



**The Role of Compensation Practices on Employee Satisfaction,
In the case of BEKDES Business PLC.**

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Addis Ababa, Ethiopia

The Role of Compensation Practices on Employee Satisfaction: BEKDES Business Plc.

By

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Advisor:- Bantie Workie

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External Examiner	Signature	Date

Declaration

I hereby declared that this project entitled "The Role of Compensation Practices on Employee Satisfaction: in the case of BEKDES Business PLC", is my own effort and study and that all source of materials used for the study, to the best of my knowledge, have been duly acknowledged. This study on the same company has not been submitted for any degree in this university or any other universities, it is offered for the partial fulfillment of Degree of Masters in Human Resources Management.

Declared by: Frehiwot Woldemichael Mulugeta

Signature: _____

Date: _____

Letter of Certification

This is to certify that Frehiwot Woldemichael Mulugeta has worked her project on the topic "The role of compensation practices on employee satisfaction: in the case of BEKDES Business PLC" under my supervision. To my belief, this work undertaken by Frehiwot W/Michael Mulugeta is original and qualifies for submission in partial fulfillment of the requirements for the award of Master's Degree in Human Resource Management.

Advisor _____

Bantie Workie

Date

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I dedicate the entire work to Almighty God, who made all things possible by granting me the strength, health, courage and inspiration throughout my education, and to my beloved children, families and friends, for their advice, support and encouragement towards my success in education.

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Acronyms

BEKDES: Bekele and Desta

BAIS Business Administration and Information Systems

HR: Human Resource

HRM: Human Resource and Management

PLC: Private Limited Company

ABSTRACT

The purpose of this study is to examine the role of compensation practice on employee's satisfaction in Desta Garment and Tasty Food factories, which are sister companies to BEKDES PLC. The company's compensation system consists of financial and non-financial compensation system. Data was collected through questionnaire which is adopted from various researchers work. The validity of the instrument was checked using Cronbach Alpha and the result was 87.2%. From 814 target population, 204 questionnaires were distributed to the sample respondents among two factories. From the distributed of 204 questionnaire, 107 were responded. Descriptive Statistics and frequencies were utilized to analyze the data. Interpretation is made on frequency and percentage of the data. The study's result has implied that compensation system has a positive role on employees' job satisfaction in Desta Garment and Tasty Food factories. Three hypotheses were supported to show the relationship between dependent and independent variables. Success of any business is depending upon its people, therefore, to retain the qualified and to recruit experienced employees, organizations has to give due consideration in establishing better compensation system. BEKDES Plc. as a parent company, should give due consideration in conducting research on compensation system of other related sectors. The company should revise the financial compensation system like medical, stock ownership accident relief, educational reimbursement and profit sharing, for employees to make them satisfied and productive. BEKDES Plc. as a parent company, should give due consideration in conducting research on compensation system of other related sectors. The company should improve their compensation strategy to boost employees' dedication and commitment to efficiently increase employees' satisfaction, this will improve the sector's image. Both factories should promote adequate benefit system in order to reduce absenteeism and employee turnover. Garments and Tasty Food should design and implement training exercises as a reward for committed and dedicated staff members improve their compensation strategy to boost employees' dedication and commitment to efficiently increase employees' satisfaction, this will improve the sector's image. Both factories should promote adequate benefit system in order to reduce absenteeism and employee turnover. Garments and Tasty Food should design and implement training exercises as a reward for committed and dedicated staff members

Key Words: compensation, total reward, employee satisfaction,

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The main purpose of the study is to examine the role of compensation practices on employee satisfaction, in the case of Desta Garment and Tasty Food factories, which are sister companies of BEKDES Business PLC, in Addis Ababa, Ethiopia.

Compensation may achieve several purposes, assisting in recruitment, job performance, and job satisfaction. It can be said that compensation is the “glue” that binds the employee and the employer together in the organized sector, this is further codified in the form of a contract or a mutually binding legal document that spells out exactly how much should be paid to the employee and the components of the compensation package (Sharon, 2013).

Compensation often impacts an employee’s motivation and job satisfaction, although it is not the only factor. According to an article written by Mae Lon Ding (2013) of Personnel Systems Associates, compensation systems positively impact a large percentage of workers' performances. Many employees feel motivated to help their companies succeed if the employer shares its profits with employees, such as with bonuses or profit-sharing plans. The greatest impact of money on productivity and performance is in jobs where performance is directly related to compensation. For example, the knowledge of receiving a bonus after achieving a certain sales quota will likely motivate a salesperson to increase job satisfaction in order to be productivity.

Good compensation system also helps to retain productive employees in order to run a successful business. Retaining employees saves companies money in training costs and helps maintain an efficient and knowledgeable workforce. For example, health insurance and retirement packages are benefits that many employees desire from their employers. Companies that offer these benefits have much better chance of retaining workers than businesses fail to offer benefit packages. (Kappebl, 2016).

Job satisfaction can also be defined as a worker's emotional response to different job-related factors resulting in finding pleasure, comfort, confidence, rewards, personal growth and various positive opportunities, including upward mobility, recognition and appraisal done on

a merit pattern with monetary value as compensation (Robbins & Judge, 2007; George & Jones, 2005).

The concept of job satisfaction, viewed through different lenses by various scholars, is defined differently. According to Greenberg and Baron (2008), job satisfaction defined as a feeling that can produce a positive or negative effect toward one's roles and responsibilities at work and added that it is important to understand the concept of job satisfaction as there is no single way to satisfy all workers in the workplace. This concept, according to George and Jones (2005), is the combination of feelings and beliefs, which include the mental, emotional, and physical domains.

Many variables make a difference in the levels of employee satisfaction experienced by workers; some variables are found within the organization, some within the framework of the job itself, and others are inherent in each worker's character and personality. (Franek and Vecera, 2008). According to several researchers, compensation and employee satisfaction have positive relationship with each other. It is with this background; this study will help to gain more comprehensive understanding on the role of compensation system on employees' satisfaction.

Thus, the purpose of this study is to examine the role of compensation structure in driving employees' satisfaction and assist by putting recommendations for Desta Garment and Tasty Food factories.

1.1.1 Organizational Background

Desta Garment and Tasty Food are part of **BEKDES Business PLC**, which is family owned business, established with a capital of 15,000,000 million birr, in the year 1993. The garment and the snack food factories are located at Gerji Area, Bole Sub-city, Woreda 13, House No. 3866.

The two factories (Desta Garment and Tasty Food Factory) have 85 Male and 729 female workers, hence number of employees for both factories is 814.

The garment uses 90% of its product for export purpose. The two factories annual sale was 26,704,567 Birr in the year 2017. The garment is striving to upgrade its business to the textile factory level. Tasty Foods factory, is established in 1999, Tasty Foods factory is the first and

largest manufacturer of powdered beverages and snacks in eastern Africa. Jolly Juice and testis snack are the product of the Tasty Foods factory.

The research does not included other sister’s companies, like Bekele Abshiro PLC, which is established in 1959, importing a wide range of products, including fitness equipment, raw materials for shoe-making, confectionary brands, and building materials, production of plastic products, including shoes and their soles, manufacturing facility and also to produce first-aid adhesive bandages, the first of its kind in Ethiopia. And also Net and Com, Computer Networking and Programming company, which was established in 1997.

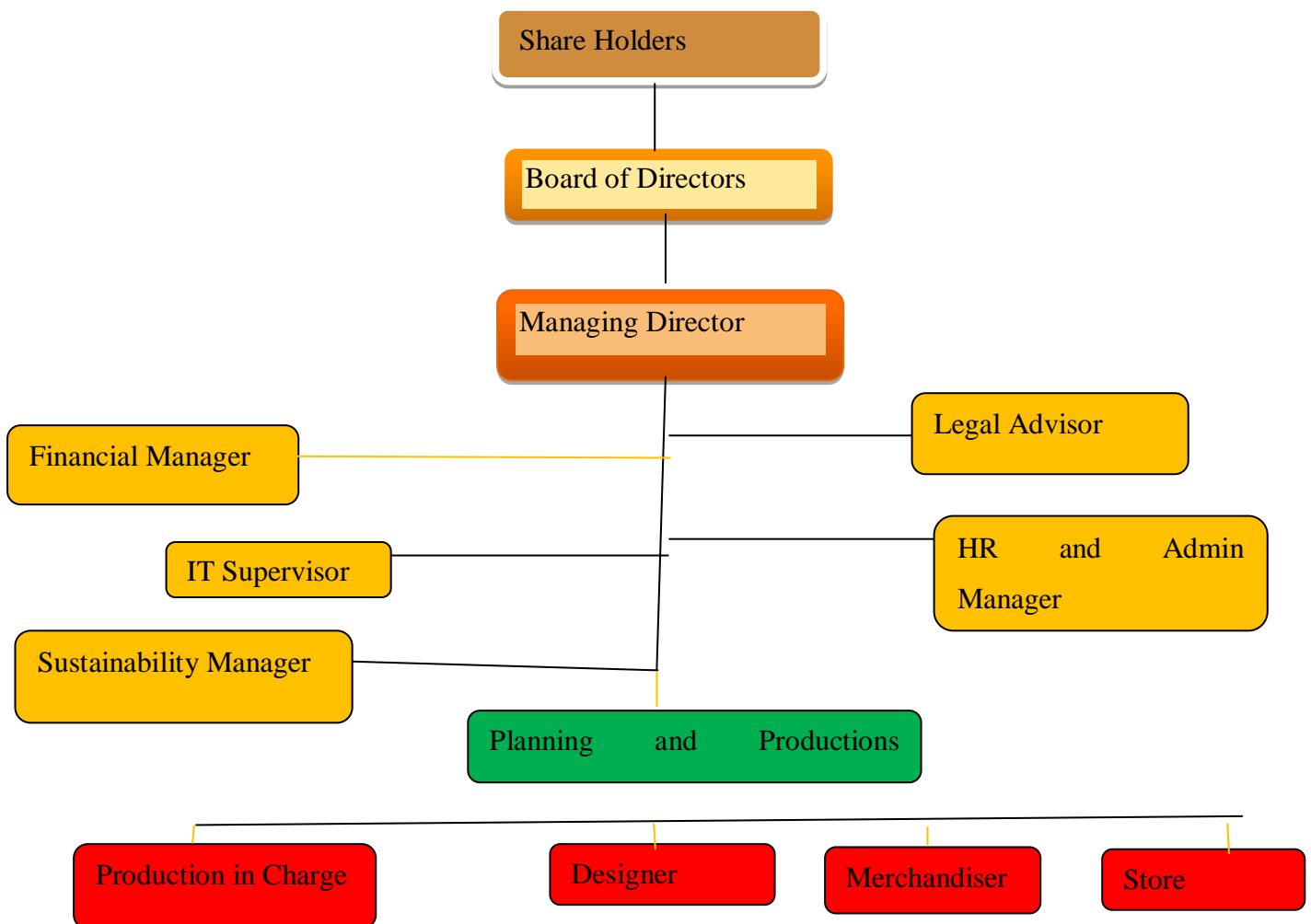


Figure 1: Organizational Structure (source, Desta Garment)

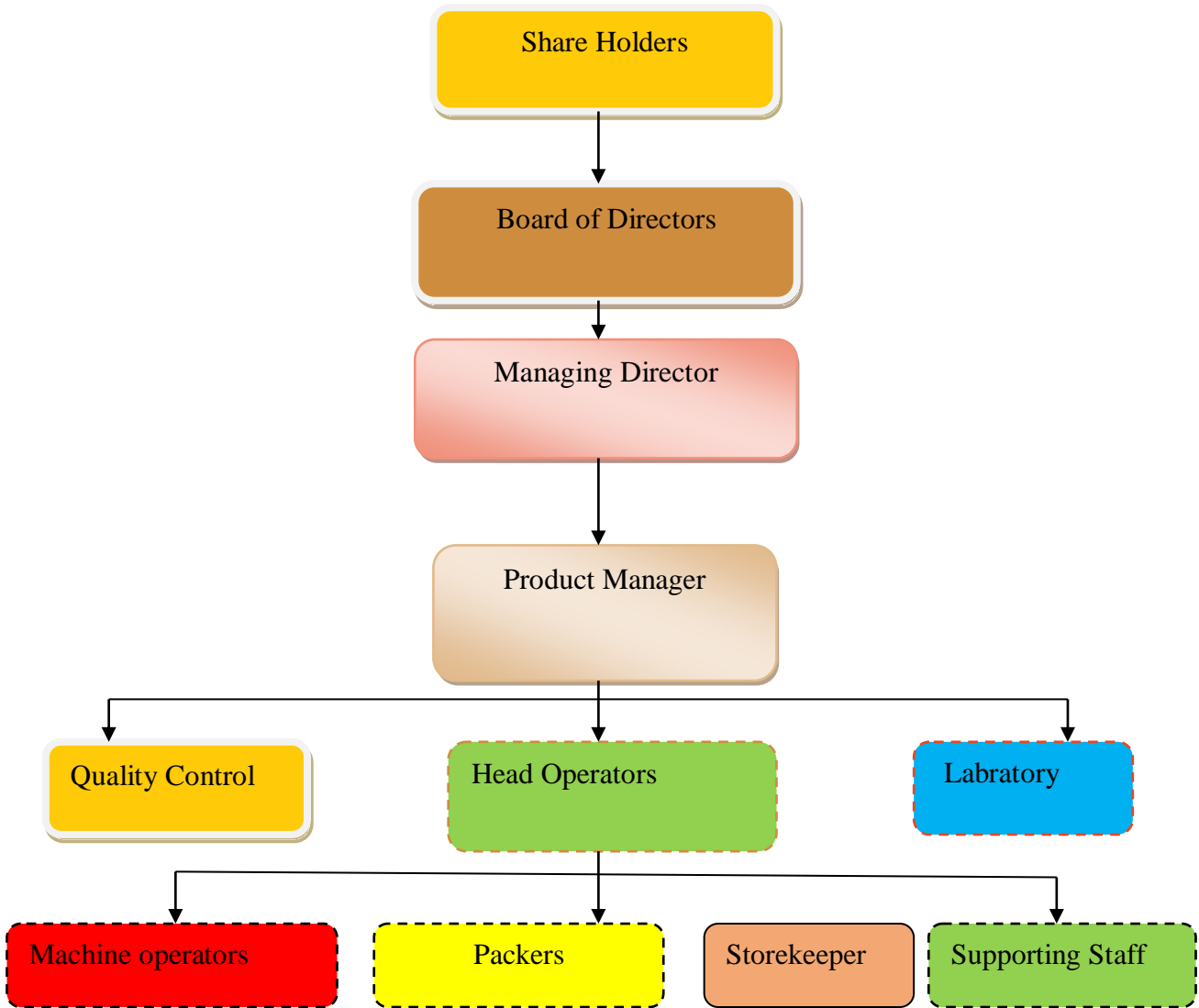


Figure 2: Organizational Structure (Source, Tasty Food)

1.2 Statement of the Problems

Compensation has a great impact on productivity. To achieve effective work performance calls for job satisfaction among the workers. In Desta Garment, there have been a lot of complaints about poor compensation from the sewing operators. From time to time operators also leave the company to nearby Garment, because of poor compensation. This raises concerns on the effects of compensation on job satisfaction among the Garment workers.

As there are many textiles and food factories in Ethiopia, there will be a competition, therefore, the issues of employee satisfaction become very important for the employers. Factors in connection with base pay, commissions, overtime pay, bonuses, profit sharing,

merit pay, stock options, and travel/meal/housing allowance, may play the role to satisfy or dissatisfy employees.

As per the discussion with HR Manager of Desta Garment and Tasty Food Factories, the company cannot achieve the expected level of performance because of high turnover of employees.

As mentioned earlier, there are new garments occurs in the market, to compete with other similar industries, each firm must increase its competitive advantage. The key competitive advantage is employees satisfaciton. Therefore, the issues of employee satisfaction become very important for the employer. Thus, this research investigates the role of compensation towards employee satisfaction among garment and tasty food staff.

It is impossible to practices all types of compensation system throughout the factory, because different departments has different needs, for example, for sewing staff members, comfortable working place and higher bonus will be more favored by them, but, for the marketing department the flexible working hours and more incentives and allowances will be favored by them.

