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**ADDIS ABABA UNIVERSITY  
COLLEGE OF BUSINESS AND ECONOMICS  
SCHOOL OF COMMERCE**

MA in Human Resource Management Program

THE RELATIONSHIP OF REWARD MANAGEMENT PRACTICES TO EMPLOYEES"

JOB SATISFACTION IN ETHIOPIAN INSURANCE CORPORATION

A thesis submitted to Addis Ababa University School of Commerce in partial fulfillment of  
the requirements for Master of Arts in Human Resource Management

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May 2016

## DECLARATION

I hereby declare that this work entitled: “*The Relationship of Reward Management Practice to Employees’ Job Satisfaction in Ethiopian Insurance Corporation*”, is the outcome of my own effort and study and that all sources of materials used for the study, to the best of my knowledge, have been duly acknowledged. I have produced it independently except for the guidance and suggestion of my research advisor.

This study has not been submitted for any degree in this university or any other university. It is offered for the partial fulfillment of Degree of Masters in Human Resources Management.

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This is to certify that the thesis prepared by Tezera Misganaw, entitled: *“The Relationship of Reward Management Practice to Employees” Job Satisfaction in Ethiopian Insurance Corporation*” and submitted in partial fulfillment of the requirements for the Degree of Masters of Human Resources Management complies with the regulations of the university and meets the accepted standard with respect to originality and quality.

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## **ACKNOWLEDGEMENTS**

First and foremost I thank the Almighty GOD for the wisdom and perservance that has been bestowed upon me during this paper and indeed, throughout my life. “I can do everything through him who gives me strength”.

A major final paper projects like this can never be the work of any one alone. The contribution of many different people, in their different ways have made this possible. Hence, gratitude is hereby extended to the following people who never ceased in helping until this paper structured. Of those, it is with much appreciation that I thank my thesis advisor Dr. Ababa Beyene Mengistu for her commitment and devotion while providing me timely responses and academic guidance throughout the completion of this project, wish God to bless her and her entire family.

I sincerely thank employees of Ethiopian Insurance Corporation, who have committed their time to fill out questionnaires and make this research come true.

What words can I use to express my sincere gratitude to my loving and understanding wife Betelehem and my family for the priceless concern and support all the way through the completion of this project.

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## **ARCONYMS**

<b>EIC</b>	Ethiopian Insurance Corporation
<b>TOT</b>	Terms of Reference
<b>HR</b>	Human Resource
<b>SPSS</b>	Statistical Package for Social Science

## ABSTRACT

*This study empirically examine the relationship between rewards and employees job satisfaction in EIC. The purpose of this survey primarily essencial for organization to have satisfied, competent and committed staff for better chance of meeting the overall objectives and goals. The study used both primarily and secondary source of data. A quantitative research approach of the data collection used and 258 questionnaires were distributed and 224 completed usable questionnaires for response rate of 86.8% returned. Stratifying sampling method was used and employees was selected from each strata with a simple random sampling technique. Data was analysed using descriptive, corollational and multiple regression analysis. The study result has implied that personal growth and advancement is found to have strong positive relation ship ( $r=0.481$ ,  $p<0.01$ ) with employees job satisfaction, moderate relation ship obtained with recognition ( $r=0.386$ ,  $p<0.01$ ), working environment ( $r=0.390$ ,  $p<0.01$ ), promotion ( $r=0.386$ ,  $p<0.01$ ), empowerment ( $r=0.227$ ,  $p<0.01$ ) supervision ( $0.124$ ,  $p<0.01$ ). Where as, weak relation ship is obtained with payement ( $r=0.124$ ,  $p>0.05$ ) and benefits ( $r=-0.011$ ,  $p>0.05$ ). Both financial and non-financial rewards should be a source for employees' job satisfaction and then employees will be loyal and willing to stay in their organization, because employees' satisfaction on the job will reduce absenteeism and turn over intention in the insurance.*

**key words:** Intrinsic rewards, Extrinsic rewards, Job satisfaction

# **CHAPTER ONE**

## **INTRODUCTION**

This chapter presents the background of the research, back ground of the organization, statement of the problem, research objectives, research questions, and significance of the study, scope of the study and organization of the study.

### **1.1 Back Ground of the Study**

Reward system is an important tool that management can use to channel employee motivation in desired ways. In other words, reward systems seek to attract people to join the organization to keep them coming to work and to perform high levels (Pratheepkanth 2011 ).The reward system consists of all organization components including people, processes, rules and decision making activities involved in the allocate of compensation and benefits to employees in exchange for their organization (Armstrong,2009).

Reward systems are one of the most widely researches and written subjects in the field of management and organizational behaviour, yet it remains one of the less understood topics. However, in present days, among manager's tasks is to create an environment which motivates people to perform satisfactorily and to be a profitable asset, so that they can foster the organization's growth (Lawler, 1971).

In a wider context, there is an increased emphasis on people as a key source of competitive advantage, often being regarded as the key differentiator between organizations and many managers try to comprehend the complexities of motivating people at work and provide them with job satisfaction so that they can gain employee commitment. For those reasons, increased emphasis is given to financial and non-financial rewards from both managers and academics

(Georgakopoulos, Sotiropoulos, & Dimitris 2010) and they further discussed rewards are a potential source that contributes to employees' motivation and job satisfaction.

Job satisfaction is another crucial term within the same body of literature. Job satisfaction is likely provides employees of all levels with feelings of fulfillment, achievement and even pleasure for their job ( Mc Gregor ,1961). Identifying factor that cause both satisfaction and dissatisfaction among employees in an effort to increase employees motivation and satisfaction for organizational commitment is important for employers (Herzberg, 1966 ; Mc Gregor ,1961). Mc Gregor further argued that rewards are divided in to intrinsic and extrinsic rewards. And he further discussed employers must understand what satisfied employees; some employees may be satisfied by monetary rewards such as : base pay, benefits, working environment, supervision. While other employees may be satisfied by non-monetary rewards such as: promotion, recognition, personal growth and empowerment and etc . Insurance, like other organizations, face the difficulty of determining the best benefit offering to their employees", which include reward management programme that makes them satisfied with and which linked with the insurance strategies.

There are extensive works done on the area of reward system and its link to other human resource management practice out comes like turn over, employees' job performance, employees' job engagement in other institutions. But there is little well comprehensive research done that shows the influence of reward management practice on the satisfaction of employees towards a job in insurance industry in Ethiopia. Therefore, this study is aim at to investigate the relationship of reward management practice and employee's job satisfaction the case company.

## **1.2. Background of the Organization**

The Ethiopia Insurance Corporation (EIC) was established on 1<sup>st</sup> January 1976 with proclamation No 68/1975 and managed in accordance with the public enterprise proclamation No.25/1992. EIC was established with the objective of engaging in the business of rendering insurance services and in any other related activities conducive to the attainment of its purpose. Starting from its establishment, EIC has been providing insurance services for its customers for the last 40 years both as the only insurance service provider (for 19 years, from 1976-1994) and as a competitive insurance service provider in the country (from 1994 to present). Since the liberalization of the financial sector in 1994, the Ethiopian insurance market has been opened-up for local investors. Consequently, private insurance companies have flourished in the country. At the present time, 17 insurance companies are operating in the industry, and EIC commands about 41% of the market in gross written premium collection in the market as shown in (EIC Annual Report, for the year 2013/2014).

Currently, EIC has 45 branches throughout the country, and has adequate market knowledge emanating out of 40 years experience backed with 1,247 experienced employees. EIC provides life, property and liability insurance policies. Known for its strong and reliable financial position, long standing and well-built affiliation with many international insurance organizations and associations. EIC has maintained a comprehensive range of out ward reinsurance contract, and accepting inward reinsurance (including Co-insurance) business. It has been also engaged in different investment area. Because of the competitiveness of the insurance industry, it is becoming very difficult to sustain its place as a leader without changing itself. To this end, the corporation has undertaken a business process re-engineering in its core and support process to bring about institutional transformation, which in turn would enable to boost the level of customer satisfaction

and also make the corporation competitive enough both in the domestic as well as international insurance markets to achieve its vision (i.e. To be World Class Insurers in 2025; EIC Annual Report of the year 2013/2014).

### **1.3. Statement of the Problem**

The success of any organization in the long run depends very much on the quality of its human resources. This is especially true in the service oriented industry like insurances where improvements in service have to be made to meet the rising expectation of the customers. A well designed reward system along with the firms strategies and human resource management has a great deal of relationship on attracting, acquiring, maintaining and motivated and satisfied employees to accomplish their task effectively and efficiently which in turn keeps the organization attains competitive advantage over competitors.

Reward systems are one of the critical parts of any organization's design. How well they fit with the rest of the systems in an organization has an important impact on how effective the organization is and on the quality of life that people experience in the organization (Armstrong,2009).

According to Ajila (1997) as cited in Pratheepkanth (2011) an intrinsically motivated individual will be committed to his work to the extent to which the job inherently contains tasks that are rewarding to him or her. And an extrinsically motivated person will be committed to the extent that he can gain or receive external rewards for his or her job.

As an employee of EIC, the researcher's personal observation testifies that most of the issues in management meeting are about employees' job dissatisfaction and their undesired behavior in the working atmosphere. Related to this issue there is prevalent of informal groups discussion regarding reward system of the organization and there is no room for equitable balane

between both monetary and non-monetary rewards . Informal interviewees with some employees revealed that although the basic salary is good as compared to other industries in the market, there are a number of problems associated with other financial and non-financial reward by the insurance.

In relation to the reward practices, many employees complained that the reward management practice of the company had not been satisfying their needs. As a result those who were demotivated had been shifting to the private industry and became its own competitors. If this problem is not taken care by applying effective reward systems, the quality of the corporation's services may decline which might be a cause for its low market share in the future and further other repercussions.

By taking in to all the situation mentioned above, EIC has made an agreement to be consulted by Deloitte consulting and made terms of reference (TOT), produce a minute in reference to letter no DTT/721/2015 dated 23 July 2015. The mentioned consulting firm is currently advising after collecting data and collected feedback from employees in higher position. It has been engaged with extensive competency matrix, conducting job analysis and evaluation, grading and designing reward package, carrier progression scheme as well as succession management framework. However, the consulting job does not include the issue of measuring to what extent employees are satisfied with the existing reward systems in the company and what relationship exists between reward and job satisfaction of employees.

To the best of the researcher's knowledge, no research was done that shows the relationship between reward management and job satisfaction in EIC. Filling this gap is believed to be the main contribution of this research.

Therefore, this research study evaluates the relationships of reward management practices on employees' job satisfaction in Ethiopian Insurance Corporation. In doing this, the existing reward management practices will be evaluated from various aspects such as intrinsic reward and extrinsic reward.

## **1.4 Research objective**

As research is guided by an objective, this section presents the intended outcomes of this study. The formulated main objective and the specific objective that elaborate the research are presented below:

### **1.4.1. General Objective**

The general objective of the study is to investigate the relationships of reward management practice to employees' job satisfaction at EIC.

### **1.4.2. Specific Objectives**

The specific objectives of this research include:

- i. To determine the relationship of intrinsic rewards and job satisfaction level of employees' of EIC (promotion, Recognition, personal growth & career advancement, and empowerment).
- ii. To determine the relationship of extrinsic rewards and job satisfaction level of employees of EIC (Base pay , benefits, work environment, and supervision).
- iii. To identify which of the two kinds of rewards (intrinsic or extrinsic) is the most influential factor of job satisfaction.
- iv. To examine whether there is a significant difference between different demographic profiles of respondents in EIC and the level job satisfaction they have.

## 1.5 Research Questions

In light of the research objectives stated in the above section, the research makes an attempt to find out answers to the following basic questions:

- i. Is there significant relationship between intrinsic rewards and employees' job satisfaction in EIC?
- ii. Is there significant relationship between extrinsic rewards and employees' job satisfaction in EIC?
- iii. Is there significant mean difference between intrinsic and extrinsic rewards in EIC? Which one are the most influential factors of employees' job satisfaction level?
- iv. Is there significant difference between demographic profiles of respondents in EIC and the level of satisfaction they have ( i.e with age differences, marital status, gender , tenure and level of education) ?.

## 1.6 Significance of the Study

This study investigates the relationship of reward management practices on employees' job satisfaction of Ethiopian Insurance Corporation. In the researcher's opinion, the findings of the study are important for the organization, human resource managers of EIC, employees, researchers, and other interested people.

- From the organization's side, the output of the research work can give clear picture of how the existing reward management practices function. It also shows the organization how effective the existing reward practices enhancing employees' job satisfaction. This can also give a clue for future amendment of the existing reward policies and practices.
- From the human resource manager of EIC, it has great benefits in attracting, acquiring, maintaining and motivating, satisfying employees to accomplish their task effectively

and efficiently which in turn keeps the organization attains competitive advantage over competitors.

