



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

**THE EFFECT OF COMPENSATION PRACTICE ON EMPLOYEE JOB
PERFORMANCE: THE CASE OF HORRA CORPORATE GROUP**

BY:

BETHELHEM G/MEDHIN

ID NO: SGS/0072/2011A

**JUNE, 2021
ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL OF
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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Assistant Professor Shoa Jemal. All sources of material 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 institutions for the purpose of earning any degree.

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Signature

Month, Year

ENDORSEMENT

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

Shoa Jemal

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Month, Year

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ABBREVIATIONS/ACRONYMS

HCG-Horra Corporate Group

HRM-Human Resource Management

PBCNP-Performance-Based Compensation Policy

MBCNP-Merit- Based Compensation Policy

OBCNP- Outcome- based compensation policy

CBCNP- Competence- Based Compensation Policy

EBCNP -Equity-Based Compensation Policy

SPSS - Statistical Package for Social Sciences

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Abstract

The main research objective is aimed at finding out the extent to which the institution gives focus on compensating its employees in order to encourage them and thus assist it to reach its goals and visions. Purpose of this study is therefore, to assess the effect of compensation practice on employee job performance within the Horra corporate group, Ethiopia. The researcher used both descriptive and explanatory research approach which describes and explains the effect of employee compensation on employee job performance using both qualitative and quantitative mechanisms. Information was gathered from a sample of 93 employees using both questionnaire and interview as a data gathering tool using convenience and purposive sampling methods. Labour unions, company's ability to pay, cost of living, labor market and Government policy were identified as the independent variable and employee's job performance as the dependent variable. Data obtained from the respondents was then analyzed.

The Findings obtained through the use of descriptive , correlation and multiple regression were applied for data analysis and concluded that there is positive relationship between the three dimensions of employee's compensation practice (i.e. company's ability to pay, the effect of labor market and the effect of government policy) were important determinants of employee's job performance and also the government policy has significant contribution to employee's job performance which sets provision of training and development under the employee's compensation policy, proposing new personnel policies and human resource management policies. Finally, it is recommended that the company should come up with effective compensation plans especially in investing the various aspects of human capital so as to remain competitive and maintain long run survival.

Keyword: Compensation, compensation system, job performance, productivity, organizational efficiency and compensation practice

CHAPTER ONE

1. INTRODUCTION

Under this chapter the researcher wants to discuss the concepts of compensation practice on employee job performance.

1.1. Background of the study

A better compensation was found to be one of the policies that organizations can adopt to increase their workers performance and thereby increase the organization's productivity

In the age of global competition, it is very essential to identify and retain the efficient, competent and knowledgeable employees in organization by developing and maintaining an effective compensation program for getting the best job performance from the employee.

A successful strategic employee compensation plan allows a business to compete in the market for the best employees in the existing industry. Compensation plan entails a variety of aspects including pay scales, reward programs, and benefits packages. Employee compensation determines how much we want to pay employees and what type of employees we want to attract.

Organizations are established with the aim of effectively utilizing various available human and non-human resources to achieve their objectives. Among these resources is human, which is commonly seen as the most valuable asset an organization could use to earn competitive advantage and achieve its objective, hence the need for human resources management to ensure optimum productivity and organizational continuous existence(Armstrong, 2005).

In a current global environment where people have become more and more demanding about their compensation, recognition and reward to cover the high living cost, the compensation system in the organization could be used to motivate employees by satisfying these demands. A close look at employee performance of many organizations today reveals that many personnel are not happy with the present compensation system in an organization due to this change. Ejiolor & Anigho (1984) recognizes the fact that if there is a retrospective dissatisfaction in workers' pay, it makes workers relent in their effort which result into low performance.

The compensation system ensures that both intrinsic and extrinsic needs of employee at all levels are adequately provided for compensation develops organizational integrity, policy, procedures and practices capable of improving organizational productivity. Compensation is concerned with employees and organization performance development through which better result can be

achieved by understanding and managing reward and compensation within an agreed framework, planned goals, and standard and competency requirements (Armstrong, 2005).

Job performance is also part of human resources management. Performance is an important for the organization succession and achieving the goals. There is so much changing occurring in the school education in the world an every school has much rely on employee's good performance.

The study assesses the compensation practice on organizational employee job performance, the base of good compensation structure, employee's expectation at different levels and how the compensation structure is based on performance of individual(s) or job requirement of employees. The researcher therefore tends to draw attention of management of organization to the need for effective and efficient compensation system capable of improving employees' job performance and enhance organizational performance more specifically in Horra Corporate Group.

1.2.Statement of the Problem

A different study suggests that employee's compensation plays a key role in any organisation since it is found at the heart of the employment relationship and of critical importance to both employees and employers. Employees typically depend on wages, salaries, and so forth to provide a large share of their income and benefits to obtain health security. Compensation is a discretionary concept and the determinants of compensation may not necessarily be the same in all organizations. There are various factors that may contribute to discrepancies in the way employee compensation is determined within an organisation. Employee experience and level of education are signals to organizations that indicate employees' levels of knowledge and skills. Consequently, the labour market rewards employees for acquiring more human capital with access to better jobs, higher earnings and greater incentives to remain in their jobs (Ng & Feldman 2010).

The ongoing rate in the labour market becomes the key factor in ascertaining job value or worth. Hence, external equity is defined as the extent to which the firm's pay rate for a given job matches the prevailing rate for that job in the external market (Fitzpatrick & McMullen 2008).

The salary survey data, in general, are used for each job within a given grade level and are used to price all jobs previously classified into that grade. It is possible to use regression procedures to link market data with job evaluation scores (Rosen, 2008) to determine employee compensation.

However, there seem to be challenges in determining which labour markets are most appropriate for a comparison of pay rates among different organizations.

In practice, where a certain employee will be positioned in terms of salary depends on a number of factors of which the most common are previous experience, company tenure and assessed job performance (Hellerman et al., 2008).

The perceived influence of compensation plan on the performance of export firms in a developing economy like Ethiopia thus becomes imperative. This study remains germane by assessing the influence of compensation practice on the performance of selected employees in Horra corporate group-coffee exporting industry.

According to Ronald & Cary (2005) any organization in general needs employees who are capable to perform their duty. Horra Corporate Group in particular needs employees who can perform well. Without them customer satisfaction as well as basic function of the company would also be affected. To use employees in full capacity and to get jobs done, the company first and foremost must care of their employees. Whatsoever the authority and the power given to the company, what so ever the regulation and the policy framed, it is difficult to be productive unless the employees perform and execute the given policy.

The availability of sufficient and equitable compensation practice, in any organization is the major source of employee motivation. According to the small survey conducted by the company with regard to the compensation practice some of the problems stated by the employees were: Lower salary and wage levels in comparison to other organizations, Lack of bonus and incentive pay, Lack of skill-base pay and lack of competency- based pay, lack of internal equity and gaps in employee expectations (HCG Human resource report, 2019).

Against this background the research reports on employee's job performance; labour market, bargaining power of labour unions, cost of living, company's ability to pay and government policies as determinants of employee compensation.

1.3. Research Questions

The basic research questions are listed below:-

1. How the bargaining powers of labour unions influence employee's job performance in Horra Corporate Group?
2. How cost of living does affect employee's job performance in Horra corporate group?

3. To what extent company's ability to pay affects employee's job performance in Horra corporate group?
4. To what extent does labour market affects the employee's job performance in Horra Corporate Group?
5. What are the significant relationships between government policies and employee's job performance in Horra Corporate Group?

1.4. Research Objective

1.4.1. General objective

The general objective of the study is to assess the effect of compensation practice on employee job performance of Horra Corporate Group.

1.4.2. Specific objectives

1. Investigate the bargaining power of labour unions which influences employees job performance in Horra Corporate Group
2. Assess the effect of cost of living on employee's job performance in Horra corporate group
3. Describe the extent of company's ability to pay which affects employee's job performance in Horra corporate group
4. Explain the effect of Labour market on employee's job performance in Horra Corporate Group?
5. Identify the relationship between government policies and employee's job performance in Horra Corporate Group.

1.5. Significance of the Study

One of the major significance of this study is to create and develop awareness on the relationship between compensation practice and employee job performance. And also the study has a lot of contribution for the following different stakeholders: First, the findings of this research is expected to help the organization under study to design a compensation system which has high positive effect on employee's job performance and Next, For Policy Maker it will be useful to formulate compensation policy by considering different situational and demographic factors. Furthermore, for Academicians the study is expected to be a stepping stone for further research on the area. Finally, the general benefit of this study is also to bring the employees vision to have more emphasis and perform their duty to increase efficiency and effectiveness of the company.

1.6. Definition of terms

- ✓ **Human resources** are the people who make up the workforce of an organization or business sector, or economy (La Belle (2005).
- ✓ **Compensation:** refers to the concept of compensation as all forms of financial returns received by employees as reward for the services rendered (Dewhurst, 2010).
- ✓ **Direct compensation** direct compensation occurs where employees are paid money directly for their services rendered to the organization (Luthans, 2000).
- ✓ **A rewards system** is a planned and structured approach to reward one or more persons who act in a desirable way (Schuler and Jackson, 1996).
- ✓ **Incentives:** are things that motivate an employee to perform an action (Armstrong, 1996).
- ✓ **Performance:** The accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed (Baron, 1983).
- ✓ **Employee's performance** is defined as whether a person executes their job duties and responsibilities well (Frey, 1997).

1.7. Scope /Delimitation of the Study

To make this research manageable, the scope of the study is limited to employees of the Horra Corporate Group that is found in Addis Ababa, Ethiopia. In addition, the conceptual scope of the study is only confined to assess the variables that affect employee job performance (i.e., cost of living, company's ability to pay, bargaining power of labor unions, labor market and government policy). The study employed both explanatory and descriptive study design since the main aim of the study is to explain and describe the existing situation compensation practices.

1.8. Limitation of the Study

The study focuses on Horra Corporate Group employees to assess the compensation system on employee job performance. This had limited the generalizability of the findings to other corporate groups. In addition, shortages of time, skill on research have been the potential limitation of the study. In case of demographic factor only age, gender, income level and academic status were taken in to account. Besides, the study covers only permanent employee without part timer or contract workers, researchers and top managers.

Furthermore, the lack of quality and specialization and to cope with the available time and resource constraints, this study focuses only on the assessment of compensation practices on

employee's job performance of Horra Corporate Group. Lastly, the influence of COVID-19 is also one of the greatest obstacles to get in touch with respondents.

1.9. Organization of the paper

The paper is organized in five chapters i.e. the first chapter includes an introduction section which consists of background of the study, statement of the problem, objectives, hypothesis, significance, scope, limitation of the study. Chapter two includes: review of related literature which has theoretical and empirical review part. Chapter Three have presented research design and methodology the researcher employed to investigate the problem under study. Furthermore, data from respondents also presented, analyzed, interpreted and discussed in the fourth chapter. The last section of the thesis contains summary of results, concluding remarks and recommendations used for the Horra Corporate Group.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

This chapter presents an analysis of literature related to this topic under study. It focuses on the variables discussed in the earlier chapter. The chapter therefore aims to provide the researcher with a clearer perspective of the study area, from the point of view of other researchers as well as scholars. The researcher aims to develop an understanding of the gaps that exist in the study area with the main aim of trying to cover those that fall within the scope of this study. To achieve all these, the chapter covers the following: theoretical review, critical review, and conceptual frame work.

2.1.Theoretical literature review

2.1.1. What is Employee Compensation?

“Employee compensation refers to all the rewards given to workers for their services. Compensation plays a useful role in the relationship between an employer and employee.

While the employees have knowledge, skills, attitude, experience and qualification at their disposal, the employers on the other hand have at their disposal pay, benefits and incentives”

(Ax et al, 2006).

“Compensation includes employee wages and salaries, incentives, bonuses and commissions”

(Belcourt, 1999). “The reward systems may differ from one organization to the other and may change from time to time. This arguably makes motivating employees the most complex of all management functions.” However, a basic feature of any reward system is that it must cause employees to give their best to the organization.

Compensation and performance are two key concepts for an organization, which impacts the employer’s ability to retain employee as well as get optimum level of performance from them so that it helps to meet the organization’s strategic objective. When the number of unmotivated employees is high, the turnover will also be high which will cost a given organization dearly because the company has incurred a lot of cost in training the employee.

Employees always seek for a job that they can work with a high motivation and can satisfy their need. Therefore a proper system and balancing act is required for an organization to compete in this competing world.

2.1.2. Concept of Compensation:

Compensation is all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship (Milkovich and Newman 1999) i.e., compensation surrounded by the employee wages and salaries, incentive-payments, bonuses, and commissions. Employee compensation contains all forms of pay and rewards received by employees for the performance of their jobs” (Snell & Bohlander, 2010, p.378). According to Dessler (2011) employee compensation means all forms of pay or rewards going to employees and arising from their employment and it may be direct financial payments (Pay in the form of wages, salaries, incentives, commissions, and bonuses) and indirect financial payments (Pay in the form of financial benefits such as insurance).

