



ST. MARY'S UNIVERSITY
SCHOOL OF POST GRADUATE STUDIES

**EMPLOYEE'S PERCEPTION TOWARDS COMPENSATION AND BENEFIT
SCHEMES: THE CASE OF UNITED BANK S.C.**

BY
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JULY, 2019
ADDIS ABABA, ETHIOPIA

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF GRADUATE
STUDIES IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE DEGREE
OF MASTERS OF BUSINESS ADMINISTRATION (GENERAL MANAGEMENT)**

MAY,2019

ADDIS ABABA,ETHIOPIA

DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Zemenu Aynadis (Ass.Prof). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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Signature

St. Mary's University College, Addis Ababa

July, 2019

ENDORSEMENT

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

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Signature

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

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ACKNOWLEDGEMENTS

First and foremost, I would like to thank the Almighty God for helping me in all the process of my study until this time. Then, I would like to thank my families for supporting me throughout the whole study. I would like to extend my heartfelt gratitude to my advisor Zemenu Aynadis (Ass.Prof) for his guidance, personal encouragement and continuous patience. I would also like to thank all employees who help me filling the questionnaires and provide essential information.

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ABSTRACT

This study examined the perception of employee's towards compensation and benefit schemes: the case of United Bank S.C in Addis Ababa. The research was guided by the following questions: What was the perception of employees towards the existing compensation and benefit scheme of the bank, to what extent the compensation and benefit scheme updated and communicated periodically, to what extent the bank offers compensation and benefit schemes based on employee performance, and to what extent the compensation and benefit scheme satisfy the criteria of fairness. And also the study had the following specific objectives: to assess the perception of employees towards the existing compensation and benefit scheme, to assess the extent to which compensation and benefit schemes are updated and communicated periodically, to identify the extent to which compensation and benefit offering is based on employee performance, to identify the fairness of compensation and benefit scheme. The population was 150 employes from 6 branches namely Birramba, Bomb tera, Wenber tera, Military Tera, Tana and Cinema Ras. The sample size was 110 by using published table.. The data presented with descriptive statistics using Statistical package for social science (SPSS) version 20. Number and percentage were used to present the perception of the respondents. The study demonstrates high internal consistency and the total Cronbach alpha coefficient was 0.91. Findings showed that employees perceived the current compensation and benefits were not fair, employees did not participate in compensation and benefits decision, it is not periodically updated and communicated to employees. Moreover, it was perceived that the effectiveness of compensation and benefits was not evaluated. It was recommended that the compensation and benefit scheme to be periodically updated and communicated and it is recommended the bank to link its compensation and benefits schemes to its organizational goals and objectives.

Key Words: Compensation, Benefit scheme, Employees perception, United Bank

CHAPTER ONE

INTRODUCTION

1.1. Background of the study

Employee compensation refers to all forms of pay or reward going to employees and arising from their employment (Dessler, 2005). Compensation and benefits are a part of transaction between employees and employer that results in employment contract. From the employees point of view pay is necessity for life. The compensation and benefit received from work is one of the basic reason people seek employment. Employees are bound to be much more productive when they work in a positive, supportive environment. Managers must strive to maintain an enjoyable, family-oriented atmosphere in which all employees focus on achieving team goals. According to Dessler (2008) recognition has a positive impact on performance either alone or in conjunction with financial rewards. Praising employees for achieving their goals is important in maintaining an enjoyable work environment. Recognizing success is critical, and equally important is inspiring employees to work toward achievements. Employees will be inspired by knowing their contributions are valued and that management is confident in their capabilities. Direct compensation includes wages and salaries, incentive payments, bonuses and commissions to employees. Indirect compensation comprises many benefits supplied by employers and non-financial compensation includes fringe benefits like free insurance, subsidized lunch, intrinsic rewarding jobs, a nice work environment and flexible work hours to accommodate personal needs (Malik, 2013).

Financial and non-financial compensation are forms employed by banks to attract their employees to remain in the banking sector (Sopiah, 2013). Sopiah realized that employees' job satisfaction is at a good level and there is high performance level due to the fact that employees are given non-financial compensation.

It is generally acknowledged that compensation is one of the physical needs that influence motivation, which in turn affect the performance of the employee. Compensation has a big effect in attracting and retaining the best talent in the market.

Banking industry in Ethiopia is rapidly expanding in branch expansion, in technology and employee intake. But the industry is suffering with high flow of employees from one bank to

another bank to facilitate their life style by comparing their bank pay scale and benefit package with other banks.

In most cases employees are willing and cooperative to do their job to the best of their abilities if they believe that pay is relatively equitable to performance. The value employees give to the compensation and benefit package have an influence on human resources outcomes namely, performance, productivity, satisfaction and retention. Effective compensation administration is desirable in an effort to increase employee satisfaction. The expected need to know the perception of employees towards the organizations compensation and benefit scheme in United Bank S.c fascinated me to undertake this study.

The study was designed to evaluate the employees' perception towards the current compensation and benefit schemes and practices and the associated problems in selected United Bank merkato area branches. Because the compensation strategy is same throughout the bank, so data collected from few branches may be replicated and projected for the rest of the branches as well. It is also intended to identify the degree of compensation and benefit in enhancing employee performance. It is different from the previous studies in that the latter focus on the perception of employees towards compensation and benefit policies in particular, where as the former focus on the effectiveness of human resource management in general.

1.2. Background of the organization

United Bank was incorporated as a share company on 10 September 1998 in accordance with the commercial code of Ethiopia of 1960 and the licensing and supervision of banking business proclamation No. 84/1994. The bank obtained a banking service license from the National Bank of Ethiopia and registered with the trade, industry and tourism bureau of the Addis Ababa City Administration (www.unitedbank.com.et).

Over the years United Bank built itself into a progressive and modern banking institution, endowed with a strong financial structure and strong management, as well as a large and ever-increasing customers and correspondent base. Today, United Bank is a full service bank that offers its customers a wide range of commercial banking service with a network of 251 branches & 9 sub-branches, and a number of additional outlets on the pipeline (www.unitedbank.com.et).

United Bank's priority in the coming years is to strengthen its capital base, maximize its return on the equity and benefiting from the latest technology in order to keep abreast with the latest developments in the local and international financial service industry (www.unitedbank.com.et).

1.3 Statement of the problem

Employees are an important asset in all social organizations and from the perspectives of the organization; employees are resources which organizations cannot exist without them. In any organization the importance of employee is huge as they support in the achievement of organization's goals and objectives.

Effective compensation practice manages the human resources expenses of an organization. It supports the organization since it mainly helps to retain its competent employees as they do not feel the need to find a new job opportunity elsewhere. However, if the compensation practice is not up to their expectation, it becomes a good motivator for them to think of leaving that organization. If the management of a company put an effort in identifying the need of employees and succeed on satisfying the needs by providing relevant compensation and benefit program then the motivational level of employee will increase towards the best achievement of job related activities (Alec, Cindy, Michael, & George, 2010).

To mention some of the commonly reported complaints which the researcher observed from the employees are that the salary received from the bank is not competitive with in the industry, there is bias on the promotion, and adjustment is not made within a reasonable time period. These complaints may result in losing its current and potential employees.

