

**ADDIS ABABA UNIVERSITY**

**SCHOOL OF COMMERCE**



**Effect of Reward on Employees Job Satisfaction. A Study on case of Nib  
Insurance Company**

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**A Thesis Submitted to Addis Ababa University, School of Commerce in Partial  
fulfilment of the requirement for MA in Human Resources Management**

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June , 2017

Addis Ababa

## **DECLARATION**

I, Meskerem Shenkute, declare that this thesis is my own original work, and that it has not been submitted for a similar degree in any other University and that all sources of material have dully been acknowledged.

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Name \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_

## **ENDORSEMENT**

This thesis has been submitted to Addis Ababa University, School of Commerce for examination with my approval as a university advisor.

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Advisor Signature & Date

**ADDIS ABABA UNIVERSITY**  
**SCHOOL OF COMMERCE**

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A study on case of Nib Insurance company

By: Meskerem Shenkute

Approved By Board of Examiners:

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## **Abstract**

*The main objective of study investigates the effect of Extrinsic and Intrinsic reward on employees' satisfaction in Nib Insurance Company. Data was collected by use of structured questionnaire; 180 questionnaires were distributed among the employees that was drawn from a stratified sampling method from a population of 409 employees of Nib Insurance Company and 170 of questionnaires were completed returned for response rate of 94%. The study used both descriptive statistics (frequencies, mean, and percentages) and inferential statistics to answer the research questions posed for the study. The data was analysed using Statistical Package for the Social Sciences (SPSS). The finding shows that more than half of respondents express their overall job dissatisfaction. Moreover employees perceive that they do too much work for small pay and they feel that other organization in the insurance industry pay more than they earn for the job that require the same qualification. Therefore employee perception of inequity is high. Which implies the availability of high turnover . In general the results predicted that there exists a positive and significant relation among extrinsic and intrinsic rewards and job satisfaction. Therefore Nib Insurance Company should invest in the long term goal of employees and learn to balance their interest to earn a higher profit with those of its employees.*

**Key Words:** *Intrinsic reward, extrinsic rewards , Job Satisfaction*

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the study

Employee satisfaction has got a significant place in human resource management. Organizations adopt different tools, ways and techniques in order to satisfy their employees. Highly satisfied employees give high productivity and express more interest into their work. And the rewards in monetary terms are said to be the most effective tool of motivation among employees. Conversely, organizations offer non financial rewards along with the financial rewards to enhance the satisfaction of their employees. Reward in the organizations of today is a major consideration in Human Resource Management, and how it is allocated sends a message to employees about what the organizations believe to be important and worth encouraging. For employers, the compensation usually represents a sizeable proportion of operating costs. Many employers view this only as a cost, while failing to consider the strategic benefits of a well considered remuneration and benefits plan. (Ellis & Pennington 2004).

According to Hall (2004), modern day organizations render an utmost importance to work which provides products and services, which characterize the basis for a company's success, but it is also a vital and highly central aspect in the lives of individuals due to numerous reasons. First, persons receive some kind of reward, extrinsic (such as money) or intrinsic (satisfaction coming from the work), in exchange for their performance. The individual holds certain personal expectations in terms of form and amount of reward, which he/she should receive for the provided service. Thereby, the performance of a person as well as the decision to remain in the company is influenced by the level to which such expectations are met. Second, the workplace presents opportunities for socialization with other people. Third, the job is often a source of rank, or status, in the society. In other words, the work may provide a source of social delineation. Fourth, work has an individual meaning for each person. It may range from a source of identity and self-esteem, to a source of frustration, monotony, and a feeling of futility, which may be due to the work itself or even may be due to the personality traits of the person.

Armstrong (2006) divided employee rewards into two categories i.e. financial and non-financial which are used to motivate employees at work place. Financial rewards are proved the short term motivation factors for the employees. So that non-monetary rewards are mandatory to use as the long term motivation factors for the employees. Non-financial rewards include authority, promotion, recognition and participation in management, recreation holidays, better working environment and the sense of belongings. Rewards and incentives play an important role not only in order to satisfy and motivate the employees but also the source of increased productivity and sustained competitive advantage for the organizations.

Most of the studies show positive and considerable relationship between non-financial rewards and job satisfaction. Steven et al. (2000) conducted a research in medium businesses of Canada to find the association of job satisfaction, job enrichment, recognition, pay, equity and managerial skills with income levels as mediating variable. He analysed his quantitative data using Pearson's correlation and ANOVA test and found positive and significant relationship within reward and job satisfaction.

This paper is aimed to analyse how Nib Insurance Company are managing their workers, and what the workers feel about the reward system of their organizations. Specifically, this is a study of the impact of intrinsic, extrinsic factors of work, in Nib Insurance Company.

## **1.2. Background of the organization**

Nib Insurance Company (S.C.) is a Private Insurance Company established in May 2, 2002 by 658 Shareholding members. Nib Insurance expands its services and increases its efficiency to be one of the competitive private insurance companies.

Nib Insurance is a broad-based private insurance company in Ethiopia with fully paid up share capital of Birr 874.5 million. Currently Nib Insurance Company has 879 shareholders with fully paid up ordinary shares besides it has 35 branches throughout the country. The Company has strong business support from a large segment of the public and its shareholders. Currently there are 409 employees within the company to perform various activities.

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

Rewards have been identified as one of the most powerful factor that leads to job satisfaction. In today business climate rewards have become more important than ever for several reasons. Managers have fewer ways to influence employees and shape their behaviour. Rewards such as pay, employee recognition, benefits, promotion, interesting job and job autonomy, are found to be the major drivers of job satisfaction for most countries (Westover & Taylor 2010).

It is essential for the organization to have employees who are competent and committed to the organization they are working for. To retain a satisfied work force that is committed to its organization the management needs to focus on creating and maintaining a suitable reward system. According to Wang &Feng (2003) the higher the job satisfaction, the more likely workers will hold a positive attitude toward their jobs, and are more likely to be committed to the organization. Similarly, workers with higher level of job satisfaction would display a decreased tendency to search for a job and decreased tendency to leave the organization (Wright &Bonett 2007).

However high turnover is a noticeable trend in most organizations. Since employees who perceive their needs as unmet grow in general dissatisfaction and become increasingly attracted to competing places of employment, and often result in voluntary termination and organizational turnover (Tziner 2006).Furthermore, equity factors are stronger predictors of employee satisfaction since and employee's perception of equity contribute to the employees commitment which affects the performance of the company .

Furthermore, as per Nib Insurance company own record during the period between 2011/12 and 2015/16 which is illustrated below Nib Insurance company is experiencing average annual labour turn over greater than 10 %. As per Benson and Tony (2002), although high employee turnover rate vary from industry to industry annual employee turnover rate greater than 10% is unhealthy which leads to lose well experienced and qualified professionals which affects the performance of the company besides as per the preliminary interview conducted by the

researcher with human resource officers employees have a complain on the inconsistency of applying reward such as promotion and salary increment.

**Table 1.1: Rate of Turn over**

Year	Total Manpower	No. of Employees Resign	Annual Percentage Of turn over
2011/12	316	38	12.02%
2012/13	323	46	14.24%
2013/14	352	48	13.64%
2014/15	398	50	12.56%
2015/16	409	54	13.2%

Source: Nib Insurance Company

However, Nib insurance Company management is required to achieve organizational objectives through the efficient use of physical, financial and human resources in a changing environment. In this regard, the organization needs to have employees who are competent and committed to the organization they are working for. To retain a satisfied work force that is committed to its organization the management needs to focus on creating and maintaining a suitable and conducive working condition.

Previously research was conducted by Amare T/Tsadic on causes of turnover and its effect on organizational performance to assess the main causes of employee turnover and its effect on the performance of Nib Insurance Company. However, this study focused on reward practices and how reward influence the satisfaction of employees. The researcher studied the impact of intrinsic and extrinsic rewards on employees' job satisfaction.

#### **1.4. Research Questions**

- What is the influence of reward towards employees' satisfaction of Nib insurance company?
- What is the effect of intrinsic rewards on job satisfaction in Nib insurance company?
- What is the effect of extrinsic rewards on job satisfaction in Nib insurance company?

- What is the perception of Nib Insurance employees on the existing intrinsic reward system?
- What is the perception of Nib Insurance employees on the existing intrinsic reward system?

## **1.5. Research Objectives**

### **1.5.1. General Objectives**

The general aim of the study is to determine the effect of rewards on job satisfaction in Nib Insurance Company.

