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FACULTY BUSINESS
DEPARTMENT OF MANAGEMENT**

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FULFILLMENT OF THE COURSE RESEARCH IN
MANAGEMENT**

***IMPACT OF COMPENSATION ON EMPLOYEES
PRODUCTIVITY /ON DIFFERENT MANUFACTURING
ORGANIZATION/***

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ABSTRACT

This study was tried to investigate the impact of compensation on employees productivity. Compensation and employees productivity is the most interrelated concepts in the organization day-to-day activities to achieve their goal and objectives. To encourage employees' performance, compensation has a great impact whether it is service giving or manufacturing organization.

The study has been assessing the impact of compensation employees' productivity, which is found on different levels of management. This includes Top-level management, Middle level management and Lower level management only in manufacturing organizations. The study will be conducted on 6/ six/ organizations, which are found in Addis Ababa and Debre- Zeit

The data that are necessary for accomplishment of the research will be collected through questionnaires. These questionnaires were distributed to employees, which are found in different management level in selected organizations. The sampling technique I am going to use is judgment sampling because it is convenient for the type of research I conduct.

After the completion of this research, the researcher concluded that compensation is a very near and dear concept not only to the employees but also to the employers. It is also clearly indicated that the presence of compensation has a great impact on employees' productivity. Finally, the research reveals that F.Herzberg hygiene factor theory is the most appropriate and applicable concept to our country employees than motivational factor.

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CHAPTER ONE

1.1 Introduction

Compensation is the HRM function that deals with every type of reward individuals receive in exchange for performing organizational tasks. It is a chief reason why most individuals seek employment. It is an exchange relationship. Employees trade labour and loyalty for financial and non-financial compensation (pay, benefits, services, recognition, etc...)

Does a well-designed pay system motivate employees to perform better, or does it create greater satisfaction? The answer to this question varied from "yes" of Aristotle in ancient Greece and of scientific management in early 1900's to the 'No' of human relations theorists in the 1930's. Although most compensation experts believe that pay affects positively the motivation of employees. (Ivancevich, 1998)

Compensation is a subject that is near and dear to employees and employers alike. To employers, it is both a potentially powerful influence on employee's behavior and attitude and (usually significant) cost. To employees, it is a reward that is a source of both economic and psychological income. The task facing the employers is to allocate this reward in a way that optimizes the return on money spent in employees' motivation to join the organization, perform effectively, stay and attend work regularly and employee satisfaction.

Compensation is divided into financial and non-financial compensation.

I. Financial compensation: - is either direct or indirect. Direct financial compensation consists of the pay an employee receives in the form of wages, salaries, bonus or commissions. Indirect financial compensation or benefits consists of all financial rewards that are not included in direct financial compensation. A typical benefit includes vacation, various kinds of insurance, services like childcare or elder care etc....

Non-Financial compensation: - rewards like praise self-esteem & recognition affect employee's motivation productivity and satisfaction.

In 1975, psychologist Fredrick Herzberg and his associates developed a need theory called the two factor or hygiene motivator. According to Herzberg a manager's poor handling of hygiene factors (often referred to as maintenance factors) is the primary causes of unhappiness on the job. When the factors are of sufficient quality, they do not necessarily act as motivators. High quality hygiene factors are not necessarily stimuli for growth or greater effort they lead only the employees lack of job dissatisfaction. Hygiene factors include salary, job security, working condition status company policies quality of technical supervision quality of interpersonal relation and soon.

There are also primary causes of job satisfaction, which Hergberg considered them as motivation factor. They are intrinsic to a job and related directly to the real nature of work people perform. When employer fails to provide motivation factor, employees experience no job satisfaction. With motivation factors, employees enjoy job satisfaction and provide high performance. Different people require different kinds of motivation factors. These factors include achievement, recognition, responsibility, advancement the work itself & possibility of growth. (Plunket& Attner, 1998).

To sum up compensation has a great impact in any organization whether it is a manufacturing or service giving organization employees in very organization have a very special look towards compensation because it gives them a great deal of satisfaction in their job.

The attempt of this paper is to investigate the root cause of great problems, which is seen in most organization of our country. A very little emphasis is given to compensation in most of organization. So the aim of this study is not only to assess the

presence and impact of compensation employees productivity but also try to indicate some solution for the problems.

1.2 Statement of the study

Employees compensation is a central part of the employment relationship from the employees point of view, policies having to do with wages, salaries and other earnings having a major impact on their overall income and their standard of living. Employees attach great importance pay decisions when they evaluate their relationship with the organization.

From the employer's point of view, pay is a powerful tool for furthering the organization's strategic goals. First pay has a major impact on employees attitudes and behaviors. It influences the kind of employees who are attracted to remain with the organization and it can be powerful tool for aligning current employees interest with those of the boarder organization second, employees compensation is typically a significant organizational cost and thus requires close scrutiny.