As per the information from the HR Officer of Desta Garment, their office is busy recruiting and selecting of employees again and again, because of high turnover. This kind of process needs high recruitment and training cost, on top of that, the Garment wastes its precious time in recruiting employees now and then, instead of dealing with other important issues for their employees.

Compensation and benefits are primary motivators for employees. Nowadays, people look for a job not only suit their creativity and talents but compensate them- both in terms of salary and other benefits-accordingly. (Enotes.com, 2008). Therefore, when the problems occur on the compensation and benefits of the staffs, it has impact on employee's satisfaction. When the staffs receive the salary less than he or she expected, he or she will feel that he or she is not appreciated by the company and what he or she did is meaningless. Therefore, the staff will feel dissatisfaction and less motivated by the company.

According to the Society for Human Resources Management report, employee dissatisfaction can contribute to multiple organizational problems and has been associated with increased

levels of turnover and absenteeism, which ultimately cost the organization in terms of low performance and decreased productivity. (SHRM, 2009). Thus, employer must ensure that the compensation and benefits system is fair and equitable to all the staffs and understanding the system. By doing so, employer can create a real job satisfaction and motivate their employees.

Even though the effects are modest the fact that job satisfaction contributes to decreasing the level of employee absenteeism. It desires to play an important role in increasing an individual's job satisfaction and work performance. Besides, employers must design an appropriate compensation and benefits system to their staff. This is because inappropriate compensation and benefits will have positive effect to employee job satisfaction. Therefore, an appropriate compensation and benefits system is very significant to an organization. (Aziri, 2011).

In today's fast-moving world, the issue of compensation is getting more and more important. Because, compensation has influence on an employee's life, for example, health, personality, and mentality. Therefore, employers must ensure that their compensation system satisfied their employees in order to retain and maintain talented professionals. (HR Servey.com).

Thus, studies attempted to explain an employee's job satisfaction as a function of the individual's personal characteristics and the characteristics of the job itself. Such kind of problem in the job is observable in almost all jobs. Jobs in any organizations are also boring and problematic because of various causes of internal and external nature. (HR Servey.com).

On the bases of the above literature, it is the need for investigating the level of employee satisfaction in Desta Garment and Tasty Food factories, by answering the below listed questions.

1.3 Basic Research Questions

The research paper strives to answer the below listed questions in order to examine the role of compensation on employee's satisfaction.

- a. What is the relation between compensation and employee's satisfaction?
- b. How is compensation system practiced in both factories?
- c. How is the level of existing employee satisfaction?

d. Does compensation have significant role on employee's satisfaction?

1.4 Research Objectives

1.4.1 General Objective

The main objective is to examine the role of compensation *on* employee's satisfaction in the case of Desta Garment and Tasty Food factories.

1.4.2 Specific Objective

The specific objectives of this study are:

1. To examine the relationship between compensation and employee satisfaction.
2. To study the practices of compensation in the office of Desta Garment and Tasty Food factories.
3. To measure the satisfaction level of the existing employees.
4. To investigate the role of compensation on employee satisfaction in the office of Desta Garment and Tasty Food factories.

1.5 Significance of the Study

The study has significance to employees, employer, manager and also for the country at large. Therefore, benefits for all specified groups are discussed as follows: -

Employees who are working at the Garment and Food factory will be benefited from this study. If the Employees of the company get proper compensation for what they are doing, expected that, they don't want to leave the Garment, with minor dispute, they want to stay and develop themselves as well as the Garment.

Employer can retain professionals, decrease the cost of recruitment and also it helps to have good image of the factory.

The study will support the **Manager** to revise (establish), the compensation and benefit strategy, in order to find possible solution for their current problem.

The study will provide additional information to the existing literature on the use of compensation and benefits on employee's job satisfaction. It may provide information to the factory on the role of their compensation strategy for their employee's satisfaction. (Sue, G.,2008)

The research may contribute on how to create committed and loyal employees, by having good compensation strategy. Therefore, the study may also be used as information sources for other researchers.

1.6 Scope of the Study

The scope of this study is all about the role of compensation practice on employee satisfaction among Desta Garment and Tasty Food factories, which is part of BEKDES Business PLC in Addis Ababa. The study focused on the employees where turnover is a concern for the company. Respondents of the survey are the Garment and Tasty Food factories staff. The reason of choosing these respondents is because the staffs of the two factories are important component in regard with the revenue and turnover. This study conducted a survey to support the findings. The main purpose of the research is to examine the role of compensation practices at BEKDES Business PLC, especially on the Desta Garment and Tasty Food factories, in Addis Ababa, Ethiopia.

1.7 Limitation of the Study

1.This study focused on the selected two factories (Desta Garment and Tasty Food), among BEKDES Business PLC. The selection was done to find more respondents on compensation practices and employee satisfaction of the two factories, Therefore, the study may limit the ability to generalize the whole business group.

2. Lack of prior experience in conducting systematized research was one of the limitations in this study.

1.8 Organization of the Study

Chapter one deals with the introductory part of the study and discusses the route map of the paper. Review of related literature is discussed in Chapter Two. Chapter Three provides information as to how the research was conducted by discussing the design and methodology

followed. Chapter Four presents the data collected and the analysis made afterwards with relevant interpretation. The last chapter summarizes what has been empirically tested in to major findings, makes conclusions based on them and finally provides recommendations that would be used by various stakeholders.

CHAPTER TWO

REVIEW OF LITERATURE

2.1 Introduction to the Related Literature Review

The second chapter will share with the reader's theories of other studies that are closely related to the research, and also to establish the importance of the study as well as benchmark for comparing the results of a study with other findings. This chapter also give recognition to other researchers, authors and also article writers work. Different authors definitions in connection with the research topic of the dependent and independent variables of the study will be discussed.

2.2 Compensation

Compensation is a crucial instrument for the attraction and retention of talented employees that are dedicated to their responsibilities within the firm. Compensation management aims to promote the achievement of business goals through attracting, motivating and retaining hardworking employees. (HR Servey.com).

Compensation is a tool used by management for a variety of purposes to further the existence of the company. Compensation may be adjusted according the business needs, goals, and available resources. (HR Servey.com). As per the definition from Roslyn, (2017), compensation may also be used as a reward for exceptional job performance. Examples of such plans include: bonuses, commissions, stock, profit sharing, gain sharing. and so on. "Compensation" refers to money received for work, such as wages, and salaries. According to Kappel, (2016), Compensation define as the total cash and non-cash payments that you give to an employee in exchange for the work they do for your business. It is typically one of the biggest expenses for businesses with employees. Compensation is more than an employee's regular paid wages. It also includes many other types of wages and benefits.

Compensation may be used to recruit and retain qualified employees, it may increase or maintain morale/satisfaction , reward and encourage peak performance, achieve internal and external equity, reduce turnover and encourage company loyalty and it can modify (through negotiations) practices of unions. (HR. Servey.com).

Recruitment and retention of qualified employees is a common goal shared by many employers. To some extent, the availability and cost of qualified applicants for open positions is determined by market factors beyond the control of the employer. While an employer may set compensation levels for new hires and advertise those salary ranges, it does so in the context of other employers seeking to hire from the same applicant pool. (HR Servey.com).

According to a research report by the Society of Human Resource Management (2012), 6 out of 10 employees indicated that compensation was very important to their overall job satisfaction, putting it only three percentage points below opportunities that use skills and abilities and only one percentage point below job security in 2012. It is further stated compensation, along with job security, has consistently remained on the list of the top five job satisfaction factors most important to employees. As the economic climate continues to warm up and hiring rates increase, attractive compensation packages will be one of the strategies organizations competing for talent will use to recruit and retain the best employees (SHRM, 2012).

Morale and job satisfaction are affected by compensation. Often there is a balance (equity) that must be reached between the monetary value the employer is willing to pay and the sentiments of worth felt by the employee. In an attempt to save money, employers may opt to freeze salaries or salary levels at the expense of satisfaction and morale. Conversely, an employer wishing to reduce employee turnover may seek to increase salaries and salary levels. (HR Servey.com)

2.2.1 Types of Compensation

Ivancevich, (2003), indicates that, compensation can be **financial or non-financial**. Therefore, for the purpose of this study, compensation

is classified into the following categories.

- ❖ Financial Compensation
- ❖ Non-financial Compensation

Financial Compensation:

Financial compensation is concerned with financial rewards and incentives, most popular and important compensation that is given in the form of money. It is the most important motivational factor that satisfies employee's basic needs like food, clothing, etc. Financial compensation refers to monetary benefits offered and provided to employees in return of the services they provide to the organization, Ivancevich, (2006). The financial benefits include basic salary, house rent allowance, overtime, travel allowance, medical reimbursements, special allowances, bonus, etc.

Financial compensation refers to money received for work, such as wages, and salaries, salary is the amount received by the employee in lieu of the work done by him/her for a certain period say a day, a week, a month, etc. It is the money an employee receives from his/her employer by rendering his/her services. Wages means remuneration paid in cash. Some of the types of financial compensation rather than salary,

Medical expenses- incurred by an employer to its employees. Bonus: Bonus is paid to the employees during festive seasons to motivate them. The bonus amount usually amounts to one month's salary of the employee. Special allowance: Special allowance such as overtime, mobile allowances, meals, travel expenses, reduced interest loans; insurance, club memberships, etc are provided to employees to motivate them which improve the organizational productivity. House Rent allowance- HRA is paid to employee when he/she stayed in rented accommodation. Accident relief: it refers to reimbursement of expenses on happening of some uncertain event. Health and life insurance- It is given by the company to secure the health and life of employee. (Chiu, et al., 2002)

Beyond the paycheck, companies have a wide range of choices when considering employee compensation. Quality-of-life issues consistently come up when workers are polled on what they look for in a job, and managers recognize the benefits of a happy and productive workforce. This applies to start-up companies that might have limited cash resources with which to pay employees as well as established companies seeking to improve their bottom line.

Non- Financial Compensation:

Non-financial Compensations type of compensation does not directly involve money and is usually related to the work itself. It includes achievement, autonomy, promotion, recognition

and the scope of the work. Other forms of non-financial compensation include skills development, training and career development opportunities, high quality leadership, workplace learning and development, performance management, work environment, job design and development, quality of working life, Work/life balance and talent management (Armstrong, 2006),(Armstrong 2003: 626; Herzberg1966), these are rewards that do not involve any direct payments and often arise from the work itself. This category of rewards aims to boost employee morale (Danish and Usman 2010; Resurreccion2012).

One key form of nonfinancial compensation is health insurance. Employers are responsible for the vast majority of health insurance coverage. Group coverage is far less expensive than single policies, so even though employees often contribute to their own coverage, they nonetheless benefit through drastically reduced medical expenses. Many employers also offer disability and life insurance policies to further protect workers and engender employee loyalty. (Specter, 1997). Business owner, requires to offer an attractive compensation package to the people they hire. Compensation goes beyond a worker’s salary. It includes additional business employee benefits known as fringe benefits and incentives. (Specter, 1997).

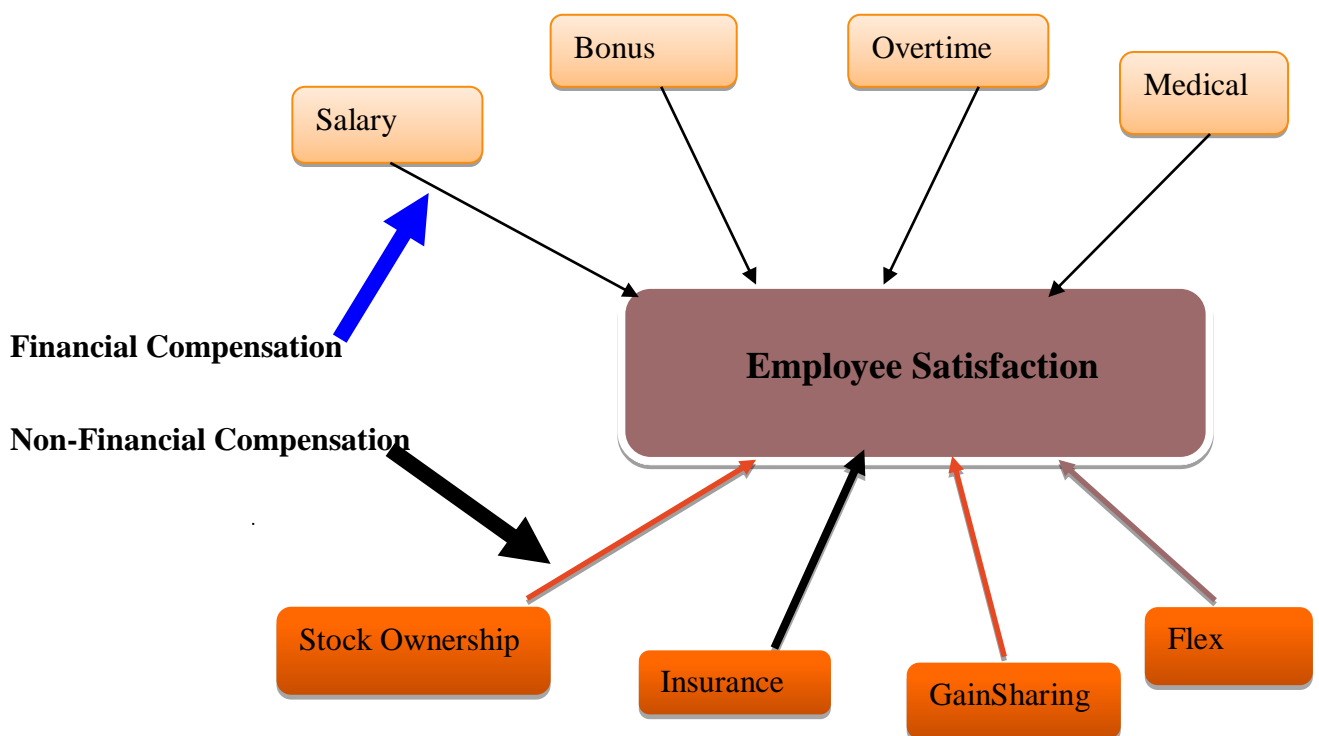


Figure 3: Types of Compensation(source, self)

2.2.2 Significance of Compensation

As per the Book of Compensation Management, (Bhattacharyya, 2014), significance of compensation can be observed from different stand point. That is: -

From individuals perspective: employees who perceive the procedures of distributing compensation and the allocations of compensation that they received are fair, will be motivated to meet ultimate goal of the organizational objective. They often view compensation as reward entitlements, this helps them to increase their level of satisfaction. In the other side if they perceive that compensation is not properly managed it may create dissatisfaction for them. **From the Organizational perspective:** Since compensation constitutes a major part of the operating cost therefore, organizations strive to keep the cost of compensation as low as possible without compromising the quality and capability of employees. **From national point of view:** dissatisfied work force hampers equitable distribution of aggregate real income among various group involved. it causes inflation. (Bhattacharyya, 2014). Therefore, properly managed compensation system helps for all groups in the organization.

2.2.3 Compensation Strategy

The compensation strategy has to be in line with the business and HR Strategies, and it defines the **position of the organization on the job market**. The compensation strategy is the strategy, which is approved by the board of the organization, as it is the responsibility of top executive management of the organization. In the field of management, the key to understand the process of having a satisfied work force lies in the meaning of the relationship among, needs, drives, and incentives. As long as organizations have existed, compensation has to been recognized as a major motivator of employees as well as an important tool. Using proper compensation strategy as a motivator effectively, increases employee satisfaction. (Popoola & Ayeni, 2007).

2.2.4 Compensation Management

According to Bhattacharyya, (2014), compensation management is everything that a company offers its employees in return for their talent and time, Brianna Whiting on the (Study.com), indicates that compensation management is all about distributing some type of

monetary value to an employee for their work by means of the company's policy or procedures to make them satisfied. Lack of proper compensation management will lead employees to dissatisfaction. The study found out that in proper compensation management at Desta Garment and Tasty Food factories.