- From Employees in the organization, it contributes to employee's satisfaction; it tends to have higher self-esteem, more confidence, more willingness to take on new challenges and more eagerness to be innovative.
- Furthermore, the study may serve as a reference and base for future researchers who want to conduct detailed research on the issue.

### **1.7 Scope of the Study**

The scope of the study is delimited to full time employees and managers located in Addis Ababa at Head Office, around its seven districts (life Addis, Arada, Eastern, Southern, North Addis, Western Addis and Central Addis District) and its ten branches (Merkato Life, Bole life, Megenagna life, Mexico life, Bole General, Merkato general, Megenagna General, Gulele general, Ayertena general and Saris General Insurance) that are at a clerical, professional and managerial position of the respective insurance. This is done to keep the size of the research manageable within the available time and financial resources.

### **1.8 Limitation of The Study**

To conduct this study , there were limitation encountered the researcher. To mention some of these draw back, lack of cooperation from employees, respondents were not dedicated enough to respond the questionnaires, rather the leave the question not answered. In addition, some respondent were reluctant and reserved to convey their idea freely, on what they really believe in.

### **1.9 Organization of the Study**

This research study entitled: *“The Relationship between Reward Management Practice and Job Satisfaction in Ethiopian Insurance Corporation”* is organized in the following manner:

Chapter one explains the issue that will be discussed in this study. It also high light, the background of the research, back ground of the organization, statement of the problem , research objective ,research question, significance of the study, scope of the study and organization of the study.

Chapter two provides review of the most important theoretical concepts such as reward management, intrinsic rewards, extrinsic rewards; it will thoroughly discuss motivation theories that have close relation with job satisfaction, job satisfaction, the relationship between reward management and job satisfaction. It further provides an insight into these concepts by focusing on previous research in this area and presents reviewed literature relevant to this study.

Chapter three describes the research design utilized. Specifically, the chapter describes research design, target population, sampling techniques and sample size determination, the measuring instrument used, the procedure followed to gather data, and the statistical techniques used to analyze the data and finally, ethical consideration that should be taken into account.

Chapter four reports on the results of the empirical analysis. Further, it proceeds with an analysis of the descriptive statistics on the variable under consideration. To facilitate ease in conducting the empirical analysis, the result of the descriptive, Pearson correlation coefficient analysis presents first, followed by inferential analysis with multiple regression analysis.

Chapter five describes the result of the study in greater detail and the limitation of the study and the implications for future research are addressed finally, the chapter concludes with recommendation.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

A large contextual body of literature further supports and paves a way that a sound reward management practice contributes a great deal to correlate with employees' job satisfaction. This chapter will review both theoretical and empirical literature by various scholars on the relationship of reward management system and employees' job satisfaction.

In addition, it covers the concept of reward management, reward system, reward strategy, reward policies, reward practice, reward process, total reward, and types of rewards, motivation, and job satisfaction, the relationship between reward management and job satisfaction and factors that explain variation of job satisfaction.

#### **2.1 Concepts of Rewards Management**

According to Armstrong and Murlis (2008), reward management is all about the development, implementation, maintenance, communication and evaluation of the reward process. The processes deal with the assessment of relative job values, the design and management of pay structures, performance management, paying for performance, competence or skill (contingent pay), the provision of employee benefits and pensions, and the management of reward procedures. It also dealt with the strategies, policies and processes required to ensure that the contribution of people to the organization is recognized by both financial and non-financial means. It is about the design, implementation and maintenance of reward systems (reward processes, practices and procedures), which aim to meet the needs of both the organization and its stakeholders.

At the moment, many more forms of compensation entered the business field which necessitated to take wage and salary administration in comprehensive way with a suitable change

in its structure (Beach, 1975) as cited by Henderson (1984) and add reward management is not just about pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, job security, equal reward, learning and development opportunities and increased job responsibility.

In today's highly competitive business environment win-win relationship is important that forms the right treatment of employees by the organizations. Lawler (1990) stated that in order to treat the employees of the organization right, rewarding them properly is one of the important components.

Rewarding for good performance encourages employees to continue their performance and improve their skills and knowledge day by day to contribute positively towards organization and promote employees' job satisfaction. An organization that grows healthier is supposed to provide its employees the opportunity to grow and prosper.

### **2.1.1 Objective of Reward Management**

The basic objective of reward management can be briefly termed as meeting the needs of both employees and the organization. Since both these needs emerge from different sources, often, there is a conflict between the two. This conflict can be understood by agency theory which explains the relationship between employees and employers (Osterloh & Frey, 2000). The theory suggests that employers and employees are two main stakeholders in a business unit, the former assuming the role of principals and the latter assuming the role of agents. The aims of reward management according to Armstrong (2010) are to:

- Reward people according to the value they create;
- Align reward practices with business goals and with employee values and needs;

- Reward the right things to convey the right message about what is important in terms of behaviors and outcomes;
- Help to attract and retain the high-quality people the organization needs;
- Motivate people and obtain their engagement and commitment;
- Develop a high-performance culture;
- Support the achievement of business goals through high performance;
- Develop and support organization's culture;
- Define what is important in terms of behaviors and outcomes;
- Reward people according to what the organizations values;
- Win the engagement of people.

### **2.1.2 Dimensions of Reward Management**

To achieve the aims of reward management, the reward management strategies, policies, processes, and practices should rely on certain principles. (Michael Armstrong, 2007), mentioned that all the reward management policies and practices supposed to operate in accordance with the principles of distributive and natural justice, function fairly, equitably, consistently and transparently, are aligned to the business strategy, fit the context and culture of the organization, are fit for purpose and help to develop a high performance culture and to achieve strategic goals..

## **2.2 Rewards Systems**

Reward system is an important tool that management can use to channel employee motivation in desired ways. In other words, reward systems seek to attract people to join the organization to keep them coming to work, and motivate them to perform to high levels (Pratheepkanth , 2011) .

In order to conceptualize the rewards systems, it is necessary to commence from the Harvard Model of human resource management, which emanates from the Harvard Business School (Sparrow & Hiltrop, 1994) as cited by Ekaterini, Georgios, Ioannis and Vasilopoulos, (2010). This model is called “Soft Variant” because it emphasizes in the human aspect of human resource management. According to Beeral (1984) as cited in Ekaterini, Georgios, Ioannis and Vasilopoulos, (2010), the model comprises of four key policies: rewards systems, is designed to attract, retain and motivate employees; human resource flow, akin to the human resource development set of policies; employee involvement in decision-making, and work systems, designed in order to produce the best outcomes. It is, therefore, obvious that rewards systems are a fundamental function of human resource management as they deal with the assessment of job values, the design and management of payments, performance management, contingent pay, employees’ benefits and pensions and the management of rewards procedures. Furthermore, reward policies should take into account organizational goals, values and strategies (Armstrong & Murlis, 1998).

Another important point that Armstrong and Murlis (1998) mentioned that rewards systems also include the development of organizational cultures as they are led by organizational requirements and can increase the motivation and commitment of employees as their philosophy must recognize the vital role of the workforce and also respect their needs.

### **2.2.1 Reward Philosophy**

The reward philosophy advocates that if human resource management (HRM) is about investing in human capital from which a reasonable return is required, then, it is proper to reward people differentially according to their contribution ((Michael Armstrong, 2006). The philosophy of reward management also recognizes that it must be strategic in the sense that it addresses

longer-term issues relating to how people should be valued for what they do and what they achieve. Reward strategies and the processes that are required to implement them have to flow from the business strategy. According to Milkovich, New Man and Ratham (2009), reward strategy should be assessed from the aspect of its objective, alignment with the business strategy, competitiveness both internally and externally, its Contribution, and transparency and openness.

### **2.2.2. The Debates**

Debates in reward management are analogous to just like debates of scholars and practitioners in another field of study. Two of the major areas of their debate are: The new pay philosophy and the best fit versus best practice approach of reward management. A core discussion on these two debates will be presented below.

#### **2.2.2.1 The New Pay Philosophy**

There is no doubt that in recent years organizations have witnessed intensified changes in global and local markets. There is competition in international markets, mobility of capital, technological innovations and changes in the employment relations patterns. In their search for competitive advantage in the current era, firms have adopted new high performance work systems (Whitfield & Poole, 1997 p.745-64). Based on that concept and within the late literature, there are linkages of rewards with the overall strategy. Here lies the first debate among academics and practitioners about the approach towards rewards management.

Mac Duffie (1995) investigates the need for congruency between the organizational strategy and the human resource strategy. Additionally, Armstrong and Murlis (1998) underline the need for a more strategic approach to payments and rewards in the context of a “new pay philosophy”. The “new pay” concept was originally formulated by Lawler (1995) who emphasized that it is necessary to think and act strategically about rewards. In order to do that, organizational

objectives and policies should be sharply and clearly defined and measured so that the design of a rewards system will be consistent to those objectives.

An opposite standpoint was expressed by Smith (1992) who argues that the new payment schemes have been created in order to meet the current needs of the organizations for short-term recruitment and retention problems, cost-cutting pressures and other issues that have come along with the highly competitive international markets. He also mentioned that in fact, the rewards systems have not gone into any fundamental change and they remain close to traditional payments systems. This is because managers do not support the notion of the “strategic approaches” to human resource functions but they “muddle through”. Thus, there is an emphasis in the gap between the rhetoric and the reality, not only by Smith (1992). In his research (1998) they identified a substantial endorsement of “new pay philosophy” but they did not notice any actual reward practiced based upon this new philosophy.

#### **2.2.2.2 Best-Practice versus Best-Fit**

A second debate investigates the dilemma of best-practice versus best-fit. In the case of best-practice, the adherents believe that it is possible to identify approaches which can be globally applicable and have universal value in organizations’ endeavors to achieve competitive advantage. The best-fit or contingency school deals with each organization separately, as it stresses the significance of strategic alignment of human resource policies to fit to the organizations’ goals, and business objectives (Thorpe & Homan, 2000). Furthermore, Legge (1995) describes the previous dilemma as the hard and soft approach to human resource management. Within many researches there are noteworthy conclusions for both practices. Some support that a best practice approach is likely to lead to improved performance (Guest, 1987) and some others believe more contingent approaches are best to choose (Lawler, 1990). Lawler re-defines the “new pay” by

saying that the implementation of new reward practices does not mean abandoning traditional ones but there should be a set of new ways of thinking about a more strategic role of rewards systems in a complex organization.

### **2.2.3 Reward Strategy**

As suggested by Armstrong (2006), reward strategy is a “declaration of intent” defining the actions an organization intends to take in the long term to develop and execute reward policies, procedures and practices, which will enable this to achieve its business goals and those of its stakeholders.

As for the formulation of strategies in general, business strategy included, reward strategy aims at providing guidance, direction and a clear path for developing reward policies and practices within an organization. Since reward strategy should aim at helping the organization achieving its overall business strategy, reward strategy formulation needs to take into due consideration the organization needs, values and shared beliefs. Nonetheless, a good and effective reward strategy also needs to duly take into consideration employees’ needs and the way these can be satisfied, ultimately balancing the needs of the one with the ones of the others.

### **2.2.4 Element of Reward Management**

According to Armstrong (2005) in his hand book of reward management & practice listed element of reward management. A brief description on each element will be made on the section below:

#### **2.2.4.1. Reward Policies**

Reward policies provide guide lines for the implementation of reward strategies and design and management of reward processes. They will be influenced strongly by the guiding principles

and reward philosophy of the organization. The reward policy will be concerned with, the level of rewards, the relative importance attached to market rates and equity, attraction and retention of employees , the match between rewards and business performance, total reward policy, the need to communicate reward policies to employees and transparency.

#### **2.2.4.2 Reward Practices**

It consists of the grade and pay structures, techniques such as job evaluation, and schemes such as contingent pay used to implement reward strategy and policy. For example, the policy on pay levels will lead to the practice of collecting and analyzing market rate data, and making pay adjustments that reflect market rate of increase.

#### **2.2.4.3 Reward Processes**

It is a process consists of the ways in which policies are implemented and practices are carried out, for example the way in which the outcomes of surveys are applied and how managers manage the pay adjustment and review process.

#### **2.2.4.4. Reward Procedures**

These are operated in order to maintain the system and to ensure that it operates efficiently and flexibly and provides value for money. For example, a procedure will be used for conducting the annual pay review.

### **2.3. Total Reward**

Total reward describes a reward strategy that brings components such as learning and development together with aspects of the work environment, into the benefits package. In the total reward system both tangible and intangible rewards are considered valuable. Tangible rewards arise from transactions between the employer and employee and include rewards such as pay,

personal bonuses and other benefits. Intangible rewards have to do with learning, development and work experience. Examples of these types of rewards are opportunity to develop, recognition from the employer and colleagues, personal achievement and social life. The aim of total reward is to maximize the positive impact that a wide range of rewards can have on motivation, job engagement and organizational commitments. Total reward incorporates the summation of financial and non-financial rewards provided to individual employees (Armstrong 2006). The purpose of total reward is to create a cluster where all the different reward processes are connected, complementary and mutually reinforcing each other. In order to achieve internal consistency, the total reward strategies are horizontally integrated with human resource activities and vertically integrated with business strategies (Armstrong & Brown, 2006).

