



**ADDIS ABABA UNIVERSITY  
SCHOOL OF COMMERCE**

**THE EFFECT OF COMPENSATION PRACTICES ON PROFESSIONAL  
EMPLOYEES' TURNOVER INTENTION: THE CASE OF GOAL ETHIOPIA,  
AN INTERNATIONAL NON-GOVERNMENTAL ORGANIZATION**

**A Thesis Submitted to Addis Ababa University School of Commerce  
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the Award of Master of Arts Degree in Human Resource Management**

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Turnover Intention: The Case of GOAL Ethiopia, an International  
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## DECLARATION

I Hagere Tsegaye, hereby declare that *“The effect of compensation practices on professional employees’ turnover intention: the case of GOAL Ethiopia, an International Non-Governmental Organization.”* is my original work and has not been presented for a degree in any other university and that all sources of materials used for the work have been duly acknowledged.

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## ACRONYMS

Admin & HR-----Administration and Human Resources

BA-----Bachelor of Arts

HRM-----Human Resources Management

HR----- Human Resources

MA-----Master of Arts

NGOs-----Non-Governmental Organizations

SPSS-----Software Package for Social Science

## ABSTRACT

*The study was designed with a general objective of examining the effect of compensation practices (focusing on salary, benefit, career growth opportunity, supervisor support and non-financial recognition practice) on professional employees' turnover intention. It was conducted in an organization called GOAL Ethiopia. The research design is descriptive in its nature and qualitative and quantitative data was collected as a primary and secondary data resources. Questionnaires were distributed to the professional employees' and interview was also conducted with the Senior Administration and HR staff to gain the management's view and make the data more comprehensive. The collected data was summarized and analyzed using descriptive and inferential statistics. The result then is presented in the form of tables followed by discussions for further interpretation on the findings. Using SPSS version 20.0 data analysis method, descriptive statistics were used to present the demographic characteristics of the participants. One sample t-test was used to check on the significance level of difference on employees' agreement level against the different questions raised on the questionnaires. Correlation analysis was also done to see the relationship between the selected compensation practices and the professional employees' turnover intention. Additionally, regression analysis was done to identify the extent that the selected compensation practices influence the professional employees' turnover intention and test the hypothesis raised under the conceptual frame work. The major findings of the research were, professional employees' aggregate agreement to the expected practice with regard to salary and benefit package practice, is not significantly different from moderate level of agreement. However, their agreement level is significantly above moderate level towards the supervisory support and career growth opportunity practices of the organization. On the other hand, their agreement level is significantly below the moderate level when it comes to the non-financial recognition practice of the organization. There is also a strong inverse relationship between all the selected compensation practices, except the non-financial recognition, which has a moderate correlation with professional employees' turnover intention. The employees' turnover intention due to the selected variables was 55.8% in total. Salary takes the main share in being the number one influencer for the employees' turnover intention followed by supervisory support, career growth opportunity and non-financial recognition in a respective manner. Thus, the researcher mainly recommended for the organization to develop a retention strategy that mixes the financial and non-financial compensation practices as appropriate to be followed by a regular revision.*

**Key Words:** Compensation practice, Salary, Benefit Package, career growth opportunity, supervisor support, non-financial recognition, turnover intention.

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the study

In almost every Human Resources Management (HRM) books, related researches, articles and in different organizational Human Resources related documents, it is indicated in one way or another that employees are the most valued assets of an organization. However, unless organizations show how employees are valued by their action, there is a high probability for employees to think of quitting, search for a job and leave that organization, if they have a feeling that they are undervalued.

The term employee turnover will come into attention when we speak about employees leaving a certain organization. Which is a very common issue, a lot researched but still keeps being a very challenging topic in Human Resources (HR) studies. Employee turnover is the rotation of workers around the labor market, between firms, jobs and occupations, and between the states of employment and unemployment (Abassi S. & Hollman K, 2000). It is also stated by Ivancevich and Glueck (1989), that employee turnover is the net result of the exit of some employees and entrance of others to the organization.

Employees develop the intention to leave before actually leaving an organization, this state is related to another common topic in HR study, called employee turnover intention. Turnover intention is steps back from the actual turnover which is highly related to employees' turnover. Per to the definition given by Mobley (1979), turnover intention is the individual's intention to voluntarily quit the organization or profession, as cited by Shweta J. (2009).

Leaving the positive side of turnover (if low performers leave the organization), voluntary employee turnover (when employee voluntarily resigns) is costly to the organization which takes numerous forms. Terence R., et. al. (2008) highlights the issue as; from finance perspective, turnover costs are important but often hidden from managers as there are no profit and loss statements that specifically capture the "cost of voluntary turnover". However, if that was the case, this will make the employers eye to look in to huge loss figures, especially when a considerable number of competent employees are leaving.

The negative sides of voluntary turnover includes the exit of high performers and employees with hard-to-replace skills, departures of women or minority group members that erode the diversity of your company's workforce, and turnover rates that lead to high replacement costs, David G. (2008). Mohammad R. (2015) supports David's view in that, employee turnover not only takes away the talents of the organization, but also hampers the smooth operation of the organization and increases costs as well.

Non-governmental organizations (NGOs) are one group of players who are active in the efforts of international development and increasing the welfare of poor people in poor countries. NGOs work both independently and alongside bilateral aid agencies from developed countries, private-sector infrastructure operators, self-help associations, and local governments, Eric D, et al (2007).

GOAL Ethiopia is an Irish based International NGO with Programmes in Humanitarian Response, Rural and Urban Development and the Street children. The organization has been working in Ethiopia since 1984 GC implementing a range of development, resiliency and humanitarian response programmes - working with street children, pastoralists and rural small holders. GOAL Ethiopia has over 550 staff per to January 2017 GC staff data record of the organization and is working in five different regions of Ethiopia.

The organization is one of the many NGOs that face challenge in professional employees' turnover. Among the total employees that the organization has, there are employees that usually are recruited in a specific spot programme area for a very short period (most of the time, 3 – 6 months), like guards and cleaners being a project based staff. Thus, if that certain project is completed after 3- 6 months or in any short period of time, these staff will be terminated from the organization. However, those staff that are not recruited as being project specific, are usually professional employees and they would be transferred and work to other project or programme office if a certain project they were working at ended as there is a high probability that another one will be opened. Additionally, the number of non-professional employees that the organization has and that are not recruited for a certain specific project, unlike those stated above, are few in number and their turnover rate is not considerate that would make one to be conscious and conduct research about.

Employee turnover intention acts as a proxy for actual employee turnover, S. Nivethitha, (2014). Further, as quoted by Mohammad R. (2015), research in a variety of disciplines has long suggested that minimizing turnover intention has a high potential to minimize actual turnover, since it is considered as the precursor of actual turnover, Liu, S., & Onwuegbuzie, A. J. (2012).

Again, to minimize the turnover intention itself, one has to know the reason for employees' turnover intention. Reasons for professional employees' turnover intention in GOAL Ethiopia can be numerous differing from individual to individual. However, it is suggested by many scholars that among the different HRM practices that leads employees to think of leaving an organization, the compensation practice that the organization is following is one of the major reason. As cited by Choi S. and Panniruky P (2012), as per to Howard, 1993; Thwala et al., (2012) and Abdullah et al., (2012), employees desire compensation system that they perceive as being fair and commensurate with their skills and expectations. To explain what compensation means in short, Sherman et al.(1998), states that employee compensation and benefits includes all form of pay, rewards, bonuses, commissions, leaves, recognition programs, flexi work hours and medical insurance. Plus, as per to Mary M., Andrew T. and Dennis K. (2015), components of compensation are divided in to two, as financial and non-financial, in which both the components have direct and indirect sub division. Direct financial compensation includes salaries and allowances. Benefits like medical care, pension, health and group insurance are included in the indirect financial component. Challenging job responsibility, recognition of merit, growth prospects, competent supervision, comfortable working conditions and job sharing are included under the non-financial component of compensation among others.

Lots of researchers indicate how employee turnover intention is highly related to organization's compensation practices. However, the research findings differ one from the other in specifying which compensation practice is the major factor for employees' turnover intention. Some research findings like Rhoda C., et al (2013), states that it is the non-financial/intangible rewards/compensation/, not the financial package that significantly contribute to employees feelings of satisfaction and their intention to continue working for an organization. While others like Parbudyal S. (2010), states all aspects of pay – level, structure, benefits and raises are those that strongly influences employee turnover intent. Yet others like Saira Y. et al. (2014),

states that the non-financial rewards/compensations/ are equally important as the financial one, and implementing both as needed, will make employees to less likely leave the organization in question.

Thus, considering that professional employees' turnover is a challenge to GOAL Ethiopia, the fact that unhealthy professional employee turnover is a huge loss for an organization and the high relationship between organization's compensation practice and employee turnover intention, the researcher planned to study the effect of compensation practice of GOAL Ethiopia on professional employees' turnover intention.

## **1.2. Statement of the Problem**

Effective compensation practice manages the human resources expenses of an organization. It supports the organization since it mainly helps to retain its competent employees as they do not feel the need to find a new job opportunity elsewhere. However, if the compensation practice is not up to their expectation, it becomes a good motivator for them to think of leaving that organization. Thinking of leaving will result the actual turnover at the end if employees didn't get anything that makes them change their mind.

The turnover then, if it is a voluntary one and the competent and professional employees are those that are leaving in a considerable rate, its undesirable effect on the organization is massive as indicated in the background of this study.

Employee turnover intention is few steps back from the actual turnover which acts as a substitute to the actual turnover, as highlighted by researchers presented in previous section of this study. Thus, overcoming employee turnover intention will result overcoming the actual turnover.

As indicated in the background of the study, numerous studies have also outlined the various compensation practices of an organization as factors for employees' turnover intention. Some say it is the money, others say the reserve: it is the supervisor, the absence of recognition, the opportunities to grow, etc. or the need for the non-financial compensation practices that makes employees think of quitting, yet others say both financial and non-financial components of compensation practices should be implemented as per the need as both are equally important to retain employees.

Professional employees' turnover is a huge problem in GOAL Ethiopia. Scholars like Derik T., et al (2013), advocates that for some organization's turnover rates in excess of 10% are likely to cause damage to an organization. As per Admin and HR department record of the organization, voluntary turnover rate of professional employee's was 15%, 19%, 15% and 18% from the year 2013 GC to the year 2016 GC respectively, which are by far greater than 10%. Turnover rate (TOR) is calculated as below per to David G. (2008) after getting the organization's staff data information in the consecutive years.

$$\text{TOR} = \frac{\text{Number of employees leaving} \times 100}{\text{Average number of employees}}$$

Considering the relationship between compensation practice and employees turnover intention, looking at the organization's compensation practice (the researcher being the employee of the organization), its main focus is on financial compensation especially on the salary and having similar benefit package that the organization is granting to almost all of its employees. On the other hand, since actual turnover is the consequence of turnover intention, when the exit interview data of the recently resigned employees is referred from Admin & HR department of the organization, majority of them stated they are leaving because of the salary and the benefit package.

To this end, problem is seen whether or not the less attention given to non-financial compensations, the organizations focus on just salary and the similar financial benefits it grants to professional employees or it is just the salary and benefit practice of the organization as per to the exit interview data, is the major one that makes them to think of leaving the organization.. Besides, the researcher considers the unavailability of study in this area in the organization, as a huge gap which needs a research. Thus, the researcher was interested to study the effect of the compensation practices of the organization on professional employees turnover intention focusing on some elements of compensation; salary, benefit, supervisor support, non-financial recognition and career growth opportunity. The researcher selects these non-financial compensation practices among others as majority of the staff are working in a remote areas of the country, the support and recognition they would gain from their supervisors who are far in Addis Ababa or from those who are close enough as they

may live in the same compound, might be a triggering factor for their turnover intention, which also has effect on employees career growth opportunity. With regards to Addis Ababa staff, the researcher observes that the organization is a very busy environment and the focus given to the non –financial compensation practices by the organization specially to the selected variables seems questionable.

### **1.3. Research Questions**

Based on the above mentioned problem, the below research questions were raised to be addressed:

- 1) What is the professional employees' attitude towards the compensation practice of the organization?
- 2) To what extent are professional employees intended to quit their job due to their pay (Salary and benefit)?
- 3) To what extent non-financial recognition, career opportunity to grow and supervisor support influence employees' intention to leave the organization?
- 4) To what extent are professional employees intending to quit due to the non-financial compensation practice (recognition, career opportunity to grow and supervisor support)?
- 5) Which compensation practice significantly influence the turnover intention of professional employees?