2.2.5 Purpose of Compensation Management

Different authors give clarification on the purpose of compensation management but the researcher agree on description from the(Management Study Guide.com), it divides in three main category one into attract manpower in a competitive market, the second, to control wage & salaries and labour costs by determining rate change & frequency of increment and the third is to maintain satisfaction of employees by exhibiting that remuneration is fair adequate and equitable. In regard with this study, researcher believe that compensation has to manage properly in Desta Garment and Tasty Food factories, in order to decrease the level of dissatisfaction of employees in their office

2.2.6 Key objectives of Sound Compensation Strategy

Vanornum, (2017), indicates five key objectives of sound compensation strategy, that are:

To Attract Top Talent, primary goals of compensation should be to recruit qualified talent employees. Desta Garment and Tasty Food factories has to revise their compensation system to attract talented personals and to decrease as the turnover of employees. The second key objective of sound compensation strategy is to retain & reward personnel, do not lose your top talent to your competitors because employees believe that the grass will be greener elsewhere. (Vanornum,2017). this saying indicates that companies compensation system has to be competitive to other similar firms. Companies who have good compensation plan will take the trained employee. This can be seen at Deta Garment and Tasty Food, that trained employees flew to the nearest Garment. Other key objective of compensation strategy is to Boost Motivation. Vanornum, (2017), state that when employees know that they're being fairly compensated for their work, they feel appreciated and are therefore more likely to stay engaged, committed, and productive. Other key objective of having sound compensation strategy helps to maximize return on investment. (Van Ornum,(2017), explain the objective of compensation strategy in regard with the return on investment, if the organization creates a compensation plan that stays within budget while also driving productivity through pay-for-

performance and other motivational tactics, the organizations are creating a plan that's both equitable for the company and advantageous for hardworking employees, this system helps to maximize return on investment of the company.

2.2.7 Role of Compensation

The role of the compensation function is to create a system of rewards that is equitable to the employer and employee alike. (Mohanta,2013). The desired outcome is an employee who is attracted to the work and motivated to do a good job for the employer. The main objective of this study is to investigate the role of compensation on employees' satisfaction at Desta Garment and Tasty Food factories.

2.2.8 Principles of Compensation

Eiilm University Book of Compensation Management, list out the principles of compensations as a guidance for people who establish or design compensation system. Therefore, compensation differences in pay should be based on differences in job requirements, wage & salary level should be in line with those prevailing in the job market, and also it has to follow the principle of equal pay for equal work, to give due consideration in recognizing individuals who differ in ability & contributions is also one of the principles of compensation. Desta Garment and Tasty Food factories are recommended to follow the above principles, in order to motivate their employees and help to decrease turnover of employee.

2.3 Compensation and Job Satisfaction

Compensation is all employers provided tangible and intangible rewards an employee receives as part of the employment relationship. Compensation may achieve several purposes, assisting in recruitment, job performance, and job satisfaction. According to a research report by the Society of Human Resource Management (2013), 6 out of 10 employees indicated that compensation was very important to their overall job satisfaction.

Low job satisfaction, a high rate of absenteeism and staff turnover, and moonlighting are some of the consequences of insufficient and inadequate compensation (DeCenzo and Robbins 2006; Khan et al. 2011; Majumder 2012; Alam 2012). Among the 5 Ms, that is, Men, Money, Machines, Material and Market, men are an organization's most valuable asset.

Employees are the architects of a firm. To maintain job satisfaction and retain their services, compensation in the form of wages should be fair and adequate. Effective managers compare their firm's compensation strategies with similar firms in the sector or with the established benchmark.

2.4 Demographic Factors and Job Satisfaction

According to Robbins, (2005) the relationship between demographic factors and job satisfaction is summarized as below:

Age and Job Satisfaction

Satisfaction tends to continually increase among professionals as they age, whereas it falls among non-professionals during middle age and then rises again in the later years.

Gender

There is no significant difference in job productivity between men and women. Similarly, there is no evidence indicating that an employee's gender affects job satisfaction. However, women have higher rates of absenteeism than men do and this is because many cultures place home and family responsibilities on the woman.

Marital status

Married employees have fewer absences, undergo fewer turnovers, and are more satisfied with their jobs than are their unmarried coworkers. (Robbins, 2005)

2.5 Total reward strategy

Total reward, defined by Thompson (2002): as quantifiable elements and non-Chance element. A total reward strategy is critical to address the issues created by recruitment and retention as well as providing a means of influencing behavior. The researcher is trying to identify the existing level of employee satisfaction from different reward strategy issues. If the Garment and Tasty Food are good in total reward management, turnover would have decreased.

Researcher uses total reward strategy in order to measure the level of employee satisfaction in the office of Desta garment and Tasty food factory. Researcher uses the model to measure employee satisfaction from different angles as well as to adopt the questionnaire for survey study.

2.5.1 The Towers Perrin model of total reward

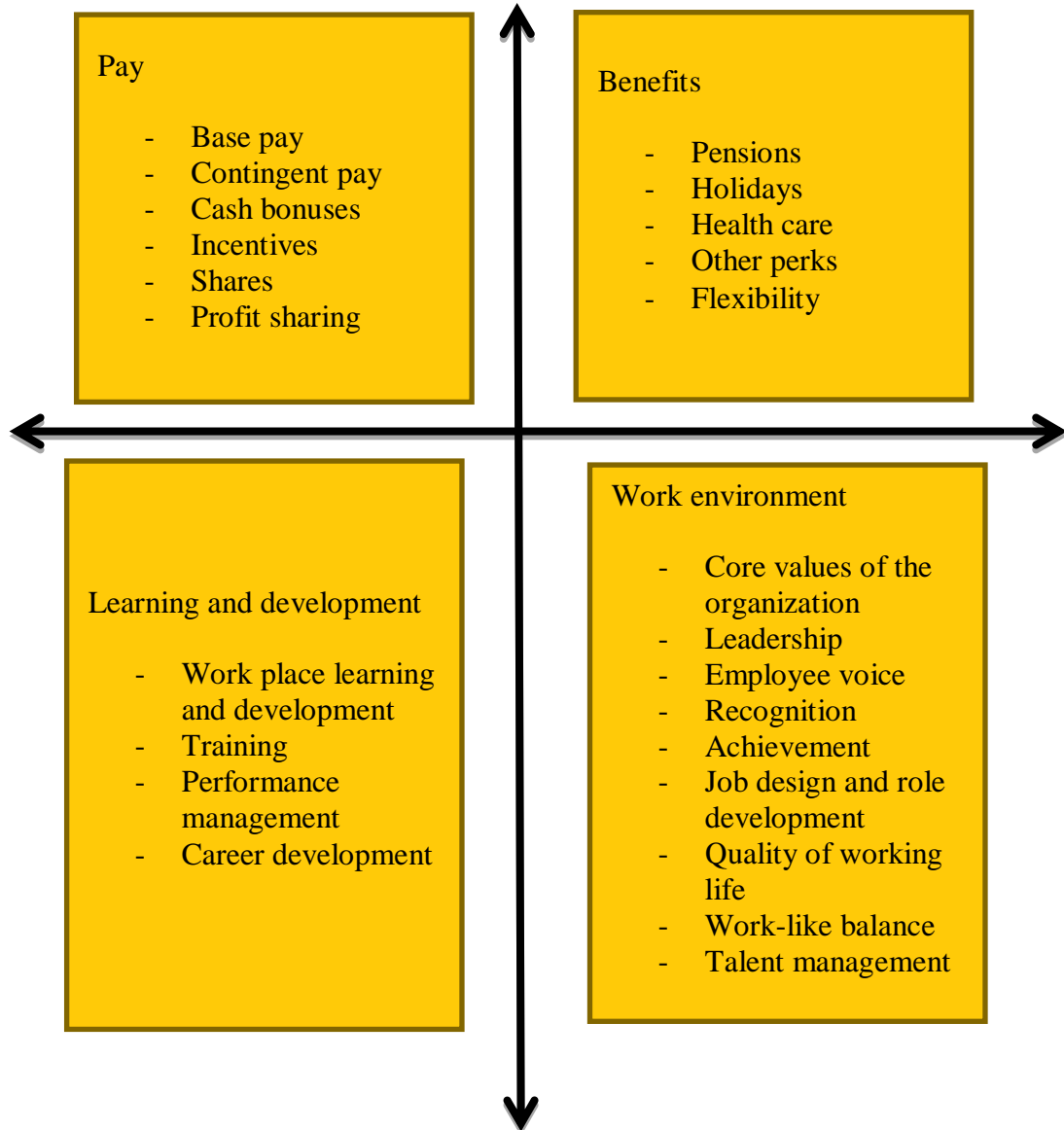


Figure 4: Model of total reward

2.6 Employee Satisfaction

Job satisfaction is a key to improving both organizational and individual performance. Employees with high levels of job satisfaction are more motivated to achieve the firm's objectives (Feinstein and Vondrasek 2000; Ahmed et al.2010). Job satisfaction can also

employees' attitude towards their jobs which are the result of their perceptions of the job or task that they do.

According to Hashim, & Mahmood, (2011), job satisfaction is an affective reaction to an individual's work situation. Job satisfaction can be an important indicator of how employees feel about their jobs and a predictor of work behaviors such as organizational citizenship, absenteeism, turnover and overall job performance. Armstrong (2006) indicate that positive and favorable attitudes towards the job indicate job satisfaction. Negative and unfavorable attitudes towards the job indicate job dissatisfaction. Thus Guion (1958) emphasize that . Morale and job satisfaction are affected by compensation. Often there is a balance (equity) that must be reached between the monetary values, the employer is willing to pay and the sentiments of worth felt be the employee. In an attempt to save money, employers may opt to freeze salaries or salary levels at the expense of satisfaction and morale. Conversely, an employer wishing to reduce employee turnover may seek to increase salaries and salary levels. (Makena, 2015).

2.6.1 Theories of Employee Satisfaction

Two factor theory

Among the content theories of motivation, Herzberg (1959) theory emphasizing the motivator hygiene factors sought to explain satisfaction and motivation in the organization. The theory focuses on outcomes of satisfaction and dissatisfaction. The theory further found that certain aspects of a job cause satisfaction and therefore motivation, but certain aspects caused job dissatisfaction. Herzberg explained that the factors that lead to satisfaction or to dissatisfaction are different. Accordingly, he states that 'the opposite of job satisfaction is not job dissatisfaction but, rather, no satisfaction; and the opposite of job dissatisfaction is not job satisfaction but no satisfaction' (Herzberg, 2003:91). This theory states that job satisfaction and dissatisfaction is a product of different factors motivation and hygiene respectively. Motivation is seen as an inner force that drives individuals to attain personal and organizational goals. Motivational factors are those aspects of the job that make people want to perform and provide people with satisfaction. Hygiene factors include aspects of the working environment like working conditions, interpersonal matters, organizational policies and so on (Hackman & Oldham, 1976). Factors that relate to job satisfaction are therefore called satisfiers or motivators. According to Weir (1976) and Syptak, Marsland & Ulmer

(1999), the following factors stood out as ‘strong determinants of job satisfaction’.

Achievement: This requires helping and placing employees in position that use their talents and not to set up for failure. It is achieved by setting clear, achievable goals and standards for each position, and making sure employees know what those goals and strategies are. Individuals should also receive regular, timely feedback on how they are doing and feel they are adequately challenged in their jobs.

Recognition: Refers to the honour, favourable note or attention given to an employee for a ‘job well done’ or an outstanding behaviour. Individuals at all levels in the organization want to be recognized for their achievement on the job. The individual’s success does not have to be monumental before they deserve recognition. Employees should be acknowledged for doing something well immediately after their good work. Publicly appreciating them for finding solutions to a problem, writing a note of praise, establishing a formal recognition program like ‘employee of the month or year’, making periodic reports directly available to the employees themselves rather than to management, are some of the ways of recognizing employees.

Work itself: This involves helping employees believe that the task they are doing is important and meaningful. Setting goals and reminding and emphasizing that their efforts lead to and contribute to positive outcomes and goal accomplishment is crucial. Success stories and cases should be shared on how an employee’s actions made a real difference in the organization. Also show employees how their work is essential to the overall processes that make the practice succeed. Unnecessary tasks can be eliminated or streamlined to bring about greater efficiency in the organization.

Responsibility: Responsibility is taken action for ones actions. Granting additional authority to employees in their activity, giving them enough job freedom and power so that they feel they ‘own’ the results are ways of giving them responsibility. As employees grow, they can be provided opportunities for added responsibility by adding challenging and meaningful work.

Opportunity for advancement or promotion: This involves electing employees from the present job or position to a higher one or level in the organization. If possible permit and support them to acquire higher certificates so that they could become experts themselves and make them more valuable to the practice and more fulfilled individuals.

Equity Theory

Equity theory, as reviewed by Walster, Berscheid & Walster(1973) shows how a person perceives fairness in regard to social relationships. The theory presupposes that during a social exchange, a person identifies the amount of input gained from a relationship compared to the output, as well as how much effort another person’s puts forth. Based on Adam (1965)

theory, Huseman, Hatfield & Miles (1987) further suggest that if an employee thinks there is an inequity between two social groups or individuals, the employee is likely to be distressed or dissatisfied because the input and the output are not equal. Inputs encompass the quality and quantity of the employee's contributions to his or her work. Examples of inputs include: time, effort, hard work, commitment, ability, adaptability, flexibility, tolerance, determination, enthusiasm, personal sacrifice, trust in superiors, support from coworkers and colleagues and skills. Output (outcomes) on the other hand is the positive and negative consequences that an individual (employee) perceives a participant has incurred as a consequence of his relationship with another. Examples of outputs include job security, esteem, salary, employee benefits, expenses, recognition, reputation, responsibilities, and sense of achievement, praise, thanks, and stimuli and so on. The major concern in equity theory is about payment and therefore the cause of concern of equity or inequity in most cases in organizations. In any position in the organization, an employee wants to feel that their contributions and work performance are being rewarded with their pay. If an employee feels underpaid, he would be dissatisfied and therefore becomes hostile towards the organization and co-workers which may ultimately result to lack of motivation and low performance. Equity is multidimensional in nature. For example, it does not depend on our input-to-output alone. It depends on people's comparison between own input-output ratio and the ratio of others. Since equity is all about perception, employees form perceptions on what constitute a fair (balance or trade) of inputs and outputs by comparing their situation with other 'referents' in the market place as they see it. From this comparison, when they perceive that their inputs are fairly rewarded by outputs, then they are satisfied, happier and more motivated in their work. They are de-motivated to their job and the organization when they perceive that their ratio of inputs-outputs is less beneficial than the ratio enjoyed by referent others (Ball, 2014). According to Adams (1963), when a person becomes aware of inequity, it causes a reaction in them, potentially some form of tension that is 'proportional to the magnitude of inequity present'. It is because of this tension that an individual might react in a way that reduces the tension in him.

2.4.2 Importance of Employee Satisfaction

According to Robbins (2003), employees job satisfaction is important for organizations and employees to have lower turnover, high productivity, increase job satisfaction, reduce

employee absenteeism and helps to earn high revenues. Job satisfaction is vital if someone to survive in an industry and progress gradually

Among factors Pay and Benefits play a key role in getting employees to the top of the ladder through job satisfaction, Robbins, (2003).

2.4.3 Factor Affecting Level of Employee Satisfaction

Akintoye, (2000) emphasize that money remains the most important motivational strategy. As far back as 1911, Frederick Taylor and his scientific management associate described money as the most important factor in motivating the industrial workers to achieve greater productivity. But, the researcher believes that Financial and Non-Financial Compensation will satisfy employees at work place, therefore lack of two types of compensation affect the level of job satisfaction.

2.4.4 Measurement of Employee Satisfaction

According to Robbins et.al (2003), we can measure job satisfaction in single global rating methods: -

Single global rating is nothing more than a response to one question. For example, all things considered, how satisfied are you with your job? Here respondents circle a number between 1 and 5 that corresponds to answer from “highly satisfied” to “highly dissatisfied.”.The researcher also follows this system that is likert scale of assessment style to collect data.