Benefits of a total reward system are described by Armstrong and Brown, 2006:

- Greater impact – when different types of rewards are combined, they will have a deep and long-lasting affect on the motivation, commitment and engagement of employees.
- Enhancing the employment relationship – total reward appeals more to employees due to the fact that it makes the maximum use of relational as well as transactional rewards.
- Enhancing cost-effectiveness – because total reward communicates effectively the value of the whole reward package, it minimizes the undervaluing of the true costs of the packages.
- Flexibility to meet individual needs – due to the variety of rewards, the total reward is able to answer the individual needs of the employees.
- Winning the war for talent – because relational reward processes are more difficult to replace than individual pay practices, total reward gives the organization the ability to attract and retain talented employees by differentiating their recruitment process and hence becoming “a great place to work.” and hence bind them more strongly to the organization.

### **2.3.1. Components of Reward System**

The reward system of an organization includes anything an employee may value and desire that the employer is capable or willing to offer in exchange for employee contribution. Different authors classified reward types differently from different perspectives. Henderson (2004) classified reward into two: Compensation and Non compensation rewards. According to his classification, compensation system incorporate current spendable income, disability income, deferred income, pay for time not worked, etc where as under non compensation rewards non monetary psychological rewards are incorporated. According to Armstrong and Murlis (2005) extrinsic rewards (motivators) are indirect rewards hence they satisfy employees needs indirectly (through monetary reward) where as intrinsic rewards fill the need of employees directly and he also classified reward in to two: financial rewards, and non-financial rewards.

### **2.4. Theories Related To Motivation and Job Satisfaction**

Motivation stems from the Latin word movers, which means to move or to carry. Motivation is the force that constantly induces to move and perform things. The most practical definition proposed by social scientist that, motivation is a psychological processes that origin the stimulation, direction, and persistence of behaviour (Luthans, 2005). Thus motivation becomes those psychological procedures that cause the arousal, direction, and persistence of voluntary actions that are goal directed. The features such as incentives and rewards are the most favored factors for employee motivation programs. However, the performance of employee job satisfaction is an imperative motivator and an arrangement of psychological and environment circumstances (Spector 1985). Motivation programs are the key component of incentives, rewards and recognition as different organizations correlate success factor with employee performance. Employees are completely motivated when they achieved their needs.

According to Beardwell, Holden, and Claydon (2004) motivation theories can be classified as content (need) or a process (approach to motivation) theories. The content theories attempts to identify the specific factors that motivates people and it helps us to understand what people will or will not value as work rewards. Alternatively, process theories offer more dynamic approach and are more interested in understanding the process of developing motives. Thus, there is less emphasis on specific factors that cause behavior (Beardwell, et al.2004).

### **2.4.1. Content Theories of Motivation**

This section presents four content theories of motivation: Maslows'' Hierarchy of needs, Alderfers'' ERG Theory, Herzberg''s Two-Factor-Theory, and McClelland''s'' Achievement, Afflation and Power Needs.

#### **2.4.1.1. Hierarchy of Needs Theory**

One model of motivation that has gained a lot of attention, but not complete acceptance, has been put forward by Abraham Maslow in the year 1943. Maslow''s theory stated that individuals are motivated to satisfy a number of different kinds of needs, some of which are more powerful than others. Maslow argues that until these most pressing needs are satisfied, other needs have little effect on an individual''s behavior. In other words, we satisfy the most proponent needs first and then progress to the less pressing ones. As one need becomes satisfied, and therefore less important to us, other needs loom up and become motivators of our behavior (Stuart, 2011).

According to this theory, once the needs at a particular level in the hierarchy of needs are satisfied, they are no longer a motivating factor for an individual. The five levels of hierarchy are Physiological needs, security needs, social needs, esteem needs and self actualization needs. Maslow represents this prepotency of needs as a hierarchy. The most proponent needs are shown at the bottom of the ladder, with prepotency decreasing as one progress upwards.

Maslow's five levels of hierarchy of needs from the top to the bottom are mentioned below.

- Self Actualization – reaching your maximum potential, doing your own best thing.
- Esteem – respect from others, self-respect, recognition.
- Social Needs (Belonging) – affiliation, acceptance, being part of something.
- Security (Safety) Needs – physical safety, psychological security.
- Physiological Needs – hunger, thirst, sex, rest.

The basic needs are arranged in a hierarchy where the most basic need emerges first and the most sophisticated need last. In other words, the higher-order needs including belonging, esteem, and self-actualization are not seen important until the lower-order needs which are safety and physiological are satisfied. Managers should find out what motivates the employees at each of the levels and develop a reward strategy accordingly (Tosi, Rizzo & Carroll, 1994, p. 217 and Beardwell & Claydon, 2007, p. 493).

Maslow's hierarchy of Needs has been criticized because there is little evidence that support its strict hierarchy and the fact that people satisfy only one motivating need at a time. The theory also fails to prove any clear relationship between needs and behavior, and is therefore unable to predict when a specific need will be manifested. (Beardwell & Claydon, 2007).

#### **2.4.1.2 ERG Theory**

According to Alderfer (1972) there are three groups of core needs - *Existence, Relatedness,* and *Growth* coded as (ERG theory). Alderfer's three core needs include the five needs of Maslow's need hierarchy and also define the differences between the two theories. First of all, Alderfer has recognized that more than one need can be operative at the same time, and *second*, if the gratification of a higher level need is stifled, the desire to satisfy a lower level need increases. In general, ERG theory represents a more valid version of the Maslowian need hierarchy. Robbins

(2005) puts in this way: ERG theories, argues, like Maslow's theory, that satisfied lower-order needs lead to the desire to satisfy higher-order needs; but multiple needs can be operating as motivators at the same time and frustration in attempting to satisfy a higher-level need can result in regressions to a lower level need (p.176).

#### **2.4.1.2. Herzberg Two-Factor-Theory Theory**

Herzberg's two factor theory of job satisfaction has been spotlighted on several previous studies on relationship between intrinsic and extrinsic rewards. Work motivation is found to be closely related with the intrinsic factors while extrinsic factors always have been linked to job dissatisfaction. The job aspects that contribute to determine job satisfaction are label motivators and hygiene factors.

Herzberg classified motivators as recognition, responsibility and growth. Meanwhile for hygiene factors are categorized as company policy, salary, and work condition (Herzberg, 1966). He also believes that both motivators and hygiene factors are sufficient for individuals to work effectively in the workplace even if either one has a positive effect on the employee behavior.

#### **2.4.1.3. McClelland's Theory of Needs**

According to Robbins (1998) McClelland's theory focuses on the following three needs: *achievement, power, and affiliation*; he defines these three needs as follows:

*Need for achievement:* An individual feels the need to excel, to achieve, and to succeed. In simple words, it is the desire to influence and control others and one's behavior has impact on one's colleagues.

*Need of power:* An individual feels the need to make others behave in a way they would not have behaved otherwise.

McClelland argued that the aforementioned need categories reside in individuals but their levels may vary and one need may be dominant over the others. Furthermore, he explained that the three needs may be given different priorities at different managerial levels. For instance, achievement needs are important for success in junior and middle management levels where a feeling of direct responsibility for task accomplishment is important (Armstrong, 2009).

## **2.5. Process Theories of Motivation**

The three process theories of motivation discussed in this section include: expectancy theory of motivation, equity theory of motivation and goal -setting theory.

### **2.5.1. Expectancy Theory of Motivation**

Expectancy Theory developed by Porter and Lawler (1960) as mentioned by Beardwell, et al. (2004) suggests that employees evaluate various alternatives and choose the alternative that they believe is most likely to lead to the most desirable reward. This cognitive process evaluates the motivational force (MF) of the different behavioural options based on the individual's own perception of the probability of attaining his desired outcome. Thus, the motivational force can be summarized by the following equation:

$$MF = \text{Expectancy} \times \text{Instrumentality} \times \sum (\text{Valence}(s))$$

- Expectancy (E): refers to the "effort-performance" relation. Thus, the perception of the individual is that the effort that he or she will put forward will actually result in the attainment of the "performance". This cognitive evaluation is heavily weighted by an individual's past experiences, personality, self confidence and emotional state.

- The Instrumentality (I): refers to the "performance-reward" relation. The individual evaluates the likelihood or probability that achieving the performance level will actually result in the attainment of the reward.
- Valance (V): is the value that the individual associates with the outcome (reward). A positive valance indicates that the individual has a preference for getting the reward as opposed to, vice-versa, a negative valance that is indicative that the individual, based on his perception evaluated that the reward doesn't fill a need or personal goal, thus he or she doesn't place any value towards its attainment.

### **2.5.2. Equity theory of Motivation**

Equity theory as developed by Adams (1965) discussed in Armstrong (2009) contended that people compare the way they are treated with another group of people (a reference group). Then, equity theory states that people will be better motivated if they are treated equitably and demotivated if they are treated inequitably. If an employee perceives his/her ratio to be equal to those of relevant others, a state of equity exists. In other words, he/she perceives that his/her situation is fair – that justice prevails. However, if the ratio is unequal, inequity exists and he/she views him/herself as under rewarded or over rewarded. Employees, upon the receipt of inequity, they will act to correct the situation. The result might be higher or lower productivity, improved or reduced quality of output, increased absenteeism, or voluntary resignation.

### **2.5.3. Goal -Setting Theory**

In the late 1960s Edwin Lock (1969) proposed that intentions to work toward a goal are major sources of work motivation. Although Lock argued, “Goal setting is more appropriately viewed as a motivational technique rather than as a formal theory of motivation”, his theorizing

was faced as a useful approach to work motivation and performance. Furthermore, the theory states that the more difficult the goal, the higher level of performance exists. Individuals will try to do the best when they are well informed. The administration ought to give them feedback in order to be in a position to progress toward business goals. Moreover, feedback helps to identify discrepancies between what they did and what they want to do. Feedback acts as a guide. The administration must be in a position to measure the self-generated feedback. By measuring this, managers will be able to understand which employee is competent to perform the difficult targets that the organization needs to achieve. By giving the opportunity to workers to participate in the decision making and setting their own goals a possibility appears to try harder.

In general, the basic concept of goal-setting theory is that a person with higher goal will do better than a person with lower goals and those goals have to be clear and precise to be understood by all (Beardwell, 2004).

## **2.6. Job Satisfaction**

Job satisfaction is one of the most important and significant variables in organizational behavior and in work organizations. According to Robbins (2000), “job satisfaction refers to an individual’s general attitude towards his/her job” (p.142).

The higher the job satisfaction, the more likely workers will hold a positive attitude toward their jobs (Wang & Feng, 2003) and are more likely to be committed to the organization. Similarly, workers with higher level of job satisfaction would display a decreased propensity to search for a job and decreased propensity to leave the organization (Wright & Bonett 2007). In the same way, employees who perceive their needs as unmet grow in general dissatisfaction and become increasingly attracted to competing places of employment (Tziner 2006), and often result in voluntary termination and organizational turnover (Mathieu & Zajac 1990).

As a result, job satisfaction has been described as a complicated and multi-faceted construct (Lagace , Goolsby, Gassenheimer, 1993). This is because individuals differ in the way they perceive satisfaction. So, organization should adopt a sound reward management practice to satisfy their employees. According to (Taber & Alliger, 1995), they emphasized that to understand overall job attitudes, researchers must examine the principal tasks and activities in which employees engage. To name the type of satisfaction derived from the reward dimension of a given organization; the most accepted and common facets of job satisfaction are the satisfactions with pay, promotion, opportunities, co-workers, supervision, and the work itself (Smith, Kendell , Hulin, 1969).

## **2.7. Relationship between Reward Systems and job satisfaction**

In present day, among manager's tasks is to create an environment which motivates people to perform satisfactorily and to be a profitable asset, that they can foster the organization's growth. In a wider context, there is an increased emphasis on people as a key source of competitive advantage, often being regarded as the key differentiator between organizations. Many managers try to comprehend the complexities of motivating people at work so as to build job satisfaction. For this reason, increased emphasis is given to financial and non-financial rewards for employees (Georgakopoulos, Sotiropoulos, & Dimitris. 2010).

Increasingly, organizations are realizing that in order to build on employee's job satisfaction, they have to establish an equitable balance between the employee's contribution to the organization and the organization's contribution to the employee. Establishing this balance is one of the main reasons to reward employees. This means that employees cannot be satisfied with their jobs unless they are motivated by effective reward systems (Pratheepkanth, 2011). It is easy to understand that job satisfaction is quite difficult to measure while it is considered as major determinant of

organizational performance and effectiveness Ricketta (2002) and effectiveness (Laschinger, 2001).