A number of studies indicate that if pay tied to employees' activity in performing their task, the employees produced a higher quantity and quality of work. However, all the above-indicated concepts are not significantly seen in our country. Bare this in mind; the main objective of this study is to examine the impact of compensation on employees' productivity. These employees are found in different m 79 organizational in A. A and D/Z.

Based on the above basic ideas and objectives the writer of this paper focused to examine the impact of compensation on employees' productivity in regard to the following aspects: -

- Assessing different kinds of compensation an organization uses.
- Examining employees and employer attitude towards compensation
- Identifying organizations compensation system.

1.3. Significance of the study

The main purposes of the study are as follows: -

- 1- As it is well known, a considerable and exhaustive research has not been so far under taken regarding compensation and its impact on employees performance in our country. Therefore, the study will be an open door for further and deeper research activities in the field.
- 2- The research findings will be used as a source of reference regarding compensation and its impact employee's productivity in HRM and related course in Management department.
- 3- Some of the recommendations to be made in the study in some way to be used by Concerned bodies such as policy makers, instructors, office managers and students Conducting research in the field of compensation and its impact on employees Productivity.

1.4. ^{scope} Delimitation of the study

Compensation and its impact on employees' productivity seen in both government and private organization throughout the country. This study, however, doesn't include all the existing organization in the country. This is because the study of compensation and its impact on employees productivity in all organization throughout Ethiopia calls for a lot of financial and manpower resources as well as extended length of time; which is not possible to obtain for this research. Therefore, the study is delimited to assess the practices of selected organizations in Addis Ababa and Debre-Zeit.

1.5 Limitation of the study

While undertaking this research project, the writer has come across certain constraints by some factors. Among these constraints the most significant are the following: -

- 1- The organizations in which the research supposed to be conducted were 10. However, some organizations were not willing to fill out questionnaires. Because of these research was limited only to 6 organizations.
- 2- From the organizations the questionnaires distributed and data collected, some Organization representatives managers was not willing to give additional information like data figures that are necessary for accomplishment of the research.
- 3- Lastly but not the least, the research was constrained by financial time and experience factor. Because, the research is conducted by student researcher who has a lack of such resources, skill and time.

1.6. Definition of Terms

1. Compensation- is the human resources management function that deals with every type of reward individuals receive in exchange for performing organizational tasks.
2. Motivation - is set of attitudes and values that predisposes a person to act in a specific, goal directed manner.
3. Productivity - is out put of goods and services per unit of input of resources used in a production process.
4. Benefits- indirect financial compensation or services, are called benefits.
5. Indirect financial compensation- rewards and services, other than wages and salaries
6. Direct financial compensations- it consists of pay employees receive in the form of Wages, salaries, bonuses or commissions.

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1.7 The Research Design and Methods of Obtaining Data

The nature of the study is of descriptive of survey type where documentary ~~in~~ information and questionnaires were employed as tools of the data collection. The sampling technique used was Judgment sampling because it is convenient for the researcher and the research type conducted. The research conducted in selected manufacturing organizations, which are found in Addis Ababa and Debre - Zeit.

78 questionnaires with both open and close-ended items were distributed among 78 employees who are found in different managerial levels. Out of this 65 questionnaires, which is 83.3% of distributed were returned.

1.8 Organization of the study

The study is composed of five major parts organized into chapters. The first chapter refers to the study and its approach. The second chapter discusses the review of the related literature. The third chapter consists of methodology while the fourth chapter consists of results and discussion. The last chapter includes the conclusion and recommendation.

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CHAPTER TWO

LITERATURE REVIEW

Here compensation is divided into financial and non-financial.

I. Financial compensation: - is either direct or indirect. Direct financial compensation consists of the pay an employee receives in the form of wages, salaries, bonus or commissions. Indirect financial compensation or benefits consists of all financial rewards that are not included in direct financial compensation. A typical benefit includes vacation, various kinds of insurance, service like childcare or elder care etc....

Benefits are the provision of indirect compensation to the employees in forms such as health and life insurance, pension plans, pay for time not worked (such as holidays, vacations and breaks) and family & social welfare benefits and services.

The bases for providing benefits don't conform to the distinction between jobs and individuals used to discuss direct compensation. Some benefits depend on organizational membership (e.g. holidays, health insurance). All employees in an organization typically have the same number of holidays & similar health insurance protection regardless of job assignment, seniority or pay level. Other benefits such as the number of days of vacation usually depend on how long an employee has been with the organization. The size of pension and the value of life insurance, along with a number of other benefits depend on the employee's salary, which depends on both job and personal characteristics. Before 1930, employees benefit were no more than 3 % of total compensation. Beginning in the 1930's & 1940's, however, benefits have been provided on a much larger scale. (Heneman; schwab; Fossum; Dyer; 1998)

II. Non-Financial compensation: - rewards like praise, self-esteem and recognition affect employees' motivation, productivity and satisfaction.