2.5 Relationship between Compensation and Employee Satisfaction

In today's globalized world, organizations are facing changes generated by increased competition, mergers and acquisitions, shifting markets and changing employee demographics (Chun & Hsieh, 2006). Therefore, it is crucial for organization to strategies their competitive and benefits plans in order to attract appropriate talent, maximize return on human capital and increase employees job satisfaction. As per (Emanuel,2014), indicates that compensation plays a significant role in influencing job-satisfaction. This is because of two reasons, first, money is an important instrument in fulfilling ones needs; and second, employees often see pay as a reflection of managements' concern for them. Consequently,

employees want a pay system, which is simple, fair and in line with their expectations. When pay is seen as fair, based on job demands, individual skill level, and community pay standards, satisfaction is likely to result. According to (Emanuel, 2015), the perception of being paid what one is worth predicts job satisfaction. In today's globalized world, organizations are facing changes generate by increased competition, mergers and acquisitions, shifting markets and changing employee demographics. Therefore, it is crucial for organization to strategize their competitive and benefits plans in order to attract and retain appropriate talent, maximize return on human capital and increase employees' job satisfaction. A key component for successful organizational intervention is the meaningfulness of the intervention to the employee. One intervention that may be meaningful to many employees is the amount of their compensation and benefits increase (Emanuel, 2015).

Compensation is a powerful communicator of organizational goals and priorities and companies that expect to be successful must make employees become partners in their success (Shuster & Zingheim, 1993). Bhattacharyya (2014), observes that employee compensation can be a sensitive subject, and people get very passionate when trying to determine the most appropriate compensation plan for any business. According to the survey report conducted by the Society for Human Resource Management (2012), they found that compensation would affect employees' job satisfaction. In the survey report, compensation is regularly among the top three factors affecting employee job satisfaction. From here, it would seem that compensation has a positive relationship with the employees' job satisfaction. Therefore, (Emanuel, 2015), indicate that it would be best for the organization to offer the employee a competitive salary or reduce the gap between employees' salary expectations and employers' offers, in order to make employee's satisfied (Porter, 2009).

There are several studies that can prove this statement. According to several researchers, compensation and job satisfaction are positively associated with each other. Nawaz, (2016) observes that compensation is a predictor of job satisfaction. Besides, employees who were paid highly showed a greater job satisfaction (Nawaz, 2016). All of these are strongly proofs to prove the relationship between compensation and employee job satisfaction (Emanuel, 2014). Employee benefits are used by the organizations to recruit and retain talented employees. In times of economic crisis, when organizations might not be able to offer their employees payraises and bonuses, benefits become one of the many tools employers use to

increase loyalty, productivity and job satisfaction. Based on the survey report conducted by Society for Human Resource Management (SHRM), benefits have remained among the top two most important factors of job satisfaction to employees. Thus, we can infer that the effect of benefits towards employees' job satisfaction is significant and obvious. As employers focus on retaining employees, one potential approach is to begin with compensation. Robust benefits offering combined with effective benefits education could improve workers' overall benefits satisfaction, which may translate into greater job satisfaction. All these are powerful proofs to prove the relationship between compensation and employees' job satisfaction. Generous rewards (compensation) tend to retain people because high reward levels lead to high job satisfaction, commitment, and loyalty (Chiu et al., 2002). Therefore, when employees feel they are not being rewarded as they expected, it will decrease their job satisfaction, motivation may suffer, leading to low morale and low-quality performance. For example, if one perceived fairness about the benefits that one received from one's employer, this may lead to higher job satisfaction. The four elements of compensation which are base-pay, variable pay, benefits and work-life balance are the most popular offered to employees. Here, let use some examples of components of compensation to bring its relationship with employees' job satisfaction. Base-salary is identified as a "hygiene factor" and as such this could cause employee job dissatisfaction if a base salary expectation is not realized (Chiu et al., 2002). (Porter, 2009) and Chen., 2003) proposed that pay or income as one of the main variable that significantly influences employees' job satisfaction. Besides, there are two elements of benefits which are allowances and work-life balance is more often offered to employees. Here, let use some examples of components of benefits to bring its relationship with employees' job satisfaction. Based on Emanuel (2015), wellness programs including benefits, transport allowance, medical allowance and etc. have positive relationships with job satisfaction of employees. Results of the study revealed that availability of allowances had a significant impact on job satisfaction. Work-life balance programs have been demonstrated to have an impact on employees in terms of recruitment, retention or turnover, commitment and job satisfaction, absenteeism, productivity and accident rates (Josephine et al., 2017).

In summary, many researches from different industry have been devoted into the field of the influence of compensation and benefits towards job satisfaction among company's employees'. Therefore, results of different literature show that there is positive relationship between compensation and employee job satisfaction.

2.6 Conceptual Frame Work

Certain concepts in this paper are defined according to the usage within this context. These are Compensation, Employee satisfaction and Total reward.

As compensation is a primary motivator for employees, people look for jobs that not only suit their creativity and talents but compensate them—both in terms of salary and other benefits—accordingly. Compensation is also one of the fastest changing fields in Human Resources, as companies continue to investigate various ways of rewarding employees for performance. "Compensation" refers to money received for work, such as wages, and salaries (Roslyn, 2017, Bizfluent.com). Employee: An employee is anyone who has agreed to be employed under a contract of service to work for some form of payment. This can include wages, salary, commission and piece rates.

Employee is an individual who was hired by an employer to do a specific job. The employee is hired by the employer after an application and interview process results in his or her selection as an employee. This selection occurs after the applicant is found by the employer to be the most qualified applicant to do the job. The terms of an individual's employment are specified by an offer letter, an employment contract or verbally.

An employee barter his or her skills, knowledge, experience and contribution in exchange for compensation from an employer.

A regular activity performed in exchange for payment, especially as one's trade, occupation, or profession is referred to as job. It may also be assumed to be a position in which one is employed. Job satisfaction on the hand can be defined as a pleasurable emotional state resulting from the appraisal of one's job or an affective reaction to one's job. Robbins (2005) defined it as the total of all feeling that employee perceives about his job. This means that positive perception toward employees' job is attributed to a high degree of job satisfaction. This equally is supported by Bowen et al. (2008). Spector (1997) refers to how employee feel about his job and various aspect of the job or job satisfaction is the extent to which employee like his own job.

The term job satisfaction refers to the attitude and feelings of people have about their work. Positive and favorable attitude towards the job indicates job satisfaction, and negative and

unfavorable attitudes toward the job indicate job dissatisfaction. In other words, job satisfaction can be defined as the extent to which the individual's need is satisfied and to the extent to which the individual perceives that satisfaction stems from his total work situation.

All the above definitions of job satisfaction by these researchers fail to understand and explain the main factor which is more important before employees could be satisfied with their job, that factor or element is no one but employee pay and benefit, but instead they based their definition on feelings, perceptions and so on. Thus, the employee could be satisfied with his job when his rewards are commensurate with his contribution to the organization. Dipboye et al. (1994) categorized job satisfaction theory into three: The dual factor theory, Compares theories and Cognitive theories.

Salary is the most popular method of employee compensation due to stable nature. The remuneration to the service of the employee by the employer and a tool of payment in the form of currency. Salary is also determined by leveling the pay rates and salary ranges established by an individual employer. (Wikipedia the free encyclopedia). The two or dual factor theory tried to highlight how job satisfaction is being influenced by extrinsic and intrinsic factors like salary, incentive and fringe benefits. This support the assertion that the most significant condition or determinant factors for job satisfaction are intrinsic factors (Borzaga and Tortia, 2006; Ellickson, 2002; Kim, 2004, Wright and Davis, 2003). This conclusion of some writers like Herzberg is misleading and vogue since the prerequisite and the result for any responsibility and achievement of any task is extrinsic factors (rewards) as such it supposed to be given priority not intrinsic factors. Therefore, job dissatisfaction is affected by extrinsic factors such as salary and working conditions. Traditionally, organizations often believe that pay is the greatest motivating factor for higher performance from employees. Economically, man works and earn money which is then used more directly to satisfy needs, usually physiological for purchasing food, shelter, and clothing as well as for acquiring other good things of life.

Salary is a form of payment from an employer to an employee, which may be specified in an employment contract. Salary is typically determined by comparing market pay rates for people performing similar work in similar industries in the same region. It has been established in several studies that job related factors such as pay, hours of work, promotion opportunities, job security influences job satisfaction (Brown et al. 2008; Bygren 2004; Capelli and Sherer 1988; Clark et al. 2009; Clark and Oswald 1996; Heywood and Wei 2006;

McCausland et al. 2005; Pouliakas and Ioannis,2010); Nevertheless, the research conducted in developed market economies, found positive responses or association for pay, promotion, security, challenging, interesting, prestigious with job satisfaction (negative responses associated with dissatisfaction) whereas, for hours, difficult, boredom, risk involved, and close supervision are negative correlated to job satisfaction. Researcher focused on salary in general in its research, that means minimum, maximum, annual increment, internal and external equity and so on will be treated as a whole as salary.

However, the importance of pay and benefit in satisfying economic need of an employee could never over emphasis since what employee will gain in his employment relationship is salary and benefit; this statement has been supported by all the writers of job satisfaction in their explanation of determine employee job satisfaction in organization where they have written similar things like promotion, work itself, supervision. All these determining factors of job satisfaction when looked at critically it can conclude that the end result for a worker is pay and benefits. There is a correlation between compensation/reward and workers' job satisfaction (Nelson, 2008). As views by Armstrong and Murlis (1994) that reward is a means through which various workers' need are satisfied. The thus unsatisfied Workers normally reduce workplace morale and lower productivity (Garrett, 1993). Therefore, satisfaction of project participants (site participant) is a vital measure and key factor for success in the construction sector (Nzekwe-Excel, 2009). Job's satisfaction could be enhanced by increasing autonomy, stress reduction and above all rises in compensation package (Whitt, 2006).

Incentive: The concept of incentive has become the cornerstone for attracting, encouraging and retaining efficient employees in the organization. Every worker receives a pay or reward in exchange for the work they do. Employers also have the ideology that to get the best from employees it is pertinent to offer them more money. Hence, some workers believe in money, while others believe in other incentives like recognition, stock option, profit sharing etc., Bennett and Minty (2005) adduce that incentives can be viewed from two broad perspectives. They are financial incentives and non-financial incentives. Incentives such as effort optimization, employee's autonomy and self-determination enhancement should be made readily available in order to increase job satisfaction of the employees in the organization (Eriksson and Villeval, 2008; Falk and Kosfeld, 2006). Maslow (1998, p. 237) declares that, "many people are influenced more by non-monetary than monetary considerations". He argues that many people cannot be swayed to leave a job except by

providing, “higher needs and meta-need satisfactions”. Non-monetary incentives are actually regarded as the most important tools to reward employees. It has been reported that about 70 percent of employers used noncash awards in their organizations (Airoldi, 2006). Studies involving non-monetary incentives and job satisfaction show positive relationships. Hayati and Caniago (2012) investigated the relationship between intrinsic motivation and job satisfaction and a positive relationship. This means that employees that are intrinsically motivated are more satisfied. Rast and Tourani (2012) studied the factors (job characteristics) that have a significant impact on job satisfaction.

Incentives are drivers for employee performance that are aligned with business goals. Employee incentives can take many forms, but, ultimately, they are tools managers use to reward good work and encourage employee retention. (Study.com, Shauna K.). When a company wants to encourage productivity among its employees, one option is an employee incentive program. Employee incentives describe a system of rewarding success and effort in the workplace by allowing employees to earn prizes or recognition. (Study.com, Shauna K.). Stock ownership, bonus is part of incentives which the researcher focused on its questionnaire.

Fringe benefits: Fringe benefits are benefits in addition to an employee’s wages, any benefit the company offer employees in exchange for their services like overtime, insurance, medical and accident relief and others. (Study.com, Shauna K.).

The impact of fringe benefits is not yet clear because in on way more fringe benefits given to employees may reduce job mobility or earnings but in other way fringe benefits also have positive impact on job satisfaction. Fringe benefits must raise job satisfaction.

There are several ways in which fringe benefits can affect job satisfaction. From all those first and foremost are that fringe benefits act as important element of worker’s compensation. Some benefits like medical insurance and social security are legally required by the employee. Second way is that fringe benefit can act as substitutes for salaries. This substitution can enlarge job satisfaction if the employee's secondary income tax rate increases because by this way we can reduce the employee's tax burden. Third way is that the substitution between salaries and fringe benefits can have negative impact on job satisfaction if employees locate they must give up salaries and agree to condition of a fringe benefit they do not inevitably wish. On the other hand, employees may locate a particular fringe benefit as

fundamental. Since the estimated impact of fringe benefits on job satisfaction is uncertain, it is not unexpected that past investigation is full of loopholes. When incorporated in classic estimates, the impact of fringe benefits on job satisfaction is seldom considerable.

Fringe benefits locate as a key of employee's compensation packages. Fringe benefits have simply acted as joystick in the majority studies and not as the prime focus of study. In fact, more than one or two procedures of fringe benefits are seldom found as independent variables in job satisfaction studies.

Some studies locate that pensions do not considerably impact job satisfaction. Others discover that pensions positively impact job satisfaction. The portion of employee whole compensation credited to fringe benefits has been going up in the last few decades. Health Insurance has been an important element of the employee's total compensation, particularly for those who would be disqualified to purchase it privately. As workers shift from job to job, their preferences are implicit to stay stable but their fringe benefits are allowed to differ. Therefore, if worker job satisfaction changes, it is due to changes only in fringe benefits and other quantifiable distinctiveness. In this way, fringe benefits are recognized as additional determinants of job satisfaction. Essays, UK. (November 2013).

Research Journal of Business Management (2017), the study on the impact of compensation and benefit on employee job satisfaction, in the case of higher education from Calvin and Dlamini, the study shows high satisfaction will increase the productivity of an organization, in turn increasing the overall organizational performance. Thus compensation plays an important role in determining an employee's level of satisfaction on their job. Salary, incentives and fringe benefits practices linked to satisfaction. Most studies conclude that the practical managerial implications that are attracting and retaining the new generation of any employees will require to offer proper compensation plan. Researcher concept of total reward model to develop survey questionnaires to identify the level of employee's satisfaction from different angles.

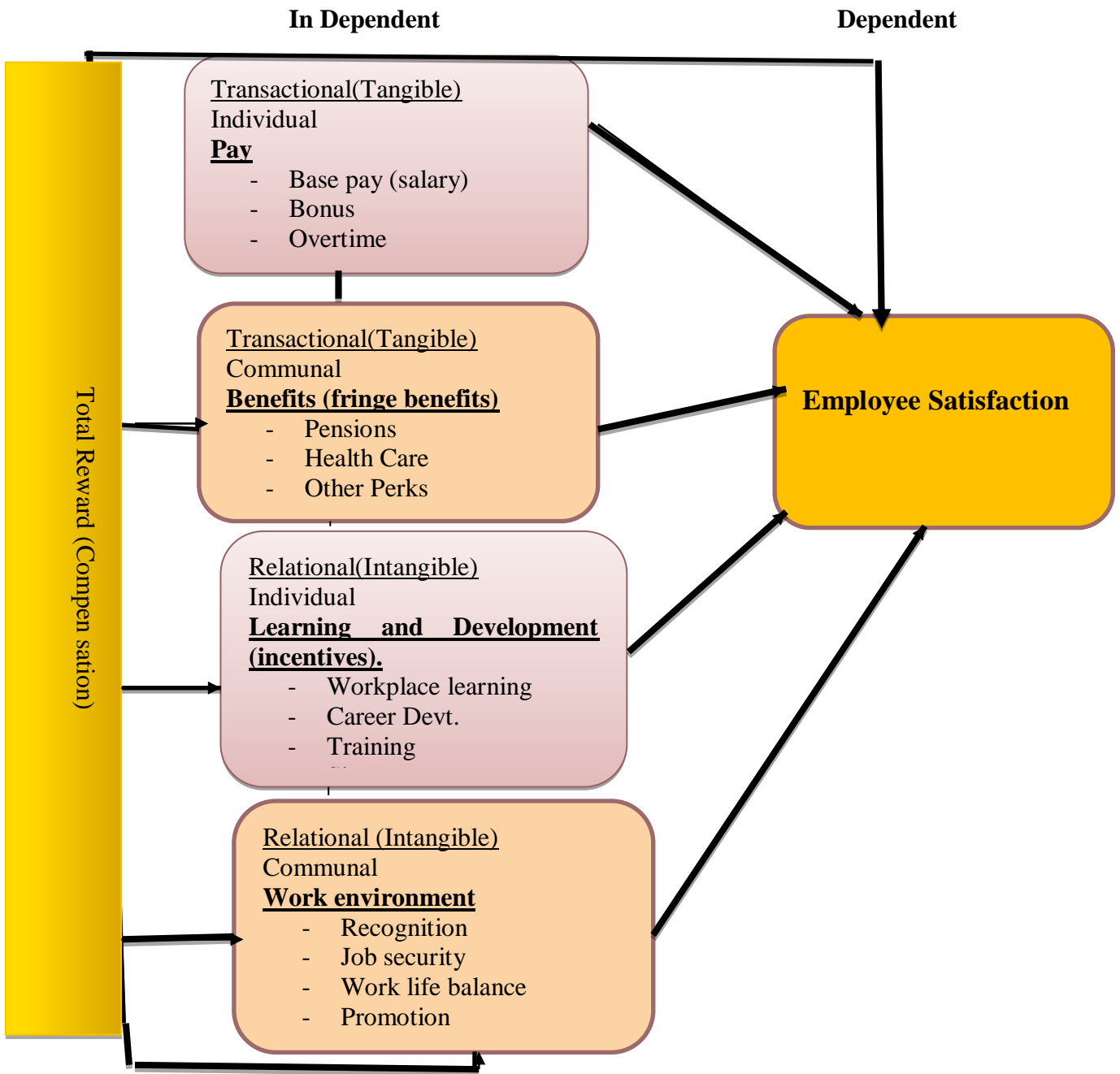


Figure5: Conceptual Framework (source adopted from Perrin model of total Reward)

TOTAL REWARDS

Transactional (Tangible) rewards

Tangible (financial) rewards arising from transactions between the employer and employees concerning pay and benefits. These are all extrinsic.

