ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES

ACADEMIC STAFF COMPENSATION PRACTICES:
THE CASE OF UNITY UNIVERSITY

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LIST OF ACRONYMS

AVP	Academic Vice President
COLA	Cost of Living Adjustment
HRM	Human Resource Management
MOE	Ministry of Education
OBC	Outcome Based Compensation
PBP	Performance Based Pay
TVET	Technical and Vocational Education and Training
UNESCO	United Nations Educational, scientific and Cultural Organization
UU	Unity University

ABSTRACT

The main purpose of the study is to assess the academic staff compensation scheme of Unity University in order to determine to what extent the system is market-driven and to what extent it is built on the university's goals. The study employed descriptive survey research. 100 copies of a questionnaire were distributed among randomly selected teachers to gather both qualitative and quantitative data on their attitude towards the compensation package and 68 of them returned. In addition, documents were consulted and the Human Resource Personnel and the Academic Vice President of the university were also interviewed to solicit policy information. The empirical analysis provided was based on survey responses and results were displayed using tables. The result of the survey shows that the pay system of the university is not or somewhat competitive with the local market and it doesn't enable the university to attract, recruit, motivate and retain quality staff. It also reveals that the salary and benefits the staff receives is unfair, inadequate and unsatisfactory resulting in high turnover in the university. The study also shows that the university doesn't have a unified and well-established performance appraisal system that renders enough information for determining justified faculty compensation.

Finally, the university is recommended to establish a comprehensive academic staff compensation mechanism which represents a strategy for recruiting, attracting, retaining and supporting high quality educators. In addition, the compensation system should be re-designed to enable the university to encourage and reward peak performance and the acquisition of new skills and knowledge.

Chapter One

Introduction

1.1. Background to the Study

Educators, being the most important human resources, play a pivotal role in determining the quality of education in a country. As such, governmental and private educational institutions have a responsibility to ensure that their academic staff performs to the best of their abilities. The institutions must utilize innovative methods in motivating educators to stay in their profession.

Compensation is a reward for services rendered by people at the work place (Aswathapa, 2002). It is a subsystem of human resource management that affects the performance of employees in an organization. Compensation is very significant both to the employee and the organization. It is important to the employee because the pay gives financial security for the employee in the organization; it is also an indicator of status within the organization and the society at large. As far as the organization is concerned, employee compensation systems are designed to do three things: 1) to attract capable employees to the organization, 2) to motivate them towards superior performance, and 3) to retain their services over an extended period of time (Flippo, 1986).

From employer's point of view, pay is a powerful tool for meeting the organization's goals. To accomplish its mission, an organization must attract and hire people who have certain knowledge, skills, aptitudes and attitudes. To attract and retain such people, the organization provides compensation. Therefore, providing ways to attract, retain and encourage highly qualified educators becomes the basic objective of academic staff compensation.

Inadequate compensation is one of the causes for academic staff turnover in academic institutions. If staff members are not well paid, they will not teach regularly or will leave the profession.

Ethiopian academics are pooled not only internally, but also externally to Europe and North America (Demissu, 2008; Dejene, 2000 and Kefyalew 2001). This may bring frequent exodus of teachers and place a strain on higher educational institutions throughout the nation. To solve this problem the governmental and private academic institutions must pay attention to a number of factors that affect the motivation and performance of educators because, insufficiencies and inconsistencies can lead to a brain drain from the teaching force thus weakening the education system of the country.

1.2. Statement of the Problem

Compensation is a critical factor that affects the motivation and performance of educators in educational institutions. A sound and fair way of recognizing and compensating educators would be an effective tool in motivating, attracting and retaining talented staffs

The UNESCO 'Recommendation' states that academics should enjoy salaries, privileges and benefits commensurate with the great responsibility that the society bestowed on them. The recommendation also states that their salaries should reflect the important role of higher education in the society; it should be compatible to salaries paid to other professions; and their pay should enable them to have a reasonable standard of living to sustain themselves and their families. However, some studies (e.g.; Demissu, 2008; Wanna, 2008; Ayalew, 2008; Deresse, 2008) contend that higher educational institutions, both governmental and private, have not success stories of implementing the UNESCO recommendations particularly regarding teacher compensation. This shows that the educational system has not been given the same respect socially as other professional careers such as medicine or law. This apathy permeates among teachers who believe their profession is devalued. As a result, many of them resign and seek opportunities in another career truck. Therefore, an established compensation system helps to stabilize the education system and decrease academic staff absenteeism and turnover.

Inadequate compensation couldn't enable educators to focus on their professional work rather they seek additional sources of income to meet their basic needs.

Unity University has come through many phases of expansion and growth both in terms of student population and its programs. It is providing regular, extension and distance education with a variety of undergraduate and postgraduate programs.

Though, through its mission statement, the university is committed to using innovative approaches to ensure an efficient management of resources to produce qualified professionals to meet the national development needs, according to Deresse (2008) there are some indications that there is no satisfaction of the academic staff in the university regarding the salary they receive. High turnover rate, absenteeism, moonlighting, double employment, filling of grievance and lodging of complaints are some visible evidences that show low level of satisfaction of the academic staff. The pay system of the university is among the critical factors that affect the motivation and performance of teaching personnel. Hence, this study intends to assess and closely look into the compensation practice of the university and its impact on the performance of the academic staff and also on the overall goals of the university.

Basic Questions to be answered in the Study

This study aims to find answers to the following basic questions.

1. What is the design of compensation system employed by the university?
2. How does the design of the compensation system affect the performance of academic staff?
3. How does the compensation practice of the university match with its goal of retaining qualified and efficient academic staff?
4. What alternative ways are there for the university to compensate its academic staff?

1.3. Objectives of the Study

Compensation policy is predicted on the assumption that money has a significant effect on the employee behavior and decision. It also has a significant impact on the overall goals of the organization.

Therefore, the general objective of the study is to discuss the current compensation practice of Unity University and its impact on the performance of the academic staff; on the overall goals of the university and finally to discuss recommendations that may improve the compensation system as it stands today.

The study specifically aims:

- To assess the current academic staff compensation practice of Unity University.
- To assess the extent as to what the compensation system matches the goal of the university.
- To identify the factors that affect academic staff compensation.
- To identify and recommend alternative design of academic staff compensation

1.4. Significance of the Study

Good compensation system plays a pivotal role in attracting, motivating and retaining efficient and experienced employees. In contrast, inadequate compensation system results in high turnover of educators in academic institutions, and has an impact on the overall goals of the institution. Establishing a competitive compensation system will improve the quality of teaching force as well as reduce absenteeism and stimulates greater accountability for teaching effectiveness.

Conducting this study at this time has significances for researchers, the university, and other academic institutions. The study may enable other researchers to get preliminary information in conducting similar studies in the area; it may create awareness in the minds of the personnel management to review the current compensation practice of the university and take corrective actions based on the findings. In addition, the lessons to be drawn from the university can be used by other similar Higher Educational Institutions.

1.5. Delimitation of the study

Unity University is an Ethiopian private academic institution with its main campus located in Addis Ababa (Gerji) and a branch in Adama. Because of financial constraints, the study is delimited to Gerji campus only. In terms of time dimension the review covered the years from February, 2006 through March, 2009. The study is also confined to academic staff members only.

1.6. Limitations of the Study

The study is highly focused on reviewing and assessing the compensation policy and schemes of Unity University. However, attempt to compare the compensation practice of the university with other similar academic institutions have not been made. In addition the study did not point out the overall impact the policy placed on the customers (students) as well as on non-academic staff service giving potentials of the university.

The other limitation is related to the sample size. The survey unfortunately yielded only 0.68 rate of return of usable responses since some of the respondents were busy of preparing make up examinations. This data set may still be small for making any conclusive generalizations. Furthermore, this number of responses is likely to provide unstable results which should be verified by other surveys.

The other limitation involves the dynamic nature of compensation systems because; compensation procedures are still being developed and evolve constantly. The described systems might no longer represent the status quo of all aspects of compensation. The insufficiency of up to date literature in the area particularly in the context of the country is also the other limitation.

1.7. Operational Definitions of Terms

The term compensation refers to Direct (salary/wages) and indirect pay (benefits) received by employees in return to their contribution to the organization they are working. Benefits are forms of value, other than payment, that organizations provide to employees for being a member of the organization. They typically refer to retirement plans, health life insurance, life insurance, etc.

Academic Staff means an employee of higher education institution who devotes 75% of his time to teaching and 25% of his time to research (Higher Education Proclamation No. 351/2003). Therefore, academic staff compensation can be defined as compensation provided by educational institutions to their teaching personnel for their contribution in teaching as well as conducting research.

1.8. Organization of The study

The study has five parts. The first part encompasses the introduction with brief note on the background, objective, methodology, significance and limitations of the study. The second chapter briefly illustrates the literature review with explanation on employee compensation and benefits concepts and review of other professionals work in the area. The next chapter provides the methodology used in conducting the research and the fourth chapter provides an over view about the currently existing academic staff compensation schemes of the university and the data analysis and interpretations with major findings will be discussed. Finally the report ends with a precise summary, conclusion and recommendation.

Chapter Two

Review of Related Literature

2.1. Overview

One of the most important factors affecting organizational behaviors is the internal incentive structure which includes the management of human resources in general and compensation management in particular. Compensation management is one of the components of human resource management focusing on planning, organizing and controlling the direct and indirect payment made to employees for the work they perform or the service they render.

Like any organization, educational institutions reward their academic staff because they are in turn looking for certain kinds of behavior; they need competent educators who agree to work with high level of performance, loyalty and commitment. Individual educators expect in return for their contribution to the institution, rewards in the form of a good compensation which satisfies them.

Drucker (1993), emphasizing the importance of higher education to the economic success, believes that the prosperity of companies and nations depends on their ability to create and nurturing human resources and developing talent. The compensation educators received is a key determinant of their job satisfaction and the retention of high quality academic staff (Lillydahl and Singell, 1993). Therefore the managers of educational institutions are concerned with the competitiveness of their compensation packages both in terms of other educational institutions and the alternative employment in the industry.

This chapter presents thorough conceptual and theoretical explanations on employee compensation and benefits particularly of the academic staff. The section also presents empirical studies on these issues. In addition, the purpose, types, impacts, designs and components and of educators' compensation system will be discussed.

2.2. The Conceptual Framework of Academic Staff Compensation

2.2.1. Definition

Compensation refers to all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship (Milkovich and Newman, 2005). William and Davis (1994) also defined compensation as what employees receive in exchange for their contribution to the organization. Reward systems can potentially encourage specific behaviors among existing teachers, provide some teachers with incentives to remain in teaching and others with incentives to leave, or attract different types of people into the teaching profession.

According to Mondy & Noe (1990), any compensation system has two components. It includes direct financial Payments in the form of wages, salaries, incentives, commissions, and bonuses, and indirect payments (fringe benefits) in the form of financial benefits like employer-paid insurance and vacation. Ivancevich (1989) described that the essence of the above definitions has the same goals; which shows that academic staff compensation is a part of transaction between the educator and an educational institution that results in an employment contract.

