showed that the direct financial compensation the institute offered to the employees are not satisfactory and unable to cover their living expenses and also the compensation package seems below from other similar research institutes.as the above mean score the result simply shows that employees have more favorable perception to indirect financial compensation than direct financial compensation

practice of the organization. More improvement is need on direct financial compensation practice.

Generally, as it is observed from the above aggregate mean the existing compensation package of the organization is not adequate and employees are not happy with the benefit they get from their institute.

# **CHAPTER FIVE: SUMMARY, CONCLUSION, AND RECOMMENDATION**

## **5.1 INTRODUCTION**

This chapter deals with the summary of major findings, conclusions, and recommendations for the research in line with the objectives of the study. The recommendations part suggests possible solutions to the major findings of the study.

## **5.2 SUMMARY OF THE MAJOR FINDINGS**

The main objective of the study was to assess the practices of compensation system of EPHI. The study deployed descriptive research method and the target population of the study were employees of EPHI. The study tries to assess the extent of employee's perception, direct financial compensation, indirect financial compensation and non-financial compensation of Ethiopian public health institute. A structured questionnaire was used to collect data from the respondents. The data was analyzed using the Statistical Package for Social Sciences (SPSS). It was interpreted in frequencies and percentages. The findings were presented using tables and figures. Accordingly, the followings are some of the major findings of the study.

- Employees are asked different questions related to direct financial compensation, and the result revealed that majority of the respondents confirmed that the amount of pay they receive is not equal to others doing similar work in other research institutions and some of the respondents feel that the institute do not pay well with the responsibility and qualification they have.
- Regarding to other direct benefits like their salary packages, respondents confirm that salary packages/incentives are not sufficient in their institute. Majority of the respondents feel that the current salary and benefit being offered by the institute is not adequate to cope with ongoing cost of life.
- With regard to indirect financial compensation respondents are asked to express their feelings about the various indirect financial compensations provided by their respective organization, hence, majority of the respondents feels that job-related opportunities, telephone expenses, house allowance, transport facilities subsidized meals and library facilities set by the institute is adequate. But employees have complaint on others indirect financial compensation like, life insurance, medical expenses, provide loan to employees.

- Respondents are also given answers to questions on non-financial compensations currently available in their institute; accordingly, most of the respondents are happy with working condition, and majority of employees are happy with working environment of the organization. Furthermore, large numbers of respondents are happy with organizational culture and work environment. In contrast, employees are not given enough recognition for well done work and also they don't get praise from their boss up on accomplishing a task successfully and also some of the employees are not happy because they feel they engaged in arduous or harmful work to their health.
- Employees also stated inflexibility of the institute compensation practices in relation to changes occurs in the external environment or change in employee's demand. This is one of the major components that supposed to be considered by the organization.
- Employee's response regarding current compensation practice reveals most of the respondents believe there is no flexible compensation system, and the effectiveness of compensation is not periodically evaluated.
- Most of the respondents have an intension to quite their present job; in contrast some of the respondents do not have an intention to quite their current job. Majority of the employees are prepared to leave the organization because of poor compensation they receive. And also more employees are looking for outside opportunities since they are not satisfied with the welfares. On the other hand, majority of the respondents are searching for a better organization in the moment because they are fed up with their current organization.
- Most of the respondents replied that, the institute recognition practice was poor and the employee's productivity was affected by lack of acknowledging their effort from their boss
- During the time of interview with HR manager he explained that there is great imbalance of salary payment between researchers with the same qualification in different departments in similar organizations externally, this may affect the majority of employees' perception on the compensation practice system.

### 5.3 CONCLUSION

This study was conducted in Ethiopian public health institute with the general objective of assessing the compensation system of the institute. Questionnaire was the main source of data. These questionnaires are distributed for 136 employees of the institute. Among them, 125 questionnaires were collected and used to analyze the data. An interview was also conducted with the institute Human Resource Directorate. Based on the data presented and analyzed in chapter four of the study, the following particular findings were observed:

The analysis indicates that indirect financial compensation and non-financial compensation are less likely to cause dissatisfaction of employees, because most employees have given positive responses on those issues. On the other hand, employees have given negative responses on direct financial compensation issues this shows direct financial benefits that the organization offer is not adequate and equitable.

Regarding of the working environment, EPHI has provided a comfortable working environment for its employees based on the findings majority of the respondents were agreed on this issue.

The data refers that many employees believe that the current compensation is not fair and EPHI needs to cope-up with ongoing cost of life. Moreover, majority respondents responded that the compensation and benefit scheme is not adequate to cover the cost of living and it is not equitable with other institutions.in addition to that the respondents claimed that the compensation package should be reviewed periodically.

Recognition is one type of non-financial compensation most of the respondents replied that, the institute recognition practice was poor and the employee's productivity was affected by lack of acknowledging their effort from their boss. According to the findings, the satisfaction level of employees with the compensation package of the organization is not good. Generally the data generated from respondents refers that employees are on the way to find other alternatives and this is likely to increase the rate of turnover of the institute and it costs the organization severely. Because majority of employees are well experienced.