Relational (intangible) rewards

Intangible (non-financial) rewards concerned with the work environment(quality of working life, the work itself, work-life balance), recognition, performance management and learning and development. The work environment provides intrinsic rewards, recognition is extrinsic, performance management is mainly extrinsic and learning and development is primarily intrinsic in so far as it provides opportunities for growth.(Armstrong, 2006).

2.7 Hypothesis

The research problem is designed to examine the relationship between Compensation System (the independent variable) and employee job satisfaction (the dependent variable). A cause and effect relationship will be assumed, since a variation in the dependent variables are expected when the independent variable changes. The direction of the relationship is assumed to be positive, since a well-designed, communicated and properly implemented compensation system is believed to increase employee's job satisfaction. Accordingly, the following researcher hypotheses are set emanated from the above figure

H1: There is a significant relationship between financial compensation and job satisfaction: Different scholars opined that there is direct relationship between financial compensation (salary, bonus...)and job satisfaction. Bozeman and Gaughan (2011) have also concluded that the perception of being paid what one is worth predicts job satisfaction. The Garment and Food factories employees show their dissatisfaction on some financial compensation system of the factory. For example, 75% of respondents of medical expense coverage are not satisfied with the system. Most respondents want to remain neutral in regard with the financial compensation questions. Thus, the result from observation show us the reason of the high turnover.

Null: There is no significant relationship between financial compensation and job satisfaction.

H2:There is significant effect of non-financial incentives (Fringe benefits) on employee job satisfaction.

For small business owners, offering fringe benefits that are valuable to employees can improve job satisfaction and help them offer a competitive benefits package. There are a wide variety of fringe benefits that employers can choose to offer and some are even specifically excluded from employees' taxable income. (<http://www.gjimt.ac.in/gianjyoti-e-journal>).

Desta garment and Tasty food respondents of other perks (non-financial compensation), shows that 100% disagreement on the matter. Therefore, it is believed that the company high turnover may cause of unsatisfied of the system on non-financial compensation.

Null: There is no significant effect of non-financial incentives (Fringe benefits) on employee job satisfaction.

H 3: There is significant effect of Incentive system on employee job satisfaction.

Incentives plays a number of key roles in organizations including signaling employee worth, attracting potential job incumbents and retaining existing employees. From the study on “The Impact of Reward and Compensation on Job Satisfaction,” published by Middle East Journal of Scientific Research (14 (3): 394-403, 2013), has been concluded that incentive has high positive correlation with job satisfaction. Survey of respondents of Desta garment and Tasty Food factory shows that work life balance and food allowance show that 69% and 43% of respondents dissatisfied on the matter. That means incentive has the positive effect on job satisfaction.

Null: There is no significant effect on Incentive system on employee job satisfaction

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Research Design

The research handled following case study type of explanatory research design, supported by quantitative research approach, to investigate the role of compensation practices on employee's satisfaction at Desta Garment and Tasty Food factories, which is part of BEKDES PLC, in Addis Ababa, Ethiopia.

As mentioned earlier, explanatory research method used to find the relationship between compensation and employee satisfaction, as well as to answer the above-mentioned research questions. Data collected from primary and secondary sources, on the other hand statistical system of analysis will be used to determine the relationship between dependent and independent variables.

Survey questionnaire designed according to the objective of the study that was adapted and modified from previous researchers works.

3.2 Sample Design

The researcher used explanatory research design, supported by quantitative research approach, in order to investigate the role of compensation practices on employees satisfaction. The unit of analysis for this study is employees. The target population is employees from the Desta Garment and Tasty Food Factories. Employees for both factories are 85 males and 729 females, total target population is 814, out of the total population, supervisory workers (27), general service and clerical workers (150), production area employees (632), and managerial staff (5), therefore, researcher used sample size calculator to find out the sample size. Researcher choose 204 respondents as per the level of 5% margin of error and 90% confidence level, from 814 target population. (www.raosoft.com/samplesize.html).

Accordingly, respondents from each group were selected using simple random sampling technique and equal chance was given to the members in the category.

To maintain equal representativeness of the sample, the researcher used stratified random sampling technique using the formula (Dodge, Yadolah -2003):

Y= No of items included from each group in the sample

X= No of items in the population

N= Total Population

n= sample size

For instance, respondents from Production was chosen using the above formula:

Y= ?

X= 632

N= 814

n= 204, then:

$$Y = (632/814) * 204 = 159 \text{ respondents from production unit.}$$

Accordingly, 159 respondents from Production unit, 38 respondents from General Service and Clerical unit, 6 respondents from supervisory unit and 1 respondent from Managerial unit were planned to be the respondents. Therefore, 204 copies of questionnaires were distributed but a total of 107 employees responded to the survey.

3.3 Data type/Data Collection /Sources and instrument

Survey questionnaire has been used in order to gather primary data from the respondents. The survey instrument that was used in this study was adapted from various studies, such as the Minnesota Satisfaction Questionnaire (MSQ). The advantage of using standardized questionnaires is that they have been thoroughly tested and, in many cases, norms are available against which results can be compared. The questionnaire divided into three parts. The first part of the questionnaire is personal information the second part is information on compensation system while the third part is on employee satisfaction. 204 questionnaires were distributed and 107 respondent papers were collected and administered.

In all part, respondents require to indicate their level of satisfaction based on a five-point Likert scale with 1=Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5=Strongly Agree. For this study agree took as satisfied and disagree took as dissatisfied.

3.4 Validity and Reliability of the Instrument

Reliability and validity of the study measured by using SPSS system. As reliability refers to the consistency or dependability of a measurement tool. It is concerned with how consistent or stable the score obtained from a measure is over time and across settings. If the assessment is reliable, then there is less chance that the obtained score is due to random factors and measurement error (Geoffrey M., David D., David F. 2005:103). Therefore, reliability score 87.2%, this shows that independent variable items are highly correlated with dependant variable.

Cronbach's Alpha	N of Items
.872	66

Procedure of Data Collection

The data collection procedure began with document and literature review. The documents related to compensation and employee satisfaction were reviewed. After document review had been made, related literatures were reviewed. 200 Questionnaire were adopted and distributed to respondents and 107questionnaires were collected, coded and entered in SPSS for analysis. The collected questionnaires were administered in order to find the result of satisfaction of the employees of the two factories.

Finally, secondary data analysis was made to assess the compensation system practice of the garment and tasty food and the research result was enriched and developed.

3.5 Data Analysis and Presentation

Data analyzed using Statistical Package for Social Science (SPSS) and the analysis of data began with reliability test for the scales using Cronbach's alpha. The test resulted in a value of Cronbach's alpha87.2%.Cronbach's Alpha is commonly used as a measure of the internal consistency or reliability of the instrument. According to statistical interpretation, the closer the reading of Cronbach's Alpha to digit 1,the higher the reliability and internal consistency.

In general, Cronbach's alpha result less than 0.60, is considered to be poor, the other in the 0.70, range is acceptable and over 0.80 is good result. (<http://www.ats.ucla.edu/stat/spss/faq/alpha.html>). Therefore, the Cronbach's alpha made the instrument internally consistent and reliable.

Descriptive analysis (Frequency distribution, tables and graphs) was conducted to describe the demographic variable of respondents.

Thus, in order to come up with the results and findings of the study, frequency, reliability and weighted mean were calculated. Frequency distribution was used to describe the profile of the sample. The variables used refer to the role of compensation practices and employee satisfaction. Correlation and inferential statistics were also employed.

To generalize the findings of the sample for the general population by inferring to statistical results, the researcher had used Logistics regression. Logistics regression is a multiple regression but with an outcome variable that is categorical variable and predictor variables that are continuous or categorical.

Cruscall Wallis and Mann-Whitney tests were used to test the association of three or more categorical independent variables with dependent variable. For instance, work experience and education level & job satisfaction.

3.6 Ethical Consideration

Grate consideration is given to the confidentiality of the necessary documents in regard with the said Garment and Tasty Food Factories. Each and every communication in connection with research is with honesty and transparency. Researcher avoid any biased in representation of data. Researcher did not exaggerate any information on the research paper.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

After collecting the quantitative data, the researcher next task is to analyze it. The aim of data analysis is to obtain results that test the study research questions as accurately and easily as possible. The Researcher managed this process carefully, not only to get it right, but also to make it efficient and logical. The researcher had set up specific research questions and applied statistical techniques to test those research questions.

The target population is employees from the Desta Garment and Tasty Food Factories. Employees for both factories are 85 males and 729 females, total target population is 814, out of the total population, supervisory workers (27), general service and clerical workers (150), production area employees (632), and managerial staff (5), therefore, researcher used sample size calculator to find out the sample size. As per the calculation 204 respondents have to be selected out of total population. This was done as per the level of 5% margin of error and 90% confidence level, from 814 target population. (www.raosoft.com/samplesize.html).

204 Questionnaire were adopted and distributed to respondents and 107 questionnaires were collected because of restriction to enter to the production area, therefore, the data coded and entered in SPSS system for analysis. The collected questionnaires were administered in order to find the result of satisfaction of the employees of the two factories.

This chapter has four sections. The first section discussed about the demographic characteristics of respondents. The second section discussed about the compensation practices of the company. The third section discussed the level of employee's satisfaction. The final section in this chapter presented the role of compensation on employee's satisfaction.

4.2 Demographic Description of Respondents

The biographical characteristics of the sample of respondents are presented in order to get a clear picture of the sample. Demographic variables that were measured from the respondents

were sex, age, profession, educational background, and work experience with in the company.

Table 4.1 Sex distribution of respondents

Gender	Frequency	Percent
Female	88	82%
Male	19	18%
Total	107	

Respondents were asked to state their sex. The sex distribution of the respondents is shown in Table 4.1. The majority of the respondents are females representing 82%. Males made up 18% of the respondents. This shows female representation is more than male in the sample population. However, this visible gap in sex representation was not due to sampling errors; rather, it was due to the nature of the industry. As the company is a garment, the job itself requires more female workers than male, specially, in the section of embroidery and sewing, more females are recruited.

Age:

Table 4.2 Age distribution of respondents

Age	Frequency	Age
<30	48	45%
30-40	55	51%
41-50	4	4%
Total	107	

Age: Respondents were requested to report their age in predesigned year ranges. The distribution of the respondents' reported age is shown in table 4.3, as per the above table 45% of the respondents are below 30 years, most of the respondents are between 30 and 40 years, that will be 51% of the respondents. 4% of the respondents categorize between 41 to 50 years of age. Therefore, the factory uses early adult force than other.

Education:

Table 4.3 Educational Background

Educational Level	Frequency	Percent
Highschool Complete	39	36%

Certificate	37	35%
Diploma	26	24%
Bachelor Degree	4	4%
Masters and above	1	1%
Total	107	100%

Table 4.3 shows the educational level of respondents of the survey. Table shows that among the 107 respondents, 36% are high school complete, those who have certificate are 35% and 24% of the respondents are diploma holders, holders of bachelor degree are 4% and the rest 1% respondent are masters and above. This implies that majority of the respondents are high school complete. This has happened due to the nature of the work of the factory that requires 10th grades complete and above.

Profession:

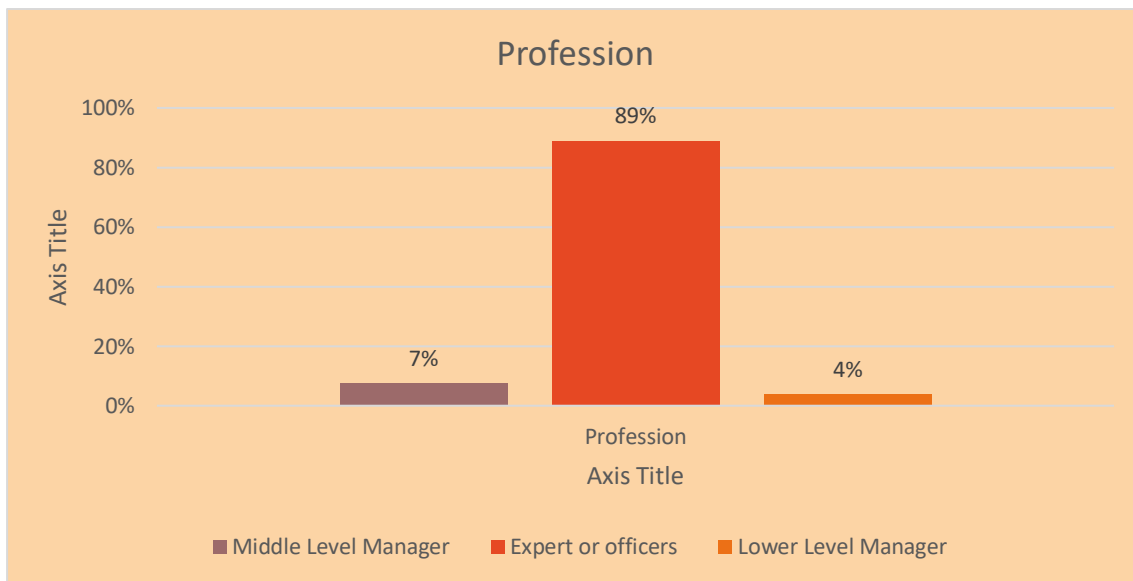


Figure 6: Profession

According to the above figure, 89% of the respondents are from the general respondents. Middle level managers of the respondents are 7%. 4% of the respondents are from lower level manager. This shows officers are more respondents of the study at the company.

Work Experience:

Table 4.4: Work Experience of Respondents

Work Experience	Frequency	Percent
<one year	33	31%
Two years	40	37%
Three years	27	25%
Four years	2	2%
Five years	1	1%
Above five years	4	4%
Total	107	100%

Respondents of work experience treated in table 4.5, thus 31% of respondents serve the company less than a year, and 37% of respondent has two years of experience. 25% of the respondent worked for three years. 2% worked for four years, the respondents of 1% worked for five years, 4% of the respondents worked above five years. The above table shows that most of the company workers leave their job before three years. Therefore, the company has to do more on compensation to retain more workers to stay at the company for long years.

