

Addis Ababa
University

(Since 1950)



The Effect of Total Rewards on Employee Engagement: the Moderating Role of Perceived Reward Fairness

(Empirical Evidence from private Banks in Ethiopia)

A Thesis submitted to the school of graduate studies of Addis Ababa University in partial fulfillment of the requirements for the Master of Business Administration (MBA)

By: Hassen Seid

Advisor: Lakew Alemu (PhD)

ADDISS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS

June, 2019

Addis Ababa, Ethiopia

DECLARATION

I Hassen Seid hereby declare that this thesis is based on my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted in AAU or any other institutions.

Hassen Seid

Signature

Date

Statement of Certificate

This is to certify that Hassen Seid has completed his thesis entitled: “The Effect of Total Rewards on Employee Engagement; the Moderating Role of Perceived Reward Fairness”; is his original work and is submitted for examination with my approval as a thesis.

Lakew Alemu (Ph.D)

Name of Advisor

Signature

Date

Certification of Originality and Quality
Addis Ababa University
School of Graduate Studies

This is to certify that the thesis prepared by Hassen Seid, entitled: “The Effect of Total Rewards on Employee Engagement; the Moderating Role of Perceived Reward Fairness”; and submitted in partial fulfillment of the requirements for the Degree of Master of Business Administration complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

Signed by the Examining Committee:

Advisor _____ Signature _____ Date _____

Internal Examiner _____ Signature _____ Date _____

External Examiner _____ Signature _____ Date _____

ACKNOWLEDGEMENTS

First, I am grateful to Almighty God for keeping his eyes on me, giving me health, strength and firmness to continue and finish this study.

I am deeply grateful to my advisor, Lakew Alemu (PhD), for his endless support and assistance for the duration of this thesis. He has been a continual font of ideas, stimulating suggestions and pushing me to my limit all the time. I have learnt a lot from him about all aspects of carrying out a research and writing a thesis.

I would like to take this opportunity to thank the respondents who have provided their supports and cooperation to me during the survey carried out for this research.

It is also with great pleasure that I acknowledge my gratitude to the help I have been given by my family, there is no one else I would rather have in my corner.

Last but not least, I would like to express my deepest gratitude to all those who gave me the possibility to complete this program.

TABLE OF CONTENTS

Declaration	i
Statement of Certificate	ii
Certification of Originality.....	iii
ACKNOWLEDGEMENTS.....	iv
LIST OF TABLES.....	viii
LIST OF FIGURES.....	ix
ACRONYMS	x
<i>Abstract</i>	xi
Chapter One	xi
1. Introduction.....	1
1.1 Background of the Study	1
1.2 Statement of the problem	2
1.3 Objective of the study	4
1.3.1 General objective of the study	4
1.3.2 Specific objective.....	4
1.4 Theoretical bases and hypotheses development	4
1.4.1 Social Exchange Theory	4
1.4.2 Equity Theory	6
1.5 Hypothesis of the study.....	6
1.6 Scope of the Study	7
1.7. Organization of the Study	7
Chapter Two.....	8
2. Literature Review.....	8
2.1 Introduction.....	8
2.2 Theoretical Literature Review	8
2.2.1 Employee Engagement	8
2.1.2 Categories of Employee Engagement.....	10
2.2.2. Employee Engagement and other Organizational Behavior (OB) Constructs.....	11
2.1.2 Total Rewards and Employee Engagement	12
2.1.3 Total Rewards as a Tool of Engagement	14
2.1.4 Different Total Reward Models	15

2.1.5 The Moderating Role of Perceived Reward Fairness	18
2.2. Empirical Literature Review	20
2.3 Conceptual Framework.....	21
Chapter Three.....	25
3. Research Methodology	25
3.1 Introduction.....	25
3.2 Research Design.....	25
3.3 Research Approach /Research Methodology.....	25
3.4. Data Types and Sources.....	25
3.5 Sampling Design.....	26
3.5.1 Target Population.....	26
3.4.2 Sampling Technique and Sample Size.....	26
3.5 Research Instrument.....	26
3.5.1. Total Rewards Questionnaire.....	27
3.5.2 Employee engagement Questionnaire.....	27
3.5.3. Perceived Reward Fairness Questionnaire.....	27
3.6 Data Analysis	28
3.7 Validity and Reliability.....	28
3.7.1 Content Validity.....	28
3.7.2 Construct Validity.....	28
3.7.3 Reliability Test.....	34
3.8. Ethical Consideration.....	35
Chapter Four	36
4. Data Presentation, Analysis, and Interpretation.....	36
Introduction.....	36
4.1. Descriptive Analysis	36
4.1.1. Personal Background of Respondents	36
4.1.2 Descriptive Statistics.....	37
4.2 Inferential Analysis.....	38
4.2.1 Diagnostic Tests of Assumptions of Classical Linear Regression Model	38
4.2.2 Bivariate Correlation.....	43
4.2.3 Regression analysis.....	44

4.3 Discussion	49
Chapter FIVE	52
5. Conclusion, Managerial Implication, Limitation, Recommendation for Future Research and Value Added	52
Introduction.....	52
5.1 Conclusion	52
5.2 Practical/Managerial Implications:	54
5.3 Limitations in the study and Recommendations for Future Researches.....	55
5.3.1 Limitations	55
5.3.2 Recommendations for future studies	56
5.4 Contribution/Value-add	56
Reference	57
Appendix.....	65
Appendix A; SPSS out puts for Linearity test (total reward sub scales)	65
Appendix B; Regression Outputs.....	67
Appendix C: Data for visualizing the conditional effect of the focal predictor:	69
Appendix D; Research Questioner.....	70

LIST OF TABLES

Table 3. 1 KMO and Bartlett's Test for total rewards survey	29
Table 3. 2 Pattern Matrix total rewards	30
Table 3. 3 KMO and Bartlett's Test for perception of fairness scale	32
Table 3. 4 Pattern Matrix perception of fairness.....	32
Table 3. 5 Cronbach's Alpha of Study Instrument based on Pilot Study	34
Table 3. 6 Reliability Statistics for Employee engagement.....	35
Table 3. 7 Reliability Statistics for Total rewards	35
Table 3. 8 Reliability Statistics for Perception of fairness.....	35
Table 4. 1 Demographic Profile of respondents	36
Table 4. 2 Descriptive Statistics for study variables.....	37
Table 4. 3 Multicollinearity analysis	39
Table 4. 4 Autocorrelation Test	40
Table 4. 5 Correlations of Study Variables.....	43
Table 4. 6 Correlations between employee engagement and total reward sub scales	44
Table 4. 7 Hierarchical regression results for the effects of reward subscales on employee engagement	44
Table 4. 8 Result of Testing the First Main Hypothesis	46
Table 4. 9 Hierarchical regression results for testing the moderating effect of perceived fairness between total rewards and employee engagement.....	47
Table 4. 10 Result of Testing the second Hypothesis.....	48

LIST OF FIGURES

Figure 2. 1 Conceptual Framework –Total rewards, perception of fairness and Employee engagement Source: Researcher’s own conceptualization in light of reviewed literatures.....	24
Figure 3. 1 Figure scree plot for Total Reward scale	29
Figure 3. 2 scree plot for Perception of Fairness scale	32
Figure 4. 1 Homoscedasticity Test for the multiple regression analysis	41
Figure 4. 2 Homoscedasticity Test for moderated regression analysis.....	41
Figure 4. 3 Normality Test with NP-P plots for multiple regression analysis.....	42
Figure 4. 4 Normality Test with np-p plot for moderated regression analysis	42
Figure 4. 5 Graphical demonstration of the Conditional effect of Total Rewards of Employee Engagement.....	47

ACRONYMS

ANOVA: Analysis of variance

B, β : Beta

CLRM: Classical linear regression model

DF: degrees of freedom

EDQ: Educational qualification

ER: Extrinsic rewards

H1: Hypothesis 1

H2: Hypothesis 2

IR: Intrinsic rewards

N: Sample Size

P: Significance Value

R: Pearson Correlation Coefficient

R²: R Square

SE: Standard error

SPSS: Statistical Package for Social Science

Std. Dev: Standard Deviation

t: t-test

UWES: Utrecht Work and Engagement scale

WLB; Work life balance

α : Cronbach's alpha

ΔR^2 : R Square change

ABSTRACT

With the reported downward spiral of engagement levels worldwide, and many Research indicating that employees are no longer satisfied with traditional reward systems, organizations are becoming aware that in order to deal with this, attract best talent and keep them engaged, they need to shift their attention to total reward strategies. The main purpose of this study was to explore the relationship between total rewards and work engagement in Ethiopian context and to determine which reward categories significantly predict employee engagement. The study further endeavored to determine whether perceived reward fairness had a moderating effect on the relationship between total rewards and employee engagement. A quantitative, cross-sectional research design was adopted. By dividing the total population in to strata and then by using a non-probability convenience and purposive sampling strategy, 315 questionnaires were collected and analyzed from two randomly selected private banks in Addis Ababa. The 17-item UWES, WorldatWork total reward model and 18 item questioner to test perception of fairness developed by Moorman (1990) were chosen as measuring instruments. Evidence from the study suggested that three total reward dimensions explained 37.5% of the variance in employee engagement. From the study it was found that Intrinsic rewards had the biggest significant effect on employee engagement. Similarly, Work life balance also had a significant effect on employee engagement .unlike the two Extrinsic rewards was found to negatively affect employee engagement. In addition, results from the study inferred that perceived fairness moderated the relationship between total rewards and employee engagement. Evidences from the study suggested that Total Rewards and perception of fairness are important engagement factors for employees in the workplace. unlike the other two subscales, Extrinsic rewards had negatively affected employee engagement implying that more research is needed and Organizations seeking to implement total reward strategies should pay attention to which reward categories have a positive impact on employee engagement.

Keywords: *Employee Engagement, Intrinsic Rewards, Total Reward Strategies, Perception of Fairness private banks and, Work Life Balance*

CHAPTER ONE

1. INTRODUCTION

1.1 Background of the Study

Organizations has become aware that Employee engagement is a critical organizational requirement as they are facing increased globalized competition and innovative individuals specially recovering from the global recession to gain competitive advantage over others (Bailey et al., 2016; Anitha, 2014). As result, Work engagement has become a critical aspect of study not only for individuals in the academic field but also for practitioners and top management levels in organizations (Hewitt, 2015; May, Gilson & Harter, 2004; Schaufeli & Bakker, 2004; Sonnetag, 2011; Strümpfer, 2003; Werner, Stanz, Visagie & Wait, 2011).

Many research works has reported that engagement have a positive relationship with different organizational outcomes such as increased organizational and employee performance, increased employee and customer satisfaction, higher productivity and reduced employee turnover. (Evenson, 2014; Harter, Schmidt, Killan & Agrawal, 2009; Hicks, O'Reilly & Bahr, 2014; Schaufeli, 2013).Likewise, other research works also reported Job and organizational engagement are positively related with job satisfaction, organizational Commitment and organizational citizenship behavior and are negatively related with employees' intention to quit. (Alan M. Saks, 2006)

As several studies show, employee engagement are at serious level worldwide (Hewitt, 2013; Gallup, 2013) According to Gallup's (2013) study, only 30% of employees are dedicated to their work, 50% of employees merely present at their work, while the remaining 20% are "actively disengaged" they demonstrate their dissatisfaction in "counter-productive" ways, which create negative energy among coworkers and also drive customers away. Gallup estimates cited in Harvard Business Review (2014), states that the 20% group alone costs the U.S. economy around half a trillion dollar each year. This shows how significant issue is an employee engagement to any economy in any society in including Ethiopia.

Once we understand the importance of employees' engagement for the survival and prosperity of the organization, we can easily predict that decrease in engagement levels in the organization can

have serious consequences for business outcomes as it has been reported in several studies (Gallup, 2013; Haid & Sims, 2009; Rothmann, 2015).

Noticing employee's engagement is at a critical point and many of the employees in an organizations are not engaged in their work or may even are actively disengaged, organizations must find different strategies and use different mechanisms to motivate and get best out of employees. Especially, in the current economic context, it is utmost importance for organizations to find ways to motivate employees and boost their levels of engagement (Hoole, C., & Hotz, G. (2016).

In recent years, organizations have shifted their attention to total reward packages as a means of motivating employees and raising their levels of engagement. (Giancola, 2007; HayGroup, 2015; Nienaber, 2010).Kahn (1990) reported that people vary on their engagement levels as a function of their perceptions of the benefits they will receive from their work. In other study it was reported that while a lack of rewards and recognitions can lead to burnout, appropriate recognition and reward was found to be important for employee's engagement. (Maslach et al, 2001) Different studies also have understood that Reward system serves as a systematic practice to achieve positive outcomes or consequences. (Chebat, Babin, & Kollias, 2002)

1.2 Statement of the problem

Engagement has becomes a critical concern for most organizations now days because surveys indicate that only few employees between 17 to 29 percent are highly engaged on their work (Robins & Judge, 2013). Reinforcing this argument, in a recent study by Harvard business review analytic services, it was reported that only 24 percent of employees were highly engaged in the studied organizations. Many companies realized that employees are organizations best assets that they can compete with others in their sector (Bailey et al., 2016). They also recognize that a highly engaged workforce can increase innovation, productivity and performance while reducing costs related to hiring and retention in highly competitive talent markets (HBR, 2013). Moreover, in a Hay Group study, it was reported that engaged employees are 10 percent more likely to exceed performance expectations (Royal and Yoon 2009). It was also found that organizations with high level of employee engagement show 40 percent lower turnover rates and 2.5 times higher growth rate in revenue than organizations with low levels of engagement. Even though, most

organizations understood that it is utmost important to improve employee engagement, many are yet to develop tangible strategies to measure and achieve a desired level employee engagement. (HBR, 2013)

The Hay Group (2015) views engagement as an exchange relationship between employers and employees. In exchange for additional effort and hard work, employees want to be appreciated and rewarded. In simple terms, employees want to see a direct link between what they give to the organization and what the organization has in return for their hard work. In the current economic context, it is critical for organizations to find ways to motivate employees and boost the level of engagement in their employees (Hoole, C., & Hotz, G. (2016). In recent years, organizations have shifted their attention toward total reward packages as a means of motivating employees and increase their levels of engagement (Giancola, 2007; HayGroup, 2015; Nienaber, 2010). Total Reward system serves as a systematic practice to achieve positive outcomes in the organization (Chebat, Babin, & Kollias, 2002). As Different studies suggests, Organizations can influence employees' engagement through different types of rewards (McMullen, 2010; Hewitt, 2015; WorldatWork, 2010).

A recent study by Hewitt (2015) also reported that employees' engagement levels are related to their perceptions of total rewards offered to them. In that particular study it was reported that employees who had a positive perception of the rewards offered was found to be more engaged in their work than others. Moreover, Researches works in relation to employee engagement shows that while a lack of appropriate reward and recognitions can lead to burnout, appropriate reward system is important for employee's engagement (Maslach et al, 2001).

Although different engagement studies and Total Rewards Models indicate total reward programs should bring about employee engagement Researches works argue that no matter how good total reward programs are planned, if they are not perceived to be fair by employees, they will not positively influence employee's engagement. (Scott, McMullen & Royal, 2011),

Furthermore, though there are few research works that investigate the relationship between total rewards and employee engagement, studies that particularly address the effect of total rewards on engagement are scarce nationally and internationally (Hoole & Hotz, 2016). In addition, research works has not adequately examined the relationship between specific reward practices used by

organizations and employees engagement or they didn't attempt to relate reward programs to levels of employee engagement. (Scott, K. Dow; McMullen, Thomas; and Royal, Mark, 2010)

Hence, the main purpose of this study were to explore the effect of total rewards on employee engagement by taking perceived reward fairness as a moderating variable so as to understand whether total rewards provided to employees significantly affect the level of engagement possessed by them and demonstrate the moderating role of perceived reward fairness in the process.

1.3 Objective of the study

1.3.1 General objective of the study

The principal objective of this study is to explore the effect that Total Rewards have on employee Engagement and to understand the moderating role of perceived reward fairness between the two.

1.3.2 Specific objective

- ✓ To explore the effect of total rewards on employee's engagement.
- ✓ To show which categories of total rewards have the most effect on employee's Engagement.
- ✓ To analyze the moderating role of perceived reward fairness in the relationship between total rewards and employees engagement.

1.4 Theoretical bases and hypotheses development

1.4.1 Social Exchange Theory

One famous theory related to employee engagement is social exchange theory (SET). SET explain how responsibilities are created through interactions between employer and employees, who are in state of mutual interdependence, accept some form of exchange, are engaged and committed in an organization. The rules of exchange involve mutuality rules so that the action of one party would lead to reaction by the other. In other words, the theory states that when employees are provided with economical and other rewards from their employers, they feel they are obliged to respond in kind and return a favor given by their employers (Kimutai & Sakataka,2015).

Generally, high-quality exchange results when the two parties “take care of each other” by reciprocating favors. The exchange of favors creates “diffuse future obligations” decreasing the likelihood of keeping an exact tally of favors and increasing the likelihood of breeding a trusting and mutually committed relationship (Sluss, Klimchak, & Holmes, 2008).