2.1 Employees attitude about benefits

From the employees' perspective, increased benefits typically don't come without a corresponding cost. Specifically, employees can assume some trade-off between benefits and direct compensation. Increased in the former may be achieved at the expense of increase in the latter.

Despite this trade off most employees prefers receiving certain types of benefits rather than direct pay. The employer at group rates, which are typically lower than those employees would have to pay, can generally purchase health and life insurance. Benefits that require employees' contribution, however, are more highly valued by employees. This is important for employees to recognize when deciding the degree of participation employees should have in the construction and operation of benefit plans. (Heneman; schwab; fossunm; Syer; 1998).

Objectives of compensation are to create a system of rewards that is equitable to the employer and employee alike. The desire outcome is an employee who is attracted to the work & motivated to do a good job for the employer. Compensation should be adequate, equitable, balance, cost, secure, Incentive providing & acceptable to employees Ivancevich, 1998).

Employees' compensation is a central part of the employment relationship. From the employees' point of view, policies having to do with wages, salaries and other earnings having a major impact on their overall income and their standard of living a employees attach great importance to pay decisions when they evaluate their relationship with the organization. Therefore, pay decision must be carefully managed and communicated. (Noe; Hollenbeck; Gerhart; Wright, 1997).

From the employer's point of view, pay is a powerful tool for furthering the organization's strategic goals. First, pay has a major impact on employees attitudes and behaviors. It influences the kind of employees who are attracted to remain with the organization, and it can be powerful tool for aligning current employees interest with those of the boarder organization second, employees compensation is typically a significant organizational cost and thus requires close scrutiny.

Organizations often establish pay policies of two kinds one involves compensation for the job those employees who hold the job. Typically, then pay depends partly on the jobs & partly on characters of employees, such as length of services or levels of performance on the jobs.

2.2 Pay and employees productivity

High performance requires much more than motivation, ability, adequate equipment, good physical working conditions, effective leadership and management, health, safety and other, conditions all help to raise performance level. But employee's motivation to work harder and better is obviously an important factor. A number of studies indicate that if pay is tied to performance the employee produce a higher quality and quantity of work. (Ivancevich, 1998)

2.3 Does pay motivate?

Over the year a great many organizations have tried to determine whether pay can be used to motivate high performance. Although by no means universally successful, such investigations have frequently found that pay can be administered in ways that yield higher employees productivity. Moreover, the manner in which pay appears to operate is generally consistent with the predictions made by expectancy model.

Results generally shows that employees paid on individual incentive system produce at higher levels than employees on job based system. (Heneman; schwad; Fossum; Dyer; 1998)

*

Compensation plans are designed to answer these underlying questions what do we want employees to do? And what kinds of behaviors do we want to encourage? In today's changing work place, employers are struggling to understand how best to use compensation to reward positive performance and to change behaviors that do not add value to their organizations. The purpose of this paper is to identify current and anticipated future strategic trends in compensation issues.

Different methods of paying employees are being used today not all with positive results. For example, profit sharing has been instituted with no definite verdict on its effectiveness in many companies. Economist Douglas kruse of Rutgers University surveyed 500 companies in an assessment of productivity growth before and after the adoption of profit sharing plans. In his book profit sharing does it make a difference? Kruse. Concluded that there was a 5-10% increase in productivity. (Internet)

2.4 Productivity Improvement

Source: Managing a small Business

It is conceivable for you to have more employees than the competition yet company produces less and for you to have disgruntled low out put employee even though you pay your employees more than the competition pays theirs. Productivity surveys and case studies indicate that increased worker motivation and satisfaction can increase worker out put.

This Guide discusses how to increase worker out put by motivating with quality of work life concepts and by tailoring benefits to meet the needs of employees cost enlightened human resource management probably costs no more that employee turnover (hiring and training new employees), Unwarranted pay increases and low productivity.

Benefit better productivity loyal efficient workers; higher quality work, and increased likelihood of staying in business.

The essence of employee motivation and effectiveness is the manner in which they are managed. A direct relationship exists between effective management (i.e. providing a work environment that simultaneously achieves company goals and employees goals) and modern human resource management.

Your management success is judged skill and knowledge in recognizing and assessing issues that concern employees and by your ability to resolve these concerns with employee help and satisfaction.

- Do your employees know how you judge and measure their performance?
- Do you provide and encourage individual development with training and education programs?
- Do you trust your employees and rely upon their knowledge?
- Do you let employees make decisions?
- Do you have timely accurate, open two-way communication with your employees?

If you answer no to all of these questions, you probably are an unsatisfactory human resource manager and have (or will have) employee productivity problems.