According to Clifford's study (Rehman, Khan, Ziauddin, & Lashari, 2010) cited in Turinowe.H (2011); stated there is a strong relationship between reward systems and job satisfaction. In the same discussion Zaini (2009) satisfaction of rewards in public and private sector employee has been established certainly associated with job satisfaction.

Research shows how rewards systems are strong determinant of job satisfaction. Gerald and Dorothee (2004) cited in Turinowe.H (2011) found that rewards are significantly related to professionalism and job satisfaction. They supported the argument that job satisfaction for professionals is derived in part from what professional perceives from job.

Demographic differences among employees are associated with job satisfaction (Kalleberg and loscocco, 1983; Douglas, 1991) had studied the job satisfaction of older workers. They showed that the intrinsic rewards have a positive effect on job satisfaction. No extrinsic rewards were significantly related to job satisfaction. For the relation of job satisfaction and age, older workers are more satisfied with their jobs than younger workers (Kalleberg, 1977).

Kalleberg and loscocco (1983) argued that job satisfaction increased with proportional rise in age as older worker have good jobs. They also concluded that Levels of intrinsic rewards appear to increase up to around age 40 and again after age 61; during the 41 – 60 age periods, however, the age intrinsic reward relationship becomes relatively flat. Moreover, Kalleberg and Loscocco (1983) reported that while considering the importance of individual attributes to job satisfaction, best documented and strongest relationship is between one's age and job satisfaction. The income history and past job rewards are as important as the current rewards are. Findings of Janet (1987)

as cited (Kalleberg, 1977) discussed that Job satisfaction for both men and women is more likely to be affected by a comparison of their present financial situation to their past situation.

The findings of Schulze and Steyn (2003) indicate that there is a correlation between age and marriage and the motivation levels of respondents. They found that age had a major impact on the motivation levels of educators. For example, their study reported that between the ages of 20-27 years educators were committed to marriage, children or job mobility and were trying to build a stable future. Between 28–33 years it was found that educators deal with career issues, marriage and parenting. These factors influenced their motivation levels. Between 34-39 years educators questioned their accomplishment or lack thereof and this might result in some stress, which also impacts on motivation.

In view of sex differences, the study of Kalleberg and Loscocco (1983) reported that there is no significance difference in job satisfaction levels between women and men. However, the research of Donald and Abdullah (1987) generated contrary results that men report more job satisfaction than women workers. Oshagbemi (2003) defined tenure as the number of years an employee has spent serving in a given organization. Tenure and job satisfaction is positively related (Bedeian, Ferris and Kacmar, 1992, cited in Luddy, 2005).

A study by Roben (1978) cited in Oshagbemi (2003) revealed that the relationship between tenure and job satisfaction is U-shaped. This is because of high expectation at the time of appointment that lead to satisfaction. But when expectations are not met, satisfaction will tend to decline and gradually starts to increase afterwards when expectations decline to a more realistic level.

Contrary to the above, Luddy (2005) discussed situations when tenure is negatively related to job satisfaction after citing some studies. The rational justification for this is related to the boredom created when individuals stay longer on one occupation.

The literature survey in this area is inconsistent especially in different respondent variable towards the reward dimensions they prefer. Some studies have found the work rewards and the determinants of work satisfaction by age and sex differences and vice versa. The relationship of job satisfaction with conceptual divisions of job rewards is reported differently by various researchers.

## **2.8. Defining variables**

Finding out exactly what makes people feel satisfied about their work can become a multi-faceted issue. According to Arnold and Feldman (1996), there are a variety of factors that make people feel positive or negative about their job. It has been of keen interest to many scholars on why some people report being satisfied with their jobs, while others express much lower levels of satisfaction. The drive to understand and explain job satisfaction has been motivated first by utilitarian reasons as well as humanitarian interests.

Factors that explain variation of job satisfaction among employees are both environmental and demographic. While the former is positively related to overall satisfaction the latter are relatively poor. According to Herzberg (1968) report, there are five factors which act as strong determiners of job satisfaction which include; achievement, recognition, work itself, responsibility and advancement. Other determinants are supervision, working conditions, salary and interpersonal relations.

Accordingly, and here the researcher used the eight independent variable as explanatory for strongly determine employees' job satisfaction. These variables which are included in the intrinsic and extrinsic factors are the following:

**a) Recognition**

Recognition is one of the most powerful methods of rewarding people. Recognition needs are linked to the esteem needs in Maslow's (motivation and personality, 1954) hierarchy of needs. They are defined by Maslow (1954) as the need to have a stable, firmly based, high evaluation of one (self-esteem) and to have the respect of others prestige. According to (Oosthuizen, 2001), he emphasized that recognition is the acknowledgement of an individual contribution showing appreciation and to reward the individual for an accomplishment of a task or sound performance.

Recognition can be provided by positive and immediate feedback from managers and colleagues that acknowledge individuals and team contributions. It is also provided by managers who listen to and act up on the suggestion of their team's members. Other actions that provide recognition include acknowledge contribution, allocation to a high-profile project, and enlargement of the job to provide scope for more interesting and rewarding work.

*H1: There is a positive and significant relationship between recognition and employees' job satisfaction level.*

**b) Personal Growth and Advancement**

Alderfer (1972) emphasized the importance of the change to grow as a means of rewarding people and therefore motivating them. He wrote: "satisfaction of growth needs depends on a person finding the opportunity to be what he is most fully and to become what he can. The organization can offer this opportunity by providing people with a sequence of experience and training that will equip them for whatever level of responsibility they have the ability to reach.

*H2: There is a positive and significant relationship between personal growth and advancement and employees' job satisfaction level.*

**c) Empowerment /Freedom in decision making and autonomy**

According to Wilkinson (1998) empowerment is the extents to which employees are encouraged to take firm decisions and (Carless, 2004) also add it is the decision made by employees without consultation with their managers so that it can enhance employees' decision participation.

This aspect concerns the decision of the leadership behavior (Lee & Koh, 2001), and therefore can be defined as the strengthening of the building, which has delegated management by providing employees with authority and autonomy over their tasks (Hsieh & Chao, 2004). Participation not only increases job satisfaction but it also increases productivity and improved relationships among group members.

*H3: Employee Empowerment has positive impact on job satisfaction.*

**d) Promotion**

Herzberg (1959) supported that the achievement of recognition and advancement are the main causes of positive satisfaction. Several researchers focused on the correlations between job satisfaction and promotion. Locke (1976, p.1323) advocates that the wish to be promoted stems from the desire for psychological growth, the desire for justice and the desire for social stays. Management should therefore bear in mind, that promotion can serve as a very positive motivating tool in ensuring that the employee attains goals at a higher level.

The importance of promotion appears to be different for people that belong to different social classes and who perform at different skill levels. For professional and managerial people,

work is part of their career and promotion is the highest reward. For semi-skilled and unskilled people, promotion is less important.

*H4: There is a positive and significant relationship between promotion and employees' job satisfaction level.*

**e) Payment**

Well-paid workers are believed to be more satisfied by their job. There is no doubt that monetary rewards may play a very influential role in determining job satisfaction. As indicated by Arnold and Feldman (1996, p.86-89), pay can have a powerful effect in determining job satisfaction. Man has multiple needs and money provides the means to satisfy these needs, (Arnold and Feldman 1996, p.86).

Locke (1976, p.1322) further emphasized that a desire for money stems from people's needs to satisfy their physical and security needs, whilst "go getters" view pay as a status and recognition symbol. Chung (1977, p.23) also reminds that if salaries are not market related, this can lead to dissatisfaction and discontent. Thus, using the above discussion I hypothesize:

*H5: There is a positive and significant relationship between payment and employees' job satisfaction level.*

**f) Benefits**

Employees benefits are elements of remuneration given in addition to the various forms of cash pay. They also include items such as annual holidays, pension sick leave insurance cover, company cars, home, and transportation (Armstrong and Murlis, 2005). It also taking into account, market stance is that internal rate of pay and compare with market rates.

*H6: There is a positive and significant relationship between benefits and employees' job satisfaction level.*

### **g) Supervisions**

According to Herzberg (1968), leadership or supervision includes all the skills and abilities of the supervisor to lead, to coach and to solve problems. These aspects are crucial for his or her success and enhance employees' job satisfaction in their working environment.

*H7: There is a positive and significant relationship between Supervisions and employees' job satisfaction level.*

### **h) Workplace Environment**

Workplace environment may have either positive or negative impact on the satisfaction level of employees depending upon the nature of working environment. The employees can perform better if they are provided good environment. The working outcomes are directly interlinked with working environment; the more it (environment) is conducive the better the outcome will be.

Dole and Schroeder (2001) emphasized that when working environment is conducive it will give higher level of satisfaction then it reduces turnover and in turn enhances the morale of an employee. Carlopio (1996) found that satisfaction with workplace is optimistically associated with job accomplishment and it is indirectly connected with turnovers for better future and he also discussed further the current workplace environment of various organizations has positive association with satisfaction of employees.

*H8: Satisfaction with the workplace environment has positive impact on job satisfaction.*

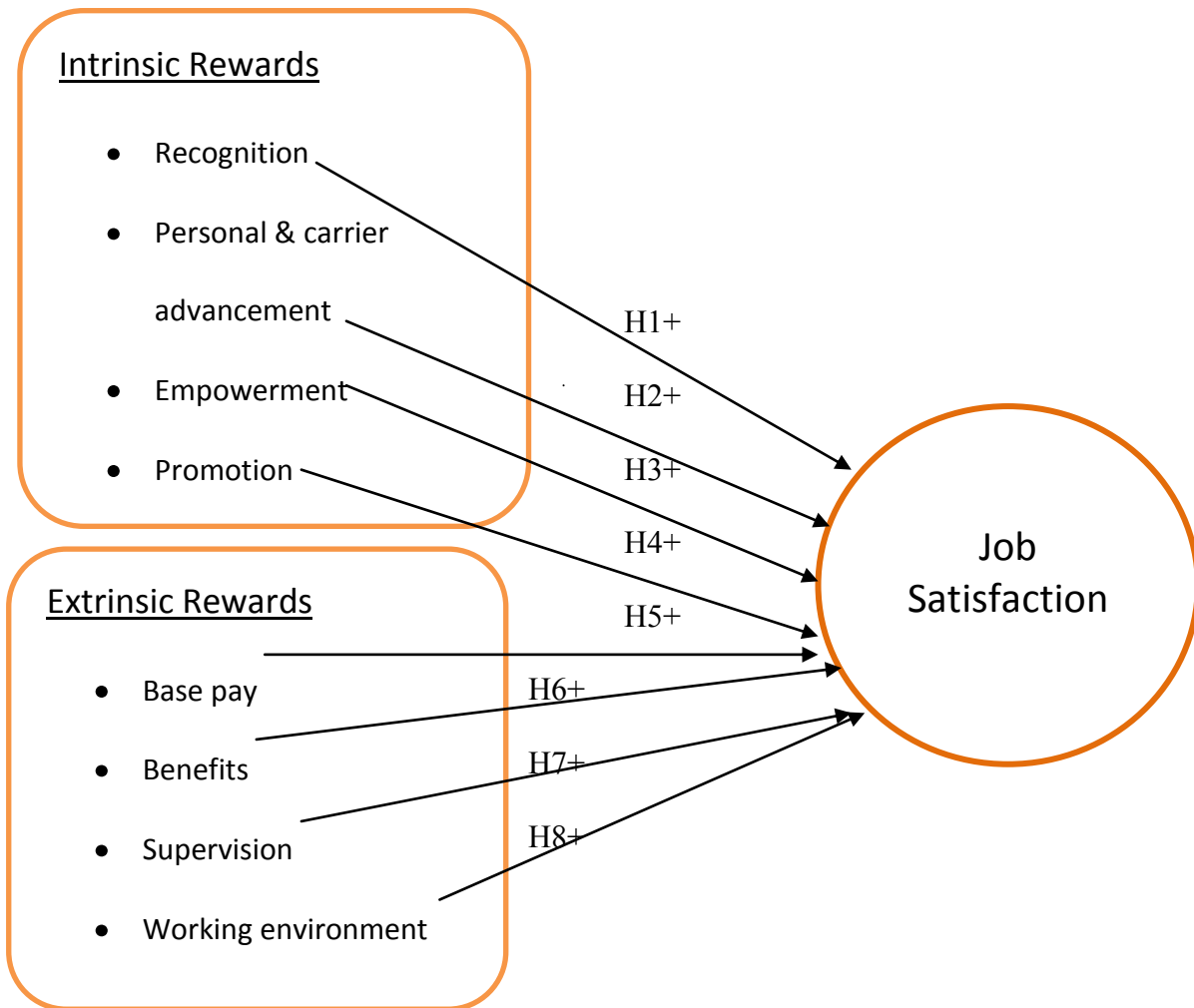
## **2.9 Conceptual Model of the Study**

After the careful study of literature review, a conceptual model depicted next page is formulated to illustrate the relationship between reward system in EIC and employees' job satisfaction. The model shows job rewards i.e. intrinsic (promotion, Empowerment, Recognition,

and Personal Growth & career advancement) and extrinsic rewards (Base pay and Benefits, supervision, working condition as independent variables and job satisfaction as dependent variable.

