

ST. MARY'S UNIVERSITY COLLEGE

**AN ASSESSMENT OF EMPLOYEES' ATTITUDE ON
COMPENSATION ADMINISTRATION
IN Oromia Rural Road Authority**

BY

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**AN ASSESSMENT OF EMPLOYEES' ATTITUDE
ON COMPENSATION ADMINISTRATION IN
OROMIA RURAL ROAD AUTHORITY**

**A SENIOR ESSAY SUBMITTED TO THE
DEPARTMENT OF MANAGEMET
FACULTY OF BUSINES
ST.MARY'S UNIVERSITY COLLEGE**

**IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE DEGREE OF BACHELOR
OF ARTS IN MANAGEMENT**

**BY
SELAMAWIT HAILU**

**JUNE 2010
SMUC
ADDIS ABABA**

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DECLARATION

I, the undersigned, declare that this senior essay is my original work, prepared under the guidance of Ato Biruk G/Michal. All sources of material used to the manuscript have been dully acknowledged.

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SUBMISSION APPROVAL SHEET

This senior research paper has been submitted to the department of management in partial fulfillment for the requirement of BA degree in management with my approval as an advisor.

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ACKNOWLEDGEMENTS

I would like to express my great gratitude to my advisor Ato Biruk G/Meicale for his heartfelt assistance and advice. The constrictive comments and feedback of my advisor enriched to accomplish my study successfully. I am also grateful for ORRA management and employees for their assistances in collecting all necessary information and data in different ways.

Finally, I would like to thanks all my families for their full cooperation on assisting the paper starting from the begging of the study.

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ABBREVIATION AND ACRONYMS

ORRA Oromia Rural Road Authority

CHAPTER ONE

1. Introduction

1.1 Background of the Study

Human resource management deals with the management of people in an organization it is assessed and accepted that human resource are the main components of an organization and the human or failure of an organization depends on how effectively this component is managed. This is the concept, which is integrated and involving the entire human force of that organization to work together with a sense of common purpose that how to be infused to the organization. Compensation administration tasks are important, as competitive compensation is used to attract, retain, and keep top talent within budget constraints. (John P. Kotter, 1996 p.129)

An organization is formed to accomplish a specific mission. To achieve its mission, it must attract and hire people who have certain knowledge, skills, motivated manpower and attitude. Compensation system that is suitable both for the employees and employer is one of the duties of human resource managers of an organization (Henderson, 1982:3).

Reward can be classified as compensation rewards and non-compensation rewards. Non-compensation rewards include all work related situation rewards and they relate emotionally and psychologically to each worker. Poorly designed compensation and benefit administration scheme results in employee dissatisfaction and reduce moral at work which ultimately results in lower employee productivity, high rate of labor turnover, absenteeism and work place accident (Henderson, 1982:5).

Oromia Rural Road Authority was established under Bureau of Works and Urban Development of Oromia in 1994, as a Department of Road Construction and Maintenance being responsible for road network administration and expansion. The road maintenance requirement was beyond the capacity of the mentioned department and this also necessitated the emergence of ORRA with higher capacity and organization. The current Organizational Structure, for Head office and Maintenance Branch Offices.

Human resource management is more crucial and sophisticated. The activities of compensation and benefit administration are the responsibilities of the Human Resource and Administrative Service Department.

Thus, decisions made regarding compensation have a direct bearing on the success or failure of business and other organizations. In this regard, therefore, this study tries to investigate the realities of employees' attitude on compensation and benefit administration system of Oromia Rural Road Authority.

1.2 Statement of the Problem

Workers in poor countries like Ethiopia, for most of them whose basic needs are not yet fulfilled; the issue of compensation is very sensitive. Despite the fact that fair compensation and benefit administration rule is necessary for the growth and survival of any organization, it hardly exist in Oromia Rural Road Authority.

Poor and non existence of such practice results in a loss of employee commitment and lack of sense of ownership. As the human resource is the major part of Oromia Rural Road Authority, proper compensation like any other organization, should be formulated/conducted. Because proper compensation and benefit administration will attract, retain and motivate employees.

Thus, the purpose of this study is to assess the attainment of compensation administration in Oromia Rural Road Authority and to forward a better idea for the organization administration body.

1.3 Research questions

This study attempts to get answer for the following basic questions that are entirely related to employees' attitude on compensation and benefit administration schemes.

- What are the main attitudes of employees' on compensation administration systems in Oromia Rural Road Authority?
- To what extent the employees are satisfied on compensation administration systems of Oromia Rural Road Authority?
- What are the factors that affect compensation administration in Oromia Rural Road Authority?

1.4 Objective of the Study

1.4.1 General Objective

The objective of this study is to assess the attitude of employees' on compensation administration practices of Oromia Rural Road Authority

1.4.2 Specific Objectives

- ✓ To identify the current employees' attitude on compensation administration policy of Oromia Rural Road Authority;
- ✓ To explore whether employee satisfied with compensation administration system of Oromia Rural Road Authority; and
- ✓ To investigate the problems of employees' attitude on compensation administration scheme of Oromia Rural Road Authority.

1.5 Significance of the Study

Employees' attitude on compensation and benefit administration is a critical element for the human resource department, in particular, and for the management, in general. This is because human resource is a critical element for the success of organizational objectives. Having this in mind, this study would contribute the following:

- The research would help to find out some problems of employees' attitude on compensation and benefit in the organization under study.
- It would be available for persons who are in need of information about employees' attitude on compensation and benefit in this organization;
- It would be used for decision-making process on the problems of employees' attitude on compensation and benefit administration by the different levels of authorities in the organization; and

- It would serve as a stepping-stone for other researchers who aspire to make in depth study about the issue under study.

1.6 Delimitation of the Study

The study delimited to exclusively focus on permanent employees' attitude on compensation and benefit administration practices and problems at head quarter level. It did not include compensation of temporary workers, which was significant in number in Oromia Rural Road Authority.

The research will conducted on employees' attitude on compensation and benefit administration scheme of Oromia Rural Road Authority. As one can simply understand it, compensation is the interest of all employees in an organization. Conducting a research on all human resource management department practices is a broad task and difficult to manage. Therefore, the student researcher also delimited this study only on employees' attitude on compensation and benefit administration.