2.5 Quality of Work Life

Getting high quality job performance from your employees depends on giving employees opportunities for their personal growth, achievement, responsibility, recognition and reward.

Pay money is the primary need and reward once the compensation (pay and benefits) is established properly, it is necessary to use other means to further motivation and improve your work forces out put. The basis of all job enhancement efforts is your recognition of employees' desires to do good work, to assume responsibility's to achieve and to succeed.

Changes to consider increasing a new quality of work life atmosphere include:

From: Detailed job description with specific tasks and rigid instruction for how to do the Work.

To: Flexible, diverse work assignment allowing self-regulation, variety and challenge;

From: Structured chain of command, Managers making decisions supervisors bossing.

To: Workers involvement in planning decision making and operating procedure.

From: Hierarchical channels of communications

To: Direct, fast two-way communication

From: Limited en-the-job instruction

To: Advanced training, educational and career development opportunities;

From: Job specialization in one task.

To: Leeway allowed for every employee to complete many task by crossing line of Specialization.

From: Obscure, irregular job evaluations

To: Objective job performance standards with measures fairly administered.

From: Careless or neglected safety and health conditions;

To: Clean, safe and healthful working conditions

The quality of work life technique is to involve your employees by sharing the management responsibility and authority with them the workers who do the job

2.6 Flexible Benefits

Compensation costs salaries, wages, and benefits are a large and increasing part of operating expenses; yet, productivity can decline among workers who get more pay and benefits workers are productive with fair pay tied to performance. Ironically, not all employees. Pay raises and promotions solve motivation and productivity problems. It isn't necessary to make pay adjustments beyond a fair industry wide (market place) level.

The tailoring of benefits to satisfy specific needs is part of the quality of work life technique. It is a way to maximize the amount of labor costs going to the employee and to maximize your return on these costs without increasing across the board expenses. By making a special effort to satisfy individual employee needs, you reinforce the motivational value of the flexible benefit.

For example, you can reduce unwanted employees turnover and related recruiting, hiring and training costs by shifting these costs from developing new employees to keeping experienced employees you can motivate an employee to increase productivity by providing opportunities for career development (training or schooling).

At the some time you have improved the workers skills and shown recognition of the worker's value and aspiration. A tailored benefit can be worth as much to an employee as pay raise. Such a benefits is practical because (1) it probably costs no more than worker unrest and diminished productivity and (2) it is probably less costly than a comparable pay in crease.

Age, education, job experience, job fulfillment, marital status, and family size are considerations that determine the utility and attractiveness of a benefit. Different benefits appeal to different people every ones needs are different. Having use of a company car might motivate a younger employee. An older person may want more status like a title or a professional association membership. The list of possible employees benefits and their

applications is nearly unlimited. To get the maximum value, you have got to tailor the benefit to the job and your business requirements and financial capability.

A flexible benefit is two-fold Not only does the benefit satisfy some employee's specific need but it also communicates your concern to meet these needs, creating the kind of work environment that contributes to increased employee productivity.

You must recognize the productivity problem and the need of your employees so that you can tailor the benefit to meet the situation. Beyond pay and statutory benefits that provide the most value to your business.

Using quality of work life techniques to motivate and to reward employees can result in productivity gains. The ultimate goal, of course, is to achieve the maximum result from the least effort, the greatest profit for the least cost, the largest output from the smallest input. To work toward this goal you've got to know how productive your company is thus, you must define and measure productivity for comparison from time to time. (Internet)

2.7 Motivation

May be defined as an inner force that impels human beings to behave in a variety of ways and is, therefore, a very important part of the study of human individuality. Because, of the extreme complexity of human individuals and their differences, motivation is very difficult to understand both in oneself and in others. Nevertheless, there are certain features of motivation, which may be regarded, as generally applicable, i.e.

1. The motivational force is aroused as a result of needs, which have to be satisfied. Thus, a state of tension or disequilibrium occurs that stimulates action to obtain satisfaction.
2. The satisfaction of a need may stimulate a desire to satisfy further needs (e.g. "The more they have, the more they want")
3. Failure to satisfy need may lead to a reduction or a redirection of the motivational force towards other goal seen as more obtainable.
4. The motivational force has 3 basic elements direction, intensity and duration i.e. it is

directed to wards goals; its force may vary considerably depending on the strength of individual desires; it may last for long or short periods or be intermittently recurring (Tyson & York, 1996)

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CHAPTER THREE

METHODOLOGY

This research was conducted in selected manufacturing organizations, which is found in Addis Ababa and Debre-Zeit.

The data collected includes: How the employees feel about compensation? Does the reward receive satisfactory? The extent of belongings felling to their work and many other questions, which is relevant with the study.

The employers also asked about what are the impacts of compensation on their employees? Are the employees productivity increases because they get compensation and the employers also asked if there are any other variables, which have impact employees' productivity.

