Effect of Reward Management on Employee Retention: The Case of MIDROC- Construction PLC.

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Declaration

I hereby declare that this research work entitled “The Effect of Reward Management on Employee Retention:The Case of MIDROC Construction Ethiopia PLC.” is my ownwork. The work has not been presented elsewhere for assessment.

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This is to certify that the thesis prepared by Gashaw Eshete, entitled: "The Effects of Reward Management on Employees Retention "The Case of MIDROC Construction Ethiopia PLC. Submitted in partial fulfillment of the requirements for the Degree of Masters of Human Resources Management complies with the regulations of the university and meets the accepted standard with respect to originality and quality.

Signed by the Examining Committee:

Internal examiner _______________ Signature ______________Date ________________

External examiner _______________ Signature _______________Date _______________

Advisor _______________________ Signature _______________Date _______________

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Acronyms Vs. Abbreviations

ANOVA	-	Analysis of Variance
CD	-	Career Development
DF	-	Direct Financial Compensation
HR	-	Human Resource
HRM	-	Human Resource Management
HQ	-	Head Quarter
MCE	-	MIDROC Construction Ethiopia
MCO	-	MIDROC Corporate Office
MIDROC	-	Mohammed Industries Development Research Organizations Companies
SD	-	Standard Deviation
SPSS	-	Statistical Package for Social Science
WF	-	work Life Balance
VIF	-	Variance Inflation Factor

TABLE OF CONTENT

List of Tables **Pages**

LIST of Figures **Pages**

Abstract

The purpose of this study is to examine the effect of reward management practice on employee retention in MIDROC Construction Ethiopia Plc. The study focused on three rewards management components that influence retention include; direct financial compensation, career development and work-life balance. The study used quantitative approach and its type was descriptive and explanatory research design. Data was collected through the use of questionnaires. The study used simple random technique and, 297 respondents were selected from1159 employees of MCE working around Addis Ababa. Out of which 260 respondents had properly completed and retuned the questionnaires. Then, the data was analyzed using Statistical Package for Social Science (SPSS), version 20. The study revealed that retention had statistically significant positive and strong correlation with CD, $r = 0.512$, $p < 0.01$. This implies that better opportunities for career development have effect on employee retention. There was a moderate significant positive correlation between retention and WLF, $r = 0.455$, $p < 0.01$. Similarly, the correlation between retention and DF was moderate and positive, $r = 0.417$, $p < 0.01$.Multiple linear regression analysis was computed to assesses the influence of the independent variables on dependent variable. The result indicated that 32.7% of variation in employees' retention was explained by DF, CD and WLF. Among these independent variables CD has a greater rate of change. The study revealed that most of the respondents were not satisfied with direct financial compensation system of the company. The career development opportunities that exist in the company are not also encouraging. Majority of the respondents are happy with the work life balance practices in the company. It is important for the management to develop reward systems that is based on expectation of employees, comparable with market packages, fair, equitable and consistent, in the form of both financial and non-financial rewards that can persuade employees to remain in the organization.

Key-words, reward management, direct financial compensation, career development and work-life balance.

CHAPTER ONE

INTRODUCTION

This chapter highlights back ground of the study, back ground of the company, statement of the problem, basic research questions, objectives of the study, hypothesis, definition of terms, significance, scope, limitation and organization of the study.

1.1 Back ground of the study

The success or failure of any organization depends on the presence of qualified and motivated employees in the organization. It has, however, become a great challenge for organizations to attract and retain talented employees.

HRM aims to enhance motivation, job engagement and commitment by introducing policies and processes that ensure that people are valued and rewarded for what they do and achieve and for the levels of skill and competence they reach (Armstrong, 2006).

Giving priority for human resources and fulfill their required demand enable organization to expect high performance and great achievement from their employees.
These can be attained if organization is able to design and implement fair and effective reward system in the organization.

According to Armstrong (2012), reward management is about the design, implementation and maintenance of reward system which aims to meet the need of the organization and its stakeholders.

The construction sector is characterized with employing a large number of employees and high turnout in demand for better compensation and benefits. The employees' turnout likely causes reduction in productivity and delay in delivering projects on time. This in effect will increase construction cost because most of construction projects have penalties for failure to complete works timely.

MCE is established to engage in construction of buildings, roads, and other civil works. As indicated on page 4 in table 1.1 the company faces employees' retention problem.
Construction companies have to use their limited resources in an efficient way to survive in the competitive environment.

One way through which organizations can retain the workforce is through offering a compensation package. Compensation is total rewards given to employees in return for their services.

According to (Willis, 2000), an organization can only be successful in its retention strategy if it offers competitive, market related pay and benefits because this motivates employees to become committed tothe organization and remain in the organization for longer period of time.
Organizations make great efforts to attract valuable employees and sustain them in the organization. In today's business environment only high salary is not adequate for employees to retain them in the organization, but others factors also play important role in their retention

Investment on employee training and career development is considered one of the most important factor in employee retention. Hondor (2014) defines career development as a set of learning experiences intended to improve employee's functional capabilities. It motivates employees to complete their tasks quickly. Greene (2011) affirms that the investment in training and development is to increase capacity among employees which will enable career opportunities in the work place.

Research indicated that the existence of work life balance such as supervisor support, co-workers support, plays, alternative schedule, flex time plays a pivotal role in employee retention. Work life balance program is concerned with solving personal issues that detract from employee's work. It involves flexi time, job sharing, telecommuting and part time work. They comprise an aspect of non-financial compensation that allows many families to manage a successful home or work. Creating a balanced work life environment can be a key strategic factor in attracting and retaining talented employees.

The main concern of this study was to examine the effect of reward management practices such as, direct financial compensation, career development and work life balance on employee retention in MCE.

Background of the Company

Construction sector in Ethiopia is making tremendous contribution to the overall development of the country. MIDROC Construction Ethiopia (MCE), as one of the companies of MIDROC Ethiopia group, is engaged in major projects ranging from high rise & complex multipurpose buildings, luxury hotel, hospital, stadium to small-scale construction activities so as to contribute its share in the construction sector of the economy.
MCE has been registered by Ministry of works and Urban Development under the registration number CON/1203 and secured business license from Ministry of Trade and industry, under license number 00013/91 as a Private Limited Company.

As it is mentioned above,MCE is established to engage in construction of building, roads, and other civil works. In the past 25 years since its establishment, MCE has successfully completed a number of major construction works (both in building and road sectors) in various parts of the country, most of which are massive and complex structures. The impressive and functional edifice of African Union conference Center, Sheraton Addis, Oromia Conference Hall and Office Building Complex, Federal Police H.Q Building, Mekele Referral Hospital, and Bahirdar National Stadium are among the many construction works it has successfully undertaken.

1.2 Statement of the Problem

Reward management is one of the practices of human resource management that is concerned with designing and implementing reward systems to ensure that human talent is used efficiently and effectively to accomplish organizational goals.

Singh (2007) states that reward management has an element of behavioral objective that aims to fulfill a need and motive of employees in order to achieve organizational goals.
Construction companies like any other organizations to sustain in the market and to be profitable must require accomplishing their organizational goals in timely manner, and this can be attained by availability of the right number of skilled technicians, qualified engineers and other professionals in the organizations.

The aim of the rewards management is to ensure that the value of employees and the contribution they make in an organization is recognized and rewarded (Armstrong, 2012).

This means that employees' performance and commitment is based on the ability of an organization to recognize and reward its employees in respect to their input.
High level of employee commitment can be attained through effective reward management. Employees with high level of commitment result a desire to remain a member of an organization and loyal to it.

Currently, although labor mobility could be common factor in the construction sector, subsequent to the expansion of construction activities in the country, as information obtained from Human Resource Management Services Directorate of the organization, MCE has experienced frequent employee turnover in the past few years. Table 1.1 below shows a large number of highly skilled employees have been leaving MCE.
According to the data obtained from, HRM of the company, for example, MCE had in its payroll 4019 employees as at March 2009. The average number of employees at any times remains nearly constant over the years. The turnover of skilled professionals was not a problem until recently. During the last few years the company has lost some of its key professionals. Although the available number of employees in the company mainly depends on the volume of the work, the current number of employees of the company is significantly reduced and reached below 2000. This situation was not happened before in the history of the company. This occurred subsequent to the construction boom in the country that elicited aggressive competition among companies for better qualified workers. Large number of employees' resignations implies that significance loss of skills, knowledge and experience. The effect of excessive labor turnover is resulted in low productivity, and increased cost of production due to interruption in the continuous flow of production, new employees not being as efficient as old employees resulting in rise in cost of production, selection and training costs, new employees being unfamiliar with the work give more scrap, rejects and defective work, hiring costs of replacement go high, and overtime pay is to be paid to meet the delivery schedule.

Table1.1 shows employees resigned from the company from 2013 to 2018.

Year	Average No. of Employees in MCE	Resignation	Percent
2013-2014	1863	201	10.8
2014-2015	1852	342	19
2015-2016	1688	206	12
2016-2017	1456	228	16
2017-2018	1585	221	14

Source: Activity Report of HRM of the Company

Hence, unless this problem is addressed promptly, it will highly affect the performance of the company.

Retaining valuable work force is very important for the survival of the company, and the company must design appropriate strategies to retain its quality employees.

To the best of the researcher's knowledge, no research was conducted before to address this problem. This research aimed to fill this gap through theoretical discussion and empirical findings.

Talented employees make a difference to organizational performance through their immediate efforts and they have potential to make an important contribution in the future.

Organizations should adopt the all-encompassing approach of total reward, as this is likely to provide a greater attraction and retention to a great number of employees. Although several studies have been conducted on effect of reward management practices on employee retention by many researchers, there has not been such type of study done before in relation to MCE. Therefore, considering the magnitude of turn over problem the company encounters, this study focused on developing reward management system as a means of attracting and retaining qualified employees.

1.3 Basic Research Questions

On the basis of the above mentioned problems th**e** study has attempted to address the following key research questions:

The major question the study provides answer for "**what are the effects of reward management on employee retention?** "While the specific questions are include:

1. What is the relationship between total rewards and retention of employees?
2. Which rewards component influence employee retention significantly?
3. How does the reward management practice of MCE influence employee retention?
4. What is the level of employee retention in MCE?

1.4 The Research Objectives

The general and specific objectives of the study are presented as follows:

1.4.1 Major Objectives of the Study

The major objective of the study is to examine the effect of reward management practice on employee retention in MIDROC Construction Ethiopia Plc.

1.4.2 The specific objectives of the study are:

- To investigate the reward practice that is implemented by the company.
- To determine the existence of relationship between reward practices and employee retention.
- To identify the more significant reward component that influence employee retention of MCE.

1.5 Definitions of Terms

- Compensation – total rewards offered to employees in return for their services.
- Direct financial compensation – include wages, salaries, allowances, bonuses, and commissions.
- Indirect financial compensation – benefits all other financial rewards. Employee benefits – comprise elements of remuneration addition to various forms of cash pay include indirect pay like; pension, sick pay, annual holidays, insurance cover and company vehicles.
- Non-financial compensation- consists of the satisfaction that an employee receives from the job itself or from the environment he/she works.
- Career development is an ongoing process by which individual’s progress through a series of stages, each of which is characterized by relatively unique set of issues, themes and tasks (Armstrong 2014).Maintaining people the organization needs.

- Employee Retention-efforts by which employers attempt to retain employees in their workforce (Parkinson 1990).
- Reward Strategy- the set of rewards that organizations provide to staff in exchange for their performance of various organizational tasks and jobs.
- Reward Management - concerned with strategies, policies, procedures and processes required to ensure that the contribution of employees to the organization is recognized by both financial and non-financial terms.
- Work-life balance: striving to provide employment practices that enable people to balance their work and personal obligations (Armstrong, 2006)

1.6 Significance of the Study

The study makes contribution in providing information on reward management practices and their role on employee retention in MCE. The findings of the study help to suggest for alternative of reward management practices to initiate MCE management to take a corrective measure. The study is also useful to other organizations that may be facing similar problems in improving their practices on matters of reward management. The study can also provoke other such studies to come up and contribute to the development of effective reward management systems.