2.1.3 The components of a compensation system

Literature believed that compensation will be perceived by employees as fair if based on systematic components. Compensation will be perceived as fair if it is comprised of a system of components developed to maintain internal and external equity. Various compensation systems have been developed to determine the value of positions. These systems utilize many similar components including job descriptions, salary ranges/structures, and written procedures.

The components of a compensation system as gathered from the literature (Truss 2001; Wright, Snell and Dyer 2005; Som, 2008) include:

- i. **Job Descriptions:** this a critical component of both compensation and selection systems, job descriptions define in writing the responsibilities, requirements, functions, duties, location, environment, conditions, and other aspects of jobs. Descriptions may be developed for jobs individually or for entire job families.
- ii. **Job Analysis:** this is the process of analyzing jobs from which job descriptions are developed. Job analysis techniques include the use of interviews, questionnaires, and observation.
- iii. **Job Evaluation:** This is a systematic way of comparing jobs for the purpose of determining appropriate compensation levels for individual jobs or job elements. There are four main techniques: Ranking, Classification, Factor Comparison, and Point Method.
- iv. **Pay Structures:** Useful for standardizing compensation practices. Most pay structures include several grades with each grade containing a minimum salary/wage and either step increments or grade range. Step increments are common with union positions where the pay for each job is pre-determined through collective bargaining.

v. Salary Surveys: Collections of salary and market data: this may include average salaries, inflation indicators, cost of living indicators, salary budget averages. Companies may purchase results of surveys conducted by survey vendors or may conduct their own salary surveys.

2.2.Different Compensation System:

Many researcher and scholars have explained about compensation and job performance from the different point of view or aspects and these are Performance-Based-Compensation, Merit-Based-Compensation, Outcome-Based Compensation, Competency-Based-Compensation, Equity Based-Compensation and so on. A short brief on these mentioned compensation system is prescribed below:

2.2.1. Performance-Based-Compensation:

In 1988, Baker, Jensen, & Murphy provided an explanation on performance-based compensation plans, indicates that explicit financial rewards are an important part of a worker's compensation. Delery and Doty (1996) demonstrated performance-based compensation as the single strongest predictor for job performance. Furthermore, a study conducted on compensation and performance (Coopers and Lybrand, 1992; Karr, 1999; Hamilton, 1999; Schlesinger and Heskett, 1991; Buchholz, 1996; McClaim, 1998; Pfeffer, 1998) associated with performance-based incentive program at every level of an organization. Besides that, Banker, Lee and Potter (2000) focused on performance- based compensation which increases an organization's overall productivity by attracting and retaining more productive employees. In contrast, individual performance evaluation may involve discretion and subjectivity, as well as nonfinancial and financial performance criteria (Bushman, Indjekikian, & Smith, 1996) which also concerns with the compensation policy and strategy. 'Several prominent scholars (Fein, 1976; Lawler, 1971, 1981) support on merit-based-compensation, described that merit-based compensation system for job performance lead to higher organizational performance and it is necessary for motivating employees where merit-based rewards also concerned. On the other hand, some other researchers reported that there is an effect of merit pay compensation system on managers but statistical analysis indicated that the merit pay program had no effect on organizational performance, suggesting that merit pay may be an inappropriate method of improving organizational performance (Pearce, Stevenson, & Perry, 1985).However, although merit pay and bonuses for managers are common forms of compensation, there have been no rigorous tests of their effectiveness (Dyer & Schwab, 1982) for the better job performance in an organization.

2.2.2. Outcome-Based Compensation

Outcome-based compensation is increasingly being used by many organizations especially in service industries. Banker, Lee, Potter, and Srinivasan (1996) identified some major reasons for this outcome-based compensation that are for motivating employees, gaining strategic advantages, understanding and focusing customer needs and satisfaction and so on. From the another point of view, Schlesinger & Heskett, (1991); Zeithaml et al., (1993) emphasized on Outcome-based compensation in order to enhance customer satisfaction and gain a competitive advantage, getting high customer interaction, ensuring more production and consumption by which organizations can reach its target level, also can utilize the opportunities from buyers and sellers to command price premiums through the outcome-based compensation (Forbis & Mehta, 1981).

2.2.3. Competency-Based-Compensation

The word competency was brought into the public arena in the USA in the early 1980s by Boyatzis (1982). He defined competency as „an underlying characteristic of an individual which is causally-related to effective or superior performance“. According to Liebegott (2015), Competency-based compensation policy is a pay structure that rewards employees based on how well they perform in the workplace, rather than the hierarchy of their position or years of experience. With a competency-based compensation policy, the only thing standing between the employees and a greater wage is how much they contribute and how well they perform. With this method employees“ often more likely to take a greater initiative and contribute competitive advantage for the organization. For creating a culture of self-improvement and wide productivity is through a competency-based compensation policy or structure. This compensation structure offers a tangible reward for the employees who are dedicated to growing their skills and improving themselves. When the employees dedicate their time- even outside of the 40-hours per week to growing organization’s products and services, they will not only contribute to the success of the company, but also be motivated by the compensation structure they receive for their dedication from the organization (www.knowledgewave.com/blog/competency-based-pay-structure-ad...).On the other hand, Competency or skill-based pay is a compensation system that rewards employees with additional pay in exchange for formal certification of the employee’s mastery of skills, knowledge, and/or competencies (Gerald et al., 2011). Besides , Armstrong and Brown (1998), investigated that competency frameworks have a role in main HR functions in as

many as 70 per cent of organizations and competencies are used mainly in performance management, recruitment and selection, and training and development (Competency and Emotional Intelligence Benchmarking Survey, 2002). However, this distinction is not always clear in the subsequent literature, or certainly in practice. Armstrong (1999), for example talks about hard or work-based competences which are expectations of job performance and the standards of outputs (Neathey & Reilly, 2003).

2.2.4. Equity Based-Compensation

The general idea of equity based compensation is to offer employees a share of the company's future profits in exchange for lower (or sometimes zero) salaries up front. For maintaining equity-based compensation policy a consulting lawyer is needed before making any formal offers (Bhashyam, 2014). Equity based compensation not only lessens the up-front financial burden of paying out sky-high salaries, but it also attracts employees who are committed to working harder in order to ensure their financial wellbeing and the success of the company. Equity compensation, no matter the form, is typically subject to restrictions. Most importantly, equity compensation is usually subject to vesting, which means that an employee must hit certain performance or time-based (more common) milestones in order for all of the stock. How much of one's compensation is in salary and how much is in equity depends less on the role (e.g., business development, engineer) and more on company maturity (<https://equityzen.com/team>). Equity-based pay spread at explosive rates in the United States during the 1990s. Morgenson, (1998) reports that in 1997, the 200 largest U.S. companies had reserved more than 13 percent of their common shares for compensation awards to managers, up from less than seven percent eight years earlier (Ofek & Yermack, 2000). A study (Mehran 1995) showed that equity-based compensation is used more extensively in firms for ensuring maximum performance. Arnolds and Boshoff (2002) demonstrated a link/relationship between the job performance, job satisfaction and individual personality differences on which there is a effect of equity based pay among people which are also related with compensation policy. Finally, from the above composition of compensation, it is lucidly stated that compensation contains a comprehensive pay structure for the employees in an organization and it may be based on performances, merits, outcomes, competences, equity and so on.

2.3.1 Factors Affecting Employee Compensation

Compensation is also one of the biggest reasons of dispute between employers and employees. Employees provide their services to the business; they devote their time, energy, skills, knowledge to the organisation. In consideration of this devotion, employer gives compensation to employees.

The compensation awarded to the employee is dependent on the volume of effort exerted, the nature of job and his skill. Besides, there are several other internal and external factors affecting the compensation.

The factors affecting employee compensation can be categorized into:-

The compensation awarded to the employee is dependent on the volume of effort exerted, the nature of job and his skill. Besides, there are several factors affecting the compensation.

1. Labour Market Conditions:

The forces of demand and supply of human resources, no doubt, play a role in compensation decision. Employees with rare skill sets and expertise gained through experience command higher wage and salary than the ones with ordinary skills abundantly available in the job market. But the higher supply of human resources for certain jobs may not lead to reduction of wages beyond a floor level due to Government's prescription of minimum wage levels and employee union's bargaining strength.

Similarly, this factor by itself does not result in lower pay if the vast majority of available resources are unemployable due to poor skill and low talent. Thus, it is clear that law of demand and supply applies to labour market only to a limited extent (Smith, 1996).

2. Company's ability to pay

Most of the organizations fix their pay in keeping with the level for similar jobs in the industry. They frequently conduct wage survey and accordingly seek to keep their wage level for different jobs. If a particular firm keeps its pay level higher than those of others in the industry, its employee cost becomes heavier which may escalate the end cost of the products. This will affect the competitiveness of the firm. On the other hand, if a firm keeps its pay level lower than the prevailing rates, it may not recruit the skilled and competent manpower (Ronald & Cary, 2005).

3. Union's Influence:

The collective bargaining strength of the trade unions also influences the wage levels. Trade unions enjoy an upper hand in certain industries like banking, insurance, transport and other

public utilities. Therefore, wage structure in such industries and in such Union-active regions, salary and wage need to be fixed and revised in consultation with the unions for ensuring smooth industrial relation.

They try to regulate the supply side of the labour. From time to time labour unions put pressure over the management for providing better work facilities, better wages, or service conditions for workers. At times they do resort to strike or lockout affecting the supply of labour to the industry.

So it becomes important for the employers to keep their labour happy and satisfied by compensating them well so that their union should not pose any problems to them (Stup ,2003).

4. Cost of Living:

The consumer price index is widely accepted and followed by many employers and labour organizations for fixing the basic level of employee's salary. Cost of living adjustment of compensation does not provide any fundamental solution to the principle of equitable compensation to employees. It is useful as a stopgap device in times of inflation when labour is pressed to keep up with the rise in prices.

Increase in the cost of living; raise the cost of goods and services. It varies from area to area within a country and from country to country. The changes in compensation are based on consumer price index which measures the average change in the price of basic necessities like food, clothing, fuel, medical service, etc., over a period of time. Allowances like Dearness Allowance. City compensatory allowances are paid to meet the increasing cost of living and parity among employees posted at different geographies (Danish & Usman, 2010).

5. Government Regulation:

Government plays a very important role in fixing the basic level of salary for employees. From time to time government has made various laws to protect the interest of employees at various levels. It is expected of every organisation to keep the various laws into account while fixing the compensation for employees so that they should not finally land into any legal trouble.

Government through various legislative enactments such as Minimum Wages Act, 1948, Payment of Wage Act, 1936, Equal Remuneration Act, 1976, Payment of Bonus Act, 1965, dealing with Provident Funds, Gratuity, Companies Act, etc., have a bearing on compensation decisions. Therefore, firms have to decide on salaries and wages in the light of the relevant Acts (Tausif ,2012).

2.3. Employee Performance

Employee performance is originally what an employee does or does not do. Performance of employees could include: quantity of output, quality of output, timeliness of output, presence at work, cooperativeness. To perform is to take a complex series of actions that integrate skills and knowledge to produce a valuable result. A performer can be an individual or a group of people engaging in a collaborative effort Sinha (2001) stated that employees' performance is depending on the willingness and also the openness of the employees itself on doing their job. He also stated that by having this willingness and openness of the employees in doing their job, it could increase the employees' productivity which also leads to the performance.

Stup (2003) also explained that to have a standard performance, employers have to get the employees task to be done on track as to achieve the organization goal or target. By having the work or job done on track, employers could be able to monitor their employees and help them to improve their performance.

Furthermore, a reward system should be implemented based on the performance of the employees. This is to motivate the employees in order to perform more on their task.

There are several factors that being described by Stup (2003) towards the success of the employee's performance. The factors are such as physical work environment, equipment, meaningful work, performance expectation, and feedback on performance, reward for good or bad system, standard operating procedures, knowledge, skills and attitudes.

Franco et al (2002) defined performance that relies on internal motivation but presence of internal factors such as necessary skills, intellectual capacity and resources to do the job clearly have an impact. As a consequence employers are supposed to provide appropriate working conditions in order to make sure the performance of employees meet the required standards.