### **1.4. Objective of the Study**

**General Objective:** The general objective of the study is to examine the effect of compensation practice on professional employees' turnover intention.

**Specific objective:** The specific objectives of the study are indicated below.

- To assess the extent the compensation practice of GOAL Ethiopia is related to professional employees' turnover intention.
- To investigate whether or not salary and benefit package of the organization, career growth opportunities, non-financial recognition and supervisory support influences the professional employees' turnover intention.

- To examine which compensation practice highly influences professional employees' turnover intention.

### **1.5. Significance of the Study**

As stated in the introduction, voluntary employee turnover has lots of negative sides and this also might affect GOAL Ethiopia as a number of professional employees are leaving the organization.

Thus, this study checks the extent level of professional employees' intention to quit in relation to the specific compensation practices stated. Based on the findings, recommendation and conclusion, this paper will give the organization an awareness about the link and its extent between professional employees' turnover intention and its compensation practice, which intern will help to take action to minimize the negative consequences of professional employees' turnover. Additionally, as it gathers different information to be a base for this study, the organization or any other researcher can get a compiled data, which can be used as a reference. It also gave the researcher the opportunity to gain deep knowledge in the relationship between compensation practice and professional employees' turnover intention.

### **1.6. Scope of the Study**

The scope of the study is indicated underneath.

- The study is bounded only on voluntary turnover intention of professional employees in an organization called GOAL Ethiopia. This is because, most of the time, the employment contract period for the non-professional employees is for short term as they are recruited being project specific, in which the reason for their turnover is due to end of contract, which will be forced by the organization, not by themselves as a voluntary resignation, which is the focus of the study. Additionally, the number of non-professional employees that the organization has, that are not recruited for a certain specific project, unlike those stated above, are few in number and their voluntary turnover rate is not considerable like the professional employees' that would make one to be conscious at and conduct research about.
- It is also bounded on the relationship between the compensation practice of GOAL Ethiopia, being salary, benefit package, non-financial recognition, career

growth opportunity and supervisor support as a main element and their effect on professional employees' turnover intention. This is because as stated above the majority of the exit interview data of the recently resigned professional staff data of the recent years indicates that they are resigning because of salary and benefit package. Regarding the selected non-financial compensation practice, the researcher observed that the organization is giving less attention to non-financial compensation and the effect of the selected elements to employee turnover intention in the organization is not clearly visible though lots of researchers and related books state how non-financial compensation practice relates to employees turnover intention.

- The research also excludes the very few expats as they are very few in number with very low turnover rate.

### **1.7. Limitation of the Study**

The researcher recognized that the study is limited on the different points as indicated below taking into consideration the scarce time, budget and manageability of the study.

- It is limited to the effect of compensation practice and professional employees' turnover in a single organization called GOAL Ethiopia. Thus, the generalizability of the findings would be an issue as there would be a variety of compensation practices in different organizations that has impact on employee turnover intention.
- Data also was collected from individual employees and the main findings was only based on these employees perception against their intention to leave rather than actually measuring the current compensation practice and its impact on the lots of employees in the organization. As a result, the generalizability of the findings in to other similar organization would also be an issue.

However, though the study has the above limitations, apart from using the available time, and budget intensively and making the data easily manageable, the researcher believes that as the number of staff in this organization is over 550 at the time of study, it can make the findings representable.

## 1.8. Ethical Considerations

The researcher considers implementing different ethical standards is not only important but also essential. Thus, the researcher tried her best from requesting the consent of the organization, the respondents, keeping the confidentiality of the gathered information and the employees' anonymity up to informing well to concerned person for what purpose the study is intended for.

In view of this, first to conduct this research paper on the organization, permission was requested and approval is gained. Second, participants were well assured that the response they gave is kept confidential, which was also stated on the distributed questionnaire and the message was also forwarded in every communication. Thirdly, the purpose of the study was also stated in the questionnaire well to make participants respond with their own consent.

## 1.9. Definition of Terms

For the sake of understanding of different terms, the following definition of terms is provided.

**Compensation:** Compensation is defined as financial and non-financial compensation granted to employees in return for their contribution: Salaries, medical care, health and group insurance are under financial compensation and non-financial recognition, opportunity to grow, supervisor support are under non-financial compensation, Mary M, et al (2015).

**Basic salary/pay:** is the amount paid to an employee before any extras are added or taken off, such as reductions because of salary sacrifice schemes or an increase due to overtime or a bonus. ([www.hrzone.com/hr-glossary](http://www.hrzone.com/hr-glossary)).

**Pay equity:** is the idea that pay for jobs requiring comparable levels of knowledge, skill, and ability should be similar, even if actual duties differ significantly, Robert L and John H. (2016).

**Turnover:** As cited by Ngo T. (2009), Stephen P., Timothy A., (2008), he defined employee turnover as “voluntary and involuntary permanent withdrawal from an organization.

**Turnover Intention:** Mobley (1979), defined turnover intention as the individual's intention to voluntarily quit the organization or profession, as cited by Shweta J. (2009).

### **1.10. Organization of the Study**

This research study was organized in five chapters as pointed out below.

Chapter one: This chapter introduces the topic and explains why the effect of compensation practice on employee turnover intention is the focus of the study. The research objective, questions, its significance, scope, limitation and definition of terms are also outlined here.

Chapter two: Literature review of the study is presented in this chapter. An overview of literatures on staff turnover and turnover intention being specific to the impact of compensation practices in relation to pay (salary and benefit), non-financial recognition, career growth opportunity and supervisor support was covered.

Chapter three: Presents the research methodology and provides the research approach, design, population, sampling frame, sampling technique, sample size, data sources and types, data collection procedures and methods of data analyses.

Chapter four: In this chapter, the analysis of the collected data and interpretation are presented. Based on the data, further discussion on the findings was also made.

Chapter five: The final chapter presents the summary of findings with conclusion and recommendations.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1. Introduction

People are an important asset in all social organizations and from the perspective of the organization, people are resources which organizations cannot exist without them. In any organization the importance of people is immense as they support in developing the organization's objectives and achievements for which organizations are recognized for.

Among the different types of organizations, NGOs are defined as a private organizations and are the subset of the broader nonprofit sector "characterized primarily by humanitarian or cooperative, rather than commercial, objectives...that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development", mostly in development countries, Eric D. and Faisal Z. (2007).

As stated by Divya M. et al (2014), earlier studies evidenced that different organizations including NGOs consider Human resources challenges as the most severe challenge than financial and information challenges where again, among the most known HR challenges, employees' turnover is a severe one. Employee turnover is highly related with employee turnover intention, which as defined by Mobley (1979), is the individual's intention to voluntarily quit the organization or profession, as cited by Shweta J. (2009).

As cited by Choi S. et al (2012), it is important for HRM to overcome employees' turnover intention. Issues encountered may be in the areas of shrinking pool of entry-level workers, individual differences, use of temporary workers, productivity and competitiveness, retirement benefits and skills development (John, 1995).

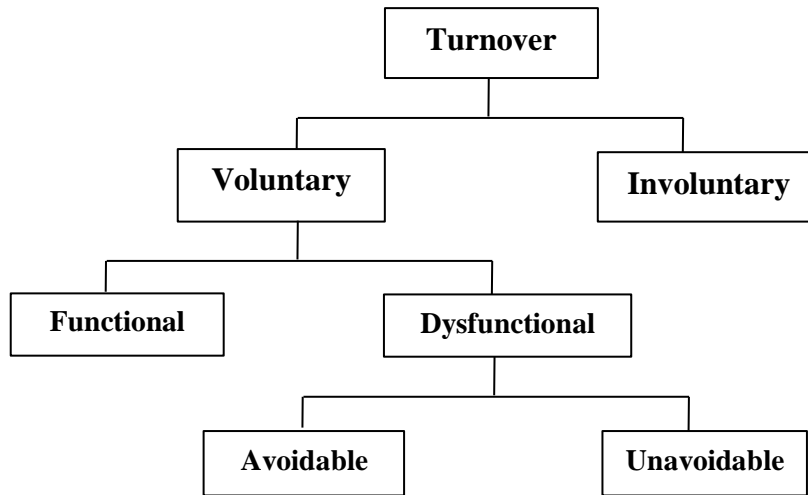
#### 2.2. The Concept of Employee Turnover

Employee turnover is a frequently researched topic, but due to its complexity in nature, still it is one of the challenging issues requiring further research under human resources management. Employee turnover is the rotation of workers around the labor market, between firms, jobs and occupations, and between the states of employment

and unemployment (Abassi S. & Hollman K. (2000). As cited by Ngo T. (2009), Stephen P., Timothy A., (2008), defined employee turnover as “voluntary and involuntary permanent withdrawal from an organization.

### 2.2.1. Types of Turnover

Turnover has two types, voluntary and involuntary. As stated by David G (2008), the below figure with the explanation underneath elaborates about types of turnover.



Source: David G (2008).

**Figure 1 Types of employee turnover**

Voluntary turnover is initiated by the employee; for example, if a worker quits his/her/ job to take another job. Involuntary turnover is initiated by the organization; for instance, if a company dismisses an employee due to poor performance or due to organizational restructuring. When we say turnover is dysfunctional, it means it is harmful to the organization and can take numerous forms including the exit of high performers and employees with hard to replace skills. Comparing to the dysfunctional turnover, the functional turnover does not hurt an organization, the example can be when poor performers leave an organization. Avoidable turnover stems from causes that the organization may be able to influence. For example, if employees are leaving because of poor compensation practice, the company could improve the situation. The unavoidable turnover stems from causes over which the organization has little or no control. The example for this can be if employee leaves because of health problems.

### **2.2.2. Effect of Voluntary Dysfunctional Turnover**

Most scholars advocate how costly employee turnover is. For example Shewta J. (2009), stated that, “Since employee turnover is really costly, it has always been a matter of concern for organizations. It has an impact over the organization’s costs relating to recruitment and selection, personnel process and induction, training of new personnel and above all, loss of knowledge gained by the employee. Additionally, it results in understaffing which in turn lead to decreased effectiveness and productivity of the remaining staff.”

The word of Armstrong (2009), also strengthen Shewta’s idea. He explains the cost of turnover as direct cost of recruiting, introducing and training replacements, leaving costs, opportunity cost of time spent by HR and line managers in recruitment and loss of output.

Mohammad R. (2015), added to this fact indicating that, employee turnover not only takes away the talents of the organization, but also hampers the smooth operation of the organization and increases costs as well.

David G. (2008) expresses the impact of employee turnover as; it is costly, affects organizations performance and it may become increasingly difficult to manage. Adding that, organizations everywhere are facing impending shortages of overall talent as well as a dearth of employees with the specialized competencies companies need to stay ahead of the competition.

As cited by Michael J. (2011), taking into account both the direct and indirect costs of employee turnover, the minimum cost equates to one year’s pay and benefits and a maximum of two year’s pay and benefits, Ramlall (2005).

### **2.3. Turnover Intention**

The conceptual definition for turnover intentions is the relative strength of an individual's intent to leave the organization. It is an outcome variable in this study, and is operationally defined by three single indicators: thinking of quitting, intent to search, and intent to quit, Hom and Griffeth (1991).

To further elaborate, turnover intention is also defined by Mobley (1979), as the individual's intention to voluntarily quit the organization or profession, as cited by Shweta J. (2009).

### **2.3.1. Purpose of Studying Employees Turnover Intention**

To manage voluntary turnover in an organization, understanding why employees are leaving and why they are thinking of leaving is vital to then create strategies and manage turnover among valued workers. Which is mainly through analyzing employees' turnover intention.

Turnover intention is steps back from the actual turnover. Consequently, studying about employee turnover intention is mandatory to alleviate the avoidable dysfunctional voluntary turnovers. Thus, as Shweta J. (2009), stated proactive measures may be adopted by the organization to control the actual turnover, if it is aware of the turnover intentions of its employees.

### **2.3.2. Factors Influencing Employee Turnover Intention**

Employees may think to leave a certain organization for so many different reasons, either for money, for better working environment, looking for career advancement, looking for recognition, better supervisor, better challenging work or for any reason that an individual can name.

As stated by Armstrong (2009), more pay, better prospects (career move), more security, more opportunity to develop skills, better working conditions, unable to cope up with jobs, poor relationships with manager/team leader, poor relationships with colleagues, bullying or harassment, personal (pregnancy, illness, moving away from area, etc.) can be the different possible reasons for employee's turnover intention.

Frontera (2007), found factors for low employee motivation and then turnover intention as low salary, job insecurity, employment opportunities elsewhere, lack of personal safety and security, lack of respect and appreciation, lack of development opportunities, etc., as cited by Divya M. et al (2014).

