



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

**AN ASSESSMENT OF COMPENSATION AND BENEFIT
PACKAGE PRACTICES OF ENAT BANK S.C: THE CASE
OF CITY BRANCHES**

**BY
EHITE WALTENGUS**

JULY, 2019

ADDIS ABABA, ETHIOPIA

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY,
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MANAGEMENT)**

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Declaration

I, the undersigned, declare that this thesis titled “An Assessment of Compensation and Benefit Packages Practices of Enat Bank S.C: the Case of City Branches” is my original work prepared under the guidance of Maru Shite (PhD) .All Sources of materials used for the thesis has 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 learning any degree.

Name

Signature

St. Mary’s University, Addis Ababa July, 2019

Endorsement

This research paper titled “An Assessment of Compensation and Benefit Package Practices of Enat Bank S.C: the Case of City Branches” has been submitted to St. Mary’s University School of Graduate Studies, with my guidance and approval as a university advisor.

Maru Shite (PhD)

Advisor

Signature

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ABSTRACT

This research paper focuses on assessing the compensation & benefit package practices of Enat Bank S.C. In order to achieve its purpose, the researcher used a descriptive research design to obtain rich data & to have a systematic collection & presentation of data. The study adopted both quantitative & qualitative research approaches. Quantitative approach was used since it enabled the researcher to analyze numerical data that were gathered from the responses of the questionnaire & qualitative approach was used to interpret the data that were collected from interview & open-ended questions of the questionnaire. In addition, document analysis technique was also used to strengthen & support the research and also to illustrate the gap with regards to the Bank's policy and its compensation and benefit package practice. Out of the total population of 470, the study selected a sample of 150 respondents through proportionate Stratified Sampling Technique since this technique would give each stratum to have an equal chance of being selected. Relevant data were collected from employees of the bank through distribution of survey questionnaire & interview was also conducted with the HR Manager of the Department. The collected data were analyzed using frequency, means and percentage method by means of (SPSS) version 22. The major findings of the research revealed employees' dissatisfaction with the existing compensation & benefit package practices of the company. Among the many ones, inadequate compensation & benefits provision, poor reward & compensation administration system, lack of job promotion opportunity, absence of management-employee discussion towards compensation planning, moderate level of staff turnover rate due to insufficient and undesirable benefit provision, and in equitable payment of salary & benefits as compared to other banks that are performing in the industry were the major causes of employees' dissatisfaction. Thus, it was recommended that the Bank revises its compensation and benefit package system by critically investigating those compensations and benefit packages that need fundamental improvement so as to meet its employees' expectations & satisfaction.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The relationship between employers and their employees, and the organization and its shareholders is expected to be mutual towards the achievement of organizational goals. The employer expects employees to give their best in the areas of monitoring their performance, learning to develop themselves, obey to rules and regulations in the performance of their assigned duties to increase productivity. They also expect their employees to be innovative and take initiative and address problems on their own. Employees on the other hand are also looking up to the employer or management to provide the necessary tools and equipment they need to work with and also get fair compensation for the work they do and the other services they provide.

Compensation plays an important role in organizations that want to reach their objectives and their goals. It goes without saying that organizations which do not properly manage this aspect of human resource activity very well will have a negative impact on the total performance of their employees and impact on productivity.

Many authors have written on this subject and a lot of research and compensation theories/plans have been completed. Armstrong (2005) defines compensation management as one of the central pillars of human resources management. It is concerned with the formulation and implementation of strategies and policies that aim to compensate people fairly, equitably and consistently in accordance with their value to the organization.

Armstrong (2005) also states that since compensation is linked to the organization's strategy for survival and competitive advantage, organizations are expected to constantly changing their strategy to achieve competitive advantage. Moreover, compensation plans

must be well defined at various levels of the organization and must be review periodically to keep the motivational levels of employees at desired levels.

(Huselid, 1995) also put emphasis on the importance of compensation as a means for organizations to provide performance-related remunerations to enhance employees' motivation and performance. Under such type of compensation scheme there is a strong relationship between employees' performance and the amount of remuneration they receive. Profit-related payment, employee share- ownership plans, profit-sharing schemes, and group performance-related schemes are compensation schemes categorized under performance related pay. In addition to this promotion, recognition, and benefits are also part of compensation scheme.

This being the case, as to the discussion held with some of Enat Bank S.C employees, the company is being challenged in terms of providing direct financial compensation which comes in the form of salary payment, there is nonexistence of reward practice and job promotion opportunities and there are inadequate compensation and benefits package to its employees. This fact, having a significant effect on the motivation of employees in the company, as the researcher observed that most employees left the company because they think that they are not paid enough and they are dissatisfied because the compensation paid to them may not be adequate. Thus, this research was focusing its investigation on assessing the compensation and benefit package practices of Enat Bank SC.

1.2 Statement of the Problem

According to Daniel (2009: 112) in Ethiopia many business organizations do not offer pay to their employees systematically and their pay structure tends to deviate largely and the system is mostly unregulated. The system is mostly designed from the business owner's needs and do not view the employee as a stakeholder and the employee's power to influence the pay system is insignificant.

According to the Human Resource Procedure Manual of Enat Bank (2015), the company is offering salary, benefits and allowances which are claimed to be competitive with those in the market place in order to attract and retain a fully competitive workforce. However, when it comes to actual practices, there seem visible gaps in terms of providing the direct financial compensation which comes in the form of salary payment. There seems also inadequate level of satisfaction as a result of the existing compensation and benefit packages to satisfy and retain its employees. For instance the Human Procedure Manual of the Bank clearly states that all employees who served the bank for at least two years and who don't have a residential house shall get one time house loans. Nevertheless, out of the total staffs of 470; and who have applied their requests, only 50 staffs have got this benefit so far according to the data taken from the human resource department report of 2017.

Moreover, the Procedure Manual also states that staffs could take a vehicle loan after one year service unless exceptionally approved by the president. In contrary to the above requirement, only 11 staffs received this benefit till now based the data collected from the Human Resource Department Report of 2017. In addition to these, the bank also offered educational assistance based on quota-based method and out of the total employees of 470; only 19 staffs benefited from the opportunity.

Apart from the direct financial compensation and inadequate benefit packages, there is also no practical reward practice intended to motivate its workforces even if it is explicitly stated in the Procedure Manual (2015:52) as follow:

Staff members who have been selected as outstanding performers shall be awarded a certificate and financial award. Besides, an outstanding performance could also result in the promotion of the staff to the next high-grade position/pay scale.

Furthermore, based on the information obtained from the Human Resource Department of the Bank regarding staffs' complaint reports, it is found out that most employees are dissatisfied with the salary adjustment of the Bank that was made in the year 2017 because employees think that they are not paid enough and the incentives and benefits offered to them are not adequate enough regardless of the compensation packages the company is making available. And this situation may lead to employees of the Bank to feel unappreciated, derive low satisfaction from their job and to reveal a lower morale in the workplace.

Thus, this problem was worth exploring because of the fact that there were tangible gaps in practice at the Bank compared to what theories of compensation say about an ideal compensation system and what practical prior research outcomes recommend. For example, a study conducted by Betelhem (2015) recommended that so as to attain organizational objectives and motivate employees towards better performance, periodic needs and satisfaction level survey should be done using cost effective mechanism. In addition, the study also suggested that the need to improve the existing benefit packages and revise the compensation and benefit policy by assessing the external market condition.

Biniyam (2015) in his study also suggested that organizations need to adopt a flexible compensation practices which consider changes in the environment that is based on need

assessment of employees and triggering towards solving problems of employees satisfaction, motivation and the ability to attract and retain potential employees.

Similarly, a study done by Ejigayehu (2010) stressed the need for periodic review of salary and other incentives in order to increase productivity and decrease absenteeism and turnover in organizations. Moreover, the study also emphasized on the merits of designing good compensation and benefit package system and awarding and appreciation of the efforts of employees so as to create the feeling of belongingness in organizations.

Thus, the above three studies laid emphasis on on the need for flexible compensation practice which goes in line with change in the market environment, revision and continuous update of compensation and benefit package system so as to increase productivity, keep employees' satisfaction, and reduce absenteeism and turnover rates. Nevertheless, when it comes to Enat Bank's compensation and benefit package practice, there are some indications that show the Bank has failed to deploy the implementation as stated in the human resource procedure manual. Hence, it is from this viewpoint that this study aims it focusing on the need for detailed study that explores the situation and comment with research directions for further study and generalization by assessing the Bank's compensation & benefit packages practices towards the satisfaction of its employees.

1.3 Basic Research Questions

The student researcher tried to answer the following research questions:-

1. What is the existing compensation & benefit package practices of Enat Bank?
2. To what extent are the compensation systems and benefit packages of the company attractive enough to satisfy its employees?
3. To what extent are the benefit packages stated in the manual implemented?
4. What are the expectations of employees from the compensation & benefit packages practice of the Bank?

1.4 Objective of the Study

1.4.1 General Objective: The main objective of this study is to assess the current Compensation and benefit packages practice of Enat Bank.

1.4.2 Specific Objectives: In accordance with the research questions, the study included the following specific objectives:

- To assess employees' satisfaction with the compensation and benefit packages of the Bank
- To assess whether there is an actual reward system that is in practice to motivate its work force and
- To assess the expectation of employees from the compensation and benefit packages of the Bank.

1.5 Significance of the Study

The student researcher believes that the result of this study will hopefully help Enat Bank to devise appropriate strategies that will enhance the company's compensation system and benefit packages and make necessary adjustments regarding area that need improvements.

In addition, the study will also serve as a stepping stone for other researchers who aspire to make an in depth study on similar topic.

1.6 Scope and Limitation of the Study

The scope of this research is demarcated only within the frame of Enat Bank S.C, city branches due to time & resource constraints. Therefore, the study excluded other outline branches that are found out of Addis Ababa. Thus the outcome of this study would have more accuracy if the study included outline branches. In addition, the other constraint of this study relates to its sample. The study selected its sample size from the target population of 29 city branches that are categorized under ten strata based on job category

since incorporating outline branches in the study based on job category was too difficult due to the nature of the study and the scattered location of outline branches . Thus, there is likelihood that it will affect the outcome of the study.

1.7 Organization of the Study

This research is organized under five chapters. The first chapter is dedicated to introduction part which includes: background of the study, statement of the problem, research questions, objective of the study, and significance of the study, scope and limitation of the study. The second chapter constitutes the literature review of the study which is collected from different secondary sources. And the third chapter presents the research design and methodology which will be employed to conduct the study. And the fourth chapter consists of presentation, analysis and interpretation of data. Finally, the last chapter deals with summary, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical Review of Compensation

Organizations are established with the aim of effectively utilizing various available human and non-human resources to achieve certain objective. Among these, human resource, which is commonly seen as the most valuable asset an organization could use to earn competitive advantage and achieve its objective.

There are seven major management functions of human resource (HR) that will be specifically addressed. Human resource planning, recruitment, selection, training and development, performance appraisal and compensation and benefit, safety and health.

Compensation and benefits is one of human resource management function which this paper is going to dealt with. According to Donald (1971) compensation management at work has become one of the most demanding problems facing management nowadays, everywhere in any industry. Furthermore, satisfying and retaining talented and competent workforce for a long time has become a critical problem for companies competing in the global market place.

Richard H (1980) also emphasized the value of compensation as “the eye of be holder”. A compensation highly valued in one country may be relatively meaningless in another and this is also hold true for different company with in the country. The compensation employees receives for their work provides them with more than the means to purchases desired goods and services or to take care of other short and long term financial needs. It also affects their self- image and the perceptions of their worth and stature among their peers in their work family and social communities at company level, employees’ compensation affects their productivity and their tendency to stay with the organization. Therefore, if a company’s compensation and benefits programs are to be effective they

must take factors affecting the program and at the end must also reflect the company's strategy, its vision and mission.

2.2 Definition of Compensation

Different authors have different approaches towards defining compensation. Some of the most commonly cited definitions on compensation are analyzed in the text that follows.

According to (Dessler, 2004: 302) employee compensation refers to all forms of pay or rewards going to employee and arising from their employment and it has two components: Direct Financial Payment (in the form of wages, salaries, incentives, commissions and bonuses and Indirect Payments (in the form of financial benefits like insurance and vacations).

On the other hand, Werther et.al (1993:423) considers compensation as what employees receive in exchange for their contribution to the organization. Compensation management helps the organization to obtain and retain a productive workforce.

Another most cited definition on compensation is the one given by Patanic (2012) who defined compensation as the remuneration received by an employee in return for his/her contribution to the organization. It is an organized practice that involves balancing the work-employee relation by providing monetary and non-monetary benefits to employees. Compensation is an integral part of human resource management which helps in motivating the employees and improving organizational effectiveness

A further definition is given by (Ivancevich, 2004:298) as “ ...compensation does more than provide for physiological needs of employees, however, what a person is paid indicate his or her worth to an organization for the employer, compensation is one of the most important human resource management function. In today service based economy, pay often equals 50% or more of the cash flow of an organization.”

2.3 Theories of Compensation

According to Aswathappa (2004:244) there are three kinds of employees' compensation theories which are going to be discussed as follows.

2.3.1 Reinforcement and Expectancy Theories

The reinforcement theory postulates that a behavior which has a rewarding experience is likely to be repeated. The implication for remuneration is that high employee performance followed by a monetary reward will make future employee performance more likely. By the same token a high performance not followed by a reward will make its recurrence unlikely in future. The theory emphasizes the importance of a person actually experiencing the reward.