### **1.5.2. Specific Objectives**

The research objectives are to:

- To investigate the effect of intrinsic rewards on job satisfaction.
- To investigate the effect of extrinsic rewards on job satisfaction
- To determine the relationship between rewards and employee job satisfaction in Nib Insurance company.
- To assess the perception of employees on the existing reward system

## **1.6. Significance of the Study**

This study investigated the effect of reward such as intrinsic, extrinsic and equity factors towards satisfaction of NIB employees. The study is important because it provides an insight on relation of reward and employee satisfaction.

The result of the Study is important to provide the evidences to the management of the insurance company that how they can satisfy their employees that in turns increase their satisfaction in jobs, performance quality and hence their commitment to the organizations. Besides, it would be a useful reference for researchers and can serve as a base for any further studies to be conducted in this area of study.

## **1.7. Scope of The Study**

The scope of the study covers head office employees of Nib Insurance Company .The paper is delimited by analysis and interpretation of data by taking questionnaire of selected employees.

The study would be more important if all branches of NIB insurance including the outlying branches has been included in the research. However the study was limited only to head office employees of Nib insurance company due to time, geographical location and budget constraints to address all employees.

The study investigated when the independent variables, intrinsic and extrinsic rewards are correlated with the dependent variable i.e. employee satisfaction, it enables to identify the relative impacts of these reward factors towards employees satisfaction of Nib insurance company.

## **1.8. Organization of the Study**

This was organized into five different main chapters and other supplementary components. The first chapter focuses on the introductory parts of the study. It includes background of the study, statement of the problem, research questions, objectives, significance and scope of the study.

The second chapter includes review of related literature which discusses concepts and theories related to the area of study. The third chapter deals with the methodology of the study. The fourth chapter discuss the findings and analyses the data. The last chapter include conclusion and recommendations and other relevant elements. In addition to the main chapters, this thesis includes acknowledgements, and references.

# CHAPTER TWO

## REVIEW OF RELATED LITERATURE

### 2.1. Related literature review

#### 2.1.1. Definition and types of reward

Job rewards signify what an employee wants to obtain from the job or what the employee perceives from the job. Rewards are highly related to professionalism and job satisfaction. They supported the argument that job satisfaction for professionals is derived from what professional perceives from job. Organizational rewards were found to be more effective if they were introduced in the companies where identification was strong. Identification is strong when the interests of the employees were very similar to the interests of the company in which they worked so that they strongly identified themselves with their company (Rys,2007).

Rewards can be either extrinsic or intrinsic. Extrinsic rewards are tangible rewards and these rewards are external to the job or task performed by the employee. Extrinsic rewards can be in terms of salary or pay, incentives, bonuses, promotions, job security, etc. Intrinsic rewards are intangible rewards or psychological rewards like appreciation, recognition, meeting the new challenges, positive and caring attitude from employer, and job rotation after attaining the goal .Intrinsic rewards are rewards that do not involve any direct payments and often arise from the work itself; for example, achievement, autonomy, recognition, scope to use and develop skills, training career development opportunities and high quality leadership (Armstrong ,2006).

Extrinsic rewards often viewed as monetary reward, direct payment, and cash payment. Specifically, it consists of three major features: salary, bonus and allowance .Salary is often viewed as a base pay that is given to employees on a weekly, monthly or yearly basis based on job structure. Bonus is usually seen as cash payment provided to employees based on their performance (e.g., monetary incentives for achieving job targets). These income packages are designed to reward employees who perform a specific job or service (Dessler, 2006). Income as one of extrinsic reward is a crucial element of compensation management system. Individuals

engage in work related activities to attain some variety and magnitude of extrinsic rewards .Certain rewards, including pay, promotions, and company status are extrinsic since they are provided by the organization (Henderson, 2006).

According to Lawler (2003), reward system should consider few parameters in order to motivate employees to perform through valued and truly sufficient rewards, provide them with a clear line of sight, give them the power to influence their performance, and deliver on its promise .Rewards should to be reliable on achieving desired performance levels rather than on merely doing certain tasks. It should be meaningful and valuable to the individual based on objective and goals. Rewards are not based on competitive struggles within the workplace, between conditions in the workplace (extrinsic) and fulfilment of individual needs (intrinsic). However, reward system needs to have a positive impact on behaviour.

According to Lawler (2003), the amount of rewards needs to satisfy the basic human needs of survival and security. Organizations must choose relevant rewards over which they have the potential capability to provide to their employees. The reward system must be perceived by the employees as being fair and done in a equitable manner. According to Duening (2006) equity concerns the perception of employees how they are being treated. Equity theory is based on the assessment process workers use to evaluate the fairness of justice of organizational outcomes and adjustments process used to maintain perception of fairness .It focuses on the fair distribution of outcomes across employees in order to encourage high level of job satisfaction. It is known as distributive justice. This theory is concerned with fairness of procedures used to make decisions about distributions of outcomes. Procedural decisions pertain to how the levels of performance are evaluated and how outcomes such as pay rises are distributed across employees. Organizational members must perceive a link or contingency between their job performance and the rewards they receive. Therefore, the rewards used by an organization must be valued by the individual members of that organization. The reward system, which does not include these factors, unable to motivate employees in the long term and will discourage risk-taking behaviour.

According to Armstrong (2006) Reward management is based on a well-articulated philosophy a set of beliefs and guiding principles that are consistent with the values of the organization and

help to enact them. The philosophy recognizes that, if human resource management (HRM) is about investing in human capital from which a reasonable return is required, then it is proper to reward people differentially according to their contribution. The philosophy of reward management also recognizes that it must be strategic in the sense that it addresses longer-term issues relating to how people should be valued for what they do and what they achieve.

### **Distributive justice**

Distributive justice refers to how rewards are provided to people. They will feel that they have been treated justly if they believe that the reward have been distributed in accordance with the value of their contribution, that they receive what was promised to them and that they get what they need.

### **Procedural justice**

Procedural justice refers to the ways in which managerial decisions are made and reward policies are put into practice. The five factors that affect perceptions of procedural justice as by Tyler and Bies (1990). In the existence of procedural justice employees viewpoint is given proper consideration. The criteria for decisions are applied consistently to all employees.. Employees are provided with early feedback about the outcome of decisions and provided with adequate explanations of why decisions have been made.

### **Fairness**

A fair reward system is one that operates in accordance with the principles of distributive and procedural justice. The pay systems will be fair if they are felt to be fair. This assumes that there is an unrecognized standard of fair payment for any level of work; this unconscious knowledge of the standard is shared among the population at work. Pay must match the level of work and the capacity of the individual to do it. People should not receive less pay than they deserve by comparison with their fellow workers (Armstrong 2006).

### **2.1.2. Job Satisfaction**

Job Satisfaction is a general expression of workers' positive attitudes built up towards their jobs. Workers maintain an attitude towards their jobs as a result of diverse features of their job, social status that they have gained about their jobs and experiences in their job environment. If the economic benefits, the social status, the job's own specific characteristics and the job expectation employees hoped, are appropriate for employees' desires, there is job satisfaction. Positive attitudes of employees towards the whole business environment as a result their experiences of work environment are called job satisfaction (Man. et al, 2011).

Herzberg two-factor model theory states that the factors giving rise to job satisfaction are distinct from the factors that lead to job dissatisfaction. According to him there are two groups of factors. The first consists of the satisfiers which are intrinsic to the job. These include achievement, recognition, the work itself, responsibility and growth. The second group comprises what Herzberg calls the 'dissatisfaction avoidance' or 'hygiene' factors, which are extrinsic to the job and include pay, company policy and administration, personal relations, status and security. These cannot create satisfaction but, unless preventive action is taken, they can cause dissatisfaction. He also noted that any feeling of satisfaction resulting from pay increases was likely to be short-lived compared with the long-lasting satisfaction from the work itself. In general he argued that extrinsic rewards cannot create satisfaction, except in the short term, however unfair treatment of extrinsic rewards can lead to dissatisfaction.

According to Kinicki & Kreitner (2007), Organizations irrespective of their size have their own way of motivating its employees; job satisfaction of workers can be categorized into five distinct models: need fulfilment, discrepancies, value attainment, equity, and dispositional/genetic components models. These are explained as: need fulfilment is based on the satisfaction determined by the extent to which a job, with its specified characteristics and duties, allows an individual worker to meet his/her personal needs. Second, the discrepancy model explains that satisfaction is a result of met, or sometimes unmet, expectations. Third, the value attainment models are based on the belief that satisfaction comes from the perception that one's job fulfils an individual's work values. Fourth, the equity models assert that satisfaction is based on the

perception of how fairly an individual is treated at work. This is largely based on how one's own work outcomes, relative to his/her inputs and efforts, compare to the input/output of others in the work place, and lastly; the dispositional/genetic components models suggest that individual employee differences are just as important for determining job satisfaction and success as workplace related factors .