Considering the focus of the study; pointing out on the effect of one of the HRM practices that is compensation practice and employee turnover intention, the below

literatures will concentrate on compensation in view of its different sub-dimensions in relation to individual employee outcome specifically, their turnover intention.

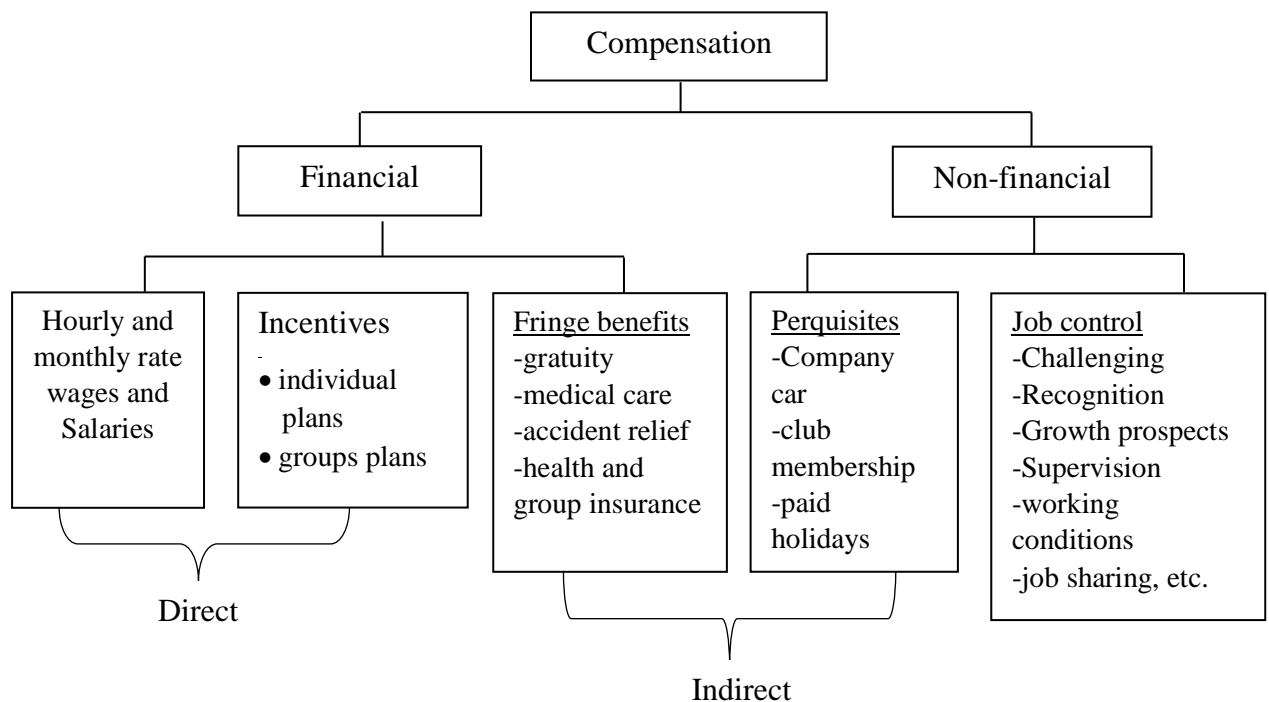
## 2.4. Compensation Practice

### 2.4.1. The concept of Compensation

Michael A., Duncan B and Peter R. (2011) expressed compensation as a complex and often confusing topic. To this end, different scholars use compensation and reward interchangeably, where some make compensation as a subset of reward. Again, others state compensation as just any kind of pay that an organization grants for its employees. Some others like Mary M., et al, (2015), stated compensation as a financial and non-financial compensation granted to employees in return for their contribution: Salaries, medical care, health and group insurance are under financial and Company car, paid holidays, challenging job, recognition, growth prospects, competent supervision, working conditions, etc. are under non-financial compensation.

### 2.4.2. Components of Compensation

The below figure clearly illustrate the components of compensation



Source: Aswathappa, 2005, cited by Mary M., Andrew T. and Dennis K. (2015).

**Figure 2 Components of Employee Compensation**

Below, further discussion is made from literatures point of view, the specific financial and non-financial components that the study focused at. Pay (salary and benefit) from financial components of compensation and recognition, growth prospects and supervision from non-financial component of compensation and their relation with employees' turnover intention.

## **2.5. Compensation Practice and Turnover Intention**

### **Financial compensation practices and turnover intention**

#### **2.5.1. Salary and turnover intention**

It is obvious that there is a link between basic salary/pay and job. The range of jobs to be found within any organization will be of differential work to management and will therefore need to be grouped into some kind of grading hierarchy with pay determined by where exactly the individual post sits within it. Job worth is established based on external and internal comparison; or job worth may be underpinned by notions of external equity or internal equity (Mahoney 1983; Evans, 2003:420-8). External job worth will depend on market rate of the post and internal job worth depend on the established job evaluation, Stephen B. (2005). Where pay equity is the idea that pay for jobs requiring comparable levels of knowledge, skill, and ability should be similar, even if actual duties differ significantly, Robert L and John H., (2016).

Pay is the main consideration in employee-employer relationship because it provides the tangible rewards for the employees for their services as well as a source for recognition and livelihood. Thus, if employees are not satisfied enough with their salary, they would develop the intention to leave their current organization, then leave, as cited by Mary M. et al. (2015).

Popoola (2007) supports this concept in that, in the 21<sup>st</sup> century people pay much attention to their life style and the money they earn from the work than their predecessors. However, it remains unclear whether many of them would continue working, if it were not for the money they receive. Employee expectations of a compensation plan are that it is fair and equitable, that it provides them with tangible rewards commensurate with their skills and further, provides recognition and livelihood.

Thus, it appears that the value of money is also seen as an influence to other higher level of satisfaction. As Dulebohn & Werling (2007) stated money not only helps people to attain their basic needs, but it also is instrumental in providing higher level need satisfaction. As a result, most employees value work according to how much they gain from that organization.

### **2.5.2. Benefits and Turnover Intention**

Employee financial benefits are elements of remuneration given in addition to the various forms of cash pay. They provide a quantifiable value for individual employees, which may be deferred or contingent like a pension scheme, insurance cover or sick pay, or may provide an immediate benefit like a company car. On the other hand, employee benefits also include elements which are not strictly remuneration, such as annual holidays, Michael A. and Helen M. (2007).

Different scholars also evidenced that employees may think of leaving an organization because of the lack of benefits available to them, Amy H. (2009). As found by MetLife (2003) and Dale-Olsen (2006); while pay (salary) may be important to attract employees, benefits seem to play a more important role when retaining employees – as well as attracting employees, Shawn M. Carraher (2010) as cited by Mohammad R(2015). Furthermore, Carraher and Buckley (2008) found the significant negative relationship between benefits and employee's search for a new job and quitting from the organization.

Citing Henry (2004b), David L. (2006) specified that to retain humanitarian agency employees especially for those engaged in the long term, benefits are more important than pay. They can include tax free salary, health and retirement benefits, return or end of contract allowances, longer holiday, per diem, insurance or facilitating accompanied status.

Barry A., Harvey B., and Ray N. (1995), added to this that, pay level and benefits have been seen as a way to influence so-called membership behaviors: decisions about whether to join or remain with the organization.

For Shweta J. (2009), the variables that affect job satisfactions, which then leads to turnover intentions are pay, promotion opportunities, immediate supervisor, fringe

benefits, contingent rewards, rules and procedures, relation with co-workers, type of work done and communication with the organization (Spector, 1997).

In general as stated by Johanim J. and et al (2012), if organizations fail to provide equitable compensation, it would result in employees' negative attitudes toward the organization such as unwilling to retain with the current organization.

Susan M. (2016), explanation about the value of fair pay expresses well about how it is highly important to employees and the organization. She states that "whatever our personal reasons for working, the bottom line, however, is that almost everyone works for money. Whatever you call it: compensation, salary, bonuses, benefit or remuneration, money pays the bills. Thus, fair benefits and pay are the cornerstones of a successful company that recruits and retains committed workers.

### **2.5.3. Dimension of Pay**

As per to Margaret L. et al (2008), the dimension of pay (salary and benefit) satisfaction, includes satisfaction with pay outcomes (pay level satisfaction, meaning satisfaction with the amount), pay procedures (satisfaction with pay procedure), benefit outcomes (benefit level satisfaction) and benefit procedures as the individual satisfaction with the procedures and processes that are used to deliver benefits. Findings of Miceli and Mulvey's (2000) suggests that satisfaction with the compensation (pay) system is a more important input into employees' judgments of the quality of their exchange relationships with their organizations than is satisfaction with compensation levels (i.e. amount of salary and benefits).

However, with regards to the extent level of effect pay (salary) has on employees' turnover intention, David G (2008), advocates that, pay levels and pay satisfaction have only modest predictors of people's turnover. This argument is further supported by Derik T. (2013), stating that researchers debate about the extent to which salary improvement impact has in staff retention. He pointed that, the consensus among researchers is that pay has a role to play as a satisfier, but that it will not usually have an effect when other factors are pushing an individual towards quitting.

## **Non-financial compensation practices**

On the contrary to the above, there seems to be agreement that financial incentives cannot substitute for an exciting job, long-term career planning, and attention by senior managers as Philip S. et al. (2006) is arguing.

This argument is also supported highly by scholars like Michael S. (2009), which states that, there is a little doubt about focusing solely on financial rewards as it creates instrumental relationships. “I work for you just because you pay me”. It is easier for competitors to lure away your staff – they just have to pay them more money. In terms of retaining key talent, building affective relationships between employer and employee binds the two more closely together. This makes the individual less likely to leave and makes it harder for rival organizations to compete. Below, the relationship between selected non-financial compensation practices (non-financial recognition, career growth opportunity and supervisor support) with turnover intention is highlighted from literatures point of view.

### **2.5.4. Non-financial Recognition and Turnover Intention**

Recognition is the perception that members’ contributions to the organization are acknowledged, Michael A. (2009). As cited by Michael S. (2004), non-financial recognition is defined “...a non-cash award given in recognition of a high level of accomplishment or performance such as customer care or support to colleagues, which is not dependent on achievement of a pre-determined target”, Rose (1998). Rose, further states that, non-financial recognition has two different forms, called formal and informal as discussed below.

Formal Recognition - structured/scheduled activities or events with specific criteria used to recognized employee contributions (example, Staff Appreciation Awards like employee of the year).

Informal Recognition - the acknowledgement of day-to-day accomplishments in the workplace through gestures of appreciation, communication and/or feedback (i.e. thank you, verbal complement at a staff meeting, etc.).

As cited by Willemien V. (2009), nonfinancial recognition rewards include everything in a work environment that enhances an employee’s sense of self-respect and sense of being esteemed by others (Cascio 2003). When employees feel appreciated, they will

be more positive not only about themselves but also about the contribution they can make to the company's success (Ford & Fina 2006). Lack of recognition is also stated among the different factors that affect employees' decision to stay or leave an organization. Abassi et al (2000), supports this stating that the factors which make employees to quit from organizations are poor hiring practices, managerial style, lack of recognition, lack of competitive compensation system in the organization and toxic workplace environment as cited by Renuka C. (2015).

Again, the benefit of non-financial recognition is highlighted by Michael S. (2009) in his citations as research conducted by industrial relations services (1999) suggests that non-financial recognition schemes benefit employers in different ways. The practice can help fulfill organizational objectives at a relatively low cost, assists to show employees what the desired behavior is, can be done on immediate manner unlike financial benefits which usually are conducted on annual bases, are good advocates for employer branding, have long lasting effect on employees and among the best practices in retaining staff.

#### **2.5.5. Career growth Opportunities and Turnover Intention**

People desire to get better and better at something that matter, like working in an organization that has career growth opportunities as most employees want to grow up career wise and see themselves in a better place that they are striving for.

As cited by Gulsah K. (2014), organizational career growth involves reaching career aims, improving professional skills and getting promotions and compensation appropriate with those competences Weng &Hu (2009).

Weer (2006), described career growth as the probability that an employee gets a promotion and acquires career development experiences from ascended responsibilities and contender tasks.

A number of research also noted that the absence of career growth, is also a good reason for an employee to think of quitting his/her employment contract with the employer. Many employees are satisfied if they have faith for bright and well future in their current organizations. (Drafke & Kossen 2002) otherwise employees may start thinking about quitting.

As cited by Binish K. and Ali T. (2016), perceived career opportunities outside the organization and lack of career advancement opportunities inside organization increase the employee's intentions to leave the organization (Stahl, Chua, Caligiuri, Cerdin, and Taniguchi, 2009). Willard N. (2013), in his research study also stated that a lack of career progress in organizations has cited as another factor that influences employee turnover decisions.