Like the reinforcement theory, Vroom's expectancy theory focuses on the link between rewards and behavior. Motivation, according to the theory, is the product of valence instrumentality and expectancy. Remunerating systems differ according to their impact on these motivational components. Generally speaking, pay systems differ most in their impact on instrumentality – the perceived link between behaviors and pay. Valence of pay out comes remains the same under different pay systems. Expectancy perceptions often have more to do with job.

2.3.2 Equity Theory

Adam's equity theory posits that an employee who perceives inequity in his or her rewards seeks to restore equity. The theory emphasizes equity in pay structure of employee's remuneration.

Employee's perception of how they are being treated by their firm is of prime importance to them. The dictum "a fair day work for fair day pay" denotes a sense of equity felt by employees. When employees perceive inequity, it can result in lower productivity, higher absenteeism or increase in turnover.

2.3.3 Agency Theory

The agency theory focuses on the divergent interests and goals of the organization stakeholders and the way that employee remuneration can be used to align these interests and goals. Employers and employees are the two stakeholders of a business unit, the former assuming the role of principals and the latter the role of agents. The remuneration payable to employees is the agency cost. It is natural that the employees expect high agency costs while the employers seek to minimize it. The agency theory says that the principal must choose a contracting scheme that helps align the interest of the agents with the principal's own interests. These contracts can be classified as either behavior-oriented (e.g. Merit pay or outcome – oriented (e.g. Stock option schemes, profit sharing and communication

2.4 Conceptual Framework

Employee compensations refer to all forms of pay or reward going to employees and arising from their employment. Rewards include direct compensation, indirect compensation and non -financial reward. Developing an effective and appropriate compensation system is an important part of the human resource process. An effective and appropriate compensation system can help, attract and retain competent and talented individuals who can help the organization accomplish its mission and goals (Dessler, 2002).

A according to Ivencevich (1998), compensation has been recognized as a major motivator of employees. As the issue of motivation is concerned, employee compensation systems have been found to be the most commonly adopted technique among the organizations. Employee compensation offers a diversity of rewards that may be monetary or non-monetary.

According to Robins (2003) Organization compensation can include many different types of rewards and benefits such as salaries, incentive payments and other benefit and

services. If an employee believes he/she is underpaid, that employee will likely reduce expended effort by working more slowly and being absent.

According to (Aswathappa, 2004: 246) an effective system of remuneration is highly significant because several problems relating to personnel center around one element namely, remuneration many employees, for example absent themselves from work often because they feel that they are not paid enough. They look for new and better prospects because the present emoluments may not attractive enough to stay on. They agitate, pelt stones, use foul language, resort to graffiti, turn violent, and fall sick, because the remuneration paid to them may not be adequate.

Attractive remuneration enables an organization to attract, retain and motivate competent people. Retaining competent individuals for long is more difficult than attracting fresh ones. An employee's longevity of service in a particular organization depends more on non – financial benefits, but the role of financial benefits cannot be ruled out, particularly at the lower levels of hierarchy. Loyalty towards an organization also depends on his or her perception about remuneration. It is common knowledge that an employee feels satisfied or dissatisfied with his or her remuneration – not so much by the total amount he or she receives, but by comparing his or her benefits with those enjoyed by others. Comparison provides a feeling of equity or inequity. There is a sense of equity when the employee's remuneration is equal or more than the remuneration received by others in the same category of jobs. If the remuneration is lower, the employee feels he or she is inequitably treated. An employee sticks to an organization when he or she is paid equitably. The organization's pay structure must, therefore, be equitable and consistent.

2.5 Objectives of Compensation Management

Some of the major objectives of compensation management are to retain employees and ensure equity, wage and salary payment of similar amount for similar jobs. According to Werther et.al (1993:414) the objectives of effective compensation management include the following:

- 1 Acquire qualified personnel – compensation needs to be high enough to attract applicants. Pay level must respond for supply and demand of workers in the labor market since employers compete for workers premium wages are sometimes needed to attract applicants who are already working for others.
- 2 Retain present employees – employees may quit if when compensation level are not complete resulting in higher turnover.
- 3 Ensure equity – compensation management strives for internal and external equity. Internal equity requires that pay be related to the relative work of jobs so that similar jobs get similar pay. External equity, means paying workers that comparable workers at other firms in the labor market pay.
- 4 Reward desired behavior – pay should reinforce desired behaviors and act as an incentive for those behaviors to reward performance, loyalty, experience, responsibilities and other behaviors.
- 5 Control costs – a rational compensation system helps the organization obtain and retain workers at reasonable costs without effective compensation management workers could not be over or under paid.
- 6 Comply with legal regulation – a sound wage and salary system considers the legal challenges imposed by government and ensures the employer's compliance.
- 7 Facilitate understanding – the compensation management system should be easily understood by human resource specialist, operating managers and employees.
- 8 Further administrative efficiency – wage and salary programs should be designed to be managed efficiently making optimal uses of the human resource information system, although this objective should be a secondary system, and it should be a secondary consideration compared with other objectives.

2.6 Components of Remuneration

An average employee in the organized sector is entitled to several benefits- both financial as well as non-financial to be specific, typical remuneration of an employee comprises wage and salary, incentives, fringe benefits, perquisites, and non-monetary benefits.

Wage and Salary: Wage represents hourly rates of pay and salary refers to the monthly rate of pay, irrespective of the number of hours put in by an employee. Wage and salaries are subject to annual increments. They differ from employee to employee and depend up on the nature of job, seniority and merit.

Incentives: It is also called “payment by results,” incentives are paid in addition to wage and salaries. Incentives depend up on productivity, sales, profit or cost reduction efforts. There are; (i) individual incentive schemes and (ii) group incentive programs. Individual incentives are applicable to specific employee performance. Where a given task demands group effort for completion, incentives are paid to the group as a whole. The amount is later divided among group members on an equitable basis.

Fringe Benefits: these include such employee benefits as provident fund gratuity, medical care, hospitalization, accident relief, health and group insurance, canteen, uniform, recreation and the like.

Perquisites: these are allowed to executives and include company car, club membership and holidays, furnished house, stock option schemes and the like. Perquisites are offered to retain competent executives

Non–Monetary Benefits

These include challenging job responsibilities, recognition of merit, growth prospects, competent supervision, comfortable working conditions, job sharing and flexi time. (Aswatappa, 2004: 244).

2.7 Ingredients of Compensation Packages

According to (Mirza, 2004: 331) Compensation packages consist of two kinds of payment which are: during employment and after employment.

2.7.1 During Employment Packages

It basically consists of four components: the basic salary, cash allowance, and bonus and non –cash perquisites.

- **Basic Salary:** it is the major component of during employment compensation package. Basic salary is worked out on the basis of job evaluation and adjusted either because of reclassification or changes in the cost of living index. The scale reflects the time period within which a person reaches the top of the scale if he/she starts at the base.
- **Allowances:** some of the well-known allowances are dearness allowance, house rent, travel allowance, daily allowance in the case of out station travel, shift allowance etc. The concept of allowance is based on the cost of living index as dearness allowance and house rent allowance are to compensate for the extra efforts needed to perform once normal duties. Allowances can be added to the basic depending up on the contingencies of the job. Some organization pay high risk allowance for the extra ordinary hazards in the job as in petroleum industry or forest fire fighting. The exact quantum of most allowance is usually linked to the salary as they represent a percentage of the basic.
- **Bonus:** this payment is gesture of good will over and above the regular wages. It usually amounts to 833 percent of salary which basically works out to be equivalent to one month salary. This is the minimum and the organization has freedom to pay more than this minimum depending up on the available surplus.
- **Perquisites:** perks are those benefits that do not usually come in the form of cash but are provided to maintain certain needs and status of the employee and the image of

the organization. These may include such perks as stock options, club membership, car or housing loans, reimbursement of the cost of children's education, paid holidays, generous medical benefits furnishing and refurnishing of residence and many such perks.

2.7.2 Compensation after Employment

Once the employee has left the organization either voluntarily or on superannuation, he can continue to draw certain kinds of benefits from it. These may be in the form of pension, gratuity, limited medical facilities and purchases from compensation package which are agreed up on at the time of employment.

2.8 Factors Affecting /Influencing Employee Compensation/ Remuneration

According to Goitom (2007: 101) factors that affect or influence the compensation payable to employees can be categorized into:

- i. External and
- ii. Internal factors

2.8.1 External Factors

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

- Labor Market: Demand for and supply of labor usually influence wage and salary fixation. For instance, a low wage may be fixed when the supply of labor exceeds the demand for it. On the other hand, a higher wage will have to be paid when the demand exceeds supply.
- Going Rate of Pay is another labor related factor influencing employee remuneration. Going rates refer to those rates that are paid by different units of an industry in a locality and by comparable units of the same industry located elsewhere. This is

particularly the only way of fixing salary and wage in the initial stages of plant operations.

- **Productivity of Labor** also determines wage fixation productivity can arise due to increased effort of the worker, or as a result of improved technology, sophisticated machines and equipment, better management and so on, which are usually beyond the control of employee.
- **Cost of Living:** the justification for cost of living as a criterion for wage fixation is that the real wages of workers should not be allowed to be whittled down by price increase. A rise in the cost of living is sought to be compensated by payment of dearness allowance basic pay to remain undisturbed.
- **Labor Unions:** the presence or absence of labor organizations often determines the quantum of wages paid to employees. Employers in non-unionized factories enjoy the freedom to fix wage and salaries as they please. The employers of strongly unionized companies on the other hand, have no freedom in wage and salary fixation. Thus, they are forced to respond to the pressure of labor representatives in determining and revising pay scales.
- **Government Legislation:** Governments usually develop various labor laws at the central and / or at the state levels. The commonly known laws which have a bearing on employee remuneration are such as the payment of wages act; the minimum wages act; the equal remuneration act; etc., such acts are passed to regulate payment of wages to certain classes of persons employed in the industry. They also seek to protect workers against irregularities in payment of wages and unauthorized deductions by the employers.
- **Society:** Compensation / remuneration paid to employees are reflected in the prices fixed by an organization for its goods and services. As a result, the consuming public is interested in remuneration decisions.

- **Economy:** the state of economy also has its impact on wage and salary fixation. In most cases, the cost of living will rise in an expanding economy. Since the cost of living is commonly used as a pay standard, the economy's health exerts a major impact up on pay decisions. Labor unions, the government, and the society are all less likely to press for pay increases in a depressed economy.

2.8.2 The Internal Environment

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

- **Business Strategy:** the overall strategy of an organization should be determining the remuneration to its employees. For instance, if the strategy of the enterprise is to achieve rapid growth, remuneration should be higher than what competitors pay. On the other hand, if the strategy is to maintain and protect current earnings, because of the declining fortune of the company, remuneration level needs to be average or even below average.
- **Job Evaluation and Performance Appraisal:** job evaluation helps to establishes satisfactory wage differentials among jobs. Performance appraisal helps to reward pay increases to employees who show improved performance.
- **The Employee:** the employee-related factors that impact his or her remuneration include performance, seniority, experience, potential and even sheer luck. Performance is usually rewarded with pay increase; because it motivates the employee to do better. Seniority is a particularly viewed by unions the most objective criterion for pay increase. Experience makes an employee gain valuable insights and should therefore be rewarded potential of an individual is also a factor that can determine his/her remuneration. Thus organization pays some individuals based on their potential. For example, young managers are paid more because of their potential to perform even if

they are short of experience. Sheer luck also determines remuneration of employees. Thus, some people have luck to be at the right place at the right time.

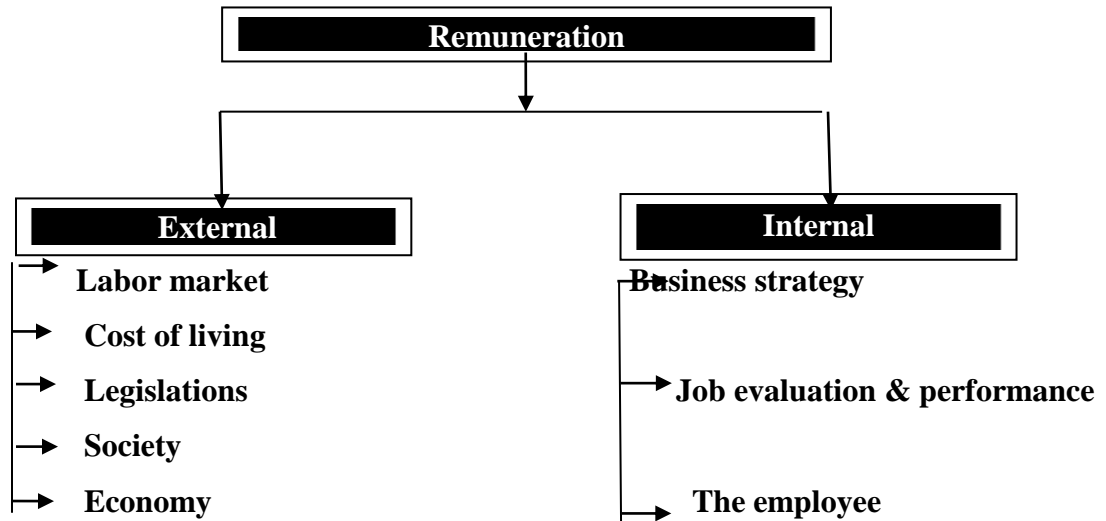


Fig1. Influencing Factors of Remuneration

2.9 Challenges of Remuneration

According to Aswathappa (2004:258) people who administer wage and salary face challenges which often necessitate adjustments to a remuneration plan. The more important challenges are skill based pay, salary reviews; pay secrecy, comparable worth and employee participation.