Theory Discrepancy by Locke (1976) states that the employees measure their satisfaction by comparing their current achievements with what they consider they deserve. Job satisfaction is an encouraging sense of emotions. Richard (2006) states that it is very hard to recognize the degree and potency of satisfaction but it's confirm that the employees get satisfaction from their jobs.

## **2.2. Empirical Studies**

Most of the studies show positive and considerable relationship between rewards and employee job satisfaction. Remuneration, job attributes, co-workers and achievements were taken as independent variables against job satisfaction. Kumar & Singh (2011) investigated the relation job satisfaction with job characteristics, job expectation and work motivations. Data was collected from the Tata Consultancy Services, India. After applying inter correlation analysis, it is accomplished that employees are satisfied with their jobs. They prefer non-financial incentives on financial rewards.

Rahman, Gupta & Moudud-Ul-Huq (2012) used a number of variables of non-financial rewards against job satisfaction. Data from the private commercial banks of Bangladesh was collected through questionnaires. The results pointed towards a positive association among the dependent and independent variables.

Saba&Zafar (2013) collected the data from public and private universities of Pakistan to determine the relationship between teacher's satisfaction and nonfinancial rewards. Work itself, promotion opportunities, job security and working conditions are taken as non-financial rewards. It is found the direct relation of these variables with job satisfaction.

Erbasi&Arat (2012) investigated the relationship of non-monetary incentives with job satisfaction keeping gender, union membership and income level as mediating variables in the food sector of Turkey. This quantitative study shows a direct relation of financial incentives and job satisfaction. It is concluded from the results that employees prefer financial rewards than the non-financial rewards.

Highly motivated and satisfied employees are the precious possessions of any working business. Human resource management put a lot of focus on the theory of worker's satisfaction. Locke (1976) argues that more than 3000 researchers have been worked in this area. The rationale behind the enormous concern in this area is the faith that the job satisfaction has an impact on productivity of employees, their performance, turnover rate, absenteeism and ultimately the working performance of the organizations. In 2006, Richard argued that organizations do plan and then put these plans into practice in form of rewards packages in order to attract, retain and hold their workers. Richard (2006) also originated that the huge complexity that the organizations face is to forecast an individual's behaviour. Several employees give value to certain rewards which are important to them but other prefer to different. These rewards may diverge considerably with the passage of time and living styles. Different rewards make different strength of association with the job satisfaction. Extremely satisfied employees, turn out to be more productive, loyal, dedicated and devoted towards their work. So the employee's job satisfaction is an important area of concern for the management of any organization.

The phenomena of employee satisfaction have got a significant place in human resource management. A number of researches have been conducted in this respect. Organizations adopt different tools, ways and techniques in order to motivate and satisfy their employees Henderson (2006) defined different types of reward that effect employee's satisfaction towards their jobs. Highly satisfied employees give high productivity and express more interest into their work. And the rewards in monetary terms are said to be the most effective tool of motivation among employees. Conversely, organizations offer nonfinancial rewards along with the financial rewards to boost up the satisfaction and the level of motivation of their employees.

## **2.3. Conceptual Framework**

This Proposal will use conceptual framework to explain the various relations among the factor that have been identified as important to uncover the problem. The aim of this research is to study the effect of reward on job satisfaction. Factors perceived to be independent variables are: extrinsic rewards, intrinsic rewards and equity factor and employee job satisfaction as dependent variable.

### **2.3.1. Extrinsic rewards**

#### **The effect of pay on job satisfaction**

Pay refers to the amount of financial compensation that an individual receives as well as the extent to which such compensation is perceived to be equitable. Salaries not only assist people to attain their basic needs, but are also instrumental in satisfying the higher level needs of people .It is also found that there is positive relationship between pay and performance. It was further concluded that pay plays vital role in human capital intensive firms to attract and retain expert work force (Frye, 2004).

#### **The effect of promotion on job satisfaction**

Robbins (2003) maintains that promotions provide opportunities for personal growth, increased responsibility, and increased social status. He concluded that job satisfaction is the result of promotion opportunities in the organization and also discovered that there is positive relationship between promotion practices and perceived performance of employee . He describes promotions as a change of assignment from a job at a lower level to another at a higher level within the organization. He argued that promotion to be effective in improving job satisfaction it must be seen as fair based on employee achievement.

### **2.3.2. Intrinsic rewards**

Rewards systems consist of both financial and non-financial rewards. Intrinsic rewards are those which are non-cash rewards or not having any physical existence. For example, employee recognition, acknowledgement, professional growth, authority to immediate tasks, respect and appreciation are intrinsic rewards. Recognition refers to the identifications of a job well done hence representing a non-financial means of appreciation and encouraging an employee's contributions to satisfy customers. According to Lanchance (2000) rewards that bind an employee to an institution have more to do with the way employee is treated this may suggest that people may come to work for the pay but they stay at work for many other reasons.

### **2.3.3. Employees perception of Equity**

Equity refers to individuals' perceptions of how fairly they are treated compared to others at an equivalent position in the working place. This implies that, if people perceive their treatment as less favourable than that of others with whom they compare themselves, they are likely to be less motivated to perform better. Therefore people compare the ratio of their outputs to inputs with the ratio of outputs to inputs of others. Equity theory when making comparison to both inputs (the contributions the person makes to the organization) and outputs (rewards the person receives from the organization) are considered. People compare to one another in terms to their ratios of inputs to outcomes (Bateman, 2000).

### **2.3.4. Dimensions of Job Satisfaction**

#### **Productivity**

Job satisfaction has an impact on organizational commitment, which affects the goals of productivity, quality, and service. If employees are committed to an organization, they are more likely to be more productive. Human resource managers contribute to improved productivity directly by finding better and more efficient ways to meet their objectives and indirectly by improving the quality of work life of employees (Mathis et al, 2000).

#### **Turn over**

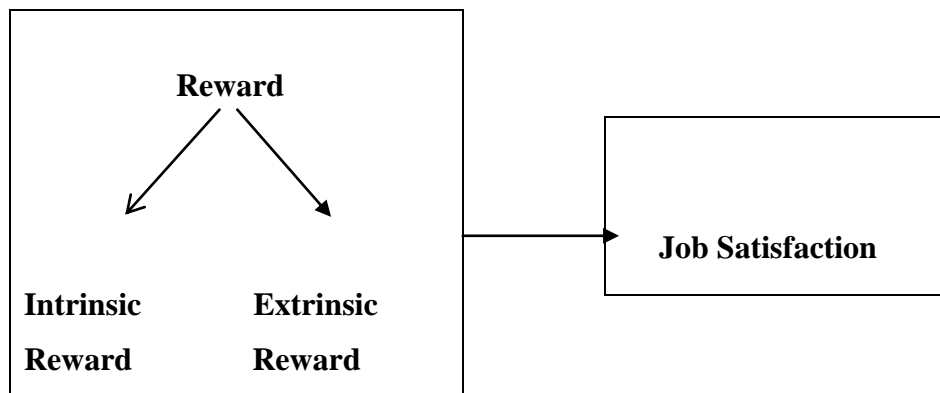
According to Larrahee (2003). Turnover is related to job dissatisfaction. However High employee turnover should be a considerable concern for employers because it disrupts normal operations,

causes morale problems for that stick on, and increases the cost involved in selecting and training replacements. The withdrawal behaviour of employees is modified by certain factors. Loyalty to the organization is one such. Some employees cannot imagine themselves working elsewhere, however dissatisfied they are in their present job.

### **Absenteeism**

Correlation of satisfaction to absenteeism is also proved conclusively. Employees who are dissatisfied are more likely to take “mental health” days, i.e. days off not due to illness or personal business simply stated, absenteeism is high when satisfaction is low. Absenteeism is expensive. Being absent from work may seem like a small matter to an employee. But work will probably not get done, or additional workers need to be hired (Mathis et al, 2000).

**Figure 2.1 - Conceptual Framework**



Independent variable

Dependent variable

Source: Lawler and Porter Model of Satisfaction

# CHAPTER THREE

## RESEARCH METHODOLOGY

### 3.1. Research Design and approach

This study has utilised descriptive research design so as to identify the extent and nature of cause and effect relationship. It focuses on an analysis of a situation or a specific problem to explain the patterns of relationship between variables.(Creswell, 2003)Explanatory research design was used in order to investigate the effect of reward on employee job satisfaction in the case of Nib Insurance Company.