According to the researcher's knowledge, the employee's perception towards compensation and benefit is not studied closely. Regardless of its being one of the most critical factor for which an individual join or leave an organization, less attention has been given to examining organizational members evaluation of different compensation and benefit packages. Since United Bank S.C is a huge private bank, human resource needs to investigate the implication of compensation and benefit policies as a motivational technique to employees' perception to stay in the organization; given the fact that if employees are not motivated enough, high turnover becomes the end result. According to Dessler (2005) there are basically two ways to make direct financial payments to employees: based on increments of time or performance. The branches that were selected for this particular research serve a huge number of customers and transactions and

also extend their working hours than the other branches in the bank, but receive the same compensation and benefit package like the rest. And no research has focused on the desire and wants of the employees. Therefore the aim of this study was to fill this particular gap. Taking into account the view of scientific management, the problem of the study was to assess the perception of employees towards the Compensation and Benefit scheme in United Bank S.C selected branches.

1.4 Research questions

To carrying out the study an attempt was made to address and seek answer for the following basic questions:

- What is the perception of employees towards the existing compensation and benefit scheme of the bank?
- To what extent the compensation and benefit scheme updated and communicated periodically?
- To what extent the bank offers compensation and benefit schemes based on employee performance?
- To what extent the compensation and benefit scheme satisfy the criteria of fairness?

1.5. Objectives of the Study

1.5.1 General Objective

The general objective of the study is to assess perception of the employees towards Compensation and Benefit policies in United Bank S.C.

1.5.2 Specific Objectives

Benching the general objective, the study undertakes the following specific objectives:

To assess the existing Compensation and Benefit Schemes in selected branches of United Bank:

- To assess the perception of employees towards the existing compensation and benefit scheme
- To assess the extent to which compensation and benefit schemes are updated and communicated periodically

- To identify the extent to which compensation and benefit offering is based on employee performance
- To identify the fairness of compensation and benefit scheme

1.6 Significance of the study

The study will be significant for the bank's improvement through Compensation and Benefit policies, by depth understanding of incentive schemes which influence employees' performance.

To the management of United Bank .S.C., the findings will help the company formulate appropriate compensation and benefit policies and strategies to enhance employee performance and to achieve overall company's goals and objectives .

For the researcher, it enables to wide up more knowledge on the issue of compensation and benefit policies.

To other researchers, the result of the study will serve as literature to throw more light on the employee perception towards compensation and benefit. The outcome will further serve as secondary data for future research on the topic.

1.7 Scope and limitations

1.7.1 Scope

1.7.1.1 Geographical scope

As the research is conducted to assess the perception of employees towards compensation and benefit scheme, this research was geographically delimited to six purposively selected branches of United Bank s.c in merkato area as a population. Those branches were selected by their high number of transactions and length of service giving hours.

1.7.1.2 Methodological Scope

The study was conducted for the years 2018/2019 G.C and this empirical research took 110 sample respondents by using Proportionate stratified random sampling from Probability Sampling Technique.

1.7.1.3 Conceptual scope

The main focus of the study was to assess the perception of employees towards the Compensation and Benefit scheme in accordance with fairness, performance and periodicity.

1.7.2 Limitations

Every research study faces a certain limitations till its end. Sufficient documents concerning the subject under study were lacking. And also the researcher believes that it was appropriate to conduct the study in large scale. However, the limited time and other resources do not allow doing so.

1.8 Organization of the study

This paper is organized into five chapters:

Chapter one – contains the introduction, background of the study, statement of the problem, research question, objectives of the study, significance of the study, scope and limitation of the study and organization of the study.

Chapter two –contain a range of literature review from relevant books, journals, articles, websites and other referenced sources. And also it includes the theoretical framework used for the study and related research conducted on the assessment employees' perception towards compensation and benefit scheme.

Chapter three – this chapter covers the research methodologies used for the study including the study design, sampling and sampling techniques.

Chapter four –contain data presentation, analysis and interpretation.

Chapter five- contains summary of major findings, Conclusions and Recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Theoretical review

2.1.1 Concept of Compensation

Compensation is a financial remuneration given by an organization to its employees in exchange for their work (Griffin, 2012). It is designed to encourage performance of individual's regardless of the different type incentives form used. Its play an active role in pushing forward individual's capacity and moving abilities, motivating them to develop their skills, and balance between organization requirements and the individuals' needs which enhance the organization performance efficiently and effectively (Marwan, 2012).

Well-designed compensation system enables organizations to attract qualified employees required and retain and motivate the existing work force towards goal achievement. The most obvious reward employees get form work is pay (Decenzo and Robbins, 1999).

On the contrary, if compensation is not tied to work, employees are likely to look for better paying job. Moreover, where employees are dissatisfied with the type of compensation, their contribution towards goal attainment tends to be lower. In severe cases, pay dissatisfaction may lower performance, causes strike, increase grievance, and leads to forms of physical or psychological withdrawal ranging from absenteeism and turnover to increased visit to dispensary and poor mental health (Werther and Davis, 1996).

The objectives of compensation system is to create a system of reward that is equitable to employers and employees alike, so that employees are attracted to work and motivated to do good job for the employer. Through effective compensation (Werther and Davis, 1996) has identified the following seven objectives: Acquire qualified personnel, retain current employees, ensure pay equity, reward desired behaviour, control cost, comply with legal considerations, and facilitate understanding.

2.1.2 Types of Compensation

There is potentially a very large number of compensation that could be utilized. Organizations use different incentives schemes to motivate employees. Compensation are designed to get the

maximum performance from the employees and help retain the most productive among them. Compensation are divided into direct (financial) and indirect (non-financial) compensation (Luthans, 2003).

2.1.2.1 Direct (Financial) compensation

Financial compensation is regarded as variable payments made to employees or a group of employees on the basis of the amount of output or results achieved. Alternatively, it could be payments made with the aim of pushing employees' performance towards higher targets. And it could also be defined as compensation other than basic wages or salaries (Ugwu and Coker 2012).

Payment by Result is historically the most widely used compensation scheme, it reward employees according to the number of items or units they produce or the time they take to produce them. This scheme has been criticized due to its tendency to reward quantity of output rather than quality which can lead to reduced quality of the product or service. There is a great need to modify and evaluate the effectiveness of this scheme if it is to retain the impact of productivity. And skills-based pay is an input-based payment system in which employees receive pay for the skills or competencies which they acquire. Skills-based pay encourages multitasking and flexibility, which in turn enables the organization to respond faster and more effectively to the needs of customers (Carolina, 2010).

There are compensations like commissions which are given based on a percentage of total sales. Used typically with sales people, commissions intended to act as an incentive and a means of recognizing achievement (Armstrong, Michael, Taylor and Stephen, 2014).

This scheme is claimed to increase employees' commitment to their company by linking pay to profit, and hence improve the level of mutual interest. Profit sharing also encourages the thought of everyone being on the same team; the employees have the same goals and are rewarded equivalently. From the employee's point of view profit sharing has disadvantage on the fact that pay levels may decline if the company do not meet its profit expectations (Carolina, 2010).

2.1.2.2 In-direct (non-financial) compensation

Non-financial compensation schemes are aimed at moral motivation to serve in the interest of the community. Usually it attracts certain kind of people who readily identifies the mission of the

organization. It could be in the form of participate in decision-making, certificates of thanks and appreciation, training and parties for distinguished employees (Ugwu and Coker, 2012).