1.7 Scope of the Study

This study is conducted in MCE. It focused only on employees of the company working at head office, Kality Terminal and three construction projects in Addis Ababa. The study has not included employees of the company working outside Addis Ababa due to budget and time constraints. The study pays more attention in examining the relationship between reward management and employee retention. Among a bundle of human resources practices, the researcher selected and focused only on reward management practices, as it has great impact in attracting and retaining employees. The study attempted to examine only three reward management variables that have relation to employee retention including; direct financial compensation, career development and work life balance. Other components in relation to reward management practices were not considered for this study. Furthermore, the study adopted a cross-sectional survey that is confined to a single period time. It was conducted from the month of March to April, 2019.

1.8 Limitation of the Study

One of the major problems encountered by the researcher was some of the respondents were not willing to complete the questionnaire. Some other respondents were not also able to return the questionnaire on time. The process of collecting the questionnaire was very tiresome and it took a lot of time of the researcher in visiting the project sites to follow up and get back the completed questionnaires. The other limitation of the study was that the researcher had intended to conduct interview with purposely selected management members of the company but, due to their tight time schedule the interview could haven't been realized per schedule.

1.9 Organization of the Study

The study is organized under five chapters. Chapter One deals with a brief back ground of the study, statement of the problem, basic research question, objectives, significance and scope of the study. Chapter Two provides conceptual and theoretical frame work of the study pertaining to rewards management and employee retention. Chapter Three discusses the methodological approach for the study and it provides a detailed overview of how the research is designed. It comprises research approach, research design & technique, data type & source, total population, sampling design technique, method of data collection, data processing & analysis, pilot survey, validity and Reliability & Ethical consideration. Chapter Four presents data analysis, findings, interpretation and presentation. Demographic information, descriptive analysis, inferential analysis of the study is clearly described. Correlation and regression analysis are also used to assess the relationship between dependent and independent variables. Chapter Five presents a summary of major findings of the study draws conclusion and makes recommendations. It also includes a limitation of the study, and suggests areas for further studies.

CHAPTER TWO

REVIEW OF RELATED LITRATURES

This section highlights the basis of the study by providing the theoretical foundation frame work of the study based on various studies, literature and theories that have been conducted and analyzed to provide deeper understanding on issues of reward management and employee retention. It deals with total reward management, reward system, reward strategies and employee retention.

2.1 Theoretical Literature

Theoretical frame work should reveal an understanding of theories and concept that are relevant to the research topic (Labaree, 2013). Hence, there are a number of theories that exist in area of reward management. These theories try to explain the role of reward management in motivating employees so as to remain in the organizations. The researcher focused on the following theories.

2.1. 1 Equity Theory

Equity theory is concerned with the perception people have about how they are being treated compared with others (Armstrong, 2014). This theory emphasizes that to be dealt with equitably is to be treated fairly in comparison with relevant or reference group or person. Equity can be achieved when people are rewarded appropriately in comparison with their colleagues in the organization. Armstrong (2006), states that people will be better motivated if they are treated equitably and demotivated if they are treated inequitably.

Admas (1965), as cited by Armstrong (2006), there are two types of equities they are:

a) Distributive equity is about a fairness with which individuals perceive they are rewarded in relation to their contribution and in comparison to others.

b) Procedural equity or justice is concerned with feelings people have about the fairness with which procedures are carried out in areas such as promotion, selection for trainings, performance management and discipline.

Equity theory is associated with remuneration as it shows how employees seek to maintain equitable ratio between the input they bring to the work place and the outcomes they get from it.

The theory suggests that employees seek to maintain equity between the input they bring into work place such as education, time, and commitment and effort and outcome they obtain like remuneration.
The higher the extent of employees perceiving fairness, the more they are motivated to perform and also their level of commitment rise thus, they are likely stays there for long.

2.1.2 Human Capital Theory

Human capital theory is concerned with how people in an organization contribute their knowledge, skill and abilities to enhancing organizational capability and significance of that contribution (Armstrong, 2014).Human capital theory considers people as an asset and emphasizes that investment in people will produce high return.

According to Ehrenberg and Smith (1964) Human capital theory is stated as conceptualizes workers as embodying a set of skills which can be rented out to employers. The knowledge and skills the worker has which comes from education and training, including the training that experience brings generate a certain stock of productive capital. For the employee, the expected returns on human capital investments are a higher level of earnings, grater job satisfaction, and at one time, but less so now a belief that security in employment is assured. For the employer, the returns on investment on human capital is expected to be the improvements in performance, productivity, flexibility and capacity to innovate that should result from enlarging the skill base and increasing level of competence.

2.1.3 Expectancy Theory

According expectancy theory motivation takes place when people expect their effort and contribution will be rewarded. The reward should be clearly linked to accomplishment of efforts. People know what they will get if they achieve defined and agreed targets or standards and can track their performance against them.

Where an individual chooses between alternatives which involve uncertain outcomes, it seems clear that his behavior is affected not only by his preferences among these outcomes but also by the degree to which he believes these outcomes to be possible. Motivation is only likely when a clearly perceived and usable relationship exists between performance and outcome, and the outcome is seen as a means of satisfying needs.

2.2 Over view of Reward

Agarwal, (1998), describes reward as it is something the offer by the organization to the workers in response of their performance and contribution which are expected by the workers. It is the amount of pay, benefits, or equivalents employees get in return for service provided to organization.

A reward can be intrinsic or extrinsic; it can be in the form of cash such as bonuses, allowances, premium, and prizes for harder and better work etc. or in the form of non-financial pay may be offered in the means of other than cash such, as recognition of work, job security, participation in management, promotion or training facilities etc.

In business environment rewards are offered in several forms. However, reward is the thing which offers by the organization in any form in response of employee’s contribution to become employees motivated for doing well with positive behavior in future. According to Silbert (2005) reward is very important because it has continuing impression on employees and support the perception of employee’s that they are valued. It is a critical motivator towards employees to remain in an organization.

2.3 Reward Management

According to Armstrong and Murlis (2007), reward management deals with developing and implementing of policies, practices and strategies that aims to reward people fairly, equitably and consistently in accordance with their value to the organization. It ensures that contribution of people to the organization is recognized in terms of financial and non-financial means.

Reward management is about the design, implementation and maintenance of reward system which aims to meet the need of the organization and its stakeholders. Reward is one of the most important components of an organization employee retention strategy. The concept of total rewards emphasizes the importance of considering all aspects of reward as integrated and coherent whole.

2.3.1 Reward philosophy

Armstrong (2014), stress reward management is based on a well-articulated philosophy that is a set of beliefs and guiding principles which are consistent with the values of the organization that help to enact them. The reward philosophy of the organization represents its belief how people should be rewarded. It can be communicated to employees so that they understand the background to the reward policies and practices that affect them. The reward philosophy recognizes that it must be strategic in the sense that it addresses the longer- term issues relating to how people should be valued for what they do and what they achieve.

Reward philosophy represents the views of the organization on how people should be valued. This can be articulated as a set of principles that guide the development of the reward strategy and the design and operation of the reward system.

Armstrong (2006), list out the aims of reward management as follow includes;

- Reward people according to value they create
- Align reward practices with business goals and with employee values and needs
- Reward the right things to convey the right message about what is important in terms of behavior and outcomes
- Help to attract and retain the high- quality employees the organization needs
- Motivate employees and obtain their engagement and commitment
- Develop a high performance culture
- Develop a positive employment relationship and psychological contract
- Operate fairly, apply equitably, function consistently and transparently

Aims of reward managements are attained by developing and implementing strategies, policies, processes and practices that are based on the following principles;

- Reward philosophy
- Operate in accordance with the principle of a) distributive and b) procedural justices;
    a) Distributive justice; deals with how rewards are offered to employees. According to this principle, employees will feel that they have been treated justly if they believe

that the rewards have been distributed in accordance with the value of their contribution, they receive what they are promised, and they get what they need.

b) Procedural justice; refers to the manners in which managerial decisions are made and policies are materialized. The factors that affect perceptions of procedural justice include; the opinions of employees is given proper consideration, personal bias towards employees suppressed, the criteria for decisions are applied consistently to all employees, early feedback about outcomes of the decisions should be provided to employees, and adequate explanations why decisions have been made should be provided to employees.

- Work fairly, equitably, consistently and transparently and, are aligned to the business strategy.

A fair reward system is one that operates in accordance with distributive and procedural justice. As many literatures show, the assumptions underpinning the theory are that; there is an recognized standard of fair payment for any level of work, knowledge of the standard share among the population at work, pay must match the level of work and the capacity of the individual to do it, and people should not receive less pay than they deserve by comparison with their fellow workers.

Equity is concerned with an individual's motivation is in proportion to perceived fairness of the rewards received for the amount of effort exerted. This is then compared to what others around the person receive for their efforts, making equity and fairness is important in compensation. Equity is achieved when people are rewarded appropriately in relation to others within the organization. Equitable reward processes ensure that relatives between the jobs are measured as objectively as possible and that equal pay is provided for work of equal value.

Consistency approach to reward management refers to decisions on pay do not vary arbitrarily without valid reasons among different individuals or at different times.

Transparency occurs when individuals understand how reward processes operates and how they are affected by them. It includes that the reasons for pay decisions are explained to employees at the time they are made. In order to make the reward system transparent employees have a voice in development of reward policies and practices.

The business alignment of reward practices ensure that reward initiatives are planned by reference to the requirements of business strategy and are designed to support the achievement of business goals.

- Fit for the context and culture of the organization;

  Contextual and cultural fit deals with the designed reward processes that should be administered in reference to the context of the characteristics of the organization, its business strategy and types of employees as well as organization's culture includes its values and behavioral norms.

- Fit for purpose and help to develop performance culture.

  The formulation of the reward strategy and the design of reward system should be based on an understanding of the objectives reward management and should be developed to achieve that purpose.

  Developing a high performance culture refers to one in which people are aware of the need to perform well and behave accordingly in order to meet exceed expectation. A high performance culture can be developed by applying an integrated set of processes of which reward is an important part.

2.3.2 Reward System

According to Armstrong (2014), strategic reward leads to the design of reward system. The methods to achieving the purposes of reward management are integrated in the reward system of an organization. The reward system consists of the interrelated processes and practices of financial and non-financial rewards that combine into a total rewards approach ensure that reward management is carried out effectively to the benefit of the organization and people who work there.

Reward system is originated from the business strategy of the organization. This identifies the business drivers and sets out the business goals. The business drivers are unique from one organization to other organization, but would often include elements such as high performance, profitability, productivity, innovations, customer service, quality, cost/price leadership, the need to satisfy stake holders which comprise investors, shareholders, employees, elected representatives and local authorities.

The reward strategy flows from an analysis of business drivers, and should support the business organization to achieve its goals.

Reward process deals with the ways in which policies are implemented and practices are carried out.

2.3.3 Reward Strategies

Armstrong (2014), defines reward strategy as what an organization wants to do about the reward in the next few years and how intend to do it. It is showing the general direction in which it is supposed the reward management should go. It is therefore, deals with both as a means and an ends. As an end it describes a vision of what reward process will look like in few years' time. As a means, it shows how it is expected that the vision will be realized.

Rewards management strategies can be used to increase employee commitment by creating a sense of belongingness in the organization. It set out what the organization intends to do in the longer term to develop and implement reward policies, practices and process that will further the achievement of its business goals. It provides a sense of purpose and direction. It is based on understanding the needs of the organization and its employees and how they can best be satisfied.

2.3.4 Reward Policy

Reward policy in an organization deals with the main elements of reward management practices that to be implemented. These practices must be aligned with the overall business strategy to help the organization attain its organizational and individual goals. According to Jackson et al (2009) employer strategies are referred to as means of attracting, retaining and motivating employees as driving change, corporate reputation, affordability in terms of the limit of what can be done at any time, employee objective to maximize the reward they earn, purchasing power that determines the standard of living which is an important consideration for most employees, fairness, recognition for employees contribution, compensation in terms of how reward package is made among other.