The method used for data collection in this research is a questionnaire. This method was chosen because the number of people involved was very large. Questionnaires with both open and close-ended items were distributed among employees, which is found in different management level in the organization. The questionnaires prepared was of two type; one goes to employees who is found in lower and middle management level, the other type goes to top managers only.

The data collection was conducted from February 4th to 22nd. The analysis of the data was done from March 4th to 22nd. The final report will be submitted on May 27th followed by the presentation which is expected to be from May 29-June 1.

The population for the study includes employees that is found in different management level i.e. Top management level, Middle Management level and lower management level.

The research was conducted in 6/six/ different manufacturing organization that are found in Addis Ababa and Debre-Zeit The organizations includes ADEA FLOURE FACTORY, B.G.I ETHIOPIA, ETHIO PLASTIC FACTORY, FINFINE FURNITURE FACTORY, D.H GADA AND ADIE ABABA TEXTILE FACTORY. The area the research was conducted is vast and thus, so is the population. This is the reason why the research is limited only in 6 organizations.

6 The sampling technique used was non-probability sampling and from different types of non-probability sampling methods judgment sampling was used to determine the sample size. The main reasons the researcher used judgment sampling are because it is less time & money consuming and it is also very convenient with the research conducted.

The sample sizes the research to be conducted were an 130 employees of 10(ten) different manufacturing organization. However some organizations were not willing to fill out questionnaires, the research limited to 78 employees of 6 different manufacturing organizations. Out of 78 questionnaires distributed only 65 questionnaires returned. This gave a 83.3% return rate.

When it comes to analyzing the data, the close-ended items questions in the questionnaires will be tail laid and put in the percentage form. After this the open-ended items are analyzed and summarized in a coherent and easily understandable manner.

CHAPTER FOUR

RESULTS AND DISCUSSION

This chapter deals with major finding of study. All the necessary data and information that are gathered are analyzed and hence the basic issues are given the appropriate treatment.

However, before going to the basic part of the study it would be appropriate to know the respondents characteristics. As indicated previously the respondents are employees that are found indifferent levels of management. Their background is illustrated in the following table: -

4.1 - Respondent Background

Table I

No	Item	Response	Respond ants	
			No	%
1	Sex	Male	35	58.3
		Female	25	41.7
		Total	60	100
2	Age	20-25	6	10
		26-30	10	16.7
		31-35	10	16.7
		35 and above	34	56.7
		Total	60	100
3	Educational Level	12 Complete	3	5
		Certificate	6	10
		Diploma	40	66.7
		Degree (BA/BSC)	11	18.3
		Masters	-	-
		PHD	-	-
		Total	60	100

From the responses given in table I, one can see and understand the following: -

Out of the 60 employees 58.3% of them are male and 41.7% female. This indicates that women are in a better level of employment in offices than past time.

Item 2 on the same table indicates the age structure of the respondents. According to the response the majority of the employees are between the age of 35 and above. This shows that most of the employees in the organization are matured and experienced people.

Furthermore, as indicated in Table I last item, more than half of the employees or 66.7% are diploma graduates and only 18.3 % are degree holder and the remaining are 12 complete & certificate graduates. There is no master's degree or PHD in one of the organizations. In addition to this I found organizations, which has no degree holder employees on it. This emphasis that there is a lack of better-trained or educated individuals employees in the organization.

4.2 Employees Salary Range

Table II-

No	Item	Response	Respondants	
			No	%
1	Salary Range	400 - 700	20	33.33
		700 - 1000	22	36.67
		1000 and above	18	30
Total			60	100

As should be observed from table II, 33.33% of the employees are in a salary range of Birr 400 - 700; 36.67% of the employees are in salary range of Birr 700 - 1000; 30% of the employees get a salary above Birr 1000. It can also be seen from the table that above 50% of the employees gets a salary below 1000.

Similarly from general respondent only 33.3% of the employees are satisfied with their salary but 66.7% of the employees are not satisfied. This is mainly arises from that the salary the employees get does not growth their education level, experience in their job, the amount of worker effort they put on their job ... & soon so most of the employees are unsatisfied with the salary they get from their organization.

4.3 Compensation and its impact

As it can been seen from the employees' response almost i.e. (91.7%) of the employees get compensation beside their salary from their organizations. Here the kinds of compensation employees get from their organization differ from organization.

The responses given to the questions indicated revels that kind of compensation employees get from their organization differ from organ to organizations. However from the common kinds of compensation employees get; employees who get "Medical expense coverage" ranked first; "Insurance" ranked second, " Bonus" ranked third and those who get "commission" ranked fourth. In addition to this there are employees who get transportation allowance, different kinds of discounts especially price for companies products transport services and others.