2.4. Theoretical relationship between compensation and Job performance

The aforementioned propositions provided by the various researchers and authors in the literature part severally showed an indirect dissertation about the relationship between compensation and job performance. But some prominent scholars measured and showed the direct dissertation about the relationship of compensation and job performance. For instance, Bajor and Baltes (2003) measured through selection-optimization-compensation and investigated that there is an effective and strategic relationship between compensation and job performance. Moreover many firms link with compensation to job performance by implementing performance – based

incentive programs at every level of the organization (Schlesinger and Heskett, 1991; Coopers and Lybrand, 1992; Buchholz, 1996; McClaim, 1998; Pfeffer, 1998; Karr, 1999; Hamilton, 1999). While several research studies again showed a relationship between compensation and job performance and documented that performance - based incentive plans result in performance improvements (Wagner et. al., 1998; Banker et al., 1996; Lazear, 1999), in the organizations. The another study (Mehran 1995) identified a positive relationship between job performance and equity-based compensation policy which showed that equity-based compensation is used more extensively in firms for ensuring maximum performance. Arnolds and Boshoff (2002) shown a link/relationship between the job performance, job satisfaction and individual personality differences among people which are also related with compensation policy.

This section of present study explores the relationship or linkages among job performance, job standard, job strategy and the type of compensation policy. Chow (1983) showed in a study that the type of compensation scheme not only affect the workers' effort but also job performance of the employees in an organization. There is another study supports that a firm's compensation strategies make a greater contribution to firm performance (Gomez-Mejia, 1992). In addition, a study conducts to find the impact of compensation on job performance in the middle-east country and subsequently present a model illustrating a relationship between them (Qureshi & Sajjad, 2015). The above mentioned literature evidenced that there is a significant relationship between compensation and job performance. Though the organization may follow performance-based compensation policy (PBCNP), merit- based compensation policy (MBCNP), outcome- based compensation policy (OBCNP), competence- based compensation policy (CBCNP) or equity-based compensation policy (EBCNP) individually or combining two- three policy or any other technique but these all are included as implicit compensation policy under the comprehensive structure of compensation scheme of an organization which are significantly linked with job performance.

2.5 Empirical Literature Review

There were a number of scholars who conducted research studies on an employee performance in the workplace. According to most of these theorists, such performance can actually be predicted, explained and influenced. One of these scholars is Nelson (1997) who established different reward way and relates with employee satisfaction and employee performance. The better satisfied employee expected to perform well.

Danish & Usman (2010) suggested that a firm that fulfills both financial and non-financial rewards could be the best one. Moreover, they investigated the influence of financial motivators on the performance of employee. And the study results showed that better performance was best foreseen by the job reward; and job commitment was best forecasted by a combination of cost values, rewards, and the amount of investment.

Indeed, the financial and non-financial rewards motivate the employees; and this motivation leads to realize a higher performance level.

According to Gerhart & Milkovich (1990) claims that reward system should be carried out by the simplification of the connection between the given reward and the additional performance. Moreover, they suggested that to achieve positive effect, reward practices have to be performance-dependent. Indeed, managers who attempt to run a fair rewarding system seem to be more prosperous in performance rather than those who reward in an unfair manner.

The important relationships between employee performance and pay satisfaction have been well established in studies by Heneman, Kochan & Locke (1995). They showed that monetary compensation is one of the most significant variables in explaining better employee performance and job satisfaction. In addition, Hofrichter & Platten (1996) found financial rewards to have a significant impact on employee performance. According to Artz (2008) suggests overall, fringe benefits play a significant role in determining employee performance.

A research by (Pinar Güngör, 2011) focuses on the relationship between the reward management system applications and employee performance of bank employees on global banks in Istanbul. He concludes that employee performance effectiveness is determined on reward systems. In addition (Madhuri K., 2014) remark that perceived level of rewards and motivation has significant relationship among the private sector employees and the monetary rewards had a significant effect on employee motivation than the non-monetary rewards.

Puwanenthiren P. (2011) assert that there is positive relationship between the rewards and employee motivation that is (+0.7550). Moreover, he splits the result between the intrinsic reward system that is (and 0.5831) and extrinsic reward system (0.7280). Lastly he concludes that there is a considerable positive relationship between the total reward system and the employee motivation of the Bank.

Tausif (2012) conducted a study on the influence of compensation on employee job performance and developed two competing hypothesis on the relationship between compensation and

employee performance. In the study t- test, regression and correlation to test hypothesis, whether compensation have positive relationship with employee job performance or negative relationship with job performance. The independent variable promotion, job enrichment and autonomy and its influence on dependent variable employee performance were his areas of study.

The findings of the study reveals that employee performance is positively and considerably associated with compensation and benefits such as promotion, job enrichment and task autonomy.

2.6 Conceptual Framework

This study is conducted to assess the compensation practice on employee job performance.

The following figure shows the relationship between dependent and independent variables.

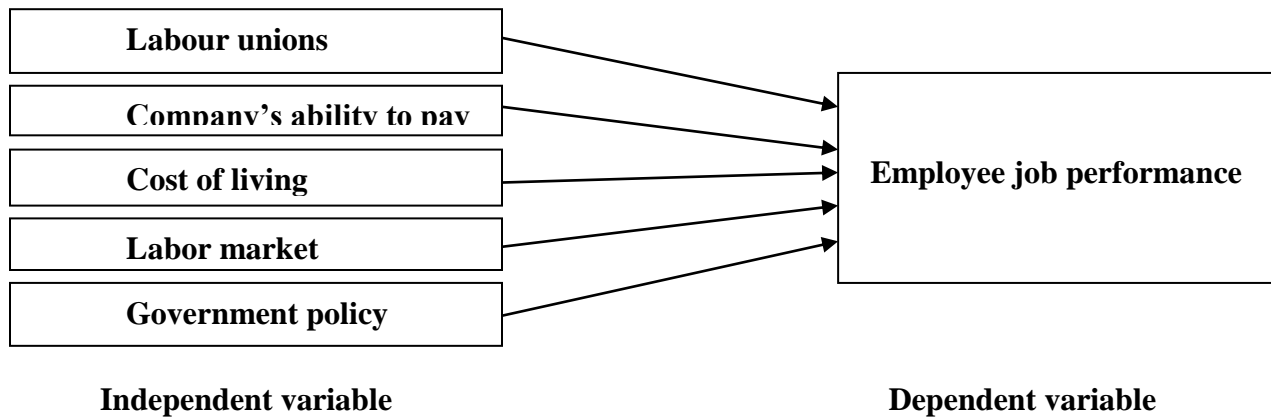


Fig1. Conceptual framework

2.4. Research Hypothesis

The formulated research hypotheses are:-

- ✓ H1: Labour unions have significant relationship with employee's job performance
- ✓ H2: Company's ability to pay significantly affects employee's job performance
- ✓ H3: Cost of living significantly affects employee job performance
- ✓ H4: Labor market have significant effect on employee's job performance
- ✓ H5: Government policy significantly affects employee's job performance

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

The research design that is used for the study is both descriptive and explanatory research. The descriptive is selected due to its provision of complete and adequate information, the procedure to be used must be carefully planned and also its ability to assess and describe the existing nature of compensation practice on employee performance system at the organization. This further enables the study to analyze the existing practice by comparing it with the theoretical aspects. And the explanatory research design will be employed since it is conducted for a problem which generates operational definitions and provides a better-researched model and focuses on explaining the aspects of the study in detailed manner (Kothari 2004).

3.1 Research Design and Approach

The research can be classified into two research approaches. These are qualitative research and quantitative research.

Qualitative research involves studies that do not attempt to quantify their results through statistical summary or analysis. It seeks to describe various aspects about behavior and other factors in the social sciences and humanities. In this kind of research data are often in the form of descriptions, not numbers. It typically involves in-depth interviews, group discussions, and observations without formal measurement. While, quantitative research is the systematic and scientific investigation of quantitative properties and phenomena and relationships. The objective of quantitative research is to develop and employ mathematical models, theories and hypotheses pertaining to natural phenomena. It usually starts with a theory or a general statement proposing a general relationship between variables. Quantitative researchers favor methods such as surveys and experiments, and will attempt to test hypotheses or statements with a view to infer from the particular to the general.

3.2. Population, Sample size and sampling technique

3.2.1. Target population

The target populations for this study were all the employees of Horra Corporate Group – Ethiopia, Addis Ababa Staff. Currently HCG-Ethiopia has 121 employees in Addis Ababa (HR of Horra Corporate Group, 2020).

3.2.2. Sample size

Sampling is the process of using a small or parts of a larger population to make conclusions about the whole population. Sampling is one of the components of research design. Jankowicz (1995) defines sampling as the deliberate choice of a number of people; the sample provides data from which to draw conclusions about some larger group, the population, whom these people represent. This enables the research to be conducted economically feasible to use part of the population and also within the limited time frame.

In light of this, the sampling technique that was used to select samples from the given population was convenient sampling. In this technique the sample selection process continued until the required sample size has been reached. It involves selecting randomly those cases that are easiest to obtain the required sample (Zikmund, 2003).

According to Taro Yamane's (1973), this study applied a simplified formula to determine the required sample size at 95% confidence level, and allowable error = 0.05% and number of employees who work in the Horra Corporate Group are 121 employees.

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

Where 'n' is the sample size, N is the total number of employees in the factory, and 'e' is the level of precision.

Substitute numbers in formula:

$$n = \frac{121}{1+121(0.05)^2}$$
$$\underline{n=93}$$

After calculating the sample size by substituting the numbers into the Yamane formula, the numbers of sample is **93**.

3.2.3. Sampling technique

The sampling design that was employed for this study is a non-probability sampling. A non-probability sampling provides with an information-rich case study in which it enables to explore the research question and gain theoretical insight (Saunders, Lewis & Thornhil 2009). The sampling techniques that were used to select samples from the given population were purposive sampling.

3.3 Source of Data

The data for the study was obtained from both primary and secondary sources. The primary data was collected from Horra's coffee factory employees using structured questionnaire from the regular employees. Moreover, secondary data was also collected from procedures, and manual, internal memo, communication and written materials and reliable internet sources and websites. The secondary data helps to add to the primary data that was collected and was used to combine different respondent's opinions and base a theory with evidence to back the point up.

3.4. Data gathering instruments

Instruments refer to the tools that were used to gather information from the respondents. The study relies on both primary and secondary data. The primary data was gathered using both questionnaires and interview. A questionnaire is a set of questions for gathering information from individuals. According to Hagerty and Patusky (1995), a careful questionnaire design is essential in quantitative research (and also qualitative research) for the collection of good quality data. The primary data collection was through self-administered questionnaires. The quantitative measure on the variables was administered by structured questionnaire. An interview was also used as a data gathering tools from the managers and head of the departments. The secondary data was obtained from review of documents that are found in the company.

The questionnaire comprises a 5 point Likert scale of 1 - 5 where, 1 shows high level of disagreement and 5 shows high level of agreement. The respondents were instructed during the administration of the questions by the researcher to mark the most suitable answer. Respondents were also required to answer intelligently and expeditiously as possible.

The data was also collected using primary data gathering tool through personal interview.

Whereas, management staff were interviewed by the principal investigator.

3.5 Procedure of Data Collection

In conducting the study, therefore, the researcher used questionnaire and interview methods to collect data from primary sources such as the employees themselves and the human resource department. In this case, the feeling and attitudes of the employees as well as their beliefs about what should be done within the institution in order to enhance the compensation issues are also part of the data collection parts in the questionnaire and interviews.

In addition, the researcher was also tried to analyze documented materials such as collective agreements of the Horra Corporate Group so as to point out how the institution handles the

reward and compensation issues. The institution's policy of compensating and reward, the country's labor law, as well as the labor union agreements Horra has signed which also is used by the researcher as an input to the study. The researcher uses documents of the last five years' compensation within Horra Corporate Group.

3.6. Methods of data Analysis

To analysis the data Statically Package for Social science (SPSS) which is statistical software package was applied accordingly. SPSS is a widely used program for statistical analysis in social science Statistics included in the base software.

- ✓ Descriptive statistics: cross tabulation, frequencies, descriptive, explore, descriptive ratio statistics
- ✓ Bivariate statistics: means, t-test, ANOVAs, correlation (Bivariate, partial, distances), non-parametric tests
- ✓ Prediction for numerical outcomes: linear regression stata's capabilities include data management, statistical analysis, graphics, simulations, regression, and custom programming (Perry R. H., 2004)

In addition, the data which was collected from sample subjected to statistical analysis such as descriptive and inferential statistics. Descriptive statistics concerned with summarizing and describing a body of data. Inferential statistics is the process of reaching generalizations about the population of examining the sample. In inertial statics liner regression, Partial regression and multiple regressions takes place (Salvatore & Reaggle, 2002)

Accordingly, the researcher used descriptive statistical analysis tools such as mean and frequency tables to summarize the data.

Inferential statistical such as Karl Pearson's coefficient of correlation and Regression analysis including multiple regressions is used. By using spearman correlation product Moment Correlation Coefficient the researcher identified the magnitude, direction and strength of relationship between the variables.

Pearson's correlation coefficient is the covariance of the two variables divided by the product of their standard deviations. The form of the definition involves a "product moment", that is, the mean (the first moment about the origin) of the product of the mean-adjusted random variables; hence the modifier product-moment in the name.