**Figure 1:conceptual frame work**

Independent Variable



Source: Adopted from : Debeer (1987).

## **CHAPTER THREE**

### **METHODOLOGY**

This chapter describes the research design to be utilized. Specifically, the chapter describes Research design, target population, sampling techniques and sample size determination, the measuring instrument used, the procedure followed to gather data, and the statistical techniques used to analyze the data and finally, ethical consideration that should be taken into account.

#### **3.1 Research Design**

The study was conducted as a quantitative study approach in order to depict the relationship of reward management practice and employees' job satisfaction. A quantitative research was used to test the hypothesized relationships. Quantitative approach helps researchers to test relationships between variables.

Quantitative research design involves the processes of collecting, analyzing, interpreting, and writing the results of a study (Creswell, 2009). Besides, it also helps to show whether there exists significant relationships between the variables of interest. Reward management practice here considered as independent variable and employees' job satisfaction as dependent variable for the study.

In this study descriptive research design and correlation analysis were used in order to understand and systematically describe the reward management practice of the insurance and also to identify the most influential variables that affect employees' job satisfaction level.

#### **3.2. Target Population**

According to Zikmund (2003) the target population refers to a group of specific population elements that are applicable to the research. In this study Ethiopian Insurance Corporation (EIC)

was selected as a unit of analysis for this study. The target populations of the study were employees of the insurance located at Addis Ababa city at Head Office, Districts and Branches who are working at clerical, professional and managerial level with a size of 780 employees. In this specific population element employees“ their experience below a year were not included in order to get reliable information from the respondent.

### **3.3. Sampling Technique**

Stratified sampling techniques were used to select sample from the target population. This is because; the study focuses on different groups of respondents would require having its own representative from the total sample size. Stratified sampling guaranty specific groups within a population are adequately represented in the sample.

In Ethiopian Insurance Corporation there are seven Districts, ten Branches and Head Office located in Addis Ababa. The researcher used the Head Office, Districts and Branches as a stratum. The estimated numbers of clerical, professional and managerial staff were identified from each stratum. Then from each stratum respondents were selected through random sampling method.

### **3.4. Sample Size**

A sample can be described as a subset or a part of large population (Zikmund, 2003 ). The researcher has been used the following sample determination technique which serve on line in determining the required sample size from a given target population.

The sample size of 258 is calculated from 780 target population at the confidential interval of 95% letting a marginal error of 5% and a response distribution of 50% using an online

calculator [www.Raosoft.com](http://www.Raosoft.com). In terms of the numbers selected above, the sample size  $n$  and margin of error  $E$  are given by:

$$X = Z(c/100)2r(100-r)$$

$$N = N x / ((N-1)E^2 + x)$$

$$E = \text{Sqrt}[(N - n)x/n(N-1)]$$

Where  $N$  is the population size,  $r$  is the fraction of responses that you are interested in, and  $Z(c/100)$  is the critical value for the confidence level  $c$ .

**Sample size calculator**

What margin of error can you accept?  
5% is a common choice

What confidence level do you need?  
Typical choices are 90%, 95%, or 99%

What is the population size?  
If you don't know, use 20000

What is the response distribution?  
Leave this as 50%

Your recommended sample size is **377**

The margin of error is the amount of error that you can tolerate. If 90% of respondents answer *yes*, while 10% answer *no*, you may be able to tolerate a larger amount of error than if the respondents are split 50-50 or 45-55.  
Lower margin of error requires a larger sample size.

The confidence level is the amount of uncertainty you can tolerate. Suppose that you have 20 yes-no questions in your survey. With a confidence level of 95%, you would expect that for one of the questions (1 in 20), the percentage of people who answer *yes* would be more than the margin of error away from the true answer. The true answer is the percentage you would get if you exhaustively interviewed everyone.  
Higher confidence level requires a larger sample size.

How many people are there to choose your random sample from? The sample size doesn't change much for populations larger than 20,000.

For each question, what do you expect the results will be? If the sample is skewed highly one way or the other, the population probably is, too. If you don't know, use 50%, which gives the largest sample size. See below under **More information** if this is confusing.

This is the minimum recommended size of your survey. If you create a sample of this many people and get responses from everyone, you're more likely to get a correct answer than you would from a large sample where only a small percentage of the sample responds to your survey.

**Table 1: sample size**

Grade	No of Areas In Insurance	Total Number of Staffs	Sample size Proportion
Head office	-	328	108
Districts	7	396	131

Branches	10	56	19
Total population		780	258

Source: EIC payroll confirmation; 2016

### 3.5. Method of Data Collection

The study were used both primary and secondary source of data. Primary data was obtained through questionnaires that are collected from employees and managers at Head Office and its branches and districts around Addis Ababa. Questionnaires were prepared for employees and managers. In this study, the questioner was serving as the research tool together information.

Questionnaires were distributed to employees which were developed based on the reward system adopted mainly from Spector (1985), Hack man and Oldham ,1975), World at Work Journal, De Beer (1987) and job satisfaction in other researchers like (Cammann., Fichman., Jenkins ., & Klesh, 1979).

A five point Likert scale questionnaire ranging from strongly disagree, disagree, neutral, agree and strongly agree was distributed to 780 employees working in the Head office, Districts and Branches and the questionnaire measured employee perception regarding intrinsic and extrinsic rewards, and job satisfaction.

### 3.6. Administering the Questionnaire

The questionnaires were self-administered and permission was requested from the HR director on the basis of the forwarding letter from the university. Besides, the questionnaire was left with the respondents through well prepared questionnaire with preamble letter. To facilitate good response rate consent was made with employees in EIC; the collection of the data should take a maximum of one month. As a result the respondent could possibly fill the questionnaires with

full attention without interference of the normal working hours. As much as possible, maximum care had taken in to account in designing the cover part and questions in the questionnaires.

### **3.7. Method of Data Analysis**

Quantitative data analysis tools were used to analyze the collected data. Descriptive statistics used to describe and interpret the result of the study. Correlation analysis more specifically Pearson correlation was used to measure the degree of association between reward management practice and employees job satisfaction.

From inferential statistics, multiple regression analysis, analysis of variance ( ANOVA), were used for one or more than two conditions. Social Package for Social Sciences (SPSS) software was used to analyze the data from the questionnaire.

### **3.8. Reliability**

Internal consistency or reliability is a measure of consistency between different items of the same construct. Cronbach's alpha is a reliability measure designed by Lee Cronbach in 1951 (Bhattacharjee, 2012). It is a coefficient of reliability and it is commonly used as a measure of the internal consistency or reliability of a psychometric test score for a sample of examinees. For testing the reliability of the data instrument Cronbach's Alpha was calculated. According to Zikmund, Babin and Griffin (2010) scales with coefficient alpha between 0.8 and 0.95 are considered to have very good quality, scales with coefficient alpha between 0.7 and 0.8 are considered to have good reliability, and coefficient alpha between 0.6 and 0.7 indicates fair reliability.

**Table 2: Reliability of statistics**  
**Summary of Measures**

Variable	Measure	No. of Items in the Scale	Cronbach's Alpha Result ( $\alpha$ )
Recognition	(Hack man & Oldham, 1975).	4	0.87
Personal growth & career advancement.	(World at Work Journal,2013).	4	0.706
Empowerment	(Hack man & Oldham, 1975).	4	0.706
Promotion	Spector's (1985).	5	0.907
Base Pay	De Beer (1987) .	6	0.681
Benefit	De Beer (1987) .	5	0.724
Supervision	Spector's (1985).	7	0.891
Work Environment	Spector's (1985).	7	0.645
Job Satisfaction	(Cammann., Fichman., Jenkins ., & Klesh, 1979).	3	0.684

From the above table 3.2 evidenced that in this study reliability tested, the alpha value for nine variable were measured ,tested and number of question in the instrument identified , finally alpha result was determined this increase confidence that the instrument would yield acceptable results and it proved that scales with cofficent alpha acceptable for further analysis (Zikmund , et.al, 2010).

### **3.9 Validity**

Test of validity indicate the degree to which measures what it is supposed to measure. In this survey content validity was ensured by subject matter expert.

### **3.10 Ethical Consideration**

The study was conducted by considering ethical responsibility. This includes providing information to the respondents which helps them to identify the purpose of the study and the use of the information as well. Informing clearly the data obtained was held in strict confidentiality by the researcher. Respondents' anonymity was kept so that participants will be feeling free and safe to express their ideas.

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION

The main objective of this paper is to examine the relationship between reward systems and employees' job satisfaction in Ethiopia Insurance Corporation. In this chapter, the data obtained in the study are analyzed, presented, interpreted and discussed. The chapter starts by providing the demographic and personal information of the respondents. The descriptive and inferential statistics are presented thereafter.

A total of 258 questionnaires were distributed to the respondents of EIC employees using stratified sampling techniques. Out of these, 224 (86.82%) usable questionnaires were collected. This response rate is quite large to confidently run the analysis. Accordingly, the analysis of this study is based on the responses obtained from this respondents.

#### 4.1 Demographic Information of Respondent

The first section of the questionnaire demanded personal information from respondents. These questions include: gender, age, tenure, level of educational background, marital status.

	Item	Frequency	Percent	Valid Percent	Cumulative Percent
	Male	147	65.6	65.6	65.6
	Female	77	34.4	34.4	100.0
	Total	224	100.0	100.0	

Source: own survey, 2016

Table 4.1 above presents the gender distribution of the sample. The sample was representative of a larger number of male respondents to that of female respondents. Male respondents comprised of 65.6% (n = 147) compared to 34.4% (n = 77) female respondents . This indicate that the number of proportion between male and female employees in the company is not proportional.

Table 4.2 Age distribution of the Respondent.					
	Age Category	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-25	25	11.2	11.2	11.2
	26-35	108	48.2	48.2	59.4
	36-45	53	23.7	23.7	83.0
	46-55	29	12.9	12.9	96.0
	56-59	9	4.0	4.0	100.0
	Total	224	100.0	100.0	

Source: own survey, 2016

The tabular presentation of the age distribution of the sample is presented in table 4.2. The majority of the respondents (n = 108 or 48.2%) fall in the age category of 26-35 years. The age category 56-59 Years old constitutes 9 (4% ) . The age of respondents which is 25 (11.2 % )fall in the age category of under 25 years.

As it can be seen from the table, the majority of the respondents (108 or 48.2%) belong to the age range 26-35 followed by the age range 36-45 constituting about 53 (23.7%). Having group of professionals that belong to the most active and energetic age group may help the organization to achieve its goals. However, unless EIC tries its best to keep them satisfied by providing reasonable amount of extrinsic and intrinsic rewards, it might also lose them as their age might also allow them to be mobile. That is, they may leave EIC for better opportunities and join similar organizations.

Table 4.3 Marital status of respondent.					
	Item	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	67	29.9	29.9	29.9
	Married	140	62.5	62.5	92.4
	Separated	6	2.7	2.7	95.1
	Divorced	9	4.0	4.0	99.1
	Widowed	2	.9	.9	100.0
	Total	224	100.0	100.0	

Source: own survey, 2016

Table 4.3 above illustrates that out of the 258 respondents who participated in this survey, 140 (62.5%) of the respondents were married, 67(29.9%) single, and nine (4%) are divorced, six (2.7%) separated and two (0.9 ) are widowed.

Table 4.4 Education Back Ground of Respondent

	Item	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than high school	4	1.8	1.8	1.8
	High School	3	1.3	1.3	3.1
	Certificate	6	2.7	2.7	5.8
	College Diploma	50	22.3	22.3	28.1
	First Degree	150	67.0	67.0	95.1
	Second Degree	11	4.9	4.9	100.0
	Total	224	100.0	100.0	

Table 4.4 presents the educational background of the respondents.

From the table, it is evidenced that the respondents from the case companies hold a range of educational qualification from Certificate to Masters" degree level; 1.8 (4) are not reached at high school level 1.3% (3) of them have high school certificate, 22.3% (50) have a college diploma, the majority of the respondents which represents 67% (150) are first degree holders and 4.9% (11) are master's degree holders, none of the respondents have a doctorate degree. It shows that majority of the company employees are professional enough to fill the questionnaires with full understanding.