Non-financial incentives are those related to aspects of psychological needs, the increased attention to this aspect came after the emergence of human relations theories. Those incentives are based on respect of a human being who has feelings, hopes and aspirations. It could be in the form of participate in decision-making, training, certificates of thanks and appreciation (Marwan, 2012).

Recognition is the demonstration of appreciation for a level of performance it can be confidential or public, causal or formal. It is always in addition to pay. Recognition and appreciation of job effort to employee increase individual's satisfaction and loyalty to work enhance more cooperation with colleague (Marwan, 2012).

Excellent motivation can be achieved when an individual share his/her achievements with others and recognized and celebrated. If employers rely only on financial incentive to recognize contribution and achievements, it is possible that objective of employees will become modified to secure only the financial aspects and this in turn will lead to a degraded culture of the organization. Recognition will be cost effective way of enhancing achievements and enable people to feel involved in the company culture, if it is used correctly.

According to Carolina (2010) there are different types of recognition.

- Verbal and Written Recognition: - are for example expressions of admire or a personal gratitude note. This kind of recognition costs nothing and it makes people feel good.
- Work-Related Recognition: - it could be educational and training opportunities, lateral or vertical career opportunities, a special project assignment, and work equipment.
- Social Recognition: - This could be pizza parties, dinners and articles in newsletters.
- Financial Recognition: - such as; cash, stock options and stock grants.
- Symbolic Recognition: - It includes T-shirts, sculptures, coffee mugs and jackets. The importance does not lie on the monetary worth but on what the recognition symbolizes
- Tangible Recognition: - consists of gift certificates, meal tickets, trips, merchandise and tickets to entertainment events.

Recognition, whether it is cash or non-cash has an advantage over base pay and variable pay because it can be used at any time. Companies can immediately reward and acknowledge something of importance that was not necessarily planned, such as unexpected and outstanding achievements of individuals and teams. Non-cash recognition can be especially meaningful to the recipient since it can be customized or personalized (Carolina, 2010).

2.1.3 Compensation Strategy

A Compensation Strategy is a plan that dictates how employees are paid and rewarded for their work. These ideas are based on the current market for people with the same skills and the overall available funding a corporation is able to expend on payroll. Compensation strategy is also a means of motivation and incentive that increases the value of general payroll systems. Compensation strategy is the method by which organizations attract and retain top talent. By generating a compensation strategy, organizations make a show of the skills they value and the type of personnel they want to attract. Creating a diverse pay range encourages employees to work hard and attain higher levels within the business to achieve more accolades and greater compensation (Shpetim, 2012).

Incentive compensation strategy refers to commissions, rewards and bonuses awarded to employees who exceed expectations. It is considered part of the overall compensation strategy but is referred to as a talent management and retention policy.

2.1.3.1. Keys to an Effective Compensation Strategy

1. Budget Allocation

The strategy should include the organization's approach to allocating compensation dollars into salary and benefits. This strategy will determine how much of the total compensation budget will be spent on salary and what percentage will be spent on benefits and other incentives (Chappra, 2006).

2. Benefit Package

Many organizations use benefit packages, in addition to salary, to attract and retain employees. Their goal is to be competitive with health, retirement, tuition reimbursement and other benefits because they understand that it can be the determining factor for a job candidate who is deciding

whether to accept a position with an organization, or an employee who is considering leaving (Chappra, 2006).

3. Performance Management System

It is important to have a structured performance management process to ensure employees are meeting corporate objectives and are assessed on a regular basis. This process should include development of annual goal annual performance appraisals and a structured process for coaching and mentoring employees. Compensation strategies can positively influence employee engagement and improve employee productivity (Chappra, 2006).

2.1.3.2. Compensation Strategy Alternatives

Compensation is an expense in the sense that it reflects the cost of labor (Dessler, 2011), often governed by compensation policies. As organization differ in size and purpose, so do in pay level.

Mathis, Robert and Jackson (2003) have identified three alternative strategies. These are:

1) The high-pay-level strategy: under this strategy organizations choose to pay higher than the Average pay level that the market pays. The assumption is that a higher salary or wage will enable organizations attract and retain competent employees and this, in turn enhances Employee's productivity.

2) The low-pay-level strategy: In this alternative, the organization pays a minimum salary or wage to employees. This may be because a poor financial condition or the work doesn't require highly qualified personnel.

3) The comparable-pay-level strategy: This strategy requires organizations to follow "equal Pay for equal work". In this strategy employees are paid based on comparable value of jobs they are performing within the company and/or the market.

2.1.4. Benefits

Employee benefits consist of arrangements made by employers for their employees which enhance the latter's well-being. They are provided in addition to pay, and form important parts of the total reward package. As part of total remuneration, they may be deferred or contingents like a pension scheme, insurance cover or sick pay, or they may be immediate like a company car or

a loan. Employee benefits also include holidays and leave arrangements which are not strictly remuneration (Armstrong, 2010).

2.1.4.1 The Role of Employee Benefits

Employers need to examine their benefits package regularly to see whether they meet the needs of today. As a part of the total compensation paid to employees, benefits serve functions similar to pay. (Raymond, John, Barry, and Patrick, 2016)

- Benefits contribute to attracting, retaining, and motivating employees.
- The variety of possible benefits also helps employers tailor their compensation to the kinds of employees they need. Different employees look for different types of benefits.
- Employers need to communicate effectively because benefits in motivates employees.
- Benefits will help employees maintain economic security. And also Social Security contributions, pensions, and retirement savings plans help employees prepare for their retirement (Raymond A. et al. 2016).

2.1.4.2. Managing an effective benefit program

According to Ivancevich (2004), flexible benefits and reimbursement packages can increase employees' satisfaction and save employees from spending money on coverage that the employees don't want. When top managers make decisions about benefits they must consider the following facts:

- Mandated programs must be funded
- Most employees view benefits as entitlements
- Unions, competitors, and industry trends continue to pressure managers to provide or increase voluntary benefits
- Costs of benefit continue to escalate dramatically (Ivancevich, 2004).

To manage benefit policies effectively the following steps are addressed by Ivancevich (2004):

Step 1 Set objectives and strategies for benefits

There are three strategies for benefits:

1. Pacesetter strategy: be the first with the newest benefits employees' desire.
2. Comparable benefit strategy: match the benefit policies similar organizations offer

3. Minimum benefits strategy: offer the mandatory benefits and those that are most desired and least costly.

The decisions about which strategy to use will be made on the basis of management's goals. The third strategy may be chosen because of inability to pay more benefits or because management the employees want more pay and fewer benefit.

Step 2 Involve participants and unions

Whatever strategy is chosen, it makes sense to find out what those involved desire in benefits. In most organizations, top managers alone judge which benefits the employees prefer. Without getting some input on employee's preference, it is impossible to make these decisions intelligently.

Step 3 Communicate benefits

Another method of improving the effectiveness of benefits is to develop an effective communication program.

Step 4 Monitor costs closely

In addition to considering costs involved in the choice of benefits, it is vital that managers make sure the programs are administered correctly.

2.1.5 Employee Pay Perception

Employees' pay perceptions are important in organization and it will impact the organization talent and business outcomes. But unfortunately, employees often have a negative view of their pay (Dunn and Martin, 2014).