It is a measure of the linear correlation between two variables X and Y. It has a value between

+1 and -1, where 1 is total positive linear correlation, 0 is no linear correlation, and -1 is total negative linear correlation. It is widely used in the sciences. It was developed by Karl Pearson from a related idea introduced by Francis Galton in the 1880s (Karl P., 1895).

3.7. Validity and Reliability

Validity concerns with the degree to which a question measures what it is intended to measure. To assure the validity of the study, the researcher had taken the comment from the advisor and also discussed with senior management staffs about the questionnaires before it was distributed. Reliability was also checked for the survey instrument. As stated by Hair et al., (2007) reliability indicates the extents to which some variables or set of variables are consistent in what they are intended to measure. Reliability analysis used to measure the internal consistency of a questionnaire. There are different methods of reliability test and Cronbach’s alpha is the most common measure of internal consistency or reliability. According to George & Mallery (2003), the value of Cronbach’s alpha coefficient should be more than 0.7 which is an acceptable level of internal consistency or reliability.

Table 3.1. Result of Reliability Test for the Questionnaire

Items	Number of attributes	Cronbach’s Alpha
Bargaining power of labor unions	6	0.811
Cost of living	4	0.823
Company’s ability to pay	3	0.798
Effect of labor market	6	0.810
Effect of government policy	4	0.801
Employees job performance	10	0.722

Source: Own survey result, 2020

As it can be seen above, the coefficient for the dimensions i.e. bargaining power of labor union, cost of living, company’s ability to pay, effect of labor market, effect of government policy and employee’s job performance were 0.811, 0.823, 0.798, 0.810, 0.801 and 0.722 respectively. Overall, it shows a good reliability and internal consistency for which all were > 0.7.

3.8 Ethical Considerations

Ethical issues are very important in research these days. Ethical issues emerge from value conflicts. In research, these conflicts are expressed in many ways: individual’s rights to privacy

versus the undesirability of manipulation, openness and replication versus confidentiality, future welfare versus immediate relief, and others.

The researcher had taken at most precaution before undertaking the research and informed the participants in the study about the objectives of the study, and is consciously consider ethical issues in seeking consent, avoiding deception, maintaining confidentiality, respecting the privacy, and protecting the anonymity of all respondents. A researcher also considered these points because the law of ethics on research condemns conducting a research without the consensus of the respondents for the above listed reasons.

CHAPTER FOUR

4. DATA ANALYSIS AND INTERPETATION

4.1. Response rate

From the total 93 questionnaire distributed 90 were returned from which 3 were not correctly filled and rejected. Therefore 90 were effectively used for analysis that shows response rate of 95 percent. This is a good response rate based on Fowler (2002) a 75 percent response rate is considered adequate.

Data analysis, discussion and interpretation of the results are presented in the following subheadings: presentation of demographic data and frequency of respondents, analysis of mean, analysis of correlation and regression coefficient.

4.2. Demographic Profile of Respondents

This section presents a descriptive analysis of the personal profile of the respondents of Horra's coffee factory Ethiopia. The personal profile includes the gender, age, education level, current position, marital status, years of experience and salary range in the factory. The demographic characteristics of those respondents are summarized in the table 4.1 below.

TABLE4. 1: Demographic profile of Respondents

	ITEM	FREQUENCY	PERCENT	CUMMULATIVE PERCENT
GENDER	Male	53	59	59.0
	Female	47	41	100
	Total	90	100	
	ITEM	FREQUENCY	PERCENT	CUMMULATIVE PERCENT
AGE	18-25 years	15	16	16
	26-35 years	42	47	63
	36-45 years	21	23	86
	46-55 years	9	10	96
	>55 years	4	4	100
	Total	90	100	
	ITEM	FREQUENCY	PERCENT	CUMMULATIVE PERCENT
	10 Complete	8	8.8	8.8

ACADEMIC STATUS	12 Complete	12	13.3	22.1
	Diploma	31	34.4	56.5
	Bachelor's Degree	33	36.6	93.1
	Master's Degree	6	6.7	100
	PhD	-	-	
	Total	90	100	
SERVICE YEARS	ITEM	FREQUENCY	PERCENT	CUMMULATIVE PERCENT
	<1 Years	10	11.1	11.1
	1-3 Years	17	18.9	30.0
	3-6 Years	18	20.0	50.0
	6-9 Years	32	35.5	85.5
	9-12 Years	11	12.2	97.7
	>12 Years	2	2.2	100
	Total	90	100	
CURRENT POSITION	ITEM	FREQUENCY	PERCENT	CUMMULATIVE PERCENT
	Managerial	2	2.2	2.2
	Non-Managerial	88	97.8	100
	Total	90	100	
SALARY RANGE	ITEM	FREQUENCY	PERCENT	CUMULATIVE PERCENT
	<3000	9	10	10
	3001- 7000	61	67.8	77.8
	7001 – 11,000	12	13.3	91.1
	11,001 – 15,000	8	8.8	99.0
	15,001 – 19,000	2	2.2	100
	>19,000	-	-	
Total	90	100		

Source: Own survey result, 2021

As shown in the above table 4.1, the demographic information of the employees. When we look at the gender of the respondents, 53 (59%) of the respondents are males while the rest 37 (41%)

were females. This indicates that majority of the respondents in the study were male employees which also could reveal that there is a male dominance in the Horra corporate group.

The above table also indicates that the large number respondents dominated by the age group of 26-35 was 42 (47.0%), respondents whose age fall in the age group of 18-25 years was 15 (16.0%), those in the age group of 36-45 years were 21 (23.0%). This could reveal that the largest proportions of the Horra corporate group employees (86.0%) are in the actively productive age group which may imply the likely hood of obtaining the competitive advantage in the industry because of having a young, energetic and trainable workforce.

With regard to academic status of the respondents, the largest portions 33 (36.6%) were Bachelor degree holders, 31 (34.4%) were Diploma holders and also 12 (13.3%) of them were 12 complete and the remaining 6 (6.7%) of them were Masters Degree holders. This reveals that the majority of the employees of the Horra corporate group are first degree and diploma holders which indicates that if the company had the capacity to utilize them they will bring a huge difference in the company's competitive strength.

In terms of work experience or service years, the majority 32 (35.5%) of the respondents served the factory between 6 years and 9 years, 18 (20.0%) of the respondents served the factory between 3 Year to 6 Years. In General, about 75.4% of the respondents have served the factory between 1 year to 9 years in the Horra corporate group.

Whereas, as far as the position of employees is concerned, the majority 88 (97.8%) of the employees of the factory involved in the study had a non-managerial position and only 2 (2.2 %) of the respondents had a managerial position. Finally, the salary range of the employees indicates that majority of the employees are in the salary range of 3001 -7000 Birr which covers 61 (67.8%).

4.3. Analysis of collected data

The following analysis is given Based on the collected data from the respondents of Horra corporate group.

4.3.1. Analysis of descriptive data

The analysis of descriptive data on the compensation packages and its effect on employee job performance

4.3.1. 1. Compensation System

4.3.1.1.1. Compensation System/Package

The intention was to explore the implementation of compensation system/package and the results presented as below.

Table 4.2. Compensation system/package

Compensation system	Frequency	Percentage
Excellent	1	1.1
Very good	3	3.3
Good	7	7.8
satisfactory	16	17.8
Poor	63	70

Source: Own survey result, 2021

As the above table 4.2 reveals that perception of respondents regarding the criteria of the current system of employee compensation system/package within Horra corporate group is dominantly poor with a larger percentage (70%). The findings suggested that the overall mean perception level of employees tilts towards the poor side.

4.3.1.1.2. Proper compensation with regard to your contribution in the organization

Table 4.3. Compensation with regard to contribution

Compensation with regard to contribution	Frequency	Percentage
Attractive	13	14.5
Not attractive	77	85.5

Source: Own survey result, 2021

Based on the data obtained from table 4.3, around 85.5% of respondents replied that, the compensation practice of HCG is not attractive with the contribution made by the employees of the company and which shows that the company should have to consider the effort and efficiency of the employees with regard to its compensation practice and some of the reasons stated for unsatisfactory compensation practice are:- the market value of employees expertise, the organization's reward system, and the funding level of projects.

4.3.1.1.3 The influence of compensation plan on employee attitudes and behavior

Table 4.4. Influence of compensation plan on employee attitudes and behavior

Influence of compensation plan on employee attitude	Frequency	Percentage
Great influence	69	76.7
No influence	21	23.3

Source: Own survey result, 2021

As the above table depicts that, majority of the respondents (76.7%) implied that the compensation plan has a great influence on employees attitude towards their work and while the remaining (23.3%) of them implied that the compensation plan has no influence over their attitude towards their work. This states that employee's attitude towards work is highly influenced by the compensation plan of an organization and the company should have to consider the issue of compensation as a critical tool towards increasing the motivation and inspiration of their attitude towards their work.

4.3.1.1.4. Compensation plan has influence on employee performance

Table 4.5. The influence of compensation plan on employee performance

Influence of compensation plan on employee performance	Frequency	Percentage
Great influence	63	70
No influence	27	30

Source: Own survey result, 2021

According to the results obtained from the respondents on table 4.5, (70%) of them stated that the employee's performance is influenced by the compensation plan of the organization and the remaining (30%) of them reacted that the employees performance is not influenced by the compensation plan of the company. From this we can conclude that employee's performance is highly influenced by the compensation plan of an organization and the organization should have to consider the compensation practice while it wants to motivate them towards increment of efficiency and production of the company.

Some of the main reasons to consider the compensation plan are:

- ✓ To decide on employee promotion
- ✓ To improve quality of work
- ✓ To improve employee competence
- ✓ To Motivate employee to their job
- ✓ To decide on employee salary revision.

4.3.1.1.5. Analysis on determinants of employee compensation dimensions

In order to see the general perception of the respondents regarding the selected determinants of employee compensation dimensions (i.e. Bargaining power of labor unions, cost of living, company's ability to pay, effect of labor market and effect of government policy); the researcher has summarized the employee compensation dimensions using frequency, percentage, mean and standard deviation using 5 - point Likert scale. The 5- point with their respective numeric value was: 1: Strongly Disagree; 2: Disagree; 3: Neither Agree nor disagree, 4: Agree and 5: Strongly Agree.

Thus, the mean indicates to what extent the sample group on average agrees or disagrees with the different statements. Marczyk et al., (2005) stated that the lower the mean, the more the respondents disagree with the statements. The higher the mean, the more the respondents agree with the statement.

Thus, the bench mark for the descriptive analysis of this study was a mean score between 1 and 2.33 indicates low agreement, a mean score between 2.34 and 3.67 indicates moderate (medium) agreement and a mean score of 3.68 or above indicates strong agreement Zaidation and Bagheri (2009).

4.3.1. Bargaining power of labour unions

TABLE 4. 6: Bargaining power of labor unions dimension of employee compensation

Bargaining power of labour unions								
Items	SD	DA	N	A	SA	Total	Mean	Std.de v
Contribution of the labour union in enhancing efficiency	5	6	9	51	19	90	3.36	1.384
	5.5%	6.5%	10.0%	56.6%	21.1%	100%		

The existence of labour union in smoothing up the relationship between me and the management	6 6.5%	6 6.5%	8 8.8%	53 58.8%	17 18.8%	90 100%	3.21	1.365
The effectiveness of labour union in overseeing the existence of team spirits	4 4.4%	4 4.4%	10 11.1%	52 57.7%	20 22.2%	90 100%	3.38	1.358
The effectiveness of labour union in working with the management	4 4.4%	5 5.5%	11 12.2%	54 60%	16 17.7%	90 100%	3.48	1.427
The labour union ensures that my working hours are reasonable	3 3.3%	5 5.5%	12 13.3%	52 57.7%	18 20%	90 100%	3.33	1.301
Total grand mean and standard deviation							3.38	1.367

Source: Own survey result, 2021

When employees were asked ,contribution of the labour union in enhancing efficiency are emphasized in the organization, 70 (77.7%) of the respondents agreed & strongly agreed that and the mean score of M=3.36 implied that the sample employees on average agreed that contribution of the labour union in enhancing efficiency are emphasized in the organization .

The researcher also indicated that majority of the respondents in Harro corporate group, agreed that, the existence of labour union in smoothing up the relationship between me and the management with a percentage of 70 (77.7%) and the mean value of M=3.21 showing the existence of labour union in smoothing up the relationship between me and the management.

When employees were asked the effectiveness of labour union in overseeing the existence of team spirits they confirmed their agreement with the mean value of M=3.38 which indicate that the employees at Horra corporate group showed the existence of labour union in smoothing up the relationship between them and the management with a percentage value of 72 (79.9%).

Furthermore, mean score of M=3.48 on the item requesting if there is effectiveness of labour union in working with the management in Horra corporate group implied that, respondents on average moderately agreed on the existence of effectiveness of labour union in working with the management.

Moreover, 70 (77.7%) of the respondents agreed & strongly agreed on the existence of ensuring the labour union that working hours are reasonable at Horra corporate group with the mean score of M=3.33.