Table 4.5 Respondents years of service in EIC

	Item	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5 years	47	21.0	21.0	21.0

	6-10 years	81	36.2	36.2	57.1
	11-20 years	59	26.3	26.3	83.5
	21-30 years	19	8.5	8.5	92.0
	31-40 years	18	8.0	8.0	100.0
	Total	224	100.0	100.0	

Source: own survey, 2016

With regard to years of experience in EIC 47 (21% ) have 1-5 years“ experience , 36.2% (81) of them have been working in EIC from 6-10 years, 26.3 % (59) employees have an experience of 11-20 years, 8.5% (19) of them have 21-30 years of experience and the remaining 8% (18) have been working in EIC for more than 31 years. The majority of the respondents are at the age of 6-10, it is believed that employees are well experienced and have a sound knowledge about their organization reward policy, system, practices and procedure.

## 4.2 Data Analysis

The data collected from Employees of Ethiopian Insurance Corporation through structured questionnaire is analyzed and presented in this section below with the help of tables. The descriptive statistics analyzes the data based on research questions to establish the relationship between reward system and job satisfaction level of employees of EIC.

### 4.2.1 Data Analysis of Reward Variables and Job Satisfaction

In section two of the questionnaires, questions related to reward system were covered. Both intrinsic and extrinsic reward dimension with their criteria or facets were determined. In order to establish the relationship of reward systems and job satisfaction eight variables were

selected and included in the questionnaires; 42 questions in eight subsections from reward systems and three questions to examine job satisfaction. Accordingly the analysis of each reward variables and job satisfaction is as follows.

The survey scale for the independent and dependent variable analysis: 0= strongly disagree, 1= disagree, 2=Neutral. 3= agree, and 4=strongly agree. The response categories are Strongly Disagree (0.5 or less ), Disagree (0.51\_1.50 ), Neutral (1.51 \_2.49), Agree (2.51\_3.49), and Strongly Agree (3.49 and above). According to Zedatol (2008) mean score 3.80 is consider high, 3.40-3.79 is moderate and below 3.39 is low satisfaction. but, in my survey scale the minimum value started from 0 and ends with a maximum of 4 points. Thus, the values suggested by Zedatol (2008) is adjusted by reducing one point from each category.

#### 4.2.1 .1 Rating of Extrinsic Rewards on Employees Job Satisfaction

Under this category Pay, Benefits, , Working Condition, Supervision are included in this study due to their familiarity in the insurance industry. The following table presents summarized results of the respondents related to extrinsic reward variable in each facets or criteria and job satisfaction level of employees. cross tabulation used to analyse and comparing the result for one or mor variable with the result of the other.

##### 4.2.1.1.1 Data Analysis of Questions Directly Related to Payment

		Job satisfaction Category					Total
		Disagree	Strongly Agree	Strongly Disagree	Agree	neutral	
Payment category	Agree	2	2	0	20	20	44
	Disagree	7	0	2	14	34	57
	Strongly Agree	0	1	0	1	0	2

	Strongly disagree	0	0	0	2	1	3
	Neutral	38	0	7	31	42	118
	Total	47	3	9	68	97	224

In the above table 4.6 it is indicated that the level of job satisfaction in terms of existing payment of the company. It is evidenced that 46 (44 agreed and 2 strongly agreed) employees out of 224 sample respondents representing 21% were (agree and strongly agree) with the existing payment system of the company.

While 118 employees who are accounted for 53% could not determine the level of their satisfaction regards to the payment they get from the company. On the basis of this survey conducted 60 (57 disagree and 3 strongly disagree) respondents denoting 27% are (disagree and strongly disagree) with the current payment of the case company. Accordingly, the majority the respondents could not able determine the level of satisfaction from the payment they get from the company.

#### 4.2.1.1.2 Data Analysis of Questions directly related to benefit

Table 4.7 Cross tabulation of benefit on overall level of satisfaction on job							
		Job satisfaction Category					Total
		Disagree	Strongly Agree	Strongly Disagree	agree	Neutral	
Benefit	Disagree	11	2	0	13	16	42
	Strongly Agree	6	0	0	1	0	7
	Agree	8	1	9	29	26	73
	Neutral	22	0	0	25	55	102

Table 4.7 Cross tabulation of benefit on overall level of satisfaction on job							
		Job satisfaction Category					Total
		Disagree	Strongly Agree	Strongly Disagree	agree	Neutral	
Benefit	Disagree	11	2	0	13	16	42
	Strongly Agree	6	0	0	1	0	7
	Agree	8	1	9	29	26	73
	Neutral	22	0	0	25	55	102
Total		47	3	9	68	97	224

In the above table 4.7 it is indicated that the level of job satisfaction in terms of existing benefit of the company. It is evidenced that 80 (73 agree and 7 strongly agree) employees out of 224 sample respondents representing 36% were ( agree and strongly agree) with the existing benefit system of the company. While 102 employees“ who are accounted for 46% could not determine the level of their satisfaction regards to the benefit they get from the company. On the basis of this survey conducted 42 respondents denoting 19% are disagree with the current benefit of the case company.

Accordingly, the majority the respondents could not able determine the level of satisfaction from the benefit they get from the company. This might be an indication „benefit“ alone may not lead people to have satisfaction on their job. There might be other factors that may influence job satisfaction in the organization.

#### 4.2.1.1.3 Data Analysis of Questions Directly Related to Working Condition

Table 4.8 Cross tabulation of working condition on overall level of satisfaction on job							
		Job satisfaction Category					Total
		Disagree	Strongly Agree	Strongly Disagree	agree	Neutral	
Working condition	Disagree	9	0	0	3	6	18
	Strongly Agree	1	0	0	3	2	6
	Agree	10	3	0	41	30	84
	Neutral	27	0	9	21	59	116
Total		47	3	9	68	97	224

In the above table 4.8 it is evidenced that the level of job satisfaction in terms of the working condition existed in the company. It is evidenced that 90 ( 84 agree and 6 strongly agree) employees out of 224 sample respondents representing 40.2% were ( agree and strongly agree) with the working condition of the company. While 116 employees" who are accounted for 52 % could not determine the level of their satisfaction regards to the working condition of the company. On the basis of this survey conducted 18 respondents denoting 8% are disagree with the current working condition of the case company.

#### 4.2.1.1.4 Data Analysis of Questions Directly Related to Supervision

Table 4.9 Cross tabulation of supervision on overall level of satisfaction on job							
		Job satisfaction Category					Total
		Disagree	Strongly Agree	Strongly Disagree	agree	Neutral	

Supervision	Disagree	15	2	0	3	14	34
	Strongly Agree	0	1	0	4	1	6
	Agree	18	0	0	47	66	131
	Neutral	14	0	0	14	16	53
Total		47	3	9	68	97	224

In the above table 4.9 it is indicated that the level of job satisfaction in terms of the supervision of the company. It is evidenced that 137 (131 agree and 6 strongly agree) employees out of 224 sample respondents representing 61% were agree with the supervision of the company.

While, 53 employees" who are accounted for 24 % could not determine the level of their satisfaction regards supervision of the company. On the basis of this survey conducted 34 respondents denoting 15 % are disagree with the current supervision of the case company. Accordingly, supervision in the company is rated as satisfied by the majority of the respondent.

#### **4.2.1 .2 Rating of Intrinsic Rewards on Employees Job Satisfaction**

Under this category recognition, Empowerment and Personal growth and Carrier advancement are included this study. The following table presents summarized results of the respondents related to intrinsic reward variable in in each facets or criteria and job satisfaction level of employees.

#### 4.2.1.2.1 Data Analysis of Questions Directly Related to Promotion.

Table 4.10 Cross tabulation of promotional opportunity on overall level of satisfaction on job.							
		Job satisfaction Category					Total
		strongly disagree	disagree	neutral	Agree	strongly agree	
Promotion	strongly disagree	13	6	11	0	0	30
	Disagree	11	20	48	2	6	87
	Neutral	36	10	27	0	0	73
	Agree	1	0	3	1	0	5
	strongly agree	7	11	8	0	3	29
Total		68	47	97	3	9	224

In the above table 4.10 it is indicated that the level of job satisfaction in terms of the promotional opportunity of the company. It is evidenced that 34 (5 agree and 29 strongly agree) employees out of 224 sample respondents representing 15% were (agree and strongly agree) with the promotion opportunity of the company. While 73 employees“ who are accounted for 33 % could not determine the level of their satisfaction regards promotional opportunity of the company. On the basis of this survey conducted 117 (87 disagree and 30 strongly disagree) respondents denoting 52 % are (disagree and strongly disagree) with the current supervision of the case company. Accordingly, promotional opportunity in the company is rated as dissatisfied by the majority of the respondent.

**4.2.1.2.2. Data Analysis of Questions Directly Related to Recognition.**

Table 4.11 Cross tabulation of recognition on overall level of satisfaction on job.							
		Job satisfaction Category					Total
		Disagree	Strongly Agree	Strongly Disagree	Agree	neutral	
Recognition	Disagree	20	2	6	11	48	87
	Strongly Agree	0	1	0	1	3	5
	Strongly Disagree	11	0	3	7	8	29
	Agree	6	0	0	13	11	30
	Neutral	10	0	0	36	27	73
Total		47	3	9	68	97	224

In the above table 4.11 it is indicated that the level of job satisfaction in terms of the recognition process experienced in the company. It is evidenced that 35 (30 agree and 5 strongly agree) employees out of 224 sample respondents representing 16% were agree with the recognition process of the company. While, 73 employees“ who are accounted for 33 % could not determine the level of their satisfaction regards recognition process experienced in the company. On the basis of this survey conducted 116 respondents denoting 52 % are (disagree and strongly disagree) with the current supervision of the case company. Accordingly, recognition process experienced in the company is rated as dissatisfied by the majority of the respondent.

#### 4.2.1.2.3 Data Analysis of Questions Directly Related to Empowerment.

		Job satisfaction Category					
		strongly disagree	Disagree	neutral	agree	strongly agree	Total
Empowerment	strongly disagree	36	11	45	0	0	92
	Disagree	11	17	28	2	3	61
	Neutral	17	18	18	0	6	59
	Agree	4	1	0	1	0	6
	strongly agree	0	0	6	0	0	6
Total		68	47	97	3	9	224

In the above table 4.12 it is indicated that the level of job satisfaction in terms of employees empowerment process of the company. It is evidenced that 12 (6 agree and 6 strongly ) employees out of 224 sample respondents representing 5% were (agree and strongly agree) with the empowerment process existed in the company. While 59 employees“ who are accounted for 26 % could not determine the level of their satisfaction regards empowerment of the company. On the basis of this survey conducted 153 (61 disagree and 92 strongly disagree) respondents denoting 68 % are ( disagree and strongly disagree) with the current empowerment process of the case company. Accordingly, empowerment existed in the company is rated as dissatisfied by the majority of the respondent.

**4.2.1.2.4 Data Analysis of Questions Directly Related to Personal growth and Carrier advancement.**

Table 4.13 Cross tabulation of personal growth and carrier advancement opportunity on overall level of satisfaction on job.							
		Job satisfaction Category					Total
		Disagree	Strongly Agree	Strongly Disagree	agree	neutral	
Personnal growth & carrier advancement	Disagree	27	2	6	18	50	103
	Strongly Disagree	6	0	3	0	4	13
	Agree	0	1	0	22	13	36
	Neutral	14	0	0	28	30	72
Total		47	3	9	68	97	224

In table 4.13 above it is indicated that the level of job satisfaction in terms of the personal growth and career advancement opportunity of the company. It is evidenced that 36 employees out of 224 sample respondents representing 16% were agreed with the personal growth and carrier advancement opportunity of the company. While 72 employees“ who are accounted for 32 % could not determine the level of their satisfaction regards personal growth and carrier advancement opportunity of the company. On the basis of this survey conducted 116 respondents denoting 52 % are disagree with the current personal growth and carrier advancement opportunity of the case company. Accordingly, personal growth and carrier advancement opportunity in the company is rated as dissatisfied by the majority of the respondent.

#### 4.2.1.3 Data Analysis of Questions Directly Related to Job Satisfaction.

Table: 4.14 Employees Overall Satisfaction on the Job					
	Job Satisfaction	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	68	30.4	30.4	30.4
	Disagree	47	21.0	21.0	51.3
	Neutral	97	43.3	43.3	94.6
	Strongly Agree	3	1.3	1.3	96.0
	Strongly Disagree	9	4.0	4.0	100.0
	Total	224	100	100.0	

As can be depicted in table 4.14, it is revealed that respondents were requested to rate the job satisfaction level in a five likert scale with (with a minimum 0 and a maximum of 4 points).

After taking the overall satisfaction and recoding the above job satisfaction criteria or facets, the finding evidenced that 71 (68 agree and 3 strongly agree) respondents representing 31.7 % were agreed on the overall job, while 97 respondents who are accounted for 43.3 % could not determine their level of satisfaction.