Employees usually do comparison regarding pay, and based on this comparison they made their perception. Employee feel unhappy or dissatisfied if they feel they are been paid less than their friends. Managers should effort so that employee believes their compensation is directly related with their performance and they had paid accordingly. Thus employee pay perception could be improved if they get right pay information at time from their supervisor or managers. Pay satisfaction is an important component for overall job satisfaction of employee. Employee job satisfaction highly influence by the compensation and its component. (Dunn and Martin, 2014).

Pay knowledge is the key of employee pay perception. If an employee's has limited pay knowledge, then they don't know how compensation system works, how they can earn more by giving better performance in organization (Diekmann, 2015). When workers believe they receive

pay communication on time, they create more positive perception towards organizational procedures, distributions, interpersonal treatment, and information (Day, 2011). Employee perceive pay policy ineffective if they found difference between individual objective and organization objective .Thus pay information, transparency in pay policy want pay to be linked with performance (Diekmann, 2015).

2.1.6. Employees Attitudes toward Compensation and Benefits

Evidently, increasing levels of benefits should be satisfying to most employees. However, employee attitudes toward benefits have not kept pace with increases in employer contributions to benefit plans.

2.1.6.1. Attitudes towards Pay

According to Morgan & Schiemann, (1986) employee attitudes toward pay show decreases in favorable pay ratings among managers, exempt, and non-exempt employees. These downturns are attributed to diminishing pay increases (due to lower inflation and lower merit increases); poor pay for performance relationships, and poor employee understanding of how pay is determined. Moreover, organizations are facing problem with their performance appraisal.

2.1.6.2. Attitudes toward Benefits

Attitudes toward various benefits differ substantially. The most favorably rated benefits are profit sharing, savings plans, and stock purchase plans. The least favorably rated benefits are pensions, disability (short and long term), and sick leave (for some job groups). Al though 84% of employees rate medical benefits as the most important benefit they receive, only 67% rate health insurance favorably. Moreover, 60% or fewer rate dental, sick leave, and disability insurance favorably (Day, 2011).

2.1.7 Role of Company Incentive Schemes in Enhancing Employees Performance

Incentives force employees to behave in certain ways on any given day; they may choose to work as hard as possible at a job, to work just hard enough to avoid a warning and punishment. Organization use different and variety of incentives to reward employees in order to get work performance, but an organization need to consider using the best employee incentives to get the desired results (Falola Hezekiah Olubusayo, 2014).

In competitive environment organizations are forced to consider strategies that will help them become more innovative, productive, and efficient in the industry by considering the need to remain competitive. By using innovative compensation strategies such as incentive programs which are developed with an attempt to align individual motivation and goals with the objectives of the organization. Using Incentive programs with other innovative work practices including flexible job assignments and employment security has positive impact on performance (Reddy & Karim, 2013).

2.2 Empirical review

Andualem (2017) conducted a research on employees' perception towards compensation and benefit schemes. The study was conducted on Dashen bank s.c. The researcher's Findings showed that employees perceived the current compensation and benefit provided are inadequate, employees are participate in compensation and benefits decision, compensation and benefit Schemes do not depend on performance. Moreover, it is updated and communicated periodically to employees. And the study suggested that management has to make sure employees share in the company's success. Employee performance and motivation can all be tied to how invested a worker feels in his or her company. Human resource of the company should focus on employee compensation and benefits to foster employee identification with the organization's success and satisfaction of employees with the compensation and benefit schemes.

Belachew (2013) also studied on employees' perception towards compensation and benefit scheme at management science for health, Inc.. The researcher identified that the majority of the respondents disagree or strongly disagree with majority of the issues raised. The respondents strongly feel that the compensation and benefit scheme of MSH is not equitable with other similar NGOs, it is not fair, and it does not help to attract and retain competent staff. It is recommended that MSH has to review and revise its compensation and benefit policy to attract and retain competent employees. And the study suggested that in order to attain its objectives and motivate employees towards better performance, to attract and to retain competent employees, the current compensation and benefit scheme of MSH should be revised and improved.

Mikael (2011) conducted a research on engaging Indian IT employees a compensation and benefits case study of a Finnish Multinational IT company. The main findings of the study were

that even though Indian IT employees change their employers easily, monetary compensation was not the primary factor in their work lives. They valued intrinsic motivational factors above extrinsic and those factors were often tightly connected with the work itself. The employer should not try to engage professional and managerial employees through salaries, rather their work tasks should be made interesting and challenging. In general, review of empirical studies shows that understanding the perception of employees towards compensation and benefits in Ethiopia and India. The studies mostly deal how employees perceive compensation and benefit schemes of their respective organizations. The main issues discussed were that the perception of compensation and benefit on employee productivity is of paramount important to the company. And also to attract and retain competent employees the current compensation and benefit schemes should be revised and improved.

From the above studies it is observed that perception of compensation and benefit is mainly related with the productivity and effectiveness of employees. In researchers opinion the studies did not focused on the internal desires and wants of the employees and how these will be fulfilled.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This section of the study presents detail of the research methodology that was applied to obtain relevant data from selected branches and discusses research design and approach, target population, sampling design, types of data and methods of data collection, procedure of data collection, data analysis method.

3.1 Research approach and Design

3.1.1 Research approach

In this study, mixed approach was used to provide a wide-ranging analysis of the research problem. However, more emphasis was given to quantitative analysis; the qualitative data was used to triangulate the data which is obtained by the quantitative method. This research mainly focused on quantitative method of analysis.

3.1.2 Research design

This study used descriptive research design, because the researcher has no control or effect on the variables of the study. It was intended only to investigate the extent to which perception of employees' towards Compensation and Benefit policies.

3.2 Population, Sample Size and Sampling Techniques

3.2.1 Population

The target populations in this research were all 150 employees in 6 branches of UB in Merkato area. The six branches were Birr Amba, Bomb Tera, Tana, Merkato Military Tera, Cinema Ras and Wenber Tera. Those branches listed on the above are selected because they have large number of employees and high transaction.

3.2.2 Sampling Techniques

The number of samples was selected by Proportionate stratified sampling because the samples have more or less equal on some characteristics. The simple random sampling method was used while distributing questionnaires to those employees (respondents) who work in the selected branches and who are willing to fill. According to Kothari, (2004) Simple random sampling provides it gives each element in the population an equal probability of getting into the sample

and all choices are independent of one another. And also it gives each possible sample combination an equal probability of being chosen.

3.2.3 Sample Size

To determine the sample size for this study the researcher was rely on published table.

Table3.3.3. Sample Size for ±5%, ±7% and ±10% Precision Levels where Confidence Level is 95% and P=.5.

Size of Population	Sample Size (n) for Precision (e) of:		
	±5%	±7%	±10%
100	81	67	51
125	96	78	56
150	110	86	61
175	122	94	64
200	134	101	67
225	144	107	70
250	154	112	72
275	163	117	74
300	172	121	76
325	180	125	77
350	187	129	78
375	194	132	80
400	201	135	81
425	207	138	82
450	212	140	82

Source: (Singh & Masuku, 2014)

Total population, N= 150

- Population in the strata of Birr Amba N1=34, n1= 34/150 x110= 25
- Population in the strata of Bomb Tera N2=25, n2= 25/150 x110= 18

– Population in the strata of Wenber Tera N3=18,	n3= 18/150 x110=13
– Population in the strata of Merkato Military Tera N4=18,	n4= 18/150 x110=13
– Population in the strata of Cinema Ras N5=20,	n5= 20/150x110=15
– Population in the strata of Tana N6=35,	n6=35/150 x110=26
Total.....	<u>110</u>

3.3 Types and Source of Data

In this research all necessary data that are associated with the study was collected by using primary source of data. Primary data was originated by the researcher for the purpose of the study at hand and they were original to the problem and have direct physical contact with the issue to be study and provide first-hand information. The basic advantage of using primary data in the research is that there are possibilities of acquiring current and updated information for the study.