1.7 Definition of Terms or Concepts

Employee Compensation: - all forms of pay or rewards going to employees and arising from their employment. It is defined as the total remuneration, in cash or in kind, payable by an enterprise to an employee in return for work done by the latter during the accounting period (*Internet, http://en.wikipedia.org/wiki/Compensation_of_employees accessed at Dec22/2009*).

Employee Benefits: - are elements of remuneration given in addition to the various forms of cash pay, that is, basic salary and incentive or bonus payments (Michael, 2002:629).

Administration: - In business administration is the universal process of organizing people and resources efficiently so as to direct activities toward common goals and objectives (*Internet, <http://en.wikipedia.org/wiki/adminstrationbusiness> accessed at Dec22/2009*)

1.8 Research Design and Methodology

1.8.1 Research Design

A descriptive research design method will used to carry out the study because it shows the current situation in the organization and accurately the characteristics of a particular situation. Moreover, it also helped the researcher to gather several kinds of data related to the subject under study.

1.8.2 Population and Sampling Technique

The student researcher interviewed of Department Human Resource Management because it was the concerned department for compensation and benefit administration. Moreover, stratified sampling method was applied for employees because the population is heterogeneous in terms of their department, age, sex, and so on and then proportionate stratified sampling basis is used, and it gives the same opportunity to select. In such a way the researcher would take 30% of the total 122 workers in the organization.

Table: 1a the following table shows number of employee and sample size

No.	Working process	No. of Employees	Sample Size
1	Management	4	2
2	Legal work process	6	2
3	Audit work process	9	3
4	Contract administration work process	21	6
5	Technical support and community participation department	11	3
6	Network administration department	16	4
7	Human recourse management work process	19	6
8	Planning and programming work process	9	3
9	Finance administration & purchasing work process	20	6
10	Public relation and civil service reform team	7	2
	Total	122	37

1.8.3 Type of Data to be used

In this study both, primary and secondary data were used from primary and secondary source.

1.8.4 Methods of Data Collection

The primary data for the study collected from the sampled respondents. Besides, first hand information gathered through questionnaire, focus group discussion and interview from employees and the employer respectively.

The secondary data collected from published and unpublished documents, books, e-mails, reports the organization, and other related materials also used carefully.

In order to collect relevant data for this study, employees' attitude on compensation and benefit administration policies, rules, regulations of the organization was examined properly.

1.8.5 Methods of Data Analysis

The information that was collected through different methods from all participants were categorized and analyzed by using frequency counts and percentage form. Finally, both the primary and secondary data was tabulated (in necessary) discussed, interpreted and analyzed.

1.9 Limitation of the Study

In conducting the study, the student researcher faced with some constraints like, shortage of time, lack of experiance, and relevant reference books.

1.10 Organization of the study

This study consists of four chapters. The first chapter was deal with an introduction that in turn involves background of the study, statement of the problem, research questions, objective and significance of the study, delimitation/scope of the study, definition of terms, and research design and methodology. Chapter two contains the review of the related literature. And then, presentation, analysis and interpretation of the data were discussed in chapter three. Finally, the paper ended up with summary, conclusions, and recommendations of the study in the fourth chapter.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2 Introduction

There are different ways of compensating an employee with the intention of encouraging them to work for the company. If the compensation of an organization is too low in relation to other comparable firms, management will find it difficult to attract and hold qualified personal. This chapter gives a brief concept of employees' compensation and benefit practice. The student researcher tried to look over different books, documents and assess them as follows.

2.1 Compensation

Compensation is the recompense, reward, wage or salary given by an organization to a person, persons, or a group of persons in return to a work done, service rendered, or a contribution made towards the accomplishment of organizational goals. Compensation can give in monetary or non monetary terms, or as a special reward for a specific type of accomplishment, achievement or contribution. Wage, bonus, and other allowance are examples of monetary compensation, while good accommodations, children's education, transport facilities, subsidized of essential commodities, etc., come under non- monetary compensation (Michael. 2002: 697).

2.1.2 Designing Compensation

Compensation affects a person economically, sociologically and psychologically. For this reason, mishandling compensation issues is likely to have a strong negative impact on employees and, ultimately, on

the firm's performance. The wide variety of pay policies and procedures presents managers with a two-pronged challenge to design a compensation system that enables the firm to achieve its strategic objectives and molded to the firm's unique characteristics and environment (Gomez – Mejia, 1995: 325).

Compensation for termination of contract of employment with out notice, a worker who terminates his contract of employment in accordance with Article 32(1) shall be entitled, in addition to the severance pay referred to in Article 40, to a payment of compensation, which shall be thirty times his daily wages of the last week of service this provision shall also apply to a worker covered by the relevant pension law (Federal Negarit Gazeta, 2006: 2464-2465).

Severance pay and compensation in general a worker who was completed his probation: Where his contract of employment is terminated because the undertaking ceases operation permanently due to bankruptcy or for any other reason; where his contract of employment is terminated by the initiation of the employer against the provision of law and where he is reduced as per the condition described under his proclamation shall have the right to get severance pay from the employer (Ibid).

Where a worker dies before receiving severance pay the severance pay shall be paid to his dependants mentioned under Article 110(2). The distribution of payment of severance pay to dependents in accordance with this article shall be effected in the same manner as the payment of disablement benefit (Ibid).

2.1.3 Factors Affecting Compensation

A External Factors

Factors external to an organization which affects compensation are labour market, cost of living, labour unions, government legislations, the society, and the economy. Let's discuss each of these factors in detail.

Labour Market

This market has great influence in the compensation scheme of an organization. Among others, the most influential factors are discussed here under.

Demand and supply

According to the labor market model of pay equity, the wage rate for any given occupation is set at the point where the supply of labor equals the demand for labor in the market-place. In general, the less employers are willing to pay (low demand for labor) and the lower the pay workers are willing to accept for a given job (high supply of labor), the lower the wage rate for that job (Gomez – Mejia, 1995: 326).