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

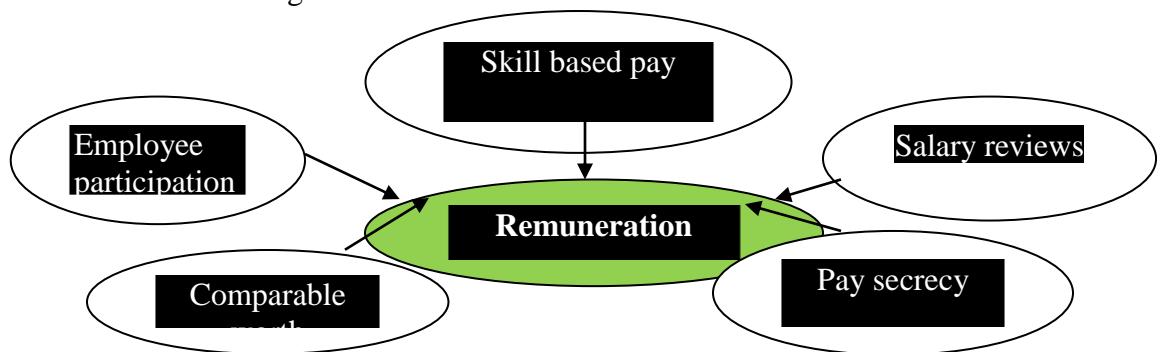
Pay Reviews: pay once determined, should not remain constant. It must be reviewed and changed often, but how often becomes a relevant question. Pay reviews may be made on predetermined dates, anniversary dates or there could be flexible reviews. In the fixed date reviews, wage and salaries of all employees are reviewed and raised on a specific date each year. In the anniversary–date review, salaries may be reviewed at twelve month intervals from the date of the employee’s anniversary date of hire. Using variable timing ensures flexibility. In addition, high performing employees, who are low on their salary ranges, can be rewarded more frequently. In organized industrial establishments, pay review take place once in three years. Managements enter into wage and salary agreements with labor unions and the agreements will be valid for three years. Pay negotiations will take place on the expiry of the three–year period and new records are signed after conclusion of the talks. In government departments, pay revisions take place once in ten or fifteen years. Revisions will depend on the recommendations of the pay commission.

Pay Secrecy: the process by which a remuneration plan is designed and administered is critical for any organization. One challenge facing HRM concerns the availability of information about remuneration to employees. The tendency among most firms is to maintain pay secrecy as this would help avoid pay comparisons likely to be made by employees. Firms in the organized sector and public sector enterprises disclose full information about wages and salaries similarly; most union contracts spell out wages and grades of pay as stated earlier, most firms, particularly family- controlled organizations tilt towards maintaining pay secrecy. The goal of achieving equity and employee satisfaction would seem to call for telling employees about pay policies and levels. For merit systems to have motivating effect, an employee needs to know how efforts translate into rewards. Information about maximum and the average rises should be made available each year. Each employee should be told ‘what the midpoint is’ for his or her jobs, as well as the pay range. In addition, the organization should explain how it arrives at the pay structure.

Allowing employees to see where their jobs located in the wage structure should note create significant problems for an employer that has a well- designed job evaluation plan.

Comparable Worth: one of the popular principles in employee remuneration is equal pay for equal work. In fact this principle has been the inspiration behind the enactment of the equal remuneration act. Under the Act male and female nurses are to be paid the same if their merit and seniority match, but a female nurse and a male electrician could be paid different rates. Beyond the concept of equal wages for equal work, is the idea of comparable worth which implies that if both a nurse and an electrician receive the same number of points under a point –ranking method of job evaluation, they have to be paid the same, subject, of course, to seniority and merit differences.

Employee Participation: when employees are involved in designing a remuneration plan, they exhibit little resistance in accepting it. Such a plan is more likely to be a successful motivator than the one imposed by the management. It is appropriate to involve in many phases of a reward system. There are several mechanisms for employees should serve in job evaluation committees. If a point–ranking method is adopted. It is reasonable to involve employees in identifying the compensable factors to be used and the weight to be assigned to each factor. Such groups are usually an excellent way to involve employees in many decision associated with a reward system. The decision to involve employees in designing or administrating a remuneration plan should not be made in haste. Employee participation is unlikely to work well unless the organization has already established an overall philosophy of participative management, as well as a reasonable climate of organizational trust.



2.10 Importance of an Ideal Remuneration System

According to (Aswathappa, 2004: 246) an effective system of remuneration is highly significant because several problems relating to personnel center around one element namely, remuneration many employees, for example absent themselves from work often because they feel that they are not paid enough. They look for new and better prospects because the present emoluments may not attractive enough to stay on. They agitate, pelt stones, use foul language, resort to graffiti, turn violent, and fall sick, because the remuneration paid to them may not be adequate.

Attractive remuneration enables an organization to attract, retain and motivate competent people. Retaining competent individuals for long is more difficult than attracting fresh ones. An employee's longevity of service in a particular organization depends more on non – financial benefits, but the role of financial benefits cannot be ruled out, particularly at the lower levels of hierarchy. Loyalty towards an organization also depends on his or her perception about remuneration. It is common knowledge that an employee feels satisfied or dissatisfied with his or her remuneration – not so much by the total amount he or she receives, but by comparing his or her benefits with those enjoyed by others. Comparison provides a feeling of equity or inequity. There is a sense of equity when the employee's remuneration is equal or more than the remuneration received by others in the same category of jobs. If the remuneration is lower, the employee feels he or she is inequitably treated. An employee sticks to an organization when he or she is paid equitably. The organization's pay structure must, therefore, be equitable and consistent.

Employees get motivated to perform better when their past performance is rewarded adequately. Employees set expectations about rewards and compensation to be received, if certain levels of performance are achieved. These expectations determine goals or levels of performance for the future. Employees achieving the desired level of performance expect a certain level of compensation. At some point the management evaluates and rewards the employee's performance. Employees consider the relationship

between their performance and rewards related to that performance, and the fairness of the relationship. The final step in the process will have the employee setting new goals and expectations, based on past experiences with in the organization.

Remuneration is the only HR activity which has its impact on all other functions regarding personnel. Recruitment and selection are depending up on wages and salaries offered to prospective employees. There is a close relationship between performance appraisal and remuneration. This is particularly true in the cases where '*payment by result*' schemes exist.

Incentive payment depends on the employee performance which needs to be carefully addressed. It needs no particular emphasis that union- management relations largely depend up on employee remuneration. Industrial conflicts between employees and employer take place on remuneration related issues. There are other benefits of an effective remuneration system. Such system, for example, helps the organization obtain and retain employees at a reasonable cost. In the absence of a rational payment system, employees are likely to be overpaid or underpaid. There are a number of labor acts which need to be complied with by an organization guilty and punishable. A properly designed wage and salary system helps the company avoid such possibilities.

2.11 Empirical Studies

There are different researches which are conducted on compensation management. The researcher has tried to present some of the researches which are related to study as follow.

According to Robert and Angelo (2001) the success or failure of organizations hinges on the ability to attract, develop, retain, empower and reward a diverse array of appropriately skilled people and is the key to improved performance. In their study the researchers gave emphasis on the importance of an effective compensation so as to motivate and retain competent employees towards achieving organizational goal.

Bob 2001; Brown 2003; Anyebe 2003 states compensation management as being based on a well-articulated philosophy- a set of beliefs and guiding principles that are consistent with the values of the organization which recognizes the fact that if HRM is about investing in human capital from which a reasonable return is required, then it is proper to the skills and competencies of employees in order to increase the resource-based capability of the organization. These authors stressed the merits of an effective compensation management to bring about success in organizations.

Hewitt (2009) Compensation Management as the name suggests, implies having a compensation structure in which the employees who perform better are paid more than the average performing employees. This encourages top-performers to work harder and helps to build a competitive atmosphere in the organization. Hewitt in his study emphasized the advantage of a well-designed compensation system as means of creating as sense of completion among employees so as to be compensated for the efforts performed.

In addition a study conducted by Betelhem (2015) recommended that so as to attain organizational objectives and motivate employees towards better performance, periodic needs and satisfaction level survey should be done using cost effective mechanism. In addition, the study also suggested that the need to improve the existing benefit packages and revise the compensation and benefit policy by assessing the external market condition.

Biniyam (2015) in his study also suggested that organizations need to adopt a flexible compensation practices which consider changes in the environment that is based on need assessment of employees and triggering towards solving problems of employees satisfaction, motivation and the ability to attract and retain potential employees.

Similarly, a study done by Ejigayehu (2010) stressed the need for periodic review of salary and other incentives in order to increase productivity and decrease absenteeism and turnover in organizations.

CHAPTER THREE

RESEARCH DESIGN AND METODOLOGY

3.1 Research Approach and Design

A descriptive research design was applied in order to describe and state the current compensation and benefit packages practice of the Bank. And this research design method was selected since it would enable the researcher to obtain important information with regards to the current compensation and benefit package practices of the Bank. In addition, it would also enable the researcher to obtain rich data and to have a systematic collection and presentation of data that were needed to achieve the objective. Moreover, this study used both qualitative and quantitative research approach. Qualitative research approach was used to describe and state the current practices of the Bank and to interpret the data that were collected from interview and open-ended questions in the questionnaire. In addition, quantitative research approach was employed to analyze numerical data that were gathered from the respondents through the questionnaire.

3.2 Population and Sampling Technique

Enat Bank S.C currently has a total of 470 employees that work both in city and outline branches. And out of this total population, 327 were the target population that works under different 29 branches that are found in Addis Ababa. The target population of the bank's employees and management for this study were classified into ten strata based on their position in the bank. Then the samples were selected from each stratum according to their proportion to the total population through proportionate stratified sampling technique. Therefore, 150 sample respondents were selected through proportionate stratified sampling technique. This technique was used since the company had different heterogeneous groups under each branch comprised of different

job/position categories, so this technique would give each stratum to have an equal chance of being selected.

So as to achieve the aforementioned purpose, a sample determination method developed by Yamane (1967:886) was used by the researcher as a method to determine the sample size of the study.

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

Where; **n** is the sample size

N is total population and

e is the level of precision

Table 3.1: Distribution of Sample of Respondents

	Position Categories	No. of Employees in the Stratum	Sample
1	Office Messengers & Cash Personnel	26	12
2	Trainee Enat Bankers	22	10
3	Junior Customer Service Specialists	26	12
4	Customer Service Specialists	60	28
5	Senior Customer Service Specialists	44	20
6	Branch Cash Administrators	29	13
7	Branch Account Administrators	29	13
8	Branch Credit Officers	28	13
9	Branch Auditors	28	13
10	Customer Service Mangers	6	3
11	Branch Managers	29	13
	Total	327	150

Source: Own Study (2019)

3.3 Types of Data to be used

In order to get sufficient and relevant information about the study, both primary and secondary data were used. Primary data were obtained from employees of the Bank through questionnaire and interview was held with the Human Resource Director and Division Manager of the department. And secondary data were also collected from, Human Resource Procedure Manual, survey reports of the department, and annual report of the company.

3.4 Data Collection Tools

There are two types of data collection tools primary and secondary. For the primary data collection purpose, the student researcher used questionnaire and interview data collection tools to obtain the information needed from the bank's employees and management. The study used a self-administer questionnaire in order to get sufficient data from the sample respondents. In addition, structure interview was held with the Human Resource Director and Division Manager of the department to get in-depth data regarding the study at hand. And the secondary data were collected from Human Resource Procedure Manual, survey reports of the department, and annual reports of the company.

The questionnaire used by the researcher had incorporated both close and open ended questions. The closed ended questions helped the researcher to measure the responses of different group of individuals simultaneously as they were less time consuming than other measuring instruments. The open ended questions were given in order to get different ideas from the stated group of respondents about the research at hand. Furthermore it allows respondents the freedom to express their view points and opinions as freely as possible unlike that of the closes ended questions.

The questionnaire prepared for the bank's employees and management composed of two parts. These are; Part I for demographical questions about the respondents. It included

gender, marital status, age, educational background, terms of employment, years of service, and salary of respondents. Part II comprises of both close and open-ended questions which focuses on questions related to the main topic under consideration. Both the opened and closed ended questions were very precise as much as possible so as to make the questionnaire more effective and efficient.

This section again consists of 34 questions of a Likert scale style that range from 1 (strongly disagree) to 5 (strongly agree). The sample size of the questionnaire was 150 individuals, and 135 questionnaires were filled properly returned out of the distributed questions, 135 questions were duly answered and returned.

3.5 Methods of Data Analysis

The collected quantitative data from the questionnaire were edited, coded, classified, presented in figures, and tables and finally analyzed using frequency, mean and percentage method using Statistical Package for Social Science (SPSS) version 22. Whereas the data collected from interview and open-ended questions from the questionnaire were discussed, interpreted and summarized in the form of findings.

Furthermore, document analysis method had been used so as to strengthen and support the research and also to illustrate the gap with regards to Enat Bank's policy, compensation practices as well as theories of compensation and benefit packages. Hence, the researcher used documents that show how the company works with regards to compensations and benefit packages. These documents are related to the benefits and reward systems that have been offered to employees of the bank for the last three consecutive years. To this effect, the fact that the researcher is an employee of the institution has also contributed to the privileged access to the documents that were required to achieve its purpose.