3.4 Data collection Methods

For this study questionnaires were used as instrument for data collection. Questionnaire with closed ended was prepared by the researcher and was used to collect quantitative data from employees. This is because questionnaire is convenient to conduct survey and to acquire necessary information from large number of study subject with short period of time. The questionnaire was prepared in English language, because it is assumed that all of the sample employees have the necessary skills to read and understand the concepts that were incorporated in the questionnaires in English.

The questionnaire has two parts. The first part of the questionnaire describe the respondents’ background information, categories include: gender, age, level qualification, length of service and marital status. The second part contains closed questions that address the basic objectives of the study.

The questionnaires was structured in close-ended type and responses to the questions were measured on a five Likert rating scale to make it easier for respondents to answer question in a simple way where: Strongly Agree (SA) = 1, Agree (A) = 2, Neutral (N) =3, Disagree (D) = 4,

and Strongly Disagree (SD) =5. The questionnaires were distributed physically in person to the survey participants.

3.5 Methods of Data Analysis

After data have been collected from representative sample of population, the next step was to analyze them to test the research questions. A descriptive analysis was used to present and interpret the data collected on various variables on assessment of employees' perception towards compensation and benefit scheme. The data collected via questionnaire was analyzed by using Statistical package for social science (SPSS).

3.6 Validity and Reliability

3.6.1 Validity

To assure the validity of the instrument, the questionnaires were adopted from previous researchers. Further the validity of the instrument was checked by distributing 10 questionnaires for pilot testing. The pilot testing helped the researcher to check the gaps and adjust the questionnaires accordingly.

3.6.2 Reliability

Reliability is a measure of the stability or consistency of test scores. Reliability test was used to determine reliability of the questionnaire by calculating Cronbach's Alpha using Statistical package for social science (SPSS) which is used to measure the internal consistency of the measurement items.

As shown in table below Scale Reliability Cronbach Alphas coefficients for Perception related to overall Compensation & Benefit was 0.966, for Compensation & Benefit related to period was 0.812, fairness of compensation & benefit was 0.954 and Compensation & Benefit related to performance was 0.91. This study demonstrates high internal consistency and the total Cronbach alpha coefficient is 0.91. Therefore, this study demonstrates high reliability.

Table 3.6.2 Reliability test

Dimension	Alpha coefficient for Dimension
Perception related to overall Compensation & Benefit	0.966
Compensation & Benefit related to period	0.812
Fairness of Compensation & Benefit	0.954
Compensation & Benefit related to performance	0.91
Reliability of total scale	0.91

Source: Own computation, 2019

3.7 Ethical Considerations

Ethical clearance was primarily obtained from University and then permission from each targeted branch. Finally informed written and verbal consent was obtained from the study subjects and data collection was undertaken based on their voluntarily participation. Participated respondents were ensured that information obtained will be strictly confidential.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter deals with the presentation of data, analysis, and interpretation. It also summarizes the demographic profile of respondents, the questionnaire distributed and the response rate. The perception of employees towards the items included in the questionnaire and employee characteristics including the gender, age, marital status, educational qualification, position, and work experience will be presented.

In order to measure and understand the perception of employees towards the current compensation and benefit scheme of United Bank S.C, structured questionnaires were distributed to 110 employees in Addis Ababa covering six branches and all questionnaires were returned.

The questionnaire was structured in a 5 point Likerts" Scale format. A highly structured question format allows for the use of closed questions that require the respondent to choose from a predetermined set of responses or scale points. Where: Strongly Agree (SA) = 1, Agree (A) = 2, Neutral (N) =3, Disagree (D) = 4, and Strongly Disagree (SD) =5

4.2 General Profile of Respondents

Under this section, the researcher collected information about the general profile of the respondents. The researcher collected personal information of respondents like age, gender, marital status, educational background, and experience in the bank.

Table 4.2. General Profile of Respondents

Item	Alternative	Frequency	Percentage (%)
Sex	Male	68	61.8
	Female	42	38.2
	Total	110	100
Age	Under 25	22	20
	25-34	40	36.4
	35-44	32	29.1
	Above 45	16	14.5
	Total	110	100
Divorce	Single	50	45.5
	Married	60	54.5
	Total	110	100
Education level	Diploma	24	21.8
	First degree	74	67.3
	Second degree	12	10.9
	Total	110	100
Position	middle level management	28	25.5
	clerical staff	82	74.5
	Total	110	100
Work experience	Less than two years	24	21.8
	2-5 years	20	18.2
	6-10years	40	36.4
	Above 10 years	26	23.6
	Total	110	100

Source: Own Survey (2019)

As it can be seen in table 4.2, from the 110 respondents to whom the questionnaires distributed 68 or 61.8% were male and 42 or 38.2% were female in terms of gender. This implied that United Bank's male employees are higher than female employees.

From table 4.2 based on the data obtained from the respondents, majority of the respondents were between 25-34 years old with the percentage of 36.4%, 20% of respondents were younger than 25 years. While 29.1% of the respondents were between 35-44 years, and 14.5% were over the age of 45 in terms of age. Thus it can be said that majority of the respondent are young age. Thus it can be said that majority of the respondent engaged in the industry as employees are young aged, this implies young age are willing to work energetically and face challenges with their jobs. And have a good tendency to interact new technology and change.

In terms of length of service at the bank, 21.8% of the respondents had worked for the bank less than two years, 18.2% between 2 and 5 years, 36.4% between 6-10 years and 23.6% above 10 years. Thus it is possible to say most of United Bank's employees are experienced. This helps the organization to dedicate workers produce higher quality work which result in a significant cost savings for the organization, punctuality seems to be a given for older workers, pride in a job well done and efficiency and confidence to share their recommendation and idea by adding organizational skill and its allow the bank to do their tasks in short period of time with effectiveness and efficiently.

Regarding Educational level of the respondents 21.8% were diploma holders, 67.3% of the respondents have first degree and 10.9% of the respondents were post graduate (2nd degree) holders. This implies that all respondents acquired knowledge through formal education. This allows the organization to implement advanced technology and works to depend on skilful arrangement. Organization can benefit from the dynamic perspective and innovative thinking of high performers

In terms of the distribution of Marital Status of the Respondents, It is indicated that many of the respondents comprising 54.5% are married. 45.5% are single but there are no divorced employees.

From the above table, **it is** indicated that 74.5 % of the respondent were clerical staff. While the rest 25.5% of the respondent are middle level managers. From this data, most of the employees are in the position of clerical staff of the organization.

4.3. ANALYSIS OF DATA RELATED TO COMPENSATION & BENEFIT

Eight items were used under this category. These include the overall perception towards compensation and scheme.