2.2.2. Objectives of Academic Staff Compensation

As discussed in Decenzo and Robbins (1988), compensation management, being an important strategic area of academic institutions, will have an impact on employer's ability to attract applicants, retain talented staff, and ensure optimal levels of performance from the staff in meeting the strategic objectives of the institution. They argue that educational institutions can bring success through satisfied and loyal staff.

Compensation is a tool used by management for a variety of purposes to further the existence of an organization. In academic institutions, it may be used to recruit and retain qualified and talented staff; increase and maintain morale/satisfaction of educators; reward and encourage peak performance of the staff; achieve internal and external equity and to reduce turnover and encourage institutional loyalty.

According to Robins Stephen (1989), the objectives of compensation systems in universities or colleges is to create a system of rewards that is equitable to the academic staff and the institution alike, so that educators are attracted to the work and motivated to a good job for the employer. Pathon (2002) also suggests that, as criteria for effectiveness of compensation systems, pay should be enough to help and employees feel secure and aid him or her in satisfying basic needs Compensation can be adjusted according to the business needs, goals, and available resources of an organization. Milkovich and Newman (2005) also suggest that, Efficiency, fairness and compliance are the basic objectives which the compensation system of any organization is designed to achieve.

Efficiency refers to improving performance, increasing quality, delighting customers and stakeholders, and controlling labor costs; *Fairness* calls for fair treatment of all employees by recognizing both employee contributions and their needs and it is taken as a basic objective of compensation system and *Compliance* refers to confirmation to federal and state compensation laws and regulations. Generally, objectives serve as guides to design a compensation system and also as standards for judging the success of the pay system.

2.2.3. Compensation package

According to Milkovich and Newman (2005) successful compensation packages can be considered as total reward systems that contain non-monetary, direct and indirect elements. *Non-monetary Compensation* refers to the benefit an employee receives from an employer or job that does not involve tangible value. Career and social rewards such as job security, flexible hours, and opportunity for growth, praise and recognition, task enjoyment, and friendships are included under this package. *Direct Compensation* includes base wage, which can be an annual salary, or hourly wage, and any performance-based pay that an employee receives, such as profit-sharing bonuses; whereas, *Indirect Compensation* includes everything from legally required public protection programs such as Social Security to health insurance, retirement programs, paid leave, child care or moving expenses.

Employers have a wide variety of compensation elements to choose from and are limited as much by their own preconceptions about compensation packages as they are by budget restraints. By combining many of these compensation alternatives, progressive managers can create packages that are as individual as the employees who receive them.

2.2.4. Types of Academic Staff Compensation Systems

The three basic types of educator compensation systems are: the uniform salary schedule, merit pay systems (performance -based systems, and outcome-based systems), and incentives.

The Uniform Salary Schedule

In uniform salary schedule, payment is computed in terms of some time hours, days, weeks, months, years, etc. Remuneration does not vary according to quantity and quality of performance. One good example is salary. A uniform salary schedule is used in most colleges and universities. Here educators are rewarded for years of teaching experience and for graduate coursework and advanced degrees. The salary schedule applies to all teachers in the institution, regardless of subject or grade level, and it is often negotiated by union representatives. Policy makers frequently offer the valid criticism that this approach does not reward high levels of teacher effort or student achievement, but it has several important advantages as well.

In this type of compensation system, educators can take pedagogical risks without facing corresponding financial risks. They can learn new, ultimately more effective ways of teaching without worrying about a temporary drop in student performance—and salary—while they are mastering a new pedagogy.

Uniform salary schedules also allow educators to help each other without being penalized. It provides no disincentive for helping behaviors and is consistent with current norms of congeniality and collegiality.

According to Odden & Kelley (1997) teachers generally believe that the uniform salary schedule is objective. This is not a trivial benefit. If the compensation system is perceived as capricious, administrators risk themselves spending a great deal of time and effort dealing with complaints and low morale. They also argue that the other benefit of uniform salary schedule is that it requires minimal monitoring. It is easy to determine a teacher's years of experience particularly when the teacher remains for long in the same university/college for many years.

The main objection to the uniform salary schedule is that it provides no financial incentive for academic staff to work hard. On the other hand, if a teacher knows what needs to be done and chooses not to do it, supervisors' may place negative reports in the teacher's official file, which can eventually lead to dismissal or informal punishment. Another criticism of the uniform schedule is that it does not necessarily attract desired people to teaching. In addition to this, the commonly rewarded characteristics— experience and attainment of advanced degrees—is not necessarily the characteristics of high-quality teachers (Goldhaber, 2002). Experience seems to improve performance significantly during the first few years of teaching, but improvement levels off quickly thereafter. Although the uniform salary schedule does offer several benefits and is the dominant form of teacher compensation, it also has stark imperfections: it provides few financial incentives for excellence, and there appears to be little documented correlation between what is rewarded and high-quality teaching.

Merit Pay Systems

As Byars (1987) describes, merit pay refers to the process of determining compensation (base salary or bonuses), in part, on the basis of how well each staff performs at work. The principle is simple, at least in theory. It makes sense to reward more productive employees for their increased contributions to the organization, in the interests in fairness, but also with an eye to trying to retain the best employees in an organization.

The two most common forms of merit pay systems—performance-based, which reward teachers for what they do, and outcome-based, which reward teachers for what their students do. Their central shared characteristic is that each in some way ties pays to performance. Compensation system can be designed to include both performance -based and outcome-based components, and is called a hybrid program.

I. Performance Based Academic Staff Compensation Systems

Performance-based systems tie some portion of salary to observable teacher behavior, such as demonstration of a specific pedagogical technique. Performance Based Pay (PBP) has been described as "the explicit link of financial reward to individual, group or company performance" (Armstrong and Murliss, 1991). Often, teachers are observed in the classroom to determine if they are performing as desired, but a particular system may also allow teachers other means of demonstrating that they have acquired a desired skill set.

II. Outcome-Based Academic Staff Compensation System (OBC)

Outcome-based systems (also known as pay for performance), link compensation to student performance, such as test scores and attendance. Given the difficulty of measuring teacher performance and the imperfect relationship between measurable performance and outcomes, outcome-based teacher compensation systems that focus on student outcomes can be an attractive alternative (Goldhaber, 2002).

The primary advantage of merit pay system is that it provides teachers with financial incentives to work hard and improve their teaching. As cited in Kelley (1999), merit pay also motivates academic staff to spend more time on tasks related to teaching, and better align their teaching with the recommended curriculum. The study also added that, merit pay system may encourage talented candidates to be attracted and remain in their profession. The quality of the academic staff will be improved as a result of the move to merit pay.

Besides the aforementioned shared advantages, performance- and outcome-based systems share several challenges. These include difficulties in making a credible long-term commitment to merit pay, the inability of some educators to improve without supports from the district or state, problems of imperfect understanding, and teachers' relative insensitivity to financial rewards.

One factor affecting how academic staffs respond to merit pay is the likelihood that the system will continue into the future (Brown, Harlow & Starks, 1996). When it is reasonable to expect a policy to continue in its present form into the foreseeable future, credible commitment exists. Innovative compensation systems require that credible commitment exists (or that teachers perceive that it exists) if the policies are to work as intended (William and Davis, 1994).As Wenglinsky (2000) mentioned, in order for merit pay to improve the quality of the teaching force, at least one of two things must happen, either poor teachers must leave the profession and be replaced by higher quality teachers or existing teachers must improve.

The other challenge in merit pay system is that unlike the common uniform salary schedule which is simple to understand by the educators, well designed merit pay systems are often complex and, since the parameters vary from plan to plan, even teachers who have worked under merit pay may have difficulty understanding a new program. On the other hand, while teachers are interested in financial rewards, money may play a smaller role than expected in motivating teacher behavior. Two factors may contribute to this relative insensitivity to financial rewards: small reward amounts and a tendency for teachers to deemphasize salary relative to people in other professions. The majority of merit pay programs offer relatively small financial rewards for active participation. As described by Goldhaber (2002), teaching is a profession where group norms influence behavior, and teachers may be socialized into a norm that makes them relatively insensitive to financial rewards.

Incentive Systems

i. Individual and group Incentive Systems

Outcome-based reward systems can be based on a teacher's individual efforts or on the combined efforts of a larger group, often the entire faculty of a college or university. While group reward systems can be performance-based (for example, goals could be specified for a group of teachers, with rewards depending upon the achievement of the entire group), in practice, they have generally been based on student outcomes. Like other possibilities, individual- and group- based systems each have particular advantages and challenges.

Individual incentives: It is a form of compensation in which the employee is paid for units produced. It can take several forms; piece work, production bonus, and commissions. As suggested by Milkovich and Newman (2005), incentives tie pay increase to performance. However, incentives differ from merit adjustments. First incentives do not increase the base wage, and so must be re-earned each pay period. Second, the potential size of the incentive payment will generally known before hand.

Byars (1987) explained that rewarding faculty for consistently excellent performance in the areas of research, teaching and advisement, service to the university and service to the community has the potential to create a more productive and creative academic environment. He also added that the primary advantage of individual incentive system is that employees can readily see the relationship between what they do and what they get. It is because of this advantage that the individual incentive plans are the most frequently used types of plans. A major strength of individual rewards is that they provide high performers with a strong incentive to remain in teaching, and they provide low performers with a strong incentive to leave (Wenglinsky, 2000). On the negative side, individual financial rewards for student performance do nothing to encourage teachers to help colleagues or perform tasks such as hall duty that help the institution function smoothly yet provide few individual benefits.

Group incentives: Because jobs can be interdependent, it is sometimes difficult to isolate and evaluate individual performance. In this instance, it is often wise to establish incentive based on group performance. This might be done when it is difficult to measure individual output. Dubrill (1992) explained that Group incentive plans are designed to encourage employees to exert peer pressure on group members to perform, but there is a problem of forming a harmonium group, work together.

An important advantage of group rewards is that they encourage teachers to help their colleagues, since financial rewards depend upon the entire group's performance. Group-based reward systems may also provide high performing teachers with incentives to leave low-performing colleges/universities where they are often needed the most. Experience has already provided an example of this problematic outcome.

ii. *Piece Rate and Relative Ranking Incentive Systems*

The link between the measures used in performance- or outcome-based compensation and increased pay can be established in two ways. The first of these, piece rate means that rewards are earned by attaining an absolute, fixed goal.

In these systems, teachers are told prior to the beginning of the measurement period what performance or outcome level they must reach in order to receive rewards. The second relative rankings or tournament offers rewards based on how an individual compares to all the other teachers in the system. Teachers are told what percentage of top performers will receive rewards prior to the beginning of the measurement period.

Piece Rate Systems

The main advantage of a piece rate system is that it provides teachers with a clear target to be reached. In a properly designed piece rate system, the teachers reward is dependent only on his or her ability and effort.

One disadvantage of piece rate systems is that they make it difficult for the institution to keep salary expenditures at predetermined levels. If earned bonuses exceed projections, whether because of higher-than-expected effort or random fluctuations, administrators may face a budget shortfall. Another disadvantage of piece rate systems is that teachers may collectively refuse to meet bonus criteria in an attempt to get the standard for rewards.