The theory articulates that the rewards in total have a powerful influence to dictate the level of employee’s engagement. So Organizations should provide variety of different rewards so as to achieve a desired level of engagement from the employees. As of this theory engagement is a logical method for employees to reply to their employer. Even if it is difficult for employees to change their level of performance employees would exchange their engagement for benefits and resources provided by organization. (Kimutai & Sakataka,2015)

Social exchange theory explains why employees become engaged and disengaged with their jobs. When organization, provides needed support and resources (total rewards), employees, in turn, will reciprocate via extra effort, such as commitment, citizenship behavior or high level of engagement. Thus, the norm of reciprocity leads to employees engaging in citizenship behaviors that contribute to the well-being and prosperity of the organization. (Eisenberger et al., 1986; Cho & Treadway, 2010; Nayir, 2012).

Likewise , studies have shown that provision of rewards by the employer has been resulting in employees increased interest in their job, enthusiasm and increased job performance and absence of those rewards has been on the other way round (Mathis & John, 2003).

On the other hand, when organizations become unsuccessful to provide valuable total rewards to their employees, they are more likely to disengage to their job roles. Consequently, the extent to cognitive, emotional and physical resources that an employee need for performance is contingent on economic and socio-emotional resources received from employers (Saks, 2006).

As cited by Saks, (2006), this theory is backed by Kahn’s definition, i.e. employee feels thankful and keeps themselves more intensely in to job role performance as compensation they receive from their employers. Furthermore, according to Cho and Treadway (2010), the social exchange perspective predicts that employees also will demonstrate organizational citizenship behavior as a way to reciprocate perceived favors.

1.4.2 Equity Theory

The other basic theory in relation to employee engagement and motivation is Equity theory. The essence of equity theory is that Employees perceive rewards (salary levels, raises, recognition) they receive from their job in relationship to what they put into it to the job in the form of effort, experience, education, competence, and then they compare their “outcome–input ratio” with that of “relevant others”. (Robins & Judge, 2013) Luthans, (2011) state that Inequity occurs when a person perceives that the ratio of his or her outcomes to inputs and the ratio of a relevant other’s outcomes to inputs are unequal.

If employees’ perceive the ratio to be equal to that of the “relevant others” “with whom the ratios are compared, a state of equity will exist that is employees perceive that the rewards are fair and justice prevails hence the rewards will help to boost the level of engagement in the employees. But when they see the ratio as unequal and feel under rewarded, “they experience equity tension that creates anger. When they feel themselves as over rewarded, it creates feeling of guilt (Robins & Judge, 2013). Hence, according to these theory rewards if not perceived fair by the employees, will not help in increasing the level of engagement by employees in fact whenever rewards are perceived as unfair by the employees, they may be actively disengaged.

Many Researches also indicate that no matter how sophisticated total reward programs, policies and practices are, if they are not perceived as fair by employees they will not successfully attract, retain and engage desired workforce. (Scott, McMullen& Royal, 2011)

In line with the above mentioned prominent theories, the following hypotheses are proposed:

1.5 Hypothesis of the study

The principal hypotheses are set out below.

H01: There is no effect of Total rewards on employee’s engagement (at α level ≤ 0.05).

H02: Perceived reward fairness doesn’t moderate the relationship between total rewards and employee’s engagement (at α level ≤ 0.05).

1.6 Scope of the Study

Various total rewards models and frameworks have been developed in recent years, offering different total reward structures. Many of these models offer similar rewards and benefits to employees. To make this study manageable the researcher attempted to explain the effect of total rewards on employee's engagement by using the WorldatWork's reward model (2007) that integrates five main reward groups namely: (1) remuneration, (2) benefits, (3) work life, (4) performance and recognition, and (5) development and career opportunities.

In addition, the geographic concentrations of the study are two randomly selected private banks in Addis Ababa. Accordingly, this study covers Addis Ababa branches of Dashen and Wegagen Bank Share Companies.

1.7. Organization of the Study

This paper is organized in five chapters. The first chapter includes background of the study, statement of the problem, objective of the study, theoretical bases and hypotheses development, scope of the study and organization of the study. The second chapter covers the review of related theoretical and empirical literatures. The third chapter is all about research design and methodology of the study. Results and discussion are discussed under chapter four. The last chapter includes Conclusion, managerial Implications, limitation in the study, recommendation for future research and value added.

CHAPTER TWO

2. LITERATURE REVIEW

2.1 Introduction

Wherever the world, Engaged employees are the most sought-after organizational resources. (Chhetri, 2017) Even though Academic interest in employee's engagement is recent and limited, Organizations have been turning their attention on the issue of a lack of engagement among their employees in the workplace. (Chhetri, 2017) it also reported that Employee engagement has generated a great deal of interest in recent years as a widely used term in organizations across the globe. (Macey & Schneider, 2008)

Thus, Employee Engagement as a construct needs careful and deep investigation and requires a foundational theoretical model to help in understanding it better so that organizations can utilize on it. (Chhetri, 2017) In addition, the construct requires expansion in terms of its relation with its predictors and outcomes. (Chhetri, 2017)

These part of the study contents both Theoretical and empirical Literature Review on important variables of the study.

2.2 Theoretical Literature Review

2.2.1 Employee Engagement

Recently Employee engagement has generated a great deal of interest as a widely used term both in organizations and consulting firms (Macey & Schneider, 2008) because they often display a deep, positive emotional connection with their work and are likely to display attentiveness and mental absorption in their work (Saks, 2006).

Although researches show engaged employees are consistently more productive, profitable, safer, and Are less likely to leave their organization (Wagner & Harter, 2006; Fleming & Asplund, 2007), only 30% of the global workforce is estimated to be engaged (Harter, Schmidt, & Hayes, 2002; Saks, 2006).

2.2.1.1 Definition of Employee Engagement

Although no widely accepted definition of employee engagement, it has been defined differently by different researchers as well as human resources practitioners and scholars. Each definition reflects the author's specific conceptual of the construct. (Brad Shuck, 2011)

Kahn (1990) defines employee engagement as “the harnessing of organization members’ selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances”. The cognitive aspect of employee engagement denotes employees’ belief about the organization, its leaders and working conditions. The emotional aspect concerns whether employees have positive or negative attitudes toward the organization and its leaders. The physical aspect of employee engagement concerns the physical energies exerted by employees to accomplish their tasks. Thus, according to Kahn (1990), engagement represent an employee’s tendency to be both psychologically as well as physically present whenever they are given a role in an organization.

The current conceptualization of engagement includes both attitudes (satisfaction, commitment, involvement, and empowerment) and behaviors (organizational citizenship behaviors, initiative taking, willingness to accept new responsibilities, and acceptance of change. (Macey & Schneider, 2008) Likewise, it has been Conceptualized as a positive psychological state of motivation manifested with behaviors of employees (i.e., employees discretionary efforts to complete tasks, organizational citizenship behaviors, etc. (Brad Shuck, 2011)

Saks (2006) described Employee engagement as “a distinct and unique construct that consists of cognitive, emotional, and behavioral components associated with individual role performance”. He further state that Engaged employees are often characterized by a deep, positive emotional connection with their work and are likely to display attentiveness and mental absorption in their work. Similarly it has been recently defined in the literature as “an individual employee’s cognitive, emotional, and behavioral state directed toward desired organizational outcomes” (Shuck &Wollard, 2010).

Stockley (2007) defines engagement as the extent to which an employee believes in the vision, mission, and values of an organization, and demonstrates commitment through their actions as an employee and their attitude towards the employer and customers.

Robinson's definition of engagement (2004) put employee engagement as the employee's positive attitude towards the organization and its value. It also means working with co-workers and being conscious of the business context to advance performance in the job for the best advantage of the organization.

2.1.2 Categories of Employee Engagement

According to the Gallup Consulting Organization (The Gallup Organization, 2004), there are three types of people in terms of engagement: Engaged, not engaged and actively disengaged.

2.1.2.1 Engaged

"Engaged" employees are builders, more committed to the organization, perform consistently at high levels, want to use their talents and their full potential at work every day, work with passion, and are less likely to leave the organization. Such kind of employees work with passion, drive innovation and move their organization forward through their performance (Vazirani, 2007).

2.1.2.2 Not Engaged

Not-engaged employees tend care only about their work not any other things like goals, objectives and development of the organization. They do not have energy and enthusiasm in their work (Reilly, 2014). They want to be told what to do just so they can do it and say they have finished.

Employees who are not-engaged tend to feel their contributions are being overlooked, and the company is not harnessing their potential. They often feel this way because they do not have productive relationships with their managers or with their co-workers. Such categories of employees do not have mutual relationship with their colleagues and even their employers. Their contribution is little in the success and development of the organization (Vazirani, 2007).

2.1.2.3 Actively Disengaged

The "actively disengaged" employees are the "cave-dwellers." They are "consistently against virtually everything." They are not just unhappy at work rather they are busy demonstrating their unhappiness. They sow seeds of negativity at every opportunity. Every day, actively dis-engaged workers undermine what their engaged co-workers accomplish. Their contribution is almost negligible in the success and development of the organization moreover they increase the cost of the organization by low quality, customer dissatisfaction, and missed opportunities. Such kind of employee carries the organization in the negative direction and organization suffers in achieving its overall goals and objectives (Vazirani, 2007).

2.2.2. Employee Engagement and other Organizational Behavior (OB) Constructs

Many researchers provide sufficient grounds for arguing that engagement is related but different from, other constructs of organizational behavior (Saks, 2006). For instance, Robinson et al (2004) argue engagement to contain many of the elements of both commitment and organizational Citizenship Behavior (OCB) but is by no means a perfect match with either of the two. In addition, neither commitment nor OCB reflect effectively two aspects of engagement and its two way nature, the extent to which engaged employees are expected to have an element of business awareness.

Saks (2006) suggests that organizational commitment to be different from engagement in that it refers to a person's attitude and attachment towards their organization. Where as it could be argued that engagement is not merely an attitude; it is the degree to which an individual is attentive to his/her work and absorbed in the performance of their role. Above and beyond, while OCB involves voluntary and informal extra behaviors that can help co-workers and the organization, the focus of engagement is one's formal role performance rather than purely extra-role and other voluntary behaviors.

Engagement is also closely associated with the constructs of job involvement As to Kanungo, (1982) as cited in May et al., (2004), "Job involvement is defined as a cognitive or belief state of psychological identification". This differs from engagement in that it is more concerned with how an individual employ him/her self during the performance of his/her job. Moreover, while job

involvements focus on cognitions, according to most definitions, engagement; also take in emotional and behavioral aspects.

According to Burnout researchers, engagement is the opposite or positive antithesis of burnout (Maslach et al., 2001). As to Maslach et al. (2001), engagement is characterized by energy, involvement, and efficacy, which are a direct opposite of the three burnout dimensions of exhaustion, cynicism, and inefficacy. Burnout and engagement researches further suggests that the core dimensions of burnout (exhaustion and cynicism) and engagement (vigour and dedication) are opposites of each other (Gonzalez-Roma et al., 2006).

2.1.2 Total Rewards and Employee Engagement

Traditional rewards offered by organizations which is limited to pay or remuneration is the simplest and easiest reward element to equal what their competitors do, and for this reason organizations are finding new ways to differentiate themselves from the market competitors (WorldatWork, 2003). Furthermore total reward strategy will be a powerful tool for motivating employees to achieve high level of performance and gain competitive advantage (Anku-Tsede, 2013).

A total rewards system approach attempts to optimize an organization's offerings to workers in a way that will yield the greatest return on investment to the organization through productivity, retention or monetary profits (Rumpel&Medcof, 2006).

The total rewards approach have a holistic approach to rewards and goes beyond a sole focus merely on pay and benefits which has been the hallmark of traditional compensation practice (Rumpel&Medcof, 2006).

2.1.2.1 Total Rewards defined

Total rewards takes into account all the possible rewards in the workplace, which may include; flexible working time, learning and development opportunities, good work environment, and career advancement opportunities thus, the main concern of total reward management will be to select a right mix and application of rewards, that are valuable to employees, (Bryant & Allen, 2013).

Total reward comprise all the tools that are available to the employer and used to attract, motivate and retain employees and includes everything that are valuable to the employee resulting from their value adding activities in the organization (WorldatWork ,2006).

Thompson (2002) defines total reward to encompass more than the traditional, quantifiable elements like pay and benefits, as they also incorporate more intangible elements such as scope to achieve and exercise responsibility, career opportunities, learning and development, the intrinsic motivation that the work itself provide and the quality of working life offered by the organization.

An employment relationship strengthen by a total reward approach makes the maximum use of relational as well as transactional rewards and therefore appeal more to employees. Besides, a system of total rewards allows flexibility to meet individual needs as relational rewards binds employees more strongly to the organization because they answer those special individual needs. Relational rewards also deliver a positive psychological contract and this can serve as a differentiator in the recruitment market which is much more difficult to replicate than individual pay practices (Armstrong, 2006). In addition, Effectively managed total rewards systems will have a strong positive influence on employee attraction, motivation and retention (Rumpel & Medcof, 2006) it also results in satisfied, engaged and productive employees, who in turn create desired business performance and results.(WorldatWork, 2003).

According to Armstrong (2006), the benefits of a total reward approach include a combined effect of different types of rewards makes a deeper and long-lasting impact on the motivation and commitment of employees. Also, the employment relationship created by a total reward approach makes the maximum use of relational as well as transactional rewards and therefore appeal more to employees. Besides, a system of total rewards allows flexibility to meet individual needs as relational rewards binds employees more strongly to the organization because they answer those special individual needs. Relational rewards also deliver a positive psychological contract and this can serve as a differentiator in the recruitment market which is much more difficult to replicate than individual pay practices.

2.1.3 Total Rewards as a Tool of Engagement

Despite the attractive benefits for organizations who successfully develop engaged employees current research studies have suggested that only less than 30% of the global Workforce is engaged (Gebauer& Lowman, 2008).

Once organizations understands employees are principal source of their competitive advantage and that engagement levels are at a critical decline all over the world , It is important that they develop strong link with their employees to fulfill the continuous and changing needs of both parties. (Anku-Tsede, 2013) hence organizations have shifted their attention towards total reward packages as a means of motivating employees and raising their engagement levels (Giancola, 2007; HayGroup, 2015; Nienaber, 2010)

As Lawler (2003) suggested, the greatest amount of motivation is present when employees perform tasks that are both intrinsically and extrinsically rewarding. Furthermore, effectively managed total reward systems will have a strong positive influence on employee attraction, motivation and retention (Rumpel & Medcof, 2006).

Reward system improves employee motivation and increases employee productivity which contributes to better enhance organizational performance (Deeprise, 1994), however research shows that employees are no longer satisfied with traditional reward systems rather they want to feel they are valued and appreciated in the organization. (Hoole & Hotz 2016) Hence, total reward approach which combines both financial and non-financial rewards to build a strong employer - employee relationship cannot be over-emphasized. Moreover, Mix of both financial and non-financial rewards helps to create a deeper and long-lasting impact on employees' performance and their commitment towards continued organizational success. (Anku-Tsede, 2013)Effective total reward packages are important for they motivate and retain talent required to achieve desired business results and lead to employee satisfaction and engagement (Bryant & Allen, 2013).The benefits of a total reward approach makes a deeper and long-lasting impact on the motivation and commitment of employees. (Armstrong, 2006),

Management should therefore understand the significant role that reward programmers play in achieving business goals; and thus work for ensuring that organizations deliver the right amount

and mix of rewards to the right people, at the right time, and for the right reasons (Anku-Tsede, 2013). Adding to that, Morris (2006) suggests that organizations must deliberately create a customized total reward strategy to holistically create a program that best fits their unique human capital and business strategies as this helps to gain a sustainable competitive advantage.

2.1.4 Different Total Reward Models

The purpose of total rewards is to diversify the reward system so that it incorporates rewards that are perceived as meaningful to employees across different levels and job because broader and more diverse set of rewards increases organizational commitment and employee's engagement due to the diverse needs of employees being met (O'Neal, 1998).

Various total rewards models and frameworks have been developed in recent years, offering different reward structures. Many of these reward models offer similar rewards and benefits to employees. The WorldatWork model (2003) offers five main reward groups: (1) remuneration, (2) benefits, (3) work life, (4) performance and recognition, and (5) development and career opportunities. The Corporate Leadership Council (CLC) Total Reward Framework (2005) includes base pay, health and wellness benefits, leave benefits, retirement benefits, bonus and incentives, and family-friendly benefits in its model. Likewise, Armstrong and Brown's total rewards model (2006) had a similar structure like that of WorldatWork, but it introduced an additional category of work experience. Zingheim and Schuster (2007) grouped their model into three categories: total pay, performance and/or people management and other types of rewards. Their model was especially popular because of their integration with other human resources processes and their attention to retaining critical talent.

2.1.4.1 WorldatWork (2003) Total Rewards Model

WorldatWork (2003) proposes an integration five key reward elements each of which includes programs, practices, elements and dimensions that collectively define an organization's strategy to attract, motivate and retain "talent required to achieve desired business results and to lead to employee job satisfaction and engagement". As WorldatWork (2003) suggests these elements represent the "tool kit" from which an organization chooses to offer and align a value proposition that creates value for both the organization and its employee.

These five key rewards elements which are; compensation; benefits; work-life; performance and recognition; and development and career opportunities as WorldatWork (2003) has defined them are not mutually exclusive and are not intended to represent the ways that companies organize or deploy programs and elements within them. For instance, “performance management may be a compensation-function-driven activity or may be decentralized in line organizations; it can be managed formally or informally. Likewise, recognition could be considered an element of compensation, benefits and work-life” (WorldatWork, 2003).