3.6 Ethical Consideration

To maintain moral and ethical behavior, all the required methods have been followed in this research study. All the data obtained from the respondents have been kept confidential and are used only for this research purpose. The name of each informant has never been requested and publicized in any case on the research paper. Anonymity of research subjects has been diligently maintained in the course of the research process. Unnecessary change and adjustments have not been practiced by the researcher

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter of the study deals with presentation, discussion and interpretation of data that were gathered from the sample respondents from survey questionnaires and interview responses that were obtained from the Human Resource Director and Division Manager of the Department. In the meantime, document analysis technique was also used so as to strengthen and support the research and also to illustrate the gap with regards to the Bank's policy and its compensation and benefit package practice. Therefore, in order to achieve the intended objective 150 questionnaires were distributed to the sample respondents that were grouped in to ten separate strata based on proportionate stratified sampling technique; and out of the distributed questionnaires, only 135 questionnaires were filled properly returned.

4.2 Analysis of General Background Information of Respondents

4.2.1 Background of Respondents by Gender

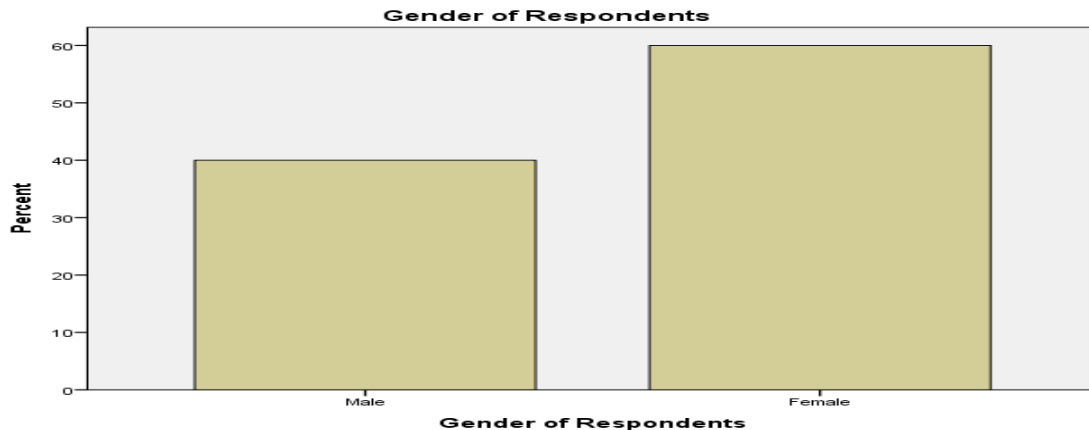


Figure 4.1: Respondents by Gender Group

Source: Survey data (2019)

As it can be seen from Figure 4.1, 60% of the study respondents are female and the remaining 40% of the respondents are male. Thus, it could be inferred from the data that the majority of the company's employees are female. Likewise, the very vision of the founding promoters of Enat Bank also emphasizes ensuring the Bank hires and mentors bright young women to continually research the best ways to ensure the bank's products reach women on progressive basis. Therefore, it can be concluded from the gender distribution of the Bank that the company is providing a great deal of opportunities by offering female candidates to be hired and achieve the vision of the company.

4.2.2 Background of Respondents by Marital Status

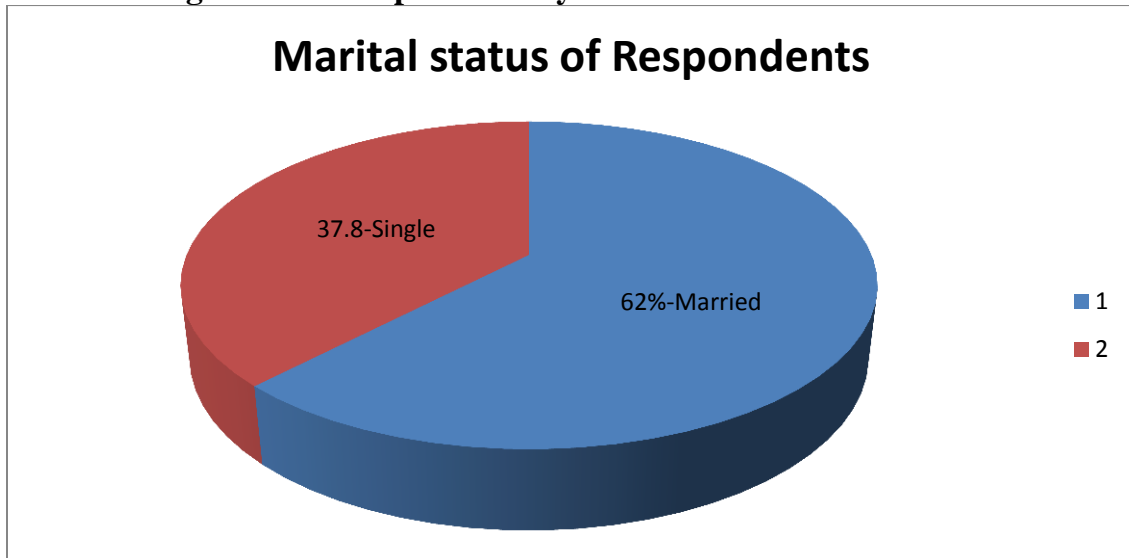


Figure 4.2 Marital Status of Respondents

Source: Survey data (2019)

Regarding respondents' marital status, 84% of respondents are married and the remaining 51% of the respondents are single. Therefore, Figure 4.2 shows that the majority of the company's employees are married. In the meantime, according to HRP (2015:57), the Bank also encourages its employees to get married by awarding Birr 1,000.00 as a bridal gift to its newly wed staffs. In addition, it also allocates Birr 500.00 for a new born baby

of the staff as an account opening in the name of the child. Thus, it can be said that the Bank supports the constitution of marriage by supporting its staffs with the available benefits packages which in turn enable employees of the company to make use of these benefits unlike that of other banks' employees.

4.2.3 Background of Respondents by Age

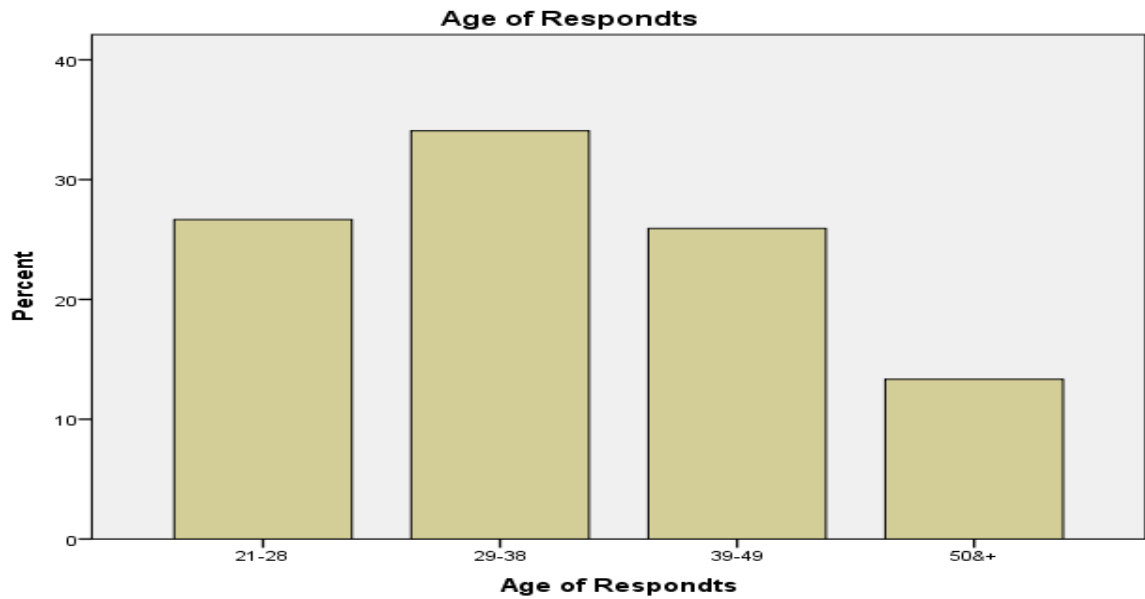


Figure 4.3: Age Distribution of Respondents

Source: Survey data (2019)

Regarding the age group of the respondents, 26.7 % of the respondents are between the ages of 21-28 and 34.1% of respondents are between the ages of 29-38. And the remaining 25.9% and 13.3% of the respondents belongs to the age group of 39-49 and 50 and above, respectively. Thus the above figure illustrates the fact that the majority of employees in the company are young. Accordingly, this is an opportunity that will enable the Bank to take the advantage of its youth and productive population by leveraging their potential and capabilities to the best interest of the company's goals and objective achievement.

4.2.4 Background of Respondents by Education Level

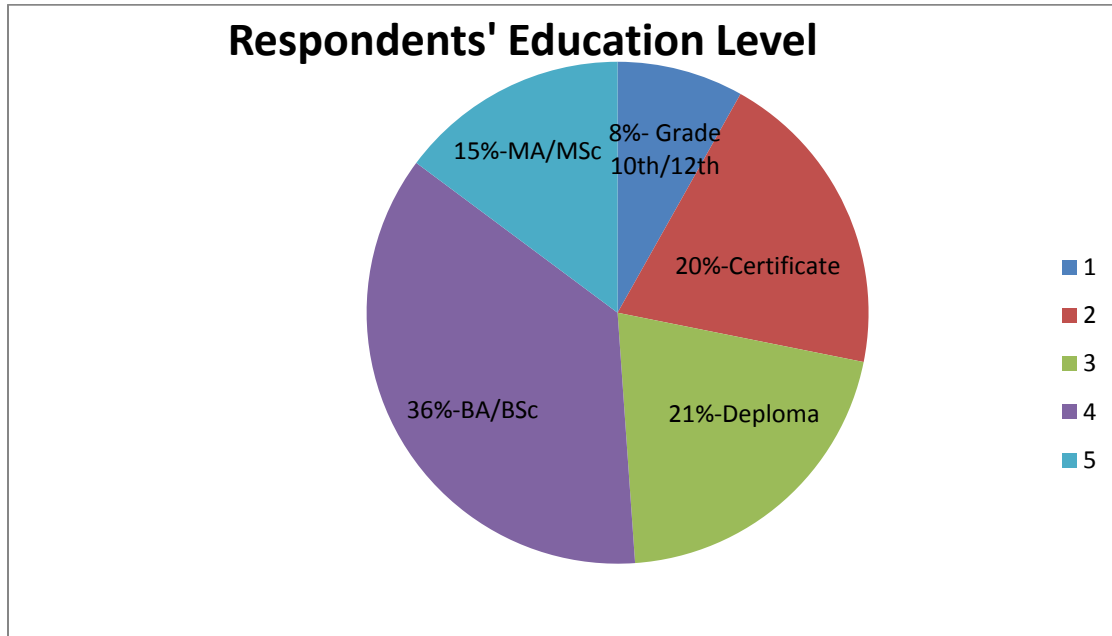


Figure 4.4: Distribution of respondents by level of education

Source: Survey data (2019)

With regard to respondents' response that are categorized under educational level, 8.1 % are 10th/12th grade complete and 20 % are Certificate holders, 20.7% are Diploma holders and the remaining 36.3% and 14.8% belongs to BA/BSc holders and MA/MSc holders, respectively. Thus, the data show that the majority of the study respondents are composed of BA/BSc and MA/MSc holders. Again, the data also implies that the company's compensation and benefit package with regards to educational assistance to be offered particularly to those employees who are expected to upgrade themselves to the next level.

4.2.5 Background of Respondents by Terms of Employment

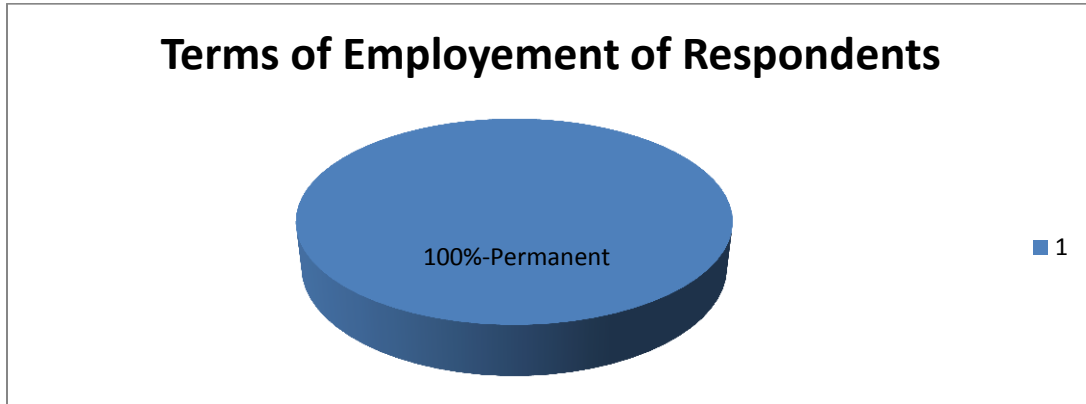


Figure 4.5: Distribution of Respondents by Terms of Employment

Source: Survey data (2019)

With regard to respondents' terms of employment, all of the study respondents are hired on permanent basis. Consequently, this in turn enables permanent employees to have the privilege to make use of the entitled standard benefits that are offered by the company.