Relative Ranking Systems

Relative rankings avoid both of these problems. This approach allows the institution to determine the amount of incentive pay to be rewarded and sets the cut off in the rankings so that it matches available funds, thus providing few incentives for voluntary work restrictions. There is no standard; rewards are simply based on comparative performance. High performers have an incentive to encourage lower performers to restrict their output so they can easily maintain their high relative rankings, but lower performers have no financial incentive to agree to do so.

Relative rankings may also protect teachers from the effects of random shocks that affect the entire group and the main problem with relative rankings is that they discourage cooperative behavior among coworkers (Singh, 2007). Piece rate and relative ranking systems may be attractive to different types of people. Tournaments may appeal to people who enjoy competition, while piece rates may attract those who value collegiality.

2.2.5. Factors Affecting Academic Staff Compensation

Understanding the factors underlying successful adaptation of compensation can assist educational institutions in the optimal use of rewards in meeting their objectives. Like most of the management practices even the compensation systems have undergone tremendous change in academic institutions.

Besides being concerned about pay satisfaction and the pay for performance linkage, managers have to consider other influences when designing a compensation program.

(Ivancevich, 1989). Compensation practice of academic institutions can be affected by some factors. Aswathappa (2002) mentioned the basic factors that affect compensation practice of any organization are as follows:

Government: government rules, regulation, executive orders, and laws of compensation in areas like, minimum wage rate, equal pay provisions to avoid pay differences and to avoid discrimination based on sex and other factors in jobs requiring substantially equal skill, effort, responsibility, and working conditions.

Cost of Living: cost of living is measured in terms of consumer price index and affects the institutions compensation policy as it tries to adjust its employee's earning to the rate of inflation. This process is called cost of living adjustment (COLA). As per the policy of an organization, compensation could be adjusted at the same rate as the inflation or at different rates. The UNESCO Recommendation (1997) says the salaries of higher-education teaching personnel should provide higher-education teaching personnel with the means to ensure a reasonable standard of living for themselves and their families.

Comparable wage rates: The wage pattern in the industry and community could have an impact on the compensation policies and practices of academic institutions. As discussed in Aswathappa (2002) comparing wage and salary rates in a given educational institution may help in ensuring that it is offering a salary that is not substantially higher or lower than those paid by others in the same sector. According to UNESCO Recommendation (1997), the salaries of higher-education teaching personnel should be at least comparable to salaries paid in other occupations requiring similar or equivalent qualifications Comparison could also be done based on occupation to provide a comparable pay to similar occupations around the country.

Market Condition: the supply and demand relationship in the labor market will determine the wage and salary level in all organizations.

Ability to pay: wage and salary rates are ultimately dependent on the employer's ability to pay, in turn, is dependent on how well the organization is functioning and its ability to continue to earn revenues.

2.3. Designing Academic Staff Compensation Systems

Any compensation plan must be rational in design; robust in deployment, governance and management; and methodical in communication and rollout. Compensation must also seamlessly integrate all talent management components, especially performance management. Compensation system of an organization directly influences key outcomes like job satisfaction, talent attraction, retention, performance, skill acquisition, co-operation etc. Therefore, organizations particularly academic institutions need to design best compensation system to align staff performance with their business objectives. In this changing business scenario educational institutions have to continuously look for better compensation management systems and redesign the existing system.

Developing an approach that pays individuals according to their market value requires a pay system which measures competencies of individuals and prices them in external market. This can help organizations in accomplishing two objectives. First it will have a positive effect in motivating individuals to learn the skills and knowledge to perform in their current role, and second, they will raise the pay of the individuals as they become more valuable in the external labors market. This helps in creating a learning organization (Singh, 2007)

Understanding the likely consequence of the different compensation systems allows policy makers to design systems that are well suited to their particular goals. There is no perfect academic staff compensation system, research evidence can help policy makers choose and adapt a plan likely to work well within a particular context.

Critics of both traditional compensation and newer alternatives are quick to point out the strengths of the system they support, but the limitations of individual systems are frequently misunderstood or unrecognized.

To improve the viability of a new plan, policy makers and stakeholders should conduct extensive analyses before implementation. Specifically, when considering an alternative compensation system, it is recommended that policy makers should identify and prioritize institutional and national goals; determine whether and how new financial incentives might help meet these goals, whether it is feasible to motivate educators to pursue a particular goal, and whether factors in the compensation system are aligned with existing programs and they should also design a compensation system aligned with intentions. Choices among educators' compensation systems involve variable cost, complexity, and tradeoffs; each alternative has unique advantages and challenges.

Once the national and institutional goals has been identified and the feasibility of using financial incentives is considered to reach those goals, policy makers need to design a compensation system specifically tailored to their context. If they are reasonably content with current conditions or have determined that targeted financial incentives are unlikely to produce substantive improvements, they may opt to continue using the uniform salary schedule or, they may move to a performance-based, outcome-based, or hybrid system.

The following table summarizes the main characteristics of these choices. Using this table, policy makers can decide which system or combination of systems best suits their unique context. Specific goals, the incentives most likely to be effective in pursuing them, and existing technical capacity must all be considered.

Table 1. Comparison of academic staff compensation types

System Type	Uniform Salary Schedule	Performance-based Systems	Outcome-based Systems
Financial incentive to improve performance?	No	Yes	Yes
Encourage high performers to enter/remain in teaching?	No	Yes	Yes
Potential challenges?	Rewarded behaviors are often only loosely related to quality performance.	It is difficult to identify and measure effective teacher performance.	It is difficult to eliminate confounding influences, such as student background.
Administrative costs?	Minimal	Depends on complexity, can be high	Depends on whether necessary data is already collected for other purposes
Unit of measurement?	Teacher behaviors (education and experience)	Teacher behaviors	Student outcomes
Complexity and ease of understanding?	Familiar and simple to understand	Well-designed systems are often complex and can be difficult to understand.	Well-designed systems are often complex and can be difficult to understand.
Provides feedback for improvement?	No	Generally yes	Generally no
Encourages teachers to seek assistance in weak areas?	Neutral	Can discourage this behavior	Yes
Major unintended consequences	Lack of incentive for hard work May discourage good teachers	Teachers may concentrate on rewarded behaviors to an unhealthy degree. Well-designed systems are often expensive	Teachers may overemphasize rewarded areas. Persistent measurement difficulties make it difficult to allocate rewards fairly.

According to Milkovich and Newman (2005), there are four policies which are the foundation on which pay systems are built. These policies also serve as guidelines for managing pay in ways that accomplish the system's objectives.

1. *Internal alignment:* it refers to comparisons among jobs or skill levels inside a single organization. It focuses on the pay rates both for employees doing the same work and doing dissimilar work. This Pay relationship within the organization affects all the three compensation objectives. E.g.; fairness is affected through educators' comparisons of their pay to the pay of others within the institution; Compliance is affected by the basis for making internal comparisons. Equity theory suggests that employee perception of what they contribute to the organization, what they get in return, and how they return contribution ratio compared to others inside and outside the organization determine how fairly they perceive their employment relation to be (Singh, 2007). Perceptions of inequity are expected to cause employees to take actions to restore equity. Unfortunately, some such actions (e.g.; quitting or lack of coordination) may not be helpful to the organization.

2. *External competitiveness:* it refers to compensation relationships external to the academic institutions. As discussed in Milkovich and Newman (2005), external competitiveness decisions-both how much and what forms-have two fold affect on the objectives of compensation system. Competitiveness decisions may ensure that the pay rates are sufficient to attract and retain employees- e.g.; if instructors do not perceive their pay as competitive in comparison to what other academic institutions are offering for similar work, they may be more likely to leave. The decisions may also control labor costs so that the organization's price of products or services can remain competitive. So external competitiveness affects both efficiency and fairness.

3. *Employee contributions:* here emphasis is given to the performance and/or seniority of employees doing the same job or possessing the same job skills. The emphasis to place on employee contributions is an important policy decision since it affects employee's attitudes and work behaviors.

4. *Management:* it means understanding and communicating how the pay system works and doing so in ethical and fairways. It means ensuring that the right people get the right pay for achieving objectives in the right way. "Management hypothesizes that development of rational consistency; both internally and externally, will increase the likelihood that compensation will be seen as just and equitable." (Flippo ,1986)

Academic staff compensation is the cornerstone of an effective talent management strategy in educational institutions. The ability to enable consistent, reliable and standardized compensation processes that are linked to key performance drivers of individual and institutional strategies can affect many facets of the educational business. Some of these facets include; improved academic staff morale and retention; increased academic staff engagement and productivity and strengthened governance and compliance with the institute and regulatory issues. Integrating a talent management vision—maintaining visibility, control and alignment of performance and compensation tied to business outcomes—has become critical to the success or failure of today's organizations.

2.3.1. Considerations in Compensation System Design

The primary goal of any compensation system design is to insure both external and internal equity within the parameters of legal compliance and the employer's ability to pay. There are four (4) key questions which must be addressed:

1. How much should we pay?
2. In what form should we pay it?
3. When should it be provided?
4. How do we make adjustments?

To address these fundamental questions, some basic steps like work design, job evaluation, job benchmarks and labor market definition need to be followed in compensation system design (Milkovich and Newman, 2005) The "end product" of this process should be a direct pay system and a supportive system of indirect pay and benefits which are internally and externally equitable.

2.3.2. Pay structure design

Pay structure refers to the array of pay rates for different jobs within a single organization. It focuses attention on differential compensation paid for work or skills of unequal worth. (Milkovich and Newman, 2005). Pay structures are useful for standardizing compensation practices. Most pay structures include several grades with each grade containing a minimum salary/wage and either step increments or grade range. Step increments are common with union positions where the pay for each job is pre-determined through collective bargaining. Designing a pay structure involves job evaluation, wage and salary survey, and performance appraisal.

2.3.3. Job Evaluation, wage and salary survey and Performance appraisal

The traditional compensation process has three components: (1) determination of internal job value by job analysis and evaluation; (2) determination of job value in external labor market by using, for example, salary survey analysis; and (3) determination of an employee's individual value by means of performance appraisal (Milkovich and Newman, 2005).

The primary objective of any base wage and salary system is to establish a structure and system for the equitable payment of employee, depending on their job and their level of performance on their job (Aswathappa, 2002). There are several policy issues that need to be addressed for establishing a fair and equitable compensation system. Job evaluation is a technique that can be used to establish an equitable wage rate. This method is a more systematic and rational approach to internal equity where the jobs in an organization are evaluated according to compensable factors such as education, skill, experience and responsibility. Job evaluation determines pay ranges for jobs based on the relative worth of the job to the organization and maintains fair and equitable pay structure internally by comparing jobs within the organization while wage and salary survey ensures that the payment range is comparable to the payment systems in other similar establishments or occupations.