Quantitative approach was used which is a numeric description of trends, attitudes, or opinions of a population by studying a sample of that population. In this approach sample population was studied to determine its characteristics and it is then inferred that the population has the same characteristics (Creswell, 2003); and this method is important for collecting large amounts of raw data from the sample of Nib insurance population using questionnaire.

### 3.2. Data Type and Sources

In collecting the required information two types of the data was collected, that is primary and secondary data.

#### **Primary Data**

Primary data was collected through questionnaires. This gives specific responses to the research questions. Primary data was recognized as data gathered for a specific research in response to a particular problem through questionnaires.

#### **Secondary Data**

Secondary data was collected from various documents like annual reports, journals and magazines related with issues of reward and employee job satisfaction, research reports, books and journal articles.

### **3.3. Instrument Design**

Questionnaire was used in order to collect data from randomly sampled population of Nib Insurance company employees.

The questionnaire is structured in close-ended type and responses to the questions are measured on a five Likert rating scale where: Strongly Agree (SA) = 5; Agree (A) = 4; Neutral (N)=3, Disagree (D) = 2; and Strongly Disagree (SD) = 1; The use of Likert scale is to make it easier for respondents to answer question in a simple way and the In addition, this research instrument permitted an efficient use of statistics for the interpretation of data. The questionnaire was constructed to examine the degree of workers satisfaction with the intrinsic factors of work, extrinsic factors of work, and equity factors of work. The variables was adapted from Ukeagbu (2000) was used to measure the satisfaction of employees with the work factors and to measure their satisfaction level.

#### **Validity and Reliability**

The two most important and fundamental characteristics of any measurement procedure are reliability and validity. Patton (2002) argue that validity and reliability are two factors which any quantitative researcher should be concerned about while designing a study, analysing results and judging the quality of the study.

#### **Validity**

Validity is refers to the extent to which a measurement procedure actually measures what it is intended to measure rather than measuring something else, or nothing at all. The researcher considers three type of validity. Construct Validity is the extent to which a measuring instrument provides adequate coverage of the topic under the study. It's determination is primarily judgmental and intuitive. Second, Criterion related validity is the ability to predict some outcome or estimate the existence of some current condition. Third, Construct validity is the degree to which scores on the test can be accounted for by the explanatory construct of sound theory.(Kothari ,2004)If the above stated criteria for measuring validity is met our questionnaire is valid.

## Reliability Test

Reliability is defined as the extent to which a questionnaire, test, observation or any measurement procedure produces the same results on repeated trials (Golafshani, 2003). In short, it is the stability or consistency of scores over time or across raters'. Pilot study was conducted and by using the Chonbach's alpha test the instrument reliability was checked.

Cronbach's alpha was checked the internal reliability of the instrument. The standard value of reliability is 0.7. Yielded values of Cronbach's alpha suggest that the instrument used to compute the variables was a reliable instrument .As result in preview table indicates the value of all variables is greater than 0.7 which is well above of the standard value, so it is reliable.

**Table 3.1. Reliability test**

### Reliability Statistics

Variables	Cronbach's Alpha
Intrinsic rewards	0.773
Extrinsic Rewards	0.798
Job Satisfaction	0.822

## 3.4. Sample Design

The study population consisted of the both male and female employees of Nib Insurance Company. The total number of population is 409 staffs.(N=409)The respondents was selected using a stratified random sampling method. According to Kothari (2004) stratified random sampling method gives more precise and accurate estimates for each component of the population. The study used stratified random sampling in order to avoid bias by giving reliable and detailed information.

While determining the sample size the following formula will be taken from Kothari (2004).

$$n = \frac{Nz + (Se)^2 * (1-P)}{NSe + z^2 * P(1-P)}$$

Where  $n$  = sample size

$Se$  = Sample error \*(0.01)

$Z$  = Standard Value (2.58)

$P$  = Population proportion (0.5 Preferred)

$N$  = Total Population

Based on this equation  $n = \frac{409 \times 2.58 + (0.01)^2 \times (1-0.5)}{409 \times 0.01 + (2.58)^2 \times 0.5(1-0.5)} = 183$

The sample size will be 183 Nib Insurance employees from the total population.

<i>Type of employees</i>	<i>No of Employees</i>	<i>Sample Size</i>
<i>Executives and top managers</i>	<i>14</i>	<i>7</i>
<i>Professionals</i>	<i>275</i>	<i>141</i>
<i>Clerical staffs</i>	<i>67</i>	<i>35</i>
<b><i>Total</i></b>		<b><i>183</i></b>

### **3.5. Data collection Method**

Data for this study was collected by distributing the questionnaire to selected employees of Nib Insurance Company. In order to collect sufficient data that can answer the research questions, researcher design questionnaire which is structured and close-ended type and responses to the questions are measured on a five Likert rating scale. In addition to questionnaire data was collected from various documents like annual reports, journals and magazines related with issues of reward and employee job satisfaction, research reports, books and journal articles.

### **3.6. Methods of Data Analysis**

The descriptive statistics was utilized in this study .Frequency tables and graphical illustrations was computed to provide information on key demographic variables, as well as the means and standard deviations for the responses. The mean is a measure of central tendency, and provides an arithmetic average for the distribution of scores. The standard deviation, on the other hand, is a measure of variability which is calculated as the square root of the variance.

Statistical package for social sciences (SPSS) was used in the study for the purpose of analysis and presentation of the result. Correlation and regression analysis was applied to analyse the data regarding the impact of reward on employee satisfaction.

## **CHAPTER FOUR**

### **PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA**

This chapter presents the results of the study followed by a discussion. Section 4.1 reports demographic characteristics of respondents. Section 4.2 reports on respondents' satisfaction on intrinsic reward. Section 4.3 reports on reports on respondents' satisfaction on extrinsic reward and job satisfaction. Section 4.4 reports on reports on respondents perception of equity. In addition the paper presented reports on the overall satisfaction of employees, correlation and regression analysis of variables.

Questionnaires were distributed for 183 employees who were selected by stratified random sampling method. However only 170 questionnaires were completed and returned by employees for response rate of 93%.

This chapter presents characteristics of the population under study, analysis and interpretation of the data collected. The analysis and interpretation are given after each table.

## 4.1. Demographic Characteristics

**Table 4.1: Back ground of respondents**

		Frequency	Present
Gender	Female	83	48.8
	Male	87	51.2
	Total	170	100.0
Marital Status	Single	77	45.3
	Married	93	54.7
	Total	170	100
Age	21-35	152	89.4
	36-45	11	6.5
	46-60	7	4.1
	Total	170	100.0
Educational Back Ground	Certificate	3	1.8
	Diploma	58	34.1
	Degree	105	61.8
	Masters or above	4	2.4
	Total	170	100
Duration of employment	less than 1 year	7	4.1
	1 year-5years	132	77.6
	6 years – 10 years	31	18.2
	Total	170	100
Job Position	Managerial or executive	7	4.12
	Professional	132	77.64
	Clerical	31	18.24
	Total	170	100.0

Source: survey data, 2017

As can be seen in table 4.1, 48.8% of Nib insurance company employees who filled the questionnaire were male while 51.2% of them were female. These results show that both genders were represented in the sample.

It has been observed from the data in table 4.1 that majority of the employees were in the group of 21-35 years (89.4%) and 36-45 years were 6.5% whereas those who were in the age group 46-60 were 4.1%. This shows that the samples comprised of mainly the youth and the middle ages and these are the age groups where labour mobility is highly pronounced.

As table 4.1 showed, 4.1% of employees who contributed in survey had less than 1 year experience and 77.6 % of them had 1 -5years experience and employees with 6-10 years' work experience were just 18.2%.this might be an indication for high turnover in the company, which the finding of this company revealed.

As shown in Table 4.1, 54.7% of the study participants were married. In terms of educational status, the majority (61.8%) of the participants had a first degree, while only 2.4% had a Master's degree . 34.1% and 1.8% of participants had diploma and certificate respectively .As it can be easily observed in table 4.1 , 4.7 % respondents were managers or executives and 58.8% were professionals and 36.5 % were clerical staffs. These results show that all job positions are represented in the sample.