Demand and supply of manpower for the specific category of position or job also affect fixation of monetary remuneration. When the demand exceeds the supply of specific category of man power substantially, the remuneration is bound to be high and vice versa (Michael, 2002: 704).

Going Rate

With or without unions, many firms make a practice of paying the “going rate” in a community for their particular jobs, or same average of the going rates. In some industries, such as basic steel, automobiles, and rubber, the wages paid by firms in the same industry in other localities are considered more important than wages paid by other industries in

the local labour market. The problem facing companies with branches in different localities is particularly difficult (Myers and Pigors, 1965: 472).

Productivity of Labour

Labour productivity occurs at different rates in different firms and industries. The variation is due primarily to technological changes, and to some extent it is reflected in long run wage differentials. The firm which is more efficient because of greater productivity should be prepared to face union demands that gain to be shared with workers, as well as with owners and consumers (Myers and Pigors, 1965: 476).

Productivity arising from advanced technology and more-efficient methods of production will influence wage fixation. While productivity can be measured in terms of any one of the several factors such as capital equipment, materials, fuel and labour, what matters most is labour productivity. It is the relationship between the input of labour measured in man-hours and the output of the entire economy, or of a particular industry or plant measured in terms of money or in physical terms. It may be stated that productivity has only subordinate role in wage fixation. It can, at best, help determine fair wages (EAFS, 2008:134).

Cost of Living

Cost of living or standard of living of the environment in which the employee actually works influences the determination of remuneration. Dearness allowance is generally fixed on the bases of cost of living index. A salary which is unrealistic to the environment; i.e., a salary which is inadequate to meet both ends of an employee is bound to fail to satisfy him. Such an employee would not be able to contribute his best for the common goals (Michael, 2002: 705).

Next in importance to labour market is the cost of living. This criterion matters during periods of rising prices, and is forgotten when prices are stable or falling. If money wages and salaries fail to keep pace with the increase in consumer prices, employees have cause for dissatisfaction over the increasing difficulty of making ends meet. Firms that have been most successful in avoiding this sort of discontent have been leaders in making wage and salary increases during periods of rising retain prices. If a company has a policy of following the leader in wage changes, the cost of living will not usually be a separate consideration (Myers and Pigors, 1965: 477).

In this regard, therefore, employers should know that cost of living adjustment is a continuous process that follows changes in the economy. If we compare the purchasing power of one birr a decade ago to the purchasing power of one birr today, it is significantly lowered. This requires parallel adjustment in compensation to preserve the living standard of employees.

Labour Unions

Bargaining power of the employee or his trade union is another important factor which influences determination of monetary compensation. In a labour market, where there is scarcity certain type of technical or managerial manpower, a person having that very technical or managerial capability may have higher bargaining power. Similarly, where the trade union has greater bargaining power, salaries are bound to be determined at a higher level (Michael, 2002: 704).

The presence or absence of labour organizations often determine the size of compensations and offered to employees. Naturally, an individual worker has no power to influence compensation decision of organizations, unless his/her skills and capabilities are highly demanded

and they are in short of supply to satisfy the needs of organizations. However, individuals will have the power to influence when they are unionized. Mathis and Jackson (1997: 390), in support of this idea stated that a major variable affecting employer's pay policies is whether any employees are represented by a labor union. In non-union organizations, employers have significantly more flexibility in determining pay levels and policies. Unionized employees usually have their pay set according to the terms of a collective bargaining contract between their employer and the union that represent them.

Labour Laws (Government Legislation)

To protect employees labour laws are set by the government. Some of these laws which have a bearing on employee remuneration are the payment of wages, the minimum wages, the payment of bonus, equal remuneration and the payment of gratuity. Government regulations also affect executive remuneration. Every country has its own legal provisions regarding payment of wages and salaries in its territory (Michael, 2002: 705).

The Economy

In most cases, the cost of living will rise in an expanding economy. Since the cost of living is commonly used as a pay standard, the economy's health exerts a major impact upon pay decisions. The last external factor that has its impact on wage and salary fixation is the state of the economy. In most cases, the cost of living will rise in an expanding economy. Since the cost of living is commonly used as a pay standard, the economy's health exerts a major impact upon pay decisions. Labour unions, the government, and the society are all less likely to press for pay increases in a depressed economy (Mirza, 2004:334).

B The Internal Environment

Among the internal factors, which have an impact on pay, structure are the company's strategy, job evaluation, performance appraisal, the worker himself or herself, ability to pay and productivity of the firm. Further discussion is made on these factors as follows:

Business Strategy

The overall strategy that a company pursues should determine the benefits to its employees. Where the strategy of the enterprise is to achieve rapid growth, remuneration should be higher than what competitors pay. Wages and salaries paid for comparable work by other firms in labour market or in the industry may be the most important single factor in determining the ceiling of the firm's general wage level (Myers and Pigors, 1965: 472). The reason is because a new firm in order to pull alongside other firms in the industry which stayed long. It should be able to attract the more experienced staffs of the latter firms. This requires remuneration which is higher than competitors.

Job Evaluation and Performance Appraisal

Job evaluation is a formal and systematic comparison of jobs to determine the worth of one job relative to another and eventually results in a wage or salary hierarchy. Performance appraisal helps award pay increases to employees who show improved performance (Dessler, 2004:310).

The Employee

Several employee-related factors interact to determine the remuneration of employees. These include performance, seniority, experience, potential, and even sheer luck (Dessler, 2004:310-311). Performance is always rewarded with a pay increase. Experience makes an employee

gain valuable insights and should therefore be rewarded. Potential is useless if it is never realised.

Ability to Pay

Economically viable and healthy corporate citizen, which have ability and willingness to pay, are bound to be good pay-masters. On the other hand well paid organizations can expect to get good managers (Michael, 2002: 704).

Ability to pay is also a factor in wage and salary changes. If the firm is losing money or making less than it considers an adequate profit management will naturally be reluctant to follow patterns established by other firms. Wages as costs are always important management, while employees and unions tend to think of wages as incomes. "Ability to pay has frequently been injected in to collective-bargaining discussions by management as a reason for opposing a union wage demand (Myers and Pigors, 1965: 475).