Marital Status:

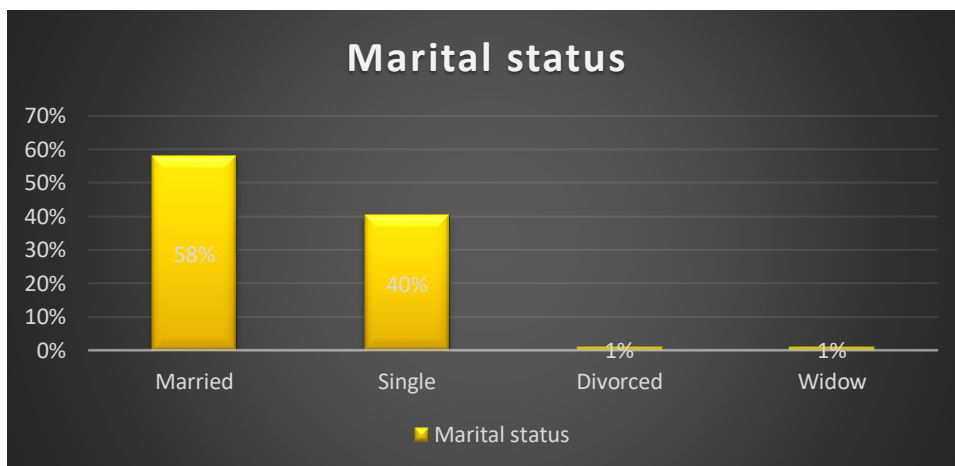


Figure 7: Marital Status

Figure 4.6 shows the marital status of the respondents. According to the table, 58% of the respondents are married and 40% of the respondents are single. 1% respondents are divorced and with same percentage to that of Divorced respondents are widow respondents. This shows that most of the survey respondents are married.

4.3 Compensation System Practice of Desta Garment and Tasty Food Factory

To understand the compensation practice of the company the researcher used the Towers Perrin model of total reward. The questions are designed to identify the perception of workers on the practices.

Table 4.5: Compensation System Practice of Desta Garment and Tasty Food Factory

Compensation System Practice Measures	Level of Satisfaction
Tangible Pay and Reward	2.9
Transparent Compensation System	3.0
Benefits	3.0
Enabling Environment	3.1
Personal and Professional growth	3.2
Being Valued and Challenged	3.1
Inspiration or organizational values	3.0
Work Life Balance	3.2



Figure 8: Compensation System Practice

Respondents were asked to indicate their level of agreement in regard with tangible pay and reward system of the company. These questions help us to measure their level of satisfaction. Therefore, almost all satisfaction like benefit, work life balance and personal and professional growth are 3% and above.

4.3.1 Measures of Tangible Pay and Reward

Table 4.6: Measures of Tangible Pay and Reward

Measures of Tangible Pay and Reward	Respondents Level of Agreement					% Agree
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
Individual contribution adequately rewarded	4%	7%	90%	0%	0%	0%
Pay increases handled fairly	3%	25%	71%	1%	0%	1%
Pay reflect workers performance	0%	0%	73%	25%	2%	27%
Employees pay compares favorably with what they could get elsewhere	3%	33%	62%	2%	1%	3%
In comparison with other people doing similar work in the organization employees payment is fair	3%	41%	51%	4%	1%	5%
Employees salary appropriate their work	2%	13%	56%	28%	1%	29%

According to the questionnaire, most respondents did not agree on the individual's contribution reward. 27% of the respondents agree that company's pay system reflect workers performance. 33% disagree on the comparison of the pay with others . 29% of the respondents are agree that employee salary is according to their work. Specially, on the fairness of increment and issue of reward on contribution, most respondents are not satisfied.

4.3.2 Transparent Compensation System

Transparency of the compensation system of the two factories was one of the question that the respondents were indicate their level of agreement. Therefore, 37% of the respondents were agree that pay policy of the company is over due for a review, and 37% of the respondents are disagree on the fairness of grading decision. 28% of the respondents are agree on transparency of the pay decision.29% indicate their agreement on employees understanding on pay progress. 33 % of the respondents are disagree on the understanding of pay policy of the organization. Only 6% of the respondents agree on the employees knowledge on how their job is graded.

Table 4.7: Transparent Compensation System

Transparent Compensation System	Respondents Level of Agreement					% Agree
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
The organization's pay policy is overdue for a review	1%	3%	60%	34%	3%	37%
Grading decisions are made fairly	3%	37%	55%	3%	2%	5%
Decisions made about workers' pay are clear	0%	5%	67%	27%	1%	28%
Employees understand how their job graded	3%	17%	75%	6%	0%	6%
Employees understand how their pay progress	2%	22%	47%	29%	0%	29%
Job evaluation scheme works fairly	3%	18%	46%	32%	2%	34%
Employees understand the pay policies of the organization	2%	33%	53%	12%	0%	12%

4.3.3 Benefits

Benefits are one of the construct variables practiced by the company. 9% of the respondent said that companies benefit package is competitive with other organization. 29% of the respondents agree on employee's expectation to have more choice on benefit. On the variety of employee's benefit 26% of the respondent are agree. 8% of the respondents are disagree on the amount of employee's benefit.

Table 4.8: Response on Benefits

Benefits	Respondents Level of Agreement					% Agree
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
Benefits package is competitive with other organizations	5%	9%	77%	9%	0%	9%
Employees expect more choice of benefits	1%	17%	53%	28%	1%	29%
Employee benefits are adequate in terms of variety	2%	13%	59%	26%	0%	26%
Employee benefits are adequate in terms of amount	4%	8%	64%	24%	0%	24%

4.3.4 Enabling Environment

Table 4.9: Response on Enabling Environment

Enabling Environment	Respondents Level of Agreement					% Agree
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
Employees know what the company expectations	0%	9%	69%	21%	0%	21%
Employees believe performance pay scheme encourages better performance	5%	17%	55%	22%	1%	23%
Employees use their maximum skills and abilities to their current job	1%	29%	60%	8%	3%	11%
Managers are receptive to employees' ideas and opinions	3%	4%	65%	29%	0%	29%

21% of the respondents show their agreement that employees know company expectation. Whereas, 9% disagree on the matter. 23% of the respondents agree on the idea that employees believe that performance pay scheme encourages better performance. In regard with work environment, 11% of respondents are believe that employees use their maximum skills and abilities to their current job. But 65% of the respondents show that managers are not considerate in regard with the employee's idea and opinions.

4.3.5 Personal and Professional Growth

Table 4.10: Personal and Professional Growth

Personal and Professional Growth	Respondents Level of Agreement					% Agree
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
Employees get feedback on their performance	7%	3%	68%	23%	0%	23%
Employee understand the potential career moves in the company	0%	7%	63%	30%	1%	31%
Employee receive enough feedback on their performance	3%	7%	58%	33%	0%	33%
The appraisal system clearly differentiates performance levels	2%	3%	62%	33%	1%	34%
Employees kept informed about the required performance in advance	3%	66%	8%	23%	0%	23%

23% of the respondent agree that employees get feedback on their performance, whereas 31% of the respondent said that employees have understanding on career move in the company. 34% of the respondent agree that the appraisal system differentiate performance level. 23% of the respondent agree on the employee's ability getting information on performance in advance.

4.3.6 Being Valued and Challenged

Table 4.11: Being Valued and Challenged

Being Valued and Challenged	Respondents Level of Agreement					% Agree
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
In comparison with other people doing similar work in the organization employees payment is fair	3%	41%	51%	4%	1%	5%
Employees are motivated after their performance review meeting	1%	19%	49%	32%	0%	32%
Individual performance adequately rewarded	3%	8%	64%	26%	0%	26%
Team performance adequately rewarded	2%	7%	61%	31%	0%	31%

41% of the respondents are show their disagreement on the fairness of payment for similar work in the company. 32% of the respondents were agreed on that employees are motivated after performance review meeting. employees are motivated after their performance review meeting. 26% of the respondents are agreed on individual reward on their performance. 31% of the respondents are agreed on the reward of team performance.

4.3.7 Inspiration or Organizational Values

Table 4.12: Inspiration or organizational values

Inspiration or organizational values	Respondents Level of Agreement					% Agree
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
Employees understand how their pay progress	2%	22%	47%	29%	0%	29%
Employees understand the pay policies of the organization	2%	33%	53%	12%	0%	12%
Employee understand the	0%	7%	63%	30%	1%	31%

potential career moves in the company						
Employees are proud to work for the organization	6%	12%	58%	24%	0%	24%

29% of the respondents agreed on the understanding of employees on the pay progress. 33% of the respondents were disagree in regard with the pay policy of the organization, 31% of the respondents are agree on the career move in the organization. 24 % of the respondents are proud to work in the company. This shows their satisfaction.

4.3.8 Work Life Balance

Table 4.13: Work Life Balance

Work Life Balance	Respondents Level of Agreement					% Agree
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
The company takes a genuine interest in the well-being of employees	3%	6%	65%	27%	0%	27%
The company allows employees to attend personal or family matter	4%	3%	67%	25%	1%	26%

26% of the respondents agreed on the issue that company's willingness for their employees to attend personal or family matters, whereas, 27% respondents agree on well-beingness of the employees.

4.4 Compensation Types

4.4.1 Perception Towards Compensation Types

Table 4.14: Perception of respondents towards the BEKDES Business Plc has financial compensation types.

Financial	Yes		No	
	Frequency	Percentage	Frequency	Percentage
Bonus	99	93%	8	7%
Over Time Payment	99	93%	8	7%
Accident Relief Pay	1	1%	106	99%
Retirement Benefit	99	93%	8	7%
Food Allowance	99	93%	8	7%

Financial	Yes		No	
	Frequency	Percentage	Frequency	Percentage
Transport Allowance	99	93%	8	7%
Medical Expense Coverage	14	13%	93	87%
Stock Ownership	1	1%	106	99%
Insurance Coverage	99	93%	8	7%
Educational Reimbursement	2	2%	105	98%
Base Pay/Salary	105	98%	2	2%
Profit Sharing	4	4%	103	96%
Long-Term Incentives	98	92%	9	8%
Contingent Pay	98	92%	9	8%
Holidays	107	100%	0	0%

The questionnaire was designed for respondents to indicate the availability of different types of compensation, for further discussion or agreement, therefore, 98% of the respondents say yes, that is there is the availability of the contingent pay whereas, 8% say no. that means some employees may not understand the system.

Table 4.15: Financial Compensation

Financial compensation	Respondents Level of Satisfaction					% Agree
	Strongly Dissatisfied	Dissatisfied	Neutral	Satisfied	Strongly Satisfied	
Bonus	1%	10%	82%	7%	0%	7%
Over Time Payment	0%	11%	68%	21%	0%	21%
Accident Relief Pay	0%	100%	0%	0%	0%	0
Retirement Benefit	0%	12%	53%	35%	0%	35%
Food Allowance	0%	13%	43%	43%	0%	43%
Transport Allowance	0%	9%	50%	41%	0%	41%
Medical Expense Coverage	25%	75%	0%	0%	0%	0%
Stock Ownership	100%	0%	0%	0%	0%	0%
Insurance Coverage	1%	10%	77%	12%	0%	12%
Educational Reimbursement	50%	0%	50%	0%	0%	0%
Base Pay/Salary	3%	14%	58%	25%	0%	25%
Profit Sharing	25%	0%	75%	0%	0%	0%
Long-Term Incentives	1%	14%	46%	39%	0%	39%
Contingent Pay	3%	14%	45%	38%	0%	38%
Holidays	5%	11%	43%	41%	0%	41%

Questionnaire was designed to respondents to indicate their level of agreement on financial compensation that is given by the company. 7% of the respondents were agreed on bonus that was given by company. 21% agreed on the overtime payment. 100% of respondents were dissatisfied in regard with accident relief pay, 35% of the respondents were satisfied on retirement benefit. 43% are satisfied in food allowance, 41% of the respondents are satisfied on Transport allowance. and 75 % were dissatisfied in connection with medical coverage of the company.100% were strongly dissatisfied on stock ownership. 12% satisfaction on insurance coverage.

4.4.2 Other Perks

Table 4.16: Perception of respondents towards other perks

Other Perks	Yes		No	
	Frequency	Percentage	Frequency	Percentage
Flex hrs.	103	96%	4	4%
Career development	1	1%	106	99%
Performance management	97	91%	10	9%
Training	106	99%	1	1%
Workplace learning and development	99	93%	8	7%

Respondents were asked to indicate the availability of other perks in their company. Therefore 96% say there is flex hrs. and 99% say no for career development career development. 99% say there is training availability for employees in the company. 99% of the respondents say yes for work place learning and development. On flex hrs for those who said no people who are working full time, for those who said no.Those who are working in production area as it is three shift that consider as flex hrs.

Table 4.17: Other Perks Level of Satisfaction

Other Perks	Respondents Level of Satisfaction					% Agree
	Strongly Dissatisfied	Dissatisfied	Neutral	Satisfied	Strongly Satisfied	
Flex hrs.	1%	5%	67%	27%	0%	27%
Career development	0%	0%	100%	0%	0%	0%
Performance management	0%	12%	69%	19%	0%	19%
Training	1%	19%	51%	29%	0%	29%

Workplace learning and development	0%	14%	58%	28%	0%	28%
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Respondents were asked whether the company have additional benefits other than their salary, they said yes. Therefore, under this table they requested to indicate their level of satisfaction on the list of benefits. According to the response 27 % agree on flex hrs or the company,100% of the respondents were not agree on career development,19% of the respondents are agree on performance management whereas 29% of the respondents are agree on training. 28% are agree on work place learning and development.

4.4.3 Core Value of the Organization

Table 4.18: Perception of respondents towards Core Value of the Organization

Core Value of the Organization	Yes		No	
	Frequency	Percentage	Frequency	Percentage
Leadership	6	6%	101	94%
Employee voice	6	6%	101	94%
Recognition	100	93%	7	6%
Promotion	104	96%	3	3%
Achievement	96	89%	11	10%
Job design and role development	2	2%	105	97%
Quality of working life	95	88%	12	11%
Work–life balance	96	89%	11	10%
Talent management	0	0%	107	99%
Job security	99	92%	8	7%

On the above table it is understandable that some respondents are yes and some are no for the same core value of the organization. For example, 93 % of the respondents say there is recognition in the company and 6% say there is no recognition. 94 % of the respondents said there is no leadership and employee voice. It seems there is lack of understanding. 97% of the respondents are said no job design and role development. 99% are said there is no talent management.

Table 4.19: Core Value of the Organization Respondent Satisfaction

Core Value of the Organization	Respondents Level of Satisfaction				Strongly Satisfied	% Agree
	Strongly Dissatisfied	Dissatisfied	Neutral	Satisfied		
Leadership	0%	0%	100%	0%	0%	0%
Employee voice	0%	0%	100%	0%	0%	0%
Recognition	3%	9%	61%	27%	0%	27%
Promotion	4%	14%	53%	29%	0%	29%
Achievement	1%	12%	51%	37%	0%	37%
Job design and role development	0%	100%	0%	0%	0%	0%
Quality of working life	0%	5%	75%	20%	0%	20%
Work–life balance	0%	7%	69%	24%	0%	24%
Talent management	0%	0%	0%	0%	0%	0%
Job security	1%	6%	46%	48%	0%	48%

Respondents were asked to indicate their agreement under the core value of the company, therefore, no satisfaction on leadership, employee voice job design and role development, and talent management. 27% are agreed on recognition and 29 % are agreed on promotion satisfaction on the items of core value of the company. According to the response 100% of respondents show their dissatisfaction on job design and role development. 37% of the respondents agree on achievement, 24% are agreed on work life balance 48% of the respondents are agreed on job security. From the above table it is understandable that leadership, employee voice, job design and development and talent management has to give due consideration in order to create awareness.

4.5 Employee Satisfaction

How is the level of existing employee job satisfaction?

Table 4.20: Employee Satisfaction

Mean	N	Std. Deviation
3.07	107	.42891

Table 4.20 shows the level of existing employee job satisfaction that is the Mean is 3.07 and Standard deviation is .42891 this indicates that the standard deviation is lower than mean.