4.3.1 Perception towards Compensation and Benefit

Table 4.3.1 Respondent's perception related to compensation and benefit

Perception towards Compensation and Benefit		SA	A	N	D	SD	TOTAL
The compensation and benefit distributed matches with my work experience and education I have	F	7	15	9	28	51	110
	%	6.4%	13.6%	8.2%	25.4%	46.4%	100%
Compensation and benefit scheme is compatible with in the industry	F	8	11	23	41	27	110
	%	7.3%	10%	21%	37.3%	24.4%	100%
I know where to go for information related to compensation and benefits	F	5	13	17	47	28	110
	%	4.6%	11.9%	15.5%	42.3%	25.5%	100%
The current compensation and benefit scheme support and facilitate achievement of organizational goals	F	6	20	14	50	20	110
	%	5.5%	18.2%	12.7%	45.4%	18.2%	100%
I participate in compensation and benefit decision	F	0	6	16	25	63	110
	%	0%	5.4%	14.5%	22.8%	57.3%	100%
Use employees feedback to make improvements in compensation and benefit	F	4	8	19	43	36	110
	%	3.6%	7.3%	17.3%	39.1%	32.7%	100%
The bank for which I am working has	F	24	33	26	19	8	110

a written compensation and benefit scheme	%	21.8%	30.0%	23.6%	17.3%	7.3%	100%
The current compensation and benefit package is capable of attracting and retaining competent employees	F	10	18	12	38	32	110
	%	9.1%	16.4%	10.9%	34.5%	29.1%	100%

Source: Own Survey (2019)

As it can be seen from the table above, respondents were asked to reflect their opinion whether employees believed that Compensation and Benefit distribution in the organization ensured there was match with experience and education. The finding indicated that the majority of the respondents 51(46.4%) strongly disagree and 25.4% disagree. From the above data 8.2% of the respondents have no opinion with the statement. Moreover, 6.4% and 13.6% of the respondents strongly agree and agree with the statement respectively. This implies that the bank didn't give all of its compensation and benefit by matching experience and education level of employees. This may lead to loss of highly qualified and experienced employees.

On the other hand, the majority of respondents 24.4% and 37.3 do strongly disagree and disagree with the idea that compensation and benefit scheme is compatible with in banking the industry. Only 7.3% and 10% of employees strongly agree and agree with the idea respectively. 21% of the respondents have no opinion with the statement.

Moreover, the respondents do not agree with statement that employees know where to go for information related to compensation and benefits. From the above data 42.3% respondents disagree and 25.5% respondents strongly disagree and also 15.5% have no opinion. Only 4.6% and 11.9 strongly agree and agree respectively know whom to ask for information regarding compensation and benefits.

In relation with statement 'the current Compensation and Benefit scheme Support and facilitate achievement of organizational goals' 5.5% of the respondents strongly agree, 18.2% agree and 2.71% have no opinion. From the above data 45.4% and 18.2% disagree and strongly disagree with the statement respectively. This implies that employees are not motivated to Support and facilitate achievement of organizational goals.

Majority of the respondents 22.8% and 57.3% disagree and strongly disagree with the idea that employees participate in the compensation and benefits decision process respectively. Only 5.4% of the respondents agree with the statement and the rest 14.5% have no opinion. This implies United Bank S.C doesn't give chance to more of its employees to participate in decision making process.

In relation to the statement 'the bank use employees feedback to make improvements in compensation and benefit policies', majority of the respondents 39.1% disagree and 32.7% strongly disagree respectively. Only 3.6% agree and 7.3% strongly agree with the statement. The remaining 17.3% have no opinion. This implies that United Bank S.C didn't use employee feedback to improve the compensation and benefit policies. This may create dissatisfaction in the employees. On the other hand feedback acceptable management is ready to change and ready to learn from the other.

With regard to the statement 'The bank for which I am working has a written compensation and benefit scheme 21.8% of the employees strongly agree and 30% agree. Whereas 23.6% Of the respondents have no opinion on the statement. Moreover 17.3% disagree and 7.3% strongly disagree.

Table 4.3.1 indicates that 34.5% of respondents disagree and 29.1% strongly disagree with the statement that 'the current compensation and benefit scheme available in the bank is capable of attracting and retaining competent employees. From the above data 9.1% of respondents strongly agree and 16.4% agree with the statement. The rest 10.9% respondents have no opinion.

4.3.2 Compensation and benefit related to period

The items included in this category includes periodic updating and communicating compensation and benefit scheme, periodic evaluation of the effectiveness of compensation and benefit scheme, and adjustment/increment of compensation and benefit within a reasonable/logical time period.

Table 4.3.2: respondent's opinion on compensation and benefit related to period

Compensation and benefit related to period		SA	A	N	D	SD	TOTAL
The Compensation and Benefit	F	6	19	11	60	14	110

Schemes updated and communicated periodically	%	5.5%	17.3%	10%	54.5%	12.7%	100%
Periodically evaluate the effectiveness of compensation and Benefit packages	F	0	15	30	44	21	110
	%	0.0%	13.6%	27.3%	40%	19.1%	100%
Compensation and benefit adjustment/increment is made within a reasonable/logical time period	F	7	18	21	35	29	110
	%	6.4%	16.4%	19.1%	31.9%	26.4%	100%

Source: Own Survey (2019)

Table 4.3.2 shows that majority of the respondents 54.5% and 12.7 agree and strongly agree with the statement ‘The Compensation and Benefit Schemes updated and communicated periodically’. About 10% of the respondents showed no opinion. Moreover 5.5% strongly agreed and 17.3 agreed on the statement. Form the analysis it is possible to infer that the compensation and benefit packages available in the bank under the study is hardly communicated to employees.

According to the data from table 3, 40% and 19.1% of the respondents disagree and strongly disagree respectively with the statement that ‘the bank periodically evaluates the effectiveness of compensation and Benefit packages’. From the above data 13.6% agrees with the statement and 27.3% of the respondents showed no opinion. This indicates that United Bank S.C didn’t evaluate the effectiveness of compensation and Benefit packages periodically.

With regards to the statement ‘the compensation and benefit adjustment/increment is made within a reasonable/logical time period’ 18(16.4%) of the respondent agree and 7(6.4%) of the respondents strongly agrees. From the above data 21(19.1%) of the respondents have no opinion. while the remaining 35(31.9%) and 29(26.4%) of the respondents disagree and strongly disagree on the statement.

It is observed that compensation and benefits are not adjusted periodically. This creates dissatisfaction on the employees to stay in the organization. Because of this the bank might lose most of experienced employees.

4.3.3 Fairness of Compensation and Benefit

Six items included in this part namely, the compensation and benefit scheme focus on the real need of the employee, fairness of salary, adequacy of benefits to cope with the ongoing cost of life, adequacy of payment for responsibility discharged, fairness of salary in terms of work done, and equal benefit for the same kind of work.

Table 4.3.3 Respondents perception towards Fairness of Compensation and Benefit

Fairness of Compensation and Benefit		SA	A	N	D	SD	TOTAL
The compensation and benefit scheme focus on the real need of the employee	F	7	18	23	34	28	110
	%	6.3%	16.4%	20.9%	30.9%	25.5%	100%
The amount of salary and benefit I received is fair relative to other banks	F	9	17	25	41	18	110
	%	8.2%	15%	23%	37.3%	16.4%	100%
The current Compensation and Benefit scheme being offered by the bank are adequate to cope with the ongoing cost of life	F	12	20	5	45	28	110
	%	10.9%	18.2%	4.5%	40.9%	25.5%	100%
Adequate payment is made for the responsibility discharged	F	4	13	13	56	24	110
	%	3.6%	11.8%	11.8%	50.9%	21.8%	100%
Salary is fair in terms of work done and experience	F	10	15	18	31	36	110
	%	9.1%	13.6%	16.4%	28.2%	32.7%	100%
The compensation and benefit scheme is managed to ensure that employees receive equal benefit for the same kind of work	F	24	37	19	23	7	110
	%	21.8%	33.6%	17.3%	20.9%	6.3%	100%

Source: Own Survey (2019)

The data on table 4.3.3 shows that 30.9% and 25.5% of the respondents disagree and strongly disagree with the statement ‘the compensation and benefit scheme in the bank was focused on the real need of the employee’ respectively. From the above data 20.9% of the respondents have no opinion on the statement. The remaining 6.3% strongly agree and 16.4% agree on the idea. This implies the bank doesn’t give much attention to give support fulfilling the real need of its employees.