Armstrong (2006) stated that reward management adopts a total reward approach, which emphasizes the importance of considering all aspects of rewards as a coherent whole that is integrated with other HR initiatives designed to achieve the motivation, commitment, engagement and development of employees. All the elements of total reward base pay, pay contingent to performance, competency or contribution, employee benefits and non-financial rewards are deliberately linked together so that they are supportive.

2.3.5 Total Reward

Manus and Graham (2003) cited in Armstrong (2006) defines total reward as all types of reward that encompass indirect as well as direct, and intrinsic as well as extrinsic.

According to Cole (2004), total reward combines two major categories of reward: transactional and relational. Transactional rewards are tangible rewards arising from the transactions between the employer and the employees concerning pay and benefits such as base pay, contingent pay, shares, pensions and holidays. Relational rewards are those intangible rewards concerned with learning and development and the work experience, like training, career development, performance management, employee voice and recognition

Each aspect of reward such as, base pay, contingent pay, employee benefits and non-financial rewards which include intrinsic rewards from the work itself, are connected together and treated integrated and coherent whole (Armstrong,2006). Elements of reward management are interrelated, complementary and mutually reinforcing.

Armstrong (2014) emphasized major components of reward management system as financial and non-financial rewards, which are combined to form a total reward system. Financial rewards encompass job based pay which provides pay related to the value of the job, individual based pay, which offers rewards that recognize the individual’s contribution

Armstrong (2007) noted that rewards management does not only deal with employee pay and benefits but it also involves in non-financial rewards.

Non-financial rewards include job security, recognition, responsibility, promotion, career development, pleasant and interesting job, status, working environment, and work-life balance. Identifying total rewards that influence organizational commitment, in construction sector will aid the sector to foster organizational commitment, while maintaining satisfaction and improved performance. Rewards management strategies can be used to increase employee commitment by creating a sense of belonging in organization.

Total rewards are seen as the combination of various different rewards, including financial and non-financial rewards and intrinsic and extrinsic rewards, which are made accessible to working individuals in exchange for the value added in the workplace.

Various total rewards models and frameworks have been developed in recent years, offering different rewards structure.

2.3.6 Compensation

Compensation is total rewards given to employees in return for their services. Direct financial compensation includes wages, salaries, bonus, and commissions. In direct financial compensation comprise all other financial rewards.

Non-financial compensation consists of satisfaction an employee gets from the job itself or from the environment in which an employee works. Thus, wages, salaries and many other benefits and services (such as paid vacations, sick leave, and medical insurance, maternity leave) are forms of compensation.

The approach towards total reward is holistic. Account is taken of every way in which people can be rewarded and obtain satisfaction through their work. The aim is to maximize the combined impact of a wide range of reward initiatives on motivation, commitment and job engagement. Total reward embraces everything that employee's value in the employment relationship (Armstrong, 2006). Total rewards are all of the employees' available tools that may be used to attract, retain, motivate and satisfy employees.

A total reward strategy is critical to addressing the issues created by recruitment and retention as well as providing a means of influencing behavior (O'Neal, 1998).It can help create a work experience that meets the needs of employees even unwritten needs and encourages them to contribute extra effort. This is by developing a psychological contract that addresses a broad range of issues concerning rewards especially where they will be most effective in addressing worker's shifting values.

It is worth noting that Beard well and Calydon (2007) state that the significance of the psychological contract in relation to performance management is that it highlights how easy it is for organizations to assume that employees seek primary monetary rewards, and this is not necessarily the case. Empirical evidence suggest that effective performance management and reward structures in organizations must attend to the quality of the relationships employees experience while at work which are an integral aspect of the psychological contract. Improved performance is affected by more than money.

2.3.7 Employee Benefits

Armstrong (2012), describes that employee benefits consist of elements remuneration which are added to different forms of cash pay. Benefits contribute to the security as well as the overall quality of an employee life.

Indirect financial rewards comprise; legally required benefits, social security, and workers' compensation and unemployment compensation. It includes discretionary benefits such as payment for time not worked, health care, life insurance, retirement plan, premium pay, and voluntary benefits.

Factors affecting the choice of or provision will be:

- What employees want; based on opinion survey
- What other organizations are offering, based on market surveying
- What the organization can afford.

Non-financial rewards relate to the work and environment includes all social and psychological attractions by which employees are incited to accomplish the best and more work. Non-financial rewards include meaningful and satisfying job, recognition for accomplishment, feeling of achievement, responsibility, opportunity to growth and advancement. They also encompass job environment such as sound polices, capable mangers, competent employees, congenial coworkers, appropriate status symbols, working conditions, work place flexibility; flexi-time, compressed workweek, job sharing, telecommuting and par time work

Performance appraisal is the most important basis for determining the level of compensation of individual employees.

Effective compensation system should meet the following three important goals such as internal consistency, market competitiveness and recognition of employee's contributions.

In organization compensation payable to employees should be equitable. A proper system of compensation helps to attract capable employees, motivate them toward superior performance and retain their services over an extended period of time.

2.4 Financial Rewards

Monetary payments are regarded as direct compensation and employee benefits are considered as indirect rewards. Financial rewards act as indirect motivators because they provide a tangible means recognizing achievements as long as people expect that what they do in the future will produce something worthwhile, as expectancy theory suggest.

2.4.1 Total earnings are financial rewards consist of the value of all cash payments that are base pay, contingent pay and allowance.

2.4.2 Base or basic pay

Armstrong (2012) notes that base pay is level of pay upon which the rate for the job is fixed. This means that employees are guaranteed that they will receive their pay provided that they report to work and perform within acceptable standard. It does not include incentive benefits and pay. The base rate is the amount of pay (the fixed salary or wage) that constitutes the rate for the job. It may be varied according to the grade of the job or, for manual workers, the level of skill required. Base pay will be influenced by internal and external relatives. The internal relatives may be measured by some forms of job evaluation. External relatives are assessed by tracking market rates.

2.4.3 Allowances

Allowances are provided to employees in addition to basic pay for special circumstances or features of employment e.g. position allowance. The major types of allowances include overtime payments, shift payments, working condition allowances, and stand-by call out allowances made to those who have to be available to come into work when required.

2.4.4Contingent pay

According to Armstrong and Murlis (2007) contingent pay refers to any forms of financial reward that is paid in terms of cash as a bonus or added to the base rate and linked to an employee's performance, skills, competence and contribution to the organization. Contingent pay may be added to base pay, i.e. consolidated. If such payments are not consolidated (as cash bonuses) they are described variable pay. Contingent pay act as a means of motivating employees and this enables an organization to achieve its objectives. However, it is simplistic to assume that it is only extrinsic motivators in the form of pay that create long term motivation. The total reward concept emphasizes the importance of non-financial rewards as an integral part of a complete package. The intrinsic motivators that can arise from the work itself and the work environment may have a deeper and longer lasting effect.
Contingent pay to be effective and successful should meet the following five criteria;

1. Individuals should have a clear line of sight what they do and what they will get for doing it.
2. Rewards are worth having that is it should be large enough to attract the employees,
3. Fair and consistent means are available for measuring or assessing performance, competence, contribution or skill.
4. People must be able to influence their performance by changing their behavior and developing their competencies and their skills.
5. The reward should follow as closely as possible the accomplishments that follow.

2.4.5 Total remuneration is the value of all cash payments (total earnings) and benefits received by employees.

2.5. Performance Management is the most important basis for determining the level of compensation of individual employees. It is a systematic process for defining the relative worth or size of the job within the organization in order to establish internal relatives and provided the bases for designing an equitable grade structure and managing relatives.

According to Armstrong (2014), performance management is a method of getting better results by providing a means for the individuals to perform well within an agreed frame work of planned goals, standards, and competency requirements. Performance management if conducted properly can reward people by recognition through feedback providing opportunities to attain the scope to develop skills, and guidance on career paths. It is considered as non-financial rewards that can encourage job and organization engagement and make a longer lasting and more powerful impact than financial rewards such as performance related pay.

The purpose of performance management in some organizations is also connected with pay by creating the information required to decide on pay rises or bonuses related to performance, competency or contribution. However, it is much more about developing people and rewarding them in the widest sense.

2.6 Non-Financial Rewards

Non-financial rewards do not involve any direct payments and mostly arise from the work itself. Non finical rewards include job security, recognition, responsibility, promotion, career development, pleasant and interesting job, status, working environment, and work-life balance etc. out of non-financial components this study focused only on career development and work life balance.

2.6.1 Career Development

Robbins and Judge (2008) defined organizational development as a collection of planned interventions, built on humanistic democratic values that seek to improve organizational effectiveness and employee wellbeing.

To gain and maintain competitive advantage organizations required talented and productive employees and these employees need career development to enhance and cultivate their competencies (Prince, 2005).

Development is any learning activity which is directed towards future need, rather than present need, and concerned more with career growth than immediate performance. Focus of development tends to be primarily on an organizations future human resource requirement, and secondly on the growth need of the individuals at work place.

The organization should ensure that employees have opportunity for ongoing training and development. The provision of training and development send a message to employees that the organization care about them and support them.

According to Armstrong (2014), career management is about providing the organization with the flow of talent it needs. But it also concerned with the provision of opportunities for people to develop their abilities and their careers in order to satisfy their own aspirations. It is Integration of the needs of the organization with the needs of the individual.

Career development comprises of steady efforts bound for evaluating an employee’s competencies identifying possible career advancement for that employee and developing and implementing different types of training programs and experience to organize that individual for job enlargement and enrichment.

The significance of career development is as a result to match a worker career path with the organization. The importance of career development also involves a successful appointment of employees in positions that meet their desires as well as organizational requirements.

Career development is an ongoing process by which individual’s progress through a series of stages, each of which is characterized by relatively unique set of issues, themes and tasks.

It involves two distinct processes career planning and career development. Career planning involves activities performed by an individual; often with assistance of counselors and others to asses his/her skills and abilities in order to establish a realistic career plan.

Career management involves taking the necessary steps to achieve that plan, and generally focuses more on what the organization can do to foster employee career development. Career management deals with definition of career paths, the routes people can take to advance their career within an organization. It uses all the information provided by the organization's assessments of requirements, the assessment of performance and potential management succession plans, and translates into the form of individual career development program and general arraignments for management development career counseling and mentoring.

Armstrong (2014) point out the career development strategy might include the following activities:-

- A policy of promoting from within whenever possible;
- Career route enabling talented people to move upwards or laterally in the organization as their development and job opportunities take them
- Personal development planning as a major part of performance management processes, to develop each. individual's knowledge and skills,
- Systems and processes to achieve sharing development of knowledge across the firm
- Multi-disciplinary project teams, with a shifting membership, to offer developmental opportunities for a wide range of employees as possible.

2.6.2 Work Life Balance

According to Ramlall,(2003), people are strive to work and to stay in those organizations that provide good and positive work environment, where employee feel that they are valued and making difference.

Work life balance comprises an aspect of non-financial compensation that allows many families to manage a successful home or work. According to Armstrong (2006), work life balance employment practices are concerned with providing scope for employees to balance what they do at work with the responsibility and interests they have outside work and so reconcile the competing claims of work and home by meeting their own needs as well as these of employers. There should be a balance between an individual's work and their life outside work, and this balance should be healthy.

Work life balance program is concerned with solving personal issues that detract from employee's work. It involves flexi time, job sharing, telecommuting and part time work.The concept of work life balance is about employees achieving a satisfactory equilibrium between work and non-work activities. Practical day to day to day business and related needs should be considered when organization set about selecting the range of work life options that should be available to employees, whether on a collective basis for example as flexi time arrangements or an individual level allowing an individual to move term -time working provision. Individual requests for particular working arrangements generally need to be considered on case by case basis.

Armstrong (2006) states the term flexible working covers flexi time, home working, part time working, compressed working weeks, annualized hours, job sharing and term time only working It also refers to special leave schemes, which provide employees with freedom to respond a domestic crisis or to take a career brake without jeopardizing their employment status.