4.2.6 Background of Respondents by Year of Service

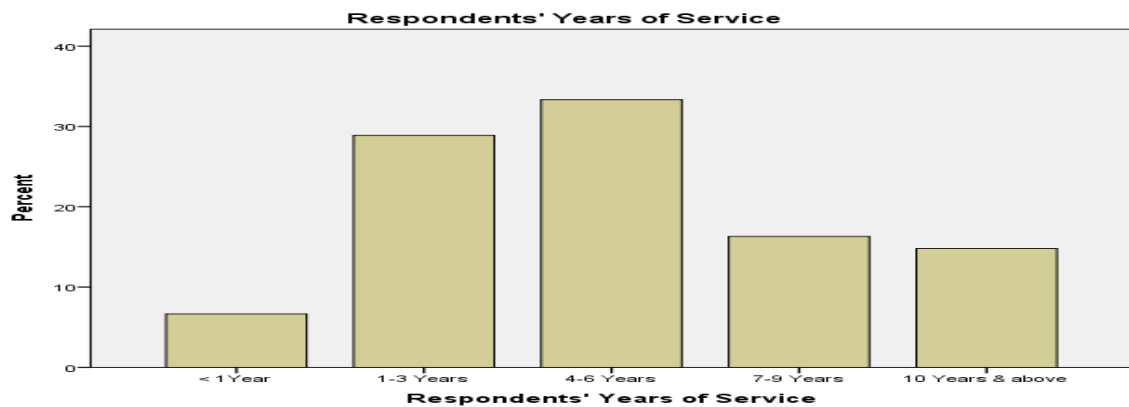


Figure 4.6: Distribution of Respondents by Work Experience

Source: Survey data (2019)

With regards to years of service in the company, among the total respondents 6.7 % have been serving the company less than a year, 28.9 % of the respondents said that they have been working in the company from a period of 1-3 years and 33.3 % of them have been serving from 4 years to 6 years. The remaining 16.3% and 14.8% of the respondents had been serving from 7-9 years and 10 years and above, respectively. So the majority of the employees had been serving the company more than from 4 years and above. So it can be inferred from figure 4.6, that the company’s employees are said to be experienced and this will enable the company to use the knowledge and experience of its employees effectively in order to achieve its goals and objectives.

4.2.7 Background of Respondents by Salary

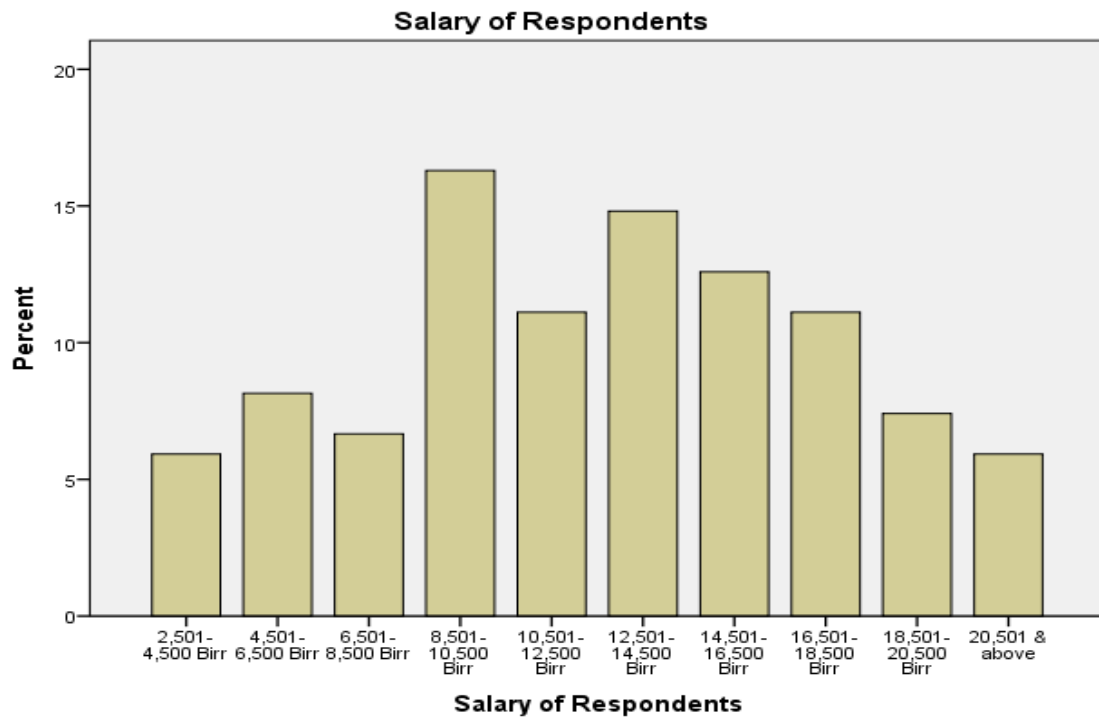


Figure 4.7: Income distribution of respondents

Source: Survey data (2019)

Regarding the respondents' salary, out of the total respondents 5.9% of them earn a salary between Birr 2,501-4,500, and 8.1% of them earn a salary ranging from Birr 4,501-6,500. And 6.7% of the respondents said that they earn a salary between Birr 6,501-8,500 while, 16.3% earn a salary between Birr 8,501-10,500. In addition, 11.1% of the respondents replied that they earn a salary between Birr 10,501-12,500 and 14.8% of the respondents said that they earn Birr 12,501-14,500. And the remaining 12.6% and 11.1% respondents also expressed their answer by saying that they are paid a salary between Birr 14,501-16,500 and Birr 16,501-18,500, respectively. Furthermore, 7.4% and 5.9% of the respondents' response constituted a salary between Birr 18,501-20,500 and Birr 20,501 and above, consecutively.

Hence, it can be concluded that the majority of employees in the company are paid between Birr 8,501-to Birr 16,500. The data also illustrates that the company's salary scale huge difference as one goes from one scale to the other. In addition the study also found out that the base salary scale of the company compared to other banks' scale is low at the time when this study was conducted. Hence, as Adam's Equity Theory, explains in chapter 2 of Review of Related Literature, companies are expected to review their pay structure so as to safeguard and ensure equity in pay structure among employee's remuneration, otherwise employees would balance inequity through a variety of ways ranging from a lowered productivity, absenteeism and finally turnover.

4.3 Analysis of Questions Related to the Topic under Consideration

4.3.1 Compensation Administration Practices & Level of Satisfaction with Current Benefit Packages

Table 4.1: Summary of Compensation Administration Practices and Level of Satisfaction with Current Benefit Package

VD=Very Dissatisfied, D=Dissatisfied, N=Neutral, S= Satisfied, VS=Satisfied

Item	VD		D		N		S		VS		Statistics
	Freq.	%	Freq	%	Freq	%	Freq	%	Freq	%	Mean
How do you rate your satisfaction with the current benefit packages of the company?	47	34.8	60	44.4	11	8.1	17	12.6	-	-	2
How do you see the compensation administration practice of the company?	48	35.6	62	45.9	16	11.9	9	6.7	-	-	2

Source: Survey data (2019)

As indicated in Table 4.1, 79.2% of the respondents have a negative response towards their satisfaction with the current benefit packages of the company followed by a response of 8.1% as neutral, while the remaining 12.6% of respondents expressed their satisfaction with the benefit package of the company. Thus based on the data the respondents provided, one can conclude that the majority of respondents are in a high level of dissatisfaction which might lead to high turnover rate.

Moreover, in their responses to the open-ended question which asked respondents to reason out what makes them to be dissatisfied, most of the respondents said that the current compensation and benefit packages of the company are said to be inadequate to satisfy its employees, benefits that are claimed to be mandatorily filled by the company are not respected.

Again respondents also mentioned that almost all benefit packages that are available in the company are not attractive and competitive like other competitive banks in the industry. Above all, among the many benefits packages of the company, house and vehicle loans are said to be almost unavailable by the respondents. In addition to that, the benefit packages are not given to all employees equally and are not implemented regularly/ repeatedly. In addition, the respondents also expressed their dissatisfaction due to the fact that company's salary scale and benefit packages are considered to be poor. Among the multi-objective of compensation management, which is stated in Chapter Two, compensation levels are needed to be complete so as to retain the present employees otherwise it might lead to high turnover. In addition, ensuring internal and external equity also has to be given a due care when distributing it to all employees fairly.

Similarly, the interview analysis of the study concerning the issue of employees' satisfaction shows the same response like that of the company's employees, to this regard both Managers were asked whether employees of the company are satisfied or not with the current compensation packages the company is offering to its employees. Accordingly, the managers stated that it is really hard to say employees of the company are fully satisfied with the existing benefit packages of the company.

In addition, based on the responses of survey questionnaires the HR Department collected on February 2019, the majority of employees expressed their dissatisfaction towards the current salary scale and the existing benefit packages the company is offering to its employees. Hence, based on the survey data the department conducted on each branch,

the department came up with decisions on those compensation and benefits that needs improvements so as to resolve employees' dissatisfaction.

With regards to respondents' view towards the compensation administration practice of the company, 36.6% of the respondents said that it is very poor, and 45.9 % of the respondents rated the compensation practice of the company as poor, while 11.9% and 6.7% rated good and very good, respectively. Therefore, one can deduce that there is a weak compensation administration practice in the company.

Table 4.2- Responses towards Attractiveness of the Benefit Packages of the Company and Competitiveness to other Industries

VL=Very Low, L=Low, M=Medium, H=High, VH=Very High

Item	VL		L		M		H		VH		Statistics
	Freq.	%	Freq	%	Freq	%	Freq.	%	Freq.	%	Mean
The company's benefit packages attractiveness towards retention of employees	37	27.4	58	43	28	20.7	11	8.7	1	.7	2.12
The company's benefit packages attractiveness compared to other similar banks	28	20.7	42	31.1	42	31.1	14	10.4	9	6.7	2.51

Source: Survey data (2019)

According to Table 4.2, which asked respondents to rate whether the company's compensation system is attractive enough to retain employees, keep their morale and

motivation, 27.4% of them pointed out by saying that it is very low, 43% of them said as low, followed by 20.7% response as moderate and the remaining 8.7% and 7% responses inclines as high and very high, respectively. Therefore, in line with the above data, one can deduce that the majority of employees are in the state of displeasure on the company's compensation and this in turn can affect its employees' morale and their feeling to be loyal to the company. Besides, this data indicates that the management is doing a little job to bring about employees' motivation and to retain competent employees in the company, in contrary to theories of motivation that are discussed in Chapter Two of Review of Related Literature.

Likewise, the interview responses of the two managers regarding the attractiveness of the existing benefit packages of the company in relation to retaining competent employees, attracting new entrants and motivating them towards the achievement of the company's objectives are not adequate enough so as to achieve the intended purpose. The managers stated that the existing compensation and benefit packages are not sufficient especially to satisfy and motivate the efforts of the existing employees as it is witnessed in the turnover rate of the company experiencing in a couple of months. Besides, complaint reports that are gathered from the department also shows that the existing benefits that are offered by the company are not satisfying the expectation of employees. Thus the managers asserted that the company's management is planning to find ways to solve these problems in the near future.

Furthermore, with regards to the question whether the company's benefit packages attractiveness compared to other similar industries, 20.7% of the respondents said that it is very low, while 31.1% of them responded by saying that it is low and 31% of the study respondents also rated the company's benefit packages competitiveness to other similar industries as moderate. And the remaining 10.4% and 6.7% responded by saying that it is high and very high, respectively. Thus, from the above data one can conclude that the company's benefit packages as compared to other similar industries are low.

However, theories of remuneration give a high emphasis on the equitable payment rate of firms by comparing with other similar competitive firms. In addition, scholars also stress on the importance of periodic pay reviews, i.e. pay must be reviewed and changed often, it should not remain stagnant.

Based on the interview responses of the HR Director and the Division Manager of the company with regards to the compensation system, Enat Bank is offering both financial and non-financial compensations to its employees. It is stated that the Bank has good compensation system in relation to the direct financial benefits. However, the managers admitted the fact that there is relatively low payment of the indirect financial payments and non-financial benefits to its employees unlike other former banks that joined the industry with huge capital. The managers also expressed that the indirect financial benefits do not go in line with the current changes of payment in the industry since the Bank is the youngest bank in the industry and its priority is mainly to the fulfillment of the minimum requirement that is set by the national bank of Ethiopia to sustain performing in the industry. In general, the managers emphasized that the direct financial payment is said to be attractive enough as compared to the indirect financial benefits as well as the non-financial benefits the company is offering to its employees.