An important dimension of the model is the exchange relationship between the employer and employee where successful companies realize that productive employees create value for their organizations in return for tangible and intangible value that enriches their lives (Anku-Tsede, 2013).

2.1.4.2 Context for WorldatWork’s Total Reward model

This model recognizes that total rewards operate in the context of overall business strategy, organizational culture, HR strategy and external influences such as competition. Indeed, a company's exceptional culture or external brand value may be considered a critical component of the total employment value proposition (WorldatWork, 2007).

2.1.4.3 Elements of WorldatWork’s Total Rewards Model

2.1.4.3.1 Compensation /Remuneration

Compensation is Pay provided by the organization to its employee for the services they rendered i.e. time, effort and skill they offer to the organization. It includes both fixed and variable pay tied to the performance levels of employees (WorldatWork, 2007).

2.1.4.3.2 Benefits

Benefits are Programs an organization uses to supplement the cash compensation provided to employees and include Programs such as health, income Protection, savings and retirement programs that provide security for employees and their families. These categories of rewards satisfy protection needs of employees and are unlikely to be performance based.

2.1.4.3.3 Work-Life

Are a specific set of organizational practices, policies and programs, plus a philosophy that actively supports efforts to help employees to be successful at both their work and outside their workplaces.

2.1.4.3.4 Performance and Recognition,

Performance involves the alignment and subsequent assessment of organizational, team and individual efforts toward the achievement of overall organizational success. It comprises establishing expectations, skill demonstration, assessment, feedback and pushes for continuous improvement.

Recognition is acknowledging or giving special attention to employee's action, effort, behavior or performance. It meets an intrinsic psychological need for appreciation of one's efforts and can support organizations business strategy by reinforcing certain behaviors such as extraordinary accomplishments that contribute to organizational success. Whether formal or informal, recognition programs acknowledge employee contributions immediately after the fact, usually without predetermined goals or performance levels that the employee is expected to achieve. Awards can be cash or noncash such as verbal recognition, trophies, certificates, plaques, dinners, tickets, etc.

2.1.4.3.5 Development and Career Opportunities

Development: Are a set of learning experiences that are designed to enhance employees' applied skills and other competencies. Development helps employees to perform better and leaders to advance their organization's people strategies.

Career Opportunities: involves organizations plans to help employees pursue their career goals and it May include appointing employees into a more responsible position in an organization. The company supports career opportunities internally so that talented employees are deployed in positions that enable them to deliver their greatest value to the organization.

These relational needs help to bind workers more effectively to an organization as they satisfy individual needs such as personal development and fulfillment. (Armstrong & Murlis, 2007)

2.1.5 The Moderating Role of Perceived Reward Fairness

Justice and equity are related concepts that have long been associated with perceptions of reward fairness. Specifically, reward fairness and the related constructs of reward justice and equity have been found to be strongly related to employee attitudes including employee satisfaction, (Shaw & Gupta, 2001; Tekleab, Bartol, & Liu, 2005), employees commitment (Cohen & Gattiker, 1994; Dulebohn & Martocchio, 1998), and their intention to leave the organization (Miceli, Jung, Near, & Greenberger, 1991)

Perceptions of reward fairness also have been found to impact employee behavior such as absenteeism and citizenship behavior (Lee, 1995; Colquitt et al., 2001), individual performance (Cohen-Charash & Spector, 2001; Colquitt et al., 2001) and organization outcomes such as customer satisfaction (Simons & Roberson, 2003).

Perceptions of reward fairness by employees or lack of thereof are often the root cause of why employees leave the organization it also determines if an employee will be engaged in his /her job and goes extra mile and extra effort to achieve organizational goals. it was also reported by Organ (1988) that social exchanges influence the activation of citizenship behavior for those employees who perceive organizational fairness. For these reasons, it's vital for organizations to ensure that their employee rewards are rooted in principles of fairness. (Ceplenski, 2013)

The challenges of creating a fair reward system become even more pronounced as organizations are developing a global presence and are attempting to integrate reward strategies across countries with different legislative requirements, traditions and cultures and accepted business and cultural norms. (Scott, McMullen & Royal, 2011)

As Ceplenski (2013) suggested, employees Perceptions of reward fairness and equitable treatment is a core driver of retention, engagement and performance. Unfair rewards on the other hand are corrosive and can have a devastating effect on employees and on the organization. Lack of perceived reward fairness usually erodes performance and employees engagement.

Moreover, many Researches indicate that No matter how sophisticated total reward programs, policies and practices are, if they are not perceived as fair by employees they will not successfully attract, retain and engage desired workforce. (Scott, McMullen & Royal, 2011) Hence, to thrive or

even to survive, and to motivate its employees, organizations must ensure that reward programs are rooted in principles of fairness in order to motivate and engage employees from different backgrounds and experiences. (Scott, McMullen & Royal, 2011) Managers must also ensure that total rewards provided are valued, clearly linked to the desired behaviors and perceived as fair and equitable by employees so that they can positively affect employees' engagement to the organization (Mullins, 2010).

2.1.5.1 Dimension of Justice

Justice perceptions of employees are based on what they receive in an organizational context, including tangible outcomes as well as less tangible interpersonal factors (Weiner, 2003). Consequently, most common dimensions of justice in the literature are the distributive, procedural, and interactional justice (Greenberg & Lind, 2000).

2.1.5.1.1 Distributive Justice

Distributive justice is the perceived fairness of results and outcomes along with how the decisions are undertaken at the end of appraisal process (Folger, Cropanzano 1998). Others define Distributive justice as an individual's cognitive evaluation regarding whether or not the amounts and allocations of rewards in organizations are fair. In simple terms, distributive justice is one's belief that everyone should "get what they deserve" (Luthans, 2011).

Importantly, meta-analytic results have demonstrated that employee perceptions of distributive justice are related to employees' job satisfaction, organizational commitment, organizational citizenship behavior, turnover, and job performance (Luthans, 2011).

2.1.5.1.2 Procedural Justice

Procedural justice is concerned with the fairness of the procedure used to make a decision reward decisions. Similarly, procedural justice describes the fairness of methods used in the allocation process (Greenberg, 1990.) it also reflects the degree of fairness in the procedures adopted to determine how individuals are treated and how respective benefits are given.

2.1.5.1.3 Interactional Justice

Interactional justice relates with how people interact and communicate with one another (Bies, 2001). Interactional justice also refers to the quality and fairness of inter personal treatment during

endorsement of Organizational decisions and procedures. It also highlights the human aspects of interaction expressed in respect, politeness, honesty, dignity. Justice plays an exceptional role as a binding force in reducing opportunism and enhancing relationships between individuals. (Iqbal, Rehan1, Fatima and Nawab, 2017)

2.2. Empirical Literature Review

This part of the literature review is designed to present different researches and empirical studies that have investigated the link between the three important variables of the study.

2.2.1. The Relationship between Total Rewards and Employee Engagement

A recent study by Hoole & Hotz (2016) explores the relationship between total rewards and work engagement in a South African context. The Research applied quantitative, cross-sectional research design using a non-probability convenience and purposive sampling strategy. The study included 318 respondents and analyzed how engaged they were in their workplace. In that particular study the 17-item UWES and Nienaber total reward preference model were used as a measuring instrument.

The Main finding of the study was a small statistically significant correlation ($r = 0.25$; $p < 0.05$; small effect) between total rewards and work engagement, and 12% of the variance of work engagement was explained by the model.

Another recent rewards and employee engagement survey was conducted by Scott, McMullen & Royal (2010). The survey was open for about a month from Dec. 15, 2009 through Jan. 12, 2010. In that survey a total of 736 WorldatWork members worldwide responded.

The study's main finding of the survey indicates that rewards programs can have a positive influence on employee engagement. The study further found that Intangible rewards such as Quality of work, work environment, career development generally have a much higher impact on employee engagement.

In addition, the study reported that employees concern about internal equity and fairness among major elements of a total reward program. Consequently, the allocation of merit increases and career development opportunities are most frequently identified as reward elements where

employees express fairness concerns. Employees also more frequently express fairness concerns about how the total amount they are paid and about the “recognition” they received versus other elements of the rewards they receive.

Not so surprisingly, reward professionals included in the study reported that employees express “the most concern about those reward elements where their managers make individual judgments about the level of rewards that employees receive”.

2.3 Conceptual Framework

As Schaufeli, (2013) suggests employee engagement refer to involvement, commitment, passion, enthusiasm, absorption, focused effort, dedication, and energy one has for his/her job. He also suggest that in business, engagement is defined as a mixture of three existing concepts job satisfaction, commitment to the organization and extra-role behavior, i.e. discretionary effort that go beyond ones job description.

Academic conceptualizations by Kahn (1990) and Schaufeli et al., (2002) suggest that engagement entails a physical-energetic (vigor), an emotional (dedication), and a cognitive (absorption) component. Likewise, engagement has been defend as “a positive, fulfilling work related state of mind that is characterized by vigor, dedication and absorption”. (Schaufeli, Salanova, González-Romá, and Bakker, 2002) Whereby the vigor dimension of engagement is the high level of energy and suppleness of mental while working of which it explains the willingness of an individual to invest his/her effort on the work and the persistence of him/her when facing difficulties, while dedication is the level of involvement in work and experiences to involve sense of inspiration, enthusiasm , pride, significance and challenge, and finally absorption as the strong concentration or focus in one’s work where an individual feels that time appears to pass speedily and he/she finds it more difficult to detach him/herself from the work.(Schaufeli, Salanova, González-Romá, and Bakker ,2002)

On the contrary, despite continued evidence of link between employee engagement and positive business outcomes, employee engagement is declining as a result organizations are finding ways to influence engagement levels of their workforce. (Czarnowsky, 2008).

Recently organizations understand that “One of the key aspects seen as impacting employee engagement is rewards”. (Hoole & Hotz, 2016) as result, organizations have shifted their attention to total reward packages as a means of motivating employees and raising their levels of engagement (Giancola, 2007; HayGroup, 2015; Nienaber, 2010). According to Eric (1994), rewards can be defined as different benefits that are offered to employees in exchange for their work or the values they provide for the organization. Rewards may differ in essence that they may be intrinsic or extrinsic, direct or indirect, and financial or non-financial (Armstrong, 2006; Mahaney & Lederer, 2006; Mottaz, 1985).

Total rewards are the combination of multiple different rewards, that include financial and non-financial rewards, intrinsic and extrinsic rewards, which are offered to employees in exchange for their value-adding activities in the organization. (Armstrong, 2006; Gross & O’Malley, 2007). World at Work (2006) define Total rewards as all of the tools that are available to the employer and that are used to attract, motivate and retain employees and includes everything the employee perceives as a value resulting from the employment relationship. Thompson (2002) sees total reward as benefits that include not only traditional, quantifiable components like pay and benefits, but also encompasses a more intangible elements such as scope to achieve and exercise notable responsibility, career opportunities, learning and development, intrinsic motivation that the work itself provide and the quality of working life provided by the organization.

As articulated by Lawler (2003), “the greatest amount of motivation is present when employees perform tasks that are both intrinsically and extrinsically rewarding”. The aim of total reward is to maximize the combined impact of a mixture of reward elements on motivation, commitment and job engagement of employees. Hence, total reward includes everything that employees value and motivated to have in their employment relationship (Olivia A., 2013).

Various total rewards models and frameworks have been developed in recent years, offering different reward structures. Many of these models offer similar rewards and benefits. (Hoole & Hotz, 2016) Among many of them, WorldatWork’s (2003) reward model has been selected for this study. These model collectively “define an organization's strategy to attract, motivate, retain and engage employees” (WorldatWork, 2003). Five components namely: (1) remuneration, (2) benefits, (3) work life, (4) performance and recognition, and (5) development and career

opportunities represent the tool kit from which an organization chooses to offer and align a value proposition that results in satisfied, engaged and productive employees who, in turn, create desired business performance and results (WorldatWork, 2007).

Yet, many Researches indicate that No matter how good total reward programs are, if they are not perceived as fair by employees, they will not successfully impact employees engagement. (Scott, McMullen& Royal, 2011) likewise, “Researches demonstrates that employees’ perception of fairness and equitable treatment is a core driver of retention, engagement and performance”. (Ceplenski , 2013) Specifically, “reward fairness and the related constructs of pay justice and equity have been found to be strongly related to employee attitudes including pay satisfaction, intention to quit, and perceived organization support. Perceptions of reward fairness also have been found to impact employee behavior such as absenteeism and citizenship behavior, individual performance and organization outcomes." (WorldatWork, 2017)

Perceived fairness of rewards by employees or the lack thereof is often the cause why employees leave organizations. The perceived fairness of rewards also determines whether an employee will make an extra effort to help the organization reach its goals or even the objectives of his or her own job (Ceplenski , 2013).

In light of the reviewed literatures and key findings on selected Employee Engagement theories as well as recent research papers on the three variable of interest, this study proposes the following conceptual framework.

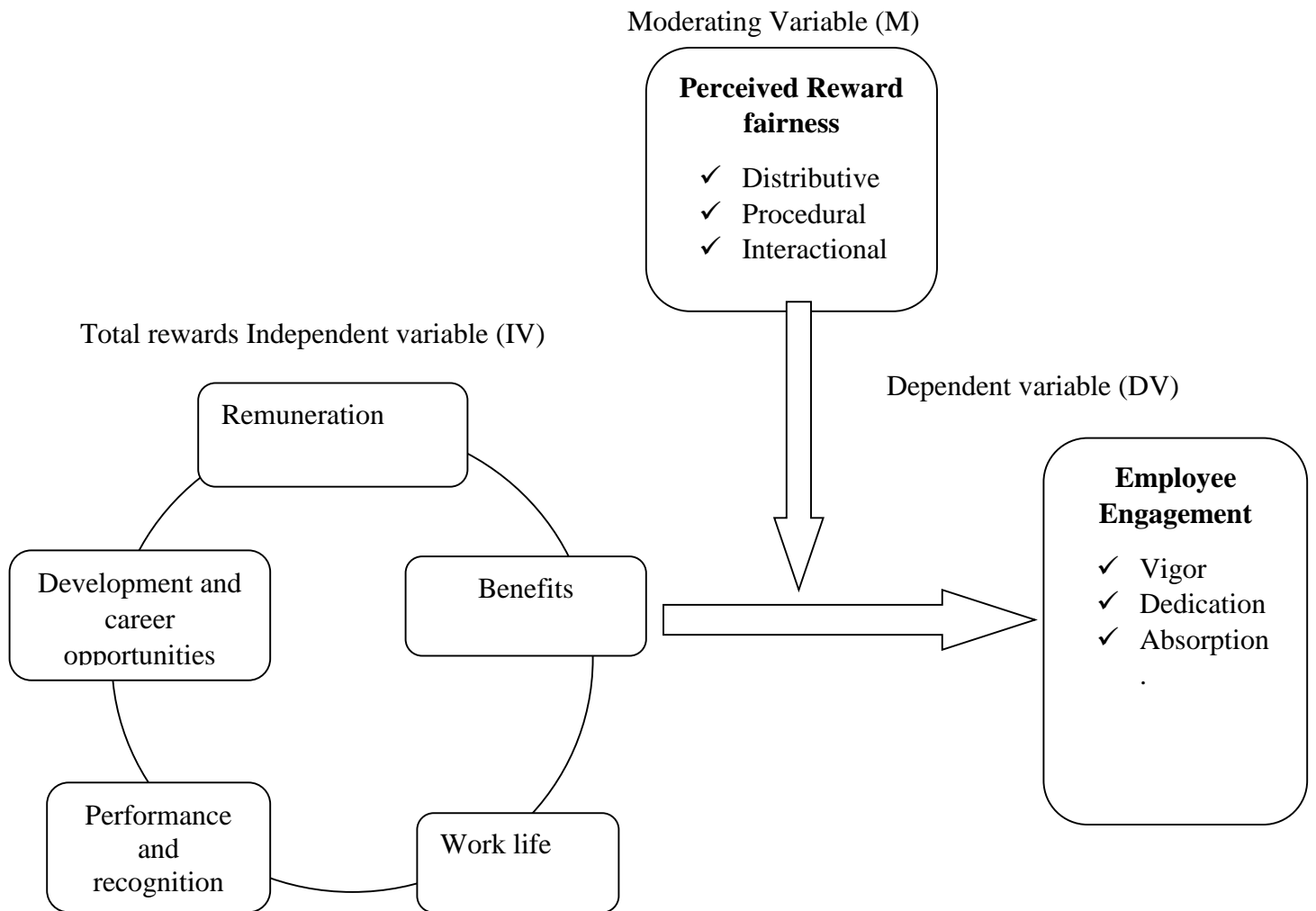


Figure 2. 1 Conceptual Framework –Total rewards, perception of fairness and Employee engagement Source: Researcher’s own conceptualization in light of reviewed literatures

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the framework within which the research was carried out in terms of research design, data type and collection methods, sampling design, research instrument, and methods of data analysis.