Several literatures state work life balance polices can be:

- Improved productivity and quality of work
- Improved commitment and morale
- Reduced staff turn over
- Reduced casual absence
- Improved utilization of new recruits

Work life balance policies can lower absence and help to tackle the low morale and high degrees of stress that can lead to retention problems as employees tire of managing work and life responsibilities. Creating a balanced work life environment can be a key strategic factor in attracting and retaining talented employees.

2.7 Concept of Employee Retention

Nowadays organizations are looking for better ways to help their employees to be more productive and happier in their workplace with the aim of keeping them in workforce. On the other hand, employees want to be appreciated of their efforts and they expect a fair return for their contribution to the organization. Most organization implements many strategies which make employees happier. Lack of fair retention strategy may cause to create unsatisfactory workforce within the organization. Most of the time unsatisfactory workforce has an intention to quit the company and trying to look for another opportunity. Key talent is always in demand and losing key talent is always costly to the organization so that organization must address this turnover problem. As it is indicated in many literatures employees who are happy and satisfied with different conditions of their organizations are less expected to search for another job opportunity to quit from the current organizations.

Employee retention refers to policies and practices companies use to prevent valuable employees from leaving. According to Jackson et al (2009), retention includes all the activities an employer does to encourage qualified and productive employees to continue working for the organization. The purpose of retention practices is to minimize the undesirable voluntary turnover by employees the organization would like to retain in its workforce. Armstrong (2006) states retention policies are designed to ensure that people remain as committed members of the organization. He further explains that the outcome of these policies is talent flow that creates and maintains talent pool.

Effect of failure to address an organization's attraction and retention issues result; constraints on organizational productivity and efficiency, limitations on innovation as well as problems on the organization's ability to meet production requirements and customer demands.

Effective retention practices attract individuals to the organization and increase the chances of keeping them. It is concerned with a concerted action to retain talented people, but there are limits to what any organization can do. The major goal of retention is to prevent the loss of competent employees from the organization as this could have adverse impact on productivity and service delivery. A competitive reward to employees helps their performance increases and improves commitment to the organization and subsequently employees remain in the organization for longer period Armstrong (2012). It is, therefore, imperative that every organization develops and installs reward strategy that motivates staff to remain in the organization. Organizations should adopt the all-encompassing approach of total reward, as this likely to provide a greater attraction and retention to a greater number of employees. Reward is a critical motivator towards an employee's choice to remain in the organization.

According to Noe, Hollenbelk, Gerhart and Wright (2010), pay is a powerful instrument for advancing an organization's strategic goals. Pay has a great effect on employee behavior and attitude.

According to Armstrong (2014) retention strategies should be based on understanding of the factors whether or not employees leave or stay.
Factors that affect retention are;

- Company image
- The effectiveness of recruitment, selection and development
- Leadership
- Learning and career opportunity
- Performance recognition and rewards.

A retention strategy takes into account the retention issues the organization is facing and set out ways in which these issues dealt with.

2.8 Empirical Review

Several studies have been conducted on effect of reward practices on employee retention locally and globally. Kimunge (2014) conducted a study on the effect of total reward on employee retention in Kenya Vision 2030 Delivery Secretariat. The study revealed that compensation, work life balance, training and career growth have positive impact on employee retention.

Employee are stay and loyal with such organization where employee have value, sense of pride and work to their full potential Cole (2000) The reasons to stay employee in organization are organization reward system, growth and development, pay package and work life balance.

According to Silbert (2005), reward is important because it has an enduring impression on employees which, in turn, gives the employees an impression that they are valued in the organization. As the result, employees' loyalty will be created and chances of their stay in the organization are also increasing as well.

Willis (2005) stats that compensation is one of the most important factors that enable for attracting and retaining talent. Offers of good compensation package often enable organizations to attract subsequently retain high caliber talents in their workforce (Ajmal et al 2015).

Among all type of rewards, monitory pay is considered one of the most important and significant factor in employee retention (Newman and Milcovich (2001). Furthermore, Noe et al states that pay is a powerful tool for furthering the organization's strategic goals. Pay has a large impact on employee attitudes and behavior. It influences the kind of employees who are attracted to and remain with the organization.

A fair wages are the foundation element of the implied and contractual bond between employers and employees, the underlying supposition being that monetary can persuade behavior (Parker and Wright, 2001).

Williams and Dreher (1992), wages is the key factor influence in the employee attraction and retention, and play important role in the recruitment process.

In a survey by World at (2012), it is indicated that the five (5) most frequently used methods to retain key talent include: identifying key employees who are essential to the business (85%), discussing with key employees their future opportunities within the organization (80%), paying employees above the labor market (70%), creating succession plan replace individuals critical to success (74%) and developing employee who may replace key employees who may leave (70%)

According to Messmer (2000) one of the most important factors in employee retention is investment on employee training and career development. Organizations always invest in the form of training and development on those workers from whom they expect to return and give out its investment.

To gain and maintain competitive advantage organizations required talented & productive employees and these employees need career development to enhance and cultivate their competencies (Prince, 2005).

According to Silbert (2005), well skilled and talented workers may easily find good job, position and workplace elsewhere however the effective way for retention these talented employees is to enhance friendly and close working environment and to promote leader support.

Ramlall,(2003), states that people are strive to work and to stay in those corporation that provide good and positive work environment, where employee feel that they are valued and making difference.

Eyster, Johanson and Toder (2008) indicates that job flexibility along with attractive career options, is a critical incentive for all employees. This leads to employees to remain long in their organizations.

2.9 Conceptual Frame Work

The conceptual frame work presents the relationship between variables under study with the reward management practices being the independent variable and employees' retention being the dependent variable.

The objective of this study is to examine the relation between reward management and retention in MCE. Analysis and review of relevant literature will be used to develop the following conceptual frame work: The three independent variables such as direct financial compensation, career development and work-life balance. Employee retention is dependent variable.

As shown in the figure 2.1 below the independent variables such as direct financial compensation was measured using parameter salaries, wages, bonuses, and commissions, while career development was measured using parameter learning, advancement and opportunity for growth. On the other hand, work life balance was attempted to measure using parameter such as flexi time, telecommuting, support from supervisor, child care, and working situation. The dependent variable employee retention was measured using parameter intention to stay in the company.

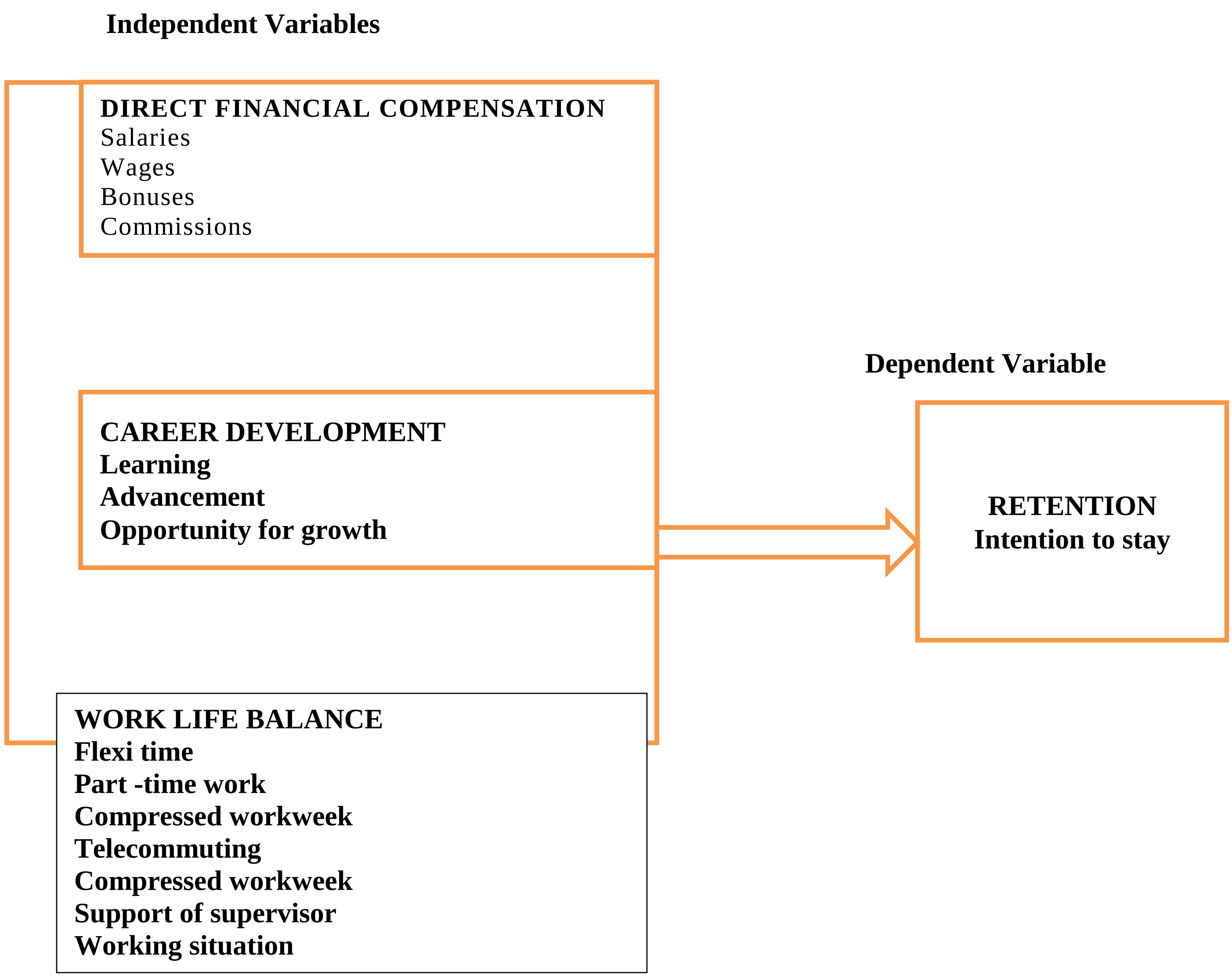

Figure 2.1: Conceptual frame work Independent Variable and Dependent variable.

2.10. Research Hypotheses

On the basis of extensive literature review, the following hypotheses are developed for study. They are**:**

HI. Null Hypotheses (H0). Direct financial compensation has no significant effect on employee retention.

- **Alternative hypothesis (H1).** Direct financial compensation has significant effect on employee retention.

  H2.Null hypothesis (H0). Career development has no significant effect on employee retention

- **Alternative hypothesis (H1**). Career development has significant effect on employee retention.

  H3.Null hypothesis (H0). Work life balance has no significant effect on employee retention.

- **Alternative hypothesis (H1).** Work life balance has significant effect on employee retention.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter discusses the methodological approach for the study and it provides a detailed overview of how the research is designed. It comprises research approach, research design& technique, data type & source, total population, sampling design technique, method of data collection, data processing &analysis, pilot survey, validity and reliability & ethical consideration.

3.1Description of the Study Area

The study was conducted at MIDROC Construction Ethiopia PLC at Head Office, Kality Terminal and three Construction Project Sites around Addis Ababa. The Head Quarter of the company is located in Addis Ababa close to Gihon Hotel at MCO building around the National Stadium.

3.2Research Approach

According to Kothari (2004), quantitative approach is concerned with the measurement of quantity or amount. It is applicable to phenomena that can be expressed in terms of quantity. On other hand, qualitative research is concerned with phenomena involving quality or kind.

This study was employed quantitative approach because it involves generation of data in a quantitative form that enable to carry out statistical analysis, interpretation and presentation.

The study was cross-sectional that the data was collected at one point in time.

3.3 Research Design

Research methodology is about solving a research problem systematically. Kothari (2004), states that research methodology is wider scope than research methods, and it gives answer for questions such as what, why, where, when, and how the research has been undertaken, as well as how the research question has been defined. It also considers the logic behind the methods we apply in the context of our research study and explain why we are using a particular method or technique.

According to Ogula (2005) a research design is a plan, structure and strategy of investigation to obtain answers to research questions and control variance. The study used both descriptive and explanatory study design to examine the effect of reward management on employee retention. This study adopted a descriptive research design because of its ability to describe a situation and its minimum bias in collection of data. According to Kothari(2004), descriptive research includes survey and fact finding enquires of different kinds and its major purpose is description of the state of affairs as it exists at present.