## **4.2. Intrinsic rewards**

### **4.2.1. Achievement**

Most of the employees were satisfied with opportunity for achievement. About 85.3 % of the respondents agreed, while 36% of the respondents even strongly agreed. Where as 10.6% of the employees were indifferent with only 4.1% of the respondents disagreed that their job provides them with opportunity for achievement. Moreover, the mean and standard deviation of the distribution of responses was found to be 3.8 and .49 respectively , which was close to 'Agree' indicating that frequency of responses concentrated around agreement on satisfaction with opportunity for achievement. Therefore, it can be concluded that employees are satisfied with opportunity for achievement that their job provides. (Table 4.2)

**Table 4.2: Responses regarding achievement**

	Frequency	Per cent	Mean	Standard Deviation
Strongly disagree	-	-		
Disagree	7	4.1		
Indifferent	18	10.6	3.8	0.49
Agree	145	85.3		
Strongly agree	-	-		
Total	170	100		

Source: survey data, 2017

#### **4.2.2. Responsibility**

Majority of respondents (72.4%) expressed their dissatisfaction with the strong sense of responsibility that their job provides. 20% of the employees were satisfied with the level of responsibility they got by being engaged in the type of job they perform. while 7.6% of the respondents were indifferent with no disagreement. In addition, the mean and standard deviation of the distribution was found to be 2.48 and 0.81. Therefore, it is clear that employees of the Nib insurance company were dissatisfied with the sense of responsibility they get from their job. (Table 4.3)

**Table 4.3: Responses regarding feeling of responsibility**

	Frequency	Per cent	Mean	Standard Deviation
Strongly disagree	-	-		
Disagree	123	72.4		
Indifferent	13	7.6	2.48	0.81
Agree	34	20		
Strongly agree	-	-		
Total	170	100		

Source: survey data, 2017

### 4.2.3. Growth and Development

It was found out that the highest proportions of the respondents (78.8%) were satisfied with the opportunity that their job provides them with personal growth and development. About 5.9% of the respondents were indifferent; while 15.3% disagree on the satisfaction with growth and development they got from their job. On the other hand, the mean and standard deviation of the distribution was found to be 3.7 and 0.74 respectively, which was near to the value of ‘Agree’. Hence, it can be concluded that employees of the Nib Insurance Company were satisfied with the opportunity they get from their job to increase their knowledge and develop through job experience. (Table 4.4)

**Table 4.4: Responses regarding opportunity for personal growth and development**

	Frequency	Per cent	Mean	Standard Deviation
Strongly disagree	-	-		
Disagree	26	15.3		
Indifferent	10	5.9	3.6	0.74
Agree	134	78.8		
Strongly agree	-	-		
Total	170	100.0		

Source: survey data 2017

### 4.2.4. Challenging Work

As it is shown on table 4.5, 67.6% of participants expressed their agreement on their satisfaction with the amount of challenge which they experienced from their jobs. About 5.3% of the employees showed their strong agreement on their engagement in performing a challenging work. Further, about 17.6% disagreed on their work being challenging. The rest of the employees

which constitute 9.4% of the respondents were indifferent on this matter. Moreover, the mean and standard deviation of the distribution of responses was about 3.6 and 0.74 respectively which were close to the value of ‘Agree’. Therefore, the employees showed their satisfaction on performing a challenging job.

**Table 4.5: Responses regarding challenging work**

	Frequency	Per cent	Mean	Standard Deviation
Strongly disagree	-	-		
Disagree	30	17.6		
Indifferent	16	9.4		
Agree	115	67.6	3.6	0.74
Strongly Agree	9	5.3		
Total	170	100.0		

Source: survey data ,2017

#### **4.2.5. Recognition and Acknowledgement**

It was found out that the highest proportions of the respondents (71.2%) were satisfied with that Nib Insurance recognize and acknowledge their work. while 28.8 % disagree on the recognition and acknowledgement of their work.. In addition, as this is shown on table 3 the mean and standard deviation of the distribution of responses was about 3.42 and 0.91respectively. Therefore, it can be concluded that employees of the Nib Insurance Company were moderately satisfied with the opportunity they get from their job to increase their knowledge and develop through job experience. (Table 4.6)

**Table 4.6: Responses regarding recognition and acknowledgement**

	Frequency	Per cent	Mean	Standard Deviation
Strongly disagree	-	-		
Disagree	49	28.8		
Indifferent	-	-	3.42	.91
Agree	121	71.2		
Strongly agree	-	-		
Total	170	100.0		

Source: survey data, 2017

#### **4.2.6. Involvement on Management Decision**

Half of the respondents express their dissatisfaction on employees involvement on managerial decision .while 10.6% of the respondents even strongly agreed. Whereas 39.4 % of the employees were indifferent Therefore, it can be concluded that employees are dissatisfied with opportunity for employees to participate on managerial decision. (Table 4.7)

**Table 4.7: Responses regarding Involvement on Management Decision**

	Frequency	Per cent	Mean	Standard Deviation
Strongly disagree	-	-		
Disagree	85	50		
Indifferent	67	39.4	2.61	.67
Agree	18	10.6		
Strongly agree	-	-		
Total	170	100.0		

Source: survey data, 2017

**Table 4.8: The Mean and SD Rating of intrinsic rewards**

	Mean	SD
I am satisfied with the type of work I perform since it provides me with opportunity for achievement	3.81	.49
I am satisfied with the type of job I perform since it is a challenging work	3.61	.74
The job provides with strong feeling of responsibility since, I am positively influencing other people's lives through my work.	2.48	.81
The type of work I perform provides me with opportunity for personal growth and development	3.64	.74
Your company recognize and acknowledge your work	3.42	.91
Top management involves employees in the management decisions	2.61	.67
Total Average Mean	3.26	0.7

Each intrinsic rewards have different satisfaction level as can be seen in the table above. Beside overall satisfaction level, facet approach is beneficial for observing deeply which factors of the work is more satisfied dissatisfied. The results show that, participants were satisfied with “Opportunities for achievement”, “Opportunities for personal growth and development” and “employees feeling towards challenging work opportunity”, since mean values of them are close to 4. However participants expressed their moderate satisfaction with “recognition and acknowledgment” since the mean value is close to 3. Employees express their dissatisfaction with “participating in managerial decision" and "feeling of responsibility" to perform their duties.

According to Herzberg, the variables for intrinsic factors are the primary causes of satisfaction; they are intrinsic to the job because they relate directly to the real nature of the work people perform. Regarding those factors it is difficult to conclude that employees of the Nib Insurance were satisfied with the intrinsic rewards.

### 4.3. Extrinsic rewards

#### 4.3.1. Salary

The highest proportions of the respondents (71.2%) were dissatisfied with their salary they earn. Whereas, 14.1% of the respondents were indifferent with only 14.7% agreed on satisfaction with their salary . On the other hand, the mean and standard deviation of the distribution was found to be 2.4 and 0.74 respectively, which was near to the value of ‘disagree’. Accordingly, it can be concluded that the employees of Nib Insurance were dissatisfied with the amount of salary they are getting paid. (See Table 4.9)

**Table 4.9. Responses regarding satisfaction with Salary**

	Frequency	Percent	Mean	Standard Deviation
Strongly Disagree	–	–		
Disagree	121	71.2		
Indifferent	24	14.1	2.4	.74
Agree	25	14.7		
Strongly Agree	–	–		
Total	170	100.0		

Source: survey data, 2017

#### 4.3.2. Incentives

More than half of the respondents (55.3 %) express their satisfaction with the incentives they got. About 34.1% of the respondents disagreed with the incentives available in their workplace While 10.6% of the respondents were indifferent. In addition, the mean and standard deviation of the

distribution was found to be 3.2 and 0.92 respectively, Therefore It cannot conclude that the employees of Nib Insurance company were satisfied. (See Table 4.10)

**Table 4.10. Responses regarding Incentives**

	Frequency	Per cent	Mean	Standard Deviation
Strongly Disagree	–	–		
Disagree	58	34.1		
Indifferent	18	10.6	3.2	.92
Agree	94	55.3		
Strongly Agree	–	–		
Total	170	100.0		

Source: survey data, 2017

### **4.3.3. Promotion and Salary Increment**

Majority of the respondents (67.1%) were dissatisfied with the promotion and salary increment. On the other hand, 4.1% of the respondents were indifferent and only 28.8% agreed on the system in which employees got promoted and salary increment was made. Moreover, the mean and standard deviation of the distribution of responses was about 2.6 and 0.92 respectively which were close to the value of ‘disagree’.. Accordingly, it can be concluded that employees were dissatisfied with promotion and salary increment. (See Table 4.11)

**Table 4.11: Responses regarding Promotion and Salary Increment**

	Frequency	Per cent	Mean	Standard Deviation
Strongly Disagree	–	–		
Disagree	114	67.1		
Indifferent	7	4.1	2.6	.92
Agree	49	28.8		
Total	170	100.0		