### **2.5.6. Supervisor Support and Turnover Intention**

Amy H (2009) articulates well how supervision provokes turnover intention. She stated that “incompetent supervisors are often one of the first issues linked to employee turnover. No one wants to work for a manager who cannot adequately complete the tasks of his or her job, who is not passionate about the work being done, and who fails to provide regular feedback. Providing better employee supervision as well as enhanced communication helps to decrease employee turnover intention and the actual turnover”.

Today the role of supervisors is linked to lots of attributes in a certain organization. As cited by Choi S. et al. (2012), the responsibility of managers/ supervisors/ includes encouraging employees to take responsibility for their own careers, offering continuous assistance in the form of feedback or individual performance and making available information from the company about the organization, career opportunities, positions and vacancies that might be of interest to the employees (Zandy et al., 1986). Thus the link between supervisor-subordinate support is expected highly to be positive by employees as one form of their criteria for their decision to stay or leave. In line with this, it is advisable for employers to train supervisors and managers on how to lead and develop effective relationships with subordinates, make supervisors and managers accountable for retention and identify and remove abusive supervisors. David G. (2008).

As cited by Chaitra and T.P.R (2015), Mobley, et al (1979) also concluded that a number of studies offered moderate support for a negative relationship between satisfaction with supervision and turnover (i.e. the higher the satisfaction with supervision, the lower the turnover). In which the reverse will be seen if the satisfaction is low, which also has the same implication in employees' turnover intention.

All in all, employees today are dealing with more complicated work tasks, often work long hours, and work in teams (Lee, 2004). They might require higher socio-emotional and growth needs that motivate them to work and perform better in their work tasks. As supervisors play an important role in managing employees and projects, their relations are much closer. Hence, beneficial treatment from a supervisor could increase perceived organizational support to the extent that such treatment is discretionary, fair, and attributed to the organization's policies and procedures (Rhoades et al., 2001). This is expected to ultimately lead to negative turnover intentions. It is also evidenced that, supervisors with hypocritical behaviors motivate staff turnover intentions, Choi S., Panniruky P., Musibau A. (2012).

Nevertheless scholars like, (Harris et. al., 2005) advocates that the presence of strong positive relationship between supervisor-subordinate may also lead to high staff turnover intention. This is because, in case of strong or high superior-subordinate relationships, the strong bonding between the two provides better opportunities for upward or outside mobility since strong-bonded subordinates may get extra professional or non-professional benefits in terms of higher performance ratings, increased attention, and sharing of their social networks mutual respect and trust, professional help, communication etc., as cited by Anu S. (2015). Hence, one has to also consider these two extremes.

To sum up, as cited by Mohammad R (2015), in HRM literature, researchers confirmed the link between compensation as a dimension of HRM, and employee turnover intention (Lockwood, 2007; Juhdi et al., 2013). The challenge for organizations is to consider the different employee needs as they implement organizational practices and yet they need to create ways to alleviate employee turnover intention before it gets worse.

With the aim of considering best practices for staff retention, the researcher finds Philip S. (2006), suggestions a sounding point, as there is no best practice but the positive fact lies that high performing organizations have similar attitudes in giving constant attention to improvements in efficiency and effectiveness,

## 2.6. Empirical Studies

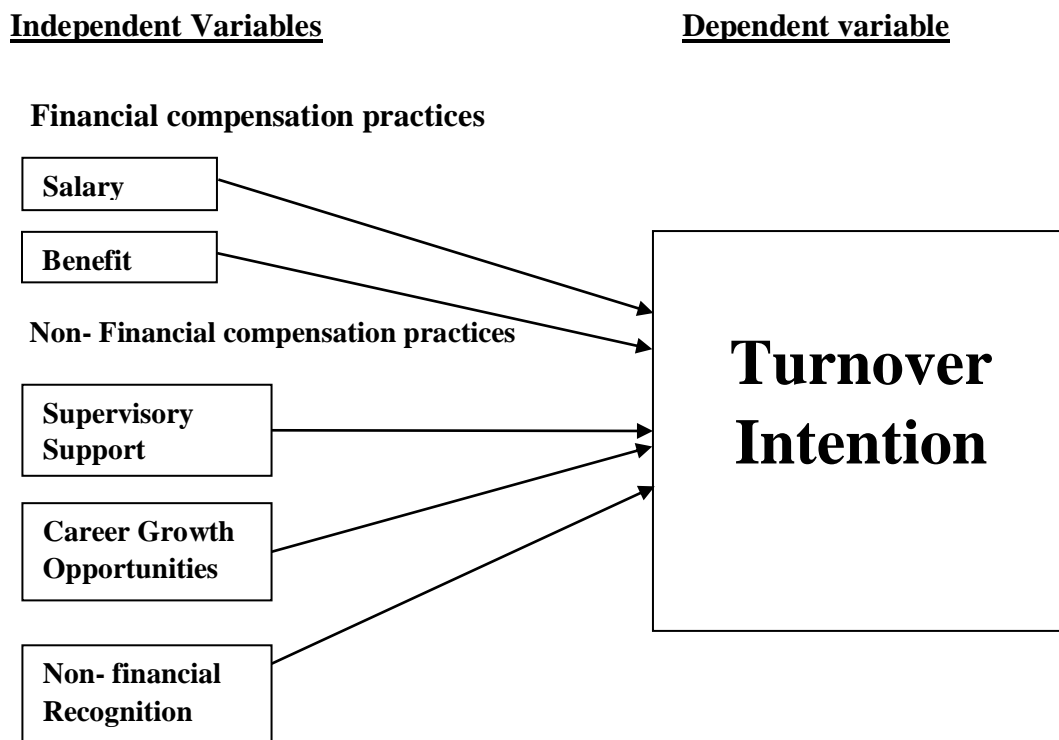
A number of scholars researched about factors of employee turnover intention. The compensation practice that the organization is following is stated in many of these different studies as one of the major factor for employees' turnover intention. Some, stated job satisfaction as a mediator to turnover intention due to the compensation. Others, as indicated in this chapter specifically, state different financial compensation practices as the major factor for employees' turnover intention, whereas some others state the non-financial compensation practices as the major factor for employees' turnover intention. Yet again, some others also stated that the single component of compensation will not bring the necessary outcome, so mixing of both financial and non-financial components of the compensation practice as appropriate is advised. Below, the researcher tried to summarize the few empirical studies that are related to compensation practices and employee turnover intention.

Divya M. et al (2014), released an article based on theoretical review on human resource challenges in Non-governmental organizations, where retaining employees as being the severe one. The review revealed that compensation has a direct impact towards the performance and satisfaction level of employees where the poor compensation practice drives employees away from non-profits regardless of organizational commitment and job satisfaction. The low pay and an absence of opportunities for career growth restrict the nonprofits organizations from retaining talented workforce. The study also exhibited reasons for high turnover in non-profit organizations as lower pay, frustration with the lack of resources, lack of job satisfaction, lack of extrinsic motivators, absence of leadership skills, lack of training and development programs, unhealthy employee and employer relationship. Mohammad R. et al. (2015), research study titled, high commitment compensation practices and employee turnover intention: mediating role of job satisfaction, explains in its findings that employees perceptions of high commitment compensation practices reduce the likelihood of their turnover intention. The research further states that job satisfaction mediates the above relationship which leads to believe the importance of understanding the perceptions of high commitment compensation practices and related aftereffects at employee level.

All the above mentioned researchers, stated how employees' turnover is costly and the critical importance of studying well the reasons for employees turnover intention to overcome the actual turnover by selecting different compensation practices as independent variables to employee turnover intention or the dependent variable, which also were highlighted well in the literature review part of this study.

## 2.7. Conceptual Frame work

As per to the different literatures stated above, the below conceptual frame work was developed.



*Source: researchers own, 2017*

**Figure 3 Conceptual Framework**

To summarize the literature review findings as a way to reconcile with the conceptual review, scholars like Susan M. (2016), Dulebohn & Werling (2007), Popoola (2007), Armstrong (2009), Divya M. et al (2014), Frontera (2007) as cited by Divya M. et al (2014) and Parbudyal S. (2010) indicated that salary practice of the organization is one factor for employees' turnover intention. Mohammad R(2015), Citing Henry (2004b), David L. (2006), Amy H. (2009), Barry A., Harvey B., and Ray N. (1995) indicated that benefit package of the organization is one of the major factor in

influencing staff turnover intention. Whereas, researchers like Taplin and Winterton (2007), as cited by Samuel (2008), David G. (2008), Amy H. (2009) and (Lee, 2004) revealed that supervisory support is one of the other major factor in influencing employees' intent to leave an organization. Again, as cited by Binish K. and Ali T. (2016), Willard N. (2013) and (Drafke & Kossen 2002), it is indicated that the career growth opportunity practice that the organization is following is the other factor that influences staff turnover intention. Lastly scholars like Michael S. (2009) and Abassi S. et al (2000) as cited by Renuka C. (2015) indicates that non-financial recognition practice that the organization is practicing is one factor in influencing employees' turnover intention.

Thus, this research study was developed by the above conceptual framework following the different literature reviews and the practical problem of the organization that was indicated in the statement of the problem section in chapter one of this study. The conceptual frame works is formulated with a view that the independent variables, salary, benefits, career growth opportunities, supervisory support and recognition are the significant factors for professional employees' turnover intention.

In line with this the following hypothesis was formulated which is tested using regression analysis and presented in chapter four of this study.

## **2.8. Hypothesis Construction**

As indicated in this chapter, per to (Lockwood, 2007; Juhdi et al., 2013) and other related literatures, in HRM literature, researchers confirmed the link between compensation practices as a dimension of HRM, and employee turnover intention, cited by Mohammad R (2015). This view results in developing the first hypothesis as indicated below. (The null hypothesis is the one outlined first in each hypothesis and sub-hypothesis which is followed by the respective alternative hypothesis for each independent variable).

H<sub>0</sub>: The compensation practice of GOAL Ethiopia doesn't influence the professional employees' turnover intention.

H<sub>a</sub>: The compensation practice of GOAL Ethiopia influences the professional employees' turnover intention.

Again, the below sub hypothesis were developed based on the relationship considered between each independent and dependent variables.

H<sub>0</sub>1: The salary practice of the organization doesn't influence the professional employees' turnover intention.

H<sub>a</sub>1: The salary practice of the organization influences the professional employees' turnover intention.

H<sub>0</sub>2: The benefit package that the organization is following doesn't influence the professional employees' turnover intention.

H<sub>a</sub>2: The benefit package that the organization is practicing influences the professional employees' turnover intention.

H<sub>0</sub>3: The non-financial recognition that the organization is following doesn't influence the professional employees' turnover intention.

H<sub>a</sub>3: The non-financial recognition that the organization is practicing influences the professional employees' turnover intention.

H<sub>0</sub>4: The career growth opportunity practice of the organization doesn't influence the professional employees' turnover intention.

H<sub>a</sub>4: The career growth opportunity practice of the organization influences the professional employees' turnover intention.

H<sub>0</sub>5: The supervisory support practice of the organization doesn't influence the professional employees' turnover intention.

H<sub>a</sub>5: The supervisory support practice that the organization influences the professional employees' turnover intention.

## **2.9. Conclusion**

This chapter presented the conceptual framework as well as different related topics of this study from literature point of view highlighting the factors behind staff turnover, its effect to the organization and the relationship of staff turnover intention with compensation practice that the organization follows. Based on the literature, the effect of employees' turnover is too costly to the organization and staff turnover

intention, which is a prior step back before the actual turnover and an advantageous step to follow to minimize turnover intention, are caused by different factors. These includes considering the salary and benefit package of the organization , looking at the career growth opportunities that the organization is practicing, the role of non-financial recognition as well as the supervisory support that the staff is getting.

In humanitarian organizations like GOAL Ethiopia, given that its financial restrictions, it seems that the appropriate implementation of non-financial compensation practices stated above as well as the satisfaction with the compensation (pay) system is a more important input into employees' judgments to stay or leave in the organization in question than is satisfaction with compensation levels (i.e. amount of salary and benefits), though pay with the compensation levels also is one of the major factor. Thus, these are some of the approaches that deserve particular attention for overcoming the challenges of staff turnover intention. These factors will be analyzed further after the presentation of data from the collected questionnaires which captured the perspectives of professional employees' and the result of interview with the management on the subject of the topic. But first, the methodology used for the study will be outlined in the next chapter.