Likewise, open-ended question No. 12, which asked respondents' opinion regarding their expectations from the compensation package of the company, the majority of the responses focuses on the improvement of the following benefits:

- ✓ The benefit packages of the company needs to be revised again by benchmarking other banks that have adequate, attractive and satisfying compensation packages is required
- ✓ Employees expect that the current benefits to be adequate enough so as to motivate its employees

- ✓ Moreover employees also expect that insurance coverage and vehicle loan schemes to be improved in order to boost employees motivation and to decrease the turnover rate of the company
- ✓ Benefits like bonus and transportation allowances need to be improved
- ✓ Employees also expect that at least housing loan should be accessible to all employees who served the bank for one year and above as per the requirement of the Human Resource Manual Procedure of the company
- ✓ Moreover employees anticipate that family medical care to be included in the benefit packages
- ✓ The company should give due care to employees benefits due to the fact that employees satisfaction matters the most so as to achieve organizational goals
- ✓ Enat Bank needs to redesign a new compensation and benefit package system that will satisfy its employees expectation
- ✓ The compensation and benefit package to be assessed & revised by benchmarking other similar industries
- ✓ Enat bank to provide the kind of benefits its employees deserve for the extra effort made by its employees
- ✓ The benefit packages to be competitive enough to attract new comers and retain its current employees and to make it compatible with the current cost of living
- ✓ Improvements should be made especially to house and vehicle loan schemes by benchmarking other banks that have attractive and satisfying compensation packages
- ✓ Still some employees of the company have no expectations at all since they believe that the company is in no position to find ways to solve the dissatisfaction that are caused by the existing benefits

- ✓ Again some other employees of the company have low expectation from the benefit packages in general since they have little hope regarding the improvement of the existing benefits

Thus, the majority of employees' responses regarding their expectations from the compensation and benefit packages of the company mainly focus on the need to improve the existing available benefits to so as to satisfy and meet employees expectations.

In addition based on the responses of the respondents', benefits like house loan, vehicle loan, insurance, bonus, transportation allowance, and the inclusion family medical care in the medical coverage were give emphasis so as to be improved by the company. Furthermore, the majority of the respondents also suggested that Enat Bank to use the experience of other banks that are performing in similar industry in order to improve the existing compensation and benefit packages to the company which in turn makes it to be equitable and consistent, both internal and external.

Apart from these, the responses also show that even some respondents of the study have low expectation towards the current compensation and benefit packages of the company since they believe that the company is not in the position to find solution to that regard. Thus, as the importance of an ideal remuneration system explains in Chapter Two, companies are expected to have an effective system of compensation so as to attract, retain and motivate competent employees. Hence, the above listed responses of respondents provide the management of the company to have an indication on areas the need improvement while working on it to that regard.

Table 4.3- Responses Regarding Adequateness of the Company’s Benefit Package and Turnover Rate

VL=Very Low, L=Low, M=Medium, H=High, VH=Very High

Item	VL		L		M		H		VH		Statistics
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Mean
Adequateness of the Company’s compensation packages towards satisfaction	41	30	53	39	28	20.7	8	5.9	5	3.7	2.13
How do you rate the turnover rate of the company?	13	9.6	26	19	49	36	27	20	20	14.8	3.11

Source: Survey data (2019)

Regarding table 4.3, which asked respondents to level the adequateness of the current compensation and benefit packages of the company, 30.4% of the respondents rated very low, 39.3% expressed their opinion regarding the adequateness of the company’s compensation and benefit packages as low. In addition to these, 20.7% of the respondents rated moderate, followed by 5.9% and 3.7% responses that are said to be high and very high, respectively. Hence, one can deduce from the above data that the company’s compensation and benefit packages are inadequate so as to retain and motivate its employees. Thus if not tackled immediately, this inadequate benefits would initiate the company’s employees to look for other better opportunities that will fulfill their expectations.

Moreover, as it is indicated in table 4.3, regarding to the turnover rate of the company, 9.6% of the respondents said that there is very low turnover rate, 19.3% of the respondents said that it is low, while 36.3% of them pointed out that it is moderate and the remaining 20% and 14.8% of them responded by saying that the turnover rate is high and very high, consecutively.

Likewise, the interview responses of both managers towards this regard explain the fact that there is a moderate level of turnover rate especially these days due to dissatisfaction of employees with the current compensation and benefit packages the company is making available to its employees. According to these managers, even though the company is making salary adjustment to its employees, it could not solve the problem of turnover that are related to inadequate benefit packages which led most of the experienced staffs leave the company for other better prospects.

Similarly, both managers were asked about the current turnover rate of the company and based on the exit interview held by these managers, they confirmed the fact that there is a moderate turnover rate these days due dissatisfaction created by the provision of inadequate benefits and lack of promotion that is resulted by low expansion pace of branches both in city and outline branches. According to these managers, even though the company is offering attractive direct financial benefits to its employees, it could not solve the problem of job promotion opportunities to its employees as there are no enough vacant positions that will accommodate the existing demands employees to the available positions of the company. Thus, this is believed to let most of the experienced and senior ex-staffs to leave the company for better positions and benefits.

Table 4.4: Responses Related to Salary Attractiveness with Regards To Responsibility & Service Provided

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	74	54.8	55.2	55.2
	No	60	44.4	44.8	100.0
	Total	134	99.3	100.0	
Missing	System	1	.7		
Total		135	100.0		

Source: Survey data (2019)

With regards to the question whether respondents' salary is attractive enough to the responsibility and service they are providing to their company, out of the total respondents 55% of them said that their salary is attractive for the responsibility they are discharged and the service they provide to the company, while 45% of them expressed their displeasure regarding the attractiveness of their salary.

Thus, from this data one can conclude that the company's salary rate is somewhat satisfactory enough to the responsibility and services provided by the employees. This comes to the conclusion that the majority of the respondents approval of the salary's attractiveness towards the responsibility and service provided to the company.

Table 4.5: Responses Related to Reward System and Management-Employee Discussion on Compensation Administration Practice

VL=Very Low, L=Low, M=Moderate, H=High, VH=Very High

Item	VL		L		M		H		VH		Statistics
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Mean
Extent of chance given regarding management-employee discussion on compensation practice	43	32	54	40	28	20.7	10	7.4	-	-	2.04
How do you see the reward system of the company?	40	30	53	39	25	18.5	17	12.6	-	-	2.14

Source: Survey data (2019)

Regarding the extent of chances given to employees to discuss about the compensation administration practice with the management, 31.9 of the respondents said that the chance is very low, and 40% of them also believe that the chance is even low, while the remaining 20.7% and 7.4% pin pointed that the chance given by the management to discuss the issue is moderate and high, respectively.

Based on the interview responses of the managers concerning the chance employees of the company are given to discuss with the management about the compensation administration of the company, the managers responded that until this point the Bank did

not participate its employees in the compensation administration discussion with the management of the company.

Furthermore, the report of survey conducted from the respondents' responses on February, 2019 also show that respondents dissatisfaction towards lack of employee-management discussion regarding the compensation system practice of the company.

Therefore, based on the responses of the respondents and the report survey data, one can deduce that the management is not giving a due attention regarding participating its employees in the compensation system planning and discussion. This in turn has an adverse effect in creating a good employment relationship with the employees in order to solve organizational problems of the company. Thus, as it is indicated in the Review of Related Literature, if all organizations desire to have a very efficient and effective remuneration system, companies must provide their employees the very chance to discuss it with their own employees.

Concerning the question that asked respondents their view points towards the reward system of their company, 29.6% of the respondents said that the company's reward system is very poor, and 39.3% of the respondents also expressed their response towards the company's reward system as low. The remaining 18.5% and 12.6% of respondents forwarded their response concerning the reward system as good and very good, respectively. Therefore, from the above data one can deduce that the company's reward system is poor so as to motivate and keep the morale of its employees.

However, as the theories of motivation explain it in Chapter 2, the company is expected to do a lot of job in creating and implementing a practical reward system which enable it to reward and motivate the efforts of its employees. Besides, employees perform better when their previous efforts are rewarded adequately. Thus, they set expectations about rewards and compensations to be received, if certain levels of performance are achieved.

Table 4.6- Responses Related to the Provision of Monetary & Non-Monetary Rewards

SD=Strongly Disagree, D=Disagree, N=Neutral, A=Agree, SA=Strongly Agree

Item	SD		D		N		A		SA		Statistics
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Mean
Provision of Monetary Rewards to employees	28	20.7	49	36.3	35	25.9	11	8.1	12	8.9	2.48
Provision of Non-monetary Rewards to employees	35	25.9	56	41.5	24	17.8	12	8.9	8	5.9	2.27

Source: Survey data (2019)

Regarding the question that asked respondents whether the company is providing monetary reward to appreciate the efforts of outstanding employees, 20.7% of the respondents strongly disagreed to wards with the provision of monetary rewards, while 36.3% of expressed their disagreement, while 25.9% responded as neutral to the above raised question. However, the remaining 8.1% and 8.9% of respondents' responses inclined towards the company's provision of monetary rewards to outstanding employees. Therefore, from the above data it can be concluded that, the company is expected to do enormous jobs so as to reward and appreciate the efforts of its employees. As it is discussed in the importance of an ideal remuneration system to companies, in Chapter 2, employees perform better when organizations reward their past performance adequately and they set a goal in order to be compensated for their desirable efforts. Unless these conditions are not met, employees would balance their effort through a variety of ways from a lowered motivation, decreased productivity and finally departing the organization for good.

Similarly, regarding to the question that was raised concerning respondents' view points towards the provision of non-monetary rewards to appreciate the efforts of outstanding performers, 25.9% of the respondents expressed their strong disagreement regarding the provision of the reward and 41.5% of the respondents also said that they disagree regarding the reward's provision, while 17.8% forwarded their response as neutral. In contrary to that, 8.9% and 5.9% of the remaining respondents expressed their consent towards the provision of the non-monetary rewards to its employees. Thus, as it is illustrated in the above table, the majority of respondents' response inclined to the absence of adequate non-monetary rewards to motivate the performance of its employees. However, the Human Resource Procedure Manual (2015:52) of the company explicitly stated: "the provision of certificate and financial reward to outstanding employees" even if the respondents' response briefly shows the gap between what it is written on the procedure and actual reward practice.

The interview responses of the managers also asserted that the company is not doing much work currently to bring about the motivation of the company's employees. However, as a common practice, the company does different activities such as; providing monetary incentives like one step bonus, appreciation certificates and awards to its employees who showed best performance at the beginning of the bank establishment. This had reinforced a positive effect in creating a sense of competition among individuals and group members of the company even though the practice did not become sustainable as it was intended to.

Moreover, in open ended question No. 13, respondents are questioned regarding their expectations towards the existing monetary and non-monetary rewards the company is providing to employees. In line with the aforementioned question, respondents explained that:-

- ✚ Both rewards should be implemented practically in a continuous manner and it should not be a one-time activity
- ✚ The type of rewards that has to be provided by the company needs to be based on the performance of the employee
- ✚ The monetary rewards should be applicable so that employees can be motivated and boost productivity to the company
- ✚ A new reward system that will motivate, enhance and appreciate employees' effort ought to be designed and implemented accordingly since the current one is not basically applied as it is supposed to
- ✚ Have no expectation since the provision of the benefits to employees is seen as a luxury by the company managements in the eyes of some employees
- ✚ Expect the monetary rewards to be amended in short time otherwise it would discourage the motivation of the workforces
- ✚ Have very low expectation from the reward system of the company since it is not going to be practical
- ✚ the reward system to be practical to bring about employees motivation, retain competent employees and encourage other applicants to who want to join company
- ✚ To provide free scholarship as a reward for outperformers which in turn will inspire others to be dedicated enough to achieve this benefit
- ✚ Expect financial awards to be given to top performer employees of the company as per the Human Procedure Manual of the company
- ✚ Expect a new system of reward to be designed and implemented in due time

Thus, the above responses of the respondents shows that the company's reward system is expected to be practical enough in order to encourage the efforts of employees that meet the required or the desired level of performance compared to the given standard measurements of the company. Similarly, the responses also demonstrate employees'

expectations of both monetary and non-monetary rewards to be implemented consistently and the rewards to given to outperforming employees as per the criteria that are listed on the Human Procedure Manual of the company.

Moreover, respondents' opinion also entails that the reward should be give based on the performance of an employee. In addition, some of the respondents' responses show that employees have little expectation towards the improvement of the provision and practicability of both monetary and non-monetary rewards so this in turn entails that company is expected to find an immediate solution so as to meet the expectations' of its employees and also to reward the efforts of outperforming employees.

Table 4.7: Responses Related to Direct Financial Compensations and Benefits towards Employees' Motivation

VL=Very Low, L=Low, M=Moderate, H=High, VH=Very High

No.	Compensation & Benefit Packages	VL		L		M		H		VH		Statistics
		Fre	%	Fre	%	Fre	%	Fre	%	Fre	%	Mean
1	Salary	16	11.9	18	13.3	33	24.4	40	29.6	28	20.7	3.34
2	Bonus	-	-	17	12.6	23	17.0	58	43.0	37	27.4	3.85
3	Provident Fund	11	8.1	28	20.7	38	28.1	38	28.1	20	14.8	3.21
4	Medical Coverage	1	.7	5	3.7	22	16.3	51	37.8	56	41.5	4.16
5	Job Promotion	19	14.1	53	39.3	34	25.2	22	16.3	7	5.2	2.59

Source: Survey data (2019)

Regarding the provision of the company's direct financial compensation, 11.9% of the respondents rated the company's salary as very low towards its motivation and 13.3% of them ranked it as low, while 24.4% of the respondents rated the salary as moderate. However, the remaining 26.9% and 20.7% of the study respondents rated the company's salary as high and very high, respectively. Thus the above data indicates that the company is offering a relatively moderate salary to its employees. Therefore, in order to enhance the motivation of its employees the company is expected to review its salary scale as per the responses of its employees.

On the other hand, out of the total respondents, 12.6% ranked the company's provision of bonus as low, 17% of them pointed out that it is moderate, while the remaining 43% and 23.4% of the respondents expressed their consent regarding the bonus provision as attractive towards its motivation. Therefore, one can infer from the above data that employees are satisfied by the amount of bonus provision the company is making available to its employees. Accordingly this benefit provision can be used by the company as a tool to motivate the efforts of those employees that show extra effort or outstanding performance throughout the year apart from the provision of collective bonus to all employees.