Therefore, the groups mean score of 3.38 implies that employee moderately agreed on that bargaining power of labor union is an important dimension of employee's compensation and it helps in building communication and team spirits in Horra corporate group. It also moderately ensures the effectiveness of labour unions in working with the management and reasonableness of working hours.

Similarly, a study conducted by Nongo and Ikyanyon (2012) found a significant and positive relationship between bargaining power of labor unions and employee job performance. This means that employees are committed to their organizations when the labor unions have an impact in their working environment while making decision. The key success factors for organizations today are employee empowerment, teamwork, and employee development. These enable managers and employees more committed to work and feel that they own a piece of the organization. People at all levels feel that they have at least some inputs into decisions that will affect their work and that their work is directly connected to the goals of the organization.

4.2.2. Cost of living

Discussions were made here below on the responses obtained from the respondents through the structured questionnaire on the second dimension of employee compensation, i.e. cost of living, in the case of Horra corporate group, Ethiopia.

TABLE4. 7: Cost of living dimension of employee compensation

Cost of living								
Items	SD	DA	N	A	SA	Total	Mean	Std.dev
Increment on cost of living in the market have an impact on employees job performance at the work place	3 3.3%	6 6.6%	9 10.0%	54 60.0%	18 20.0%	90 100%	4.04	1.415
The effect of inflation in the economy have a direct impact on the employees job performance	4 4.4%	5 5.5%	11 12.2%	57 63.3%	13 14.4%	90 100%	3.45	1.384
There is an increment in compensation due to the	6 6.6%	12 13.3%	12 13.3%	48 53.3%	12 13.3%	90 100%	3.59	1.365

increment of cost of living that affects employee job performance

In my organization, as the cost of living increases there will be an increment in salary& benefits that enhances for higher performance	8 8.8%	10 11.1%	9 10.0%	52 57.7%	11 12.2%	90 100%	3.45	1.358
Total grand mean and standard deviation							3.37	1.244

Source: Own survey result, 2021

As indicated on the above table, the mean score of M= 4.08 implies that the respondents agreed that, the Increment on cost of living in the market have an impact on employees job performance at the work place with a percentage of 72 (80.0%).

With the mean score of M=3.45 and 70 (67.7%) under cost of living in the effect of inflation in the economy showed that inflation in the economy have a direct impact on the employees job performance. On the other note, the mean score of M=3.59 on the second item under cost of living indicates, and 60 (66.6%) of the respondents agreed & strongly agreed on that, there is an increment in compensation due to the increment of cost of living which affects employee job performance.

As shown in the above table, the mean score of M= 3.45 implies that the respondents on average agreed on the issue of, as the cost of living increases there will be an increment in salary& benefits that enhances for higher performance with the of values of 63 (69.9%) of the respondents agreed & strongly agreed that as the cost of living increases there will be an increment in salary& benefits that enhances for higher performance.

At last, the researcher summarizes that from the total grand mean value M=3.37 and standard deviation 1.244 indicates that respondents were moderately agreed on that cost of living dimension of employee’s compensation practice.

4.2.3. Company’s ability to pay

The responses on the next dimension of employee compensation practice i.e. company’s ability to pay using the 5-point Likert scale was also evaluated here below

Table 4.8. Company's ability to pay dimension of employee compensation

Company's ability to pay								
Items	SD	DA	N	A	SA	Total	Mean	Std.dev
The quality of personnel recruited and rewarded are based on the company's ability to pay	5	5	10	52	18	90	3.36	1.415
	5.5%	5.5%	11.1%	57.7%	20%	100%		
The benefits received by employees are highly dependent on the company's earning	6	9	11	49	15	90	3.32	1.384
	6.6%	10%	12.2%	54.4%	16.6%	100%		
The employees level of professionalism is strongly associated by the amount they will be compensated	10	8	10	48	14	90	3.33	1.365
	11.1%	8.8%	11.1%	53.3%	15.5%	100%		
Total grand mean and standard deviation							3.23	1.121

Source: Own survey result, 2021

As indicated on the above table 4.8, the respondents were asked, if the quality of personnel recruited and rewarded are based on the company's ability to pay, relatively the highest 70 (77.7%) of the respondents agreed & strongly agreed and the mean score of M=3.36 indicated that the sample respondents on average highly agreed that the quality of personnel recruited and rewarded are based on the company's ability to pay.

64 (71.0%) of the respondents agreed & strongly agreed with the mean score of M=3.32 implied that the benefits received by employees are highly dependent on the company's earnings.

Furthermore, when the respondents were asked on "their level of professionalism whether it's strongly associated by the amount they will be compensated or not" 62 (68.8%) of the respondents agreed & strongly agreed with the mean score of M=3.33 which have the implication that, the employees level of professionalism is strongly associated by the amount they will be compensated.

In general, from the total grand mean value M=3.23 and standard deviation SD=1.121 indicates that the corporate is relatively better in terms of capability to pay to its employees. This could

help the corporate to cope with the recurrent changes which are happening and will happen in the coming future.

4.2.4. Effect of labor market

Discussion made here below on the responses obtained from the respondents through the structured questionnaire on the other dimension of employee's compensation practice, i.e. effect of labor market, in the case of Horra corporate group.

Table 4.9. Effect of labor market dimension of employee compensation

Effect of labour market								
Items	SD	DA	N	A	SA	Total	Mean	Std.dev
Deregulation of labour market creates insecurity and lowers commitment to employers	6	8	12	46	18	90	3.21	1.415
	6.6%	8.8%	13.3%	51.1%	20%	100%		
Labour market regulations affects the supply of labour in an organization which affects the performance of an employee	7	8	12	49	14	90	3.36	1.384
	7.7%	8.8%	13.3%	54.4%	15.5%	100%		
The public approach to employment and education affects the supply of labour market	5	12	10	48	15	90	3.34	1.365
	5.5%	13.3%	11.1%	53.3%	16.6%	100%		
Government policy on unemployment, government investment on education affects the demand of labour market	6	10	9	52	13	90	3.35	1.358
	6.6%	11.1%	10.0%	57.7%	14.4%	100%		
Total grand mean and standard deviation							3.31	1.314

Source: Own survey result, 2021

As shown in the above table 4.9, the mean score of M= 3.21 and 64(71.1%) implied that the respondents on agreed and strongly agreed on deregulation of labour market creates insecurity and lowers commitment to employers. Besides, 63 (69.9%) of the respondents agreed & strongly agreed on Labour market regulations affects the supply of labour in an organization which

affects the performance of an employee in Horra corporate group. Similarly, 63 (69.9%) of the respondents who participated in the study agreed and strongly agreed that the public approach to employment and education affects the supply of labour market with the mean value of $M=3.34$ which indicates that the high emphasis is given on the public approach to employment and education which in turn affects the performance of employees. Furthermore, mean score of $M=3.35$ implied that the respondents on agree and strongly agreed with the score of 65 (72.1%), where all employees of Horra corporate group have shared a view on whether government policy on unemployment; and investment on education affects the demand of labour market or not and the respondents reacted that government policy on unemployment and its investment on education affects the supply of labor market.

Generally, the researcher summarizes that from the total grand mean value $M=3.31$ and standard deviation $SD=1.314$ indicates that respondents were moderately agreed on the effect of labor market on labor supply. This indicates that employees give more value and agree with the measures of effect of labor market on the supply of skilled manpower to the corporate group.

4.2.5. Effect of government policy

Based on the reaction obtained from the respondents on the issue of effect of government policy on employee's compensation practice the following responses are gathered for analysis.

Table 4.10. Effect of government policy dimension of employee compensation

Effect of government policy								
Items	SD	DA	N	A	SA	Total	Mean	Std.dev
Government proposes new public personnel policies which have a positive impact on employees work performance	4 4.4%	6 6.6%	7 7.7%	59 65.5%	14 15.5%	90 100%	3.36	1.384
Government policies empower employees to obtain better compensation that increases their work performance	4 4.4%	5 5.5%	8 8.8%	58 64.4%	15 16.6%	90 100%	3.21	1.365

Human resource management of my organization undertakes compensation reforms based on the government policy proposed	2 2.2%	4 4.4%	9 10.0%	52 57.7%	23 25.5%	90 100%	3.38	1.358
Total grand mean and standard deviation							3.38	1.367

Source: Own survey result, 2021

The researcher indicated that majority of the respondents in the Horra corporate group, agreed that, the government policies empower employees to obtain better compensation that increases their work performance with a percentage of 73 (81.0%) and the mean value of M=3.21, showing the significance on the empowerment of government policies for work to get the work done.

When employees were asked, if the human resource management of the organization undertakes compensation reforms based on the government policy proposed they confirmed their agreement with the mean value of M=3.38 which indicate that the employees at Horra corporate group are empowered with compensation reforms based on the government policy proposed, with a percentage value of 75 (83.2%).

4.2.6. Employees’ job performance

TABLE4. 11: Compensations vs employees’ job performance

Item	Employees job performance							
	SD	DA	N	A	SA	Total	Mean	Std.dev
Quality of work is rated on Job performance	9 (10.0%)	6 (6.7%)	7 (7.8%)	57 (63.3%)	11 (12.2%)	90 100%	3.33	1.156
I managed to plan my work on time.	4 (4.4%)	10 (11.1%)	9 (10.0%)	54 (60.0%)	13 (14.4%)	90 100%	3.37	1.175
I often expand extra effort in carrying my job.	6 (6.7%)	5 (5.5%)	10 (11.1%)	53 (58.9%)	16 (17.8%)	90 100%	3.34	1.281
I have complete knowledge of my tasks	4 (4.4%)	5 (5.5%)	1 (1.1%)	61 (67.8%)	19 (21.1%)	90 100%	3.24	1.100
I always reach my objective set	4 (4.4%)	4 (4.4%)	11 (12.2%)	58 (64.4%)	13 (14.4%)	90 100%	3.35	1.293
I have the required skills to								

perform my task.	4 (4.4%)	5 (5.5%)	9 (10.0%)	49 (54.4%)	23 (25.5%)	90 100%	3.21	1.211
I have motivation to Perform the tasks.	5 (5.5%)	8 (8.9%)	6 (6.7%)	55 (61.1%)	16 (17.8%)	90 100%	3.47	1.190
I perform my work well to the standard	4 (8.8%)	3 (14.0%)	9 (15.6%)	53 (37.2%)	21 (24.4%)	90 100%	3.31	1.186
I manage more responsibilities in My job.	7 (7.8%)	9 (15.6%)	11 (12.2%)	47 (52.2%)	16 (17.8%)	90 100%	3.43	1.176
I had a better appearance for higher level role.	8 (8.9%)	8 (8.9%)	5 (5.5%)	48 (53.3%)	21 (23.3%)	90 100%	3.25	
Total grand mean and standard deviation							3.31	1.024

Source: Own survey result, 2021

Employees' job performance of HCG response rate was assessed with ten performance indicator parameters. The sampled employees were asked to indicate whether they agreed or disagreed with the statements to rate with a five-scale agreement and it was presented in the above table 4.11.

As indicated on the above table 4.11, the respondents were asked to rate the quality of their work in the last job performance , 68(75.6%) of the respondents agreed & strongly agreed and the mean score of M=3.33 indicated that the sample respondents on average moderately agreed on the quality of their work in the last performance. 67 (74.4%) of the respondents agreed &strongly agreed that and also the mean score of M=3.37 implied that the respondents on average agreed on manage to plan their work so that it was done on time. On the other hand, the mean score of M=3.34 indicated that the respondents on average moderately agreed and 69 (76.7%) of the respondents agreed & strongly agreed that the employees often expand extra effort in carrying their job.80 (88.9%) of the respondents agreed & strongly agreed that and also the mean score of M=3.24 implied that the respondents on average agreed on employees have a complete knowledge and understanding of their tasks.

On the other hand, the mean score of M=3.35 indicated that the respondents on average moderately agreed and 71 (78.8%) of the respondents agreed & strongly agreed that employees always reach their objective set (performance target).

When the respondents were asked on the “the required skills to perform their task’’72 (79.9%) of the respondents agreed & strongly agreed and the mean of M=3.21 implied that respondents on

average agreed on that Customers comment leads to changes and influences decision making. And also $M=3.47$ mean score and 61 (78.9%) of the respondents agreed & strongly agreed that employees have the required level of motivation to perform the tasks.

Out of the total respondents, 64 (61.6%) of them agreed & strongly agreed that they perform their job to the level of expected standard in the factory. And also $M=3.43$ mean score and 63 (70%) of the respondents agreed & strongly agreed that employees could manage more responsibilities in their job than typically assigned to them.

Generally the researcher summarizes that from the total grand mean value $M=3.31$ and standard deviation $SD=1.024$ indicates that respondents were moderately agreed on performance measures.