Job Evaluation

It is a systematic determination of the value of each job in relation to other jobs in the organization. If done properly the relative value of the jobs is reflected in the relative wage rates for the jobs. Many authors discuss the important steps involved in job evaluation. Armstrong (1996) argues that the following are the basic steps in job evaluation.

a) Gather information on the jobs being evaluated. The information is obtained from job analysis.

b) Determine factors that are to be used in determining the worth of different jobs to the organization like education, skill, initiative, responsibility, working conditions, physical and mental effort, experience, etc.

c) Determine the method of evaluation that will be used to choose factors for evaluating the relative worth of the different jobs. The most common kinds of job evaluation methods include point method, factor comparison, job classification, and job ranking.

d) Grade the jobs according to their importance. Based on the information contained in the Job Description, the job will be evaluated under the Job Evaluation Plan. The total points scored for the job will determine its grade classification according to the point ranges established for each grade under the Plan

Methods of Job Evolution

The following are the basic methods of job evaluation.

1. *Ranking:* This method is one of the simplest to administer. Jobs are compared to each other based on the overall worth of the job to the organization. The 'worth' of a job is usually based on judgments of skill, effort (physical and mental), responsibility (supervisory and fiscal), and working conditions.

As discussed in Armstrong (1996), the advantages of this method are: it is simple and very effective when there are relatively few jobs to be evaluated. Some of the challenges of this method are its difficulty to administer as the number of jobs increases; rank judgments are subjective. After ranking, the jobs should be grouped to determine the appropriate salary levels.

2. *Classification:* Jobs are classified into an existing grade/category structure or hierarchy. Each level in the grade/category structure has a description and associated job titles. Each job is assigned to the grade/category providing the closest match to the job. The classification of a position is decided by comparing the whole job with the appropriate job grading standard. To ensure equity in job grading and wage rates, a common set of job grading standards and instructions are used. Because of differences in duties, skills and knowledge, and other aspects of trades and labor jobs, job grading standards are developed mainly along occupational lines.

According to Singh (2007), the standards do not attempt to describe every work assignment of each position in the occupation covered. The standards identify and describe those key characteristics of occupations which are significant for distinguishing different levels of work. They define these key characteristics in such a way as to provide a basis for assigning the appropriate grade level to all positions in the occupation to which the standards apply.

The advantages of this method are: it is simple and the grade/category structure exists independent of the jobs. Therefore, new jobs can be classified more easily than the ranking method. This method also has its own drawbacks because; the classification judgments are subjective, the standard used for comparison (the grade/category structure) may have built in biases that would affect certain groups of employees (females or minorities). In addition, some jobs may appear to fit within more than one grade/category.

3. *Factor Comparison*: A set of compensable factors are identified as determining the worth of jobs. Typically the number of compensable factors is small. Examples of compensable factors are skill, responsibilities, effort and working conditions. Next, benchmark jobs are identified. Benchmark jobs should be selected as having certain characteristics such as equitable pay and range of factors (for each factor, some jobs would be at the low end of the factor while others would be at the high end of the factor). The jobs are then priced and the total pay for each job is divided into pay for each factor. This process establishes the rate of pay for each factor for each benchmark job. Slight adjustments may need to be made to the matrix to ensure equitable dollar weighting of the factors (Milkovich and Newman, 2005). The other jobs in the organization are then compared with the benchmark jobs and rates of pay for each factor are summed to determine the rates of pay for each of the other jobs.

Some Advantages of using this method are; here the value of the job is expressed in monetary terms; it can be applied to a wide range of jobs and it can also be applied to newly created jobs. This method also has its own drawbacks because the pay for each factor is based on judgments that are subjective and the standard used for determining the pay for each factor may have built in biases that could affect certain groups of employees (females or minorities).

4) Point Method: A set of compensable factors are identified as determining the worth of jobs. Typically the compensable factors include the major categories of skill, responsibilities, effort and working conditions. According to Flippo (1986), the point method is an extension of the factor comparison method. Each factor is divided into levels or degrees which are then assigned points. Each job is rated using the job evaluation instrument. The points for each factor are summed to form a total point score for the job. Jobs are then grouped by total point score and assigned to wage/salary grades so that similarly rated jobs would be placed in the same wage/salary grade. This method has advantages as well as disadvantages similar to that of the factor comparison method.

5) Market comparison: Job evaluators compare compensation for an organization's jobs to the market rate for similar jobs. This method requires accurate market-pricing surveys.

Wages and Salary Survey

It is used to collect comparative information on the policies, practices, and methods of wage payment from selected organization in a given geographic location or a particular type of industry. As described by Aswathappa (2002), conducting wage and salary survey is useful to ensure external equity by providing information about the labor market. He also added that, in order for the survey to be effective, it is essential to identify the jobs to be surveyed and also the organizations and their geographic location. Then, the appropriate wage survey will be designed. Some of the issues usually included in the survey include length of workday, overtime pay, starting wage rates, and vacation and holiday practices.

Performance Appraisal

Compensation is a process of rewarding employees with monetary and non-monetary benefits according to the value of their work contribution, thus compensating them for their efforts. The value of work (employee's worth) done during a set time period is determined via performance appraisal, while taking into account the value of other factors. Performance in higher education is not necessarily related to academic standards — universities (colleges) must establish procedures to monitor the quality of their graduates. This can be done through formal survey processes or informal feedback. The three key functions of tertiary establishments are teaching/advising, research and service. The establishments continually need to re-evaluate course offerings, testing/grading procedures, admission requirements, student services, and the employee skills and personal traits required by hiring firms. There may be a focus on particular stages of the education process (Odden & Kelley, 1997) i.e.; on input, on processes and on output.

The performance appraisal activities enable determination of whether the employees' performance accords with the established objectives and are primarily based on the appraisal of employees' work results and activity (behavior), but also on their competence. To analyze the employees' performance, diverse appraisal methods and their combinations are used. During the appraisal process primarily those work results are valued that create preconditions for their improvement in the future and enable differentiation between compensation, rates, thereby, on the one hand, diminishing equalization and on the other hand, increasing fair compensation.

A performance appraisal criterion has to be relevant, reliable and justly measurable, while also closely linked with the objectives of the organization and its subdivisions. Such criteria are relatively difficult to set. Odden & Kelley (1997) stresses that one of the antecedents to distributive and procedural justice of performance appraisal is social justice that defines the non-discriminatory nature of the process between social groups. Here distributive justice refers to the fairness of compensation in the light of an employee's performance and procedural justice to the accuracy and suitability of appraisal procedures (Odden & Kelley, 1997). Alongside with task performance, which covers job-specific behaviors and an employee's core responsibilities, in the appraisal process more attention has been devoted to non-job specific behaviors such as cooperation, dedication, enthusiasm and persistence. These aspects form contextual performance.

According to Milkovich and Newman (2005) Performance appraisal ratings might be used during layoffs in order to retain more valuable employees, to determine the quality of training programs, to measure equality of treatment, to manage employees' compensation and to promote or dismiss them. Thus, appraisal results have a very important role in the HRM activities of the organization. A well-established performance appraisal system should render enough information for determining justified compensation (Odden & Kelley, 1997).

2.3.4. Fringe Benefits

Fringe benefits typically refer to retirement plans, health life insurance, life insurance, disability insurance, vacation, stock ownership plans, etc.(Carter McNamara, 2008). Benefits are increasingly expensive for businesses to provide to employees, so the range and options of benefits are changing rapidly to include, for example, flexible benefit plans. They are forms of value, other than payment, that are provided to the employee in return for their contribution to the organization, that is, for doing their job. Some benefits, such as unemployment and worker's compensation, are federally required. (Worker's compensation is really a worker's right, rather than a benefit.)

Milkovich and Newman (2005) defined fringe benefits as those rewards that organizations provide to employees for being a member of the organization Prominent examples of benefits are insurance (medical, life, dental, disability, unemployment and worker's compensation), vacation pay, holiday pay, and maternity leave, contribution to retirement (pension pay), profit sharing, stock options and bonuses.

The benefits listed previously are tangible benefits. Intangible benefits are less direct, for example, appreciation from a boss, likelihood for promotion, nice office, etc. People sometimes talk of fringe benefits, usually referring to tangible benefits, but sometimes meaning both kinds of benefits. People might also think of benefits as company-paid and employee-paid. While the company usually pays for most types of benefits (holiday pay, vacation pay, etc.), some benefits, such as medical insurance, are often paid, at least in part, by employees because of the high costs of medical insurance. Unlike wages and salaries, benefits are not usually related to employee performance. Broadly classified, there are two types of fringe benefits (Carter McNamara, *2008)*

Time-off pay: These are payment for the time not worked and include paid vacation, paid holidays paid sick leaves, pension programs, rest periods, etc.

Paid vacations are those benefits that organizations provide employees a certain number of paid vacation days in a year. The number of days may vary according to the type and practice of an organization. Usually, paid vacation times increase with seniority. *Sick Leave* means providing employees with pay for days not worked because of illness and pension programs represent a fixed payment other than wages made regularly to former employees or their surviving dependents.

Non-pay benefits: These are benefits not paid in cash but include expenditures such as medical services, transportation accommodation, insurance, cafeteria services, education programs, childcare services and others. *Health Insurance* refers to those medical insurance programs signed to cover a portion or total medical expense incurred by an employee. It may include coverage for hospitalization, outpatient doctor bills, prescription drugs, Dental, eye, medical health care, etc. Accident and Disability Insurance is designed to protect the employees who experience a long-term or permanent disability expenses.

Summary

Compensation plays a key role in efforts to manage human resources better; because it is at the heart of employment relationships. It has been an extremely important issue for both, employer and employee. This is because money is directly or indirectly related to fulfillment of all basic human needs. Compensation directly influences key outcomes like job satisfaction, talent attraction, retention, performance, skill acquisition, co-operation etc. Therefore, Compensation plans must be rational in design; robust in deployment, governance and management; and methodical in communication and rollout. A thorough understanding of internal incentive structures is critical to build up a viable theory of academic institutions, since these incentives determine to a large extent how teachers inside the institution behave.

Chapter Three

Research Methodology

3.1. The Research Approach and Design

The study is a descriptive survey that has used both qualitative as well as quantitative approaches in evaluating the overall academic staff compensation practice of Unity University. The purpose of choosing this design is that, as described by Seyoum and Ayalew(1989), descriptive survey is used to collect detailed and factual information that describes the existing phenomena.

3.2. Data Source

The data sources for the study have covered both primary and secondary sources. Primary data sources include teachers, department heads, academic deans, human resource personnel and the academic vice president of the university. The secondary sources of data have covered the unpublished and published research reports on compensation policies, documents/archives from the university, different available books and relevant materials obtained from the internet.

3.3. Sampling Techniques and Procedures

The sample size covered 100 randomly selected academic staff members found in the main campus of the university. Since the nature of population has common attribute, the researcher used simple random sampling for academic staff and found the sample size representative. While simple random selection was made, the so-called lottery system was used to ensure that all respondents within the population have an equal chance of induction.