## CHAPTER THREE

### METHODOLOGY

#### 3.1. Description of the Study Area

The study is conducted in an International Non-governmental organization called GOAL Ethiopia, which started its work in the year 1984 GC in Ethiopia.

#### 3.2. Research Approach and Design

##### Research approach

The research approach to the study involves both quantitative and qualitative approach to collect data. In dealing with the quantitative approach, this study uses descriptive and inferential statistical approach. The collected data was summarized and analyzed using descriptive and inferential statistics. The result then is presented in the form of tables followed by discussions for further interpretation on the findings. Using SPSS version 20.0 data analysis method, descriptive statistics were used to present the demographic characteristics of the participants. One sample t-test was used to check on the significance level of difference on employees' agreement level towards the selected compensation practices and their intention to leave from the organization. Correlation analysis was also done to see the relationship between the dependent and independent variables. Additionally, regression analysis was done to identify the effect of selected compensation practices on the professional employees' turnover intention and to test the outlined hypotheses. With respect to the qualitative approach, the interview was conducted with Senior Administration and HR staff which results qualitative information in relation to the thesis title.

##### Research design

The research design is descriptive. Content wise the questionnaire that was distributed to the professional employees measured the effect of compensation practices (salary, benefit package, non-financial recognition, career growth opportunities and supervisory support being the elements) on professional employees' intent to leave. The questionnaire was developed by using 5-point Likert Scale, where 5 is the highest degree of agreement (strongly agree) and 1 is the least degree of agreement (strongly disagree). After collecting the questionnaire, the researcher tried to describe and relate

the gathered data by quantitatively testing with different statistical techniques and qualitatively summarizing the interview result as indicated above.

### **3.3. Population, Sample frame, Sampling Technique and Sample size**

#### **3.3.1. Population and Sample Frame**

Target population of the study is GOAL Ethiopia professional employees. Staff data information that is gained from the human resources (HR) department was the base to outline the target population. For the purpose of this research, those staff that are graded on or above grade IV are considered as professional employees, which was the sample frame.

#### **3.3.2. Sampling Technique**

The sampling technique is stratified random sampling technique. In this the employees were grouped per their location in the different regions, which helps to gain proportionate data from the different regions so that the gathered data is comprehensive as it represents well the staff per region. Thus, the researcher believes, grouping them in to something that will be a common factor to a certain team and analyze the data accordingly would make the information more precise and obtain a representative sample per each group.

#### **3.3.3. Sample Size**

At the time of study, (January 2017 GC) the number of professional employees in GOAL Ethiopia were 381 in total. These employees are located in five regions of Ethiopia as illustrated in the table below and the sample size from population and sample size per each strata are calculated per to the different known formulas as included in the table below. The sample size calculation formula from population is adapted from Yamani T. (1967) and the sample size formula per each strata is adapted per to C. R. Kothari (2004).

**Table 1: Staff data with sample size**

No	Location	Number of staff	Number of staff in % from total population	Sample size per to each strata
1	Addis Ababa	144	38%	74
2	Oromia	102	27%	52
3	SNNPR	69	18%	35
4	Gambella	47	12%	24
5	Afar	19	5%	10
	Total	381	100%	195

*Source: Organization's staff data record and own for the sample size, 2017.*

Yamani T. (1967), uses the below formula to determine the sample size from the total population.

$$n = N / (1 + Ne^2)$$

$$n = 381 / (1 + 381(0.05)^2)$$

$$n = 381 / (1 + 0.9525)$$

$$n = \underline{195}$$

Where; "n" is the sample size, "N" is the population size and "e" is the level of precision. At 95% confidence level, degree of variability=0.5 and level of precision/sampling error= 5%, using this formula resulted **195** professional employees to be the total sample size selected from the total study population of 381 professional employees.

To calculate the sizes of the samples from the different strata, the researcher used the below formula as per to C. R. Kothari (2004).

$$n_i = n \cdot P_i$$

Where n represents the total sample size, Pi represents the proportion of population included in stratum i and the number of elements selected from stratum i is n. Pi. This calculation would give the sample size per each strata as illustrated in the table above.

To calculate the strata sample size of Addis Ababa professional employees as an example:

$$n_i = n.P_i$$

$$P_{\text{Addis Ababa}} = 144/381.$$

$$n_{\text{Addis Ababa}} = 195(144/381)$$

$$n_{\text{Addis Ababa}} = \underline{\underline{74}}$$

Thus, each strata sample size was derived using the above formula.

### **3.4. Data Sources and Types**

The sources of the data were both primary and secondary data. As stated above to collect primary data the developed questionnaires was distributed to the selected sample respondents and interview with the Senior Admin & HR staff was also made to represent the management view of the organization. The reason for selecting questionnaire data collection method is because not only it makes the manageability of the gathered data easier but also the high possibility of getting those employees response located in those 5 different regions without the need to be in those regions in person as it has an implication in cost and time. Additionally the organization's different related documents, related articles, journals and books were used as a secondary data.

### **3.5. Data Collection Procedures**

The questionnaire was distributed to the professional employees per the sample size in hand and using *e-mail* for easy reference. As staff are also located in different regions of Ethiopia, the researcher distributed the hard copy of the questionnaire to the Admin and HR focal staff per region in addition to the e-mail communication forwarded to the list of professional employees (those staff on or above grade IV) including the Admin and HR focal person so that they then can distribute and collect accordingly to/from the employees per to their respective location and forward to the researcher. For those located in Addis Ababa, the researcher herself distributed and collected the questionnaire. Appropriate information was also given to concerned staff before distributing the questionnaire both verbally and in written through e-mail and outlined on the questionnaire itself. Frequent follow-up was followed to make the respondent rate as good as 95%.

### **3.6. Methods of Data Analyses**

After collecting, checking and cleaning the respondents' quantitative data, it is coded and entered in to SPSS, 20.0 version to easily interpret the data with short period of time. Later the data was organized, analyzed, and presented by using tables and further discussion was made to interpret the result. Different statistical techniques like one sample t-test, correlation and regression analysis was also used as an inferential statistics and as a method to test the outlined hypothesis in addition to presenting the data by using descriptive statistics. Interview result was also summarized to incorporate the qualitative data of the management view.

### **3.7. Validity and Reliability**

#### **Validity**

To assure the validity of the instrument, the questionnaires were adapted from previous researchers. Further, the validity of the instrument was checked by first doing face validity with few co-workers, then 30 questionnaires were distributed for pilot testing which helped the researcher to check on the gaps and adjust the questionnaire accordingly then acceptability was also gained after it is checked by professionals in the field.

#### **Reliability**

Reliability of the instrument was also tested to check on its internal consistency using Cronbach alpha result for all the seven categories of the questionnaire. The result shows, except the non-financial recognition (which is good and above 0.7) and career growth opportunity (which is very good), the alpha result for all the categories were excellent as indicated in the table below. In which, according to Robert B. et al (2008), the acceptable levels of Cronach's Alpha for attitude scales (like Likert scale) is 0.7 and above and the strength of association is said to be poor if alpha is  $<0.6$ , moderate if its  $0.6 < 0.7$ , good if it is between  $0.7 - < 0.8$ , very good if it is  $0.8 - < 0.9$  and excellent if it is above 0.9. The table below further illustrates the result of the reliability test.

**Table 2: Instrument reliability test**

<b>Items</b>	<b>Cronbach's Alpha</b>	<b>N of Items</b>
Compensation Package	.936	4
Base salary	.907	4
Benefits	.903	7
Career Growth Opportunity	.868	4
Supervisory Support	.936	4
Non-Financial Recognition	.724	5
Turn Over intention	.947	2

*Source: Own data, 2017*

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION

The following information has been gathered to provide adequate data analysis, which was received from individual respondents of the professional employees at GOAL Ethiopia. A total of 195 questionnaires were distributed to professional employees of GOAL Ethiopia out of which, 186 questionnaires were returned with response rate of 95%.

#### 4.1. Demographic Characteristics

The underneath table shows frequency with percentage information with regards to professional employees' demographic characteristics.

**Table 3: participants' demographic characteristics.**

Respondent Backgrounds		Frequency	Percent
Sex	Male	107	57.5
	Female	79	42.5
Age	20-30	88	47.3
	31-40	81	43.5
	41-50	14	7.5
	More than 50	3	1.6
Marital Status	Single	88	47.3
	Married	97	52.2
	Divorced/separated	1	.5
Educational Background	Diploma	66	35.5
	BSc/BA Degree	101	54.3
	Masters	19	10.2
Service Year	Less than 1 year	40	21.5
	1.1-4 years	77	41.4
	4.1-8 years	41	22.0
	More than 8 years	28	15.1
Location	Addis Ababa	65	34.9
	Afar	10	5.9
	Gambella	24	12.9
	Oromia	52	28.0
	SNNPR	35	18.3
Salary	Less than 5000	10	5.4
	5,000-10,000	82	44.1
	10,000-15,000	50	26.9
	Greater than 15,000	44	23.7
Department/Unit	Programme Staff	96	51.6
	Support Staff	90	48.4
Total		186	100.0

*Data Source: Researcher's own list, 2017.*

The above table indicates that 107 or 57.5% of the respondents were males which make them to be a few higher in number than that of females which were 79 in number taking 42.5% from the total respondents. Looking at the respondents' year of service, the majority of the respondents served the organization from one to four years taking the highest percentage or 41.4% of the total respondents, this can be interpreted that the majority of the respondents served the organization neither for a short period of time nor for longer years. Further information, on the demographic characteristics of the respondents can be seen as it is displayed in table 3 above.

#### 4.2. Professional employees' attitude towards the compensation practice

One of the research questions was to evaluate the professional employees' attitude towards the overall compensation practice at GOAL Ethiopia. To this purpose, sample employees were asked four statements to provide their agreement level to each statement. Then a statistical technique, one sample t-test was used to test the significance level of their agreement. In this test the level of agreement is said to have a significant difference, if p value is less than 0.05 (the conventional statistical significant level of error). Which gives the interpretation that the sample mean is significantly different from the average test value (3). See the below table for the result of the one sample t-test with regards to professional employees overall attitude towards the compensation practice of GOAL Ethiopia.

**Table 4: Professional employees overall attitude towards the compensation practice**

No	One-Sample Statistics				Test Value = 3					
					t-value	df	p-value	M.D	95% C.I.D.	
	Statements	N	M	Sd					L	U
1	The compensation practice at GOAL Ethiopia focuses on the real needs of employees	186	3.17	1.20	1.90	185	.059	0.17	-0.01	0.34
2	The compensation practice that the organization is practicing is conducted fairly to employees.	186	3.07	1.20	0.79	185	.429	0.07	-0.10	0.24
3	The financial compensation practice that is offered to employees in GOAL Ethiopia is satisfactory.	186	2.97	1.10	0.33	185	.739	-0.03	-0.19	0.13
4	The non-financial compensation practice that is available in GOAL Ethiopia is satisfactory.	186	2.80	1.19	2.28	185	.024	-0.20	-0.37	-0.03
5	Aggregate of the four statements	186	3.0027	1.02	0.04	185	.971	0.00	-0.15	0.15

Data Source: Researcher's own list, 2017.

The average level of agreement to each question is taken as moderate or 3 (test value). The below interpretation will further explain some of the results for an easy reference and understanding so that all the other results that are indicated in the table can be interpreted in a similar way.

From the above table, the overall compensation practice, which is an aggregate of the four statements, is computed to the level  $M=3.00$  and tested against the moderate level (i.e. 3) of agreement. The t-test at 0.04, ( $p=0.971>0.05$ ), indicates that the employees agreement level doesn't significantly different from the moderate level or test value 3. Which according to employees, the compensation practice of the organization is moderately appreciated, with no significant difference from the moderate level. With 95% confidence interval (CI) the overall employees' agreement to the compensation practice at GOAL Ethiopia is in the range 2.85-3.15. This shows that the practice is not appreciated highly and to improve the level of appreciation from its professional employees, the compensation practice needs improvement.

With regards to the 4<sup>th</sup> statement or "*The non-financial compensation practice that is available in GOAL Ethiopia is satisfactory*", average level of agreement is,  $M=2.80$ . This level of agreement, (for  $t=2.28$ ,  $p=0.024<0.05$ ) is found to have significant difference compared to the moderate level agreement (3). To this end, it can be stated that on average the professional employees of GOAL Ethiopia level of appreciation towards the non-financial compensation practice is significantly below the moderate level. Moreover, with 95% confident interval, the professional employees' agreement level to this statement is within the range 2.63-2.97 or below moderate/average/ level of agreement.