Source: survey data, 2017

#### 4.3.4. Job Security

The highest proportion of the respondents (56.5%) expressed their dissatisfaction with job security. While, 43.5% agreed on this aspect which was close to the value of ‘Disagree’. In addition, the mean and standard deviation of the distribution of responses was about 2.87 and 0.99 respectively which were close to the value of ‘disagree’. In this case it is clear that the employees were dissatisfied with job security. (See Table 4.12)

**Table 4.12. Responses regarding job security**

	Frequency	Percent	Mean	Standard Deviation
Strongly Disagree	–	–		
Disagree	96	56.5		
Indifferent	–	–		
Agree	74	43.5	2.87	.99
Strongly Agree	–	–		
Total	170	100.0		

Source: survey data, 2017

### 4.3.5. Opportunity For Training

All participants satisfied with the opportunity for training. The highest proportions of the participants (85.3%) were satisfied with the opportunity for training they got. About 14.7% of the respondents strongly disagreed with opportunity for training. On the other hand, the mean and standard deviation of the distribution was found to be 4.15 and 0.35 respectively. Therefore, this shows that employees of Nib Insurance Company satisfied with the opportunity for training. (Table 4.13)

**Table 4.13: Responses regarding Opportunity For Training**

	Frequency	Per cent	Mean	Standard Deviation
Strongly Disagree	–	–		
Disagree	–	–		
Indifferent	–	–	4.15	.35
Agree	145	85.3		
Strongly Agree	25	14.7		
Total	170	100.0		

Source: survey data 2017

### 4.3.6. Relationship with Co-workers

All participants satisfied with the relationship with co-workers in the work place. The highest proportions of the participants (44.7%) were agreed with good relationship with co-workers. About 55.3% of the respondents strongly agreed with good relationship with workers. On the other hand, the mean and standard deviation of the distribution was found to be 4.55 and 0.5 respectively. Therefore, this shows that employees of Nib Insurance Company satisfied with the relationship with co-workers in the work place. (Table 4.14)

**Table 4.14: Relationship with Co-workers**

	Frequency	Per cent	Mean	Standard Deviation
Strongly Disagree	–	–		
Disagree	–	–		
Indifferent	–	–	4.55	.5
Agree	76	44.7		
Strongly Agree	94	55.3		
Total	170	100.0		

Source: survey data, 2017

**Table 4.15: The Mean and SD rating of extrinsic rewards**

	Mean	SD
I am satisfied with the salary	2.44	.74
Promotion and salary increment are satisfactory	2.6	.92
I am satisfied with the job security	2.87	.99
I am satisfied with the incentive system	3.2	.92
There is opportunity for training	4.15	.35
I am satisfied with the relationship with co-workers in the work place	4.55	.5
Total Average Mean	2.76	0.74

Regarding extrinsic rewards incentive system of Nib Insurance Company has mediocre satisfaction participants were also highly satisfied with opportunity for training more than other factors and satisfied with the relationship with co-workers in the work place. However, the mean value of “salary is found as 2.44 that is the worst satisfaction level among all other extrinsic

rewards. Job Security was not also considered as satisfying with the mean values of 2.87 respectively.

In general participants express their dissatisfaction on the majority of extrinsic rewards; even if as per Herzberg theory extrinsic rewards are associated with dissatisfaction (hygiene factors) vary from those related to satisfaction, although their absence may lead to dissatisfaction

#### **4.4. Perception of Equity**

According to Duening (2006) equity theory concerns the perception of employees how they are being treated. Equity theory is based on the assessment process workers use to evaluate the fairness of justice of organizational outcomes and adjustments process used to maintain perception of fairness. It focuses on the fair distribution of outcomes across employees in order to encourage high level of job satisfaction. It is known as distributive justice. This theory is concerned with fairness of procedures used to make decisions about distributions of outcomes. Procedural decisions pertain to how the levels of performance are evaluated, how disputes are handled and how outcomes such as pay rises are distributed across employees.

##### **4.4.1. Regarding the Managements' Equal Treatments of All Employees**

Majority of the respondents (6.5%) were disagreeing with managements of Nib insurance company treat all the employees equally. About 15.3% were indifferent whereas, 75.9% of the respondents agreed and 2.4% strongly agreed. The value of mean and standard deviation also 3.74 and .6 respectively. Therefore, it can be concluded that majority of respondents agreed that management of Nib Insurance Company treat employees equally. (See Table 4.16)

**Table 4.16. Management of the Nib Insurance treats all employees equally**

	Frequency	Per cent	Mean	Standard Deviation
Strongly Disagree	–	–		
Disagree	11	6.5		
Indifferent	26	15.3	3.74	.6
Agree	129	75.9		
Strongly Agree	4	2.4		
Total	170	100.0		

Source: survey data, 2017

#### **4.4.2. Regarding Too Much Work for Small Pay Perception of Employees**

Most of the respondents perceived that they were required to do too much work for small pay. About 71.2% of the respondents agreed that the management required them to do too much work for the small payment they got in return. While, 14.1% were indifferent or not whether or not that they were required to do too much work for small pay. 14.7% disagreed with they were required to do too much work for small pay. In addition the value of mean and standard deviation are 3.56 and .74 respectively that shows the mean value is close to 4 or agree. Accordingly, it can be concluded that employees perceived that they are required to do too much work for small payment they got in return.(Table 4.17)

**Table 4.17 Employees expected to do too much work for small pay**

	Frequency	Per cent	Mean	Standard Deviation
Strongly Disagree	–	–		
Disagree	25	14.7		
Indifferent	24	14.1	3.56	.74
Agree	121	71.2		
Strongly Agree	–	–		
Total	170	100.0		

Source: survey data, 2017

#### **4.4.3. Concerning Other Organizations Pay More for the Same Type of Job and Qualification**

Majority of the respondents (80%) agree that other organizations pay better for the same type of job they are performing and other jobs which require the same qualification with employees' possess. About 20% of the respondents perceived that other organizations don't pay better than they earn for the same type of job they are performing. On the other hand, the mean and standard deviation of the distribution was found to be 3.6 and 0.8 respectively Accordingly, it can be concluded that employees of Nib Insurance Company perceived that other organizations pay better than they earn for the same type of job or other types of jobs which requires the same educational back ground and experience that the employees have (See Table 4.18)

**Table 4.18. Other organizations pay more than I earn for the same type of job or other jobs which require the same qualification with that of mine**

	Frequency	Per cent	Mean	Standard Deviation
Strongly Disagree	–	–		
Disagree	34	20.0	3.6	.8
Indifferent	–	–		
Agree	136	80.0		
Strongly Agree	–	–		
Total	170	100.0		

Source: survey data, 2017

#### **4.5. Concerning Employees’ Feeling That They Have a Bright Future with Nib Insurance Company**

67.1% of the respondents expressed their disagreement on whether they have a bright future with Nib insurance Company. Where as, 18.2% of the respondents were indifferent and 25% express their agreement that they feel a bright future. The mean and standard deviation of the distribution was found to be 2.47 and 0.73 respectively. It can be concluded that more than half of the respondents do not feel that they have bright future with Nib Insurance Company. (Table 4.19)

**Table 4.19. Employees feeling about a bright future with the Nib Insurance company and so I will remain in the company**

	Frequency	Per cent	Mean	Standard Deviation
Strongly Agree	–	–		
Disagree	114	67.1		
Indifferent	31	18.2	2.47	.73
Agree Strongly	25	14.7		
Agree	–	–		
Total	170	100.0		

Source: survey data, 2017

#### **4.6. Regarding Employees’ Intention to Leave Nib Insurance Company easily if they get another Job**

The highest proportion of the respondents admitted that they would leave the company if they find a better job in another organization. Whereas 14.7% of the respondents said they would not leave the company easily if they get another job. The mean and standard deviation of the distribution was found to be 2.3 and 0.79 respectively Therefore, we can conclude that the employees would leave their current job if they find another work in other organizations. (See Table 4.20).