3.4. Data Gathering Tools

Semi- Structured interview guide was applied for human resource personnel and AVP of the university. Furthermore, informal interview has been conducted with the academic staff members of the university. In addition, structurally designed survey questionnaire (open/close ended) was administered for academic staff members of the university. The questionnaire designed attempted to solicit relevant data regarding the attitude of the academic staff towards the overall compensation scheme of the university. Each of the scales employed in the questionnaire was measured from a range representing strongly disagree (SD) to strongly agree (SA). Thus (UD) on the scale represented neither indifference, i.e. neither agreed nor disagreed. The demographic questions in the questionnaire included age, gender, qualification, academic rank, academic position and length of service in the present university. Following that, 16 questions were included in the questionnaire to request information about the attitude of the staff members towards the current compensation practice of the university. Document analysis was also made to gather relevant data regarding the compensation policy of the university.

3.5. Procedures of data collection

Before questionnaire and interview questions were administered to the respondents, a pilot test of instruments has been made in the university in February 2009. The results of pilot test indicated almost similar findings with the exceptions of some defects due to minor problems in the design of data gathering tools. After improving the questionnaire on the basis of the results of pilot test, administration of the tools has been carried out in March 2009. A total of 100 copies of the questionnaire were distributed to potential respondents randomly chosen from the university and returned with a response rate of 68 percent.

3.6. Methods of Data Analysis

Data collected were organized and summarized by descriptive statistics which has been presented in the form of tables. Computations of percentages have been used to measure the research outputs. All findings were discussed by comparing with the standard literature. Based on the findings relevant conclusion has been drawn.

Chapter Four

Presentation and Analysis of the Data

4.1. Background of the University

4.1.1. Introduction

Unity University, a member of the MIDROC Ethiopia Technology Group, was established as a university in August 2008. It is the first private university to be awarded as the full-fledged university status by the Ministry of Education. The university currently offers undergraduate degrees in its regular, extension and distance/continuing programs. It also offers diploma and TEVT programs. In addition to this, it became the first private university to offer postgraduate programs leading to master's degree in Business Administration (MBA) and Development Economics (MA).

Unity University has passed through four phases of development in terms of the variety of courses it offers, the increase in the size of student population and the number and quality of its teaching staff.

The initial phase of the history of the university begins at its date of establishment in 1991 as a language school teaching English, French, Italian and Arabic. Following this year, the school showed success both in terms of the size of student population and the number of its academic staff. In the year 1994, it started to offer a certificate program in basic law and which was followed by courses in business administration, food, and beverage services and renamed as "Unity law, language and vocational institute." In 1995, Unity opened a new campus outside Addis Ababa at Adama by purchasing Nazareth premises and installing its own full time academic and administrative staff.

The second phase of development of the university runs from 1997 to 1999. In this phase, Unity Law, language and vocational institute transformed itself into Unity College (UC) through offering new diploma programs in Accounting, Marketing, Business, Personnel administration and Secretarial Science.

In the third phase, it consolidated the existing diploma programs and showed a significant expansion in the range of programs to be offered. From 1999 to 2002, many new degree and diploma courses were made available to regular and extension students.

In August 2002, Unity College was officially renamed Unity University College. Since then, the growth and advancement of UUC was witnessed through consolidating its regular, extension, and distance education degree programs, evaluating and extensively reviewing all existing curricula and undertaking careful preparations for the introduction of new undergraduate and postgraduate degree programs. In March 2007 it became the first private institute of higher learning to offer postgraduate programs leading to MBA and MA degree in the country.

In September 2008, it became again the first private institute of higher learning to be recognized as a Full-fledged university in the country, awarded by the Ministry of Education.

Currently, there are nine faculties; with More than 200 academic staff members, 17 of them being females, and with student population of 160 enrolled in the postgraduate program, 3487 in the undergraduate studies and 927 in the diploma program. The university also offers distance/continuing program to over 3330 students enrolled at 38 centers in most of regional capitals.

4.1.2. Mission, Vision and Values of the University

As mentioned in its website (unityuniversity.net.et), the university has the following mission, vision and values.

As stated in its mission, Unity University is committed to using innovative approaches to ensure the continuous enhancement of resources to produce qualified professionals who are well placed to meet global development needs. The vision of Unity University is to become one of the leading private African centers of excellence, respected for the quality and range of academic programs it offers, for the capable and confident graduates it produces, and for their contributions to national and global development

Academic freedom, respect for the rule of law, transparency, accountability, love of one's country, dignity, respect for one another and for universal humanitarian are the most cherished values by members of Unity University. Personal and professional integrity; self development and diligence; pride in work; inclusiveness, and rewarding competence are also pursued by members of Unity University with great determination.

4.1.3. Programs

There are nine faculties and schools in the university to be offered in postgraduate, undergraduate and diploma and certificate programs. These are:

- Faculty of Business and Economics
- Faculty of Humanities and Social Sciences
- Faculty of Information Technology and Computation Sciences
- School of Architecture and Urban Planning
- School of Journalism and Communications
- School of Law and International Relations

- School of Health Sciences
- School of Distance and Continuing Education
- Technical and Vocational Education(TVET)

All the faculties are found only in the main campus (Gerji) with the exception of Faculty of Business and Economics which is also offered in Adama campus of the university.

Unity University offers undergraduate degree programs in all the nine fields of study in both the regular and extension divisions. The university also gives special courses for those who wanted to upgrade themselves. The postgraduate degree programs are offered in the fields of Master of Business Administration (MBA) and MA in Developmental Economics.

4.1.4. Manpower

In order to achieve its objectives, the university believes in having a properly trained manpower. The table below shows the distribution of the university's academic staff by profession.

Table 2. Distribution of the university's academic staff by qualification.

Qualification	Male	Female	Total
Diploma	6	-	6
Bachelor	42	5	47
Masters	65	3	68
MD/VD	1	-	1
Doctorate	21	-	21
Total	135	8	143

Source: MOE Education Annual Abstract, 2008

4.2. Compensation Policy and Practice of Unity University

4.2.1. Wage and Salary scale

The university has established position grades and new hire staff wage and salary schedules. Wage and salary scale of the university is basically determined on the bases of qualifications or academic ranks, teaching experience and fields of specialization of the faculty. The salary scale is prepared in such a way that it provides vertical growth based on the staff's improvement in his/her qualification or academic rank, and horizontal growth based on the teachers work experience and performance appraisal result. The percentage increment of each job rank is found to be high for low grade jobs while it is low for high grade jobs. As indicated by the HR personnel of the University, the starting salary of the academic staff is 1800, 2000, 2500, 3000 and 7000 birr for graduate assistant 1, graduate assistant 2, assistant lecturer, lecturer and associate professors respectively.

According to its compensation policy, the following are the factors the university takes into account while paying salary to its employers.

- The university has the policy of equal pay for equal work. If two jobs have equal job difficulty requirements the pay should be the same regardless of who fills them.

- The university pays its employees their salary at the end of the month according to Ethiopian calendar.

- Unless and otherwise it is authorized by law or management, no salary of an employee is subject to holding, reduction or payable to other parties who are interested in it.

- The salary scale of the university is based upon variation in job requirements, such as a skill, effort, responsibility and job conditions

- Upon the decision of executive organs of the university, academic and research employees that have exceptional talent and found to be employed beyond the scale are determined in the compensation manual.

4.2.2. Fringe Benefits

Total compensation includes not only direct pay but also indirect compensation including insurance and retirement benefits and time off programs. Time-off pay benefits like paid holidays and paid sick leaves and non-pay benefits including expenditures such as cafeteria services and education programs are partially provided to its academic staff. Some benefits, such as medical insurance like coverage for hospitalization, outpatient doctor bills, prescription drugs, etc are also often paid, at least in part, by the staffs because of the high costs of medical insurance.

4.2.3. Responsibility Allowance

The payment scheme of the responsibility allowance for academic employees of the university who are engaged in administration activity is constructed in accordance with their responsibility position based on a standard set by the university which is similar to other private institutions in the country. Deans and department heads are provided with position, transportation and telephone allowance, and they get overtime payment for they teach additional hours.

4.2.4. Provident Fund

Provident fund is 15 % of the gross salary of employees where 10% of the fund is contributed by the college and other 5% is contributed by the employee. The fund is deposited on the bank account opened in the name of the employees and it doesn't involve temporary employees. Furthermore, provident fund is not paid for all employees. Employees receive the total amount of provident fund deposited in the bank only if they serve the university for at least two years. The 10% contribution from the colleges to the provident fund is subject to government tax in accordance with the tax policy.

4.2.5. Regular Salary Increment

The university provides general salary increase for its academic staff. Based on the salary increment policy of the university, salary increment is also made to differentiate productive employees form unproductive ones based on their performance appraisal reports.

Salary increment in the university doesn't include temporary employees. According to its compensation policy, the university conducts a formal performance appraisal process every six months. The reason for the amount of increase is based on the performance sustained over time and documented in writing. The documentation must be retained in his/her file. Those who get salary increment are those permanent employees that already received salary increment but one year has been lapsed; newly employed workers who capably served the university for one year and whose yearly performance appraisal result is above the expectation level. Employees that are on the transition to the next job level are not subject to salary increment

Among the factors that causes fluctuations in the salary increment are promotion, separations, disciplinary actions and performance appraisal results, but promotion is not on annual basis. On top of that, the administration of the university should list down those who are expected to get salary increment on a yearly basis.

4.2.6. Work Load and Overtime

During the academic year full time faculty are expected to spend 15 credit hours of teaching a week in the classroom and holds an academic year appointment, is paid according to the university's compensation practices and also receives full benefits. Since faculty has service responsibilities as well as their teaching assignments, overloads are assigned and entered into carefully so that faculty do not become over extended and can meet their regular responsibilities.

4.3. Findings and Discussion

4.3.1. General Information

In order to determine the attitude of the academic staff towards the current compensation practice of Unity University, a survey was administrated in March, 2009. The questionnaire involved 16 questions. The questions were opinion based and respondents had a seven-point scale to use. The questionnaires were distributed among the teaching staff members of the university, who engaged in and are responsible for teaching and conducting research. Altogether 100 questionnaires distributed and a total of 68 teachers responded to them.

During the research project, the respondents were asked, through an open question, to describe the compensation practice of the university. In addition, the human resource personnel and the AVP of the university were interviewed. Most questions and the interview guide involved the main principles of designing compensation which it was possible to determine the design of academic staff compensation of the university, particularly items 3, 6, 9 10,11 and 14 are primarily related with this basic question of the research.

Questions 4, 5, 7, 8, 12, and 13, asked the respondents' opinions about the direct and indirect impact of the compensation practice of the university on the performance as well as motivation of the teaching staff.

Questions 1, 2, 9, 10 and 11 are established with specific aspects of academic staff compensation and its impact on the achievement of the goals of the university. In addition to this, data obtained through interview is used to supplement the answers obtained through questionnaire. The majorities of the questions are formulated to feed each other, especially items 15, 16 and 17 are general and relate all the other basic questions of the research.

4.3.2. Background of Respondents

Table 3 shows a breakdown of the university teachers who responded to the questionnaire. The table shows the distribution of respondents' age, sex, faculty, qualification, academic rank, academic position and length of service in the university.

Table 3. Socio- Demographic profile of respondents.