The interview result indicates that the compensation practice that the organization is following will have average level of satisfaction towards its professional employees. Management response to the question, "*How satisfying do you think is the compensation practice of GOAL Ethiopia to its professional employees?*" is that, the compensation practice that the organization is following is good and can satisfy its professional employees at least at average level as the compensation practice is reasonably set to the acceptable standard. It is a non-profit organization, so the organization can't grant a number of financial compensation practices like for profit organization for its employees but comparing to other similar organizations, the

financial compensation is set to the acceptable standard. Again, the organization follows its Administration & HR manual well, which is designed to set out the human resources procedures and practices (including its financial and non-financial compensation practice) of the organization in an appropriate manner. However, the organization may not satisfy its staff with 100% perfection due to different situations like budget constraint to review salaries each year.

To sum up, though the interview result says the compensation is set to reasonably acceptable standard, the professional employees of the organization don't highly appreciate the practice and the result shows there is a need for improvement not only salary but also the non-financial compensation practices, which will be further explained below per each independent variables.

### 4.3. Salary practice

The compensation practice to employees encompasses salary. Thus, in this study different questions were also forwarded to sample professional employees focusing on the salary, which their level of agreement is presented below. Again, one sample t-test statistical technique is used to test their agreement level significance of difference.

**Table 5: Professional employees view towards the salary practice**

No	One-Sample Statistics				Test Value = 3					
					t-value	df	p-value	Mean Dif	95% CI	
	Statements	N	Mean	Std. D.					Lower	Upper
1	I am happy with my current salary. It is in accordance with my knowledge, skills, abilities, education and experience.	186	3.18	1.10	2.20	185	.029	0.18	0.02	0.34
2	Compared to other people doing similar work at GOAL Ethiopia, I think my salary is equitable (fair).	186	3.09	1.17	1.00	185	.317	0.09	-0.08	0.26
3	Compared to other people doing similar work outside GOAL Ethiopia, I think my salary is equitable (fair).	186	2.93	1.13	-0.84	185	.400	-0.07	-0.23	0.09
4	Most of the time salary adjustment in GOAL Ethiopia is made within a reasonable time period.	186	2.68	1.25	-3.52	185	.001	-0.32	-0.50	-0.14
	Aggregate on basic salary	186	2.9677	0.98	-0.45	185	.655	-0.03	-0.17	0.11

*Data Source: Researcher's own list, 2017.*

Looking at employees aggregate agreement to the expected practice with regard to salary practice, is rated 2.97 on average, with ( $P=0.655>0.05$ ), which is not significantly different from moderate level of agreement. Hence, basic salary as one form of compensation to employees' service is not highly appreciated by employees, but has a moderate level of appreciation, in view of its professional employee's.

However, referring employees response to statement 4, the timely salary adjustment is seen to have been perceived at low level of appreciation, as employees agreement level ( $M=2.68$  within  $p\text{-value}=0.01 <0.05$ ) is found to be significantly below the moderate level of agreement. Thus, the researcher found this result finding similarity with the literature presented in chapter two, under section 2.5.3, which is with the findings of Miceli and Mulvey's (2000), in that satisfaction with the compensation (pay) system is the more important input into employees' judgments of the quality of their exchange relationships with their organizations than is satisfaction with compensation levels (i.e. amount of salary and benefits). Here, employees level of agreement with statement one (which is highly related with the amount of salary,  $M=3.18$ ,  $p\ 0.029<0.05$ ) is higher than the other 3 statements ( $M=.3.09$  with  $p\ 0.317>0.05$ ,  $M=2.93$  with  $p0.400>0.05$ ,  $M=2.68$  with  $p0.001<0.05$ ), in a respective order, which are related to pay system/practice/.

#### **4.4. Benefit package**

The professional employees view towards the benefit package of the organization is also illustrated below using inferential statistics, one-sample t-test, in a similar fashion as above.

**Table 6: Professional employees view towards the benefit practice**

No	One-Sample Statistics				Test Value = 3					
					t-val	Df	p-val	Mean D.	95% CI	
	Statements	N	Mean	S D.					L.	U.
1	GOAL Ethiopia provides basic benefits to its employees.	186	3.16	1.131	1.88	185	.062	0.16	-0.01	0.32
2	Considering my duties and responsibilities, I feel the total package of my benefit is fair.	186	2.96	1.138	-0.52	185	.607	-0.04	-0.21	0.12
3	Compared to other people doing similar work at GOAL Ethiopia, I think my benefit is fair.	186	3.20	1.114	2.44	185	.016	0.20	0.04	0.36
4	Compared to other people doing similar work outside GOAL Ethiopia, I think my benefit is fair.	186	2.83	1.190	-1.91	185	.058	-0.17	-0.34	0.01
5	The transportation allowance that GOAL Ethiopia is offering me is fair.	186	3.22	1.158	2.60	185	.010	0.22	0.05	0.39
6	The medical allowance that GOAL Ethiopia is offering me is fair.	186	2.41	1.224	-6.53	185	.000	-0.59	-0.76	-0.41
7	The hardship allowance that GOAL Ethiopia offers to its employees is fair.	186	3.44	1.143	5.20	185	.000	0.44	0.27	0.60
	Aggregate (Benefit Package)	186	3.0307	.92531	0.45	185	.651	0.03	-0.10	0.16
	Aggregate Financial Compensations (Salary & Benefit package)	186	2.9992	.90306	-0.01	185	.991	0.00	-0.13	0.13

*Data Source: Researcher's own list, 2017.*

Employees aggregate agreement to the expected practice with regards to the benefit package is rated 3.03 on average; which doesn't significantly differ from the moderate level ( $P=.651 >0.05$ ) of agreement. Therefore, benefit package as one form of compensation to employees' service is appreciated by the professional employees at a moderate level, which again needs improvement like the salary practice.

On the other hand, from the result its boldly seen that the medical allowance practice of the organization seems to be appreciated in the view of its employees at a low level as the sample mean agreement (2.41) of the professional employees is significantly

below the moderate level (3) with  $p = 0.000 < 0.05$  at  $t = -6.53$  per to employees response agreement level to statement 6.

Apart from the questionnaire, the interview result with the Senior Admin & HR staff of the organization reveals that the organization has a salary scale that is based on step system. Which is used for increment, salary adjustment, promotion and appointment of new employee. Salary is also set and reviewed per to the job position requirement internally and salary scale of the position in other similar organization. Again, most of the time salary review will be made on a yearly bases which highly depends on availability of budget and there are very rare times that salary review may not be made on annual bases. However, the benefit package for professional employees is not revised for some years as the scheme includes the basic benefits and the salary revision can compensate this. With regards to the medical allowance, the organization provides certain standard amount per year, which will be added to employees' monthly salary by prorating the monthly amount weather the staff is sick or not.

Thus, this shows that the organization also acknowledges that there is some gap with regards to revising salary on a regular bases (which is also seen from employees' low level of appreciation about the timely revision) and the medical allowance practice that is stated above is the one which is appreciated by the staff at a lower level.

#### **4.5. Career growth opportunity practice**

Refer table 7, to check on professional employees view towards the career growth opportunity of the organization.

Here also, one can see that the agreement level of the sample mean of all the questions including the aggregate response with regards to career growth opportunities is above the moderate test value or 3 p value less than 0.05 in all the questions for the different t-value. Which implies that the growth opportunity practice of the organization is relatively appreciated by the average professional employees of the organization, at a significantly above the moderate level.

**Table 7: Professional employees view towards the career growth opportunity**

No	One-Sample Statistics				Test Value = 3					
					t-value	Df	p-value	Mean D.	95% CI	
	Statements	N	Mean	Std. DV					Lower	Upper
1	My present job provides me with good opportunities to develop my career goals.	186	3.7	1.063	8.97	185	0.00	0.7	0.55	0.85
2	My present job encourages me to accumulate richer work experiences.	186	3.78	1.024	10.4	185	0.00	0.78	0.63	0.93
3	My promotion speed in GOAL Ethiopia is fair.	186	3.2	1.231	2.26	185	0.025	0.2	0.03	0.38
4	I believe I have good opportunity for personal development and growth in GOAL Ethiopia.	186	3.41	1.237	4.56	185	0.00	0.41	0.24	0.59
	Aggregate Growth Opportunity	186	3.524	0.957	7.47	185	0.00	0.52	0.39	0.66

Data Source: Researcher's own list, 2017.

#### 4.6. Supervisory support practice

Refer the underneath table, to check on professional employees view towards the supervisor support practice of the organization.

**Table 8: Professional employees view towards the supervisory support practice**

No	One-Sample Statistics				Test Value = 3					
					t-val	Df	p-val	Mean D.	95% CI	
	Statements	N	Mean	Std. D					Lower	Upper
1	My immediate supervisor is respectful of my views and ideas.	186	3.85	1.078	10.8	185	0.000	0.85	0.7	1.01
2	My immediate supervisor helps me to improve myself.	186	3.65	1.14	7.78	185	0.000	0.65	0.49	0.82
3	My immediate supervisor knows what is going on in my work group.	186	3.8	1.081	10	185	0.000	0.8	0.64	0.95
4	My immediate supervisor gives feedback in a way that feels safe.	186	3.73	1.098	9.02	185	0.000	0.73	0.57	0.88
	Supervisory Support (overall)	186	3.757	1.018	10.1	185	0.000	0.76	0.61	0.9

Data Source: Researcher's own list, 2017.

Here again, looking at the aggregate result, it appears that on average, the supervisory support practice of the organization is appreciated by the professional employees of the organization being significantly above the moderate level  $M=3.7567$  with  $p.000<0.05$  at  $t=10.14$ .

#### 4.7. Non-financial recognition practice

Employees view towards the non-financial recognition practice of the organization is indicated in table 9.

**Table 9: Professional employees view towards the non-financial recognition practice**

No	One-Sample Statistics				Test Value = 3					
					t-val.	df	p-val.	Mean D.	95% CI	
	Statements	N	Mean	Std. D.					Lower	Upper
1	When I do a good job, I receive the recognition for it that I should receive.	186	3.04	1.232	0.42	185	.677	0.04	-0.14	0.22
2	When I do a good job, I receive a formal recognition for my contribution. (E.g. getting certificates of appreciation for good work or getting a formal appreciation e-mail).	186	2.28	1.268	-7.75	185	.000	-0.72	-0.90	-0.54
3	When I do a good job, I receive an informal recognition for my contributions/achievements. (E.g. supervisor's thank you message for good work).	186	2.33	1.147	-7.93	185	.000	-0.67	-0.83	-0.50
4	I feel that my contributions/achievements is recognized by my peers and co-workers.	186	2.24	1.089	-9.56	185	.000	-0.76	-0.92	-0.61
5	I feel that my work is valued and appreciated by the organization.	186	2.03	1.013	-13.03	185	.000	-0.97	-1.11	-0.82
	Non-Financial Recognition (overall)	186	2.3839	.77777	-10.80	185	.000	-0.62	-0.73	-0.50
	Non-Financial Compensations (career growth opportunity, supervisor support and non-financial recognition)	186	3.2216	.69770	4.33	185	.000	0.22	0.12	0.32

*Data Source: Researcher's own list, 2017.*

Here, looking at the overall level of agreement to the non-financial recognition practice of the organization, the respondents mean agreement is rated to 2.3839 with

$P=0.000 < 0.05$  at  $t=-10.80$ . This indicates on average, the professional employees' satisfaction to the non-financial recognition practice of the organization is significantly below the moderate level.

To sum up, looking at the aggregate level of agreement with regards to the overall financial compensation practice (Salary and benefit), which is indicated at the last row of table 6 and the aggregate level of agreement towards the non-financial compensation practice (career growth opportunity, supervisor support and non-financial recognition, which is indicated in table 9), the result shows that the professional employees level of appreciation towards the financial compensation practice with  $M=2.9992$ ,  $p\ 0.991 > 0.05$  is lower than the non-financial compensation practice, with  $M=3.2216$ ,  $p\ 0.000 < 0.05$ ).

Referring at the interview result towards the non-financial compensation practice focusing on (career growth opportunities, supervisor support and non-financial recognition), it is noted that it's the organization's policy to give priority to qualified internal candidates through competitive promotion and/or transfer procedures and processes to boost internal employees' career growth opportunity. It also has the practice to recruit employees on a trainee level then through training and experience, these employees are expected to improve themselves. With regards to supervisor support, the organization also views supervisors support to their subordinate as generally good where the organization tries to see staff development through supervisors by using performance evaluation process and through grievance and disciplinary procedure which is clearly stipulated in the organizations Admin and HR manual. With regards to the (formal) non-financial recognition, the interview entails that though the Administration and HR manual states, the organization will organize occasional celebration days to recognize successes/lessons learned and may give awards, certificates for staff with outstanding and commendable performance, this is not that much practiced at the organizational level.