Concerning the level of provident fund attractiveness towards its motivation to employees, 8.1% and 20.7% of the respondents leveled the attractiveness of the provident fund as very low and low, while 28.1% of them rated it as moderate followed by 28.1% and 14.8% respondents' consent which makes the company's provident fund attractiveness to be high and very high, respectively. Therefore, it can be deduced that there is a moderate provision level of provident fund in the organization towards motivation of its employees.

When we see the medical coverage benefit package responses of respondents, only 7% and 3.7% of the respondents said that the medical coverage towards its satisfaction to

employees as very low and low, while 16.3% of them rated moderate regarding the existing benefit package the company is making available. In contrary to that, 37.8% and 41.5% of the total respondents expressed their satisfaction by ranking it as high and very high. Consequently, the majority of the respondents' responses show that the company is providing an excellent medical coverage package to its employees.

Regarding job promotion opportunity, 14.1% of the Respondents rated the job promotion opportunity as very low, 39.3% of them said that there is low promotion, while 25.2% said that the promotion opportunity is moderate. Again the remaining 16.3 and 5.25 % forwarded their consent towards the desirability of the job promotion opportunity. Hence, the above data indicates that the company is expected to find ways to solve the problem of job promotion to its employees so as to motivate and satisfy employees' expectations

Table 4.8: Responses Related to Non-financial Compensation & Benefit Packages towards Employees' Motivation

VL=Very Low, L=Low, M=Moderate, H=High, VH=Very High

N o.	Compensation & Benefit Packages	VL		L		M		H		VH		Statis tics
		Fre	%	Fre	%	Fre	%	Fre	%	Fre	%	Mean
6	Appreciation/ Non-Monetary rewards	45	33	56	41.5	27	20	7	5.2	-	-	1.97
7	Monetary/Finan cial Rewards	21	16	58	43.0	36	26.7	20	15	-	-	2.41
8	Cafeteria Service	37	27	49	36.3	35	25.9	8	5.9	6	4.4	2.24
9	Annual Trip	67	50	45	33.3	22	16.3	-	-	-	-	1.66
10	Insurance Coverage	-	-	5	3.7	28	21	43	32	59	44	4.16

Regarding the existing appreciation/non-monetary awards of the company, 33.3% of the respondents rated the provision of the non-monetary reward as very low, 41.5% of them also rated low, and 20% of the respondents said that the existing non-monetary rewards are moderate towards their motivation, while 5.2 % of the respondents said that it is high. In line with the above data, it can be concluded that the majority of the respondents' responses towards that the provision of the non-monetary awards to motivate the efforts of its workforce is inadequate. So this inadequate benefit needs to be upgraded in order to initiate the performance of employees.

Apart from that, respondents were also asked to express their views to the existing monetary or financial rewards and 15.6% of the total respondents expressed their disagreement regarding the availability of the benefit, while the other 43% also said that the reward accessibility as low followed by 26.7 and 14.8 responses that ranked the benefit as moderate and high, respectively.

Again when we see the cafeteria service of the company, 27.4% of the respondents rated the service as very low towards creating a sense of motivation to them, and also 36.3% of them ranked the cafeteria service as low, while 25.9% of them rated moderate. Apart from these, 5.9% and 4.4% responses of respondents show their satisfaction towards the company's cafeteria service. Thus, the data indicate that the company provides a moderate service of cafeteria which needs to be improved in the meantime so as to meet employees' expectation and satisfaction.

Out of the total respondents 49.6% and 33.3% rated the company's annual trip package as very low and low, respectively while the remaining 6.3% of the respondents ranked the benefit in relation to its motivation as moderate. Therefore, the above data brings the generalization that the company is doing very little job regarding recreational activities which is a likely good factor in motivating and uplifting the morale of its workers.

With regards to insurance coverage benefit of the company, 3.7% of the respondents rated the benefit as low, and 20.7% of them said that it is moderate and the remaining

31.9% and 43.7% of the respondents' reply shows the satisfaction of its employees towards the provision of the existing benefit. Again 9% of the respondents expressed their response as neutral with this regards. Therefore, from this data it can be concluded that the company provides the finest insurance coverage that will motivate and satisfy its employees' expectations.

Table 4.9: Responses Related to Different Types of Loans towards Employees' Motivation

VL=Very Low, L=Low, M=Moderate, H=High, VH=Very High

No	Compensation & Benefit Packages	VL		L		M		H		VH		Statistics
		Fre	%	Fre	%	Fre	%	Fre	%	Fre	%	Mean
11	Staff/Emergency Loan	12	8.9	43	31.9	32	23.7	29	21.5	19	14.1	3
12	Personal Loan	7	5.2	22	16.3	35	25.9	38	28.1	33	24.4	3.5
13	Vehicle/Automobile	58	43.0	57	42.2	20	14.8	-	-	-	-	1.72
14	House Loan	47	34.8	72	53.3	16	11.9	-	-	-	-	1.77
15	Managerial Perks	8	5.9	30	22.2	37	27.4	41	30.4	19	14.1	3.2

Source: Survey data (2019)

In line with the provision of staff/emergency loan benefits of the company in relation to its employees' motivation, 8.9% of them expressed their disapproval by replying that it is very low followed by a 31.9% response rate that also ranked the benefit attractiveness as low, while 23.7% of them responded as moderate. The remaining 21.5% and 14.1% of the respondents expressed their consent about the desirability of the available benefit to its employees. Thus, as it can be inferred from the above data that the company is providing a moderate amount of staff loan scheme for its employees.

Out of the total respondents, 5.2% of the respondents rated the company's personal loan scheme towards satisfaction as very low and 16.3% of them also expressed their view points by saying that the benefit is low. Apart from these responses, 25.9% of them ranked the company's personal scheme to be moderate. The remaining 28.1 and 24.4% of the respondents' responses constitute the desirability of the existing benefit package the company is making available to its employees. Hence, the aforementioned finding of the study leads to the conclusion that the company's personal loan scheme provided to its employees is satisfactory.

With regards to the vehicle/automobile benefit package the company is making available to its employees, 43% and 42.2% of the total responses show that respondents disagreement regarding the availability of the benefit, while 14.8% of the respondent responses ranked the benefit as moderate. As it is shown in the above data, the company's is expected to do a fundamental adjustment towards the accessibility of this benefit package to satisfy the needs and expectation of its employees since the provision of this benefit can be used by staff members of the company to solve the dissatisfaction that are likely created by the available transportation services that employees use currently.

Regarding the company's house loan benefit in relation to its employees' motivation, 34.5% of the total respondents shown their discontent with regards to the accessibility of this benefit. Again 53.3% of the respondents also expressed their dissatisfaction regarding the existing benefit, while the remaining 11.9% respondents pin pointed that the provision of the benefit is moderate. Therefore, it can be inferred from the data above that the company's house loan scheme is said to be almost unattainable so as to satisfy the basic needs of the employees. Thus unless the company attempt to find immediate solution towards this issue, it is likely that employees will start to look for other banks that have a better louse loan benefits that will solve problems related to the accessibility of this basic need.

Out of the total respondents, 5.9% and 22.2% of the respondents rated their view points as very low and low, respectively regarding the desirability of managerial perks of the company followed by a 27.4% of responses of moderate rank given by the respondents. In contrary to these responses, 30.4% and 14.1% responses show a positive response towards the attractiveness of this benefit of the company. Hence, it can be deduce from the data shown above that the managerial perks of the company are said to be satisfactory enough to motivate its employees.

Table 4.10: Responses Related to Indirect Financial Compensation & Benefit Packages towards Employees' Motivation

VL=Very Low, L=Low, M=Moderate, H=High, VH=Very High

No	Compensation & Benefit Packages	VL		L		M		H		VH		Statistics
		Fre	%	Fre	%	Fre	%	Fre	%	Fre	%	Mean
16	Uniforms	10	7.4	38	28.1	25	18.5	36	26.7	26	19.3	3.22
17	Laundry Allowance	42	31	32	23.7	44	32.6	12	8.9	5	3.7	2.30
18	Educational Assistance	63	47	50	37.0	20	14.8	1	.7	-	-	1.69
19	Transportation Allowance	39	29	37	27.4	23	17.0	21	15.6	15	11.1	2.53
20	Cash Indemnity	43	32	47	34.8	26	19.3	11	8.1	8	5.9	2.21

As it is shown on Table 4.10, 7.4% and 28.1% of respondents answered that the provision of uniforms to the bank employees is not sufficient, and 18.5% of them responded by saying that the provision of this benefit is moderate, while 26.7% and 19.3% of them replied that it is adequate. Therefore, based on the finding of the above data it can be said that the company provides sufficient uniforms to its employees.

In line with the provision of uniforms to its employees, the company also allocates laundry allowance of Birr 200 to those employees who wear uniforms. According to the responses of 31.1% and 23.7% of the respondents, the company's laundry allowance is very poor, while 32.6% of them said that the laundry allowance is moderate. Moreover, 8.9% and 3.7% of respondents replied that the allowance is high and very high, respectively. Thus, the finding shows that the company's laundry allowance to its employees is very poor and needs adjustment to satisfy its employees' expectation.

Apart from the aforementioned compensation and benefit packages the company is offering to its employees, educational assistance is also included as one of the benefits that employees are to be entitled with as long as they agree to serve the company for some years. With regards to the opportunity of educational assistance benefit the company is providing and its motivation to employees, 46.7% and 37% of respondents said that the accessibility of the benefit is almost attainable, and 14.8% of them rated the benefit as moderate, while the remaining 7% responded that the provision of educational assistance is high. Therefore, from the above figure it can be generalized that the opportunity of educational assistance to upgrade the career status of the company's employees by using the existing benefit is almost impossible and this in turn has an impact on the efficiency of its employees in particular and the productivity of the company in general unless the company is finding ways to implement the practicality of benefit as it is incorporated in the compensation and benefit package scheme of the company.

The other benefit package the company is providing to its employees is transportation allowance as per the fuel price of the market. And regarding the transportation allowance of the company, 28.9% and 27.4% responses of the respondents' show their dissatisfaction with the amount of transportation allowance the company is allocating and 17% of them rated the allowance as it is moderate, while the remaining 15.6% and 11.1% expressed their satisfaction with the existing transportation allowance the company is providing to its employees. Hence, the above data shows that the company's transportation allowance

needs to be improved as per the current market of fuel and high cost of living so as to satisfy the expectation of the company's employees.

The other benefit package of the company is providing to those employees who are engaged on cash activities like, tellers and cash administrators, is cash indemnity so as to minimize and compensate possible cash shortage that could happen while performing cash transactions. Thus respondents were asked to express their viewpoints regarding the extent of the benefit the company is providing to its respective employees and 31.9% and 34.8% of the respondents expressed their disagreement with the adequateness of the benefit and 19.3% rated the allowance as moderate. The remaining 8.1% and 5.9% replies show a positive response regarding the allowance the company is providing to tellers and cash administrators. Therefore, the provision of the existing benefit in relation to its employees' expectation if found out to be inadequate in order to bring about the required level of employees' motivation.

Table 4.11: Responses Related to Different Types of Leaves towards Employees' Motivation

VL=Very Low, L=Low, M=Moderate, H=High, VH=Very High

No	Compensation & Benefit Packages	VL		L		M		H		VH		Statistics
		Fre	%	Fre	%	Fre	%	Fre	%	Fre	%	Mean
21	Over Time Payment	41	30.4	46	34.1	32	23.7	16	11.9	-	-	2.17
22	Wedding Leave	52	38.5	39	28.9	37	27.4	6	4.4	-	-	1.98
23	Mourning Leave	43	31.9	48	35.6	32	23.7	12	8.9	-	-	2.10
24	Paternity Leave	43	31.9	52	38.5	31	23.0	8	5.9	1	.7	2.05
25	Exam Leave	37	27.4	41	30.4	27	20.0	22	16.3	8	5.9	2.43

Source: Survey data (2019)

In response to the question that was raised regarding the provision of overtime payment and its motivation towards the satisfaction of the company's employees, 30.4% and 34.1% respondents rated the benefit as very low and low, continuatively. Again 23.7% ranked the existing benefit as moderate, while the responses of 11.9% show that the overtime payment is high. Hence the majority of the responses show the viewpoints of respondents regarding the existing benefit the company is providing to its employees are beyond their expectation. Hence, the company is expected to make adjustment so as to compensate adequately overtime jobs that requires the privilege of the benefit to its employees.

The other benefit the company is offering to employees who are going to be married is wedding leave. And in their response to the above mentioned benefit, 38.5% and 28.9% expressed their point of view as the amount of leave allotted to wedding is very low and low, respectively. Again 27.4% stated that the benefit is moderate, while the remaining 4.4% responses show the consent of the respondents with the adequateness of the existing benefit. Thus the above figure implies employees' dissatisfaction regarding the amount of days allotted for the event.

Regarding the benefit of mourning leave entitlement, the response of 31.9% and 35.6% show their disagreement regarding the adequateness of the benefit followed by the responses of 23.7% that ranked the benefit as moderate. The remaining 8.9% of the respondents expressed the provision of the benefit as adequate. Therefore, the finding shows that the majority of the respondents view point regarding the benefit is beyond their satisfaction. Therefore, the provision of this benefit requires improvement so as to meet the expectation of the company's employees.