Productivity, Profitability and the Firm's Financial Position

Though productivity index is a good base for wage determination, it is not always appreciated by wage earners. However no company can go on increasing the wages and salaries of its people without taking cognizance of its people without taking cognizance of its profiteering capacity. The stronger the financial position of a company better would be its ability to improve its pay level. They are mutually and positively interdependent; i.e., the better the wage and salary payment in a company, the better would be the cooperation of its people leading to better results. Improvement in results may improve the ability to pay (Michael, 2002: 704).

2.1.4 Methods of Compensation

Method of payment available to companies and organizations are numerous. They vary from schemes, which pay a bonus for each unit of production completed to those regardless of output. Methods are also designed to pay workers individually, or in group of from two people up to hundreds in a whole department, or even the whole company. Gomez-Mejia, (1995: 356) classify the total compensation that most today's organizations provide to their employees in to two major elements as base compensation and incentives.

“Base compensation is the fixed pay an employee receives on a regular basis, either in the form of salary (for example, a weekly or monthly) or as an hourly wage. The second component of total compensation incentive programs, are designed to reward employees for good performance. These incentives come in many forms (including bonuses and profit, some times called indirect compensation)” (Ibid).

These two methods of compensation are discussed below, followed by their effects on employee behavior in an organizational environment.

2.1.5 Base of Compensation – Wage and Salary

Base compensation is the basic pay fixed to various categories of jobs, posts or positions (basic pay or scale of pay for the job or post). Scales of pay are fixed for different posts in every organization. This can be based on the job, job, content, job importance, job skills, etc. Thus, base compensation based on the job or the factors related to the job. Most often base compensation is paid in monetary terms, and hence the base compensation is considered as monetary compensation (Michael, 2002: 697).

The majority of employees are paid for time worked in the form of wage and salaries. Wage refers to an hourly rate of pay and is the pay basis used most frequently for production and maintenance of employees. Salary on the other hand, refers to a weekly, monthly or yearly rate of pay. The real difference between wage and salaried status then do not include whether or not there is an hourly rate, because an hourly rate can always be computed. The difference exists in the benefits and conditions associated with each status.

“Wages” means the regular payment to which the worker is entitled in return for the performance of the work that he performs under a contract of employment (Federal Negarit Gazeta, 2006:2468).

For the purposes of this proclamation, the following payments shall not be considered as wages: over-time pay; Bonus; commission; and service charge received from customers (Ibid). The two basic issues related to base compensation are determining the pay level for each position and establishing the criteria to be used in pay increment.

Incentives

Like merit systems for pay increment, individual and group incentive pay systems are’ adapted to enhance employee motivation to perform. While merit systems attempt to motivate by relating periodic pay increases to employee performance ratings, most incentive pay plans are day-to-day earnings and automatically to relatively objective indexes of individual and group performance (Henman, 1997: 499).

Individual Incentives

In individual incentive pay plans, it is individual performance that is measured and rewarded. These plans vary widely however, with respect to performance measure used and the specific linkages established

between performance and pay (Ibid). The most know individual incentive plays include: piece-rate, production bonus and commissions.

- **Piece-Rate:** Fixed wages paid for completing a given amount of work can be called piece rate, while definite wages paid for a given period of time like one hour, two hour, etc., can be called time wage (Michael, 2002: 707).
- **Production Bonus:** This system pays an hourly rate. Then a bonus is paid when the employee exceeds the standard, typically 50% of the labor saving (Ibid).
- **Commissions:** Are found among sales people. Commissions are similar to piece – rate plans except that payment is made for sales rather than for production. Some commission plans resemble production bonus plans in that they provide established quota (Henman, 1997:500).

For incentive plans to work, they must be well designed and administered, it appears that an individual incentive plan is likely to be more effective under certain circumstances (Ivancevich and Glueck, 1989:430). These are when:

- the task is liked;
- the task is not boring;
- the supervisor reinforces and supports the system;
- the plan is acceptable to employees and managers and probably includes in the plan design;
- the incentive is financially sufficient to induce increased output;
- quality of work is not specially important; and
- Most delays in work are under the employee's control.

Group Incentives

Piece rate, production bonuses, commissions and other incentives can also be paid to group of individuals. This might be done when it is difficult to measure individual out put, when cooperation is needed to complete a task or project, and when management fees this is a more appropriate measure on which to base incentives (Ivancevich and Glueck, 1989:431).

Organization Wide Incentives

In an attempt to minimize the problem of inter-individual and inter-group competition some organizations have elected to use organization wide incentive plans. Competition can result in withholding information or resources, political gamesmanship, not helping others and even disrupting the work of others. These behaviors can certainly be costly to an organization that uses these types of plans (Ivancevich and Glueck, 1989: 432).

Organization wide incentive plans generally referred to as gain-sharing plans, because they return a portion of the company's cost saving or profit to the workers. According to (Henman, 1997:502) such plans are never the sole sources of employee compensation. Rather they are adjuncts to base compensation plans or to individual or group incentive plans.

Organization wide incentive plans reward all workers in an organization based on the performance of the entire organization (Gomez – Mejia, 1995: 407).

CHAPTER THREE

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter deals with analysis and interpretation on the bases of data gathered through questionnaire, group dissection and interview. In order to obtain information for the study, a total of 37 (thirty seven) copies of questionnaires were distributed to employees of Oromia Rural Road Authority. The employees (respondents) are randomly selected. Out of the total (37), 32 were correctly filled and returned. Moreover, the student researcher held interview with the Human Resource Work Process Owner to get additional information. In order to show the presentation simple and understandable, the data were organized in the form of tables.