The impact of having compensation on employees work is qualitative factor that is differ from employees to employees. These researches try to examine some of the impacts of compensation from the respondents' response. Employees who have a "felling of happiness and satisfaction" ranked first, employees who have a "felling of being

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motivated " and "belongingness feeling" ranked second and third respectively. There are also employees who have a feeling of security to lead their life satisfactorily.

On the other hand there are employees who are unsatisfied with a salary and compensation they get from their organization. This is because the salary and compensation they get doesn't go with there the education level; experienced they have in the work.

4.4 Attitudes of employees towards the reward they relive

From all respondents 41.7% of the employees does receive a reward that are satisfactory for the amount of effort they put into their job, however, 58.3% of the employees think that the reward they receive are unsatisfactory when, they compare it with the amount effort they put into the job.

Similarly, 50% of the respondents think that the required they receive are fair when compared to another organizations employees when 50% of them are not think that reward they receive fair when compared to another organization.

Lastly, 70% of the respondents think that the employers are not consistent in providing the some reward for equal work; where as 30 % of them did not think so.

• In general, the responses given indicate that, even if employees get compensation and salary it is not in a satisfactory amount. For the amount of effort of effort the employees put in their job the amount of reward is very less. In addition to this the way other organizations rewarded their employees for the same job and the employers not being fair in rewarding all employees in equal way has a major effect on employees productivity.

This dissatisfaction to the reward they receive also arise from employer's failure to understand the employees education level, number of years they stay in the organization and the experience they have in relation with the amount of salary and different kinds of compensation they receive.

4.5. Frederick Herzberg two factor or hygiene motivator theory and its relation with our country employees

For 70% of all respondents their organizations provide a good working condition but which are not good for 30% of the employees.

The work they do provides recognition, a chance for advancement, an opportunity for further promotion for 66.7%, 33.3% and 7% of the employees respectively. on the other hand their work does not provide a recognition, a chance for advancement, an opportunity for further promotion for 26.7%,66.7%, 33.3% of the employees respectively.

90% of the respondents revels that they prefer to get from their organization a good pay to have a job security, improved working condition good interpersonal relationship and for company policies. Whereas, only 10% of the employees prefer to get more responsibility, recognition, achievement, advancement, possibility of growth.

This indicates that almost all the organization employees prefer to have hygiene factors of psychologist Frederick Hezberg. But according to Herzberg this factors lead employees only lack of job satisfaction because they are not necessarily stimuli for growth greater effort.

This indicates that the theory of F. Herzberg is not very much applicable in our country Ethiopia. This is because our country is one of under developing countries; the people live in it have a great economical, political, social... problems. So their primary need is to be paid well in order to feed themselves and their families. Even if these

motivational factors recognition, achievement, advancement and soon are needed and necessary by employees in any organization, no one cannot imagine them before fulfilling the hygiene factors.

However, when we take employees in U.S A, Germany, France, British, Japan,..... & Other developed countries prefer as their primarily motivational factors. This is because they already accomplish their hygiene factors long time ago so to create job satisfaction to their employees, employers should provide them with motivational factors of F. Herzberg.

Finally, employees asked if they have a job satisfaction and 75% of the employees said that they have job satisfaction and 25% of them have no job satisfaction. for employees who have job satisfaction, it comes from being secured, good interpersonal relationship, having good working atmosphere, getting paid good salary. Those who have no job satisfaction puts some reasons for not having job satisfaction like that their employees are not good at managing the companies, their is no clear job description in the organization, the salary they are paid not enough when the compare with the reward they receive,...& soon.

In addition to above-mentioned facts, employees have a job satisfaction that comes from: -

- Because they participate on different kind of works
- Because they work they do is directly related to the qualification they have.
- Because their work helps them to communicate with different kinds of persons and gain new experience at a time.
- Because they have a possibility for further growth and promotion
- Because they have much experience in the field they do their work and they like what they do very much.
- Because they are not unemployed and get money to feed themselves and their families..... and soon.

4.6. Employers and their attitude towards compensation and its impact on employer performance.

As the responses given clearly indicated, 83.3% of the employees says that there is a salary increment to the employees in the organization, Where as 16.7% says there is not any kind of salary increment in the organization.

Similarly, the impact of salary increment and other kinds of compensation on the employees from employers point of view reveals that, employees" being attracted and feel motivated" ranked first, "experienced and trained individuals can be attracted" ranked second, "slow rate of absenteeism" ranked third and "slow rate of turnover" ranked fourth.

Employers also asked if they are able to see the changes in production amount and profit after the salary increment, 76.6% and 71.1% of employers are able to see the changes in production amount and profit. The employers approved in their response that the changes that are shown in production amount and profit are in increasing rate.

The employers also admit the fact that there are other things that have a positive impact on employees' productivity. These employers constitute 60% of all respondents but other 40% of the employers have an idea that there is no other way to increase employee productivity other than compensation.