Explanatory approach was employed to identify or establish the existence of cause and effect of variables and to test relationships between independent and dependent variables.

3.4Population and Sample Size Determination

The total population for this study was employees of MCE working around Addis Ababa. The target population for study was 1159 employees during the study period (March - April, 2019).The researcher used simple random sampling to select sample from the population. Of interest is homogenous and population studies are more representative because everyone has equal chance to be included in the final sample that is drawn.

The target population for the study comprised all full time employees from the all construction projects of the company around Addis Ababa, head office and Kality Terminal. A sit was indicated above, the total population for the study is 1159. The sample size of employees that were studied was determined by applying the formula developed by Yamane (1967).The formula used to calculate sample size is shown below.

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

Where: N= Population size

n= Sample size

e= Margin error of the study set at ±5%

$$n = \frac{1159}{1+1159(0.05)2}$$

n=297 employees

Hence, samples of 297 respondents were selected through simple random sampling for the survey.

The distribution or sub- sample of size for each working place was determined using the formula Krecjie and Morgan (1970) as follow:

$s = \frac{Xs}{p}$

Where;

s=sub-sample size for each working place

X= population of employees in each working place

S= Total sample size for the study

P= Total number of population

Table 3.1 Total number of population and sample size distribution

Working Places	**Number of Employees in each Working place**	**Total Number of Target population in Percent (%)**	**Sample Size**
Head Office	145	12.5	37
Kality Terminal	309	27	79
Red Cross Project	285	24.5	73
Lame Dairy Project	363	31	93
Amdihun Project	57	5	15
Total	1159	100	297

Source: Survey Data

3.5 Source of Data Collection and Survey Instrument

The source of data for this study was both primary and secondary. Different articles, journals company's documents and books related to the study topic were referred. The survey instrument used for this study was adopted from various studies.

The study used mainly primary data that is opinions of respondents concerning various aspects of reward practices in relation to employee retention at MCE.

The instrument for data collection was through the use of a structured questionnaire by applying a five point Likert Scale. The questionnaire was consisting of two parts: The first part of the questionnaire gathers information on profile of the respondents. The second part measures the level of reward practices such as, direct financial compensation, career development, and work life balance are being practiced in this particular company. The questionnaires were distributed with a cover letter outlining the objective of the research along with direction for filling out the survey.

The respondents are requested, to respond to a series of statements by rating ranging from1=strongly disagree, 2=disagree, 3= neutral, 4=agree, and 5= strongly agree as shown in the appendix A.

The study conducted by use of self-administered method of drop and pick. The questionnaires were hand delivered to ensure safe delivery and collection.

Before questionnaires were distributed to the research participants, the questionnaires were translated into Amharic and checked the correctness of the meaning by expert who has knowledge in the field. Then, the questionnaire pilot-tested using purposely selected a sample of 50 respondents, and got comments from my advisor. Amendments were made to simplify the questionnaires based on the suggestion and recommendation emerged from the pilot survey thus, the questions could be understood easily.

3.6 Validity and Reliability

Validity can be defined as to the extent to which a test measures what we actually desire to measure. Reliability deals with an accuracy and precision of a measurement procedures. Validity refers to the extent which differences found with a measuring instrument reflect true differences among those being tested.

As it is indicated in several literatures, validity should be based on the statement that what is being studied can be measured or captured seeks to validate the reality or truth of any result or conclusions drawn from the data, shows that the conclusion found are dependable and that the methods justify the conclusion.

The validity of this study instrument was measured through opinion of expert especially the advisor and the researcher himself. It was also tested during the pilot study. Any ambiguity or non- clarity in the questionnaire items was cleared before the questionnaires were distributed to the respondents for data collection.

Reliability Result

In order to check the reliability of the result and to confirm its consistency over time and accurate representation of the total population under study, Cronbach's alpha was employed. It t is the most widely used method.

Bryman (2015) describes reliability as consistency of measurement or the extent to which an instrument measures the same method every time with similar subject and it is used under the same situation. The questionnaire's reliability of the study was statically measured by measuring the internal consistency by applying Cronbach's alpha.
The alpha coefficients of the subscales were found to be satisfactory when compared to the guide line of α > .70 (Nunnally& Bernstein, 1994). As indicated in table 3.2, direct financial compensation (.708), Career development (.809) and met the criterion of reliability in satisfactory manner.

The Cronbach alpha's value range between 0.60 to .0.90 for the variables of the questionnaires used to be reliable

Table 3.**2 Reliability Value of the Scale**

Scale	Cronbach'sAlpha	No. of Items
Direct Financial Compensation	.708	8
Career Development	.807	9
Work Life Balance	.725	12
Retention	.750	5

Source: Own Survey Data
The internal consistency reliability of the measure used in the study can be considered to be good and reliable.

3.7 Data Analysis Method

Data analysis deals with the conversation of data into significant information for making decisions, editing, error correction, rectification and compiling the information gathered. Cronbach's alpha was calculated to determine the internal reliability of the instrument. The statistical Package for Social Science (SPSS) version 20 used for statistical analysis. The study used both descriptive and inferential statistics to analyze quantitative data. Descriptive statistics would enable the researcher to carry out data analysis process using the mean, standard deviation, frequencies and percentage in an effective and meaningful manner. The results from the data analysis were presented in the form of tables, graphs and charts.

In relation to inferential statistics the study used correlation analysis and multiple linear regressions to determine the relationship between dependent variable and independent variables as well as to show the effect of and influence of independent variables on dependent variable.

3.8 Research Ethics

The study was conducted taking into account the ethical responsibility. All respondents were assured of the confidentiality of the data and their own anonymity. A brief description of the purpose and benefits of the research was disclosed to participants in order to put them at ease, and to enable them knowing why they are being asked questions and to motivate them to answer questions truthfully. Furthermore, they were informed of all aspects of the research.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter presents data analysis, findings, interpretation and presentation. Demographic information, descriptive analysis, inferential analysis of the study is clearly described. Correlation and regression analysis are also used to assess the relationship between dependent and independent variables.

The purpose of this study was to examine the effect of reward management on employee retention in MCE. Primary data was collected through questionnaire from employees of MCE. Before starting the analysis processes, the researcher carried out data editing, categorizing and coding it appropriately. Data collected was analyzed using Statistical Package for Social science (SPSS) version 20 Software.

4.1 Response Rate

The sample size of this study was 297 employees, and the same number of questionnaires were prepared and distributed and out of this, 260 were duly filled and returned. These represent 88% of the questionnaires. Mugenda & Mugend, (2008) described that a response rate of 50% is adequate for analysis and reporting while rate of 60 % is good and a response rate of 80% and above is excellent. Thus, this response rate was adequate for analysis and reporting.

4.2 Demographic Characteristics of Participants

In this sub-section personal information of the respondents that obtained from the returned questionnaires which include: gender, age, marital status, educational level, service year in the company, current position and their salaries are summarized and described using frequencies and percentage as follows:

Table4.1 Socio- Demographic Distribution of Respondents, Shows Frequency & Percentage of Background Variables of Participants in the Study.

Background variable	Group	Frequency	Percent
Gender	Male	196	75.4
	Female	64	24.6
Age	<25	9	3.5
	26-35	66	25.4
	36-45	85	32.7
	46-55	52	20.0
	>55	48	18.5
Marital status	Married	180	69.2
	Single	64	24.6
	Divorced	6	2.3
	Widowed	10	3.8
Educational level	<12th & complete	120	46.2
	College Diploma	86	33.1
	1st Degree	46	17.7
	2nd Degree & Above	8	3.1
Service year in the company	<5 year	63	24.2
	6-10	47	18.1
	11-15	52	20.0
	16-20	30	11.5
	>21	68	26.2
Position	Non- Management	247	95.0
	Management	13	5.0
Salary	<2999	73	28.1
	3000-5999	97	37.3
	6000-8999	44	16.9
	9000-11999	23	8.8
	12000>	23	8.8

Source: Own Survey Data

Gender

A total of 260 participants involved in this study of which three-fourth 196(75.4%) were male and the remaining 64 (24.6%)were female. However, this doesn't have any effect on the result of the study. Almost one-third of the total participants 85 (32.7%) were in the age range of 36-45 years old. 66 (25.4%) of participants were in the age range of 26-35 years old. 52(20%) and 48(18.5%) of participants were in the age range of 46-55 and more than 55 years old respectively. Minorities of participants, 9(3.5%)were 25 and less than 25 years old This implies that they had good exposure that would enable them to understand the relation between reward practices and employee retention.

Marital Status

For marital status, the majority of participants, 180(69.2 %,) were married whereas 64(24.6%) were single. The remaining minorities, 10(3.8%) and 6(2.3%) were widowed and divorced respectively.

Educational Level

Regarding educational level of participants, relatively the majority, 120(46.2 %,) were having educational qualification of 12th grade complete and below grade 86(12. 33.1%) were having educational level of college diploma whereas the remaining minorities, 46(17.7%) and 8(3.1 %,) were having educational level of first degree and second degree and above respectively. This would enable them to understand reward systems and employee retention properly.

Service Year in the Company

As far as the service year of participants is concerned, almost half of the total participants, 26.2%, were having 21 and more than 21 years of service in their organization. 24.2% of participants were having 5 and less than 5 years of service, 20% were having 11-15 years of service, 18.1% were having 6-10 years of service and the remaining 11.5% were having 16-20 years of service in their organization. This indicates that they had a good understanding of reward management practices and employee retention. As far as participants' position is concerned, the majority of participants, 95%, were having position of non-management whereas the remaining minorities, 5%, were managers.

Finally, participants' salary was asked. 37.3% of participants reported that their salary was 3000-5999 birr per month. 28.1% of participants said that they earn 2999 and less than 2999 birr per month. 16.9% of participants reported that their salary was 6000-8999 birr per month. The remaining minorities of equal proportions of 8.8% reported that they earn 9000-11999 and 12000 and more than 12000 birr per month respectively. Being low paid implies that it has negative effect on employee retention.

4.2 Descriptive Statistics Analysis

In this part, descriptive statistics, in the form of mean and standard deviation were presented to demonstrate the level of agreement of the respondents in relation to MCE. The response of the respondents for the variables shown below was rated using five point Likert scale ranging from 1= strongly disagree 2= disagree 3=neutral 4=agree and 5= strongly agree.

According to Zaidatol and Begheri (2009), cited by (Wogari, 2016) the mean score below 3.39 is considered low, whereas the mean score ranging from3.40 up to 3, 79 is considered moderate, and mean score above 3.80 is considered high, as depicted in the following table.

Table 4.2 Description **of Mean Value Score Using Five Point Likert Scale**

No.	Mean Value	Description
1	< 3.39	Low
2	3.40 up to 3.79	Moderate
3	above 3.80	High

Direct Financial Compensation

Respondents were requested to rate the extent to which they agreed with statements in relation to direct financial compensation in the company. The mean and standard deviation were used to summarize the study findings in table 4.3 below. Most employees were not happy with the direct financial compensation of their company. They had rating low most of the items which comprise; the Company offers salaries that is adequate& match the work (Mean=1.822, SD=.9438), the company's pay is competitive to the market (Mean=1.61, SD=.7564), my salary is fair and equal to my colleagues in the similar jobs and positions in the company (Mean=1.996, SD=.0872),Salary adjustments are made in the company within reasonable time (Mean= 1.664, SD=.8064),I am happy with allowance and bonus I get at company based on my position (Mean=1.842, SD= .9614),I am paid for any over time I worked (Mean=3.722, SD=1),receiving formal monitory recognition for my efforts is very important to me (Mean=3.86, SD=1.04), and giving employees cash bonus motivate employees to remain in the company (Mean=3.99, SD=1.049).