3.1 Respondent's Composition

Table 1b: General Characteristics of Respondents

No	Item	Respondents	
		No	%
1	Sex:		
	Male	24	75
	Female	8	25
	Total	32	100
2	Age:		
	From 18-29 years	10	31
	From 30-39 years	12	38
	From 40-49 years	8	25
	50 and above	2	6
	Total	32	100
3	Educational Qualification:		
	Below grade 12	1	3
	Certificate	2	6
	College Diploma	9	28
	First Degree	14	44
	2 nd degree and above	6	19
	Total	32	100
4	Years of experience:		
	Less than 5 years	4	13
	From 5-10 years	19	59
	From 11-15 years	9	28
	From 16-20 years	-	-
	More than 20 years	-	-
	Total	32	100
5	Amount of salary per month		
	Less than 500 Birr	1	3
	From 501-1000 Birr	2	6
	From 1001-2000 Birr	12	38
	From 2001-3000 Birr	10	31
	From 3001-4000 Birr	7	22
	More than 4000 Birr	-	-
	Total	32	100

Table 1b indicates sex, age, educational qualification, and years of employees' experience and monthly salary of the respondents. According to the table in item number 1, out of the total (32) respondents, 24(75%) were males and the remaining 8(25%) were females. From this one can understand that there was greater number of male employees in the organization, but as interview results and organizational document revealed, there was not discrimination whenever the organization hired employees.

Regarding the age of respondents, 10(31%) was between 18-29 years old. Next 12(38%) of the respondents were within the range of 30-39 years, 8(25%) were from 40-49. Finally 2(6%) of them were 50 and above years of age. This implies that the majority of respondents were youngsters who have productive and ambitious desire to satisfy their multi needs. As a result, they might want more compensation packages to stay in the organization for long.

Item number 3 of table 1b exhibits the educational background of respondents. Out of the total, 14(44%) had degree graduates. The next majority 9(28%) were college diploma. On the other hand, 6(19%) of them were 2nd degree holders and above. Hence, majority of the respondents were 1st degree and diploma holders. This shows that majority of employees had sufficient educational background and academic maturity so as to provide sufficient information for this research.

Table 1b item number 4 shows years of employees' experience. As it was shown, 4(13%) of respondents had less than 5 years of service. Nineteen (59%) of them had an experience in between 5-10 years. Besides, 9(28%) had between 11-20 years of experience. Hence, the organization held employees who had almost from 5 to 20 years levels of experience in the organization. Therefore, one can conclude that it was possible to get all levels of information from employees of different experience.

Finally table 1b shows that 12(38%) of the respondents earned salary between 1,001-2,000 birr; 10(31%) of respondents' income was between 2,001-3,000 birr; while 7(22%) earned from 3,001-4,000. Finally, 2(6%) of respondent earned between 501-1000 birr and 1(3%) earned less than 500 birr. This table shows most of the respondents' income were in between 1,001-2,000. Similarly the student researcher understands that from group discussion salary of employees' is not enough to cover their basic needs.

Table 2: Employees evaluation of their payment level as compared to different factors

No	Item	Respondents	
		No	%
1	When you compare your salary with your current responsibility and the work you are engaged?		
	Very high	-	-
	High	-	-
	Moderate	6	19
	Low	10	31
	Very low	16	50
	Total	32	100
2	How do you rate your salary when it is compared with similar educational qualification with other organizations?		
	Very high	-	-
	High	-	-
	Moderate	5	16
	Low	10	31
	Very low	17	53
	Total	32	100

As can be seen in the table 2 of item number 1, 26(81%) of the respondents perceived that they were low and very low paid as compared to their current responsibility. On the other hand, 6(19%) of respondents thought that they were earning moderate salary compared to their position. This implies that ORRA employees are not satisfied with their pay as compared to their contribution.

On the same table item number 2 also shows that the 17(53%) of the respondents say that they were paid very low as compared to similar education and qualification with other organization. On the other hand 10(31%) of respondents perceived that low payment and 5(16%) says moderate. From this it was possible to realize that the salary scale of ORRA remains behind as compared to employees of other Authorities or public Agencies with similar educational qualifications.

Table 3: Overtime Payment

Item	Respondents	
	No	%
Do you get overtime payment for the work you do in your spare time?		
Yes	13	41
No	19	59
Total	32	100

Table 3 tries to investigate the overtime payment situation of ORRA. Accordingly, 19(59%) of the respondents answered that they did not get overtime payment for works they do in their spare times. When the student researcher asks in the form of open ended question, the respondents replied that, they were not entitled for the overtime payment. They said that ORRA had a policy that state an employee who

has a representative allowance was not entitled for overtime payment though he/she works in his/her spare times. On another dimension, 13(41%) of the respondents said that they got overtime payment for works they did in their spare times. This shows that overtime payment of ORRA is discriminatory as a result of its policy.

Apart from this, both Labor law and CPA rules strictly state that every employee who work more than eight-hour per day is entitled for overtime payment, however, the rule currently applied inside ORRA deviates from this rule.

Table 4: Employees response with respect to their bonus payment

No	Item	Respondents	
		No	%
1	Do you know your organization's bonus/offering mechanisms?		
	Yes	-	-
	No	32	100
	Total	32	100
2	Did you get any bonus within the past two years?		
	Yes	-	-
	No	32	100
	Total	32	100

Table 4, item number 1 revealed that 32(100%) of the respondents did not know the bonus payment mechanisms of the organization. This implied that the rules and policies of Oromia Rural Road Authority were not clearly communicated to the employees.

Item number 2 of the same table also shows that all respondents did not get bonus for the past couples of years. This implies that the ORRA not gave bonus according to the agreement that it made with the staff. As a

result of this the staff could be dissatisfied and de-motivated which results in less productivity.

Table 5a: Types of Benefits

No	Items	Very high		High		Medium		Low		Very low		I don't know	
		No	%	No	%	No	%	No	%	No	%	No	%
1	Medical service	-	-	-	-	2	6	10	31	18	56	2	6
2	Tuition fee	-	-	3	9	3	9	7	22	16	50	3	9
3	Library service	-	-	2	6	2	6	8	25	15	47	4	12
4	Transport	-	-	-	-	22	69	10	31	-	-	-	-

Table 5a shows responses of the sample population about types of benefits that employees of ORRA receive. As can be seen from the table, 18(56%) of the respondents say the medical service is very low and 10(31%) says low. Similarly, 16(50%) of respondents say the tuition fee coverage that study on public and private colleges and universities is very low, and 7(22%) responded as it is low. The respondents are also comment on the library service of the organization, 15(47%) of the respondents say that the library service is very low and 8(25%) of the respondent says low. From the above table 5a, 22(69%) of the respondents say that the transport service is medium and 10(31%) of the respondents say that the transport service is low. According to the data obtained from the respondents the benefit like medical services, tuition fee and library services are very low. These most of the employees dissatisfied on their job.