4.3.2. Correlation Analysis

Correlation analysis is a technique used to indicate the relationship of one variable to another and can be considered as a standardized covariance that shows the extent to which a change in one variable corresponds systematically to a change in another (Zikmund et al, 2013).

This study employs correlation analysis, which investigates the determinants of employee compensation dimensions (i.e. Bargaining power of labor unions, cost of living, company's ability to pay, effect of labor market and effect of government policy) and employees' job performance. In order to evaluate this relationship and for the purpose of this study, Pearson correlation analysis was used to provide evidences.

The relationship between the variables is obtained through Pearson product-moment correlation coefficient "r". The value of Pearson product-moment correlation coefficient "r" normally varies between -1.0 to 1.0. The coefficient (r) revealed the magnitude and direction of relationships. The sign indicates whether there is a positive correlation (as one variable increase, the other also increase) or negative correlation (as one variable increase, the other decrease) and it also shows the intensity of the relationship. Correlations are perhaps the most basic and most useful measure of association between two or more variables (Marczyk et al., 2005).

As per Marczyk et al., (2005) correlations of .1 to .30 are considered as weak, correlations of .30 to .70 are considered as moderate, correlations of .70 to .90 are considered as strong, and correlations of .90 to 1.00 are considered as very strong. So to determine the relationship between the selected five determinants of employee compensation dimensions (i.e. Bargaining power of labor unions, cost of living, company's ability to pay, effect of labor market and effect

of government policy and employees' job performance, Pearson correlation was computed in the table 4.7 below.

TABLE 4. 12: Correlation coefficients between dependent and independent variables

		Employees' Performance	Bargaining power of labor unions	Cost of living	Company's ability to pay	Effect of labor market	Effect of government policy
Employees' Performance	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	90					
Bargaining power of labor unions	Pearson Correlation	.405**	1				
	Sig. (2-tailed)	.000					
	N	90	90				
Cost of living	Pearson Correlation	.522**	.499**	1			
	Sig. (2-tailed)	.000	.000				
	N	90	90	90			
Company's ability to pay	Pearson Correlation	.316**	.392**	.333**	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	90	90	90	90		
Effect of labor market	Pearson Correlation	.537**	.512**	.574**	.414**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	90	90	90	90	90	
Effect of government policy	Pearson correlation	.512**	.501**	.524**	.525**	.504**	1
	Sig.(2-tailed)	.000	.000	.000	.000	.000	
	N	90	90	90	90	90	90

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

Source: Own survey result,2021

The above table 4.12 explains the relationship between the overall employee's compensation practice and employees' job performance. Based on the output of the correlation matrix; the

results indicated that there is a moderate positive and significant correlation between bargaining power of labor unions dimension of employees compensation practice and employees' job performance ($r=0.405$, $p<0.01$). Moreover, cost of living of employees compensation had highest positive and statistically significant correlation with employees' job performance ($r=0.537$, $p<0.01$). Following to cost of living, the result indicated that the company's ability to pay dimension of employees compensation practice had positive and significantly correlated with employees' job performance ($r=0.522$, $p<0.01$). Relatively company's ability to pay dimension of employee compensation practice had lower correlation with $r=0.316$, $p<0.01$ to employees' job performance than other compensation dimensions. And finally, the effect of government compensation policy had a positive and statistically significant correlation with employee's job performance ($r=0.525$, $p<0.01$).

Generally, the above correlation result shows that the entire selected employee's compensation dimensions i.e. bargaining power of labor unions, cost of living, company's ability to pay, effect of labor market and effect of government policy had moderate level of positive correlation to employees' job performance in the company and all variables statistically significant with each other.

4.3.3. Multiple Regression Analysis

Multiple regression analysis is used to discover the relationship between one dependent variable and a number of independent variables or predictors (Pallant, 2005). Multiple regression also tells that how much of the variance in the dependent variable can be explained by independent variables.

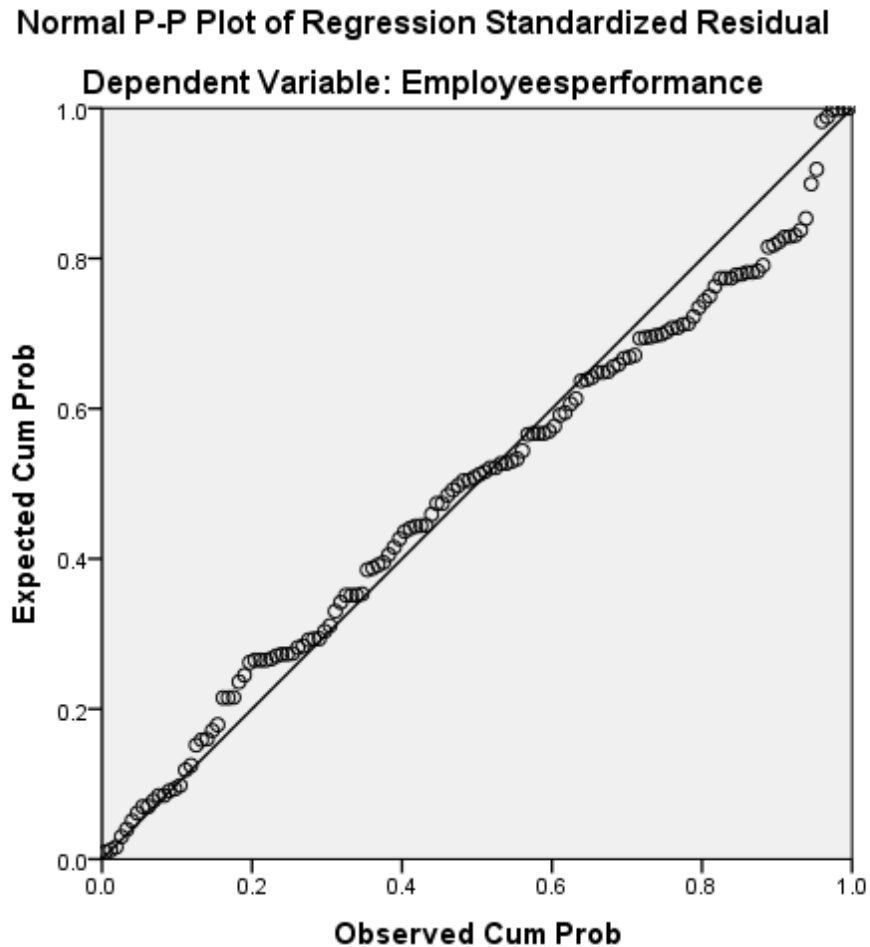
According to Ballance (2004), the correct use of the multiple regression models involves that several critical assumptions be satisfied in order to apply the model and establish validity. Inferences and generalizations about the theory are only valid if the assumptions in an analysis have been tested and fulfilled.

Before running out multiple regression analysis, the researcher has conducted the required preliminary assumptions that the data must meet to make the analysis reliable and valid. The following assumptions of multiple linear regressions were tested using SPSS v.20.

4.3.3.1. Linearity Assumption Test

Linearity defines the dependent variable as a linear function of the predictor (independent) variable (Balance, 2004). If the data are normally distributed then the data points was be close to

the diagonal line. Linearity assumption was tested by producing scatter plots of the relationship between independent variable and the dependent variable. By visually looking at the scatter plot produced by SPSS, the relationship between independent variable and the dependent variable found to be linear as shown in the figure4.1 below.



Source: Own survey result, 2021

Figure 4.1: Linearity Assumption test

4.3.3.2. Normality Assumption Test

Normality is used to describe a symmetrical, bell-shaped curve, which has the greatest frequency of scores around in the middle combined with smaller frequencies towards the extremes. Normality test is used to determine whether the error term is normally distributed. Therefore, normality test for the data used in this study were shown by the following histogram which we can clearly see that error terms are normally distributed.

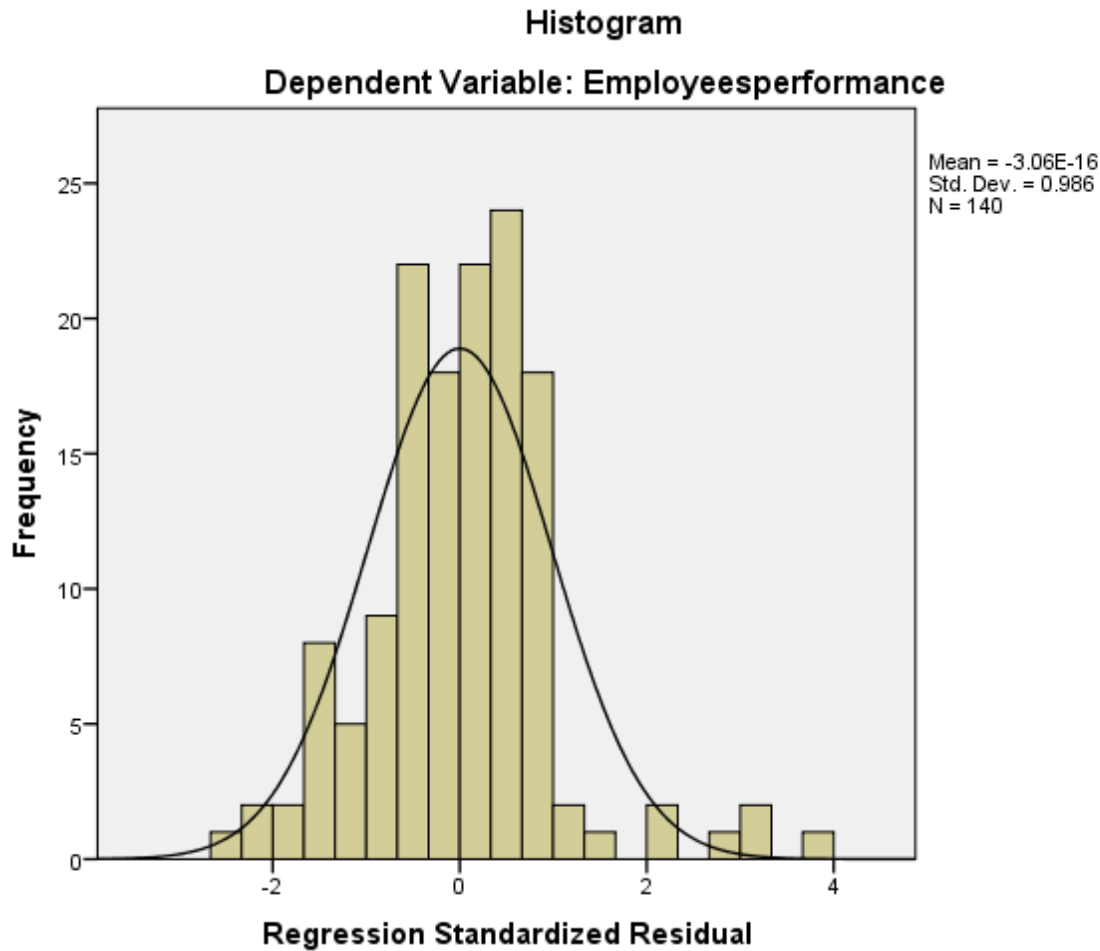


FIGURE4. 2: Normality Assumption Test

Source: Own survey result, 2021

4.3.3.4. Multicollinearity Assumption Test

Multicollinearity refers to the situation in which the independent/predictor variables are highly correlated with other. One major assumption that applies in multiple regression analysis was the existence of a very high correlation between the independent variables of the study which is termed as Multicollinearity (Burns, 2008). This may lead to the inconsistent effect, whereby the regression model fits the data well, but none of the predictor variables has a significant effect in predicting the dependent variable. In this research multicollinearity was checked with tolerance and VIF statistics. Andy (2006) suggests that a tolerance value less than 0.1 almost certainly designates a serious Collinearity problem. Burns (2008) also state that a VIF value greater than 10 is also a concerns there were a serious Collinearity problem. Field (2009), also underline that,

values for “tolerance” below 0.1 indicate serious problems, although several statisticians suggests that values for “tolerance” below 0.2 are worthy of concern. As indicated in the table 4.8 below in this study, all of the independent variables determinants of employee compensation dimensions (i.e. Bargaining power of labor unions, cost of living, company’s ability to pay, effect of labor market and effect of government policy) were found to have a tolerance of more than 0.1 and a VIF value of less than 10 which indicates that there is no problem of Multicollinearity in this study.