3.2 Research Design

The design of a research is basically determined by the purpose of the research. This research aimed at single time description and determining the relationships between the three variables (Employee engagement, Total Rewards and Perceived Reward Fairness), hence a cross sectional survey design could be used (Miller & Whicker, 1999). Cross-sectional survey examines the snapshot of constructs at a single point in time and describes the data available in that snapshot with the attempt to make correlations between variables given in the dataset (Berger, Mamdani, Atkins, and Johnson, 2009)

3.3 Research Approach /Research Methodology

This study applied quantitative method of data collection for this method attempts to maximize objectivity, reliability and are typically interested in prediction of variables. (Harwell, 2011). It also helps to minimize the influence of the researcher's experiences, perceptions, and biases in drawing conclusions as opposed to qualitative method (Mansoor & Hassan, 2016).

3.4. Data Types and Sources

This study used both primary and secondary data. The primary data was collected from professional staffs from two selected private banks in Ethiopia namely Dashen and Wegagen Bank through dispatching standard questionnaire. Secondary data of the study were obtained from different sources like information center of the two companies, e-sources, library books, journal articles, thesis and dissertations to get better insight on the basic research variables. Furthermore, this type of data helps to establish the worthwhile platform and theoretical framework constituting the bases of the research and to design the sample frame for getting the primary data.

3.5 Sampling Design

3.5.1 Target Population

Population of a study refers to a complete set of individuals (subjects), events or objects that have common or mutual observable characteristics that the researcher wants to study and the population under study must be clearly identified and defined. (Agyedu, Donkor and Obeng, 2010). consequently, total population of this study are 3300 professional employees currently working under 263 branches of the two selected banks in Addis Ababa.

3.4.2 Sampling Technique and Sample Size

For sampling respondents, this study first used stratified sampling technique. Consequently, the study grouped the population into strata and from each stratum respondents were selected using a non-probability convenience and purposive sampling strategy.

As of the sample size determination, study respondents' were sampled from each stratum i.e. districts of the banks in Addis Ababa Based on Yamane (1967) sample size determination formula. Hence from a total of 3300 professional staff at the districts the calculated sample size is 357; at 95 % confidence level in other words 0.05 precision levels. The formula below was used to determine the sample size:

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

Where:

n= is the sample size

N= total population

e = the level of precision or sampling error

3.5 Research Instrument

As questionnaires are the most extensively used method to collect data and a valuable tool for understanding the situation (Rowley,2014), the research instrument that was used for collecting

relevant data for this study is Self-administered questionnaire with the aim to understand and determine the relationship between the three variables of interest.

The study used, a set of standard questionnaire and randomly distributed in person (face-to-face by hand) to all respondents of the sample size in three weeks' time and the completed survey questionnaire were collected in two weeks after dissemination.

3.5.1. Total Rewards Questionnaire

The first questionnaire that was chosen for this study was developed using the WorldatWork Total Rewards model and was adopted from Pregolato (2010). The main aim of using this questionnaire in the survey was to establish whether total rewards offered by the company affect the level of engagement on professional employees of the company. Consequently, the participants was asked whether the company offers them with the so called total rewards.

The scale comprised 20 questions covering six total reward categories namely: 1) compensation/ Remuneration 2) Benefits 3) Work-Life Balance, 4) Performance and Recognition, 5) Learning and 6) Career Advancement. Responses were recorded on a five -point Likert scale on which "5" represents strongly agree, "4" Agree "3", Neutral, "2", Disagree and "1" will represent Strongly Disagree.

3.5.2 Employee engagement Questionnaire

To date, most academic researches on engagement uses the Utrecht Work Engagement Scale (UWES), a brief, valid and reliable questionnaire that is based on the definition of work engagement as a combination of vigor, dedication, and absorption (Schaufeli, 2012) accordingly, the study used UWES developed by Schaufeli *et al.* (2002), with the aim to measure the level of employees engagement. A five -point Likert scale ranging from 5 (strongly agree) to 1 (strongly disagree) again were used.

3.5.3. Perceived Reward Fairness Questionnaire

The third questionnaire was adopted from the work of Moorman (1991). The questioner has three dimensions procedural, Interactional and Distributive justice. As cited in Moorman (1991),

Distributive justice index was first developed by Price and Mueller (1986). The six -item index measures the degree to which the employees perceive the rewards provided by the company to be in relation to their performance inputs. The other two dimensions concerned on organizations procedures and on the way in which those procedures are carried out. Consequently, Moorman (1991) developed items to tap the fairness perception of employees about the interaction that accompanied the organizations formal procedures.

3.6 Data Analysis

From the many software packages for statistical analysis, Statistical Package for the Social Sciences (SPSS) was chosen for this study for this software package offers a wide range of methods, graphs and charts. SPSS also provides more techniques of screening or cleaning the information in preparation for further analysis. Furthermore it has more control on data management and output (Heweitt, 2015).

3.7 Validity and Reliability

Exploratory Factor Analysis was used to assess the validity of the questionnaire and to establish the underlying factor structure. To test internal consistency (i.e. reliability), Cronbach's Alpha coefficients were calculated for the derived factors from the Exploratory Factor Analysis.

3.7.1 Content Validity

Content validity serves the assessment of whether the variables used to represent the concepts reflect accurately the content and definition of the needed concept (Bryman and Bell, 2015).

To do that, the questionnaire was administered to participants-in exact the same way it was administered in the main study and provide their feedback in order to improve the internal validity of the questionnaire. Consequently, the total numbers of questions were 55questions. None of them were deleted.

3.7.2 Construct Validity

Construct validity is defined as "how well the results obtained from the use of the measure fit the theories around which the test is designed" (Sekaran and Bougie, 2013). Sekaran and Bougie

(2013) recommended factor analysis as a tool to investigate construct validity. Exploratory Factor Analysis (EFA) involves isolating factor structures without considering the theoretical expectations of the researcher (Thompson and Daniel, 1996).

3.7.2.1 Factor analysis; Analysis of total rewards survey results:

Three assumptions were followed to in conducting EFA as suggested by Hair et al. (2010): sampling adequacy (Kiaser-Meyer-Olkin measure > 0.5), the Eigen values for each factor should be > 1 and a factor loading of 0.40 for each item is used as the threshold for item retention.

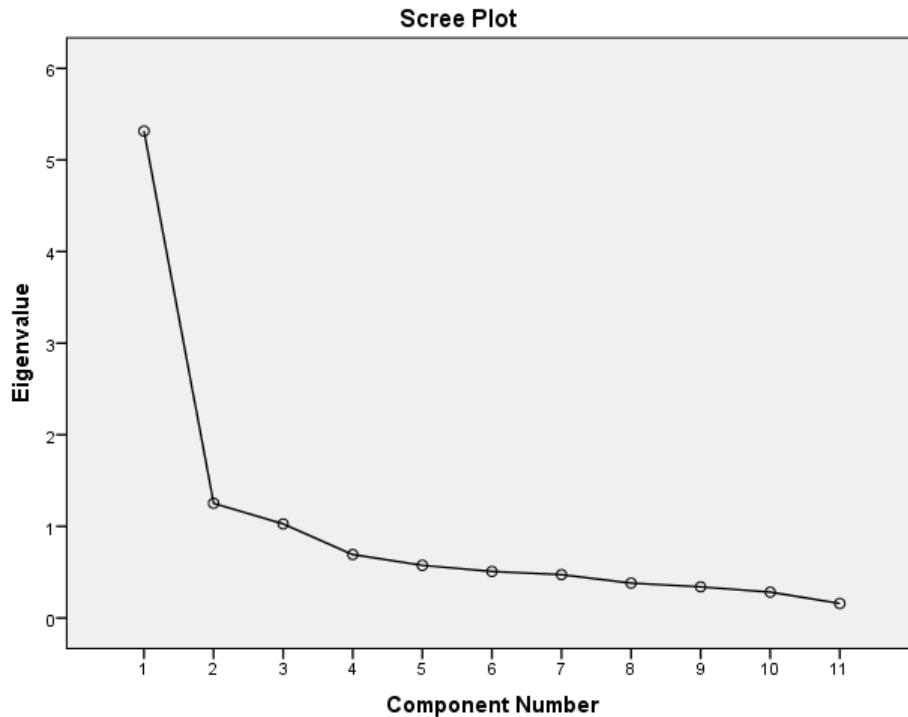
Table 3. 1 KMO and Bartlett's Test for total rewards survey

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.860
	Approx. Chi-Square	1729.270
Bartlett's Test of Sphericity	Df	55
	Sig.	0.000

Table 3.1 indicate KMO Measure of Sampling Adequacy and Bartlett’s test for test for sphericity accordingly, For the data collected with this scale, the KMO Measure of Sampling Adequacy for the factor Analysis was 0.860 and the Bartlett’s test for test for sphericity was significant at p=.000. Following these results it was determined that EFA was appropriate with this data set.

As suggested by Hair et al. (2010) Only factors with Eigenvalues of more than 1.0 were selected when determining how many factors to include in the pattern matrix (the so-called Keizer’s rule). The eigenvalues for each factor is depicted in Figure below. From the results of the scree plot (see Figure 3.1) it can be concluded that the first three factors are more accurate groupings (Eigen values more than one) compared to the remaining eight factors.

Figure 3. 1 Figure scree plot for Total Reward scale



Items were only considered to be maintained when they met the criteria of factor loadings > 0.40, not cross-loading. After scrutinizing the items final structure that emerged was a three-factor structure and is presented in Table 3.2

Table 3. 2 Pattern Matrix Total Rewards

Rotated Component Matrix			
	Component		
	1	2	3
My employer provide me with Recognition e.g. Financial recognition such as a cash, paid travel.	.726		
The company offers opportunities to me for learning and career development outside of my current job e.g. sabbaticals, coaching, mentoring, leadership training	.853		
The company offers opportunities to me for career advancement e.g. job advancement/promotions, internships, and apprenticeships with experts, internal	.764		
I believe my contribution and work is valued		.798	
I derive challenge and interest from my job		.779	
I am provided with challenging targets		.821	

I am provided with opportunities for training within my current job e.g. skills training	.566
My employer supports a balanced lifestyle (between your work and personal life)	.775
The company provide work/life programs such as flexible working arrangements, flexible hours	.851
The company encourages and organizes team building or other social networking activities amongst employees	.725
The company provide incentive bonuses/variable pay	.498

*Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization*

The pattern matrix which displays the factors extracted along with rotated factor loadings is presented in the table above and was used to interpret the dimensions. Items that load on the first dimension represents financial and non-financial rewards provide in the organizations and it was labeled as Extrinsic rewards and items like challenge and interest one get from the job itself load on the second dimension consequently the researcher labeled them as Intrinsic rewards. Finally items that load on the third component mainly represent whether there is a balance between the work and personal life of employees. Accordingly, they were represented in the study as work life balance.

The total reward scale was originally based on a theoretical framework of six factors identified from WorldatWork reward model. After being subjected to exploratory factor analysis, a newly formed a three-factor reward structure emerged which replaced the original six factors proposed. Thus, the factors which were named extrinsic rewards, intrinsic rewards and work life balance were further analyzed to explore their relation with employee engagement.

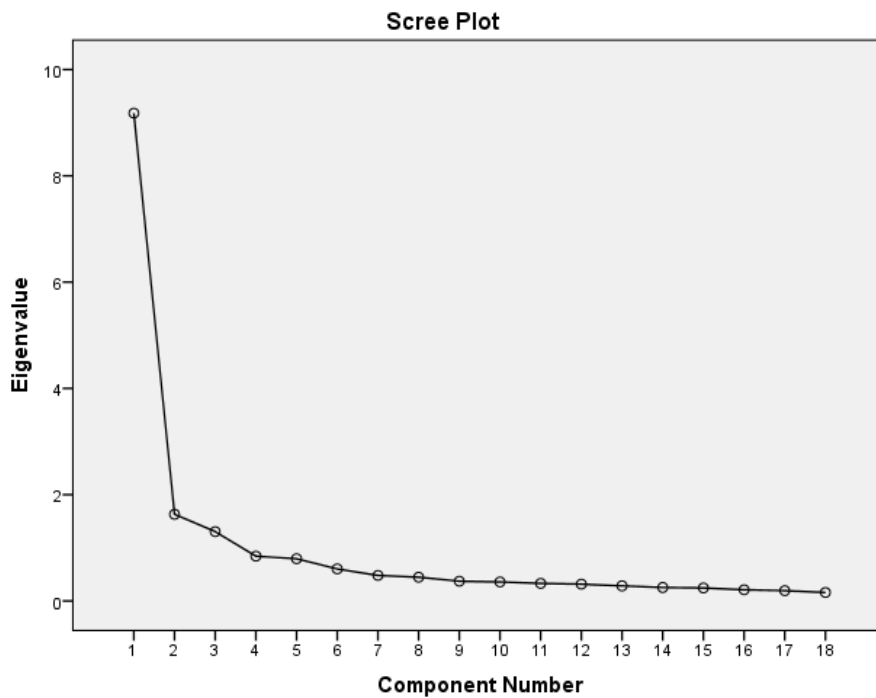
3.7.2.2 Factor analysis; Analysis of perception of fairness scale survey results

Table 3.3 indicate KMO Measure of Sampling Adequacy and Bartlett's test for test for Sphericity accordingly, For the data collected with this survey(perception of fairness scale) , the KMO Measure of Sampling Adequacy for the factor Analysis was 0.950 and the Bartlett's test for test for Sphericity was significant at p=.000. Following these results it was determined that EFA was appropriate with this data set.

Table 3. 3 KMO and Bartlett's Test for Perception of Fairness scale

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.950
	Approx. Chi-Square	5292.575
Bartlett's Test of Sphericity	Df	153
	Sig.	0.000

Figure 3. 2 scree plot for Perception of Fairness scale



From the results of the scree plot (Figure 3.2) It can be concluded that the first three factors are more accurate groupings (Eigen values more than one) compared to the remaining others. The pattern matrix which displays the factors extracted along with rotated factor loadings is presented in the table below and it was used to interpret the dimensions.

Table 3. 4 Pattern Matrix Perception of Fairness

Rotated Component Matrix			
	Component		
	1	2	3

Procedures are designed to hear the concerns of all, those affected by the decision.	.729
Procedures are designed to provide useful feedback regarding the decision and its implementation.	.681
Procedures are designed to Generate standards so that decision could be made with consistence.	.714
Procedures are designed to allow requests for clarification or additional information about the decision.	.714
Procedures are designed to provide opportunities to appeal or challenge the decision.	.805
Procedures are designed to have all sides affected by the decision represented.	.826
Procedures are designed to collect accurate information necessary for making decision.	.763
Your supervisor treated you with kindness and considerations	.734
Your supervisor showed concern for your right as an employee	.761
Your supervisor was able to suppress personal bias	.732
Your supervisor considered your view point	.847
Your supervisor took stapes to deal with you in a truthful manner	.787
Your supervisor provide you with timely feedback about the decision and its implication	.697
Fairly rewarded for the amount of effort you put forth	.631
Fairly rewarded the work you have done well	.750
Fairly rewarded in view of the amount of experience you have	.822
Fairly rewarded for the stress and strain of your job	.790
Fairly rewarded considering the responsibilities	.765

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

The three dimensions of perception of fairness discussed in literatures were supported by the factor analysis. Consequently the first seven items were loaded on the first component “procedural”,

items from 8 to 13 were loaded on the second dimension “interactional” and items from 14 to 18 were loaded on the third dimension “distributive justice”

3.7.2.3 Factor analysis; Analysis of UWES survey results:

The UWES which had originally three dimensions was combined and used as a unidimensional scale, looking at total employee engagement. Schaufeli and Bakker (2003) also suggested that when the focus is on the overall concept of engagement, the unidimensional version the scale can be used. According to Schaufeli and Bakker (2003), the 17-item total work engagement scale obtained an alpha coefficient of 0.93, which largely exceeds the acceptable cut-off point of 0.70 for reliability (Nunnally & Bernstein, 1994). For this study, scale obtained an alpha coefficient of 0.960 which was again largely exceeded the acceptable cut-off point.

3.7.3 Reliability Test

Reliability assesses the goodness of a measure and indicates the stability and consistency with which the instrument developed measures to the concept (Sekaran and Bougie, 2013). Cronbach’s alpha is a computed value that ranges between 1 (i.e. perfect internal reliability) and 0 (i.e. no internal reliability) (Bryman and Bell, 2015). According to Hair et al. (2010), the minimum acceptable level of Cronbach’s alpha for considering a study’s instrument reliable should be 0.60.

The data collected and analyzed at pilot study stage obtained a Cronbach’s alpha coefficients of above 0.60 (see table 3.5) for all the study variables ,as suggested by Hair et al. (2010), Based on the results the researcher decided to keep all the questions to sustain the value of Cronbach’s alpha.

Table 3. 5 Cronbach’s Alpha of Study Instrument based on Pilot Study

Variable	Cronbach's Alpha	N of Items
Employee engagement	0.944	17
Total rewards	0.950	20
Perception of reward fairness	0.942	18

After collecting the final version of the questionnaire from the banks and conducting the EFA analysis, the Cronbach’s alpha values were calculated for the study variables to determine the internal reliability and it is presented in the following tables.

Table 3. 6 Reliability Statistics for Employee engagement

Variable	Cronbach's Alpha	N of Items
Employee engagement	0.960	17

The results in table 3.6 showed that the reliability of the employee engagement is higher than the acceptable level; which is ($\alpha= 0.60$).