Table 5b: Types of Benefits

No	Items	Very high		High		Medium		Low		Very low		I don't know	
		No	%	No	%	No	%	No	%	No	%	No	%
1	Uniform and Shoes	-	-	-	-	-	-	18	56	10	31	4	12
2	Annual leave	-	-	-	-	21	66	5	17	-	-	-	-
3	On duty harm compensation	-	-	-	-	10	31	19	59	-	-	-	-
4	Pension	-	-	-	-	20	62	6	19	6	19	-	-

Table 5b shows the other benefit for the employee is the uniform and shoes provision. According to the respondent 18(56%) of them responds the provision of uniform and shoes is medium whereas, 10(31%) of respondents say that it is low. Regarding to the annual leave 21(66%) of respondents explain that the annual leave for employee in ORRA is medium and 5(17%) of the respondents say it is low. Similarly, 19(59%) of the respondents say that, on duty harm compensation is low, on the contrary 10(31%) of the respondents say that on duty compensation is medium.

Finally, table 5b shows that about the payment of pension for employee. According to this, the 20(62%) respondents assumed that the pension is medium and the rest 6(19%) of respondents say it is low and the same amount of respondents say very low. From these we can understand that the benefit packages of ORRA are not satisfactory.

The student researcher also asks the respondents (in the form of open ended question) and in group discussion what type of benefits to be

fulfilled in order to satisfy their interest. Their responses are summarized as follows:-

- Fair payment for employment service,
- Transportation allowance or service,
- Bonus and salary increment,
- Promotion based on service year and educational background,
- Salary improvement that consider inflation,
- Establishing comfortable work environment, and
- Increase in representation allowance.

However, according to the interview conducted with the Human Resource Work Process Owner of ORRA the compensation package for the employees is not that much satisfactory.

Table 6: Employees benefit as compare to other organization

Item	Respondents	
	No	%
The benefit you obtain compared to what other people in a similar position or job in another organization get is:		
Very high	2	6
High	3	9
Moderate	7	22
Low	16	50
Very low	4	13
Total	32	100

As can be seen on table 6, the opinion of employees revealed the comparison of the benefits of employees in Oromia Rural Road Authority

and those employees in other organizations. Out of the total respondents 16(50%) of them said that their benefit was low compared to others with similar position. On another dimension, 7(22%) replied that it was moderate as compared to the benefit of employees in other organizations and 4(13%) of employees responded that the benefit was very low compared to other organizations. And other 3(9%) of respondents answered that it was high and the rest 2(6%) of the respondents indicated that the benefit is very high.

From this it is possible to realize that, as most of the respondents replied; Oromia Rural Road Authority paid low benefit compared to other organizations with similar positions.

Table 7: Promotion and Transfer of Employees

No	Item	Respondents	
		No	%
1	Have you ever been promoted since your employment in this organization?		
	Yes	14	44
	No	18	56
	Total	32	100
2	If your response to item 1 is “No”, what do you think the reason behind not to be promoted?*		
	The organization have no such experience	8	44
	The organization have no such kind of system	10	56
	Other	-	-
	Total	18	100
3	Have you ever been transferred from a particular occupational position to another?		
	Yes	12	37
	No	20	63
	Total	32	100

Table 7 assesses the view of respondents about the promotion and transfer of employees in Oromia Rural Road Authority. The first item in the table was about promotion. Out of the total respondents, 18(56%) said that they were not promoted till now. Whereas, 14(44%) of them replied that they were promoted. This implied that most of the

respondents in Oromia Rural Road Authority did not get any form of promotion.

On the other hand, respondents who did not get promotion were asked to provide their reasons. According to the data collected, 10(56%) of the respondents replied that the organization have no such kind of system. The next group, 8(44%) of the respondents said that the organization have no such experience. Here it is possible to generalize that less experience and structure are basic problems of promotion in Oromia Rural Road Authority.

Item number 3 of table 7 exhibits whether or not workers were transferred from one work to another work. As it is shown, 12(37%) of total respondents said that they were transferred from one work to another. While, the next 20(63%) of them replied that they were not transferred. From this one can understand that the majority of employees have not been transferred from one work to another. This implies that the ORRA not transferred employees from one position to another to upgrade their skills and knowledge. These, of course, not motivate employees as benefit scheme.

Table 8: Employees' intention of leaving their organization

Item	Respondents	
	No	%
Do you have any intention to leave the organization?		
Yes	18	56
No	14	44
Total	32	100

As it is shown in table 8, 18 (56%) of the total respondents replied that they had an intention to leave the organization, while 14(44%) of them

said that they did not have any intention to leave the organization. This shows that the majority of the respondents wanted to leave the organization. So we can infer that the organization would suffer from turnover problem.

Table 9a: Problems of Employees' Attitude on Benefit Scheme of ORRA

Items	Respondents	
	No	%
1. The compensation given by the organization is not in line with current labor market		
Very high	17	53
High	8	25
Medium	7	22
Low	–	–
Very low	–	–
Total	32	100
2. The compensation can hardly compensate the current escalating inflation		
Very high	-	-
High	-	-
Medium	8	25
Low	10	31
Very low	14	44
Total	32	100
3. Absence of a strong labour union that can advocate on behalf of employees.		
Very high	12	38
High	10	31
Medium	8	25
Low	2	6
Very low	–	–
Total	32	100

Table 9a tries to investigate problems of compensation in ORRA. As we can be seen from the above table item number 1, the compensation given by the organization is not in line with the current labor market 17(53%) of the respondents were responded that very high. Eight (25%) respondents said high and the rest 7(22%) say that medium. On item number 2 the compensation can hardly compensated the current escalating inflation 14(44%) respondents said very low. On the other way 10(31%) respondent said low. Eight (25%) respondent say that medium. From table 9a item number 3 absence of a strong labour union that can advocate on behalf of employees, 12(38%) respondents responded that very high. Where as 10(31%) of respondents said high. The other 8(25%) said medium and the rest 2(6%) responds low. We understand that from table 9A the compensation given by the ORRA is less than current labour market in addition o that the compensation is not consider the current inflation of commodities, To negotiate on such problem according to the respondents there is no strong labour union.