Table 4.3. Means & Standard Deviations Distribution of Respondents for Indicators of Direct Financial Compensation

	ITEMS	N	Mean	SD
	Indicators of Direct Compensation			
1	The Company offers salaries that is adequate & match the work	259	1.822	.9438
2	The Company's pay is competitive to the market	259	1.61	.7564
3	My salary is fair and equal to my colleagues in the similar jobs and positions in the company	259	1.996	.0872
4	Salary adjustments are made in the company within reasonable time	259	1.664	.8064
5	I am happy with allowance and bonus I get at company based on my position	259	1.841	.9614
6	I am paid for any over time I worked	259	3.722	1.00
7	Receiving formal monitory recognition for my efforts is very important to me.	259	3.86	1.04
8	Giving employees cash bonus motivate employees to remain in the company	259	3.99	1.049
	Aggregate Mean		2.56	.829

The analysis above shows that majority employees agreed that they are not offered salaries that is adequate & match the work, the company's pay is not competitive to the market, their salary is unfair and not equal to their colleagues in the similar jobs and positions in the company, salary adjustments are not made in the company within reasonable time, and they are not happy with allowances and bonus they get at company based on their positions.

However, they also agreed that receiving formal monitory recognition for their efforts are very important to them and most of them agreed that giving cash bonus to employees can motivate them to remain in the company.

Compensation is considered the most important factors for attracting and retaining the talent (Willis, 2000). Affair wages are the foundation elements of the implied and contractual bond between employers and employees. Compensation play pivotal role in employee's motivation which leads to employee's to stay in the company. Pay in the organization should be in line with pay for comparable jobs in other organizations, otherwise companies may not able to attract and retain talented employees. This can be achieved when external market is systematically examined by a process of external bench marking. Direct financial compensation lower than that offered by the market would lower both employee satisfaction and desire to work as employees search for the organizations that pay better.
Likewise, Griffeth et al (2000) have suggested from their studies that when high performers receive inadequate remuneration look out for alternative employment.

Career Development

Nine (9) items were used to measure career development among respondents. The research participants were requested to rate the statements. Table 4.4.Shows how respondents rated various items of career development. Majority of the respondents had also rated low most the statements of the indicators of career development including; Skills development opportunities are widely available in the company (Mean=3.015, SD=1.329), I am offered opportunity to grow and develop (Mean=2.60, SD=1.272), I am offered opportunity to grow and develop (Mean=2.60, SD=1,272).

Career advancement opportunities available in the company motivate employees to stay in the company (Mean=2.61, SD=1.265), employees' selection system for career development opportunities is fair, transparent &equitable (Mean=2.038, SD=.999),the company has a well-defined succession plan (Mean= 1.938, SD=.966),the company encourages employees to upgrade their skills (Mean=2.26, SD=1.204), there is a practice of job rotation in the Company (Mean=2.83, SD=1.290).While giving employees opportunities to develop their skills encourage them to remain in the company (Mean=3.81, SD=1.2), and Giving employees opportunities to develop their skills encourage them to remain in the company (Mean=4.27, SD=.7823) were rated high by the respondents.

Table 4.4 Means and Standard Deviations distribution of Respondents for Indicators of Career Development

	ITEMS	N	Mean	SD
B	**Indicators of Career Development**			
1	Skills development opportunities are widely available in the company	259	3.015	1.329
2	I am offered opportunity to grow and develop	259	2.60	1.272
3	Giving employees opportunities to develop their skills encourage them to remain in the company	259	3.81	1.20
4	Career advancement opportunities available in the company motivate employees to stay in the company	259	2.61	1.265
5	Employees' selection system for career development opportunities is fair, transparent & equitable	259	2.038	.999
6	The company has a well-defined succession plan	259	1.938	.966
7	The company encourages employees to upgrade their skills	259	2.26	1.204
8	There is a practice of job rotation in the Company	259	2.83	1.290
9	Opportunity for learning more and developing new skills is very important to me	259	4.27	.7823
	Aggregate Mean		2.81	1.15

Similarly, from the above analysis opportunity for learning more and developing new skills is very important to me (Mean=4.27, SD=.78), and giving employees opportunities to develop their skills encourage them to remain in the company (Mean=3.81, SD=1.2). Findings of this study are in line with other researchers. One of the key factors of the retention of skilled employees is the provision of training and development opportunities (Chitalu, 2011). To gain and maintain competitive advantage organizations required talented and productive employees and these employees need career development to enhance and cultivate their competency (Prince, 2005).

Career development is vital for both the employees and employer (Hall, 2002). Development of employees creates promotion opportunities within organization and provides training opportunities and skill development to improve their employee's employability on external labor market (Butler & Waldrop, 2001). Investment on employee training and career development is considered one of important factor in employee retention.

Work Life Balance

Respondents were asked to rate the extent to which they agreed with the statements in relation to work life balance practice of the company. There were 12 work life components used to establish the relationship between reward management practices and employee retention in MCE. The result in table 4.5 shows that the respondents agreed with I have good working relation with my supervisor & my colleagues (Mean=4.23, SD=.7552), I am given leave with no problems when I request to solve my personal or family problems (Mean=3.99, SD=.919), Do you feel that organizations should consider the following mechanisms important those employees not to miss work? Child care (Mean=4.06, SD=.8757). The respondents moderately agreed with statements include; To carry out my duties efficiently the level of support that I get from my supervisor is good (Mean=3.6, SD= 1.10), Do you feel that organizations should consider the following mechanisms important those employees not to miss work? Part time work (Mean=3.55, SD=1.05), flexi time (Mean=3.41, SD=1.19), my job does not cause stress or anxiety in my life (Mean=3.41, SD=1.14), majority of the respondents disagreed with the statements comprise; the overall working system of this company assists me to work comfortably and perform efficiently (Mean=2.779, SD=1.26), My working hours are reasonable and I have sufficient time for work and time for my personal life(Mean= 3.22, SD=1.19), Arrangement of working hours that permit employees to fulfill their work obligation and life motivate them to remain in the company (Mean=3.285,SD=1.26), Do you feel that organizations should consider the following mechanisms important those employees not to miss work? Telecommuting (Mean=3.36, SD=1.24)

Table 4.5 Means and Standard Deviations Distributions of Respondents for Indicators of Work Life Balance

	ITEMS	N	Mean	SD
C	**Indicators of Work Life Balance**			
1	I have good working relation with my supervisor & my colleagues	259	4.23	.7552
2	I am given leave with no problems when I request to solve my personal or family problems	259	3.99	.919
3	Arrangement of working hours that permit employees to fulfill their work obligation and life motivate them to remain in the company	259	3.285	1.261
4	The overall working system of this company assists me to work comfortably and perform efficiently	259	2.779	1.26
5	To carry out my duties efficiently the level of support that I get from my supervisor is good	259	3.625	1.10
6	Do you feel that organizations should consider the following mechanisms important those employees not to miss work?			
	6.1 Child Care	259	4.06	.8757
	6.2 Telecommuting	259	3.36	1.24
	6.3 Flextime	259	3.41	1.1991
	6.4 part time work	259	3.55	1.054
7	My job does not cause stress or anxiety in my life	259	3.41	1.14
8	My working hours are reasonable and I have sufficient time for work and time for my personal life	259	3.22	1.194
	Aggregate Mean		3.53	1.09

In the above analysis work life balance findings consistent with findings by Gaan, (2008) which states existence of family support, such as alternative schedules, supervisor support, co-workers support, flex time, work –family culture and family benefits etc. within the organization helps a lot in retention of qualified employees. According to Thompson and Prottas (2005), the relationship between employee intention to quit and organization support such as supervisor support, flex time, work family culture and co-workers support are correlated and organization support reduce employee intention to quit. Furthermore, Yanadoria and Katob (2010) examined the family support effects at workplace and concluded that relationship between work family support and employee retention, the existence of family support within the organization reduce the turnover intention and help the retention of talented employees in the organization.

Intention to Stay

In order to determine the perceived effect of reward management practices on employee retention, it is imperative to identify the employee's intention to stay in the organization. Respondents were asked to rate levels of their agreement with statements related to employee's intention to stay. Table 4.4 shows how respondents rated various items using five points Likert Scale ranging from 1=strongly disagree to 5=strongly agree. When respondents were asked whether they intend to stay in this organization for longer time most of the respondent disagreed (Mean=2.86, SD=1.22), when respondents were requested whether they have been happy in their stay in this organization majority of the respondents disagreed (Mean=2.89, SD=1.26), similarly, when respondents were asked if they would be looking for other jobs (Mean=2.78), SD=1.12),the management encourages staff to work longer (Mean=2.27, SD=1.13), With development of this company I will grow (Mean=3.76, SD=1.21).

Table 4.6 Means &Standard Deviations Distributions of Respondents for Indicators of Intention to Stay

	ITEMS	N	Mean	SD
D	**Employees' Intention to Stay**			
1	I intend to stay in this company for longer time	258	2.86	1.22
2	I am happy with my stay in this company	258	2.89	1.26
3	I am not looking for other jobs	257	2.78	1.127
4	The management encourages staff to work longer	258	2.27	1.13
5	With development of this company I will grow	258	3.76	1.21
	Aggregate Mean		2.91	1.189

The analysis of the above implies that employees disagreed that they are likely to stay in the company.

Employees who are happy and satisfied with their compensation packages always put their efforts to accomplish the organizational goals.

According to several literatures, the reasons to stay employees in organization are organization reward system, growth and development, pay package and work life balance.

Table 4.7 Aggregate Means & Standard Deviations of respondents for Indicators of DF, CD, WLF& Intention to Stay

	ITEMS	N	Mean	SD
1	Direct Financial Compensation	259	2.56	.82
2	Career Development	259	2.81	1.15
3	Work life balance	259	3.53	1.09
4	Intention to stay	257	2.91	1.18

Source: Own Survey Data

Aggregate means and standard deviations were used to summarize the findings of the study in table 4.7,the statements were rated using a five point Likert scale with each aspect rated from 1(strongly disagree) to 5 (strongly agree). Most employees were not satisfied with both direct financial compensation, and career development of their company. Most items had low ratings which include direct financial compensation (Aggregate Mean=2.56, Agg.SD=.82), career development (Aggregate Mean=2.81, Agg.SD=1.15). On the basis of the study results, majority of the respondents do not enjoy the direct compensation offered by the company.

The analysis above indicates that the majority of the employees agreed that they are not offered opportunities to grow and develop, the company do not have a well-defined succession plan, The Company do not encourage employees to upgrade their skills, and there is no practice of job rotation in the Company through the rating of career development (Aggregate Mean=2.81, Aggregate SD=1.15).

Regarding work life balance, score was (Aggregate Mean= 3.53, Agg.SD= 1.09). This indicates that more than half of the respondents were of the view that work life balance practices available in the company encourage employees to remain in the company.

Intention to stay score was (Aggregate Mean=2.91, Aggregate SD=1.18).This indicates that the majority of the employees do not likely to stay to the Company.

Based on the study employee's retention is likely to be higher in an organization that offer higher salaries, bonuses, allowances, career advancement opportunities and facilitate work life balance.

4.4 Relationship among Variables

Table 4.8 Correlation Statistics of Retention

	Retention	DF	CD	WLF
Retention	1	.417**	.512**	.455**
DF		1	.565**	.448**
CD			1	.496**
WLF				1

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

According to Reimann, Filzmoser, Garrett and Dutter (2008) correlation analysis estimates the extent of the relationship between any pair of variables. The correlation coefficient is a measure of this relationship and depends on the variability of each of the two variables. Because of covariance, correlation coefficient can take a number with + or – sign (Reimann et.al, 2008). One of the widely-used methods to calculate a correlation coefficient is the Pearson product moment correlation. This method result in a number between −1 and +1 that expresses how closely the two variables are related, ±1 shows a perfect 1:1 relationship (positive or negative) and 0 indicates that no systematic relationship exists between the two variables (Reimann et.al, 2008). In relation to the magnitude of correlation coefficient, Cohen (1988) stated that a correlation coefficient between, 0.10to 0.29 can be considered as small or weak, from 0.30 to 0.49 medium and from 0.50 to 0.10 large or strong.