TABLE4. 13: Result of Multicollinearity test

Coefficients ^a		
Model	Collinearity Statistics	
	Tolerance	VIF
Bargaining power of labour unions	.572	1.532
Cost of living	.561	1.575
Company’s ability to pay	.888	1.230
Effect of labour market	.590	1.677
Effect of government policy	.568	1.601

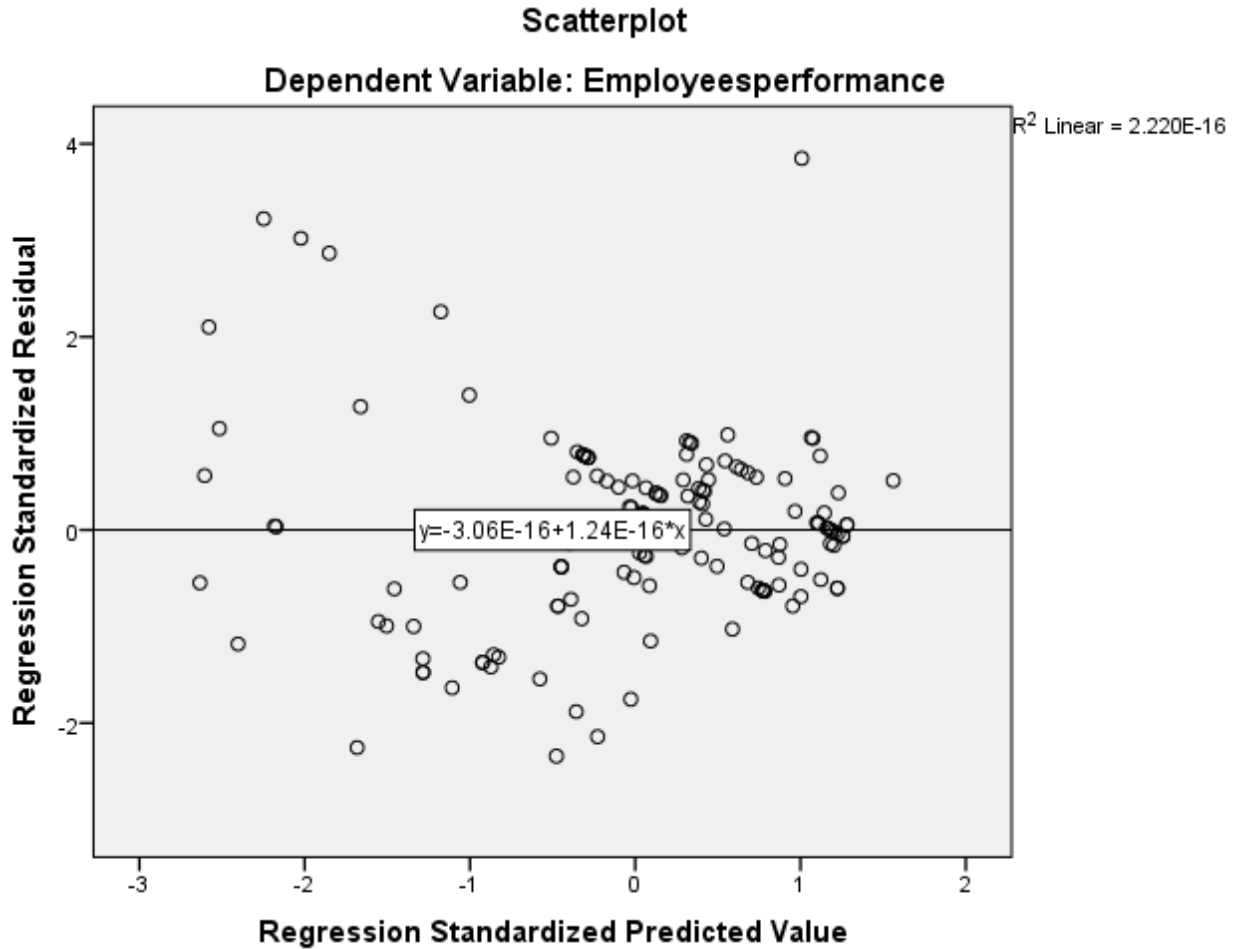
a. Dependent Variable: Employees’ job performance

Source: Own survey result, 2021

4.3.3.5. Homoscedasticity Assumption Test

The assumption of Homoscedasticity refers to equal variance of errors across all levels of the independent variables. This means that errors are spread out consistently between the variables. This is evident when the variance around the regression line is the same for all values of the predictor variable. Homoscedasticity can be checked by visual examination of a plot of the standardized residuals by the regression standardized predicted value. Ideally, residuals are randomly scattered around zero (the horizontal line) providing even distribution. Heteroscedasticity is indicated when the scatter is not even; fan and butterfly shapes are common patterns of violation.

To assess Homoscedasticity, the researcher created a scatter plot of standardized residuals versus standardized predicted values using SPSS and found that heteroscedasticity was not a major problem as shown in the figure 4.3 below.



Source: Own survey result, 2021

FIGURE4. 3: Homoscedasticity Assumption Test

4.3.3.6. Independent of Residuals Assumption Test

This is basically the same as saying that the observations (individual data points) to be independent from one another (uncorrelated). The Durbin-Watson statistic is used to test for independence of residuals. The value of the Durbin-Watson statistic ranges from 0 to 4. As a general rule, the residuals are independent (not correlated) if the Durbin-Watson value is approximately closer to 2, and values below 1 and above 3 are causes for concern and may render the analysis invalid.

4.3.3.7. Model Summary

As indicated in the below model summary table (table 4.10), The "R" column represents the value of R, the multiple correlation coefficient. R value of 0.804 indicates strong correlation between employees' job performance and the five employee compensation dimensions (i.e.

bargaining power of labour unions, cost of living, company's ability to pay, effect of labour market, effect of government policy which shows a good level of prediction. The "R Square" column represents the R^2 value (also called the coefficient of determination), which is the proportion of variance in the dependent variable that can be explained by the independent variables. As shown from the table, R2 value of .445 indicates that 44.5% of the variation in the employees' job performance of HCG can be explained by the employee compensation (independent variables included in the model). The remaining 55.5 % variation is explained by stochastic error term (e) meaning that 55.5% of changes in employees' job performance changes are explained by factors that are not explained in the model.

TABLE4.15: Multiple Regression result of selected employee's compensation and employees' job performance

Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.665 ^a	.445	.321	7.03153
a. Predictors: (Constant), Bargaining power of labour unions, cost of living, company's ability to pay, effect of labour market, effect of government policy b. Dependent Variable: Employees' job performance				

Source: Own survey result, 2021

4.3.3.8. ANOVA Model Fit

ANOVA analysis is normally used to compare the mean scores of more than two variables. It is also called analysis of variance because it compares the variance between variables and tests whether the overall regression model is a good fit for the data (Pallant, 2005). Accordingly, table 4.16 of this study shows that the value of R and R2 found from the model summary is statistically significant at (F=26.611), (P<0.001) and it can be said that there is a relationship between employees' job performance and the employees compensation practice in HCG.

TABLE4.16: ANOVA model fit

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	22.341	4	5.585	26.611	.000b
	Residual	68.423	326	0.210		
	Total	90.764	330			
a. Dependent Variable: Employees' Job performance b. Predictors: (Constant), bargaining power of labour unions, cost of living, company's ability to pay, effect of labour market, effect of government policy						

Source: Own survey result, 2021

4.3.3.9. Regression Coefficients

TABLE4.17: Regression coefficients

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.472	0.196		7.501	.000
	Bargaining power of labour unions	.070	.074	.082	0.935	.000
	Cost of living	.045	.082	.056	0.548	.012
	Company's ability to pay	.166	.068	.185	2.457	.015
	Effect of labour market	.203	.059	.242	3.466	.001
	Effect of government policy	.143	.034	.175	1.433	.001
a. Dependent Variable: Employees' job performance						

Source: Own survey result, 2021

As it is stated earlier in the first chapter, this study aims to identify the most contributing independent variable/s in the prediction of the dependent variable. Hence, the coefficient

explains the average amount of change in dependent variable that is caused by a unit of change in the independent variable.

Accordingly, the unstandardized beta coefficient (β) tells us the unique contribution of each factor to the model. A high beta value (β) and a small p value (<0.05) indicate the predictor variable has made a statistically significance contribution to the model. On the other hand, a small beta value (β) and a high p value ($p >0.05$) indicate the predictor variable has little or no significant contribution to the model (George and Mallery, 2003).

Table 4.17 above indicates that company's ability to pay, effect of labor market and effect of government policy had statistically significant contribution to employees job performance at 95% confidence level, since their p-values are 0.015,0.001 and 0.001 respectively and the significance level for them were less than 0.05 ($p <0.05$). This conclusion is also supported by the study of (Denison & Neale, 2011) which indicates that company's ability to pay has the greatest contribution to employee job performance with the indices of it that includes: recruiting qualified personnel, provision of benefits for employees and considering employee's level of professionalism. So, the company will be able to read the business environment, quickly react to current trends, and anticipate future changes. And additionally, Mahmudah (2012) in his study supports this idea where he states that, there is a significant relationship between employee job performance and company's ability to pay. When we come to effect of labor market we come up with the idea of Awadh & Sadd (2013) and in their study they implied that; the effect of labour market had a significant contribution for the increment of employee job performance by stating the labour market involves setting a regulation to the labor that reduces the insecurity of employees, arranging the supply of labor force in the market, designing an approach to employment and education of the public to stabilize the labor market, checking the country's economic conditions to stabilize the labor market and promoting the enterprises invest in human capital which in turn affect the supply of labor forces to the company's. It also provides a clear direction and goals that serve to define an appropriate course of action for the organization and its members. In general, the effect of labor market is the most significant independent variable which has significant statistical contribution to employee's job performance with p-value of 0.001. And also the issue of the effect of government policy with the p-value of 0.001 indicates that it has statistically significant contribution to employee's job performance which sets

provision of training and development under the employee's compensation policy, proposing new personnel policies and human resource management policies.

But, cost of living and bargaining power of labour unions had statistically insignificant contribution to employees job performance since their p-value i.e. 0.584 and 0.350 respectively, are greater than the significance level 0.05 ($p > 0.05$). According to Denison and Neale (2011) cost of living is one of the dimensions of employee compensation practice which checks the impact of inflation in the market tries to regulate the balance of employee's compensation practice. And here also it signifies that cost of living has statistically insignificant contribution to employee's job performance.

Furthermore, when come to the issue of bargaining power of labor unions Dolan and Lingham (2012) states that, bargaining power of labor unions deals with the communication media's used by the labour union, the contribution of labor union to employees efficiency, and overseeing the team spirits of workers as we had seen above and have insignificant contribution to employees job performance.

Finally, Zain et al. (2009) also examined the effect of five dimensions of employee's compensation practice namely bargaining power of labor unions, cost of living, company's ability to pay, the effect of labor market and the effect of government policy on employee job performance and found that the three dimensions of employee's compensation practice (i.e. company's ability to pay, the effect of labor market and the effect of government policy) were important determinants of employees job performance. In a study by, Lok and Crawford (2004) found a positive effect of employee's compensation practice on employee job performance.

According to Wagre and hollebeck (1998), an employee's compensation practices have a great impact on the overall performance of employees and the operation of the company's activities by the employees. Overall, compensation benefits organizations by increasing organizational productivity and profitability.

Table 18. Summary of the overall outcome of the research hypothesis

Hypothesis	Result	Reason
H0: Labour unions have no significant relationship with employee's job performance	H0: Accepted	$\beta=0.082$ $p>0.05$
H1: Labour unions have significant relationship with employee's job performance	H1: Rejected	
H0: Company's ability to pay doesn't significantly affects employee's job performance	H0: Rejected	$\beta=0.185$ $p<0.05$
H1: Company's ability to pay significantly affects employee's job performance	H1: Accepted	
H0: Cost of living doesn't significantly affects employee job performance	H0: Accepted	$\beta=0.056$ $p>0.05$
H1: Cost of living significantly affects employee job performance	H1: Rejected	
H0: Labour market doesn't have significant effect on employee's job performance	H0: Rejected	$\beta=0.242$ $p<0.05$
H1: Labour market have significant effect on employee's job performance	H1: Accepted	
H0: Government policy doesn't significantly affects employee's job performance	H0: Rejected	$\beta=0.185$ $p<0.05$
H1: Government policy significantly affects employee's job performance	H1: Accepted	

CHAPTER FIVE

5. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

This chapter provides the summary of major findings with respect to the study objectives, conclusions and recommendations of the study.

5.1. Summary of major findings

The following are the summary of major findings on the study that assess the compensation practice on employees' job performance

Through the descriptive statistical analysis, an overall frequency, percentages and mean score was computed for each independent variable (Bargaining power of labor unions, cost of living, company's ability to pay, effect of labor market and effect of government policy) and dependent variable (employees' job performance). The study revealed that the mean score for the measures of company's ability to pay was relatively high (3.41), followed by effect of labor market (3.38) and also effect of government policy with the mean score of (3.36). However, bargaining power of labor unions and cost of living scores a mean of 3.21 and 3.31 respectively which is lower in comparison with the other three dimensions of compensation practice. On the other hand, the mean score of employees' job performance (3.31) implies that respondents agreed moderately on the performance measures.