As it is indicated in the above table 37.3% (41) of respondents responses were disagree and 16.4% (18) strongly disagree on the statement ‘The amount of salary and benefit I received is fair relative to other banks. From the above data 8.2% (9) and 15% (17) respondents strongly agree and agree with the statement. The remaining 23% (25) respondents have no opinion on the idea. This indicates in United Bank S.C. the salary packages are not balance with other banks.

As presented in the above Table 4.3.3, 45(40.9%) of the respondents are disagree with the statement “the current compensation and benefit scheme being offered by the bank are adequate to cope with the ongoing cost of life” and 28(25.5%) of respondents strongly disagree. From the above data 5 (4.5%) of employees have no opinion. The rest 10.9% and 18.2% of employees strongly agree and agree with the statement respectively. This result indicates that the majority of the respondent did not agree with the idea. This indicates that Compensation and Benefit are not offered by assessing the current living standard of the employees.

Majority of the respondents disagree and strongly disagree 50.9% and 21.8% with statement ‘there is adequate payments for responsibility discharged’ respectively. From the above data 11.8% show no opinion, and 11.8% agree and 3.6%strongly agree with the statement.

Moreover, about 32.785.4% of the respondents strongly disagree and 28.2% Of respondents disagree with the statement that says ‘Salary is fair in terms of work done and experience employees have. About 13.6% and 9.1% of respondents agree with the statement respectively. The rest 16.4% have no opinion on the statement.

When asked the level of agreement on the statement ‘the compensation and benefit scheme is managed to ensure that employees receive equal benefit for the same kind of work’, 24(21.8%) and 47(42.7%) of the respondent strongly agree and agree on the idea respectively. while the remaining 13(11.8%) disagree and 7(6.3%) strongly disagree. The rest 19(17.3) have no opinion. This implies that the bank implements a scheme that ensures to offer equal compensation and benefit package to its employees.

4.3.4 Compensation and Benefit related to performance

Six items included in this part namely, compensation and benefit package provide an incentive for better performance, compensation and benefits offered to the employee based on the employee performance, the scheme has positive effect on employees performance, I get annual

increment based on my performance, Rewards hardworking employees to sustain high performance, and the scheme creates good working relationship between management and employees to improve performance.

Table 4.3.4 Respondents perception towards compensation and Benefit related to performance

Compensation and Benefit related to performance		SA	A	N	D	SD	TOTAL
The current compensation and benefit package provide an incentive for better performance	F	8	9	15	56	22	110
	%	7.3%	8.2%	13.6%	50.9%	20.0%	100%
compensation and benefits offered to the employee based on the employee performance	F	6	11	5	32	56	110
	%	5.5%	10%	4.5%	29.1%	50.9%	100%
The scheme has positive effect on employees performance	F	5	8	27	24	46	110
	%	4.5%	7.3%	24.5%	21.8%	41.8%	100%
I get annual bonus based on my performance	F	18	47	16	19	10	110
	%	16.4%	42.3%	14.5%	17.3%	9.1%	100%
Rewards hardworking employees to sustain high performance	F	0	3	28	62	17	110
	%	0%	2.7%	25.4%	56.4%	15.4%	100%
The scheme creates good working relationship between management and employees to improve performance	F	2	12	26	48	22	110
	%	1.8%	10.9%	23.6%	43.6%	20%	100%

Source: Own Survey (2019)

As revealed from the above table (56)50.9% of the respondent are disagree and (22)20% of respondent strongly disagree with the idea are no idea ‘the current compensation and benefit package provide an incentive for better performance’. Also 8(7.3%) and 9(8.2%) of the respondents strongly agree and agree with the statement. The remaining (15)13.6% of the respondent have no opinion. This implies majority of the employees don’t accept the current scheme provide an incentive for better performance.

The above table indicates that the majority of the respondents 50.9% and 29.1% strongly disagree and disagree on the statement ‘compensation and benefits offered to the employee based on the

employee performance' respectively. 4.5% of respondents have no opinion about the statement. The rest 10% of respondents agree and 5.5% of respondents strongly agree with the statement.

Furthermore, about 41.8% of the respondents strongly disagree and 21.8% of the respondents disagree with the statement 'the current compensation and benefit scheme has positive effect on employee's performance'. From the above data 24.5% have no opinion, and the remaining 7.3% and 4.5% agrees and strongly agrees with the statement respectively. This implies the compensation and benefit being offered to the employees have no positive effect.

47 respondents or 42.3% and 18 respondents 16.4 agree and strongly agree with the statement 'the annual bonus is based on each employee's performance' respectively. While 10 respondents or 9.1% strongly disagree and 19 respondents or 17.3% disagree with the statement. The rest 16 respondents or 14.5 have no opinion. This indicates the bank grants annual bonus based on employee performance.

As presented in the above Table 4.2.4 62(56.4%) of the respondents disagree and 17(15.4) of respondents strongly disagree with the statement 'the bank rewards hardworking employees to sustain high performance'. Only 3(2.7%) of the respondents agree with the statement. The rest 28(25.4%) of the respondents have no opinion. This result indicates that the bank didn't recognize its hardworking employees.

Finally, 43.6% and 20% of the respondents disagree and strongly disagree with the statement 'the current scheme creates good working relationship between management and employees to improve performance'. From the above data 10.9% of the respondents agree and 1.8 % strongly agrees. Moreover 23.6% respond with no opinion.

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATION

This chapter deals with the summary of the findings, conclusions and recommendations. The summary of findings includes the general information of respondents and their perception towards the items related to compensation and benefit policies of United Bank S.C.

5.1. Summary of Major Findings

This study had four objectives. To assess the perception of employees towards overall compensation and benefit schemes, to assess whether compensation and benefit schemes are updated and communicated periodically, to identify the degree of compensation and benefit in enhancing employee performance and to identify the fairness of compensation and benefit scheme of United Bank.

When we see the respondents by gender, most of the respondents were Male. In terms of age most of the respondents are between 25-34 years old. Regarding to work experience majority of the respondents worked in the organization for the year between 6 up to 10 year. In relation to Educational level of the respondents, it showed that majority of respondents are first degree holder. With regards to Marital Status majority of the respondents are married but there are no employees that were divorced. In terms of position, most of the respondent is Clerical Staff. The majority of the respondents are, therefore, male, young, married and experienced with first degree.