Table 4.21: Employee Satisfaction

Employee Satisfaction	Respondents Level of Agreement					% Agree
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
Employees are satisfied	4%	8%	78%	10%	0%	10%
Employees like their job	2%	6%	65%	27%	0%	27%
Employees are proud to work for the organization	6%	12%	58%	24%	0%	24%
Employees are happy to extend their contribution for the next five years	0%	10%	64%	26%	0%	26%
Employees are happy to attract others to the company	2%	6%	73%	20%	0%	20%

As per the table 4.23, respondent were asked to indicate their level of satisfaction on their job From this table we understand that there is no job satisfaction at all because, 10% of the respondents agree on the satisfaction of employee in the company,27% of respondent say that employees like their job. 24% of the respondents are proud to work for the organization. 26% are agree to stay with the company for the next five years. 20% Of the respondents agree to attract others to the company.

4.6 The role of compensation system practice on employee’s satisfaction

4.6.1 The role of tangible pay and reward on employee’s satisfaction

A multiple regression analysis was carried out using employee’s satisfaction as dependent variable and tangible pay and reward as the predictor variable. Table 4.24shows a test of the null hypothesis, using Analysis of Variance (ANOVA). The value of the statistical significance of the ANOVA (.000) is less than .05. Therefore, the null hypothesis tangible pays and reward has no or negative influence on employee’s satisfaction is rejected. Consequently, we can say that the tangible pay and reward has a positive significant influence on employee’s satisfaction.

Table 4.22: ANOVA table for testing the role of tangible pay and reward on employee's satisfaction

ANOVA ^a						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.273	1	1.273	7.331	.008 ^b
	Residual	18.228	105	.174		
	Total	19.501	106			
a. Dependent Variable: Employee Satisfaction						
b. Predictors: (Constant), Tangible Pay and Reward						

The Model Summary shows the correlation coefficient r between the predictor variable tangible pay and reward and the dependent variable employee satisfaction (in this case $r=.26$). It also shows that the r^2 using tangible pay and reward, which is simply the square of r^2 equal to .065. The adjusted r^2 is .056 meaning that 5.6% of the variance in employee satisfaction can be predicted from tangible pay and reward.

Table 4.23 Model Summary the role of tangible pay and reward on employee's satisfaction

Model Summary				
Model	r	r^2	Adjusted r^2	Std. Error of the Estimate
1	.255 ^a	.065	.056	.41665
a. Predictors: (Constant), Tangible Pay and Reward				

4.6.2 The role of transparent compensation system on employee's satisfaction

Table 4.24: The role of transparent compensation system on employee's satisfaction

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.292	1	3.292	21.326	.000 ^b

	Residual	16.209	105	.154		
	Total	19.501	106			
a. Dependent Variable: Employee Satisfaction						
b. Predictors: (Constant), Transparent Compensation System						

Table 4.25: Model Summary on transparent compensation and employee satisfaction

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.411 ^a	.169	.161	.39290
a. Predictors: (Constant), Transparent Compensation System				

The Model Summary table 4.26 shows the correlation coefficient r between the predictor variable transparent compensation system and the dependent variable employee satisfaction (in this case $r=.41$). It also shows that the r^2 using transparent compensation, which is simply the square of r^2 equal to .169. The adjusted r^2 is .161 meaning that 16.1% of the variance in employee satisfaction can be predicted from Transparent Compensation system.

4.6.3 The role of benefits on employee's satisfaction

Table 4.26: The role of benefits on employee's satisfaction

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.948	1	5.948	46.081	.000 ^b
	Residual	13.553	105	.129		
	Total	19.501	106			
a. Dependent Variable: Employee Satisfaction						
b. Predictors: (Constant), Benefits						

Table 4.27: Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.552 ^a	.305	.298	.35927
a. Predictors: (Constant), Benefits				

The Model Summary table 4.28 shows the correlation coefficient R between the predictor variable benefit and the dependent variable employee satisfaction (in this case $r=.55$). It also shows that the r^2 using benefit, which is simply the square of r^2 equal to .305. The adjusted r^2 is .38 meaning that 3.8% of the variance in employee satisfaction can be predicted from benefit.

4.6.4 The role of enabling environment on employee’s satisfaction

Table 4.28: The role of enabling environment on employee’s satisfaction

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.944	1	.944	5.344	.023 ^b
	Residual	18.556	105	.177		
	Total	19.501	106			

a. Dependent Variable: Employee Satisfaction

b. Predictors: (Constant), Enabling Environment

Table 4.29: Model summaries

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.220 ^a	.048	.039	.42039

a. Predictors: (Constant), Enabling Environment

The Model Summary table 4.30 shows the correlation coefficient R between the predictor variable enabling environment and the dependent variable employee satisfaction (in this case $r=.2$). It also shows that the r^2 using enabling environment, which is simply the square of r^2

equal to .048. The adjusted r^2 is .039 meaning that 0.3% of the variance in employee satisfaction can be predicted from enabling environment.

4.6.5 The role of personal and professional growth on employee's satisfaction

Table 4.30: Personal and Professional Growth

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.010	1	7.010	58.401	.000 ^b
	Residual	12.484	104	.120		
	Total	19.494	105			

a. Dependent Variable: Employee Satisfaction

b. Predictors: (Constant), Personal and Professional Growth

Table 4.31 : Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.600 ^a	.360	.353	.34647

a. Predictors: (Constant), Personal and Professional Growth

The Model Summary table 4.31 shows the correlation coefficient r between the predictor variable personal and professional growth and the dependent variable employee satisfaction (in this case $r = .600$). It also shows that the r^2 using personal and professional growth, which is simply the square of r^2 equal to .360. The adjusted r^2 is .353 meaning that 3.5% of the variance in employee satisfaction can be predicted from personal and professional growth.

4.6.6 The role of being valued and challenged on employee's satisfaction

Table 4.32: The role of being valued and challenged on Employee's satisfaction

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.543	1	7.543	66.231	.000 ^b
	Residual	11.958	105	.114		

Total	19.501	106		
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a. Dependent Variable: Employee Satisfaction

b. Predictors: (Constant), Being Valued and Challenged

Table 4.33: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.622 ^a	.387	.381	.33747

a. Predictors: (Constant), Being Valued and Challenged

The Model Summary table 4.33 shows the correlation coefficient r between the predictor variable being valued and challenged and the dependent variable employee satisfaction (in this case $r=.62$). It also shows that the r^2 using tangible pay and reward, which is simply the square of r^2 equal to .4. The adjusted r^2 is .47 meaning that 4.7% of the variance in employee satisfaction can be predicted from being valued and challenged.

4.6.7 The role of inspiration or organizational values on employee's satisfaction

Table 4.34: Organizational Value

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	8.936	1	8.936	88.817	.000 ^b
1 Residual	10.564	105	.101		
Total	19.501	106			

a. Dependent Variable: Employee Satisfaction

b. Predictors: (Constant), Inspiration or organizational values

Table 4.35: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.677 ^a	.458	.453	.31720

a. Predictors: (Constant), Inspiration or organizational values

The Model Summary table 4.35 shows the correlation coefficient R between the predictor variable organizational values and the dependent variable employee satisfaction (in this case $r=.8$). It also shows that the r^2 using organizational value, which is simply the square of r^2 equal to $.5$. The adjusted r^2 is $.45$ meaning that 45% of the variance in employee satisfaction can be predicted from organizational values.

4.6.8 The role of work life balance on employee’s satisfaction

Table 4.36: Work life balance

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.103	1	5.103	37.212	.000 ^b
	Residual	14.398	105	.137		
	Total	19.501	106			

a. Dependent Variable: Employee Satisfaction

b. Predictors: (Constant), Work Life Balance

Table 4.37: Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.512 ^a	.262	.255	.37030

a. Predictors: (Constant), Work Life Balance

The Model Summary table 4.37 shows the correlation coefficient R between the predictor variable work life balance and the dependent variable employee satisfaction (in this case $r=.512$). It also shows that the r^2 using work life balance, which is simply the square of r^2 equal to $.32$. The adjusted r^2 is $.3$ meaning that 30% of the variance in employee satisfaction can be predicted from work life balance.

4.7 The role of different compensation types on employee’s satisfaction

4.7.1 The role of financial compensation on employee’s satisfaction

Table 4.38: Role of Compensation on Employee’s Satisfaction

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.704	1	7.704	68.573	.000 ^b
	Residual	11.797	105	.112		
	Total	19.501	106			

a. Dependent Variable: Employee Satisfaction

b. Predictors: (Constant), financial compensation

Table 4.39 :Model Summary

Model Summary

Mode	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.629 ^a	.395	.389	.33518

a. Predictors: (Constant), Compensation System

The Model Summary table 4.39 shows the correlation coefficient R between the predictor variable financial compensation the dependent variable employee satisfaction (in this case $r=.63$). It also shows that the r^2 using financial compensation, which is simply the square of r^2 equal to .45. The adjusted r^2 is .49 meaning that 5% of the variance in employee satisfaction can be predicted from financial compensation.

4.7.2 The role of other perks on employee's satisfaction

Table 4.40: Other Perk on Satisfaction

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.552	1	7.552	66.365	.000 ^b
	Residual	11.949	105	.114		
	Total	19.501	106			

a. Dependent Variable: Employee Satisfaction

b. Predictors: (Constant), Other Perks

Table 4.41: Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.622 ^a	.387	.381	.33734

a. Predictors: (Constant), Other Perks

The Model Summary table 4.41 shows the correlation coefficient r between the predictor variable other perks and the dependent variable employee satisfaction (in this case $r=.62$). It also shows that the r^2 using other perks, which is simply the square of r^2 equal to .47. The adjusted r^2 is .41 meaning that 4.1% of the variance in employee satisfaction can be predicted from other perks.

4.7.3 The role of Core value of the organization on employee's satisfaction

Table 4.42: Role of Core value of the organization on employee's satisfaction

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.553	1	9.553	100.829	.000 ^b
	Residual	9.948	105	.095		
	Total	19.501	106			

a. Dependent Variable: Employee Satisfaction

b. Predictors: (Constant), Core Value of the Organization

Table 4.43: Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.700 ^a	.490	.485	.30780

a. Predictors: (Constant), Core Value of the Organization

The Model Summary table 4.43 shows the correlation coefficient r between the predictor variable core value of the organization and the dependent variable employee satisfaction (in this case $r=.7$). It also shows that the r^2 using core value of the organization, which is simply the square of r^2 equal to .49. The adjusted r^2 is .485 meaning that 4.8% of the variance in employee satisfaction can be predicted from core value of the organization.

4.8 The Role Compensation System Practice on the Employees satisfaction

Any of the Compensation System Practice has a significant, positive influence on the Employees satisfaction.

Table 4.44: Pearson Correlation

	Tangible Pay and Reward	Transparent Compensation System	Benefits	Enabling Environment	Personal and Professional Growth	Being Valued and Challenged	Inspiration or organizational values	Work Life Balance
Tangible Pay and Reward	1							
Transparent Compensation System	-.091	1						
Benefits	.458**	.233*	1					
Enabling Environment	.084	.231*	.168	1				
Personal and Professional Growth	.407**	.388**	.741**	.224*	1			
Being Valued and Challenged	.317**	.370**	.750**	.143	.659**	1		
Inspiration or organizational values	.158	.662**	.474**	.303**	.665**	.541**	1	
Work Life Balance	.376**	.289**	.636**	.186	.667**	.504**	.551**	1
**. Correlation is significant at the 0.01 level (2-tailed).								
*. Correlation is significant at the 0.05 level (2-tailed).								

As a rule of thumb, we can assume that we do not have a multicollinearity problem for a particular variable as long as the VIF is less than 10. In this study, all of the VIFs are considerably less than 10, so there is no problem of multicollinearity.

Table 4.45: Collinearity statistics for the predictor variables

Model	Coefficients					Collinearity Statistics	
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF
	B	Std. Error	Beta				
(Constant)	0.382	0.503		0.759	0.45		
Tangible Pay and Reward	0.049	0.134	0.029	0.362	0.718	0.707	1.414
Transparent Compensation System	-0.066	0.153	-0.04	-0.43	0.668	0.512	1.952
Benefits	0.06	0.112	0.068	0.539	0.591	0.28	3.57
Enabling Environment	0.011	0.039	0.019	0.276	0.783	0.899	1.112
Personal and Professional Growth	0.009	0.11	0.01	0.082	0.935	0.295	3.392
Being Valued and Challenged	0.234	0.088	0.287	2.651	0.009	0.382	2.618
Inspiration or organizational values	0.545	0.134	0.47	4.069	0	0.337	2.969
Work Life Balance	0.04	0.071	0.055	0.563	0.575	0.475	2.106

a Dependent Variable: Employee Satisfaction

Therefore, a multiple regression analysis was carried out using employee satisfaction as the dependent variable and the eight compensation system practices as the predictor variable. Table 4.45 shows a test, using Analysis of Variance (ANOVA). The value of the statistical significance of the ANOVA (.000) is less than .05. Therefore, any of compensation system practices has no or negative influence on employee satisfaction is rejected. Thus, we can say the compensation system practices discussed in this study have a positive significant influence on employee satisfaction.

Table 4.46: ANOVA table for testing the role of compensation system practices on employee's satisfaction

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.001	8	1.375	15.704	.000 ^b
	Residual	8.494	97	.088		
	Total	19.494	105			

a. Dependent Variable: Employee Satisfaction

b. Predictors: (Constant), Work Life Balance, Enabling Environment, Transparent Compensation System, Tangible Pay and Reward, Being Valued and Challenged, Inspiration or organizational values, Personal and Professional Growth, Benefits

The next thing to look at is the multiple regression coefficient R, and the square of the multiple regression coefficient R². R is the equivalent of the ordinary Pearson correlation coefficient, r, except that here it shows the correlation between: the dependent variable employee satisfaction; and all the predictor variables together-the eight compensation system practices. So, the greater the multiple R, the more the predictor variables are jointly predictive of the dependent variable. The square of the ordinary Pearson correlation coefficient multiplied by 100 tells us the percentage of variance in one variable accounted for by the other. The R² value multiplied by 100 shows the percentage of variance in the dependent variable jointly accounted for by the predictor variables. In this case, the R² value is .75, so we can say that 75% of the variance of employee's satisfaction is accounted for compensation system practice. Therefore, according to the model strongly fit because the R2 value is greater than .5.

Table 4.47: Model summary table for role of compensation practice

Model Summary^b

Model 6	R	R²	Adjusted R²	Std. Error of the Estimate
	.751 ^a	.564	.528	.29591

a. Predictors: (Constant), Work Life Balance, Enabling Environment, Transparent Compensation System, Tangible Pay and Reward, Being Valued and Challenged, Inspiration or organizational values, Personal and Professional Growth, Benefits

The last things to look at are the beta values. These tell us the relative extent to which each of the eight-compensation system practice uniquely predicts the employee satisfaction. Table 4.47 contains information about the amount of unique variance that eight-compensation system practice as a predictor variable accounts for employee’s satisfaction. The standardized coefficients (or Beta values) give an indication of the relative importance of each eight-compensation system practice as a predictor variable in uniquely accounting for variance in the dependent variable i.e. employee’s satisfaction. The greater the Beta value (positive or negative) the more important the predictor variable is in accounting for unique variance in the dependent variable.

Table 4.48: Regression of the role of compensation system practice on employee’s satisfaction

Coefficients a							
Model	Un standardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	0.382	0.503		0.759	0.45	-0.616	1.38
Tangible Pay and Reward	0.049	0.134	0.029	0.362	0.718	-0.218	0.315
Transparent Compensation System	-0.066	0.153	-0.04	-0.43	0.668	-0.369	0.238
Benefits	0.06	0.112	0.068	0.539	0.591	-0.162	0.283
Enabling Environment	0.011	0.039	0.019	0.276	0.783	-0.066	0.088
Personal and	0.009	0.11	0.01	0.082	0.935	-0.21	0.228

Professional Growth								
Being Valued and Challenged	0.234	0.088	0.287	2.651	0.009	0.059	0.409	
Inspiration or organizational values	0.545	0.134	0.47	4.069	0	0.279	0.811	
Work Life Balance	0.04	0.071	0.055	0.563	0.575	-0.101	0.181	
a Dependent Variable: Employee Satisfaction								

In the above table, we can see that inspiration or organizational values, with a beta value of .47, is the strongest predictor of employee’s satisfaction. In this case, the correlation matrix shows that inspiration or organizational values also has a higher zero-order correlation with employee’s satisfaction than any other compensation system practices. This means that inspiration or organizational values has both the highest correlation with employee’s satisfaction when the other compensation system practices are ignored (i.e. the highest zero-order correlation) and the highest unique correlation with employee’s satisfaction when its shared variation with the other compensation system practices is taken into account (i.e. the highest beta value). The beta weights, presented in Table 4.48, suggest that inspiration or organizational contribute highly to employee’s satisfaction.