### 4.3 Descriptive Statistics

Descriptive statistics in the form of arithmetical means and standard deviation for the respondents were computed for the multiple dimension of reward system that have been examined through the questionnaires collected from employees in EIC.

#### 4.3.1 Results of Extrinsic Rewards

In the sections below, the result of extrinsic reward namely: payment, benefit, working condition, supervision and promotion are presented.

Table 4.15: Descriptive Statistics for the Components of Extrinsic Rewards and Job Satisfaction.

Variables	Minimum	Maximum	Mean	Std. Deviation
Supervision	1	4	2.48	.697
Working Condition	1	4	2.36	.577
Benefit	1	4	2.15	.711
Job Satisfaction	0	4	2.01	.789
Payment	0	4	2.00	.618
Valid N (Listwise)				

Data Source: Own Survey, 2016.

The descriptive statistics or the means and standard deviations of the extrinsic reward and job satisfaction variables is displayed in Table 4.15 in a descending order (as per the magnitude of their means). As shown descriptively the mean or the average response of the respondents about their satisfaction with *supervision* in EIC was 2.48 (SD=.697) on a 5-point scale (with a minimum 0 and a maximum of 4 points). This indicates the respondents had above average satisfaction with the quality of supervision they observed in EIC. The mean of working condition was found out to be 2.36 (SE=.577) and this implies the respondents had also above average satisfaction with the existing working condition observed in EIC. The mean of benefit was found out to be 2.15 (SD=0.711) showed slightly above average job satisfaction. The descriptive statistics of the respondent about payment in EIC was 2.00 (SD=0.618), this indicate that the respondents had below average satisfaction with the payment system of the case company.

### 4.3.2 Results of intrinsic Rewards

In this section below, the result of intrinsic reward namely: recognition employee empowerment, personal growth and carrier rowth and advancement are presented in table 4.16.

Table 4.16 Descriptive Statistics for the Components of intrinsic Rewards and Job Satisfaction.

	Minimum	Maximum	Mean	Std. Deviation
Employee Empowerment	0	4	2.13	.816
Job Satisfaction	0	4	2.01	.789
Personal Growth and Carried Advancement	0	3	1.65	.715
Recognition	0	4	1.46	.913
Promotion	0	4	1.46	.913
Valid N (Listwise)				

Data Source: Own Survey, 2016.

The descriptive statistics or the means and standard deviations of the intrinsic reward and job satisfaction variables is displayed in Table 4.16 in a descending order (as per the magnitude of their means). As shown descriptively the mean or the average response of the respondents about their satisfaction with employee empowerment in EIC was 2.13 (SD=.816) on a 5-point scale (with a minimum 0 and amaximum of 4 points). personal growth & Career advancement was 1.65 (SD=.715), recognition 1.46 (SD=.913), and promotion 1.46 (SD=.913).

This indicates the respondents had above average satisfaction with the activities of empowerment they observed in EIC. The respondent had below average satisfaction in desending order with personal growth and advancement, recognition and promotion respectively.

#### 4.4 Correlation Analysis

Correlation analysis was applied to test the “ interdependency” of the variables. This analysis can be used to examine the correlation among all dimensions of independent variable reward systems (i.e. intrinsic and extrinsic rewards) with dependent variable which is level of job satisfaction of employees towards the reward dimension they receive. The pearsons” product

moment correlation coefficient was computed for the purpose of determining the relationship between reward system and employees job satisfaction.

Table; 4.17 Correlations Matrix of Reward System and Job Satisfaction.

		Job satisfaction	Payment	benefit	Recognition	Promotion	Working condition	supervision	Employee empowerment	Personal Growth
Job Satisfaction	Pearson Correlation	1	.124	-.011	.386**	.386**	.390**	.390**	.227**	.481**
	Sig. (2-tailed)		.064	.864	.000	.000	.000	.000	.001	.000
	N	224	224	224	224	224	224	224	224	224
Payment	Pearson Correlation	.124	1	.408**	.324**	.324**	.309**	-.031	.224**	.109
	Sig. (2-tailed)	.064		.000	.000	.000	.000	.645	.001	.103
	N	224	224	224	224	224	224	224	224	224
Benefit	Pearson Correlation	-.011	.408**	1	.428**	.428**	.486**	.043	.203**	.315**
	Sig. (2-tailed)	.864	.000		.000	.000	.000	.519	.002	.000
	N	224	224	224	224	224	224	224	224	224
Recognition	Pearson Correlation	.386**	.324**	.428**	1	1.000**	.383**	.221**	.262**	.374**
	Sig. (2-tailed)	.000	.000	.000		.000	.000	.001	.000	.000
	N	224	224	224	224	224	224	224	224	224
Promotion	Pearson Correlation	.386**	.324**	.428**	1.000**	1	.383**	.221**	.262**	.374**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.001	.000	.000
	N	224	224	224	224	224	224	224	224	224
Working Condition	Pearson Correlation	.390**	.309**	.486**	.383**	.383**	1	.325**	.287**	.413**
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.000	.000	.000
	N	224	224	224	224	224	224	224	224	224
Supervision	Pearson Correlation	.390**	-.031	.043	.221**	.221**	.325**	1	.513**	.515**
	Sig. (2-tailed)	.000	.645	.519	.001	.001	.000		.000	.000
	N	224	224	224	224	224	224	224	224	224

Employee Empowerment	Pearson Correlation	.227**	.224**	.203**	.262**	.262**	.287**	.513**	1	.547**
	Sig. (2-tailed)	.001	.001	.002	.000	.000	.000	.000		.000
	N	224	224	224	224	224	224	224	224	224
Personal Growth	Pearson Correlation	.481**	.109	.315**	.374**	.374**	.413**	.515**	.547**	1
	Sig. (2-tailed)	.000	.103	.000	.000	.000	.000	.000	.000	
	N	224	224	224	224	224	224	224	224	224

\*. Correlation is significant at the 0.05 level (2-tailed).

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

	Job Satisfaction	Payment	Benefit	Recognition	Promotion	Working Condition	Supervision	Employee empowerment	Personal Growth
Job Satisfaction	1								
Payment	0.124	1							
Benefit	-0.011	.408**	1						
Recognition	.386**	.324**	.428**	1					
Promotion	.386**	.324**	.428**	1.000**	1				
Working Condition	.390**	.309**	.486**	.383**	.383**	1			
Supervision	.390**	-0.031	0.043	.221**	.221**	.325**	1		
Employee Empowerment	.227**	.224**	.203**	.262**	.262**	.287**	.513**	1	
Personal Growth	.481**	0.109	.315**	.374**	.374**	.413**	.515**	.547**	1

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

- The result in table 4.17 above shows that statistically less positively related and less significant between payment and employees job satisfaction ( $r=0.124$ ,  $p > 0.05$ ) in EIC. Therefore, the alternate hypothesis is accepted.

- There is an inverse relationship between benefit and employees job satisfaction in EIC ( $r = -0.011$ ,  $p > 0.05$ ). Therefore, the null hypothesis is accepted and the alternative hypothesis is rejected.
- A statistically moderate and positive relationship was also absorbed between recognition and job satisfaction as hypothesized ( $r = 0.386$ ,  $p < 0.01$ ). Therefore, the alternate hypothesis is accepted.
- The result shows that workplace environment ( $r = 0.390$ ,  $p < 0.01$ ) is moderately related with employee job satisfaction in EIC. It means that conducive workplace environment will bring corresponding change in employee job satisfaction. Therefore, the alternate hypothesis is accepted.
- A statistically strong and significant relationship was also absorbed between personal growth and advancement opportunities and employees job satisfaction as hypothesized ( $r = 0.481$ ,  $p < 0.01$ ). Therefore, the hypothesis is accepted.
- A statistically moderate and positive relationship was also absorbed between Supervisions and job satisfaction as hypothesized ( $r = 0.390$ ,  $p < 0.01$ ). Therefore, the alternate hypothesis is accepted.
- A statistically moderate and positive relationship was also absorbed between promotion and job satisfaction as hypothesized ( $r = 0.386$ ,  $p < 0.01$ ). Therefore, the alternate hypothesis is accepted.
- The results in table 4.17 also evidenced that empowerment ( $r = 0.227$ ,  $p < 0.01$ ) is positively related with employee job satisfaction in EIC. Therefore, the alternate hypothesis is accepted.

## 4.5 Inferential Statistics

In this section, the results of inferential statistics technique used in the study to test the hypothesis are presented. Multiple regression analysis was also applied to see that which reward was perceived as more influential in EIC.

### 4.5.1 Multiple Regression Analysis

Regression analysis helps in order to measure the relative strength of independent variable on dependent variable. On the basis of results indicating a direct positive relationship between reward and job satisfaction all dimension were examined using multiple regression analysis to ascertain the extent to which they explain that the variance in job satisfaction EIC.

#### 4.5.1.1. Extrinsic Reward Variables That Explains the Variance in Job Satisfaction

Table 4.18 Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.528 <sup>a</sup>	.279	.266	.676

a. Predictors: (Constant), Supervision, Payment, Working Condition, Benefit

ANOVA <sup>b</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	38.662	4	9.666	21.168	.000 <sup>a</sup>
	Residual	99.996	219	.457		

	Total	138.659	223			
a. Predictors: (Constant), Supervision, Payment, working Condition, Benefit						
b. Dependent Variable: Job Satisfaction						

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.284	.248		1.147	.253
	Payment	.152	.082	.119	.064	.064
	Benefit	-.290	.077	-.262	.000	.000**
	Working Condition	.533	.097	.390	.000	.000**
	Supervision	.315	.070	.279	.000	.000**
a. Dependent Variable: Job Satisfaction: ** p<0.001						

Data Own Survey: 2016

It is evidenced that, according to table 4.18 above, the coefficient of multiple correlation R which is the degree of association between extrinsic rewards and job satisfaction is 0.528. There is also R square value of 0.279 and adjusted R square of 0.266. The model summary reveals that the proportion of the variation in job satisfaction is explained by the four extrinsic rewards jointly is 27.9 % and the remaining 72.1% of the variance is explained by other variables. The F-statistic of 21.168 at 4 and 219 degree of freedom further shows that the explanatory variables (extrinsic rewards) considered in this study can moderately explain the variation of dependent variable at 0.000 (99%) confidence levels.

The above table also depict that, when the other variables that are not included in this study but have impact on the dependent variable (job satisfaction) are controlled, four of the explanatory variables ( extrinsic reward dimension) are statistically significant at 99% confidence level, and working condition was found to be best predictor of job satisfaction with standardized Beta-value of 0.390. This is followed by supervision and payment with beta value of 0.279, 0.119 respectively. On the other hand, the variable payment was found to be non significant at 99% ( $p < 0.01$ ) confidence level but it was significant at 95% ( $p < 0.05$ ) confidence level. Finally, the benefit did not significantly explain job satisfaction either at 99% confidence or at 95% confidence level.

#### 4.5.1.2 Intrinsic Reward Variables That Explain the Variance in Job Satisfaction:

Table 4.19 Model Summary						
Model	R	R Square	Adjusted R Square		Std. Error Of The Estimate	
1	.534 <sup>a</sup>	.285	.272		.673	
Predictors: (Constant), Persona Growth, Recognition, Employee Empowerment						
ANOVA <sup>b</sup>						
Model		Sum Of Squares	Df	Mean Square	F	Sig.
1	Regression	39.571	4	9.893	21.865	.000 <sup>a</sup>
	Residual	99.087	219	.452		

	Total	138.659	223			
A. Predictors: (Constant), Personal growth, promotion, Recognition, Employee empowerment.						
B. Dependent Variable: Job satisfaction						
Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.057	.138		7.652	.000**
	Recognition	-.265	.710	-.307	3.373	.709
	Promotion	.476	.708	.552	.672	.502
	Employee empowerment	-.064	.066	-.961	-1.038	.338
	Personal growth and carrier advancement	.079	.428	.428	6.010	.000**
A. Dependent Variable: Job satisfaction						

As can be evidenced from table 4.19 above, the degree of association between job satisfaction and intrinsic rewards is 0.534, and R square value of 0.285 and adjusted R square of 0.272, the model summary reveals that the proportion of the variation in job satisfaction is explained by the four intrinsic rewards collectively is 28.5% and the remaining 71.5% of the variance is explained by other variables. The F-statistic of 21.865 at 4 and 219 degrees of freedom further shows that the explanatory variables (intrinsic rewards) considered in this study moderately explain

the variation of the dependent variable (job satisfaction) at 0.000 (99%) confidence level.

Moreover, the table above demonstrated that, when the other variables that are not included in this study are controlled, one of the explanatory variables (personal growth and carrier advancement) are statistically significant at 99% confidence level. Among them, promotion was the best predictor of job satisfaction with beta value of 0.428 99% confidence level. The other reward system which significantly explains job satisfaction at 99% confidence level is personal growth and carrier advancement with beta-value 0.552.