Variable	*Frequency*	*%*
Age		
less than 25	1	1.5
(25-30]	7	10.3
(31-35]	29	42.6
(36-40]	20	29.4
(41-45]	8	11.8
Greater than 46	3	4.4
Total	68	100
Gender		
Male	66	97.1
Female	2	2.9
Total	68	100
Faculty/School		
FBE	35	52.5
ICT	26	38.2
LAW	2	2.9
Journalism	2	2.9
No response	3	2.9
Total	68	100
Qualification		
PhD	2	2.9
MA/MSC	30	44.1
BA/BSC	36	52.9
Total	68	100

Variables	*Frequency*	*%*
Academic Rank		
Asst. professor	2	2.9
Lecturer	32	47
Asst. lecturer	20	29
Graduate Assistant	11	16.2
Others	3	4.4
Total	68	100
Academic Position		
Faculty dean	2	2.9
Department head	5	7.3
No academic leadership position	61	89.7
Total	68	100
Length of Service in the university(in years)		
(0-5]*	47	69.1
(6-10]	20	29.4
(11-15]	1	1.5
Total	68	100

Source: *Field Data*

*Note: *a square bracket shows number is inclusive.*

The information in table 3 shows that the percentage of respondents who were less than 35 years old was about the same percentage of those who were older than 35 years. Over 88 % of the respondents were within the 31-50 age brackets.

The table also presents that only about 3 % of the respondents were females. However, considering the estimated proportion of females in the total population (See MOE Education statistics annual abstract, 2008), the percentage of those who responded to the questionnaire can certainly not be considered low.

It was further observed that the academic backgrounds of the respondents were very wide and covers most subject areas in the university. The classifications across academic qualifications reveal that about 3% are PhD, 44% MA/MSC and 53% BA/BSC holders.

Table 3 also shows that the majority of the respondents were lecturers (47%) while a significant percentage were of senior lecturer rank. The relatively few professors (3%) appear to be representative of the percentage of these top officers in the academic population.

Regarding their academic positions, about 10 % of the respondents are from faculty deans and department heads whereas about 90% of them do not have any administrative position in the university.

The distribution of the length of service spent in the university shows that respondents included relative newcomers who had spent less than five years (about 69 %). Those teachers who had spent between 5 and 10 years in the university system are about 29% and only one (less than 2%) of the respondents spent more than 10 years in the university. As would be expected, perhaps, a large percentage of the teaching staff falls in the newcomers, and there is no staff member whose service had been for 15 years and above.

From the table, it was useful to find that almost 70 % of the respondents had not worked for more than five years in the university. This percentage is about to double the corresponding percentage of respondents who had worked in the university for more than 5 years. The comparison suggests some rates of staff turnover, retirement, or new recruitment necessitated perhaps because of expansion of university, which makes about half of the academic staff relatively new in their the university or may be due to the big financial crises that happened unexpectedly.

4.3.3. Attitude of Academic Staff towards the Compensation Practice of the university

As can be observed from the tables shown below, out of the 16 elements of academic staff compensation practices of Unity University, the academic staff has (on the average) rated 17% of them as strongly agree or agree, 71% strongly disagree or disagree and the remaining 12% did not give an explicit answer on the questions. Furthermore, the respondents were asked through open questions to express their opinion/comments regarding the compensation practice of the university, just to supplement the quantitative data obtained. The descriptive analysis of the obtained data on the compensation practice of the university is presented as follows.

Table 4. Teachers' ratings on competitiveness of their salaries with the local market.

Description	***Responses (%)***						
	SA	A	UD	DK	DA	SD	NR
The university pays salary which is comparable to salaries paid in other occupations requiring similar or equivalent qualifications.	-	45.6	1.5	4.4	45.6	2.9	-
The university pays competitive salary with other private colleges/universities	16.2	23.5	11.8	10.3	35.3	3	-

The wage pattern in the industry and community could have an impact on the compensation policies and practices of the university. As discussed in Milkovich and Newman (2005), external competitiveness decisions-both how much and what forms-have two fold effect on the objectives of compensation system, i.e., to ensure that the pay rates are sufficient to attract and retain employees and to control labor costs so that the organization's price of services can remain competitive. With this regard, respondent teachers were asked to rate the competitiveness of their salaries with salaries paid in other occupations requiring similar or equivalent qualifications.

Accordingly, as can be observed from table 4, the respondents seem quite divided on their ratings. Out of them, 46% clearly indicated that their salaries are more or less comparable to other occupations that require similar qualifications. However, the equivalent numbers of respondents (48%) believe that it requires additional salary increment to make it competitive with other occupations that require similar qualifications. About 6% respondents show no judgments on the issue. This indicates that the wage pattern in other institutions is affecting the academic staff compensation policy of the university.

As indicated in Aswathappa (2002), conducting wage and salary survey ensures that the payment range is comparable to the payment systems in other similar establishments or occupations. In view of this, some of the respondent teachers agreed that the university has poor practice of conducting wage and salary survey regularly. They also added that even no measure has been taken to ensure that qualified and trained teachers are not lost to other sectors and government departments where wages are higher. The figure shows that more than half of the instructors do not perceive their pay as competitive in comparison to what other institutions are offering for occupations requiring similar or equivalent qualifications and they may be more likely to leave.

Comparing wage and salary rates in a given educational institution may help in ensuring that it is offering a salary that is not substantially higher or lower than those paid by others in the same sector (Aswathappa, 2002). With this regard, teachers were also asked about the competitiveness of their salaries with other similar institutions in the sector. As presented in the table 4, about 40% of them responded that their salaries are competitive with other private colleges in the country. On the other hand, equivalent number of them (38%) have answered that it was rather not. Around 22% of the respondents replied that they are either undecided over the matter or they do not know. Though it was very important, as interviewed teachers indicated, the university has poor practice of making overall salary comparisons.

Generally, responses across the teaching staff indicate that the academic staff in the University experiences earning disadvantages compared with other private colleges in the country.

Table 5. Attitude of teachers towards the overall compensation system of the University.

Description	***Responses (%)***						
	SA	A	UD	DK	DA	SD	NR
There is internal equity in the pay system of the university.	38.2	32.4	2.9	19.1	7.4	-	-
The compensation scheme enables the university to enhance the performance and motivation of academic staff.	-	4.4	-	-	63.2	32.4	-
The current compensation system of the university is tied with performance.	-	8.8	4.4	11.8	27.9	47	-
The pay system of the university rewards and encourages peak performance	-	5.9	2.9	5.9	25	60.3	-
The current compensation system helps the university in retaining efficient, skilled and experienced academic staff.	1.5	5.9	2.9	1.5	60.3	26.5	1.5
The compensation policy enables the university to increase and maintain morale/satisfaction of its academic staff.	-	7.4	19.1	2.9	17.6	53	-
The compensation policy enables the university reduce turnover and encourage its loyalty	-	5.9	4.4	11.8	16.2	61.7	-

The rational approach to internal equity shows that jobs in an organization are evaluated according to compensable factors such as education, skill, experience and responsibility. Internal equity is one of the criteria for effectiveness of the compensation policy employed by an institution.

As indicated in table 5, 71% of the respondents agreed or strongly agreed that the compensation policy of the university is internally equitable. However, about 7% of the teachers replied that there is no internal equity in the salary system of the university and 22% of the teachers show no judgment at all.

Quite obviously, one of the objectives of compensation systems in academic institutions is to create a system of rewards that is equitable to the academic staff and the institution alike, so that educators are attracted to the work and motivated to a good job for the employer (Robins Stephen, 1989). The displayed figure shows that the university has almost achieved internal equity in its compensation practices. This implies that pay decisions are explainable and reasonable. It also indicates that there exists a sense of collegiality, cooperation and teamwork among the teaching staff.

Both monetary and non-monetary compensations are vital to ensure safe and positive professional environment and motivate teachers, thus enabling them to fulfill their basic needs and remain within the profession. Table 5 also depicts as to what extent the teaching staff is motivated with the compensation system of the university. Accordingly, about 96% of the respondents have the opinion that the present compensation scheme doesn't enable the university to enhance the performance and motivation of academic staff. However, only 4% of the respondents agreed that it motivates.

Despite the fact that literature says pay is not an effective motivator, almost all the teachers responded that their motivation and performance is negatively affected due to the inadequacy of their salaries. This shows that, the pay system employed by the university is unable to bring motivation and good performance among the staff. As Dejene (2000) argues, ensuring that teachers are appropriately compensated is vital in attracting teachers to the profession, retaining them once in position and keeping them motivated to provide quality education. However, as almost all the respondent teachers have rated, the university has a lot to improve regarding the working pay system so as to enhance their performance and motivation.

An examination of table 5 shows that a great deal of respondents (75%) has been affirmative that the current compensation system of the university is not tied with performance of the academic staff. However, only 9% of the respondents agreed on the issue and the rest 16% of the sampled teachers neither agreed nor disagreed on it.

As Byars (1987) explained, rewarding faculty for consistently excellent performance in the areas of research, teaching and advisement, service to the university and service to the community has the potential to create a more productive and creative academic environment. Conversely, the majority of respondents complain that the salary system employed by the university provides no financial incentive for academic staff to work hard, the salary they earn depends solely on experience and education.

Furthermore, while respondents were asked to fill their comments about the impact of the compensation system on their performances, many of them indicated that the present compensation practice of the university is negatively affecting the motivation and performance of teaching staff in areas of research, teaching and services to the university and community. Finally they recommended that the university needs to revise its pay system and design better alternative to align staff performance with its business objectives.

Table 5 also presents the frequency distribution of the responses given by respondent teachers. It shows that more than 85% of the sampled staff believes that the pay system of the university does not reward peak performance. On the contrary, only about 6% of the respondents believe that it rewards. Whereas, the interview held with the HR personnel of the university indicated that the university has established individual incentive system to reward peak performances. She said the university allocates annual budget to reward staff members who are engaged in conducting research. The apparent contradiction between the staff and the human resource personnel appears confusing but, the contradiction may be because the rewarded staff members are very few in numbers, and of course, the peak performance of the staff is measured only in conducting relevant research.

As the respondents express, High-quality staff may feel unappreciated and unrewarded under the existing compensation scheme of the university, while they may feel intrinsic satisfaction and receive positive recognition from peers, students, parents, and supervisors, these messages will conflict with the message of mediocrity contained in their paychecks.

Though the basic objective of individual rewards is to provide high performers with a strong incentive to remain in teaching and low performers with a strong incentive to leave (Wenglinsky, 2000), the respondent teachers explained that both low performers and high performers in the institution receive the same compensation, which may discourage high-quality teachers from persisting in the exhausting, often frustrating work of exemplary teaching.

Compensation management in academic institutions will have an impact on employer's ability to retain talented staff and ensure optimal levels of performance from the staff in meeting the strategic objectives of the institution (Decenzo and Robbins, 1988). However, 87% of the academics showed their responses in their questionnaires that the current compensation system doesn't help the university in retaining efficient, skilled and experienced academic staff. On the contrary, less than 7% of them agreed that it helps the university and about 6% respondents show their indifference. Moreover, while they were asked to fill their opinion regarding the salary level and benefits of the university in relation to retaining skilled, efficient and experienced academic staff, many of them expressed their complaints about the procedures for determining salary increases, the inadequacy of the salary levels to enable respondents to have the desired standard of living, and government policy towards pay levels in academic institutions (along with other organizations in the public sector) as an overriding factor in the decision to be attracted, stay or leave. They also commented that the university should widely recognize that it needs to have an attractive remuneration package to attract, retain and motivate staff otherwise; competition for recruiting and retaining key talent will remain a big challenge for the university.