Table 3. 7 Reliability Statistics for Total rewards

Variable	Cronbach's Alpha	N of Items
Total rewards	0.892	11
Extrinsic rewards	0.832	5
Intrinsic rewards	0.828	3
Work life balance	0.803	3

The results of Cronbach’s alpha values for the reliability of Total rewards variables showed that they were higher than the acceptable level; which is (α) is 0.60, as mentioned in table 3.7

Table 3. 8 Reliability Statistics for Perception of Fairness

Variable	Cronbach's Alpha	N of Items
Perception of fairness	0.961	18
Procedural justice	0.946	7
Interactional justice	0.930	6
Distributive justice	0.910	5

The reliability of the perception of fairness variables were higher than the accepted level; which is (α) ≥ 0.60 as the results in table3.8 indicates.

3.8. Ethical Consideration

A concerted and conscious effort was made at all times to uphold to the promise. A guarantee was given to the banks that the results would be used only for academic purpose and study wouldn't include any comparative results among the banks. Consequently, Participants of the study were informed to participate voluntarily and their privacy and anonymity would be kept. In the study the researcher try his maximum to maintain objectivity, courtesy and avoid fabrication, alteration or misrepresentation of data for political or any other purposes. Moreover, the use of offensive, discriminatory or other unacceptable languages were avoided throughout the study.

CHAPTER FOUR

4. DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

Introduction

This chapter includes data presentation, analysis and interpretation of the findings. The analysis starts with a description of the respondents demographic profiles. The total sample of the study was 357, from the questionnaires distributed, 332 were returned and 18 were rejected because of poor data quality and the remaining 315 questionnaires were accepted to be valid. With very good amount of response rate of (88%) (Babbie, 1990) the studies proceed to the next phase.

4.1. Descriptive Analysis

4.1.1. Personal Background of Respondents

Table 4. 1 Demographic Profile of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Gender	Male	211	67.0	67.0	67.0
	Female	104	33.0	33.0	100.0
	Total	315	100.0	100.0	
Age	25-35	210	66.7	66.7	66.7
	36-45	78	24.8	24.8	91.4
	46-55	16	5.1	5.1	96.5
	Above 55	11	3.5	3.5	100.0
	Total	315	100.0	100.0	
Educational qualification	College diploma	9	2.9	2.9	2.9
	First Degree	255	81.0	81.0	83.8
	MA,MSc	47	14.9	14.9	98.7
	Above	4	1.3	1.3	100.0
	Total	315	100.0	100.0	
Tenure	2-5 Years	203	64.4	64.4	64.4
	6-10 Years	91	28.9	28.9	93.3
	11-15 Years	19	6.0	6.0	99.4
	Above 16 years	2	0.6	0.6	100.0
	Total	315	100.0	100.0	

Table 4.1 indicates from the total respondents of the study 211 (67%) were male and the rest 104 (33%) were female, Suggesting that the number of male staffs in the two banks is more than a double when compared to female staffs. In terms of age distribution the above table indicates that 210 (667%) of respondents were between 25-35 years of age, 78 (24.8%) of respondents were between 36-45 years of age, 16 (5.1%) of respondents were between 46-55 years, and only 11 (3.5 %) of respondents were above 55years. Inferring the majority of the respondents were aged between 25-35 years.

When the respondents are viewed terms their educational qualification, majority of the respondents that is 255(81.0%) had their first Degree, 47 (14.9%) had MA OR MSC, 9(2.9%) had a college diploma and the rest 4 respondents (1.3%) of the respondents had PHD and above educational qualifications.

From the above table it is understood that 203 (64.4%) of the respondents have worked between 2 to 5 years, 91 (28.9%) have worked for 6-10 years, 19 (6.0%) have worked for 11- 15 years, have worked for 10 years and only 2(0.6%) the respondents had served for more than 16 years in the organizations.

4.1.2 Descriptive Statistics

Table 4. 2 Descriptive Statistics for study variables

	N	Minimum	Maximum	Mean	Std. Deviation
Employee Engagement	315	1.41	5.00	3.2699	0.80526
Total rewards	315	1.00	5.00	3.2551	0.70365
Extrinsic rewards	315	1.00	5.00	3.3517	0.81073
Intrinsic rewards	315	1.00	5.00	3.4667	0.84996
Work life balance	315	1.00	5.00	2.8497	0.85295
perceived Fairness	315	1.33	4.94	3.1031	0.78251
Procedural justice	315	1.00	5.00	3.1224	0.86110
Interactional justice	315	1.00	5.00	3.2476	0.89034
Distributive justice	315	1.00	5.00	2.9892	0.85138

For this study, descriptive statistics tables were run for the measurements. From the above Table indicates that Employee Engagement have the ‘mean’ value of ‘3.27’ out of 5 degree of agreement

in the Likert scale. This shows that the issue of employee engagement is a concern for the companies and they should work on finding ways to boost the level of engagement in employees.

The above Table also indicates that out of 5 degree of agreement in the Likert scale, Total Rewards had a mean value of 3.26. It also indicate the mean response rate for the total reward dimensions extracted by EFA. Accordingly, intrinsic rewards had a highest score with a mean response of 3.47. Extrinsic rewards and Work life balance had 3.35 and 2.85 mean response rate out of 5 degree of agreement in the Likert scale respectively. This shows a poor practice of total reward strategies by the companies in an effort to boost the level of engagement among their employees.

The table again suggested that perception of justice had a mean value of 3.10 out of 5 degree of agreement in the Likert scale. These shows the rewards offered in the two companies are not somewhat perceived as fair by the employees.

4.2 Inferential Analysis

4.2.1 Diagnostic Tests of Assumptions of Classical Linear Regression Model

When running a Multiple Regression, there are several assumptions that need to be checked and ensure the data meet for the analysis to be reliable and valid. Accordingly, five assumptions tests of CLRM (I.e. linearity, homoscedasticity, autocorrelation, Multicollinearity, and normality) were conducted and discussed below.

4.2.1.1 Assumption #1 Linearity Test

The first assumption of Multiple Regression is that there is a linear relationship between the independent variables and the dependent variables i.e. the relationship between the IVs and the DV can be characterized by a straight line. A simple way to check this is by producing scatterplots of the relationship between each of our IVs and our DV.

Looking at the scatter plot produced by SPSS 20. 0 (See appendix A) We can see that the relationship between the IVs and the DV could be modeled by a straight line suggesting that the relationship between these variables is linear.

4.2.1.2 Assumption #2: There is no multicollinearity in the data.

Multicollinearity is defined as the degree to which the independent variables used in a multiple regression analysis are correlated (Zikmund et al., 2013; Ramadan et al., 2017). Multicollinearity reduces the ability to assess the individual importance of each independent variable in the regression. High levels of multicollinearity increase the probability that a good predictor of the outcome will be found non-significant and rejected from the model (Hair et al., 2010).

In order to evaluate multicollinearity, both indicators of variance inflation factor (VIF) and tolerance were used. Myers (1990) suggested that VIF value which is greater than 10 is a cause of concern. The tolerance statistic, which is the reciprocal of the VIF (i.e.1/VIF), is another important consideration when testing multicollinearity.

To determine whether the study suffers from multicollinearity, the researcher relied on a common cut off value of 0.10 for tolerance, and a value of less than10 for VIF as recommended by Sekaran and Bougie (2013).

Table 4. 3 Multicollinearity analysis

	variable	Tolerance	VIF
model one(multiple regression)	Extrinsic rewards	0.508	1.970
	Intrinsic rewards	0.613	1.632
	Work life balance	0.593	1.687
model two(moderated regression)	Total rewards	0.661	1.512
	Perceived fairness	0.702	1.424
	Interaction term	0.926	1.080

Table 4.3 indicates the VIF values for the independent variables used in this study. Accordingly, The VIF value for the predictors in the multiple regression was 1.970, 1.632 and 1.687 with tolerance value of 0.508, 0.613 and 0.593 for Extrinsic rewards, Intrinsic rewards and Work life balance respectively, Suggesting that there is no threat of multicollinearity in the first model. Similarly for the moderated regression VIF values for the predictor and the moderator variables was 1.512 for total rewards (IV) and 1.424 for perceived reward fairness (MV). The interaction term after it was mean centered had VIF value of 1.080.

The results of the above table indicate that no multicollinearity problem exists among the predictor variables given that all the VIF values are below 10 and all the tolerance values are above 0.10 for the two models.

4.2.1.3 Assumption #3: The values of the residuals are independent. (Autocorrelation Test)

This is basically the same as saying that we need our observations (or individual data points/ residuals) to be independent from one another (or uncorrelated). Multiple linear regression models assume the residuals are independent of one another. The Durbin-Watson statistic is used to test for the presence of serial correlation among the residuals. The test statistic ranges from 0 to four a value of two indicate that there is no autocorrelation. However a value below two i.e. nearing zero indicates a positive autocorrelation and value above two i.e. nearing four indicates negative autocorrelation. Field (2009) suggests that values under 1 or more than 3 a cause of concern.

Table 4. 4 Autocorrelation Test

Model	Durbin-Watson
1(multiple regression)	1.15
2 (moderated regression)	1.28

The Durbin-Watson statistic in the above table showed that this assumption had been met, as the obtained values were close to 2 (Durbin-Watson = 1.15 for the first and 1.28 for the second model).

4.2.1.4 Assumption #4: The variance of the residuals is constant (Homoscedasticity Test)

Homoscedasticity is the assumption that the variation in the residuals (or amount of error in the model) is similar at each point across the model. In other words, the spread of the residuals should be fairly constant at each point of the predictor variables (or across the linear model).

Figure 4. 1 Homoscedasticity Test for the multiple regression analysis

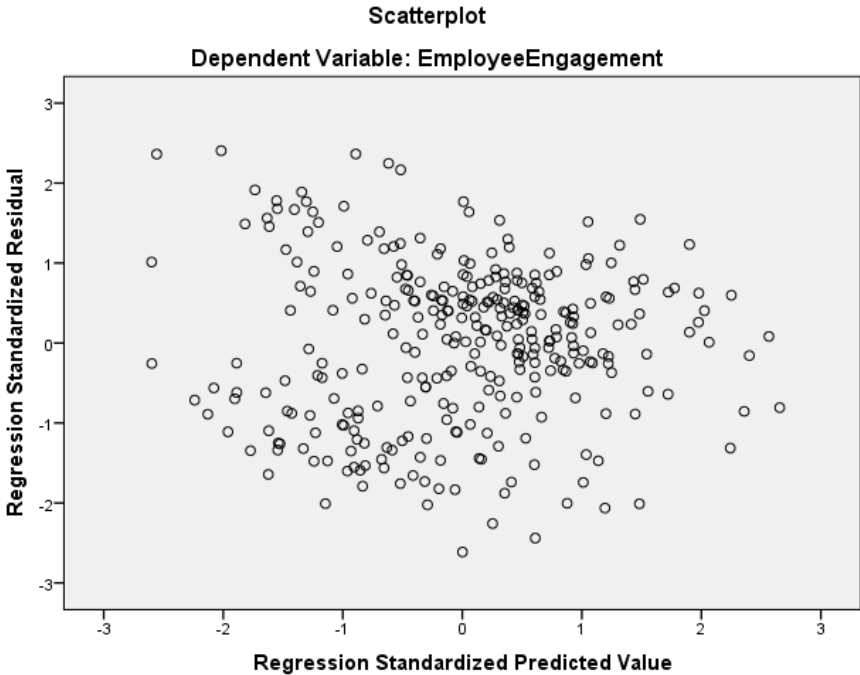
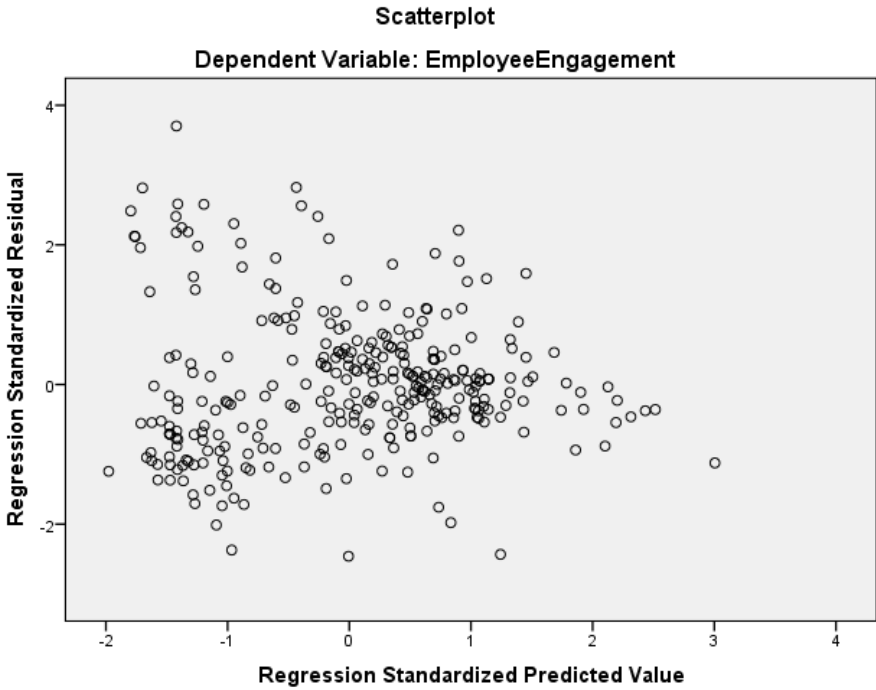


Figure 4. 2 Homoscedasticity Test for moderated regression analysis



The above two graphs plot the standardized values the models would predict, against the standardized residuals obtained. As the predicted values increase (along the X-axis), the variation

in the residuals also are roughly similar. In addition the graphs look like a random array of dots than a funnel shape as it would be if the assumption was violated (Heteroscedasticity). So it can be concluding the models didn't violate the assumption.

4.2.1.5 Assumption #5: The values of the residuals are normally distributed.

This assumption test whether the data is well modeled by normal distribution or not. This test of normal distribution could be checked by graphical (histogram and dot plot) method of tests. The normality assumption assumes a critical role when a study is dealing with a small sample size, data less than 100 observation (Gujarati, 2004). The assumption was tested by using normal probability plot (NPP). The decision rule is, if the fitted line in the NPP is approximately a straight line, one can conclude that the variables of interest are normally distributed (Gujarati, 2004).

Figure 4. 3 Normality Test with NP-P plots for multiple regression analysis

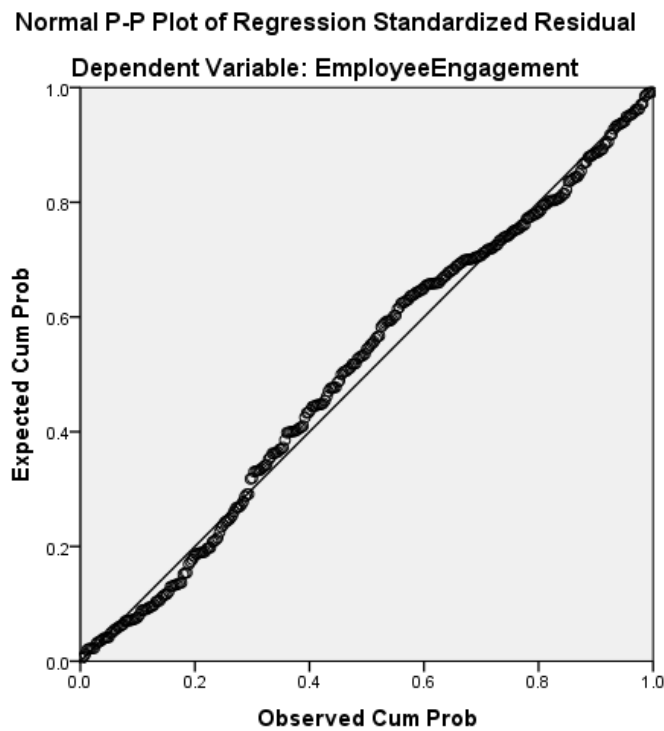
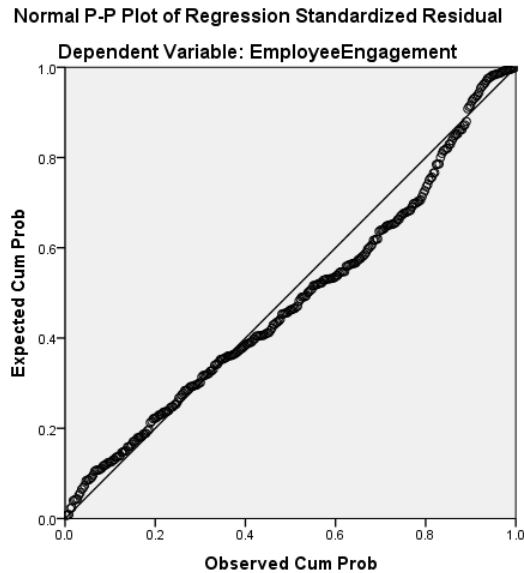


Figure 4. 4 Normality Test with np-p plot for moderated regression analysis



Results from the above figure figures, indicate residuals of the two models were normally distributed, given that the fitted line on the NPP is approximately straight line.

So far, the study discussed five major assumptions that must be fulfilled for one to appropriately analyze data using multiple linear regression models. Consequently, all the five assumptions were not violated, hence the researcher examined the data collected using correlation and multiple linear regression models.

4.2.2 Bivariate Correlation

As described by Andy (2006), the correlation is a commonly used measure of the size of an effect: values of ± 0.1 represent a small effect, ± 0.3 is a medium effect and ± 0.5 is a large effect. The purpose of the bivariate correlation procedure is for measuring Pearson’s correlation coefficient with its significance levels and Pearson’s correlation coefficient is a measure for linear relationship.