The interview was conducted with senior HR manager who is knowledgeable in the compensation area. Based on the interview it is found that the institute offers financial benefit like reimbursement of mobile card or telephone expense and have annuity income when the



employees are going to another place for field work. And in the case of non-financial benefits employees can have meal with less expenses in the organization's cafeteria, the organization gives recognition for the employees who have done a good research work by publishing their research paper and acknowledge the same and the institute gives Job-related education opportunities for the employees who has been working in the organization for a longer working time.

The information gathered from the interview explained that the major challenges that EPHI is facing with respect to compensation is that the institution is managed by Civil Service commission and the organization's policy is updated on 2007 regarding compensation and the policy has not been updated since then. However, most of the government organizations are administered by Ethiopians labor and social affairs for Example Ethiopian tele communication corporation, Ethiopian Air Lines, Commercial Bank of Ethiopia...etc. These organizations are attaining a better compensation and benefit package compared with EPHI.

As per the overall survey, the existing compensation practices get failed to satisfy the overall needs of the employees, to motivate employees towards their job, and retain the existing qualified one. These created massive problems in retaining employees.

#### **5.4 LIMITATION OF STUDY**

As a limitation, the researcher was faced a great difficulty in data collection process, hence some employees were afraid to share their opinion towards the existing compensation practices, some of the respondent were not co-operative and lack of interest to fill the questionnaires and unable to obtain full cooperation of subject of the study because of covid-19.

#### **5.5 DIRECTION FOR FURTHER STUDIES**

As mentioned in the scope of this study, not adequate research on the compensation practice has been done in the public research institute in Ethiopia. This study limited itself to only EPHI; recommendations are therefore made for further research in others public research institute in order to broaden research in this industry.

This research study used Descriptive research method, further research on the other public research organization can be done using correlational and regression analysis on compensation practice. This study limited on the variables of employees perception, direct financial compensation, indirect financial compensation and non-financial compensation so for further

research study, the researcher recommend using other variables for compensation practice on various public health institutes.

## **5.6 RECOMMENDATIONS**

Based on the findings of this research, the following points are recommended to EPHI.

- The study found that majority of the employees are dissatisfied with the current compensation system, therefore EPHI needs to revise the compensations package policy by assessing the current cost of living, the nature of jobs and employee's expectation. So that the dissatisfied employees be properly considered. Generally, the researcher recommends the institute to update and improve its compensation system as other similar institutions.
- The majority of the respondents feel that their compensation and benefits package is not equitable with other similar institutions so that the researcher recommends EPHI to make further assessment of the external environment and try to revise its compensation policy to make it equitable with similar organizations.
- From the findings organization under study has a problem in direct financial compensation regard. Hence, unless the organization offers attractive benefit to their employees, it will tend to lose experienced and most talented employees to potential competitors. Therefore, the researcher recommends the institute to ensure external equity by make sure that staying up-to-date on what the external competitors is paying for the similar jobs in the institute.
- In addition to that the institute have to take different measures to ensure external equity, for instance by conduct a salary survey, make compensation market study from other similar institutions, the institute can ensure it is keeping up with a rapidly moving job market by using different reported market data of similar institutions.
- The overall existing compensation management practices of EPHI fail to get employees agreement in the aspects of its potential to satisfy the needs of employees, motivate and ability to attract and retain potential employees. To solve this, the researcher recommends the management to make need assessment of the employees and readjusted compensation policies that can encourage employees for higher performance because compensation

system affects the productivity and happiness of employees, as well as the ability of organization to effectively realize its objective.

- The institute had better practice acknowledge the effort of hard workers.it is clear that anyone who recognize and appreciate its job, the employee perception will increase and perform his/her job by motivated energy.
- Concerning problems with the current compensation and benefit practice, the organization would give attention for all of the identified problems based on their level of occurrence and severity and resolve accordingly.
- The institute has to maintain its strength on non-financial compensation because as a government organization, the institute may not have ability to increase salary. There are financial and legal constraints.so the management must focus on improving non-financial compensation. The institute can improve non-financial compensation by giving employees appreciation and recognition for the work they have done, by showing faith in them this means that when the managers gives them a delegation in different positions at the organization and also creating a healthy and safe working condition is important to make sure that there is proper ventilation, proper sanitation and proper lightening and so on.
- In addition, the institute can improve non-financial compensation by giving thanks card for well-done job, and by sharing management rewards because when the institute does well it is usually the result of team effort. Other options include days off for jobs well done. In fact, some researchers found that non-financial compensation was a better motivator for long term engagement than financial rewards. They showed that money only motivated for a short period of time. Therefore, the researcher recommends the institute to improve non-financial compensation by the above points.
- Generally, the researcher recommends the compensation policy of the institute ought to be periodically reviewed and assessed for its effectiveness and timeliness.