Table 9b: Problems of Employees' Attitude on Benefit Scheme of ORRA

No	Items	Respondents	
		No	%
1.	Absence of favorable government or organizational directive		
	Very high	8	25
	High	6	19
	Medium	18	56
2.	The compensation execution mechanism is not based on the employees performance		
	Very high	10	31
	High	7	22
	Medium	8	25
	Low	5	16
	Very low	2	6

On table 9b item number 1 the impact of absence of favorable government or organizational directive rated by 18(56%) of respondents medium. Where as 8(25%) of respondents rate very high, and the other 6(19%) respondents said that high.

Concerning the response for the same table item number 2, compensation were not based on the employees' performance 10(31%) respondents rate very high, and 8(25%) of respondents said medium. On the other hand 7(22%) of respondents rate high, and 5(16%) said that low. Other 2(6%) respondents indicate very low.

When employees were asked in open ended question to mention factors that they think need to be improved in the current employees' attitude on compensation system, they replied that all payments should

considered the inflation, to give the transportation service, promotion that consider all types of qualification and salary increment, educational fee coverage to be a benchmarking with similar institution. The respondents indicate that favorable government directive has high impact on compensation. Small amount of composition given in this organization is not based on performance of the employees.

CHAPTER FOUR

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

4.1 Summary

The ultimate objective of this study discusses on employees' attitude on compensation administration, a case study on Oromia Rural Road Authority (ORRA). In order to achieve this objective, related literatures were reviewed; and interview was held with the Human Resource Management Work Process Owner and a questionnaire was distributed to the sample respondents. In order to obtain information for the study, a total of 37 (thirty seven) copies of questionnaires were distributed to employees of Oromia Rural Road Authority. The employees (respondents) are randomly selected. Out of the total (37), 32 were correctly filled and returned. Moreover, the student researcher held interview with the Human Resource Work Process Owner to get additional information.

The following are the summary of the major findings of the data interpreted and analyzed in the previous chapter.

- The sex ratio in the institution shows that there are 24(75%) of male employees. But interview results and organizational documents shows that, there is no discrimination on employees hiring and employee compensation.
- As can be revealed from the responses, the respondents' age is younger, educational qualification is better, years of experiences are good. But salary category of the majority of the respondents was not attractive for professional in this organization.
- Most of the respondents 26(81%) perceived that they were low and very low paid as compared to their current responsibility.

- 17(53%) of the respondents say that they were paid very low as compared to similar education and qualification with other organization.
- It is revealed from the responses of great majority 19(59%) of the respondents that, unlike some members of the organization majority of the employees were not paid overtime allowance.
- All respondents 32(100%) of employee of an authority never know the mechanism of bonus and all the respondents did not get a bonus for the last couples of years.
- Most of the respondents responded that the authority paid low and very low medical expenses, sick leave payment; holidays leave payment, library service, annual leave, on duty harm compensation and.
- Oromia Rural Road Authority covered very low tuition fee for those who were allowed to learn their education in University or College.
- Regarding the opportunity of promotion, majority 18(56%) of respondents said that they had not yet promoted.
- Majority 18(56%) of respondents said that they had an intention to leave the organization if they get a better job or good payment.
- According to respondents the major constraints of Oromia Rural Road Authority was best explained by the following four factors:
 - The employees' attitude on compensation given by the organization is not in line with current labor market.
 - Absence of favorable government or organizational directive
 - The employees' attitude on compensation execution mechanism is not based on the employees' performance.

4.2 Conclusions

- Salary is one of the factors that help to work hard. It is also indication of status of one employee as compared to the status of others. Moreover, workers basic needs are satisfied with financial rewards. Unless the needs are satisfied, employees may not stay in one organization for long period of time. To this end, the majority of ORRA workers monthly salary is inadequate to fulfill their basic needs.
- The basic compensation of the employee that includes medical expenses, sick leave payment, annual leave payment, library service and on duty harm compensation are almost not satisfied by the Authority.
- If an organization handles its employees in a satisfactory benefit, the degree of turnover may decrease significantly, as a result, the authority can retain its valuable experienced employees. Normally, promotion and transfer are considered as motivating elements of employees. They do have equivalent effect to compensation to retain employees. However, as response from the study revealed, ORRA was poor at promoting its employees.
- There are major challenges to apply a sound compensation system within an authority, according to the interview conducted with the Owner of the Human Resource Management Work Process, the authority fail to access the current employment market price. The authority also fails to create a good environment for experienced employee.
- As we can seen from the research made so far, it can be concluded that the majority of the employees do not consider the Authority provided them a satisfactory compensation.

4.3 Recommendations

Based on the conclusions made so far, the student researcher realized and learned that there were lots of issues that need improvement, to motivate the employees through compensation. The organizational management body focuses on the strategic issues of enhancing organizational success, and involves influencing the thinking, attitudes and behavior of other employees'. Effective managing system requires group as well as individual qualities that are mutually reinforcing. This kind of managing system can transform and encourage the employees to change and transform institutionally.

Therefore, the following suggestive recommendations are forwarded.

- ✓ The organization should assess the need of training to create common understanding of compensation administration by giving short and long-term on-job trainings for its staff.
- ✓ Long-term career development program and different kind of compensation package required for the staff in order to motivate them.
- ✓ Develop and update different rules and regulation of the organization compensation administration manuals and regulation which help for efficient and effective compensation provision in order to enhance employees' productivity and success.