Table 4. 5 Correlations of Study Variables

	Employee engagement (DV)	Total rewards(IV)	Perception of Fairness(MV)
Employee engagement	1		
Total rewards	0.469**	1	
Perception of fairness	0.736**	0.545**	1

** . Correlation is significant at the 0.01 level (2-tailed).

Table 4.5 provides the correlations of the study variables. It indicated the P values for variables were significant at the value of $p = 0.01$. This explained there was 99% of confident level for the independent variable (TR) and the moderating variable (MV) to be correlated to the dependent variable (DV).

As can be seen in the above Table, Employee engagement and total rewards were significantly correlated, ($R = 0.47, p \leq 0.01$) and employee engagement and Perception of fairness were significantly correlated, ($R = 0.74, p \leq 0.01$)

Table 4. 6 Correlations between employee engagement and total reward sub scales

	Employee Engagement	Extrinsic rewards	Intrinsic rewards	Work life balance
Employee Engagement	1			
Extrinsic rewards	0.268**	1		
Intrinsic rewards	0.539**	0.582**	1	
Work life balance	.424**	.616**	.472**	1

***. Correlation is significant at the 0.01 level (2-tailed).*

The above table (table 4.6) depicts the correlation between employee engagement and total reward sub scales. It shows a positive relationship found between the variables .consequently, Intrinsic rewards and employee engagement were significantly correlated, ($R = 0.54, p \leq 0.01$). Extrinsic rewards found to have a weak correlation with employee engagement with correlation coefficient of ($R = 0.268, p \leq 0.01$). Work life balance and employee engagement were also significantly correlated, ($R = 0.42, p \leq 0.01$).

4.2.3 Regression analysis

4.2.3.1 Regression analysis with reward subscales as predictors of employee engagement.

Table 4. 7 Hierarchical regression results for the effects of reward subscales on employee engagement

	MODEL ONE				MODEL TWO			
	B	Se	B	P	B	Se	β	P
Constant	3.510	0.276		0.000	1.425	0.300		0.000
Gender	0.084	0.096	0.049	0.379	0.135	0.078	0.079	0.087
Age	-0.098	0.068	-0.091	0.151	-0.007	0.056	-0.007	0.894
Edu Q	-0.236	0.099	-0.134	0.018	-0.106	0.082	-0.060	0.195
Tenure	0.208	0.080	0.164	0.010	0.117	0.066	0.093	0.076
ER					-0.249	0.063	-0.251	0.000
IR					0.505	0.055	0.533	0.000
WLB					0.289	0.055	0.306	0.000
R ²	0.044**				0.375***			
ΔR^2	0.044**				0.331***			

Notes; Note; * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

For testing the first hypotheses, the researcher run Hierarchal regression putting demographical variables in the first block and reward subscales non the second accordingly, the above Table indicates the demographic characteristics statistically predicted employee engagement. Coefficient of variation ($R^2=0.044$, $p < 0.01$) indicated that demographic factors explain 4.4% of the variations on employee engagement.

Similarly the table indicates total reward sub scales statistically predicted employee engagement. The coefficient of variation ($R^2=0.375$, $p < 0.001$) shows that 37.5% of the variation in the dependent variable (employee engagement) is explained by the independent variables (total reward sub scales).

The results from the table revealed that two demographic factors namely educational qualification and Years of Experience in the bank significantly predicted employee engagement. Accordingly educational qualification found to negatively affect employee engagement ($\beta = -0.236$, $p < 0.05$) suggesting that while employees get increase in their educational qualifications they feel less committed and engaged to the organization. Years of Experience in the bank in oppose to educational qualification found to affect employee engagement positively ($\beta = 0.208$, $p < 0.05$).

Similarly, it was evidenced from the table that all three sub scales of total rewards significantly predicted employee engagement. The table inferred that Intrinsic rewards had the greatest significant effect on employee engagement ($\beta = 0.53$, $p < .001$). Work life balance dimension of

total rewards also significantly predicted employee engagement with ($\beta = 0.31, p < .01$). As opposed to the other two dimensions, Extrinsic rewards had a negative effect on employee engagement ($\beta = -0.25, p < .01$). Following these results, the following decision was made regarding the first main hypothesis.

Table 4. 8 Result of Testing the First Main Hypothesis

Hypotheses	Result
H01: There is no effect of total rewards on employee engagement (at α level ≤ 0.05).	Rejected

4.2.3.2 Regression analysis for testing the second hypotheses

In order to confirm a third variable (perceived reward fairness) making a moderation effect on the relationship between the two variables I.e. employee engagement and total rewards, we must show that the nature of the relationship changes as the values of the moderating variable Change. This is done by including an interaction effect in the model and checking to see if indeed such an interaction is significant and helps to explain the variation in employee engagement better than before (Aiken& West, 1991).

Hierarchical multiple regression is used to assess the effects of a moderating variable. To test moderation, the researcher in particular be looking at the interaction effect between total rewards and perceived reward fairness and whether or not such an effect is significant in predicting employee engagement. In more explicit terms the following steps were followed:

The researcher Fit a regression model (block 1) predicting the outcome variable employee engagement from both the predictor variable (total rewards) and the moderator variable (perceived reward fairness). Then interaction effect to the previous model was added in block 2. If both R2 changes as well as effect by the new interaction term are significant, then moderation is occurring. More specifically If the predictor and moderator are not significant with the interaction term added, then complete moderation has occurred and/or If the predictor and moderator are significant with the interaction term added, then moderation has occurred, however the main effects are also significant (Aiken& West, 1991).

Table 4. 9 Hierarchical regression results for testing the moderating effect of perceived fairness between total rewards and employee engagement

	MODEL ONE				MODEL TWO			
	B	Se	β	P	B	Se	B	P
Constant	0.729	0.154		0.000	0.601	0.162		0.000
TR	0.109	0.052	0.095	0.036	0.141	0.053	0.123	0.008
PF	0.704	0.047	0.684	0.000	0.701	0.046	0.681	0.000
INT					0.115	0.047	0.096	0.015
F	189.54***				130.38*			
R ²	0.549***				0.557*			
ΔR^2	0.549***				0.009*			

Note; * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

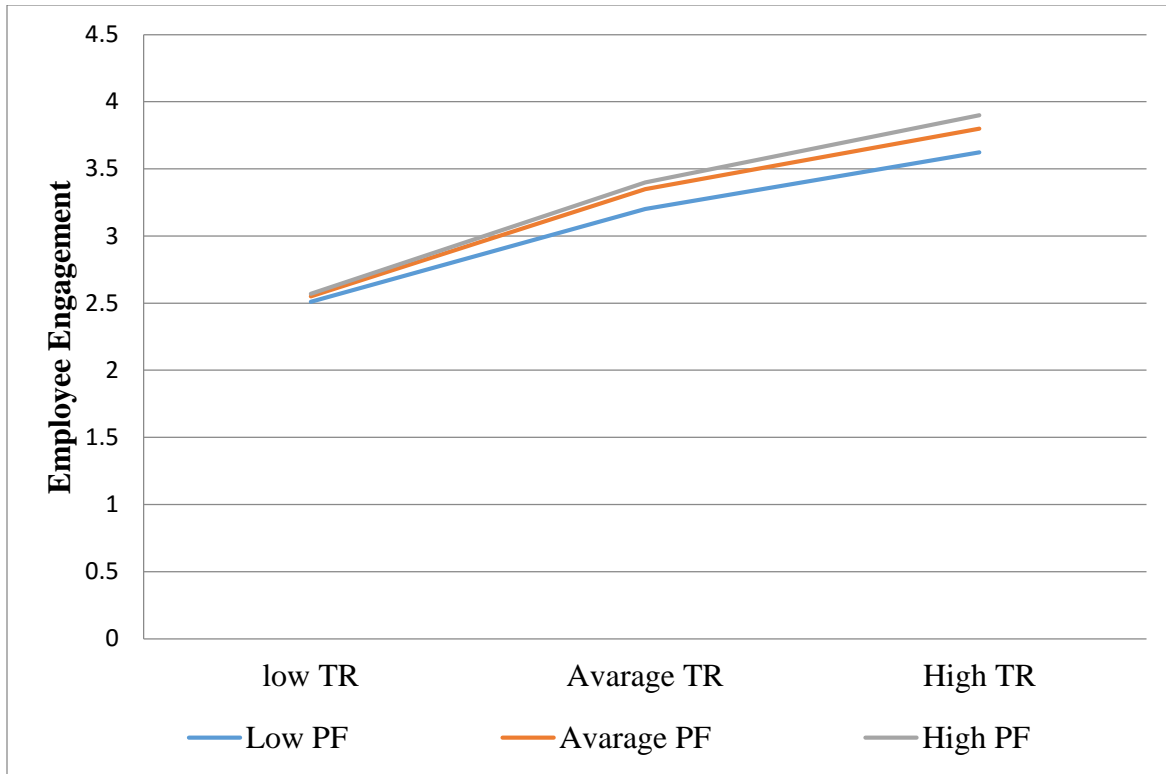
The F values from the above table shows if the two models with and without the interaction term are significant. Accordingly, the above table indicate that both model 1 (without the interaction term) and model 2 (with the interaction term) are significant with $F(2, 312) = 189.543$, $p < 0.001$ and $F(3, 311) = 130.38$, $p < 0.05$ respectively. (See appendix B for degrees of freedom)

The results from the table also indicated the main effect by the predictors are significant. Accordingly, model one indicated the two predictors explained 54.9 % of the variance ($R^2 = 0.549$, $p < 0.001$). When we see their effect it was found that total rewards significantly predicted employee engagement ($\beta = 0.10$, $p < 0.05$), as did perceived fairness ($\beta = 0.68$, $p < 0.001$).

Furthermore it was evidenced perceived reward fairness to moderate between the two variables i.e. in addition to the R^2 change ($\Delta R^2 = 0.009$, $p < 0.05$) the coefficient of the interaction term had a significant effect on employee engagement ($\beta = 0.115$, $p < 0.05$).

Moreover, for Visualizing Conditional effect of Total Rewards of Employee Engagement, the researcher used data produced using process by Andrew F. Hayes (<http://www.afhayes.com>). And the values for the moderators are the mean and plus/minus one SD from the mean.

Figure 4. 5 Graphical demonstration of the Conditional effect of Total Rewards of Employee Engagement.



Examination of the interaction plot showed an enhancing effect that as total rewards and perception of fairness increased, employee engagement increased. At low rewards employee engagement were similar for employee who experience low, average, or high perception of fairness. It is also understood that employee who had high experience of total rewards with high fairness perception level had the highest engagement levels.

Since the results from the above table indicated that Model 2 with the interaction between total rewards and perceived fairness accounted for more variance than just total rewards and perceived fairness by themselves, and it was understood from the interaction plot that the nature of relationship between total rewards and employee engagement varies as at different level of fairness perception, the following decision was made regarding the second hypothesis.

Table 4. 10 Result of Testing the second Hypothesis

Hypotheses	Result
H02: Perceived reward fairness doesn't moderate the relationship between total rewards and employee's engagement (at α level ≤ 0.05).	Rejected

4.3 Discussion

➤ Research question One and Two

Multiple regression analysis was used to test if the total rewards significantly predicted employee engagement and see which reward category had the biggest impact. After EFA was conducted, from the original six reward subscales, only three factors structure that could be reasonably interpreted remained, henceforth the researcher labeled them Extrinsic rewards, Intrinsic rewards and Work life balance as discussed in chapter three, the three sub scales obtained α value more than the acceptable cut off point and was further analyzed to see which of these had a significant effect on employee engagement.

The results from the regression analysis indicated the three reward sub scales explained 37.5 % of the variance in employee engagement ($R^2=0.375$, $p=0.000$). The fact that the three predictors explain 37.5% of the variance on the predicted variable implies that there exist a number of other factors and constructs that influence employee engagement in the work place hence further investigation is warranted.

From the results of Multiple regression conducted, It was found that Intrinsic rewards significantly predicted employee engagement ($\beta = 0.53$, $p<.001$), as did Work life balance and Extrinsic rewards ($\beta =0 .31$, $p<.01$) and ($\beta =-0 .25$, $p<.01$)

Beta value of the total reward subscales evidenced that Intrinsic rewards had a greatest significant effect on employee engagement followed by Work life balance. Likewise beta value of extrinsic rewards inferred that it has a significant negative effect on employee engagement inferring that traditional and simple rewards such as cash may not be the solution in effectively engaging employees.

➤ Research question Three

To address the third research question in the study i.e. whether perceived reward fairness play a moderating role in the relationship between total rewards and employee engagement, a hierarchical multiple regression analysis was conducted. In the first step, two variables were

included: total rewards and perceived fairness these variables accounted for a significant amount of variance in employee engagement, $R^2 = 0.549$, $F(2, 312) = 189.543$, $p < .001$.

To avoid potentially problematic high multicollinearity with the interaction term, the variables were centered and an interaction term between total rewards and perceived fairness was created (Aiken & West, 1991). Next, the interaction term between total rewards and perceived fairness was added to the regression model, which accounted for a significant proportion of the variance in employee engagement, $\Delta R^2 = 0.009$, $\Delta F(1, 311) = 5.986$, $p < 0.05$.

The F values indicate that both models i.e. with and without the interaction term are significant. The results from the analysis indicated that main effect by the predictors are significant. Accordingly, the two predictors total rewards and perception of fairness explained 54.9 % of the variance ($R^2=0.549$, $p < 0.001$). Furthermore it was found that total rewards significantly predicted employee engagement ($\beta = 0.10$, $p < 0.05$), as did perceived Fairness ($\beta = 0.68$, $p < 0.001$).

Likewise, it was evidenced from the regression outputs that perceived reward fairness to moderates between the two variables. A moderator specifies conditions under which a given predictor is related to an outcome. The moderator explains ‘when’ a DV and IV are related. Moderation implied an interaction effect, where introducing a moderating variable changes the direction or magnitude of the relationship between two variables. A moderation effect could be **Enhancing**, where increasing the moderator would increase the effect of the predictor on the outcome; **Buffering**, where increasing the moderator would decrease the effect of the predictor on the outcome; or **Antagonistic**, where increasing the moderator would reverse the effect of the predictor on the outcome.

Significant R^2 change ($\Delta R^2=0.009$, $p < 0.05$) and significant beta value ($\beta = 0.115$, $p < 0.05$) of the interaction term indicate perceived reward fairness moderate the relationship between total rewards and employee engagement. More specifically, it was understood from the interaction plot that the nature of relationship between total rewards and employee engagement varies as at different level of fairness perception.

Perception of fairness found to have an Enhancing moderating effect, where increasing in perceived fairness levels had increased the effect of the total rewards on the employee engagement. The plot also showed, at low Rewards employee engagement were similar for

employee who experience low, average, or high perception of fairness. Is also understood that employee who had high experience of total rewards with high fairness perception level had the highest engagement levels.

CHAPTER FIVE

5. CONCLUSION, MANAGERIAL IMPLICATION, LIMITATION, RECOMMENDATION FOR FUTURE RESEARCH AND VALUE ADDED

Introduction

This chapter discusses the conclusion where summary of findings for this study will be reviewed and compared with past studies. In addition, this chapter will also discuss the managerial implications, limitation of current research, and recommendation for future research.

5.1 Conclusion

The aim of this study was to determine the effect of total rewards on employee engagement and explore the moderating role of perceived reward fairness in the relationship between Total Rewards and Employee Engagement. Consequently, there were two hypotheses developed of which Hypothesis 1 (H1) hypothesized Total rewards significantly predicted work engagement while Hypothesis 2 (H2) hypothesized perceived fairness moderated the association between total rewards and employee engagement.

In addition, a conceptual framework that predicted relationships among Total Rewards and Employee Engagement as well as the moderating effect of Perceived Fairness in the relationship between the two was also developed to determine the relationships for the hypotheses developed.

In this study, both H1 and H2 were supported by the results analyzed from the data collected in this study which involved a sample size of 315 respondents to comprise of professional employee from two selected private banks in Addis Ababa namely Dashen and Wegagen bank S.C.

The analyzed data inferred that there is a significant relationship between Total Rewards and Employee Engagement ($R = 0.469$; $p < 0.05$) and this supported H1. This finding is consistent with the earlier and recent research of Hoole, & Hotz, (2016) Where the research found A small but statistically significant correlation ($R = 0.25$; $p < 0.05$) between total rewards and work engagement. Another study by Scott, McMullen & Royal (2010) also indicates that rewards programs can have a positive influence on employee engagement which is again consistent with the finding of this study.

A multiple regression conducted to predict employee engagement from three reward categories (extrinsic reward, intrinsic rewards and work life balance) suggested that intrinsic rewards have the greatest impact on employee engagement that it had a significant beta of ($\beta = 0.53$; $p < 0.01$).

This results were also consistence with the finding of the study by Scott, McMullen & Royal (2010) that suggested Intangible rewards such as Quality of work and work environment, generally have a much higher impact on employee engagement.

The Other finding from the multiple regressions in this study was extrinsic rewards to negatively affect employee engagement. The evidences from the study suggested that Extrinsic rewards have a negative impact on engagement with a beta of ($\beta = -0.249$; $p < 0.01$).