Table 4.8 shows correlation between dependent and independent variables. As can be seen in table 4,8, retention had statistically positive significant relationship with all independent variables (DF, CD and WLF). For instance, retention had statistically significant positive and strong correlation with CD, $r = 0.512$, $p < 0.01$. This implies that better opportunities for career development have effect on employee retention. There was a moderate significant positive correlation between retention and WLF, $r = 0.455$, $p < 0.01$. Similarly, the correlation between retention and DF was moderate and positive, $r = 0.417$, $p < 0.01$. This implies that as one variable increase, the other variable also increases and vise-versa. For example, as the company direct financial compensation increases employees' retention increase and vice-versa.

Table 4.8 also shows correlation among independent variables. The result indicated that the correlation among all independent variables were positive and statistically significant. The first strong correlation was between DF and CD, $r = 0.565$, $p < 0.01$. There was a moderate significant positive correlation between WLF and CD, $r = 0.496$, $p < 0.01$. Similarly, there was a moderate significant positive correlation between DF and WLF, $r = 0.448$, $p < 0.01$

4.5. **Multiple Linear Regressions**

Tests of assumptions for Multicollinearity, Outliers, normality, linearity, Homoscedasticity, independence of residuals

Multicollinearity

The variables (DF, CD and WLF) have shown significant relationship with each other which was not too high (see table 4.9) In addition the assumption of multicollinearity can also be assessed using SPSS as part of multiple regression procedure. In the collinearity statistics section, Tolerance and VIF values are given. Tolerance is an indicator of how much of the variability of the specified independent is not explained by the other independent variables in the model and is calculated using the formula (1 – R squared for each variable. If this value is small (less than 0.10) it indicates that the multiple correlation which other variables is high, suggesting the possibility of multicollinearity (Pallat, 2007). In the present study the tolerance value for each independent variable was not less than 0.10, therefore, this also suggests that the assumption of multicollinearity was not violated (see table 4.9). The other value given is the VIF (Variance inflation factor), which is just the inverse of the Tolerance vale. VIF values above 10 would indicate multicollinearity (Pallat, 2007). Again in the present study the VIF value was less than 10 for all independent variables (see table 4.9). This also indicates that the assumption of multicollinearity was not violated.

Table 4.9 Collinearity Statistics Test of Independent Variables

Variable	Collinearity Statistics	
	Tolerance	VIF
DF	.643	1.555
CD	.607	1.648
WLF	.713	1.402

Homoscedasticity - "homogeneity of variance" assumption or homoscedasticity. It states that the variances of the same variable, selected from independent samples, will be equal. In regression analysis, this assumption states that the variances of the *Y*s, for each *X*, will be equal. The standard suggestion for examining the assumption of homoscedasticity in regression analysis is to plot the predicted *Y* values against the residual values. If points are concentrated around 0 in the scatter plot, it indicates that the assumption of homoscedasticity is satisfied (Pallat, 2007). The scatter plot shows that the points are concentrated around 0 which shows that no violation of homoscedasticity (see figure 4.1).

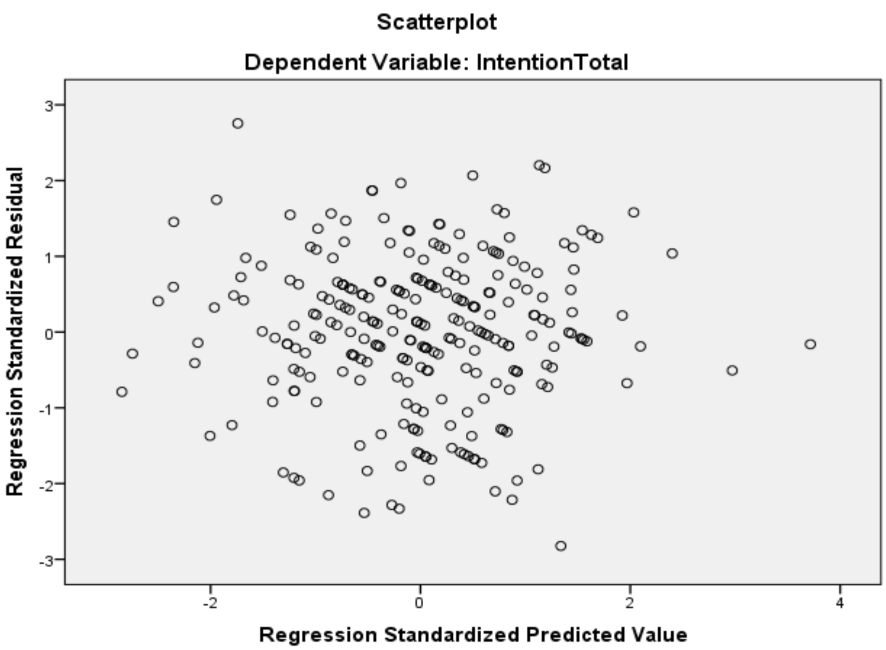

Figure 4.1, Scatter plot of Retention

Normality, This assumption can be checked by inspecting the Normal Probability Plot (P-P) of the Regression Standardized Residual and the Scatter plot shown as part of the analysis. If points lie in a reasonably straight diagonal line from bottom left to top right in the Normal P-P plot, no major deviation from normality can be suggested (Pallat, 2007). In the present study, we can easily inspect from the Normal P-P plot that points line in a reasonably straight diagonal line from bottom left to top right for all dependent variables (see figure 4.2). This suggests that the assumption of normality was not violated.

Independence of residuals and Outliers

In the Scatter plot of the standardized residuals, the residuals were roughly rectangular with most of the scores concentrated in the center, along the line 0. This also suggests no violation of the assumption of independence of residuals (Pallat, 2007). Outliers can also be detected from the Scatter plot. From this Scatter plot we can find that there were no major outliers.

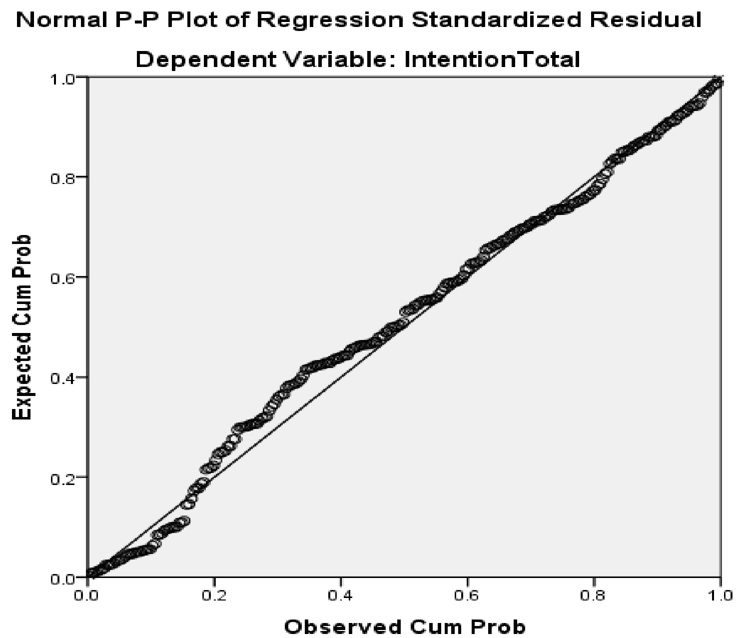

Figure 4.2 P-P plot of Retention

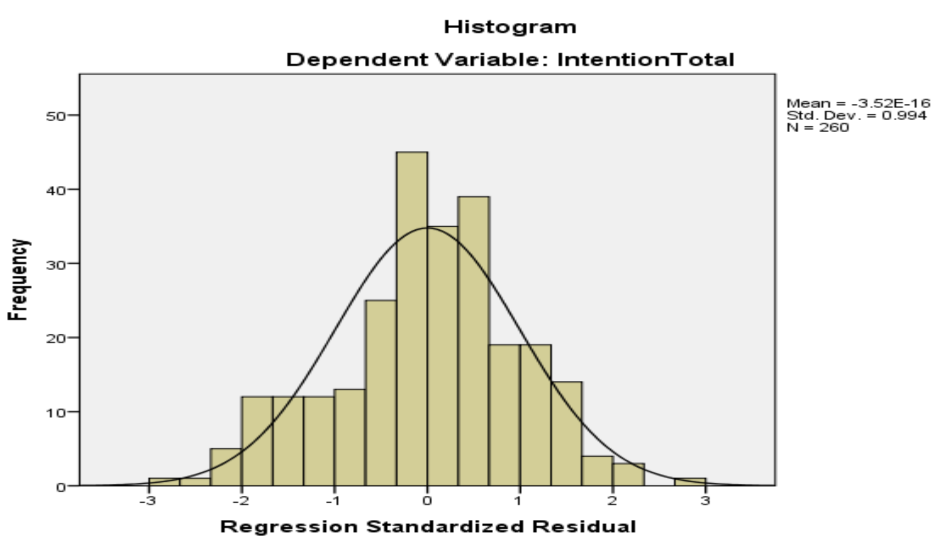

Figure 4.3, Histogram of Retention

In summary, as we can understand from the above paragraphs, all the essential assumptions, such as multicollinearity, outliers, normality, homoscedasticity, and independence of residuals for computing regression analysis were not violated for using linear regression.

Table 4.10, the Influence of Predictor Variables on Retention: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.571[a]	.327	.319	3.48107

a. Predictors: (Constant), WLF, DF, CD

b. Dependent Variable: Retention

As shown in table 4.10, the value of adjusted R square is 0.327. This value tells how much of the variance in the dependent variable **Retention** is explained by the model (WLF, DF, and CD). In other words, multiplying R Square value with 100, the model explains 32.7% of the variance in the dependent variable **(Retention)**.

Table 4.11 Goodness of Fit – ANOVA Result

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1504.036	3	501.345	41.373	.000[b]
Residual	3102.160	256	12.118		
Total	4606.196	259			

a. Dependent Variable: Retention

b. Predictors: (Constant), WLF, DF, CD

The goodness of fit results of linear multiple regressions with Retention as the dependent variable and variables (WLF, DF, and CD) as predictors is reported in table 4.11. The model reveals a statistically significant relationship between Retention and predictor variables, $F(3,256) = 41.37$, $p < 0.001$. In other words, the model was significant.

Table 4.12 Regression coefficients of predictor variables in predicting the dependent variable, Retention.

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.467	1.451		.322	.748
DF	.124	.061	.130	2.029	.043
CD	.207	.042	.320	4.865	.000
WLF	.156	.040	.238	3.923	.000

a. Dependent Variable: Retention

In order to assess the influence of predictor variables on retention, multiple linear regression analysis was computed. The table 4.12 shows that, all the three predictor variables, i.e. DF, CD and WLF made a statistically significant prediction in predicting the dependent variable, Retention. In order to evaluate the contribution or influence of each independent variable to the dependent variable, we can see the Beta value. In the table 4.12 above, the Beta value for predictor variable, CD was 0.320 which implies that this predictor variable made the first strong positive and statistically significant influence in explaining or predicting the dependent variable Retention when the variance explained by all other variables in the model is controlled for. In addition, WLF made a statistically significant positive prediction to the dependent variable with Beta value of 0.238. This implies that WLF made the second strong influence in predicting the criterion variable, Retention. Furthermore, DF made the third strong positive influence/contribution in predicting the dependent variable, with Beta value of 0.130.

4. 6 Testing Hypotheses

Table 4. 13 Hypothesis Result

Null Hypothesis	**P-Value**	**Results**
Direct Compensation	**.130**	**Reject**
Career Development	**.320**	**Reject**
Work life Balance	**.238**	**Reject**

In order to assess the effect of predictor variables on retention multiple linear regressions was computed. All the three predictor variables DF, CD and WLF made a statistically significant prediction in predicting dependent variable employee retention. The Beta value for predictor variable, CD was 0.320 which implies career development made the first strong positive and statistically significance effect in explaining or predicting the dependent variable retention when the variance explained by all other variables in the model is controlled. WLF made the second strong effect in predicting to the dependent variable retention with Beta value of 0.238. DF made third strong effect in predicting the dependent variable retention with Beta value of 0.130.

Therefore, based on these findings the following hypothesis;

Null Hypotheses (H0). Direct financial compensation has no significant effect on employee retention is rejected.