Paternity leave is also the other benefit the company provides to those male employees who gave birth to a new born baby. The above table also questioned respondents to express their views towards the existing benefit and 31.9% of the total respondents rated

the benefit as very low followed by a response rate of 38.5% that also stated that it is low. Again 23% of the respondents ranked the benefit as moderate, while the remaining 5.9% and 7% responses inclined to their approval as the existing benefits are adequate enough to serve its purpose of the leave. Hence, apart from the other leaves that are claimed to be inadequate by the respondents, paternity leave also ought to be put in mind since it shows respondents dissatisfaction towards its provision.

Apart from all the compensation and benefits packages which have been discussed so far, the company also provides five days exam leaves annually to those employees who want to pursue further study as self-sponsored or who got the chance to make use of the educational assistance the company is offering to its employees. Thus in their response to the aforementioned benefit the company is making available, 27.4% and 30.4% responses show that the existing benefit is not adequate enough to attain the purpose of the leave, followed by a response of 27% that stated that the benefit is moderate. The remaining 16.3% and 5.9% responses indicate that the existing benefit is sufficient enough so as to make use of the leave to pursue further education.

Therefore, from the finding of the above data one can conclude that the existing benefit provision in relation to employees' satisfaction and motivation is beyond their expectation. Thus consideration has to be made so as to meet the expectation of those employees of the company that are pursuing further studies and also to those employees who are planning to make use of the benefit in the near future as well.

In addition, the last open ended question also inquired respondents' opinion concerning the type of benefit package that needs improvement in order to motivate and satisfy the workforce of the company. Accordingly, the majority of respondents' replies indicate that:

- ❖ House, automobile loans and educational assistance should be accessible to all employees who meet the requirement of the benefit entitlement criteria

- ❖ Staff loans, job promotion, cafeteria service & annual trip also should be improved to motivate & uplift the spirits of the workforce
- ❖ Salary scale should be checked especially to the base salary since it is very low and dissatisfying compared to the current market of the industry
- ❖ Transportation allowance, both monetary and non-monetary rewards also should be implemented to motivate the effort of the bank's employees
- ❖ Different types of leaves also should be revised since they are inadequate to meet the purpose they are allotted
- ❖ Overtime payments and shift work should be arranged for those positions that need extra hours of work
- ❖ Transportation allowance should go in line with the current fuel market price of the country
- ❖ At least house rent allowance to be included in benefit package since accessing the privilege of house loan is almost impossible
- ❖ Medical coverage benefit of the company to include at least some family members apart from the entitlement of the benefit to the staff member of the company only
- ❖ Appreciation & non-monetary rewards to be exercised practically in order to motivate employees to exert much effort towards the achievement of organizational goals

The response of the respondents explains that the bank revises its compensation system in order to enhance those compensations and benefit packages that need vital improvement. Moreover, employees also expect the provision of rewards based on employees' job performance, an equitable salary scale and benefit package compared to other similar industries, management-employee discussion on compensation planning and practice, a desirable reward system that strives towards the satisfaction and motivation of its employees, availability of adequate job promotion opportunities, payment and benefits

that consider the current market rate and high cost of living. Therefore, the majorities of respondents' responses mainly focus on the need for the existing compensation and benefit packages system of the company to be revised again so as to retain, satisfy the expectation of its employees and also to attract qualified candidates to the company.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter constitutes the major finding of the study and conclusion; followed by a possible solution to improve the existing compensation and benefit package practice of the company towards meeting the expectation of its employees.

5.2 Summary

The findings of the study mainly focus on employees' dissatisfaction with the provision of the existing compensation and benefit packages of the company. This was explained in relation to inadequate compensation and benefit provision, a poor reward and compensation administration system, lack of job promotion opportunity, absence of management-employee discussion towards compensation planning and discussion, moderate level of staff turnover rate due to insufficient and undesirable benefit provision, and in equitable payment of salary and benefits as compared to other banks performing in the industry.

Among the many compensation and benefit packages the company was offering to its employees, provident fund, transportation allowance, monetary and non-monetary rewards, cafeteria service, educational assistance, house and vehicle loans, annual trip, overtime payments and different types of leaves were found out to be inadequate with the expectation of its employees.

Moreover, employees of the company also expressed their expectation from the compensation and benefit packages of the company to be attractive and satisfying towards the responsibilities they are discharged and the service they provide to the company, payment and benefit privilege accessibility to be equitable to all employees both internally and externally, revision of the salary scale and rewarding the efforts of outstanding employees of the company.

5.3 Conclusion

Compensation is a tool used by management for a variety of purpose to further the existence of the company in a dynamic competitive market. Among the multi-purpose companies use compensation, recruiting and retaining qualified employees, increasing employees' satisfaction, reward and encourage peak performance, achieve internal or external equity, reduce turnover and encourage company loyalty are the main one.

Enat Bank's compensation system consists of the provision of both financial and non-financial compensations and benefits. Even though some of the direct financial compensations were claimed to be adequate enough to bring about employees' job satisfaction, the indirect financial compensations as well as the non-financial compensations and benefits were found out to be inadequate in line with the current market of the industry.

The existing compensation and benefit package system of the company has been challenged by a moderate level of staff turnover that were resulted in search of better benefits and prospects which are provided by other competitive banks performing in the industry. In addition to this, lack of job promotion opportunity due to steady expansion pace of branch was also regarded as the other cause that affected the compensation practice of the company apart from the inadequate benefit packages that are offered by the company.

Thus, employees of the company expect a lot from the compensation system of the Bank. The major one includes: a revised compensation system which basis on employees' job performance, an equitable salary scale and benefit package compared to other similar industries, management-employee discussion on compensation planning and practice, a desirable reward system that strives towards the satisfaction and motivation of its employees, availability of adequate job promotion opportunities, payment and benefits that consider the current market rate and high cost of living.

Apart from the aforementioned limitations that were associated with the compensation and benefit package practice of the Bank, the reward system that has been written on the Human Resource Procedure Manual is not being implemented consistently to enhance the motivation and morale of employees. And this poor reward system brought a bearing effect on employees' satisfaction and a moderate rate of staff turnover. Therefore, if not tackled properly this may affect the motivation of employees in particular and the profitability of the company in general.

5.5 Recommendations

Based on the facts, major findings and conclusions made so far, the student researcher of this study come up with different issues that need improvement. Therefore, the following suggestive recommendations are forwarded:-

- It is highly recommended that the company practically implement the reward system on progressive way in order to motivate the efforts of its employees since employees get motivated to perform better when their previous performance is rewarded adequately.
- It is strongly advised that the management involve its employees in compensation planning and discussion because this will help the management to clearly figure out areas that needs improvement from the feedbacks of subordinates and again this in turn will bring about employees' sense of belongingness to company.
- It is also advisable that Enat Bank revises its compensation and benefit package system once again by examining carefully those compensations and benefits which need fundamental improvement by taking consideration the experience of other similar banks performing in the industry.
- It is also suggested that the company ensures both internal and external equity by paying comparable salary scale and benefits to its employees. This will enable the company to attract, retain and motivation competent employees.
- In addition to these, it is advisable that the company make use of pay-review system on some predetermined time. This review system helps the company to make adjustments with regards to the high cost of living and also to go in line with the current market payment of the industry.
- It is strongly recommended that the bank to accelerate expansion of branches so as to decrease the turnover rate of employees that are caused by lack of job promotion.

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APPENDICES

Appendix A

**ST.MARY’S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
DEGREE OF MASTERS IN BUSINESS ADMINISTRATION
(GENERAL)**

**QUESTIONNAIRE TO BE FILLED BY EMPLOYEES OF
ENAT BANK S.C**

This questionnaire is designed to collect necessary data from the compensation system and Benefit Packages practice of Enat Bank S.C.

Dear respondents, the purpose of this study is to conduct a research for the partial fulfillment of Master’s Degree in General Management. Your responses and views are very important to the outcome of this research. So you are requested to express and forward your opinions as frankly as possible.

Please, put “✓” mark in the box provided for the reply you presume is correct and write briefly for those questions that are open –ended and require your opinion.

To make it confidential, do not write your name.

Thank you in advance for your cooperation!

I. GENERAL INFORMATION

1. Gender

- Male
- Female

2. Marital Status

- Married
- Single

3. Age.....Years

- 18-28
- 29-39
- 40-49
- 50 and above

4. Education Level

- 10th /12th complete
- Certificate
- Diploma
- BA/BSC
- MA/MSC

5. Terms of Employment

- Permanent
- Contract

6. Years of serviceYears

- Less than 1 year
- 1-3 Years
- 4-6 years
- 7-9 years
- 10 years and above

7. Salary.....Birr

- | | | |
|--|---|--|
| <input type="checkbox"/> 2,501 – 4500 Birr | <input type="checkbox"/> 10,501–12,500 Birr | <input type="checkbox"/> 18,501-20,500 Birr |
| <input type="checkbox"/> 4,501 – 6,500 Birr | <input type="checkbox"/> 12,501–14,500 Birr | |
| <input type="checkbox"/> 6,501 – 8,500 Birr | <input type="checkbox"/> 14,501–16,500 Birr | <input type="checkbox"/> 20,501 Birr and above |
| <input type="checkbox"/> 8,501 – 10,500 Birr | <input type="checkbox"/> 16,501-18,500 | |

II. QUESTIONS RELATED TO THE TOPIC UNDER CONSIDERATION.

1. How would you rate your satisfaction with the current benefit packages of the company?

- Very dissatisfied
- Dissatisfied
- Satisfied to some extent
- Satisfied
- Very satisfied

2. If your response to the above question is dissatisfied or very dissatisfied, what is your reason (s)?

3. How do you see the compensation administration practice of your company?

- Very Poor
- Poor
- Good
- Very good
- Excellent

4. To what extent the existing benefit packages of the company are attractive enough to retain competent employees, keep their morale and motivate employees?

- | | |
|-----------------------------------|------------------------------------|
| <input type="checkbox"/> Very Low | <input type="checkbox"/> High |
| <input type="checkbox"/> Low | <input type="checkbox"/> Very High |
| <input type="checkbox"/> Moderate | |

5. Do you think that your salary is attractive enough for the responsibility you are discharged and the service you provide to the company?

- | | |
|------------------------------|-----------------------------|
| <input type="checkbox"/> Yes | <input type="checkbox"/> No |
|------------------------------|-----------------------------|

6. How do you rate the attractiveness of the existing benefit packages compared to other similar industries?

- Very Low
- Low
- Moderate
- High
- Very High

7. How do you see the rate of turnover in your company?

- Very Low
- Low
- Moderate
- High
- Very High

8. To what extent are employees of the company given a chance to discuss with the management about the compensation administration practice?

- | | |
|-----------------------------------|------------------------------------|
| <input type="checkbox"/> Very Low | <input type="checkbox"/> High |
| <input type="checkbox"/> Low | |
| <input type="checkbox"/> Moderate | <input type="checkbox"/> Very High |

9. The organization provides monetary/financial rewards to its employees based on performance.

- | | | | |
|--------------------------|----------------------|--------------------------|----------------|
| <input type="checkbox"/> | Strongly Disagree | <input type="checkbox"/> | Agree |
| <input type="checkbox"/> | Disagree | <input type="checkbox"/> | Strongly Agree |
| <input type="checkbox"/> | Agree to some extent | | |

10. The existing compensation packages of the company are adequate enough to satisfy its employees.

- | | |
|--------------------------|----------------------|
| <input type="checkbox"/> | Strongly Disagree |
| <input type="checkbox"/> | Disagree |
| <input type="checkbox"/> | Agree to some extent |
| <input type="checkbox"/> | Agree |
| <input type="checkbox"/> | Strongly Agree |

11. How would you rate the existing compensation and benefit packages of the company towards motivating its employees?

No.	Compensation & Benefit Packages	Very Low	Low	Moderate	High	Very High
1	Salary					
2	Bonus					
3	Provident Fund					
4	Medical Coverage					
5	Job Promotion					
6	Appreciation /Non-Monetary Rewards					
7	Monetary/Financial Rewards					
8	Cafeteria Service					
9	Annual Trip					
10	Insurance Coverage					
11	Staff/Emergency Loan					
12	Personal Loan					
13	Vehicle/Automobile					
14	House Loan					
15	Managerial Perks					
16	Uniforms					
17	Laundry Allowance					
18	Educational Assistance					
19	Transportation Allowance					
20	Cash Indemnity					
21	Over Time Payment					
22	Wedding Leave					
23	Mourning Leave					
24	Paternity Leave					
25	Exam Leave					

12. What is your expectation from the benefit packages of your company?

13. What is your expectation with regards to the monetary/ non-monetary rewards of the company?

14. In your opinion, which benefit packages of the company specifically need improvement to motivate and satisfy its work force?

Appendix B

**ST.MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
DEPARTMENT OF GENERAL MANAGEMENT**

**INTERVIEW QUESTIONS TO HUMAN RESOURCE DIRECTOR AND
DIVISION MANAGER OF THE DEPARTMENT**

1. Do you believe that the existing benefit packages of the company are attractive enough so as to attract, retain competent employees and motivate them towards the achievement of the company's objectives?
2. Do you believe that employees of the company are satisfied with the amount of pay and benefits they are offered?
3. What are the major strategies that are used by the company to bring about employees' motivation?
4. How do you explain about the company's turnover rate?
5. Does the Human Resource Department conduct exit interview when employees leave the company?
6. To what extent employees of the company are given a chance to discuss with the management about the compensation administration of the company?
7. Does the company have a reward system that is in actual practice to motivate its workforce?
8. What are the major strategies that are used by the company to motivate its employees?