- ✓ The higher management bodies should give attention to human resource administration work process. They must create enabling working environment; integrate the vision, mission, programs, and services of the organization with the whole employees.
- ✓ Assessment on the attitude of the employees' on compensation satisfaction should be done every year in organization, in order to identify the gap.
- ✓ Sound salaries are supposed to be provided for workers of Oromia Rural Road Authority by considering the economic situation of the county even if the source of budget for ORRA is the regional government. Under such considering appropriate and consistent overtime and bonus plan policy is quite important.
- ✓ To retain the most experienced employees motivating them by using financial and non-financial rewards are indispensable mechanisms. And taking the benchmark of similar organization makes a significant improvement on the attitude of employee toward the organization. Because most of the staff have an intention to leave the Authority.
- ✓ To avoid dissatisfaction and burden of work, the organization should establish a sound employees restructuring, transfer, and promotion system.
- ✓ Finally, since our country is in free market system and in today's rising demand of competent and professional employees, the Authority should establish better incentive system for its employees to become competent organization and to manage the problems.

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Appendix A

St. Mary's University College
Faculty of Business Department
Of Management

Questionnaire to be filled by Employees

Part I.

This questionnaire is designed to gather information for a research paper required for partial fulfillment of the Degree of Bachelor of Arts in Business Management. Since the research (paper) is designed to assess mechanisms of compensation offer in the Oromia Rural Road Authority, I kindly request you to provide your personal suggestions, for which contributes to the success of the study. I would like to forward my heart-felt gratitude to you for your willingness to devote your time to filling this questionnaire.

Note

- ✓ You do not need to write your name on the questionnaire.
- ✓ I would like to ascertain you that your responses to the questionnaire will be held confidential and used only for educational purpose.
- ✓ Respond to the multiple-choice questions by circling your choice.

Overall Personal Data

1. Your working position _____.
2. Sex A. Male B. Female
3. Age A. From 18 – 29 years B. From 30–39 years
 C. From 40 – 49 years D. Above 50 years

4. Educational Qualification

A. Below Grade 12	D. First Degree
B. Certificate	E. 2 nd Degree and above
C. Diploma (10 ⁺³)	
5. Years of Experience

A. Less than 5 Years	D. From 16 – 20 Years
B. From 5 – 10 Years	E. More than 20 Years
C. From 11 – 15 Years	
6. Amount of salary per month

A. Less than 500 Birr	D. From 2,001 – 3,000 Birr
B. From 501 – 1,000 Birr	E. From 3,001 – 4,000 Birr
C. From 1,001 – 2,000 Birr	F. More than 4,000 Birr

Part. II

1. When you compare your salary with your current responsibility and the work you are engaged?

A. Very high	B. High	C. Moderate
D. Low	E. Very Low	
2. How do you rate the salary you earn in comparison with that of employees with similar educational qualification in other organizations?

A. Very High	B. High	C. Medium	D. Low
E. Very low	F. I don't know		
3. Do you get overtime payment for the work you do in your spare time?

A. Yes	B. No	C. I don't know
--------	-------	-----------------
4. If your response to question 4 is “No”, why do you think you are not paid the overtime payment?

5. Do you know your organization's bonus mechanisms?

A. Yes	B. No
--------	-------

6. Did you get any bonus within the past two years?

A. Yes

B. No

7. Which of the following benefits do you get? Indicate your response by putting a tick (✓) in the box. (You can tick more than one alternative.)

	Very high	High	Medium	Low	Very low	I don't know
A. Medical service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
B. Tuition fee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
C. Transport	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
D. Uniform and Shoes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
E. Annual leave	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
F. On duty harm Compensation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
G. Pension	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
H. Others (if any)	_____					

8. The benefit you obtain compared to what other people in a similar position or on a similar job in another organization get is:

A. Very high

D. Low

B. High

E. Very low

C. Moderate

9. Have you ever been promoted since your employment in this organization?

A. Yes

B. No

10. If your response to question number 9 above is "No", what do you think the reason behind not to be promoted? _____

11. Have you ever been transferred from a particular occupational position to another?

A. Yes

B. No

12. Do you have any intension to leave the organization?

A. Yes

B. No

13. If you think to leave the organization please write the reason why?

14. Indicate the constraints you observe in compensation execution mechanisms of Oromia Rural Road Authority by putting a tick (✓) in the box given next to each item. (You might tick more than one box.)

A. The compensation given by the organization is not in line with current labor market

Very high High Medium Low Very low I don't know

B. The compensation can hardly compensate the current escalating inflation

Very high High Medium Low Very low I don't know

C. Absence of a strong labour union that can advocate on behalf of employees.

Very high High Medium Low Very low I don't know

D. Absence of favorable government or organizational directive.

Very high High Medium Low Very low I don't know

E. The compensation execution mechanism is not based on the employees performance

Very high High Medium Low Very low I don't know

F. Others (Write in the space provided, please.) _____

15. Would you mention the benefits the institution should render so as to motivate and get you satisfied in your profession and induce the necessary conscientiousness (duty-mindedness)?

16. What are the institution's overall strengths with regard to arousing the employees' motivation to work?

17. Would you please mention factors that you think need to be improved in the current compensation and benefit execution mechanism?

Thank You

Appendix B

St. Mary's University College
Faculty of Business Department of Management

Interview Questions to Members of Oromia Rural Road Authority Division Head

These interview questions are designed to be carried on members of ORRA Division Head. The purpose of this interview is to gather data about the compensation administration policies and practices of the organization.

- 1) What is the basic purpose of employee compensation division in your organization and how is it organized?
- 2) Is there any regular schedule you follow to revise the salary scale and compensation package of the organization?
- 3) How do you regard the compensation administration policy of ORRA with respect to other organizations policies? Please compare the compensation policies of ORRA with other organizations and justify the difference if any.
- 4) Is there any other compensation to intend to be given in addition to the present compensation?
- 5) What do you think are the problems of compensation administration scheme of ORRA?
- 6) What are types of plan ORRA has to improve from the existing compensation schemes?

Thank you,

Appendix C

St. Mary's University College

Faculty of Business Department of Management

DISCUSSION POINTS FOR FOCUS GROUP DISCUSSION

Introductory remarks:-

- i. Greeting & overcoming
- ii. The purpose of the discussion
- iii. Objectives of the study
- iv. Duration of the discussion

Discussion points

1. The major problems on employee's compensation administration,
2. The source of those problems ,
3. The effort of different bodies to solve those problems,
4. The need of employee on the targeted compensation package,