#### 4.6 Analysis of Variance (ANOVA).

ANOVA was applied to test whether there is a difference in job satisfaction based on difference in the group of Age, level of Education , Marital Status, Gender , Tenure in EIC.

**Table 4.20 Analysis Of Variance for Different Demographic Profiles.**

ANOVA						
Demographic variable		Sum of Squares	df	Mean Square	F	Sig.
Gender of the resopndant.	Between Groups	3.879	11	.353	1.602	.100
	Within Groups	46.652	212	.220		
	Total	50.531	223			
Age of the respondent.	Between Groups	37.638	11	3.422	4.022	.000
	Within Groups	180.357	212	.851		
	Total	217.996	223			

Marital status of respondent.	Between Groups	12.272	11	1.116	2.178	.017
	Within Groups	108.616	212	.512		
	Total	120.888	223			
level of education.	Between Groups	13.615	11	1.238	1.921	.038
	Within Groups	136.599	212	.644		
	Total	150.214	223			
Work experiance.	Between Groups	41.009	11	3.728	3.103	.001
	Within Groups	254.705	212	1.201		
	Total	295.714	223			

Table 4.20 above shows that the mean difference in Gender respondents ( $F=1.602$  ,  $P>0.05$ ) , Age of respondents (  $F=4.022$  ,  $P<0.05$ ) , Marital status of respondents ( $F=2.178$  ,  $P<0.05$ ), Level of education (  $F=1.921$  ,  $P<0.05$ ) , and Tenure /work experiance ( $F=3.103$  ,  $P<0.05$ ) . The survey findings evidenced status, level of education and Work experiance and this indicate that the mean difference is that there is a difference in the mean of job satisfaction level of employees“ based on Age, Marital statistically significance. Therefore, the null hypothesis is rejected and the alternate hypothesis is accepted.

Further more, the mean difference in Gender of respondents ( $F=1.602$  , $P >0.05$ ) is statistically insignificant by different Gender group. Therefore, the null hypothesis is accepted and the alternate hypothesis is rejected.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

The summary of the findings of the study, the conclusions inferred from the findings, and recommendations forwarded in relation to what is concluded is presented in the following subsections.

#### 5.1 Summary

This study was conducted to investigate the relationship between reward management practice and employee job satisfaction in Ethiopian Insurance Corporation. The study was conducted through questionnaires data collected from 224 employees of the insurance.

The sample consisted majority male respondents (n=147 or 65.6%) than female (n=77 or 34.4%). The majority of the work force (n=108 or 48.2%) are participating in the study ranging between the age category of 26-35 years old and majority of them are married and first degree older (n=150 or 67%). Besides, served their organization from 6 to 10 years (n=81 or 36.2%).

The result of descriptive statistics among extrinsic rewards shows that respondents are level to average satisfaction with the supervision (M=2.48, SD= 0.577), followed by working condition (M=2.36, SD=0.577), payment slightly below average (M=2.00, SD= 0.618) and respondents are less satisfied with promotion (M=1.46, SD=0.913).

The result of descriptive statistics, shows that among the intrinsic rewards, respondents are more satisfied with employee empowerment (M=2.13, SD=0.816) and sample respondent less satisfied with personal growth and carrier advancement (M=1.65, SD=0.715) and recognition (M=1.46, SD=0.913).

Depending on the result of inferential statistics, strong positive relationship was found between personal growth and advancement ( $r=0.48$ ,  $p < 0.01$ ), moderate relationship is obtained with recognition ( $r=0.386$ ,  $p < 0.01$ ), work place environment ( $r=0.390$ ,  $p < 0.01$ ), supervision ( $r= 0.390$ ,  $p < 0.01$ ) and promotion ( $r=0.386$ ,  $p, 0.01$ ). Whereas, weak relationship is obtained with payment ( $r=0.124$ ,  $p > 0.05$ ), empowerment ( $r=0.227$ ,  $p < 0.01$ ), negative and inverse relation is also found in benefits ( $r=-0.011$ ,  $p > 0.05$ ).

The result of the multiple regression analysis regressing intrinsic, extrinsic reward variables against job satisfaction, as dependent variable significantly explain the variance in job satisfaction. Therefore, the model summary reveals that with F-statistics of 21.168 at 4 and 219 degree of freedom at 99% confidence level. About 28.5.% of the job satisfaction is explained by intrinsic rewards at 99% confidence level. Likewise, extrinsic variables significantly explain the variance in job satisfaction with F-statistics of 21.865 at 4 and 219 degree of freedom at 99% confidence level. In relation to this analysis, about 27.9 % of the job satisfaction is explained by explained by extrinsic rewards at 99% confidence level.

The result of analysis of variance (ANOVA) shows that the mean difference in Gender respondents ( $F=1.602$ ,  $P > 0.05$ ), Age of respondents ( $F=4.022$ ,  $P < 0.05$ ), Marital status of respondents ( $F=2.178$ ,  $P < 0.05$ ), Level of education ( $F=1.921$ ,  $P < 0.05$ ), and Tenure /work experiance ( $F=3.103$ ,  $P < 0.05$ ).

## 5.2 Conclusion

The purpose of this study was to examine the relationship between reward management practice to job satisfaction level of employees".

Both intrinsic and extrinsic reward that contribute to employees job satisfaction was explored in this study including: payment, benefits, supervision, working condition promotion, recognition, empowerment, personal growth and carrier advancement.

The descriptive statistical analysis showed that different dimension of rewards and job satisfaction are significantly related. An inverse relationship exist between payment, benefits and job satisfaction level of employees". This shows that other than payment and benefits, there are other factors that contribute to the job satisfaction of employees" in EIC.

The result of the multiple regression analysis regressing intrinsic, extrinsic reward variables against job satisfaction, as dependent variable significantly explain the variance in job satisfaction. The result indicated a relative high percentage of variation in job satisfaction as a result of intrinsic rewards than extrinsic rewards. Therefore , intrinsic reward is the most influential factor of job satisfaction.

From the analysis of variance the survey findings evidenced that there is a difference in the mean of job satisfaction level of employees" based on Age, Marital status, level of education and Work experience and this indicate that the mean difference is statistically significance. whereas, the mean difference in Gender of respondents is statistically insignificant by different Gender group.

### 5.3. Recommendations

Base on the major findings that have been discussed so far the following points are recommended for practical application to enhance the job satisfaction level of employees in EIC:

- Employees in EIC are moderately satisfied with the over all reward management practice as well as the reward dimension they have in and it is evidenced that there is a positive and significant relation ship between intrinsic reward and level of job satisfaction of employees, on the basis of this finding management should focus on these reward factors to yield highly satisfied employees, so as the company can exploit the potencial of employees and which is an indispensable factor to sustain the human capital.
- As can be obtained from the finding some extrinsic rewards having weak and insignificant relationship on job satisfaction level of employees, further research should be done to investigate what other factors affect the job satisfaction level of employees in EIC.
- EIC is having group of professionals that belong to the most active and energetic age group may help the organization to achieve its goals. The organization should tries it's best to keep them satisfied by providing reasonable amount of extrinsic and intrinsic rewards, this possibly decrease the propensity of its employees" shift in other similar industries and becomes its own competitors. Because, employees" are strategic assets and they are not payroll cost and retaining them helps the organization to achieve its competitive advantages.

- The management should be actively involved in sound decision with the concerned body and strive to accomplish that the existing reward policy of the company need continuous revision, revisiting and restructuring to ensure their fairness and competitiveness in the market.

#### **5.4. Future research**

Finally, future research should aim to improve the internal validity of the research by controlling confounding and extraneous variables. It will also be interesting to investigate how other factors other than rewards impact on employees job satisfaction level.

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Masters of Art (MA) Program in Human Resources Management Questionnaire to be

distributed to

Employees „of Ethiopian Insurance Corporation

---

Dear Respondents:

I am a Master’s student in Addis Ababa University School of Commerce. I would like to express my sincere appreciation for your generous time, honest and prompt responses.

This questionnaire is designed to solicit information purely for academic purpose. It is the major requirement to complete the research on the topic: “The Relationship of Reward Management Practices and Employees” Job Satisfaction in Ethiopian Insurance Corporation” in pursuance of Master’s of Art inhuman Resource Management. The purpose of this survey primarily essential for organizations to have satisfied, competent and committed staff for better chance of meeting the overall objectives and goals .This study will also suggest possible solution that will be used as an input for management for further amendment of the existing reward policies and practices.

This questionnaire will take approximately 15-20 minutes and considered your invaluable support in responding to this questionnaire genuinely is paramount importance to the success of this study. You are not required to write your name and all information you provide will be handled in strict confidential manner.

If you have any questions about this survey, please do not hesitate to contact me at my phone number 0911626709 or via my email address: tezeramesganaw10@gmail.com.

Thank you very much for your time and participation.

Part One: Biographical Information

INSTRUCTION: Please circle the letter that shows your answer.

- 1) Gender
  - a) Male
  - b) Female
  
- 2) To which age category do you belong?
  - a) 18-25
  - b) 26-35
  - c) 36-45
  - d) 46-55
  - e) 56-59
  - f) 60 and above.
  
- 3) Marital Status
  - a) Single
  - b) Married
  - c) Separated
  - d) Divorced
  - e) Widowed
  
- 4) Educational back ground
  - a) Less than high school
  - b) High school
  - c) Certificate
  - d) College diploma
  - e) First degree
  - f) Second degree (Master)
  - g) Third degree (PhD)
  
- 5) How long have you been working in EIC?
  - a) 1-5
  - b) 6 - 10
  - c) 11-20
  - d) 21-30
  - e) 31-40
  - f) 41-above

Part Two: Questions Related to Reward System

INSTRUCTION:

Please rate the following Statements by ticking “√” only one box on the right side with the response that you think best represent you’re feeling about the reward system.

Variable	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
<b>1.Payment</b>					
1.1. The payment system is clearly stated and communicated to all employees.					
1.2. The basics of payment, for example, over time payment are reasonable.					
1.3. My salary is satisfactory in relation to what I do.					
1.4. I earn the same as or more than other people on a similar job.					
1.5. Salary increments are dedicated to in a fair manner.					
1.6. The pay scale of the organization treats each employee reasonably.					
<b>2. Benefits</b>					
2.1. The benefit system of the organization treats each employee reasonably.					
2.2. My medical scheme is satisfactory.					
2.3. My pension benefits are good.					
2.4. I never have a problem with my leave arrangements.					
2.5. The organization's insurance scheme enhances the satisfaction of employees.					
<b>3.Promotion</b>					

Variable	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
3.1 The opportunity for promotion exists in this organization.					
3.2 The criteria for promotion are acceptable.					
3.3 Staffs are promoted in a fair and transparent way.					
3.4 I am satisfied with the promotion system of the organization.					
3.5 Everyone has an equal chance to be promoted.					
<b>4. Working Condition</b>					
4.1 My working hours is reasonable.					
4.2 I am never over worked.					
4.3 The office layout is convenient to do my job.					
4.4 I get the opportunity to mix with my colleagues and to communicate on aspects of our work.					
4.5 Basic resources are available for my work.					
4.6 I communicate well with others.					
4.7 I am satisfied with the way my co-workers get along with each other.					
<b>5. Supervision</b>					
5.1 My supervisor is satisfied easily with my work out put.					
5.2 My supervisor will support me if there are problems.					
5.3 My supervisors can be convinced and persuaded about my work.					

Variable	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
5.4 My supervisor absorbs the talents of his subordinate and directs to improve it.					
5.5 My supervisor gives me opportunities to express my ideas.					
5.6 I receive enough support and guidance from my supervision.					
5.7 My supervisor treats me equally with others.					
<b>6. Recognition</b>					
6.1 I am praised regularly for my good work.					
6.2 I receive constructive criticism about my work.					
6.3 I get credit for what I do.					
6.4 I am always told when I am making progress.					
<b>7. Employee Empowerment</b>					
7.1 I have the authority to correct daily problem when they occur.					
7.2 I am encouraged to handle daily problems by myself.					
7.3 I have control over how I solve daily problems.					
7.4 I am able to control the social contact with others.					
<b>8. Personal Growth &amp; Career Advancement.</b>					
8.1 My direct supervisor takes interest in my career development.					
8.2 I have good access to development opportunities in my current job.					
8.3 I see a future for myself in a					

Variable	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
higher-level role in this organization.					
8.4 My organization has a formal mentoring program for jobs like mine.					
<b>9. Job Satisfaction</b>					
9.1 All in all, I am satisfied with my job.					
9.2 In general, I like my job.					
9.3 In general, I like working here.					

THANK YOU FOR YOUR SOUND RESPONSE !!!