Pearson coefficients implies that there were statistically significant positive relationship between employees' job performance and all the five compensation dimensions (i.e. Bargaining power of labor unions, cost of living, company's ability to pay, effect of labor market and effect of government policy) at $P < 0.01$ level. Moreover, company's ability to pay had stronger positive and statistically significant correlation with employees' job performance than the other compensation dimensions. Following to effect of labor market, effect of government policy, and bargaining power of labor unions, had also strong and positive correlation with employees' job performance. Relatively, cost of living has less positive correlation with employees' job performance.

Multiple regression analysis was used to determine whether the independent variables will influence the dependent variable. R square value from the regression model summary ($R^2 = 0.445$) indicated that 44.5% of the variation in the employees' job performance of HCG can be predicted by the independent variables i.e. company's ability to pay, effect of labor market, effect of government policy, bargaining power of labor unions and cost of living. This implied

that employees' job performance is influenced by 44.5% of the company's compensation and the remaining 55.5% of the variation of employees' job performance can be explained by other variables in Horra Corporate Group, Ethiopia.

The ANOVA test result revealed that the independent variables statistically and significantly predict the dependent variable ($F = 26.611$, $p < .001$). This is to mean that the model is significant and acceptable from a statistical perspective.

Based on the output of the correlation matrix; the results indicated that there is a moderate positive and significant correlation between bargaining power of labor unions dimension of employees compensation practice and employees' job performance ($r=0.405$, $p<0.01$). Moreover, cost of living of employees compensation had highest positive and statistically significant correlation with employees' job performance ($r=0.537$, $p<0.01$). Following to cost of living, the result indicated that the company's ability to pay dimension of employees compensation practice had positive and significantly correlated with employees' job performance ($r=0.522$, $p<0.01$). Relatively company's ability to pay dimension of employee compensation practice had lower correlation with $r=0.316$, $p<0.01$ to employees' job performance than other compensation dimensions. And finally, the effect of government compensation policy had a positive and statistically significant correlation with employee's job performance ($r=0.525$, $p<0.01$).

5.2. Conclusions

The following are conclusions obtained from the study that assess the compensation practice on employees' job performance.

Based on the output of the correlation matrix; the results indicated that there is a moderate positive and significant correlation between bargaining power of labor unions dimension of employees compensation practice and employees' job performance. Moreover, cost of living of employee's compensation had highest positive and statistically significant correlation with employees' job performance. Following to cost of living, the result indicated that the company's ability to pay dimension of employees compensation practice had positive and significantly correlated with employees' job performance. Relatively company's ability to pay dimension of employee compensation practice had lower correlation with employees' job performance than other compensation dimensions. And finally, the effect of government compensation policy had a positive and statistically significant correlation with employee's job performance.

Hence, the researcher concluded that company's ability to pay is the most significant independent variable which has significant statistical contribution to employees' job performance. The more the company develops the capacity to pay the more the employees get compensated and, the more they perform highly to the factory. When employees get professional payment they will identify the long-term direction, purpose, goals and objectives of the factory, it significantly contributes to employees' job performance to the factory.

However, the result from multiple regression analysis indicates that the regression analysis on company's ability to pay, effect of labor market, effect of government policy, and bargaining power of labor unions are the significant predictors of employees' job performance and has significant contribution towards employees' job performance. Therefore, the researcher can concluded that if there is a strong government policy and strong power of labor unions consistent set of values, clear agreement, coordination and integration among employees of the factory, they become more motivated and highly performed to the factory. When employees internalize and identify the core values, ways of reaching on consensus even on conflicting issues and coordination and integration, it significantly contributes to employees' job performance in the factory.

This conclusion is also supported by the study of (Denison & Neale, 2011) which indicates that company's ability to pay has the greatest contribution to employee job performance with the indices of it that includes: recruiting qualified personnel, provision of benefits for employees and considering employee's level of professionalism. So, the company will be able to read the business environment, quickly react to current trends, and anticipate future changes. And additionally, Mahmudah (2012) in his study supports this idea where he states that, there is a significant relationship between employee job performance and company's ability to pay.

When we come to effect of labor market we come up with the idea of Awadh & Sadd (2013) and in their study they implied that; the effect of labour market had a significant contribution for the increment of employee job performance by stating the labour market involves setting a regulation to the labor that reduces the insecurity of employees, arranging the supply of labor force in the market, designing an approach to employment and education of the public to stabilize the labor market, checking the country's economic conditions to stabilize the labor market and promoting the enterprises invest in human capital which in turn affect the supply of labor forces to the company's. It also provides a clear direction and goals that serve to define an

appropriate course of action for the organization and its members. In general, the effect of labor market is the most significant independent variable which has significant statistical contribution to employee's job performance with p-value of 0.001. And also the issue of the effect of government policy with the p-value of 0.001 indicates that it has statistically significant contribution to employee's job performance which sets provision of training and development under the employee's compensation policy, proposing new personnel policies and human resource management policies.

Finally, the researcher concludes that not all compensation dimensions have significant contribution towards employees' job performance in the Horra Corporate Group, Ethiopia.

5.4 Recommendations

Depending on the findings of the study and conclusions made, the researcher came up with some important recommendations which would help the organization to focus on employee's compensation practice that can largely contribute to the improvement level of employees' job performance.

- ❖ As established that direct compensation has a positive effect on the employee job performance, the researcher recommends the corporate group to work on improving their salaries, commissions and other direct compensations.
- ❖ This study found that there is considerable gap in the bargaining power of labour unions. Thus, the government should have to assist the labor unions in strengthening their relation with their members.
- ❖ As the study indicates there is a gap in the cost of living and employees earning. Thus, the company should have to see ways of subsidizing its employees.
- ❖ The company should invest in putting adequate measures in maintaining proper compensation practice in the organization.
- ❖ Equivalently, they should ensure the company values stakeholder participation, hold the board members accountable for risks associated with the employee's compensation implementation practice, ensure management abides to its fiduciary duties and the board provides leadership and direction.

Recommendations for Further Research

- ❖ The study addressed the effect of compensation practices on employee job performance. It recommends further research in other companies in Ethiopia.
- ❖ It also observes the research specifically addressed five key areas of compensation. Further research can be employed to study the effect of the comprehensive employee compensation on performance of employees in an institution.

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ANNEX I
QUESTIONNAIRE

St. Mary University

College of Business and economics

Department of Masters of Business Administration

Masters Program

A survey Questionnaire to be filled by employees of Horra Corporate Group Ethiopia

Research Topic: Assessment of compensation practice on employee job performance in the case of Horra corporate group

Researcher: Bethelhem G/Medhin

Dear Respondent, I would like to express my sincere appreciation for your time, honest and prompt responses.

Objective

This questionnaire is designed to collect data for assessing, "Compensation practice on employee job performance in the case of Horra corporate group." The information that you offer me with this questionnaire will be used as a primary data to fulfill the partial requirements for the Master of Arts degree in Masters of Business Administration from St.Mary University. Hence, this research is believed to be evaluated in terms of its contribution towards Assessing, compensation practices on employee job performance in the case of Horra corporate group.

General Instructions

- *There is no need of writing your name.*
- *In all cases, where answers to options are available, please tick in the appropriate box.*
- *For questions that demand your opinion, please try to honestly describe your responses on the space provided.*

Confidentiality

I want to assure you that this research is only for academic purpose authorized by St.Mary University. In this regard, no other person shall access the data collected. In any sort of report that I might publish, I will not include any information that will make it possible to identify any respondent.

I remain grateful to you for your kind cooperation.

gbethelhem377@gmail.com

Part I. Background Data

Gender: Male [] Female []

Age: 18-25 [] 26-35 [] 36-45 [] 46-55 [] 56-65 [] 66 or above []

Academic status: 10 Complete [] 12 Complete [] Diploma [] BA/BSc []
MA/Msc [] PhD []

5. Current position: Managerial [] Non –managerial []

6. Years of service: < 1 Years [] 1 –3 Years [] 3-6 Years [] 6-9 Years []
9-12 [] > 13 Years []

7. In which salary range does your salary level falls: < 3000 birr [] 3001 - 7000 birr []
7001 –11,000 [] 11,001 –15,001 [] 15001- 19000 [] > 19001 []

Part II. Questions related to the study

The Following Questions are presented on a five point Likert Scale. If the item strongly matches with your response choose 5 (Strongly Agreed), if you moderately agree on the idea choose 4 (Agreed), if you can't decide on the point choose 3 (Neutral), if you disagreed with the idea choose 2 (Disagreed), and if you completely disagreed with the point choose 1(Strongly disagreed).

General questions about compensation system

1. How do you see HCG-Ethiopia Compensation System/Package?

1. Excellent 3. Good
2. Very Good 4. Satisfactory 5. Poor

2. Do you feel personally you are compensated well for your contribution in the organization?

1. Yes 2. No

3. If your answer is No for Question no. 2 what do you think the reason for unsatisfactory compensation.

1. The market value of your expertise
2. The organization's compensation/reward system
3. The funding level of your project
4. Other (please explain)_____

4. In your view do you think HCG-Ethiopia compensation plan has influence on employee attitudes and behavior?

1. Yes 2. No

5. Do you think HCG-Ethiopia compensation plan has influence on employee performance?

1. Yes 2. No

6. Do you think there is uniform compensation application between similar job levels in different projects?

1. Yes 2. No

If you say no please give explanation _____

7. The primary Purpose of the current employee compensation is

- A. To decide on employee promotion
- B. To improve quality of work
- C. To improve employee competence
- D. To Motivate employee to their job
- E. To decide on employee salary revision
- F. To identity employee training needs

8. Do you think that the Criteria for reward and compensation are valid and reliable?

- Yes No

A. If yes, specify your reason: _____

B. If No, specify your reason: _____

Express your level of agreement with the statements below focusing on determinants of employee compensation in Horra Corporate Group

No	Statement	5	4	3	2	1
	A. Bargaining power of labor unions					
1	Communication network media used by the labour union is effective to receive and give feedback so that commitment on my job is increased					
2	The labour union makes a large contribution to enhance my efficiency for higher performance through its capacity to spread information rapidly through its networks.					
3	The labour union existence or involvement to smoothing up the relationship between me and the management enhance my job security for high work performance practice.					
4	The labour union is effective in overseeing the existence of team spirits					

	among the performers and there by improve my productivity or efficiency.					
5	The labour union effectively works with the management to have better office layout and workflow arrangements and thereby improve my productivity.					
6	The labour union ensures that my working hours are reasonable and enhance my commitment towards my job for high performance.					
	B. Cost of living					
7	Increment on cost of living in the market have an effect on employees job performance at the work place					
8	The effect of inflation in the economy have a direct effect on the employees job performance					
9	There is an increment in compensation due to the increment of cost of living which in turn affects employee job performance					
10	In my organization, as the cost of living increases there will be an increment in salary& benefits so that my engagement is enhanced for higher performance.					
	C. Company's ability to pay					
11	The quality of personnel recruited and rewarded are based on the company's ability to pay					
12	The benefits received by employees are highly dependent on the company's earning					
13	The employees level of professionalism is strongly associated by the amount they will be compensated					
	D. Effect of labor market					
14	Deregulation of labor market creates insecurity and lowers commitment to employers					
15	Labor market regulations affects the supply of labor in an organization which affects the performance of an employee					
16	The public approach to employment and education affects the supply of labor market					

17	The country's economic conditions affects the labor supply					
18	Government policy on unemployment, government investment on education affects the demand of labor market					
19	Investment by enterprises in human capital determines the demand in labor market					
	E. Effect of government policy					
20	The training and development programs are included under compensation policy in the organization that increases employees performance					
21	Government proposes new public personnel policies which have a positive impact on employees work performance					
22	Government policies empower employees to obtain better compensation that increases their work performance					
23	Human resource management of my organization undertakes compensation reforms according to the government policy proposed					

Employee's job performance at Horra Corporate Group- Ethiopia

S.No	Statement	Strongly Agree (5)	Agree (4)	Neutral (3)	Agree (2)	Strongly disagree (1)
1	The quality of work is rated based on the last Job performance					
2	I managed to plan my work so that I will perform on time.					
3	I often expand extra effort in carrying my job.					
4	I have complete knowledge and Understanding of my tasks.					
5	I always reach my objective set (Performance target).					
6	I have the required skills to perform my					

	task.					
7	I have required level of motivation to Perform the tasks.					
8	I perform my work well to expected Level of standard					
9	I could manage more responsibilities in My job.					
10	I feel I had a better appearance that is suitable for higher level role.					

Interview questions for the manager and department heads

1. How for the system of compensation of your organization enables to maintain and promote its employees?
2. What are the main purposes of compensation in your organization?
3. What kind of evaluation criteria (form) do you use in your organization to compensate your employees? And do you recommend some additional statement that included in the form?
4. What is your reaction on the determinants of employee compensation: Cost of living, bargaining power of labor unions, government policy, labor market and company's ability to pay?
5. What do you suggest for the overall process of compensation practice in the company? (Base *pay/salary*, benefits, recognition, promotion, over time payment and working condition)?