**Table 4.20. Employees leave the company if I find a better job in other organizations**

	Frequency	Per cent	Mean	Standard Deviation
Strongly Disagree	–	–		
Disagree	25	14.7		
Indifferent	–	–	2.3	.79
Agree	145	85.3		
Strongly Agree	–	–		
Total	170	100.0		

Source: survey data, 2017

**4.7. Regarding Employees’ Perception that they exert their maximum potential to make the company productive.**

The highest proportion of the respondents admitted that that they exert their maximum potential to make the company productive. . Whereas 14.7% of the respondents said they would not exert their maximum potential to make the company productive .On the other hand the mean and standard deviation of the distribution was found to be 3.7 and 0.71 respectively Therefore ,we can conclude that majority of respondents are committed to make the company productive. (See Table 4.21)

**Table 4.21. Employees exert all my potential to make Nib Insurance productive**

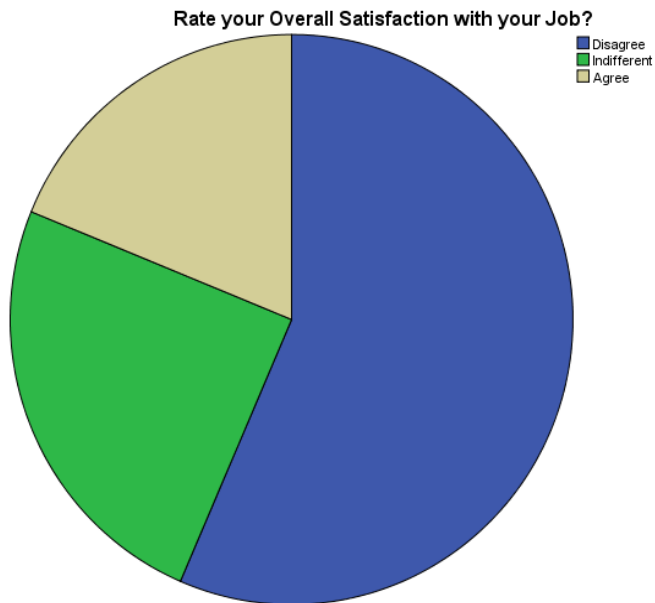
	Frequency	Per cent	Mean	Standard Deviation
Strongly Disagree	–	–		
Disagree	25	14.7		
Indifferent	–	–	3.7	.71
Agree	145	85.3		
Strongly Agree	–	–		
Total	170	100.0		

Source: survey data, 2017

#### **4.8. Employees overall Satisfaction with their Job**

More than half of the respondents (56.5%) expressed their overall dissatisfaction with their job .However, 24.7% of the respondents were indifferent with the overall satisfaction with the job. Whereas 18.8 % of the employees under the study expressed their overall satisfaction with the job. The value of mean and standard deviation were 2.6 and .78 respectively. This clearly shows that more than half of the respondents expressed their overall dissatisfaction with their job.

**Figure 4.2 Employees overall satisfaction**



Source: Survey data, 2017

#### **4.9. Correlation analysis**

Correlation analysis was applied to test the independency of the variables or applied in order to assess the relationship between variables. This analysis can be used to examine the correlation among independent variable i.e. intrinsic and extrinsic rewards with dependent variable which is the level job satisfaction of employees. The Pearson product of correlation coefficient was computed for the purpose of determining the relationship between rewards and job satisfaction.

**Table 4.22: Correlation matrix of intrinsic reward and job satisfaction**

	job Satisfaction	opportunity for achievement	challenging work	responsibility	opportunity for personal growth and development	Your work is according to your qualification and skills	necessary Authority to perform duties	Recognition & acknowledgement	Involvement in managerial decisions
Job Satisfaction	1								
Opportunity for achievement	.185*	1							
Challenging work	.277**	.064	1						
Responsibility	.583**	.214**	.157*	1					
Opportunity for personal growth and development	.304**	.055	-.167*	.175*	1				
Your work is according to your qualification and skills	.209**	.160*	.231**	-.007	.149	1			
Necessary authority to perform duties	.361**	.148	.237**	.377**	.230**	.040	1		
Recognition & Acknowledgement	.508**	.021	.331**	.376**	.605**	.055	.295**	1	
Involvement in managerial decisions	.592**	.007	.290**	.456**	.270**	.016	.364**	.381**	1

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

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

Source: Survey data, 2017

The above table of Pearson's correlation determines the relationships among job satisfaction, opportunity for achievement, Challenging work and personal growth and development, Responsibility, Opportunity for personal growth and development, necessary authority to perform duties, Recognition & Acknowledgement and Involvement in managerial decisions. The table of correlation clearly show the positive and significant relationship of intrinsic rewards and job satisfaction. Pearson's correlation coefficient of opportunity for achievement with job satisfaction is 0.185 that reflects slight association with satisfaction. Similarly, the Pearson's correlation value of Challenging work and opportunity for personal growth and development is 0.277 and 0.304 respectively that reflects moderate association with job satisfaction. However as per the correlation table Responsibility, Recognition & Acknowledgement and Involvement in managerial decisions show strong relationship with job satisfaction.

**Table 4.23: Correlation matrix of extrinsic reward and job satisfaction.**

	Rate your Overall Satisfaction with your Job?	salary	Promotion and salary increment	job security	incentive system	opportunity for training	relationship with co-workers in the work place	Working hours
Rate your Overall Satisfaction with your Job?	1							
I am satisfied with the salary	.797**	1						
Promotion and salary increment	.806**	.908**	1					
I am satisfied with the job security	.908**	.675**	.780**	1				
I am satisfied with the incentive system	.307**	.507**	.487**	.339**	1			
There is opportunity for training	.731**	.884**	.637**	.473**	.355**	1		
relationship with co-workers in the work place	.233**	.533**	.524**	.193*	.951**	.373**	1	
Working hours at Nib Insurance Company is satisfactory	.134	.132	.153*	.127	-.042	.093	-.028	1

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

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

The result presented in the above table shows that there is statistically strong positive relationship between all the variables of extrinsic variable and job satisfaction except working hour. The values of correlation coefficient in case of significant relationship vary from lowest 0.233to highest 0.908.

#### 4.10. Multiple Regression Analysis

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

**Table 4.24: Regression model of intrinsic reward and job satisfaction**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.589	.400		3.970	.000
Achievement	.164	.082	.102	1.998	.047
challenging work	.289	.057	.308	5.092	.000
responsibility	.242	.058	.250	4.181	.000
Recognition and acknowledgment	.369	.056	.428	6.625	.000
Involvement on management decisions	.262	.074	.225	3.558	.000

a. Dependent Variable: Job Satisfaction

Source: Survey data, 2017

The above table is showing the regression coefficients of intrinsic rewards. This study revealed that the impact of intrinsic rewards on job satisfaction. The output in the table provides estimates of the regression coefficients, standard error of estimates, t tests that a coefficient takes the value zero and confidence interval. the estimated regression coefficients are the heading" unstandardized coefficients Beta" these give for each intrinsic rewards, the predicted change in the dependent variable i.e. job satisfaction when each intrinsic rewards increased by one unit conditional on all other variables remaining constant. This shows that intrinsic rewards has positive effect on job satisfaction which implies that job satisfaction increases with an increase in

intrinsic rewards. So, It can be expressed by regression equation as Job Satisfaction = 1.589+ 0.164 Achivement+0.289 Challenging work + 0.242 Responsibility+ 0.369 Acknowledgment + 0.262 Involvement on managerial decision.

**Table 4.25: Regression model of extrinsic reward and job satisfaction**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.320	.080		4.012	.000
Salary	.601	.062	.565	9.705	.000
Promotion and salary increment	.205	.059	.236	3.474	.001
job security	.593	.030	.752	19.573	.000
incentive	.101	.024	.120	4.316	.000

a. Dependent Variable: Job Satisfaction

Source: Survey data, 2017

The regression model of extrinsic reward and job satisfaction also provide estimates of the regression coefficients, standard errors of estimates, t tests. Unstandardized coefficients give estimated regression coefficients for each extrinsic rewards i.e. change in the dependent variable i.e. job satisfaction when each extrinsic rewards increased by one unit assuming all other variables remaining constant. This shows that job satisfaction increases with an increase in extrinsic rewards. So, It can be expressed by regression equation as: Job Satisfaction = .32+ 0.601 Salary +0.205 promotions and salary increment + .593 Job security+ 0.101 incentives.

**Table 4.26: Intrinsic reward variables that explain the variable in job satisfaction**

Model	R	R Square	Adjusted R Square	Sig. F Change
			R Square	
1	.793 <sup>b</sup>	.628	.610	.003

**ANOVA<sup>a</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
2	Regression	65.296	6	8.162	34.035	.000 <sup>c</sup>
	Residual	38.610	161	.240		
	Total	103.906	169			

Source: Survey data, 2017

As per the above table the coefficient of multiple coefficient R which is the degree of association between intrinsic reward and job satisfaction is .793. The R square value is .628 and adjusted R square value of .610. The value of R square indicates that keeping other factors constant, almost 62.8% variation in job satisfaction is explained by the independent variables. The summarized model shows that the proportion of the variation in job satisfaction is explained by 6 intrinsic rewards jointly is 62.8% and the remaining 31.2% of the variance is explained by other variable. The F statistic of 34.035 at 8 and 161 degree of freedom further shows that the intrinsic variable explain relationship of dependent variable ,job satisfaction, at 0.000 significant level.