5.1.1 Perception towards compensation and benefit

The analysis of the items from likert's scale revealed that employees disagree/strongly disagree with majority of items. Respondents disagree that the current compensation and benefits schemes distributed doesn't matches with the experience and qualification they have. Moreover employees do not participate in compensation and benefit decision process and from the given data majority of the respondents disagree on the idea that the bank uses employee's feedback for improvement. And also the respondents think the current compensation and benefit scheme does not help to attract and retain competent staff. However, generally employees believe that their company has a written compensation and benefit schemes.

5.1.2 Periodically updating and communicating compensation and benefit schemes

With regards to periodically updating and communicating compensation and benefit scheme the finding indicated that majority of the respondents disagree on the statement. And also its effectiveness is not periodically evaluated. Majority of the respondents disagree with the statement United Bank's compensation and benefit adjustment/increment is made within a reasonable/logical time period.

5.1.3 Fairness of compensation and benefits

When we observe from the presented data, most of respondent employees responded strongly disagree on the fairness of compensation and Benefit of United Bank relative to other banks. On the other hand, majority of the respondents disagree that United Bank's compensation and benefit scheme is adequate to cope with the cost of living. Moreover, employees do not believe that there is no appropriate payment for responsibility they discharged. However majority of the respondents agree that the compensation and benefit scheme is managed to ensure that employees receive equal benefit for the same kind of work.

5.1.4 Compensation and benefit related to performance

Majority of the respondents disagree that the current compensation and benefit scheme provide an incentive for better performance. The data presented shows that the respondents disagree with payment being for performance. Also it was indicated that majority of respondents strongly disagree that the bank rewards hardworking employees to sustain high performance.

5.2. Conclusions

Based on the Major Findings, the following conclusions were drawn.

The study looked at perception of employees towards compensation and benefit schemes in United Bank S.C. The first research objective is to investigate employee's perception towards the existing compensation and benefit scheme. The study revealed that the perception of the majority of the respondent employees towards the compensation and benefits scheme of United Bank is unfavorable. It was concluded that employees are poorly satisfied with the existing compensation and benefit schemes of the company as a result employees responded negatively to the compensation schemes adopted by the company.

It can be concluded that majority of the employees believe that the current compensation and benefit is not adequate and let them to cope with ongoing cost of life. Moreover majority of the respondents agree that the current compensation and benefit policies are not equitable from the other similar companies in the sector.

Moreover the compensation and benefit scheme in United With regards to enhancing employee's performance, the majority of the employees were not satisfied with the compensation and benefit package, this might lead to a problem of employee turnover. Employees are not doing their best to the company.

Finally, researcher has concluded that employees generally have a negative perception. And these negative perceptions will affect the business implication.

5.3. Recommendations

Based on the findings of this research, the following is recommended to the management of United Bank S.C

- The researcher recommended that actively engaging employees in decision making process increase overall company moral. And also active employee involvement lowers the gap and opening the lines of communication between management and employees. This creates a way to make better day to day decision, feel stronger bond of responsibility for making the decision and they will focus on future oriented problem solving rather than blaming their current problem on management.
- To avoid wrong perception and disagreement by the employees it is recommended that the compensation and benefit policies can be clearly updated and communicated to employees with job measurement which will drive the much needed performance in the employees. Compensation and benefit should not be a onetime issue and need to be evaluated periodically for effectiveness.
- To attain its objectives and motivate employees towards better performance, attract and retain competent employees the current compensation and benefit package of United Bank S.C it is recommended to be improved. Therefore, there is a need to design compensation and benefits scheme taking in to account the performance, experience, and qualification of employees.

- Finally it is recommended United Bank S.C to link its compensation and benefits scheme to its organizational goals and objectives. The objectives of compensation and benefit can be achieved if employees have clear understanding of employer's contribution they can exert better effort towards the achievement of the overall organizational objectives. And also the researcher recommended the compensation and benefit policies to be fair because employees who are fairly compensated tend to provide better customer service, which can result in organizational growth and development. And also a fair compensation and benefit system always helps the organization in enhancing the satisfaction, performance, attendance and retention of employees.

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Appendix I

Questionnaires

ST. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES

This questionnaire is designed to collect first-hand information for a project conducted in partial fulfillment of Master Degree in General business administration under the title of “**Employees’ perception towards Compensation and Benefit schemes: the case of United Bank S.C**”. Your genuine response is highly valuable to conduct this study and then to arrive at legitimate results. I hereby request you to fill these questionnaires and give it back at the earliest time possible. Any information you present will keep absolutely confidential and will be used for academic purpose. I would like to thank you in advance for your effort and precious time to fill the questionnaires.

General Instructions

- ✓ There is no need of writing your name
- ✓ In all cases where answer options are available please tick () in the appropriate box.

Contact Address

If you have any query, please do not hesitate to contact me and I am available as per your convenience at (Mobile: 09-22-74-76-41 or e-mail: gumataseble@gmail.com)

Thank you in Advance!!!

Section “A” General Profile of Respondents

1. Sex

Male Female

2. Age

Under 25 25-34 5-44 Above 45

3. Marital Status

Single Married Divorce

4. Education Background

Primary school Undergraduate (1st degree)
High school completed Post graduate (2nd degree)
Diploma Other (please specify).....

5. Please specify your current position in the company

Top level management Clerical staff
Middle level management Other (please specify).....

6. How long have you been working in the company

Less than two years 6-10years
2-5 years Above 10 years

Section “B” DATA RELATED TO COMPENSATION & BENEFIT

Please indicate your level of agreement with the statements so that your answers to these questions will enable the researcher to assess what you think about the compensation and benefit schemes in your organization, where: 1= strongly agree 2=Agree 3=Neutral 4= Disagree 5= Strongly disagree

A. Perception towards compensation and benefit

No	Perception towards Compensation and Benefit	1	2	3	4	5
1	The compensation and benefit distributed matches with my work experience and education I have					
2	compensation and benefit scheme is compatible with in the industry					
3	I know where to go for information related to compensation and benefits					
4	The current Compensation and Benefit scheme Support and facilitate achievement of organizational goals					
5	I participate in compensation and benefit decision					
6	Use employees feedback to make improvements in compensation and benefit					
7	The bank for which I am working has a written compensation and benefit scheme					
8	The current compensation and benefit package is capable of attracting and retaining competent employees					

B. Compensation and benefit related to period

No	Compensation and benefit related to period	1	2	3	4	5
1	The Compensation and Benefit Schemes updated and communicated periodically					
2	Periodically evaluate the effectiveness of compensation and Benefit packages.					
3	Compensation and benefit adjustment/increment is made within a reasonable/logical time period					

C. Fairness of compensation and benefit

No	Fairness of Compensation and Benefit	1	2	3	4	5
1	The compensation and benefit scheme focus on the real need of the employee					
2	The amount of salary and benefit I received is fair relative to other banks					
3	The current Compensation and Benefit scheme being offered by the bank are adequate to cope with the ongoing cost of life					
4	Adequate payment is made for the responsibility discharged					
5	Salary is fair in terms of work done and experience					
6	The compensation and benefit scheme is managed to ensure that employees receive equal benefit for the same kind of work					

D. Compensation and benefit related to performance

No	Compensation and Benefit related to performance	1	2	3	4	5
1	The current compensation and benefit package provide an incentive for better performance					
2	compensation and benefits offered to the employee based on the employee performance					
3	The scheme has positive effect on employees performance					
4	I get annual bonus based on my performance					
5	Rewards hardworking employees to sustain high performance					
6	The scheme creates good working relationship between management and employees to improve performance					