This shows that the above average level of appreciation by the professional employees towards career growth opportunity and supervisor support might be the result of the organization's attention towards career growth improvement and supervisor support as stated above unlike the non-financial (formal) recognition, which the organization acknowledges well as it is not practiced well.

#### 4.8. Professional employees' intention to quit.

The other research question that the researcher was interested to address was, to what extent professional employees are intended to quit. In line with this, employees were requested to answer two questions, which is indicated on the table 8 below and tested in one sample t-test in a similar fashion as indicated in different points above.

**Table 10: Professional employees' intention to quit.**

No	One-Sample Statistics				Test Value = 3					
	Statements	N	M	Std. D	t-value	df	p-value	M.D	95% CI	
									L	U
1	I am planning to look for a new job.	186	3.42	1.374	4.21	185	.000	0.42	0.23	0.62
2	I will leave GOAL Ethiopia as soon as I get a new job.	186	3.34	1.399	3.35	185	.001	0.34	0.14	0.55
	Turnover Intention (overall)	186	3.3844	1.32597	3.95	185	.000	0.38	0.19	0.58

*Data Source: Researcher's own list, 2017.*

Looking at the aggregate level of agreement, the table indicates that on average, the professional employees level of agreement about their turnover intention is significantly higher than the moderate level as the sample mean agreement is  $M=3.3844$ , with  $p\text{ value} = 0.000 < 0.05$  for  $t=3.95$ . Which is an indicator for the organization to seriously look for different ways in order to minimize the turnover intention.

However, the researcher believes and also worth to mention here that the organization is processing some movement to merge with another organization at the time of the study and this merging issue might also affect the professional employees' intention to stay or leave the organization.

## 4.9. Relationship of employees' turnover intention with compensation practice

### Correlation result

The turnover intention of employees is expected to have been driven by the composition practice in the organization and checking on the relationship between the dependent and independent variables was also the interest of the researcher. In order to assess the relationship of employees' turnover intention with the selected financial and non-financial compensation practices, a correlation analysis was conducted. According to Kothari (2004), Pearson's coefficient, is the most widely used method of measuring the degree of relationship between two variables. The value of ' $r$ ' lies between  $\pm 1$ . Positive values of  $r$  indicate positive correlation between the two variables (i.e., changes in both variables take place in the same direction), whereas negative values of ' $r$ ' indicate negative correlation (i.e., changes in the two variables takes place in the opposite directions). A zero value of ' $r$ ' indicates that there is no association between the two variables. Daniel M. (2004), states that the cut off points for the interpretation of the strength of correlation coefficients are  $\pm 0.80$  to  $\pm 1$ , which is very strong,  $\pm 0.50$  to  $\pm 0.79$  strong,  $\pm 0.30$  to  $\pm 0.49$  moderate,  $\pm 0.10$  to  $\pm 0.29$ , modest and less than 0.1 is a weak correlation.

From the correlation matrix indicated in the table below it is found that turnover intention has strong relation (correlation) with all compensation package elements, except with non-financial recognition, which is correlated at moderate level.

**Table 11: Correlation matrix of Professional employees' turnover intention with regards to each compensation practices.**

Description		A	B	C	D	E	F	G	H
A	Basic Salary	1							
B	Benefit Package	.793**	1						
C	Growth Opportunity	.628**	.657**	1					
D	Supervisory Support	.556**	.604**	.712**	1				
E	Nonfinancial Recognition	.255**	.210**	.076	.204**	1			
F	Turnover Intention	-.645**	-.577**	-.573**	-.611**	-.407**	1		
G	Financial Compensations	.950**	.944**	.678**	.611**	.246**	-.646**	1	
H	Nonfinancial Compensations	.652**	.672**	.832**	.888**	.505**	-.710**	.699*	1

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

Data Source: Researcher's own list, 2017.

From the above table, we can see that the most correlated variable to the professional employees of GOAL Ethiopia turnover intention is basic salary. The correlation,  $r = -0.645$ , indicates that employees satisfaction/appreciation/ towards their basic salary has a negatively strong relation with turnover intention. That is when employees' satisfaction with their basic salary increases their intention to leave the organization decreases. The supervisory support, with  $r = -0.611$ , is the 2<sup>nd</sup> strongly correlated variable to employees turnover intention. This indicates that employees who are not satisfied with their supervisor will have a relatively higher intention to leave the organization. The next strongly correlated variable to employees turnover intention is benefit package, with  $r = -0.577$  to be followed by the organization's growth opportunity practice with  $r = -0.573$ , which makes the non-financial recognition practice to be the least but moderately correlated variable with professional employees turnover intention among these independent variables. However, looking at the aggregate co-relation, the non-financial compensation practice is the one which is strongly correlated  $r = -0.710$  with the professional employees' turnover intention than the financial compensation practice  $r = -.646^{**}$  that the organization is following.

#### **4.10. Independent variables influence on professional employees turnover intention.**

##### **Regression Analysis**

From the correlation analysis, the compensation practices are found to have a strong relation to the turnover intention of professional employees. This gives the clue that the compensation practices have some sort of influence on employees' intention to leave the organization.

Hence a multiple linear regression analysis is conducted, which is used to evaluate the effect of the compensation practice at GOAL Ethiopia on employees' intention to leave or stay in the organization. Here, the hypothesis pointed in chapter two, will be addressed per to the regression analysis result accordingly.

The first null ( $H_0$ ) and alternative ( $H_a$ ) hypothesis was:

$H_0$ : The compensation practice of GOAL Ethiopia doesn't influence the professional employees' turnover intention.

H<sub>3</sub>: The compensation practice of GOAL Ethiopia influences the professional employees' turnover intention.

From the analysis result indicated in table 12, the adjusted R square, tells that the overall compensation practice has influenced 55.8% of the employees' turnover intention. Thus, these independent variables alone has a considerable effect on professional employees turnover intention, which is 55.8%, where professional employees turnover intention due to other reasons being constant. Thus, the first alternative hypothesis was supported by the result, which makes the researcher to reject the null hypothesis (H<sub>0</sub>).

**Table 12: Overall effect of compensation practice on professional employees' turnover intention.**

Model		Unstandardized Coefficients	Standardized Coefficients	t-value	p-value	R	R Square	Adjusted R Square
		B	Beta					
1	(Constant)	7.809		24.90	.000	0.755	.570	.558 (55.8%)
	Basic Salary	-.465	-.344	-4.11	.000			
	Benefit Package	.017	.012	0.14	.892			
	Growth Opportunity	-.220	-.159	-2.02	.045			
	Supervisory Support	-.340	-.261	-3.57	.000			
	Non-Financial Recognition	-.438	-.257	-4.98	.000			

*Source: Researcher's own data, 2017*

In order to see the effect of each independent variables effect on employees' turnover intention, step-wise regression analysis is conducted, as indicated in table 13, below. This analysis also helps to address the other 5 sub- hypotheses raised in chapter two.

**Table 13: Step-wise regression of independent variables**

Model		Unstandardized Coefficients	Standardized Coefficients	t-value	p-value	R	R Square	Adjusted R Square
		B	Beta					
1	(Constant)	5.970		25.12	.000	0.645	.416	.413
	Basic Salary	-.871	-.645	-11.46	.000			
2	(Constant)	6.942		25.27	.000	0.713	.508	.503
	Basic Salary	-.597	-.443	-7.10	.000			
	Supervisory Support	-.475	-.365	-5.85	.000			
3	(Constant)	7.606		25.60	.000	0.749	.560	.553
	Basic Salary	-.532	-.394	-6.56	.000			
	Supervisory Support	-.447	-.343	-5.79	.000			
	Non-Financial Recognition	-.404	-.237	-4.65	.000			
4	(Constant)	7.813		25.08	.000	0.755	.570	.561
	Basic Salary	-.455	-.337	-5.13	.000			
	Supervisory Support	-.338	-.259	-3.61	.000			
	Non-Financial Recognition	-.438	-.257	-4.99	.000			
	Growth Opportunity	-.217	-.157	-2.03	.043			

*Data Source: Researcher's own list, 2017.*

The sub-hypothesis raised as a null and alternative hypothesis were noted as follows;

H<sub>0</sub>1: The salary practice of the organization doesn't influence the professional employees' turnover intention.

H<sub>a</sub>1: The salary practice of the organization influences the professional employees' turnover intention.

H<sub>0</sub>2: The benefit package that the organization is following doesn't influence the professional employees' turnover intention.

H<sub>a</sub>2: The benefit package that the organization is practicing influences the professional employees' turnover intention.

H<sub>0</sub>3: The non-financial recognition that the organization is following doesn't influence the professional employees' turnover intention.

H<sub>a</sub>3: The non-financial recognition that the organization is practicing influences the professional employees' turnover intention.

H<sub>0</sub>4: The career growth opportunity practice of the organization doesn't influence the professional employees' turnover intention.

H<sub>a4</sub>: The career growth opportunity practice of the organization influences the professional employees' turnover intention.

H<sub>05</sub>: The supervisory support practice of the organization doesn't influence the professional employees' turnover intention.

H<sub>a5</sub>: The supervisory support practice that the organization influences the professional employees' turnover intention.

To this end, Table 13 indicates that, the salary component of the compensation package influences the professional employees' turnover intent by 41.3%, being the highest among the other independent variables, which intern results to accept the first alternative sub-hypothesis and reject the respective null hypothesis. In addition, with supervisory support, the influence reached 50.3%. This tells us supervisory support have an additional of 9% effect on professional employees' turnover intention, which makes it the second factor and leads to accept the alternative sub hypothesis H<sub>a5</sub> and reject the null hypothesis H<sub>05</sub>.

The influence of compensation practice has still increased to the level 55.3% which is attributed to an increase of 5% due to employees' lower level of satisfaction to the non-financial recognition practice at the organization. The growth opportunity perceived by employees is said to have additional effect of 0.8% on the turnover intention. This result also entails to reject the respective null hypothesis H<sub>03</sub> and H<sub>04</sub>. The regression result excludes benefit package, which indicates that benefit package practice of the organization doesn't have significant influence on professional employees' turnover intention. Which, again indicates among the 6 alternative hypothesis raised, only one of the null sub-hypothesis H<sub>02</sub> was not rejected.

Here, the result of this finding is found to have a difference with other researcher's findings as indicated in chapter 2, section 2.5.2, which was stated that benefits seem to play a more important role when retaining employees than salary where the result of this study shows the reverse.

From the last regression, number 4, the unstandardized Beta coefficients tell the level of reduction in turnover intention, if the satisfaction level of employees increased in a step. For a one step increase on the satisfaction level on salary, the turnover intention of employees would decrease by 0.455. A similar one-scale increase by the

supervisory support would reduce turnover by 0.338. The non-financial recognition and growth opportunity will have an effect of reducing turnover by 0.438 and 0.217 respectively if a step improvement in both compensation practices is done.

With regards to benefit package the regression excludes from its analysis which shows that it won't significantly reduce the turnover intention, with p value  $0.892 > 0.05$  at  $t=0.14$  as indicated in table 12.

Concerning the retention strategy of the organization, from the interview result, it appears that there is no a single strategy that can be said this is the retention strategy of the organization, but the practice focuses towards salary. The organization is saying it is trying to do its best in every angle in order to retain its employees. Regarding financial compensation practices it has salary and benefits and the non-financial compensation practices that are used as a source of staff retention are lot's including the selected non-financial compensation practices as specified above which are implemented per to the organizations Administration and Human resources manual and the country law.

Here one can see that, staff turnover intention as a result of salary is influenced by 41.3% and the rest 14.8% appears to be influenced by supervisory support, non-financial recognition and growth opportunity having different percentage of influence in professional employees' turnover intention. Again, this result supports with the literature review pointed in chapter two, section 2.5.3, as David G (2008), regards the extent level of effect pay (salary) has on employees' turnover intention, as that, pay levels and pay satisfaction have only modest predictors of people's turnover as the employees turnover intention due to salary in here is 41.3% but the highest share (58.7%) is by other factors.

To this end, results support the findings of different scholars stated in the literature review and the conceptual frame work.

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

#### 5.1. Summary of Major Findings

In order to be in line with the focus of the study, one of the research question that the researcher sought to answer was; “What are professional employees’ attitudes towards the compensation practice of the organization?”

Thus, the study pointed out that, the compensation practice of the organization is appreciated by the organization at moderate level, indicating that the practice is not highly appreciated by the professional employees. Which can also be seen from the analysis result on each independent variables as follows.