This result was consistent with the results in a study by Wruck & Jensen, (1998). Where it was suggested that Extrinsic rewards may act as a poor motivator and are not directly linked to an employee's level of engagement and performance. According to Bussin (2011), there are various disadvantages that accompany extrinsic rewards such as monetary rewards. It is asserted that extrinsic rewards have the ability to decrease an employee's intrinsic motivation in his/her job (Balkin & Dolan, 1997; Bussin, 2011). It was also suggested that the use of extrinsic rewards as an engagement tool may lead to individual employees and team members becoming "money hungry", resulting employees not focus on the work itself any longer (Balkin & Dolan, 1997).

The results from the multiple regression analysis indicated that the three total rewards categories could explain 37.5 % of the variance in employee engagement. This implies that there exist a number of other factors and constructs that influence employee engagement. In addition, given the sophisticated nature of total rewards and the multidimensionality of employee engagement, it could be unrealistic to conclude that that total rewards alone predicts work engagement. As a result Organizations need to do more researches to find ways to engage their employees and try to understand what they really want in terms of total rewards. As discussed in detail earlier in the study and also evidenced by the study results, traditional rewards are no longer attractive enough and /or suitable in every context.

The results from the multiple regressions also suggested two demographic factors namely educational qualification and experience contributed to predict employee engagement. From the

regression output it was evidenced that educational qualification negatively affect employee engagement with a beta of -0.134, $p \leq 0.05$. This result infer employee with higher educational qualification need special attention so that they will stay committed to the organization. On the other hand tenure positively influenced employee engagement $\beta = 0.164$, $p \leq 0.05$.

This study results from the moderated regression analysis supported that perceived reward fairness moderate the association between total rewards and employee engagement. And this finding supported H2 where it was hypothesized that perceived fairness moderated the relationship between total rewards and work engagement

5.2 Practical/Managerial Implications:

The study supported that total rewards to significantly affect significant employee engagement implying that total rewards are important motivators for employees in the workplace. Of the total rewards scales tested, intrinsic rewards had a greatest positive effect on employee engagement, suggesting that Organizations should focus on the intangible rewards when they prepare their reward strategy. The study also suggests that work life balance to positively affect employee engagement. This shows helping employee to be successful both at their work place and at home, helps to boost their engagement levels.

In oppose to the other two reward categories, extrinsic rewards were found to negatively affect employee engagement. Inferring that to engage employees it takes more than giving traditional monetary rewards and Organizations seeking to implement total reward strategies should pay a closer attention to which reward strategies have a positive impact on employee engagement.

The factor analysis conducted in this study has provided useful insights on how employees categorize reward offerings on a broader categories that can help organizations in designing their total rewards strategies. Furthermore, additional reward offerings identified in this and suggested by other similar studies such as constructive and honest feedback, challenging job, growth opportunities, informal recognition, career path planning and mentoring can help in positively influencing the levels of work engagement in organizations. (Bussin & Van Rooy, 2014; Sortheix, Dietrich, Chow & Salmela-Aro, 2013; Jacobs, Renard & Snelgar, 2014; Masibigiri & Nienaber, 2011).

Evidences from the moderated regression analysis supported that Perceived Fairness in the organization plays an important role in employee's engagement inferring that organization should make sure rewards are perceived to be fair by employees. The results also strongly suggest Organizations must take in to consideration that both total rewards and employee engagement are complex and multidimensional constructs and more research is needed in the area.

A strong relationship between perception of fairness and engagement provides support for organizations to focus their energy on ensuring offered rewards are distributed in a fair principle. The results from the study, however, also warrant some caution. Even if there is a popular belief, monetary rewards play an important role in motivating employees and are a common part in reward strategies, the results from this study show that this may not work every time and can differ from one organization to another. For these reason, organizations must to have a detailed understanding of their own workforce and their sophisticated reward needs.

To sum up, the study provides insight on how to improve an individual's levels of engagement through designing a total rewards framework that is perceived as fair by employee and matches the needs of both f employees and the organization.

5.3 Limitations in the study and Recommendations for Future Researches

5.3.1 Limitations

Some limitations must be noted. As the sample was drawn only from branches of two banks in Addis Ababa, the participants cannot accurately represent other provinces and industries within Ethiopia. Furthermore, the study used a cross-sectional design and was unable to determine the relationship between the study variables over time. Through the use of a longitudinal study, deeper insight could be provided into the causal relationships between the different reward categories and employee engagement as well as the role of perception of fairness. In addition, only questionnaire were used to collect the data; other methods such as field observation and interviewing could have been used to obtain another perspective. In addition, Common method bias could also have influenced the results; it is also one shortcoming in the study that as many studies suggests the total reward instrument is still in the development phase and being tested.

5.3.2 Recommendations for future studies

As this study has been conducted during on a time that is both economically and politically volatile, which could have influenced the results, it is recommended that it be repeated in the form of a longitudinal study. Even if the EFA analysis conducted in this study supported the three dimension of fairness, in determining the moderating role of perceived fairness between total rewards and employee engagement, this study used perceived fairness as a unidimensional construct .future researchers could further investigate which dimension fairness could result in additional variance in engagement.

Future studies also need to investigate additional variables that could explain additional variance in employee engagement in a particular study context. Variables such as organizational culture, perceived organizational support and organizational citizenship behavior could also explain additional variance as they impact work engagement.

5.4 Contribution/Value-add

This study produce results that can add value in understanding the concept of employee engagement and practices of total rewards in a selected private banks: It explicitly widens the understanding total reward practices in Ethiopia: The results of this research can be used as an input for organizations in formulating their reward strategy.

Moreover, In the Ethiopian context, the first-hand understanding about the construct of engagement as well as its association with total reward practice of the organization and how the fairness perception of employees affect this relation would be helpful for local organizations as there are few or no relevant studies that the these organizations can refer to for better understanding the context of Employee Engagement and take managerial decisions about it.

The factor structure extracted in the study indicated how employees categories different reward offerings and hence, Customization of reward and benefit programmers could offer more value to employees and more successful in engaging them.

Finally, the study pinpointed additional variables that could explain additional variance in employee engagement that future studies need to investigate.

REFERENCE

- Aiken, L. S., & West, S. G. (1986). Use and interpretation of regression analysis models containing interactions and power polynomials. Unpublished manuscript, Arizona State University, Tempe.
- Anitha, J. (2014). Determinants of employee engagement and their impact on employee performance. *International Journal of Productivity and Performance Management*, 63(3), 308-323.
- Aon Hewitt. (2013). *trends in global employee engagement*. Retrieved, from http://www.aon.com/forms/2013/AH_trends-employee-engagement.html
- Aon Hewitt. (2015). *Inside the employee mindset: Key findings on what differentiates, what rewards, and what communicates*. Retrieved from [http:// www.aon.com/human-capital-consulting/thought-leadership/talent/inside-the-employee-mindset.jsp](http://www.aon.com/human-capital-consulting/thought-leadership/talent/inside-the-employee-mindset.jsp)
- Aon Hewitt. (2015). *Inside the employee mindset: Key findings on what differentiates, what rewards, and what communicates*. Retrieved from [http:// www.aon.com/human-capital-consulting/thought-leadership/talent/inside-the-employee-mindset.jsp](http://www.aon.com/human-capital-consulting/thought-leadership/talent/inside-the-employee-mindset.jsp)
- Armstrong, M. (2006). *A handbook of human resource management practice*. London: Kogan Page Limited.
- Armstrong, M., & Brown, D. (2006). *Strategic reward making it happen*. London: Kogan Page Limited
- Armstrong, M., & Murlis, H. (2004). *Reward Management: A Handbook of Remuneration Strategy and Practice (5th ed.)*. London: Kogan Page Limited.
- Babbie, E. (1990). *Survey research method*. (2nd ed.). Belmont (C.A): Wadworth.
- Bailey, A. A., Albassami, F., & Al-Meshal, S. (2016), the roles of employee job satisfaction and organizational commitment in the internal marketing-employee bank identification relationship. *International Journal of Bank Marketing*, 34(6), 821-840.

- Balkin, D., & Dolan, S. (1997). Rewards for team contributions to quality. *Journal of Compensation & Benefits*, 13(1), 41–47.
- Bryman, A., & Bell, E. (2015). *Business Research Methods* (4th Ed), Oxford Press.
- Bryman, Alan. 2004. *Social Research Methods*. 2nd ed. Oxford: Oxford University Press.
- Bussin, M. (2011). *The remuneration handbook for Africa*. Randburg: Knowles Publishing.
- Bussin, M., & Van Rooy, D.J. (2014). Total rewards strategy for a multigenerational workforce in a financial institution. *SA Journal of Human Resource Management* 12(1), Art. #606, 1–11.
- Cohen, J., Cohen, P., West, S. G., & Aiken, L. S. (2003). *Applied multiple regression/correlation analysis for the behavioral sciences*, 3rd ed. Hillsdale: Erlbaum.
- Corporate Leadership Council. (2005). *Total rewards philosophy components and statements*. Washington, DC: Corporate Executive Board
- Deeprise, D. (1994), *How to Recognize and Reward Employees*. AMACOM: New York, USA.
- Evenson, L. (2014). *New frontiers in employee engagement*. Retrieved from <http://www.berstein.com/News/Details.aspx?id=15208>
- Field, A. (2013). *Discovering statistics using IBM SPSS statistics*. (4th edn.). London: Sage.
- Folger, R., & Konovsky, M. A. (1989). Effects of procedural and distributive justice on reactions to pay raise decisions. *Academy of Management Journal*, 32,(1), 115-130.
- Gallup. (2013). State of the global workplace: Employee engagement insights for business leaders worldwide. Retrieved from <http://www.gallup.com/strategicconsulting/164735/state-global-workplace.aspx>
- Giancola, F. (2007). Employee engagement: What you need to know. *Workspan*, 10(7), 57–59.
- Greenberg, J. (1990). Organizational justice: Yesterday, today, and tomorrow. *Journal of Management*, 16, 399-432.

Gross, S.E., & O'Malley, P. (2007). High priority: European firms focus on talent development. *Workspan*, 5(7), 60–64.

Gujarati, D. (2004). *Basic econometrics*. (4th ed.). McGraw-hill.

Gupta, N. & Shaw, J. D. 1998. Let the Evidence Speak: Financial Incentives Are Effective!! Compensation and Benefits Review. Vol. 30 No. 2, 26.

Haid, M., & Sims, J. (2009). *Employee engagement: Maximizing organizational performance*. Right Management. Retrieved from https://www.google.co.za/?gws_rd=ssl#q=Employee+Engagement+Maximizing+Organizational+Performance

Hair, J. F., Black, W. C., Babin, B. J., Anderson, R. E., & Tatham, R. L. (2010). *Multivariate Data Analysis*, 7th edition, New York: Macmillan Publishing Company.

Harter, J. K., F.L. Schmidt, and T.L. Hayes. 2002. “Business-unit Level Relationship Between Employee Satisfaction, Employee Engagement and Business Outcomes: A Meta-analysis. *Journal of Applied Psychology* 86(2): 286-279.

Harter, J.K., Schmidt, F.L., Killan, E.A., & Agrawal, S. (2009). Q12 meta-analysis: The relationship between engagement at work and organizational outcomes. White Paper Gallup Organization. Retrieved from <http://www.gallup.com/consulting/126806/q12-meta-analysis.asp>

Hay Group. (2015). Reward toward 2015. Retrieved, from http://www.haygroup.com/downloads/au/misc/au_focus_08-reward.pdf

Hayes, A.F. (2013). *An introduction to mediation, moderation, and conditional process analysis: A regression-based approach*. New York: Gilford Press.

HBR, (2013). *The impact of employee engagement on performance; a Harvard business review analytic services report*

Hicks, R.E., O'Reilly, G., & Bahr, M. (2014). Organizational engagement and its driving forces: A case study in a retail travel organization with international outreach. *International Journal of Management Cases*, 16(3), 4–19.

Hoole, C., & Hotz, G. (2016). The impact of a total reward system of work engagement. *SA Journal of Industrial Psychology*

Jacobs, S., Renard, M., & Snelgar, R.J. (2014). Intrinsic rewards and work engagement in the South African retail industry. *SA Journal of Industrial Psychology/SA Tydskrif vir Bedryfsielkunde*, 40(2), Art. #1195, 1–13.

K. Scott, K. Dow; McMullen, Thomas; and Royal, Mark. The Role of Rewards in Building Employee Engagement. *WorldatWork Journal*, 19, 4: 29-40, 2010.

Kahn, W.A. (1990). Psychological conditions of personal engagement and disengagement at work. *Academy of Management Journal*, 33, 69-724.

Koskey, A.K & William, S.,(2015) Effect of reward on employee engagement and commitment at rift valley bottlers company ,*International academic journal of Human Resource and Business Administration 1*, (5) 36-54

Lawler, E. E. (2003), *Treat People Right*. Jossey-Bass Inc: San Francisco, USA

Macey, W.H and B. Schneider 2008. “The Meaning of Employee Engagement.” *Industrial and Organizational Psychology* 1: 3-30.

Mahaney, R.C., & Lederer, A.L. (2006). The effect of intrinsic and extrinsic rewards for developers on information systems project success. *Project Management Journal*, 37(4), 42–54.

Masibigiri, V., & Nienaber, H. (2011). Factors affecting the retention of Generation X public servants: An exploratory study. *SA Journal of Human Resource Management*, 9(1), Art. #318, 1–11. <http://dx.doi.org/10.4102/sajhrm.v9i1.318>

Maslach, C, Schaufeli, W B and Leiter, M P (2001) Job burnout, *Annual Review of Psychology*, pp 397– 422

May, D., Gilson, R., & Harter, L. (2004). The psychological conditions of meaningfulness, safety and availability and the engagement of the human spirit at work. *Journal of Occupational and Organizational Psychology*, 77, 11–37.

McMullen, T. (2010). *The impact of rewards programs on employee engagement*. World at Work: The Total Rewards Association. Retrieved from <http://www.worldatwork.org/waw/adimLink?id=39032>

Moorman, R. (1991). Relationship between organizational justice and organizational citizenship behaviours: Do fairness perceptions influence employee citizenship. *Journal of Applied Psychology*, 76, 845-855.

Morris, I. (2006), *The Future of Work: Total Reward Strategies and Canadian's Aging Workforce*. Rogers Media Inc.: Toronto, Canada.

Mottaz, C.J. (1985). The relative importance of intrinsic and extrinsic rewards as determinants of work satisfaction. *The Sociological Quarterly*, 26(3), 365–385.

Mullins, L. J. (2010), *Management and Organizational Behaviour*, (9th Ed.). Pearson Education Limited: England.

Myers, R. (1990). *Classical and Modern Regression with Applications*. Duxbury Press, Boston, MA.

Nienaber, R. (2010). *The relationship between personality types and reward preferences*. Doctor of Commerce dissertation. Johannesburg: University of Johannesburg.

Nunnally, J.C., & Bernstein, I.H. (1994). *Psychometric theory*. (3rd edn.). New York: McGraw-Hill.

Obeidat, B., El-Rimawi, S., Maqableh, M., & Al-Jarrah, I. (2013). Evaluating the Profitability of the Islamic Banks in Jordan. *European Journal of Economics, Finance and Administrative Sciences*, 56 (January), 27-36.

Olivia Anku-Tsede (2013) Total Reward Concept: A Key Motivational Tool For Corporate Ghana, *Business and Economic Research* ISSN 2162-4860 2013, Vol. 3, No. 2macrothink institute

O'Neal, S. (1998). The phenomenon of total rewards. *ACA Journal*, 6-18.

- Organ, D. W. (1988). Organizational citizenship behavior: The good soldier syndrome. Lexington, MA: Lexington Books.
- Pregolato, M. (2010). Total rewards that retain: A study of demographic preference. *University of Cape Town Thesis*.
- Ramadan, B., Dahiyat, S., Bontis, N., & Al-dalahmeh, M. (2017). Intellectual Capital, Knowledge Management and Social Capital within the ICT Sector in Jordan. *Journal of Intellectual Capital*, Vol.18. No. 2.
- Robbins, S.P., Judge, T.A., (2013) Organizational Behavior. 15 ed. Harlow: Prentice Hall.
- Robinson, D., Perryman, S., & Hayday, S. (2004). *The drivers of employee engagement*. North, 408, 12–15.
- Rothmann, S. (2015). Employee engagement. In M.F. Steger, L. Oades, A. DelleFave, & J. Passmore (Eds.), *Wiley Blackwell handbook of positivity and strengths based approaches at work*. West Sussex, UK: Wiley Blackwell.
- Royal, M. and J. Yoon. 2009. “Engagement and Enablement: The Key to Higher Levels of Individual and Organizational Performance.” *Journal of Compensation and Benefits* 41(5): 13-19.
- Saks, A. M. (2006). Antecedents and consequences of employee engagement. *Journal of Managerial Psychology*, 21(7), 600-619, Emerald Group Publishing Limited
- Schaufeli, W., & Bakker, A. (2004). Job Demands, Job Resources, and their Relationship with Burnout and Engagement: A Multi-Sample Study. *Journal of Organizational Behavior*, 25(3), 293-315.
- Schaufeli, W.B. (2013). What is engagement? In C. Truss, K. Alfes, R. Delbridge, A. Shantz, & E. Soane (Eds.), *Employee engagement in theory and practice*. London: Routledge, 1-37.
- Schaufeli, W.B., & Bakker, A.B. (2003). *UWES – Utrecht Work Engagement Scale: Test manual*. Utrecht, The Netherlands: Department of Psychology, Utrecht University.