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# APPENDIXES

## APPENDIX -1: RESEARCH QUESTIONNAIRE

St' Mary University

Department of Business School

Post Graduate Program in (General - MBA)

Dear Respondents,

This questionnaire is designed to gather information for the master's thesis research entitled "An Assessment of compensation system the case of Ethiopian Public Health Institute." All responses will be used to conduct a study for the partial fulfillment of Master's Thesis in Masters of Business Administration in General Management at St' Mary University. I would like to assure you that you will be guaranteed anonymity as I do not ask your name here and your responses will not be used for any other purposes other than the intended purpose. I am grateful for your cooperation in advance!

If you have any queries regarding the questionnaire, you contact me.

Name: Tizita kifle

Email: [tizitakiflesmart@gmail.com](mailto:tizitakiflesmart@gmail.com)

### **Section I: Personal Information (mark (√) on the proper box)**

1.1 Gender: Female  Male

1.2 Age: Under 25  26-35  36-40  41-50  51-60

#### **1.3 Education Level**

Degree  Masters  PhD and above

#### **1.4 How long have you worked for the institute?**

Less than 1 year  1-2 year  2-5 year

5-10 year  above 10 years

#### **1.5 In which department do you work?**

Bacteriology, parasatology& snoozes  Food Science & Nutrition

Traditional & Modern Medicine Research  Technology transfer & Research Translation



Health System Directorate  Scientific & Ethical Review Office

HIV & TB research Directorate

**Section II: Questions related to Compensation practice.**

***Instruction:*** you are sincerely requested to fill the below Likert scale type questions ranges from strongly disagree to strongly agree by putting tick (✓) mark in the box found in front of each question;

NO.	Description	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
<b>1.1</b>	<b><i>Employees perception</i></b>					
	I have a clear understanding of the concept of compensation system.					
	The compensation practice is equivalent with my Responsibility and performance.					
	I am happy with the salary that the institute pays for me.					
	The institute has paid and offered a competitive salary and benefit comparing with similar institutions.					
	I am satisfied with the institute benefits package.					
	Compensation and benefit package of EPHI is fair.					
	The current compensation and benefit package is capable of attracting and retaining competent employees.					
	The organization provides a more flexible compensation system.					
<b>1.2</b>	<b><i>Direct Financial compensation</i></b>					
	Cash Bonuses are awarded besides regular wages as performance incentives to increase employee satisfaction.					
	My organization provides me with salary/wage increase to adjust the cost of living.					
	My basic pay motivates me to do my work well.					

	My Basic pay is reviewed periodically					
	Salary packages are sufficient in EPHI.					
<b>NO.</b>	<b>Description</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
<b>1.3</b>	<b><i>Indirect financial compensation</i></b>					
	Job-related education opportunities are provided and the reimbursement of the expenses is made by the institute.					
	My institute allows reimbursement of telephone and cellular phone expenses.					
	EPHI provides loan to their employees With the lower rate of interest to meet their additional financial needs.					
	My organization provides furnished house or house allowance to employees					
	My organization covers life insurance for all employees with the reasonable contribution from their monthly salary/wage.					
	Medical bills with reasonable amounts are reimbursed for all employees in my organization.					
	Employees are permitted time off from work to attend for their higher studies class.					
	My organization provides transport facilities to-and-from the organization.					
	There are subsidized meals in our organization cafeteria.					
	EPHI provides to its employees library facilities with good collection of books, journals, newspapers etc. to upgrade their knowledge.					
	Severance pay is granted to employees Up on termination of employment based on length of service and it is attractive.					

	My organization provides female employees with adequate paid maternity leave.					
<b>NO.</b>	<b>Description</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
<b>1.4</b>	<b><i>Non-financial compensation</i></b>					
	I am happy with the working condition					
	I conduct my job in Healthy working condition.					
	I will receive praise from my boss every time I accomplish a task successfully.					
	The organization gives enough recognition for well done work.					
	I am happy with organizational culture and work environment.					
	Employees are not engaged in arduous or harmful work to their health.					
<b>1.5</b>	<b><i>Overall questions</i></b>					
	Overall, I am satisfied with my institute.					
	I would recommend others to be an employee of EPHI.					
	I am not searching for another job.					
	The current compensation system of EPHI Satisfy the overall needs of employees.					

***Thank you for your participation!!***

## **APPENDIX – 2: INTERVIEW QUESTIONS FOR HR MANAGER**

**St' Mary University**

**Department of Business School**

**Post Graduate Program in (General - MBA)**

**Interview Questions to be answered by HR Managers of Ethiopian public health institute.**

The following interview questions are designed to collect information from HR officials regarding —**Assessment of Compensation system the case of Ethiopian public health institute**, as academic requirement for General MBA degree.

### **List of Interview Questions:**

1. Would you please explain the financial and non-financial benefits that EPHI provides to its employees?
2. Do you believe employees are satisfied with the benefit package of the organization? If Not, why?
3. Do you feel that your employees earn adequate financial and non-financial compensation when compared to other research institution?
4. What are the major problems/challenges that EPHI is facing with respect to compensation?
5. Do you think the current compensation of the institute is capable of retaining qualified employees?
6. Do you conduct exit-interview with employees when they resign from EPHI? If so, would you please share with me the most common reasons for their resignation?