As shown in the table, about 7% of respondents believe that the compensation policy enables the university to increase and maintain morale/satisfaction of its academic staff. On the other hand, about 71% of the respondents stated it doesn't enable the university to do so. The remaining 22% showed their indifference.

As discussed in Decenzo and Robbins (1988), one important purpose of compensation in academic institutions is to increase and maintain morale/satisfaction of educators. There is also a strong argument that educational institutions can bring success through satisfied and loyal staff. However, the majority of respondents criticized that the salary schedule does not enable the university to attract desired teaching staff.

Obviously, a compensation system that is to work well must be acceptable to those implementing it and to those employed under it. If any of the parties involved do not accept the compensation system, then it is definitely doomed to fail. Unfortunately, the responses from the teaching staff imply that in the university, teaching is considered more a job than a career. i.e., they simply do teach till they get the right career truck for which they devote their future in order to maximize their career earnings. The salary they earn is not satisfactory to tolerate them to stay in teaching and guarantee continuity of service in the university. Such a signal can be an impediment to attracting desired candidates to teach in the university. Regrettably, many bright and talented young staff has an incentive to move to careers.

A staff's decision to continue working with the university or to seek opportunities elsewhere depends on many factors. Among the factors, compensation practice of the university plays the primary role. Accordingly, 78% of the respondents believed that the pay system of the university is unable to reduce turnover of the academic staff. Whereas, only 6% of them show their agreement on the item and about 16% rated either 'undecided' or 'don't know'.

The reason for the disagreement of the majority pointed to the total earning power and better job offers as the main causes of the problem. Morale, participatory management practices etc. are often mentioned, but the overall earning potential, taking into consideration the salary is the staff's main concern.

Expressing their opinion in interview held some of the teachers, they said that the earlier design of the pay system of the university was attractive but currently, the employed system shows that the university has faced big financial insecurity, 'even waiting for a rescuer'. They also commented that due to the inadequacy of salaries, most teachers search for extra job to supplement their income and cope with the ever increasing cost of living, and the problem causes high staff turnover at the university, with the exception of deans and heads of departments who earn better salary and benefits. This supports that the compensation educators received is a key determinant of their job satisfaction and the retention of high quality academic staff (Lillydahl and Singell, 1993).

Whereas, the human resource personnel at the university campus said that they are not overly concerned about the current level of faculty turnover rather, they got recruiting and retaining faculty somewhat challenging, but compensation is only part of the issue and "of course" she said, "the university has already designed new compensation system that will be implemented in the near future and it will surely solve the problem."

High teacher turnover has significant financial consequences for the education system of academic institutions (Lillydahl and Singell, 1993). Nevertheless, the interview shows that the human resource personnel is unaware of the high costs associated with teacher turnover in forcing the university to spend money on recruiting, hiring, and training replacements.

Table 6. Teachers' ratings on the adequacy of their salaries.

Description	*Responses (%)*						
	SA	A	UD	DK	DA	SD	NR
The salary the staff receives is adequate to sustain a reasonable standard of living for themselves and their families.	-	13.4	2.9	2.9	35.3	43.4	-

Taken as basic objective of compensation system, maintaining fair/reasonable and equitable pay structure shows how well both the contributions and needs of the staff are recognized. According to article 58 of the UNESCO recommendation (1997), the salaries of higher-education teaching personnel should provide them with the means to ensure a reasonable standard of living for themselves and their families as well as to invest in further education or in the pursuit of cultural or scientific activities, thus enhancing their professional qualifications.

However, the overwhelming majority of the sampled population (79%) evaluated that the university is not paying fair and adequate salary to sustain a reasonable standard of living for themselves and their families. On the other hand, around 13% of the respondents stated that the salary the staff receives is adequate, and the remaining 6% of the teachers did neither agree nor disagree on the matter.

Generally, the responses of teachers indicated that their salary is not adequate to allow them to focus on their professional work and ensure continuity of service within the university; rather they are forced to search for additional sources of income to help themselves and their family.

Table 7. Teachers' ratings on the adequacy of their pay for carrying extra workload.

Description	***Responses (%)***						
	SA	A	UD	DK	DA	SD	NR
Teachers are adequately compensated for carrying extra workload.	-	4.4	7.4	5.9	23.5	58.8	-

Table 7 presents a percentage frequency distribution showing satisfaction, dissatisfaction and indifference of teachers with the adequacy of their pay for carrying extra workload. The figure shows that there is a high degree of dissatisfaction among the staff on the adequacy of compensation for carrying extra workload (82%). On the other hand, about 4% of the respondents agreed on the adequacy of staff compensation for carrying extra work load and about 13% were either unable to reach decision or they don't know that much about it.

Most respondents also commented that providing adequate pay when teachers work extra time or when they take on further assignments make them motivated to work hard and supports the teaching practice. In light of this, Article 62 of the UNESCO recommendation (1997) states that, the workload of higher-education teaching personnel should provide due consideration in terms of salary for those who are required to teach beyond their regular workload. However, the pay system of university couldn't provide adequate pay to its staff for carrying extra workload and this means that the system is acting as a disincentive for the staff to be fascinated in providing their support to the educational system through additional assignments and extra time work.

To consolidate the fact, the message from the university teaching staff is clear: they are dissatisfied with the adequacy of their compensation for carrying extra time workload and additional assignments to the extent of considering them almost as free services to the university.

Table 8. The staffs' ratings on the fairness of the responsibility allowance.

Description	***Responses (%)***						
	SA	A	UD	DK	DA	SD	NR
The responsibility allowance provided by the university is fair.	11.8	33.8	-	-	50	4.4	-

From the sampled population, only seven of them have administrative responsibilities in the university. Out of them 54% were dissatisfied by the responsibility allowance granted by the university and the remaining 46% answered that the responsibility allowance provided by the university is fair.

As observed from their responses, the responsibility allowances provided by the university does give less emphasis at reducing the day-to-day living expenses of teachers and address their basic needs. This indicates that those responsible people are not giving their full attention to the duty they are assigned for because; they need to supplement their income through working in their free time out of the university campus.

The interviews held with the human resource personnel and the AVP of the university suggest that the university provides responsibility allowance (position, transportation and telephone allowances) for the staff (Deans and department heads), in addition to this, they get overtime payment for they teach additional hours. However, as described by Stone Raymond (1998), responsibility allowances have by far very important role in addressing many diverse specific needs, such as housing allowances, medical care, etc. in addition to those mentioned by the human resource personnel and AVP of the university, and they may be extended to include many depending on the cost of living, the institutes profit and also other environmental factors.

Table 9. Ratings of teachers on the performance appraisal system of the university in relation to compensation.

Description	***Responses (%)***						
	SA	A	UD	DK	DA	SD	NR
The university has a well-established performance appraisal system that renders enough information for determining justified compensation.	-	14.7	8.8	8.8	44.1	23.6	-

The university had somewhat history of enough experience in performance appraisal as it periodically carry out elections of the academic staff to their posts. However, the performance evaluation process seems almost forgotten since 2006. As discussed in Milkovich and Newman (2005) Performance appraisal ratings might be used during layoffs in order to retain more valuable employees, to determine the quality of training programs, to measure equality of treatment, to manage employees' compensation, and to promote or dismiss them. Thus, appraisal results have a very important role in the HRM activities of any organization. A well-established performance appraisal system should also render enough information for determining justified compensation (Odden & Kelley, 1997). However, as the interview with the HR personnel of the university indicated, over the course of the past three academic years the university was unable to properly put into practice the formal annual performance review of its staff.

As table 9 presents there is only 15% support for existence of a well-established performance appraisal system in the university that renders enough information for determining justified compensation. On the contrary, about 68% of the respondents didn't agree on its existence. Moreover, 17% teachers show their indifference. Some of the respondents expressed that they were appraised along the lines laid down by the university to meet its objectives and to be in line with its strategic objectives.

The analysis also shows that respondents doubt the unbiased implementation of the merit review process even when it was functioning. Their comments focused on supervisors, who were systematically making incorrect marginal decisions regarding performance evaluation. Of course, it is rational for the teachers not to "trust" the performance appraisals they receive from superiors.

Expressing their opinions in the questionnaire regarding the impact of the compensation policy of the university on the performance of the academic staff, some of the respondents have indicated that at present there is no clearly defined causality between the performances and pay of its teaching personnel and the pay system do have negative impact on their performances.

Generally, the responses of the staff indicated that currently, there is no culture of a properly administered performance appraisal system that renders enough information for determining justified compensation. All the analysis bear out that there is a need for a new culture, the implementation of a new performance appraisal system and a clearly defined set of objectives in the areas of research, teaching and services to the university and community prior to full implementation of performance based pay.

Table 10. Responses of teachers as to what extent their salary is revised regularly taking into account the rising cost of living

Description	***Responses (%)***						
	SA	A	UD	DK	DA	SD	NR
The university regularly revises the salary system to take into account the rising cost of living	-	2.9	5.8	2.9	44.1	42.7	1.5

As can be seen in table 10, responses across the staff show that the salary level has seldom get reviewed taking into account the rising cost of living (87%). Only 3% of the respondents agreed on the issue and about 10% show their indifference.

Teachers response on the issue depict that the time interval is not fair and they further noted that it should be reduced to one year. In addition, the HR personnel and the AVP in the interview have also indicated that the time in which the university makes salary increment is flexible; mostly salary structure is reviewed once in every three years. They also added that, the bases for salary increase doesn't solely depend on the rising cost of living, rather it takes the combination of some other factors like consumer price index and profit sharing.

As discussed in Aswathappa (2002), the value and form of compensation system in the context of the country will be primarily affected by the cost of living. It is quite clear from the analysis that, the cost of living has affected the pay system of the university. In relation to this, most respondents stressed on difficulty of living with today's global economic crises, covering even the daily expenses with this inadequate pay as very challenging.

Table 11. Teachers' ratings of their satisfaction on salary and benefits they receive.

Description	***Responses (%)***						
	SA	A	UD	DK	DA	SD	NR
In general, the salary levels of my current position the university provided is satisfactory.	1.5	16.2	-	11.8	23.5	44.1	2.9
Generally, the benefits that the university provides to its academic staff are sufficient.	13.2	23.5	4.4	4.4	51.5	2.9	-

Table 11 presents frequency distribution showing satisfaction, dissatisfaction and indifference of the university teachers with their salary the university provides. In light of this, about 68% of the respondents complained that they are not satisfied with the current salary offered by the university. The reason for their dissatisfaction according to the respondents is much diversified and one of the reasons is imbalance between the pay and the load.