- **Alternative hypothesis (H1).** Direct financial compensation has significant effect on employee retention is accepted.

H2. Null hypothesis (H0). Career development has no significant effect on employee retention is rejected.

- **Alternative hypothesis (H1**). Career development has significant effect on employee retention is accepted

H3.Null hypothesis (H0). Work life balance has no significant effect on employee retention rejected.

- **Alternative hypothesis (H1).** Work life balance has significant effect on employee retention is accepted

Likewise, As can be seen on page 48 in table 4.8, the correlation analysis revealed that retention had statistically positive significant relationship with all independent variables (DF, CD and WLF). That means, retention had statistically significant positive and strong correlation with Career Development, $r = 0.512$, $p < 0.01$. This implies that better opportunities for career development have effect on employee retention. There was a moderate significant positive correlation between retention and work life balance, $r = 0.455$, $p < 0.01$. Similarly, the correlation between retention and Direct Financial Compensation was moderate and positive, $r = 0.417$, $p < 0.01$. This implies that as one variable increase, the other variable also increases and vise-versa. This indicates that, as the company direct financial compensation increases employees' retention increase and vice-versa.

The above correlation analysis result shows that all independent variables had satirically positive significant relationship with employee retention. This is an indication of these independent variables have positive influence on retention. Therefore, three of the Null hypotheses are (H0) rejected in favor of the Alternative hypotheses (H1).

CHAPTER FIVE
FINDINGS, CONCLUSTIONS AND RECOMMENDATION

This chapter presents a summary of major findings of the study draws conclusion and makes recommendations. It also includes a limitation of the study, and suggests areas for further studies.

5.1 Summary of Findings and Discussions

The descriptive result indicates that majority of the respondents were not satisfied with direct financial compensation system of the company, They said that they were not offered salaries that is adequate & match the work, the company's pay is not competitive to the market, their salary is unfair and not equal to their colleagues in the similar jobs and positions in the company, salary adjustments are not made in the company within reasonable time, and they are not happy with allowances and bonus they get at company based on their positions.

However, they also agreed that receiving formal monitory recognition for their efforts are very important to them and most of them agreed that giving cash bonus to employees can motivate them to remain in the company. This is an indication that where the company provides cash bonuses to its employees, they are likely stay to in the company.

The career development opportunities that exist in the company is not also encouraging.
Majority of the respondents had rated low most of the statements of the indicators of career development including; Skills development opportunities are widely available in the company (Mean=3.015, SD=1.329), I am offered opportunity to grow and develop (Mean=2.60, SD=1.272), I am offered opportunity to grow and develop (Mean=2.60, SD=1,272).
Career advancement opportunities available in the company motivate employees to stay in the company (Mean=2.61, SD=1.265), employees' selection system for career development opportunities is fair, transparent &equitable (Mean=2.038, SD=.999), the company has a well-defined succession plan (Mean= 1.938, SD=.966), the company encourages employees to upgrade their skills (Mean=2.26, SD=1.204), there is a practice of job rotation in the Company.

At the meantime, most of the respondents agreed that opportunity for learning more and developing new skills is very important to them (Mean=4.27, SD=.78), and giving employees opportunities to develop their skills encourage them to remain in the company (Mean=3.81, SD=1.2). This implies that these components play an important role in employees' retention in MCE.

Generally from descriptive statistics majority of the respondents satisfied with work balance practices in the company. They agreed that they had good working relations with their supervisors & their colleagues; they were given leave with no problems when they requested to solve their personal or family problems, their working hours are reasonable and they have sufficient time for work and time for their personal life.

The study shows correlation between dependent and independent variables. Employee retention had statistically positive significant relationship with all independent variables (DF, CD and WLF). Employee retention had statistically significant, positive and strong correlation with CD, $r = 0.512$, $p < 0.01$. There was a moderate significant positive correlation between retention and WLF, $r = 0.455$, $p < 0.01$. Similarly, the correlation between retention and DF was moderate and positive, $r = 0.417$, $p < 0.01$. This implies that as one variable increase, the other variable also increases and vise-versa.

In order to assess the influence of predictor variables on retention, multiple linear regression analysis was computed and all the three predictor variables, i.e. DF, CD and WLF made a statistically significant prediction in predicting the dependent variable (Retention). In order to evaluate the contribution or influence of each independent variable to the dependent variable, we can see the Beta value for predictor variable, (CD) career development was 0.320 which implies that this predictor variable made the first strong positive and statistically significant influence in explaining or predicting the dependent variable (Employee Retention). This meant that when the variance explained by all other variables in the model is controlled for. In addition, WLF made a statistically significant positive prediction to the dependent variable with Beta value of 0.238. This implies that (WLF) Work life balance made the second strong influence in predicting the criterion variable, Employee Retention. Furthermore, (DF) Direct financial compensation had made the third strong positive influence/contribution in predicting the dependent variable, with Beta value of 0.130.

5.2 Conclusions

The study examined the effect of reward management on employee retention in relation to MCE. Based on the findings, the results indicate that reward management practices such as direct financial compensation, career development and work life balance practices and employee retention had statistically positive significant relation. Furthermore, reward management practices career development, work life balance and direct financial compensation had significant effect on employee retention in case of MCE.

The study revealed that most of the respondents were not satisfied with direct financial compensation system of the company. The career development opportunities that exist in the company are not also encouraging. Majority of the respondents are happy with the work life balance practices in the company.

The study drew a conclusion of that majority of the respondents indicated that direct financial, career development and work life balance are important components of employee retention.

It is important for the management to develop reward systems that is based on expectation of employees, comparable with market packages, fair, equitable and consistent, in the form of both financial and non-financial rewards that can persuade employees to remain in the organization.

5.3. Recommendation

- The management should develop a total reward structure that includes financial and non-financial compensation and offers to its employees. The financial and non-financial rewards should match the performance achieved against set targets of each employee.
- The company should adjust its employees’ salaries and benefits within reasonable time. When prices rise over a period of time and pay does not, the real pay value is actually reduced. Therefore, a pay increase must be made at least equivalent to increased cost of living. The adjusted salary should be externally competitive, and internally fair and consistent based on the employees’ performance, competency, educational levels and experiences.
- Reclassification, as one of the organizational instruments should be used by the company to meet changes in its HR requirements as may be necessitated by organizational dynamics.

- Create opportunities for employees to learn and grow so that it enhances their desire to remain in the company. Arrange job rotation; example, a mason should learn how to paint, plaster and carry out tile activities. Dozer operator should be trained how to operate grader, excavator and loader machines. Facilitate employees to attend short term training relevant to their work.
- Career development programs should be designed to help employees in meeting new demands through a range of developmental and skills upgrading activities. The company should also have a structured career development plan.
- Progression scheme should be implemented to enable employees to take theoretical and or/ practical examination in their profession in order to upgrade their positions titles to the next higher classification.
- The company should promote employees based on qualification, experience, proficiency and demonstrated work performance. Provide feedback to employees who are under performing and reasons not being promoted.
- The reward program should be fair, transparent and equitable. The reward practices being applied should be merit based and key performance indicators should be stated and make clear to employees in order to ensure fairness in determining merit based rewards. Decisions affecting employees should be communicated and be as fair as possible.
- Implement policies that enable employees to reach a better work life balance. This includes the extent to which a specific job is interesting and challenging to the employee.
- Arranging transport for the daily travel from office to home. Introduce child care, part time work schedule. Based on the nature of the work, with tasks for which an employee's interaction is limited can be possible to arrange flexible working hours. For example, in profession like engineering, lawyer, surveying etc. sometimes, employees with these types of profession may not be required to present at their jobs the whole week. Depending on the volume of the work and availability of the cases if they work a specific number of hours a week may meet the work program of the company. Alternative work schedule option can benefit both the company and an employee.
- Introduce program which help to improve the employees' attitude towards team work.

5.4 Further Research

A similar study should be carried out to examine effect of other reward management practices on employee retention. In addition to structured questionnaires which have been applied in this study, administering face to face interviews could be given some very important information. Further it is also recommended to carry out similar study in different construction organizations or other sectors.

5.5 Research Limitation

This study relied on structured questionnaires and so answers were limited to that of given statements. This denied opportunities to other opinions which may be outside the structured formats.

Other limitation of this study is that, generalizing the findings in case of MCE may not be applicable to other organizations due to the factors that are only unique to their specific cases.

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Appendix: A

Addis Ababa University College of Commerce

Department of Human Resources Management

Questionnaires

Dear Respondents,

Thank you for agreeing to participate in our study survey, the purpose of the study is to examine effect of reward management on employee retention: In case of MIDROC Construction Plc. This questionnaire aims to collect primary data for this research purpose only and your response will be highly appreciated and kept confidential. In answering these questionnaires, please be as objective as possible to give your honest and factual view. Please make sure that you don't need to write your name on the questionnaires.

Answer all questions by ticking the option that applies in the table below. Your cooperation in completing the questionnaires is vital and makes the study more useful.
I would like to express my appreciation for your cooperation and assistance and emphasize that all information will be treated with the strictest confidentiality.

If you have any comments or questions that is related to the study, you can contact me through the following address; Gashaw Eshete (2510911 40 99 88) or e-mail eshetegashaw75@gmail.com.

Yours sincerely,

GashawEshete

Part I Personal Information

1. **Sex** Male ☐ Female ☐

2. **Age** 18-25 ☐ 26-35 ☐ 36-45 ☐ 46-55 ☐ Over 55 ☐

3. **Marital Status**

   Married ☐ Single ☐ Divorced ☐ Widowed ☐

4. **Educational Level**

   Below &12th Complete ☐ Diploma ☐ Degree ☐ 2nd Degree & above ☐

5. **Years of Service in the Company (year)**

   < 5 ☐ 6-10 ☐ 11-15 ☐ 16-20 ☐ >21 ☐

6. **Level of Responsibility**

   None –Management ☐ Management ☐

7. Salary Range

   < 2999 ☐ 3000- 5999 ☐ 6000- 8999 ☐ 9000-11999 ☐

   >12000 ☐

Part II **Specific Information**

S. No	Components	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	Indicators of Direct Financial Pay					
1	The Company offers salaries that is adequate &match the work					
2	The Company's pay is competitive to the market					
3	My salary is fair and equal to my colleagues in the similar jobs and positions in the company					
4	Salary adjustments are made in the company within reasonable time					
5	I am happy with allowance and bonus I get at company based on my position					
6	I am paid for any over time I worked					
7	Receiving formal monitory recognition for my efforts is very important to me.					
8	Giving employees cash bonus motivate employees to remain in the company					
B	**Indicators of Career Development**					
1	Skills development opportunities are widely available in the company.					
2	I am offered opportunity to grow and develop					
3	Giving employees opportunities to develop their skills encourage them to remain in the company					
4	Career advancement opportunities available in the company motivate employees to stay in the company					
5	Employees' selection system of for career development opportunities is fair, transparent & equitable					
6	The company has a well-defined succession plan					
7	The company encourages employees to upgrade their skills					
8	There is a practice of job rotation in the Company					
9	Opportunity for learning more and developing new skills is very important to me					
C	**Indicators of Work Life Balance**					
1	I have good working relation with my supervisor & my colleagues					

2	I am given leave with no problems when I request to solve my personal or family problems					
3	Arrangement of working hours that permit employees to fulfill their work obligation and life motivate them to remain in the company					
4	The overall working system of this company assists me to work comfortably and perform efficiently					
5	To carry out my duties efficiently the level of support that I get from my supervisor is good					
6	Do you feel that organizations should consider the following mechanisms important that employees not to miss work?					
	6.1 Child Care					
	6.2 Telecommuting					
	6.3 Flextime					
	6.4 part time work					
7	My job does not cause stress or anxiety in my life					
8	My working hours are reasonable and I have sufficient time for work and time for my personal life					
D	**Employees' Intention to Stay**					
1	I intend to stay in this company for longer time					
2	I am happy with my stay in this company					
3	I am not looking for other jobs					
4	The management encourages staff to work longer					
5	With development of this company I will grow					

Thank you for completing the questionnaires!