The second strong predictor of employee satisfaction is being valued and challenged, with beta value of .29. In this study, benefits are the third predictor with beta value of .068.

The above table also contains information about the amount of unique variance that compensation system practices accounts for employee’s satisfaction. As Table 4.48 shows in, the t-test is used to examine whether the variance explained by compensation practice is statistically significant. For statistical significance, the Sig figure needs to be less than .05. Therefore, in this study only being valued and challenged and inspiration or organizational values are statistically significant in accounting for unique variance in the dependent variable. The other compensation practices are not statistically significant to in accounting for unique variance employee’s satisfaction.

Table 4.49: Overall compensation system practice on employee's satisfaction

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.192	1	9.192	92.789	.000 ^b
	Residual	10.302	104	.099		
	Total	19.494	105			
a. Dependent Variable: Employee Satisfaction						
b. Predictors: (Constant), Overall Compensation System Practice						

4.9 Compensation Type

In interpreting the results of multiple regression analysis, the first thing to look at is the correlation matrix. Correlation matrix showing the zero-order correlation between each variable and every other variable, the statistical significance of each correlation, and the number of cases used in each correlation. This not only shows the ordinary (i.e. zero-order) Pearson correlation coefficient between the dependent variable and every predictor variable, but also the correlation between all the predictor variables as well. This will give a sense of how highly inter-correlated the variables are. As Table 4.50 shows the correlation coefficient between the independent variables compensation type and other perks is .81, between compensation type and core value of the organization is .79 and between other perks and core value of the organization is .73 which all are greater than .7, that indicates the two independent variables highly, associate with each other. Therefore, if any predictor variables have a correlation greater than .7 the problem of multi-collinearity occurred.

Table 4.50: Pearson Correlation for Compensation Type

Correlations			
	Financial	Other Perks	Core Value of the Organization
Financial	1		
Other Perks	.814**	1	
Core Value of the Organization	.788**	.727**	1

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

However, tolerance and VIF (variance inflation factor) give the same information about multicollinearity. If the tolerance value is low i.e. less than $1-R^2$, then there is probably a problem with multicollinearity. Thus, as shown in Table 4.51 of this study, since adjusted R^2 is .72, and $1-R^2$ is .28, there is no tolerance less than $1-R^2$ and we can say there is no problem of multicollinearity. On the other hand, the VIF (variance inflation factor) provide ways of checking that we do not have multicollinearity. As a rule of thumb, we can assume that we do not have a multicollinearity problem for a particular variable as long as the VIF is less than 10. In this study, all of the VIFs are considerably less than 10, so there is no problem of multicollinearity.

Table 4.51: Collinearity statistics for the predictor variables

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	1.399	0.172		8.137	0		
Financial	0.056	0.101	0.075	0.555	0.58	0.256	3.909
Other Perks	0.156	0.094	0.202	1.664	0.099	0.317	3.15
Core Value of the Organization	0.332	0.077	0.494	4.32	0	0.358	2.797

a Dependent Variable: Employee Satisfaction

Therefore, a multiple regression analysis was carried out using employee satisfaction as the dependent variable and the eight-compensation type as the predictor variable. Table 4.51 shows a test, using Analysis of Variance (ANOVA). The value of the statistical significance

of the ANOVA (.000) is less than .05. Therefore, any of compensation type has no or negative influence on employee satisfaction is rejected. Thus, we can say the compensation type discussed in this study have a positive significant influence on employee satisfaction.

Table 4.52: ANOVA table for testing the role of compensation types on employee's satisfaction

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.111	3	3.370	36.975	.000 ^b
	Residual	9.389	103	.091		
	Total	19.501	106			
a. Dependent Variable: Employee Satisfaction						
b. Predictors: (Constant), Core Value of the Organization, Other Perks, Financial						

The next thing to look at is the multiple regression coefficient R, and the square of the multiple regression coefficient R^2 . R is the equivalent of the ordinary Pearson correlation coefficient, r, except that here it shows the correlation between: the dependent variable employee satisfaction; and all the predictor variables together-the three compensation types. So, the greater the multiple R, the more the predictor variables are jointly predictive of the dependent variable. The square of the ordinary Pearson correlation coefficient multiplied by 100 tells us the percentage of variance in one variable accounted for by the other. The R^2 value multiplied by 100 shows the percentage of variance in the dependent variable jointly accounted for by the predictor variables. In this case, the R^2 value is .75, so we can say that 75% of the variance of employee's satisfaction is accounted for compensation type. Therefore, according to the model strongly fit because the R^2 value is greater than .5.

Table 4.53: Model summary table for types of compensation on employee's satisfaction

Model Summary^b				
Model 6	R	R²	Adjusted R²	Std. Error of the Estimate
	.720 ^a	.519	.504	.30192

a. Predictors: (Constant), Core Value of the Organization, Other Perks,

The last things to look at are the beta values. These tell us the relative extent to which each of the compensation type uniquely predicts the employee satisfaction. Table 4.53 contains information about the amount of unique variance that compensation type as a predictor variable accounts for employee's satisfaction. The standardized coefficients (or Beta values) give an indication of the relative importance of each compensation type as a predictor variable in uniquely accounting for variance in the dependent variable i.e. employee's satisfaction. The greater the Beta value (positive or negative) the more important the predictor variable is in accounting for unique variance in the dependent variable.

Table 4.54: Regression of the role of compensation type on employee's satisfaction

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	1.399	0.172		8.137	0	1.058	1.74
Financial	0.056	0.101	0.075	0.555	0.58	-0.144	0.257
Other Perks	0.156	0.094	0.202	1.664	0.099	-0.03	0.342
Core Value of the Organization	0.332	0.077	0.494	4.32	0	0.18	0.485
a Dependent Variable: Employee Satisfaction							

In the above table, we can see that core value of the organization, with a beta value of .49, is the strongest predictor of employee's satisfaction. In this case, the correlation matrix shows that core value of the organization also has a higher zero-order correlation with employee's satisfaction than any other compensation system practices. This means that inspiration or organizational values has both the highest correlation with employee's satisfaction when the other compensation type are ignored (i.e. the highest zero-order correlation) and the highest unique correlation with employee's satisfaction when its shared variation with the other compensation type is taken into account (i.e. the highest beta value). The beta weights,

presented in Table 4.37, suggest that core value of the organization contribute highly to employee's satisfaction.

The second strong predictor of employee satisfaction is other perks, with beta value of .2. In this study, Financial is the third predictor with beta value of .075.

The above table also contains information about the amount of unique variance that compensation type accounts for employee's satisfaction. As Table 4.54 shows in, the t-test is used to examine whether the variance explained by compensation type is statistically significant. For statistical significance, the Sig figure needs to be less than .05. Therefore, in this study only core value of the organization is statistically significant in accounting for unique variance in the dependent variable. The other compensation types are not statistically significant to in accounting for unique variance employee's satisfaction.

5 CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATION

6.1 Summary of Major Findings

Female number of respondents were dominate than male respondents, because of the nature of the work, that is 82% of respondents are female and 18% of respondents are male.

The study finds that 51% of respondents are between the age of 30 to 40, that means the factory use more of adults. Among the respondents of 4% are served the factory over five (5) years, this shows the company needs retention mechanism with the help of compensation system. 88% of the respondents are married. 89% of the respondents are officers,

The study shows that the level of satisfaction in regard with benefit is 3.0. Table 4.54 contains information about the amount of unique variance that compensation type as a predictor variable accounts for employee's satisfaction. The standardized coefficients (or Beta values) give an indication of the relative importance of each compensation type as a predictor variable in uniquely accounting for variance in the dependent variable i.e. employee's satisfaction.

The study finds that compensation system practiced by Desta Garment and Tasty Food Factory have a positive significant influence on employee satisfaction, therefore, compensation system plays major role on employee's satisfaction in both factories. The findings indicate that the respondents are not satisfied with the compensation they received in the Garment and Tasty Food Factory, they regard it as inadequate and insufficient. This supports the views expressed in the literature that if workers are not satisfied with their compensation, the organization will suffer low levels of job satisfaction, high rates of absenteeism and labour turnover.

The researcher believes that employees had fear of expression in regard financial compensation system of the company. Because most respondents remain neutral for most questions. This shows they want to stay for short period of time and does not want to show their point of view, where they are disagreed or agree on the matter.

6.2 CONCLUSIONS

The objective of the present study was to examine the role of compensation on employee job satisfaction in Desta Garment and Tasty Food Factories in Addis Ababa. The study's findings also reveal that garment employees' level of satisfaction is negatively affected by the fact that their different compensation practices of the factory. The Pearson product moment correlation coefficient shows that there is a relationship between compensation management and the job satisfaction of employees in Desta Garment and Tasty Food factories. The cumulative effect of these findings is that the retention rate of employees in the Garment and Tasty Food will be very low, and these companies will suffer high labour turnover rates, absenteeism and increased intention to quit. All these factors have a negative impact on companies' productivity.

6.3 RECOMMENDATIONS

Arising from the outcomes of this study, the following recommendations are offered:

1. BEKDES Plc. as a parent company, should give due consideration in conducting research on compensation system of other related sectors.
2. The company should revise the financial compensation system like medical, stock ownership accident relief, educational reimbursement and profit sharing, for employees to make them satisfied and productive.
3. Desta Garment and Tasty Food Factory should improve their compensation strategy to boost employees' dedication and commitment to efficiently increase employees' satisfaction, this will improve the sector's image.
4. Both factories should promote adequate benefit system in order to reduce absenteeism and employee turnover.
5. Garments and Tasty Food should design and implement training exercises as a reward for committed and dedicated staff members

5. For workers difficult to replace easily must establish differential pay policy to retain the current staff.

7 Reference

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8 Annex I

**Addis Ababa University
School of Commerce**

Questionnaire to Be Filled by Employees of Desta Garment and Tasty Food (BEKDS Business Plc.)

This questionnaire is designed to gain your perception on how you see the role of compensation practices on employee satisfaction, in the case of Desta Garment and Tasty Food factories (Bekdes Business Plc). The below listed questions are designed to justify the role of compensation practices on employee satisfaction. I request you to fill the questionnaire genuinely and I assure you the data gathered will be used for academic purpose only.

Please indicate your degree of satisfaction by putting a tick mark (✓) on one of the five alternatives. Response are measured on five-point Likert scale with the following verbal anchors: Strongly Disagree (1), Disagree (2), Partially Agree(3), Agree (4), and Strongly Agree (5).

I thank you for your honest cooperation!

Part One: Your perception about Employees Compensation System

Based on your past working experiences, consider each item in the left column separately and decide your level of agreement. Place a checkmark in the appropriate column to the right using tick mark (✓).

Level of Agreement

Strongly Disagree (1) **Disagree (2)** **Neutral(3)** **Agree (4)** **Strongly Agree (5)**

S.No	Particulars
A	Compnsation Parctice
1.	My contribution is adequately rewarded.
2.	Pay increases are handled fairly.
3.	I feel that my pay does not reflect my performance.
4.	My pay compares favorably with what I could get elsewhere.
5.	I am not paid fairly in comparison with other people doing similar work in the organization.
6.	I think the organization's pay policy is overdue for a review.
7.	Grading decisions are made fairly.
8.	I am not clear how decisions about my pay are made.
9.	I understand how my job has been graded.
10.	I get good feedback on my performance.
11.	I am clear about what I am expected to achieve.
12.	The performance pay scheme encourages better performance.
13.	I understand how my pay can progress
14.	The job evaluation scheme works fairly
15.	The benefits package compares well with those in other organizations
16.	I would like more choice about the benefits I receive.
17.	I feel motivated after my performance review meeting.
18.	I do not understand the pay policies of the organization.

Level of Agreement

S.No	Particulars	Strongly Disagree (1)	Disagree (2)	Neutral(3)	Agree (4)	Strongly Agree (5)
19.	My present salary is appropriate to the work I do.					
20.	Employee benefits at Desta Garment & Testy Food Factory are adequate in terms of variety.					
21.	Employee benefits at Desta Garment & Testy Food Factory are adequate in terms of amount.					
22.	Individual performance is adequately rewarded.					
23.	Team performance is adequately rewarded.					
24.	I have a good understanding of the potential career moves in the company.					
25.	I receive enough feedback on how I am performing.					
26.	The current appraisal system clearly differentiates on performance levels.					
27.	I am kept informed about what is required of me to advance.					
28.	I have relevant skills and abilities that are not used in my present job.					
29.	Management are receptive to employees' ideas and opinions.					
30.	This company takes a genuine interest in the well-being of employees.					
31.	My supervisor is flexible when I have a personal or family matter to attend to.					
B Overall Employees Satisfaction						
32.	All in all, I am satisfied with my job at Desta Garment & Testy Food Factory.					
33.	I like my job Desta Garment & Testy Food Factory.					
34.	I am proud to work for the organization.					
35.	I am happy to work for Desta Garment & Testy Food Factory for the next five years.					
36.	I will recommend a family, a friend, and/or a					

Level of Agreement

Strongly Disagree (1) **Disagree (2)** **Neutral(3)** **Agree (4)** **Strongly Agree (5)**

S.No **Particulars**
 colleague to work at Desta Garment & Testy Food Factory.

Part II Finaicla and Non Finiacil Incentives

Based on your past working experiences, consider each item in the left column separately and identify the copnsation systmes used by Bekdes Business Plc and indicate your level of satisfaction. Place a checkmark in the appropriate column to the right using tick mark (✓).

BEKDES Business Plc has a compnesation system.

**Your satisfaction on ...
 compnastation System?**

S.No

Yes NO

Strongly Dissatisfied (1)	(2)	Neutral (3)	Satisfied (4)	Strongly Satisfied (5)

C.	Compensation system
37.	Bonus
38.	Over Time Payment.
39.	Accident Relief Pay
40.	Retirement Benefit
41.	Food Allowance
42.	Transport Allowance
43.	Medical Expense Coverage
44.	Stock Ownership
45.	Insurance Coverage
46.	Educational Reimbursement

BEKDES Business Plc has a compnesation system.

**Your satisfaction on ...
compnastation System?**

S.No

Yes NO

Strongly Dissatisfied (1)	(2)	Neutral (3)	Satisfied (4)	Strongly Satisfied (5)
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- 47. Base Pay/Salary
- 48. Profit Sharing
- 49. Long-Term Incentives
- 50. Contingent Pay
- 51. Holidays
- D. Other perks**
- 52. Flex hrs.
- 53. Career development
- 54. Performance management
- 55. Training
- 56. Workplace learning and development
- E. Core values of the organization**
- 57. Leadership
- 58. Employee voice
- 59. Recognition
- 60. Promotion
- 61. Achievement
- 62. Job design and role development
- 63. Quality of working life
- 64. Work–life balance
- 65. Talent management
- 66. Job security

Part III: Demographic Information

This part asks for demographic information. It is important that you complete this section. Remember that you will not be identified by this information. Please make tick mark (✓) from the given choices which show your demographic information.

1. Your sex?

Male

Female

2. What is your age range?

Under 30

41 – 50

30 – 40

Above 50

3. Marital Status?

Married

Single

Divorced

Widow

4. Education Level?

High School Complete

Bachelor Degree

Certificate

Masters Degree and Above

Diploma

5. Your Profession?

Expert/Officer

Middle Level Manager

Lower Level Manager

Top Level Manager

6. Your work experience in Desta Garment /Tasty Food.

Less than 1 years

2 Years

3 Years

4 Years

5 Years

Above 5 Years

Thank you!