Schaufeli, W.B., & Bakker, A.B. (2004). Job demands, job resources and their relationship with burnout and engagement: A multi sample study. *Journal of Organisational Behaviour*, 25, 293–315.

Schaufeli, W.B., Salanova, M., Gonzales-Roma, V., & Bakker, A.B. (2002). The measurement of engagement and burnout: A two sample confirmatory factor analytic approach. *Journal of Happiness Studies*, 3, 71–92.

Scott, D., & McMullen, T. (2010). *The impact of rewards program on employee engagement*. Scottsdale, AZ: WorldatWork – The Total Rewards Association.

Sekaran, U., & Bougie, R. (2013). *Research Methods for Business* (6th ed). United Kingdom: John Wiley & Sons Ltd.

Shuck, B., & Wollard, K. (2010). Employee engagement and HRD: A seminal review of the foundations. *Human Resources Development Review*, 9, 89-110

Sonnetag, S. (2011). Research on work engagement is well and alive. *European Journal of Work and Organizational Psychology*, 20(1), 29–39.

Sortheix, F.M., Dietrich, J., Chow, A., & Salmela-Aro, K. (2013). The role of career values for work engagement during the transition to working life. *Journal of Vocational Behavior*, 83, 466–475.<http://dx.doi.org/10.1016/j.jvb.2013.07.003>

SPSS Inc. (2015). *SPSS 22.0 for Windows*. Chicago, IL: SPSS Inc.

Strümpfer, D.J.W. (2003). Resilience and burnout: A stitch that could save nine. *South African Journal of Psychology*, 33, 69–79.

The Gallup Organization (2004) [online] Available at: www.gallup.com

Thompson, B., & Daniel, L. (1996). Factor Analytic Evidence for the Construct Validity of Scores: A Historical Overview and Some Guidelines. *Educational and Psychological Measurement*, 56(2).

Thompson, P. (2002), *Total Reward*. Chartered Institute of Personnel Development (CIPD): London.

W.B. Schaufeli, ,(2012)The measurement of work engagement. In R.R. Sinclair, M. Wang and L.E. Tetrick (Eds), *Research methods in occupational health psychology: Measurement, design, and data analysis*, New York: Routledge, 138-53.

Werner, H., Stanz, K., Visagie, J., & Wait, K. (2011). Evaluating the difference in employee engagement before and after business and cultural transformation interventions. *African Journal of Business Management*, 5(22), 8804–8820.

WorldatWork. (2006). Total Rewards Model. Strategies to attract, motivate and retain employees. Retrieved from http://WorldatWork.org/pub/total_rewards_model.pdf

WorldatWork. (2007). *The WorldatWork handbook of compensation, benefits and total rewards*. New Jersey: Wiley.

WorldatWork. (2010a). *The relative influence of total rewards elements on attraction, motivation and retention*. Retrieved from <http://www.worldatwork.org/waw/adimLink?id=37008>

WorldatWork. (2010b). the impact of reward programs on employee engagement. Global talent management and rewards. Retrieved from https://www.google.co.za/?gws_rd=ssl#q=worldatwork+2010+global+talent+management+and+rewards

Wruck, K., & Jensen, M.C. (1998). The two key principles behind effective TQM programs. *European Financial Management*, 4(3), 401–424. <http://dx.doi.org/10.1111/1468-036X.00073>

Yamane, (1967) *Statistics, an introductory Analysis*, 2nd Ed., New York Harper and Row

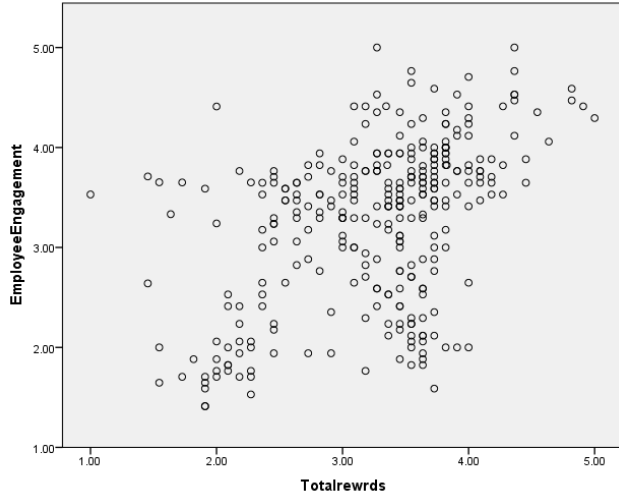
Zikmund, W., Babin, B., Carr, J., & Griffin, M. (2013). *Business Research Methods*. CENGAGE Learning CustomPublishing.

Zingheim PK, Schuster JR (2007). What are the pay issues right now? *Compensation & Benefits Review*, 39(3): 51–55.

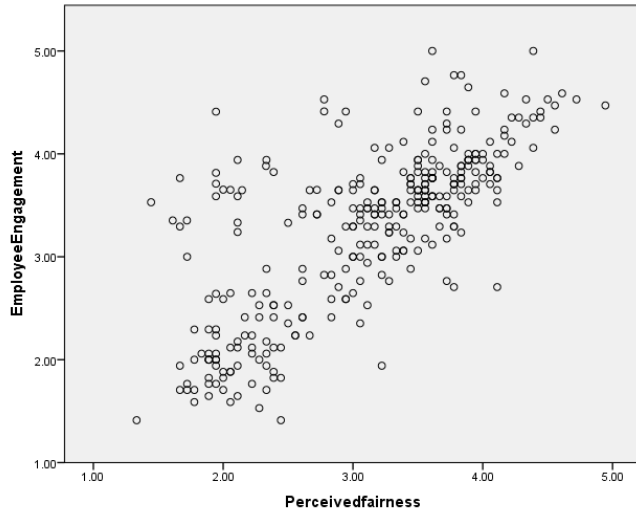
APPENDIX

Appendix A; SPSS out puts for Linearity test

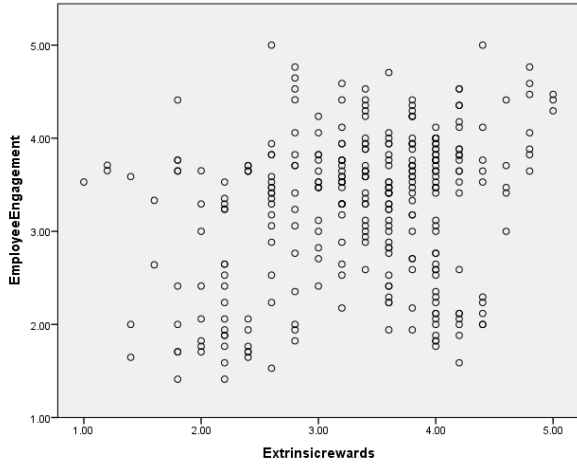
Graph of employee engagement (DV) with total rewards



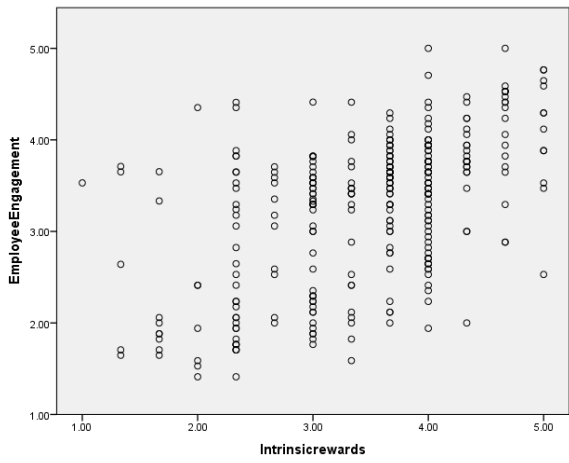
Graph of employee engagement (DV) with perceived fairness



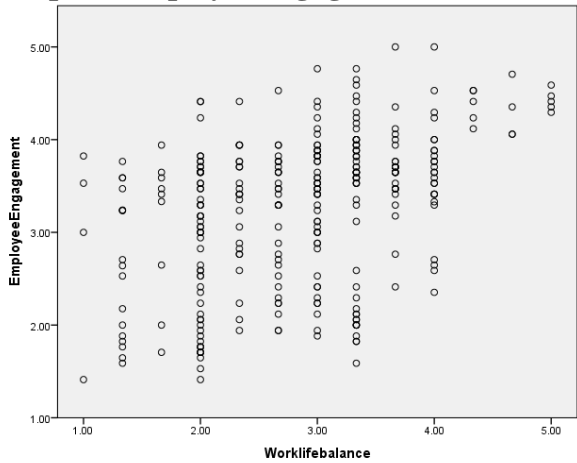
Graph of employee engagement with extrinsic rewards



Graph of employee engagement intrinsic rewards



Graph of employee engagement work life balance



Appendix B; Regression Outputs

Model Summary for the multiple Regression analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.210 ^a	.044	.032	.79239	.044	3.570	4	310	.007
2	.612 ^b	.375	.361	.64387	.331	54.168	3	307	.000

a. Predictors: (Constant), Years of Experience in the bank, educational qualification, Gender, Age

b. Predictors: (Constant), Years of Experience in the bank, educational qualification, Gender, Age, Extrinsic rewards, Intrinsic rewards, Work life balance

c. Dependent Variable: Employee Engagement

ANOVA for the multiple Regression analysis

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.966	4	2.241	3.570	.007 ^b
	Residual	194.643	310	.628		
	Total	203.609	314			
2	Regression	76.335	7	10.905	26.304	.000 ^c
	Residual	127.274	307	.415		
	Total	203.609	314			

a. Dependent Variable: Employee Engagement

b. Predictors: (Constant), Years of Experience in the bank, educational qualification, Gender, Age

c. Predictors: (Constant), Years of Experience in the bank, educational qualification, Gender, Age, Extrinsic rewards, Intrinsic rewards, Work life balance

Coefficients table for multiple Regression analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.510	.276		12.733	.000
	Gender	.084	.096	.049	.880	.379
	Age	-.098	.068	-.091	-1.441	.151

	educational qualification	-.236	.099	-.134	-2.386	.018
	Years of Experience in the bank	.208	.080	.164	2.605	.010
2	(Constant)	1.425	.300		4.749	.000
	Gender	.135	.078	.079	1.717	.087
	Age	-.007	.056	-.007	-.134	.894
	educational qualification	-.106	.082	-.060	-1.298	.195
	Years of Experience in the bank	.117	.066	.093	1.781	.076
	Extrinsic rewards	-.249	.063	-.251	-3.965	.000
	Intrinsic rewards	.505	.055	.533	9.239	.000
	Work life balance	.289	.055	.306	5.223	.000

a. Dependent Variable: EE

Model Summary for the moderated Regression analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.741 ^a	.549	.546	.54279	.549	189.543	2	312	.000
2	.746 ^b	.557	.553	.53850	.009	5.986	1	311	.015

a. Predictors: (Constant), Perceived fairness, Total rewards

b. Predictors: (Constant), Perceived fairness, Total rewards, NIT

c. Dependent Variable: Employee Engagement

ANOVA for the moderated Regression analysis

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	111.687	2	55.843	189.543	.000 ^b
	Residual	91.922	312	.295		
	Total	203.609	314			
2	Regression	113.423	3	37.808	130.377	.000 ^c
	Residual	90.186	311	.290		
	Total	203.609	314			

a. Dependent Variable: EE

b. Predictors: (Constant), Perceived Fairness, Total rewards

c. Predictors: (Constant), Perceived Fairness, Total rewards, Interaction Term

Coefficients table for the moderated Regression analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.729	.154		4.728	.000
	Total rewards	.109	.052	.095	2.104	.036
	Perceived fairness	.704	.047	.684	15.076	.000
2	(Constant)	.601	.162		3.715	.000
	Total rewards	.141	.053	.123	2.650	.008
	Perceived fairness	.701	.046	.681	15.129	.000
	Interaction term	.115	.047	.096	2.447	.015

a. Dependent Variable: Employee Engagement

Appendix C: Data for visualizing the conditional effect of the focal predictor:

```

TR      PF      EE .
BEGIN DATA.
-.8005  -.9920  2.5145
.1995   -.9920  2.5563
.5631   -.9920  2.5715
-.8005  .1191   3.2067
.1995   .1191   3.3541
.5631   .1191   3.4078
-.8005  .7858   3.6221
.1995   .7858   3.8329
.5631   .7858   3.9095

```

END DATA.

GRAPH/SCATTERPLOT= Total Rewards with Employee Engagement by Perceive reward Fairness.

Level of confidence for all confidence intervals in output: 95.0000

NOTE: The following variables were mean centered prior to analysis:

Perceived reward fairness Total rewards

Appendix D; Research Questioner

ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS MBA REGULAR PROGRAM

My name is Hassen Seid, I am currently working with the research component of the Master's Degree in Master of Business administration (MBA) at the Addis Ababa University.

The purpose of the study is to examine the effect of total rewards on employee engagement and examine the moderating role of perceived reward fairness between the two variables.

To this end, the study intends to gather information from professional and managerial employees of those randomly selected from branches of Dashen Bank S.C. and Wegagen bank S.C. in Addis Ababa area through this self-administered questionnaire. The participation is fully voluntary and your responses will be kept confidential and used for this particular research only. The results will be also reported without compromising the privacy of the respondents.

I would appreciate your consideration in completing the enclosed questionnaire and assisting me in the research endeavor.

In case you have any suggestion/ questions please call 09-23-14-12-54 or email me; hassenseid34@gmail.com

Thank you in advance!!

Hassen Seid

Part A

General Information

Sample No: _____

Sex: Male [] Female []

Age: 26-35 [] 36-45 [] 46-55 [] 56 years and above []

Educational Qualifications; College diploma [] First Degree [] Master degree [] above []

Years of experience in the Bank: 2-5 years [] 6-10 years [] 11-4 years [] above 16 years []

Part B

✓ Kindly complete all the questions below by checking one response per item.

		Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
1.	My employer provide me with Recognition e.g. Financial recognition such as a cash, paid travel.					
2.	My employer respects differences in race, gender and age.					

3.	The company offers opportunities to me for learning and career development outside of my current job e.g. sabbaticals, coaching, mentoring, leadership training					
4.	The company offers opportunities to me for career advancement e.g. job advancement/promotions, internships, and apprenticeships with experts, internal job posting					
5.	I have had a quality performance feedback and performance discussions with my supervisor					
6.	I believe my contribution and work is valued					
7.	I derive challenge and interest from my job					
8.	I am provided with challenging targets					
9.	I have a manageable workload and reasonable work pace					
10.	I Have supportive and like –minded colleagues					
11.	I am provided with opportunities for training within my current job e.g. skills training					
12.	My employer supports a balanced lifestyle (between your work and personal life)					
13.	The company provide work/life programs such as flexible working arrangements, flexible hours					
14.	I have social friendships at work					
15.	The company encourages and organizes team building or other social networking activities amongst employees					
16.	the company provide employees with health and wellness programs e.g. Employee Assistance Programs, counselling services, fitness centers					
17.	The company have a competitive pay package (i.e. basic salary plus benefits, allowances or variable pay)					
18.	I am provided with medical aid, retirement and pension benefits					
19.	The company provide incentive bonuses/variable pay					
20.	My work is recognized via non-financial means e.g. certificates of recognition					

Part C

✓ Kindly complete all the questions below by checking one response per item

		Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
1.	When I get up in the morning, I feel like going to work.					
2.	At my work, I feel bursting with energy.					
3.	At my work I always persevere, even when things do not go well.					
4.	I can continue working for very long periods at a time.					
5.	At my job, I am very resilient, mentally.					
6.	At my job I feel strong and vigorous.					
7.	To me, my job is challenging.					
8.	My job inspires me.					
9.	I am enthusiastic about my job.					
10.	I am proud on the work that I do.					
11.	I find the work that I do full of meaning and purpose.					
12.	When I am working, I forget everything else around me.					
13.	Time flies when I am working.					
14.	I get carried away when I am working.					
15.	It is difficult to detach myself from my job.					
16.	I am immersed in my work.					
17.	I feel happy when I am working intensely.					

Part D

✓ Kindly complete all the questions below by checking one response per item

		Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
1.	Procedures are designed to collect accurate information necessary for making decision.					
2.	Procedures are designed to provide opportunities to appeal or challenge the decision.					
3.	Procedures are designed to have all sides affected by the decision represented.					
4.	Procedures are designed to Generate standards so that decision could be made with consistence.					
5.	Procedures are designed to hear the concerns of all, those affected by the decision.					
6.	Procedures are designed to provide useful feedback regarding the decision and its implementation.					
7.	Procedures are designed to allow requests for clarification or additional information about the decision.					
8.	Your supervisor considered your view point					
9.	Your supervisor was able to suppress personal bias					
10.	Your supervisor provide you with timely feedback about the decision and its implication					
11.	Your supervisor treated you with kindness and considerations					
12.	Your supervisor showed concern for your right as an employee					
13.	Your supervisor took stapes to deal with you in a truthful manner					
14.	Fairly rewarded considering the responsibilities					
15.	Fairly rewarded in view of the amount of experience you have					
16.	Fairly rewarded for the amount of effort you put forth					
17.	Fairly rewarded the work you have done well					
18.	Fairly rewarded for the stress and strain of your job					