Further more the response given for one open ended question that asks the employers to specify if there is any thing besides compensation that have a positive impact on employees productivity.

From the responses given some of them are: -

- Having job satisfaction and good working condition
- Providing on job-and off job training for employees
- Having job security
- Better fringe benefits
- New organizational charts motivated factory workers.
- Enough supply of goods & services.

In general, employees motivated and being attracted to their work, when there is a salary increment and compensation in the organization. This in turn has a major effect in the production amount and profit earning. As one can see clearly there is an increment in production amount and profit when employees are being compensated. It is also stated that there are other factors that have an impact on employees' production. So a manager of an organization taking into account the above-mentioned facts can lead their employees into most productive employees for the country.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusion

The following conclusions are drawn based on the findings of the research.

1. The majority of the employees who are found in the organization are male but also there are female employees in a significant number. The age of the employees are found to be considered as productive age. So that if the necessary conditions are fulfilled all the employees have a capacity to produce more. Concerning the education level of employees the number of employees having a degree is very few in number comparing with all organizations employees. The rest of the employees have diploma certificate and there are also employees only who completed 12-grade education. There is no master or PHD holder in the organizations where research conducted. So there is a problem of better-qualified or educated employees in the organization relatively.

2. Most employees are found in a salary range below Birr 1000⁸⁰⁰. This indicates that most of employees are not satisfied with their salary. They also said that the salary they get doesn't go with the education level, job experience, the amount of effort they put in their job, the salary that other organization employees paid... soon. This in turn has an effect on the productivity of employees. When they paid more they produced more and they think that their salary is unsatisfactory they may not have a motivation to ^{job satisfaction} help users or ^{work more.} produce or work more.

3. In the sampled organization, there are different kinds of compensation systems given to the employees. This compensation includes medical coverage expense, insurance, bonus, commission, transportation allowance, discount in price for the product of their organization,.... & soon. This in turn has a major impact on the employees productivity like employees have a feeling of happiness and satisfaction, feeling of being motivated, belongingness feeling to their organization and security to lead their life satisfactory....and soon Having this kind of feeling to their work an organization help employees to produce work more and more.

4. Attitudes of employees towards the reward they receive differ from employees to employees but most employees think that the reward they receive are unsatisfactory to the amount of effort they put into their job, the amount of reward they receive are low when they compare it with other organization employees receive to the same kind of job and also most employees think that their employers are not consistent in providing reward to all employees equally. These reasons for unstatisfaction have a major effect in production level and profit growth of the organization. The research also indicates that, even if, the employees get salary and compensation they are not satisfied with it. This is due to employer's failure to understand the education level, n^o of years employees work in that organization, the experience they have to particular job.... and soon.

5. Almost all of the organization employees prefer to have hygiene factors of psychologist Fredrick Hezberg. But according to Herzberg this factors lead employees only lack of job satisfaction because they are not necessarily stimuli for growth or greater effort. This indicates that the theory of F.Herzberg is not very much applicable in our country Ethiopia. This is because our country is one of under developed countries & people have great economical, social & cultural problems. so their primary need is to be paid well in order to feed themselves and their families. However, these motivational factors like recognition, achievement, advancement and soon are needed and necessary for employees in any organization, no one can pay attention to these factors before fulfilling the hygiene factors.

6. Many of the employees in the organization have job satisfaction if they are provided with job security, good personal relationship, good working conditions, good salary....and soon. This job satisfaction will have an effect on employees' productivity in great amount.

7. Regarding employers attitude towards compensation and its impact on their employees, almost all employers able to see the change (increment) in production amount and profit growth that comes from salary increment and presence of other kinds of compensation package. It is also clear that the presence of salary increment and other compensation package are the main reasons for employees being attracted and fell motivated. And experienced and qualified individuals can be attracted to the organization and also results in low rate of absenteeism and turnover.

5.2 Recommendations

This study, as is repeatedly indicated, is of a survey type and as such it can't give all possible solutions for all problems passed. Hence, the following recommendations are given as a pointer for further investigations.

1. As the finding revel, the majority of the employees have no further education to hold their degree, masters and PhD's. So there is a great problem in finding better qualified and educated employees in organization. Hence, it is recommended that the management of the organization to set and disclose carrier development paths for its employees. Most of these programs have focused on managers, but more and more organizations are beginning to recognize that employees at all level need career planning.

2. As it is clearly indicated most of the employees have no job satisfaction because their salary is very low compared to the education level they have, number of years they served in the organization, the experience they have in particular job. Hence, it is recommended that employers have to take into consideration the above mentioned facts when they intended to have salary increment and also it is shown in the finding that when employees paid well they increase their productivity.