Furthermore, they have described that the compensation package do not consider living cost, house allowance and transportation allowance. With this level of compensation, said the respondents, it would be not easy to survive in the continuously inflationary economy and let alone saving for some future time and invest in other projects like constructing residential houses, buying vehicles, home appliances, etc.

Pathon (2002) suggests that, as criteria for effectiveness of compensation systems, pay should be enough to help and employees feel secure and aid him or her in satisfying basic needs. In addition, there is a strong argument that educational institutions can bring success through satisfied and loyal staff (Decenzo and Robbins, 1988). However, it is only less than 18% of the respondent teachers who are satisfied with the current compensation practice of the university. This indicates that, the university has failed in bringing satisfaction to its academic staff.

Apart from the regular salary, the university has its own fringe benefits. Regarding the benefits that the university provides to the staff, about 54% of the respondents complained that the benefits are not sufficient. Nevertheless, 37% of them affirmed that they are sufficient and 9% of them neither agreed nor disagreed on the matter.

The majority of respondents have described their opinions regarding the benefits they receive that the university usually pays for some types of time-off pay benefits like, paid holidays, and paid sick leaves and non-pay benefits including expenditures such as, cafeteria services and education programs are partially provided. However, other kinds of time-off pay benefits like paid vacation, pension programs, rest periods; and non-pay benefits like medical services, transportation accommodation, and childcare services which are not provided to the staff.

Some benefits, such as medical insurance like coverage for hospitalization, outpatient doctor bills, prescription drugs, etc are also often paid, at least in part, by the staffs because of the high costs of medical insurance.

Chapter Five

Summary, Conclusion and Recommendation

This chapter presents a brief summary, conclusion and recommendations of the survey of the compensation practice of Unity University. In the summary part, the background of the study and methodology used are highlighted. Following the summary, relevant conclusions are derived from the data analysis and finally recommendations were suggested based on the reviewed literature and the major findings.

5.1. Summary

The human resource management system particularly the academic staff compensation practices of higher educational institutions in Ethiopia has been the focal subject area in public discussions about the future quality of the country's education system. Recruiting, hiring, retaining, and supporting quality educator is the central challenge facing today's education policymakers.

Consequently, the study tried to assess the compensation practice of Unity University covering the time from February 2006 through March 2009. It has attempted to address the basic questions regarding the compensation policy of the university, i.e.; to identify the design of compensation practice of the university and its impact on the performance of the academic staff and also on the overall goals of the university.

Both qualitative and quantitative information were solicited through a structurally designed questionnaire distributed to 100 randomly selected academic staff members found in the main campus of the university and 68 of them were retuned. In addition, interviews were held with the human resource personnel and AVP of the university and documents were also consulted to gather relevant data on the compensation policy of the university.

Finally, findings were organized and summarized by descriptive statistics which has been presented in the form of frequency tables. The major findings of the survey are summarized as follows.

The study has revealed that the salary provided for teaching personnel were somewhat lower than salaries paid in other occupations requiring similar or equivalent qualifications (48%), and competitive with other private colleges in the country (40%).

The research also shows that there is a significant internal equity in the pay system of the university (71%) i.e.; the pay is more or less equitable between/among different jobs within the university.

In addition, the findings have confirmed that compensation provided for academic staff is not adequate to sustain a reasonable standard of living for themselves and for their families (79%). Furthermore, pay for extra workload (82%), the responsibility allowances (54%) and benefits (54%) provided by the university are all inadequate and unfair.

The compensation system of the university also fails to recognize and reward better performers and motivate them to retain their high performance standards (85%). Previously, the system was related with the performance of the staff but currently it is not clearly identifiable with great inclination towards single salary schedule.

All the findings from the frequency analyses clearly show that academics are dissatisfied with their pay and benefits provided by the university. In general, the study has shown that the compensation policy doesn't enable the university to recruit and retain qualified and talented staff (87%); increase and maintain morale/satisfaction of teachers (71%) and reduce faculty turnover (78%).

5.2. Conclusions

The findings from the frequency analyses clearly show that the teaching staff in Unity University experiences considerable earning disadvantages compared with other professions both in the sector as well as out of the sector. The inadequacy of their salaries to sustain reasonable standard of living is also another challenge for the staff. In addition, pay for extra workload, the responsibility allowances and benefits provided by the university are all inadequate and unfair. With this context, the university is not practicing regular cost of living adjustment (COLA) to adjust the living condition of its staff with increased cost of living that resulted from inflation. These factors have implications that the employed salary schedule is not well constructed and also it doesn't allow teachers to reach the maximum salary as quickly as possible in order to maximize their career earnings. By and large, the comparable wage pattern and the inability of the university to pay its staff are seriously affecting the current compensation system.

On the other hand, most teachers have indicated that there is somewhat internal equity in the compensation system. This shows that pay decisions are explainable and reasonable. It also indicates that there exists a sense of collegiality, cooperation and teamwork among the teaching staff.

When considering a pay action for the staff, it is important to review documented and demonstrated performance information prior to making the pay decision. However, According to the study, teachers are not rewarded based on their performance appraisal grading. The opportunities to earn bonuses and extra pay by participating in research and consulting projects are very rare in the university. The merit review process has already stacked three years ago and the university seems in a difficulty to make a credible long term commitment to its former merit pay. Currently, teachers are paid purely based on their qualification and teaching experience. This implies that the design of the current compensation system of the university is not clearly defined.

The annual salary increase cycle is the primary vehicle for recognizing and rewarding staff performance. The analysis indicates that, the performance of the academic staff is loosely tied with their pay. Whatever exceptional the performance of the teacher might be, it doesn't warrant a pay action both as a reward and a strategy for retention. As a result of this action, desired behaviors are depressed and the staffs' attitudes, performance and commitment level are negatively affected. Furthermore, the unrewarded or unrecognized talented staff is being provoked to leave.

All the findings from the frequency analyses clearly show that academics are dissatisfied with their pay and benefits provided by the university. Finally, it can be concluded that the compensation policy is very poor to enable the university achieve its goals through retaining efficient, skilled and experienced academic staff. It is also unable to enhance the performance and motivation as well as to reduce turnover rate of the staff.

5.3. Recommendations

The university should establish a comprehensive academic staff compensation mechanism which represents a strategy for recruiting, attracting, retaining and supporting high quality educators. In addition, the pay system should not be based solely on a single salary schedule. It should also offer a diversified scheme of benefits by adding housing and transportation allowances on existing fringe benefits. Furthermore, academic staff compensation system of the university should meet the UNESCO Recommendation requirements and guidelines.

The compensation system should be re-designed to enable the university to encourage and reward peak performance and the acquisition of new skills and knowledge. Regular evaluations of teachers should be supported and implemented properly, but teacher pay should not be directly tied to those evaluations. Evaluations should include the goals of improving professional practice and determining the continuing contract status of teachers. In addition, the link between performance results and compensation should also be clearly defined.

Finally, the future research in the field should devote more attention to the compensation systems that have close connections to appraisal results of the academic staff in the university. Pay-for performance solutions have found usage in some private educational institutions including Unity University.

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APPENDIX-A

ADDIS ABABA UNIVERSITY

SCHOOL OF GRADUATE STUDIES

COLLEGE OF EDUCATION

DEPARTMENT OF EDUCATIONAL PLANNING AND MANAGEMENT

Academic Staff Compensation Practice and Policy Information:

Questionnaire Prepared for Academic Staff of the Unity University.

This questionnaire is prepared to evaluate the overall compensation system of Unity University. The questionnaire is for the purpose of academic study that will be presented to the Faculty of Education, the Department of Educational Planning and Management, Addis Ababa University in partial fulfillment of the requirements for the Master of Arts (M.A.) in Human Resource and Organizational Development (HROD) stream. I kindly request you to fill this questionnaire at the best of your knowledge.

Personal Information

Part I. Please fill your answer on the blank space provided?

1. *Gender* _____
2. *Age* _____
3. *Faculty you are teaching in* _____
4. *Qualification* _____
5. *Academic rank* _____
6. *Academic position* _____
7. *Length of service in the university* _____

Part II. Please put a tick mark (✓) where you think is appropriate in the space provided.

Note: SA=Strongly Agree, A=Agree, DK= I Don't Know, UD=Un-Decided, DA=Disagree, SD=Strongly Disagree.

No	Description	SA	A	DK	UD	DA	SD
1	The university pays salary which is comparable to salaries paid in other occupations requiring similar or equivalent qualifications						
2	The university pays competitive salary with other private colleges/universities in the country						
3	There is internal equity in the pay system of the university.						
4	The salary the staff receives is adequate to sustain a reasonable standard of living for themselves and their families.						
5	The compensation scheme enables the university to enhance the performance and motivation of Academic Staff.						
6	The current compensation system of the university is tied with performance.						
7	The pay system of the university rewards and encourages peak performance.						
8	Teachers are adequately compensated for carrying extra workload.						
9	The current compensation system helps the university in retaining efficient, skilled and experienced Academic Staff.						
10	The compensation policy enables the university to Increase and maintain morale/satisfaction of its Academic Staff.						

11	The compensation policy enables the university reduce turnover and encourage its loyalty						
12	The responsibility allowance provided by the university is fair						
13	The university has a well-established performance appraisal system that renders enough information for determining justified Compensation.						
14	The university regularly revises the salary system to take into account the rising cost of living						
15	In general, the salary levels of my current position the university provided is satisfactory.						
16	Generally, the benefits that the university provides to its Academic Staff are sufficient.						

Part III. Fill your opinion on the space provided.

1. *What is your opinion regarding the benefits the university provides to its academic staff? Is there any other benefit (s) that you think shall the university has to grant to its academic staff?* _____

   _____

   _____

   _____

2. *What could be your comment regarding the salary level and benefits of the university in relation to retaining skilled, efficient and experienced academic staff?* _____

   _____

   _____

   _____

   _____

3. *What is your comment regarding the special rewards and/ or incentives given for hard work, efficiency, research and other behaviors?* _____

_____

_____

_____

_____

4. *In general, what could be your comment regarding the impact of the compensation policy of the university on the performance of the academic staff?* _____

_____

_____

_____

APPENDIX-B

ADDIS ABABA UNIVERSITY

SCHOOL OF GRADUATE STUDIES

COLLEGE OF EDUCATION

DEPARTMENT OF EDUCATIONAL PLANNING AND MANAGEMENT

Academic Staff Compensation Practice and Policy Information:
Interview Guide for human resource Personnel and AVP of Unity University

1. *What type of annual salary increase does the university implement? (Service, merit or both)*
2. *Does the university utilize a traditional salary grade system? If yes, please answer the following questions.*
3. *How is progression in the job grade determined?*
4. *How often is the salary structure reviewed?*
5. *What is the basis for the salary increase?*
6. *When was the last time it was adjusted?*
7. *Does the university give a general increase for the staff? If yes, what percentage?*
8. *Does the university give a cost of living increase for the academic staff?*
9. *Does the university have a bonus or incentive plan? If yes, please answer the following questions.*
10. *What type of bonus?*
11. *Does the university have formal employee merit review process?*
12. *If yes, how often are employees reviewed?*
13. *What types of benefits does the university provide for its academic staff?*