**Table 4.27: Model Summary (extrinsic variable and job satisfaction)**

Model	R	R Square	Adjusted R Square	Sig. F Change
1	.775 <sup>a</sup>	.601	.586	.000

### ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	62.402	5	10.400	40.846	.000 <sup>b</sup>
	Residual	41.503	163	.255		
	Total	103.906	169			

Source: Survey data, 2017

As per the above table the coefficient of multiple coefficient R which is the degree of association between extrinsic reward and job satisfaction is .775. The R square value is .601 and adjusted R square value of .586. The value of R square indicates that keeping other factors constant, almost 60.1 % variation in job satisfaction is explained by the independent variables. The summarized model shows that the proportion of the variation in job satisfaction is explained by 5 extrinsic rewards jointly is 60.1% and the remaining 39.1% of the variance is explained by other variable. The F statistic of 40.846 at 5 and 163 degree of freedom further shows that the extrinsic variable explain relationship of dependent variable ,job satisfaction, at 0.000 significant level.

# CHAPTER FIVE

## Conclusion and Recommendation

### 5.1. Conclusion

Recently, organizations have been given huge amount of interest to examine that promote employee satisfaction. One of the key factors for successful organization is their employees. The intrinsic and extrinsic rewards have much importance to satisfy employees and increase the employee retention level and job satisfaction level. When employees are satisfied with their job, they show great loyalty and commitment towards organization due to having perception of organizational support. Employee attitude varies on the base of employee perception about support from organization and by the different type of motivational technique like intrinsic and extrinsic rewards. Based on the findings and the analysis, the following major conclusions were drawn:

- Employees of Nib Insurance Company were satisfied with the intrinsic content of the work such as achievement, challenging work, growth and development and recognition and acknowledgement, however they were dissatisfied with the sense of responsibility they get from the job and with the opportunity to participate on managerial decision.
- The employees of Nib Insurance Company were dissatisfied with the extrinsic factors of work. They expressed their dislike in many of the context of their work such as the salary they get paid were considered very unsatisfactory, opportunity for promotion and salary increment is inadequate and the majority of participants feel that their job is unsecured. Nevertheless, human resource development through training was also regarded as very satisfactory. Besides they feel incentive system were satisfactory. It was found out that there is a strong and attractive co-workers relationship in Nib insurance Company.
- The conclusion of the study defines the importance of intrinsic and extrinsic rewards in raising the satisfaction of employees and effort of employees in their work. This study is

designed to describe the importance of employee job satisfaction. Intrinsic and extrinsic rewards show significant effect on the employee's perception to make significant boost in employee's satisfaction level. This study may help Nib Insurance Company to develop plans about intrinsic, extrinsic rewards to enhance the employee positive attitudes and to draw attention to meaning of employee perception about company reward system since highly satisfied employees work effectively and efficiently for organizations.

- The study showed that the perception of employees about the fairness of the reward system has a great effect on employees' job satisfaction. The more the workers feel that their economic returns from Nib insurance company are not equitable with other companies in the insurance industry with the feeling that other organizations pay more, the less employee satisfaction and motivation. Regarding internal equity, the more employees feel that they are expected to do much for small pay and management is not treated all employees in equal manner they will leave the company easily and they will not exert all their potential to make the company productive. In addition, the perception that management takes care of employees' welfare are obviously influential in making workers to feel like remaining in the organization, and viewing current jobs as permanent employment

## **5.2. Recommendations**

The main objective of the company is to achieve the higher performance which could only be possible by employee's job satisfaction. Management of Nib insurance company must keep the balance between the intrinsic and extrinsic rewards to get better output from employees.

The knowledge of the significant relationship between job satisfaction, and intrinsic and extrinsic rewards should be employed in the designing and fixing of job rewards. This is premised on the added effectiveness in combining intrinsic and extrinsic rewards as job satisfaction strategy.

This study recommended that Nib Insurance Company should make attractive intrinsic and extrinsic rewards procedures and policies which help employees in work life balance and also

increase in their feeling of fairness. Through these key factors can easily able to enhance their employee's job satisfaction level.

The management of Nib insurance company should improve the extrinsic rewards, such as, salary, fringe benefits, the incentives, and job security by assessing the level of those factors available within the company and in the insurance industry. This may require more financial investment which will in the long run benefit the company, because this will help to retain more experienced and talented employees.

Nib Insurance Company should plan proper intrinsic rewards to their employees since employees relate directly to the real nature of the work they perform as poor intrinsic rewards may lead employees to lose their satisfaction.

The management of Nib Insurance Company should also improve the participation of employees on decision making in order to boost the satisfaction level of employees. Furthermore rewards should be distributed fairly based on the contribution of employees in order to increase employees' job satisfaction since employees who are satisfied have a positive effect on organization performance and productivity.

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## Appendix I

### Addis Ababa University School of Commerce

#### Questionnaire

Dear Sir/ Madam,

I am a graduate Student at Addis Ababa University, conducting research entitled “The impact of reward on employees’ job satisfaction in Nib Insurance Share Company” to partially fulfil the requirements for award of MA in Human Resource Management.

I would be grateful if you would take part in this study; You can do this by completing and returning this questionnaire.

Thank you in advance for taking your time to complete this survey.

#### Part One: Personal Data

Please put a tick mark(x) in front of your appropriate answer.

1. Gender

- Male       Female

2. Marital Status

- Single     Married     Divorced     Widowed

3. Age

- 21 –30 years     31 – 40 years     41 – 50 years     51 – 60 years  
 61 years & older

4. How long have you been employed at this company?

- Less than 1 year     1 year – 5 years     6 years – 10 years     11 years or longer

5. What is your level of education?

- Certificate       Diploma       Degree       Masters Degree

6. What is your current Job position?

- managerial position/ Executive     Professional staff     Clerical Staff

## Part Two: Intrinsic Rewards

**Instruction:** Please put a tick mark(X) in front of the following items indicating the level of your agreement or disagreement regarding the following intrinsic content of work in your organization.

		Strongly Disagree	Disagree	Indifferent	Agree	Strongly Agree
1	I am satisfied with the type of work I perform since it provides me with opportunity for achievement					
2	I am satisfied with the type of job I perform since it is a challenging work					
3	The job provides with strong feeling of responsibility since, I am positively influencing other people's lives through my work.					
4	The type of work I perform provides me with opportunity for personal growth and development					
5	Your work is according to your qualification and skills					
6	Employees in the organization have necessary authority to perform their duties effectively					
7	Your company recognize and acknowledge your work					
8	Top management involves employees in the management decisions					

### Part Three: Extrinsic Reward

**Instruction:** Please put a tick mark(x) in front of the following items indicating the level of your agreement or disagreement regarding the following extrinsic content of work in your organization.

		Strongly Disagree	Disagree	Indifferent	Agree	Strongly Agree
1	I am satisfied with the salary					
2	I am satisfied with the fringe benefits like medical expense, education fee coverage etc ...					
3	Promotion and salary increment are satisfactory					
4	I am satisfied with the job security					
5	The management of the Nib Insurance cares for employees' welfare					
6	I am satisfied with the incentive system					
7	There is opportunity for training/advancement					
8	I am satisfied with the post-employment security ( in the form of pension or provident fund)					
9	I am satisfied with the relationship with co-workers in the work place					
10	Working hours at Nib Insurance Company is satisfactory					

**-Part Four: Perception of Equity**

**Instruction:** Please put a tick mark(x) in front of the following items indicating the level of your agreement or disagreement regarding your perception of equity and your level of commitment to your organization.

		Strongly Disagree	Disagree	Indifferent	Agree	Strongly Agree
1	Management of the Nib Insurance treats all employees equally					
2	Employees expected to do too much work for small pay					
3	Other organizations pay more than I earn for the same type of job or other jobs which require the same qualification with that of mine					
4	I prefer working in this company to any other I know about.					
5	I feel that I have a bright future with the Nib Insurance company and so I will remain in the company					
6	I think that I exert all my potential to make Nib Insurance productive					
7	I would easily leave the company if I find a better job in other organizations					

**Part Five: Job Satisfaction**

Rate your Overall Satisfaction with your Job?

- a. Highly Dissatisfied       b. Dissatisfied       c. Average       d. satisfied   
 e. Highly satisfied