Customer services & client

3. It is indicated that, providing different kinds of compensation to employees found in different organizations helps to increase the amount of production and profit growth. ^{Job satisfaction of employees.}

Hence, it is recommended that employers of different organization have to relate their methods of compensation to employee productivity in order to get an improved result.

It is also recommended that to attract and retain experienced individuals, to create a feeling of happiness, satisfaction and decrease the rate absenteeism & turnover.

④ Compensation has a great impact on employees productivity. However, ^{Job satisfaction} getting salary and compensation does not satisfy most employees. They have a complainant about not having an appropriate amount of reward for the amount of effort they put into their job, reward that is not comparable to the other organizations employees, and also they want the employees to be consistent with the way of providing rewards to all employees. so, it is recommended that employers to use pay differentials that is based on.

- Individual differences in experience, skills and performance.
- Expectations that seniority, higher performance or both deserve higher pay.

⑤ The findings of this research show that, F. Herzberg hygiene factor is the most appropriate and applicable theory that goes with our country's situation. So that the writer of this research is highly recommended that, employers of all organization have to focus on hygiene factor than motivational factors of psychologist Fredrick Herzberg. This is because the primary need of our country's employees are to be paid well, to have job security, have a good working atmosphere, having good interpersonal relationship with their co-workers and employees rather than having more responsibility, achievement, advancement personal growth and so on.

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APPENDIX
QUESTIONNAIRES TO BE FILLED BY EMPLOYEES
FOUND IN DIFFERENT MANAGEMENT LEVEL

Introduction:-

- *First and foremost, I would like to thank you for your willingness to fill this questionnaires format.*
- *All pieces of information will be used only for research purpose. You don't have to write your name. I assure you that your response will be kept in secret.*
- *Each of your response is very use full for the study. Therefore, please go through each question patiently and give genuine answers.*

THANK YOU VERY MUCH FOR YOUR VALUABLE COOPERATION!

INSTRUCTION

Fill the blanks and put a tick (✓) sign where necessary for the other questions, answer adequately in the provided space.

1. Age _____
2. Sex: M _____ F _____
3. Levels of education
 - 12 complete _____
 - Certificate _____
 - Diploma _____
 - Degree (BA/Bsc) _____
 - Masters _____
 - PHD _____
4. Work experience _____
5. How much is your basic salary? _____
6. Are you satisfied with your basic salary? Yes _____ No _____
7. Do you get any kinds of compensation besides your salary? Yes _____ No _____
8. If "yes" to n^o 6, what kind of compensation you get from the organization.
 - a) Bonues _____
 - b) Commission _____
 - c) Medical expense coverage _____
 - d) Insurance _____
 - e) Others specify _____

9. If " No " to nº 6, why? Specify _____

10. What is the impact of having compensation on your work?

- a) Belongingness feeling
- b) Feeling of being motivated
- c) Feeling of happiness & satisfaction
- d) Others, specify _____

11. Does the reward you receive are satisfactory for the amount of effort you put in to the job? Yes _____ No _____

12. Are the working conditions satisfactory? Yes _____ No _____

13. Does the rewards you receive are fair when compared to what other Organization employees receive for the same work? Yes _____ No _____

14. Does your work provide you recognition? Yes _____ No _____

15. Does your employer consistent with each employee in providing the same rewards for equal work ? Yes _____ No _____

16. Does your work provide a chance for advancement ? Yes _____ No _____

17. Does your work provide opportunity for further promotion? Yes ____ No ____

18. Does supervision you receive satisfactory? Yes _____ No _____

19. Which one do you prefer to get from your company?

- a) To be paid well, to have job security, improved working condition, good interpersonal relationship, fair company policies. _____
- b) To get mere responsibility, recognition, achievement, advancement, possibility of growth (personal development) _____

20. Do you have job satisfaction? Yes _____ No _____

21. If " Yes " to n° 20, from where do you think it comes? Specify

22. If " No" to n° 20, why? Specify

ONLY FOR TOP MANAGERS

23. If the any kind of salary increment to your employees in your organization?

Yes _____ No _____

24. If " Yes " to n° 23, what are the impacts of salary increments on your employees?

- a) Slow turnover rate
- b) Slow rate of absenteeism
- c) Experienced and Trained individuals can be attracted
- d) Being attracted and feel motivated to the work in hand

25. If " Yes" to n° 24, are you able to see the changes in a production amount after the salary increment? Yes _____ No _____

26. If " Yes" to n° 24, are you able to see the changes in profit after salary increment?

Yes _____ No _____

27. If "Yes" to n° 25 and 26, what kind of changes that you notice?

- a) Increase in the amount of production and profit
- b) Decrease in the amount of production and profit
- c) It remains the same
- d) Others, please specify _____

28. Do you think of other things that has a positive impact on employees productivity besides compensation? Yes _____ No _____

29. If the answer for n° 28 is "Yes", specify

THANK YOU VERY MUCH!



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