On average, professional employees have moderate level of appreciation towards the salary practice of the organization. Hence, basic salary as one form of compensation to employees’ service is not highly appreciated by employees. Again, looking at the aggregate employees perception result, the benefit package, in the view of the professional employees is also appreciated at a significantly above the moderate level.

However with regards to salary review, the time that the salary is reviewed is appreciated by the employees at a significantly below average level. And from the benefit package, the medical allowance that the organization is granting to its employees is also appreciated by its professional employees at a significantly below moderate level.

Again, looking at the level of agreement to the non-financial recognition practice of the organization, the professional employees’ appreciation to the non-financial recognition is significantly below moderate level. On the other hand, the career growth opportunities and the supervisory support practice of the organization are appreciated at a significantly above moderate level by the professional employees.

Comparing the level of agreement with regards to financial and non-financial compensation practice, the financial compensation (salary and benefit package) that the organization is following has a lower level of appreciation by the professional

employees of the organization than the non-financial compensation practice (career growth opportunity, supervisory support and non-financial recognition).

Findings are also summarized below in order to address the other research questions that the researcher was intended to answer:

- To what extent are professional employees intended to quit their job due to their pay (Salary and benefit)?
- To what extent non-financial recognition, career opportunity to grow and supervisor support influence employees' intention to leave the organization?
- To what extent are professional employees intending to quit due to the non-financial compensation practice (non-financial recognition, career growth opportunity and supervisor support)?
- Which compensation practice significantly influence the turnover intention of professional employees?

The professional employees intention to quit agreement level is also rated at a significantly above the moderate level. Referring to Daniel M. (2004) correlation level of strength which is presented in chapter four, section 4.9 of this study, except non-financial recognition, which is moderately related to professional employees' turnover intention, all the selected independent variables have a strong inverse (negative) relation on professional employees' turnover intention. Among the independent variables, basic salary is the number one variable that has strong inverse relation with turnover intention to be followed by supervisory support, benefit package, career growth opportunities and non-financial recognition respectively.

The professional employees' turnover intention is influenced by all the independent variables up to 55.8%. Salary practice of the organization takes the largest share for employees' turnover intention (41.3%), to be followed by supervisory support which increases the intention to 50.3% and it will reach to 55.3% when the non-financial recognition is included. Lack of career growth opportunity increases the intention level to 56.1%. The finding also entails that employees' turnover intention due to benefit package is not significant.

Additionally, each compensation practices effect on professional employees' turnover intention is also seen with regression analysis. The result revealed that, if salary is improved by one step in the organization, turnover intention can be reduced by 0.455 and improvement on supervisory support practice in a step will make the turnover intention to decrease by 0.338. The non-financial recognition and growth opportunity improvement by one step will have an effect of reducing turnover intention by 0.438 and 0.217 respectively.

## 5.2. Conclusion

The general objective of the study was to identify the effect of compensation practices of GOAL Ethiopia on professional employees' turnover intention. The literature presented in chapter two indicates the different compensation practices that leads to employees' turnover intention. The study reveals that there is a highly considerate level of professional employees' turnover intention, which is significantly influenced by all the selected compensation practices except benefit package, where salary practice takes the highest share.

In fact, employees' satisfaction on the overall salary practice was moderate with significantly below moderate level of satisfaction to the salary review time. Which indicates the need to give attention on the salary review time and overall management of the salary practice as its influence to the employees' turnover intention is one of the key factor and is basic in employee-employer relationship. Additionally, the findings entails the organization to consider its compensation practices with regards to supervisory support, career growth opportunities and non-financial recognition as employees' intention to leave the organization is also considerably influenced by these factors .

The turnover intention can be minimized with some level of improvement as the intention seems controllable if subsequent action is followed and as a step improvement in the different independent variables will result a notable amount of turnover intention reduction, keeping other uncertain situations constant.

Finally, here are the list of points outlined for future studies that the researcher would like to highlight.

- What are the other compensation practices that leads professional employees' turnover intention?
- What the organization needs to consider in order to improve its salary review time?
- What kind of non-financial recognition practice can be introduced in order to demonstrate acknowledgment of staff achievement?

### 5.3. Recommendation

The researcher believes that the findings of this study will create a good awareness to the management of the organization with regards to the extent of relationship between the organization's compensation practice and its effect towards professional employees' turnover intention.

- The first recommendation that the researcher wants to give is, to primarily develop a well-organized retention strategy which mixes financial and non-financial compensation practices as appropriate and consider the various things that staff would value. In doing this strategy, the organization can gain the other major factors that makes the professional employees to think of quitting.
- However, based on this study, among the main influencer that makes the professional employees think of leaving the organization, salary takes a considerable share, thus the organization should look its practice well and improve its system by making salary as one of its top priority. Here the organization should give due attention to its salary revision time consistency.
- Plus, the researcher recommends the medical allowance practice to be amended and grant employees some standard amount of money at the time of their sickness rather than adding some lesser/prorated/ amount to their salary as per to the current practice, which is indicated in chapter four, under section 4.4 of this study. This may increase the level of satisfaction by the employees as the potential reason for the low level of appreciation by the staff could be this practice. The researcher also looks this as good practice to meet the purpose of medical allowance, which is granting money when a staff is on medication.
- Additionally, though the level of appreciation by the staff towards career growth and supervisor support is significantly above the moderate level, it doesn't mean that the organization needs to just keep this practice as it is but to improve for a better result as there is also a room for improvement in both practices which has effect in minimizing the employees' turnover intention. With regards to supervisor support, as presented in literature part, the researcher agrees with David G. (2008) argument in stressing the need for employers to train supervisors and managers on how to lead and develop effective relationships with subordinates, make them accountable for retention and identify and remove abusive supervisors. Which has

a great effect in retaining employees as the fact being accountable makes a supervisor to think different way and work towards that.

- The organization shall also work better towards non-financial recognition. As indicated in literatures in chapter two, presented under section 2.5.4, implementing non-financial compensation practice is relatively cheap with a number of additional advantages to the organization. Hence, the organization can take this opportunity and minimize the turnover intention with minimum amount of investment.
- Generally, the researcher agrees with Philip S. et al (2006) agreement, who stated that, there is no best practice as a staff retention but the positive fact lies that, the majority of high performing organizations have similar attitudes in giving constant attention to improvements in efficiency and effectiveness. Thus, GOAL Ethiopia should first develop, implement, monitor and evaluate a retention strategy to be followed by a regular revision on its strategy to keep boosting its employees' satisfaction level and retain its number one valuable asset, the professional employees.

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# APPENDIXES

## Addis Ababa University

### School of Commerce

#### Questionnaire

Dear respondent,

I would like to thank you in advance for showing willingness to fill the research questionnaire. This questionnaire is designed to collect data from employees that are working in GOAL Ethiopia. The data is collected for partial fulfillment of Master of Arts in Human Resource Management under the research entitled “*The effect of compensation practices on professional employees’ turnover intention: The case of GOAL Ethiopia, an International Non-governmental Organization*”.

#### Please read this information before you start completing.

1. Purpose: The study is intended for academic purpose. Besides, the output of the study may help as an input for the organization for any improvement in the future.
2. Confidentiality: The records of this study will be kept private and stored securely. In the final reports, there will be no information included that will make it possible to identify you as a research respondent.
3. Put “√” mark in the box to the point which highly reflects your idea.
4. Please consider that the success of this study will highly be relied up on your honest and unbiased response.

***Thank you again for giving your valuable time, your genuine feedback and timely response!!!***

#### Section 1. Demographic Data

1. Sex      A. Male  B. Female
2. Age      A. 20-30  B. 31-40  C. 41-50  D. More than 50
3. Marital status    A. Single  B. Married  C. Divorced/separated  D. Widowed
4. Highest educational background  
A. Diploma  B. BSc/BA Degree  C. Masters  D. PhD
5. Length of service years in GOAL Ethiopia  
A. Less than 1 years  B. 1.1-4 years  C. 4.1-8 years  D. More than 8 years
6. Location where you are working at  
A. Addis Ababa  B. Afar  C. Gambella  D. Oromia  E. SNNPR
7. In which range your basic salary falls (basic salary/month in birr)?  
A. Less than 5,000  B. 5,000-10,000  C. 10,000-15,000  D. greater than 15,000
8. Which of the following best describes the department/unit/ you work in?  
A. Programme staff  B. Support staff

**Section 2.**

**A) Compensation practice**

*Compensation is a reward that is granted to employees for their contribution, being financial and non-financial compensation as its components. E.g. of financial compensation is salary & benefit package that the organization is granting to its employees. E.g. of Non-financial compensation includes availability of career growth opportunities, support gained from supervisor and recognition like staff appreciation awards and the acknowledgement forwarded to employees in day-to-day accomplishments.*

**Please rate the question on a scale of 1 to 5, where 1= strongly disagree, 2=disagree, 3= neutral, 4= agree, 5= strongly agree.**

No	Description	1	2	3	4	5
1	The compensation practice at GOAL Ethiopia focuses on the real needs of employees.					
2	The compensation practice that the organization is practicing is conducted fairly to employees.					
3	The financial compensation practice that is offered to employees in GOAL Ethiopia is satisfactory.					
4	The non-financial compensation practice that is available in GOAL Ethiopia is satisfactory.					

**Influence of each compensation practice**

**Salary**

No	Description	1	2	3	4	5
5	I am happy with my current salary. It is in accordance with my knowledge, skills, abilities, education and experience.					
6	Compared to other people doing similar work at GOAL Ethiopia, I think my salary is equitable (fair).					
7	Compared to other people doing similar work outside GOAL Ethiopia, I think my salary is equitable (fair).					
8	Most of the time salary adjustment in GOAL Ethiopia is made within a reasonable time period.					

<b>Benefit</b>						
<i>Please rate the question on a scale of 1 to 5, where 1= strongly disagree, 2=disagree, 3= neutral, 4= agree, 5= strongly agree.</i>						
<b>No</b>	<b>Description</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
9	GOAL Ethiopia provides basic benefits to its employees.					
10	Considering my duties and responsibilities, I feel the total package of my benefit is fair.					
11	Compared to other people doing similar work at GOAL Ethiopia, I think my benefit is fair.					
12	Compared to other people doing similar work outside GOAL Ethiopia, I think my benefit is fair.					
13	The transportation allowance that GOAL Ethiopia is offering me is fair.					
14	The medical allowance that GOAL Ethiopia is offering me is fair.					
15	The hardship allowance that GOAL Ethiopia offers to its employees is fair.					
<b>Career growth opportunities</b>						
<b>No</b>	<b>Description</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
16	My present job provides me with good opportunities to develop my career goals.					
17	My present job encourages me to accumulate richer work experiences.					
18	My promotion speed in GOAL Ethiopia is fair.					
19	I believe I have good opportunity for personal development and growth in GOAL Ethiopia.					
<b>Supervisor support</b>						
<b>No</b>	<b>Description</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
20	My immediate supervisor is respectful of my views and ideas.					
21	My immediate supervisor helps me to improve myself.					
22	My immediate supervisor knows what is going on in my work group.					
23	My immediate supervisor gives feedback in a way that feels safe.					

### Non-financial Recognition

24	When I do a good job, I receive the recognition for it that I should receive.					
<i>Please rate the question on a scale of 1 to 5, where 1= strongly disagree, 2=disagree, 3= neutral, 4= agree, 5= strongly agree.</i>						
No	Description	1	2	3	4	5
25	When I do a good job, I receive a formal recognition for my contribution. (E.g. getting certificates of appreciation for good work or getting a formal appreciation e-mail).					
26	When I do a good job, I receive an informal recognition for my contributions/achievements. (E.g. supervisor's thank you message for good work).					
27	I feel that my contributions/achievement is recognized by my peers and co-workers.					
28	I feel that my work is valued and appreciated by the organization.					
<b>B) Turnover intention</b>						
<i>Please rate the question on a scale of 1 to 5, where 1= strongly disagree, 2= disagree, 3= neutral, 4= agree, 5= strongly agree.</i>						
No	Description	1	2	3	4	5
.						
29	I am planning to look for a new job.					
30	I will leave GOAL Ethiopia as soon as I get a new job.					

*Thank you!!!*

## **Appendix 2 – Interview Question**

### Interview questions to management

- 1) How satisfying do you think is the compensation practice of GOAL Ethiopia to its professional employees?
- 2) What is the professional staff retention strategy of the organization?
- 3) How is the organization practicing its salary and benefit package in order to retain its professional employees?
- 4) In what way is the organization non-financial compensation practice contributes its share in retaining its professional employees (focusing on supervisory support, career growth opportunity and non-financial recognition)?