



**Addis Ababa University**

**School of Commerce**

**The Effect of Compensation Practices on Employees'  
Job Satisfaction: A Case Study of MoHA Soft Drinks S.C.  
Hawassa Millennium Pepsi Cola Plant.**

**By**

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**October, 2018**

**Addis Ababa**

**Addis Ababa University**  
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**By**

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A Thesis Submitted to Addis Ababa University School of Commerce In Partial  
fulfillment of the Requirements for the Award of Master of Arts Degree in  
Human Resource Management

Advisor

Worku Mekonnen (PhD)

**Addis Ababa**  
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## **STATEMENT OF CERTIFICATE**

This is to certify that Ayalew Ayza has carried out his research work on the topic entitled, The Effects of Compensation Practices on Employees' Job Satisfaction: A Case Study of MoHA Soft Drinks S.C. Hawassa Millennium Pepsi Cola Plant for the partial fulfillment of Master of Art Degree in Human Resource Management (MA in HRM)

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**ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE**  
**GRADUATE PROGRAM**

The Effects of Compensation Practices on Employees' Job Satisfaction: A Case Study of MoHA Soft Drinks S.C. Hawassa Millennium Pepsi Cola Plant

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## DECLARATION

I Ayalew Ayza declare that this work entitled **The Effect of Compensation Practices on Employees' Job Satisfaction A Case Study of MoHA Soft Drinks S.C. Hawassa Millennium Pepsi Cola Plant** is outcome of my own effort and that all sources of materials used for the study have been duly acknowledged. I have produced it independently except for the guidance and suggestion of the research advisor. This study had not been submitted for any degree in this University or any other University. It is offered for the partial fulfillment of the degree of MA in Human Resource management.

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## **Acronyms**

ANOVA	Analyses for Variance
HMPCP	Hwassa Millennium Pepsi Cola Plant
HRM	Human Resource Management
MoHA	Mohammed Hussen Ali Alamoudin
S.C.	Share Company
SD	Standard Deviation
SE	Standard Error
SPSS	Statistical Package for Social Science

## **Abstract**

*The globalization era requires employees to have good performance and results. Therefore, many companies implement compensation system. Effective compensation is expected to add value to employees' job satisfaction to stimulate employees to always work better.*

*The objectives of the study were to determine the effects of compensation practices on employees' job satisfaction in the Case Study of MoHA Soft Drinks S.C. Hawassa Millennium Pepsi Cola plant. The study employed descriptive survey research design. Simple random sampling method was used to select a sample size of 204 employees drawn from the target population of 417. Responses had collected through administration of questionnaire. To ensure the validity of the instruments, both face and content validity had used. Data collected was categorized coded and then tabulated using SPSS. The quantitative data was analyzed using descriptive statistics, means frequency tables and percentages.*

*The research findings have shown that pay, recognition, promotion opportunities, and meaningful work are factors of compensation management, which have significant effect on job satisfaction on Employees. It can be conclude that Compensation at MoHA Soft Drink S.C. Hawassa millennium had classified as good and can improve employees' job satisfaction. The analysis has shown that a close correlation between compensation practices and on employee job satisfaction. The result of the study suggests that compensation practices are important factors that company need to focus to keep employees' satisfaction.*

**Key words: Compensation, benefits, work–life benefits, Recognition, Career Development, Job Satisfaction, MoHa Soft Drinks**

# CHAPTER ONE

## INTRODUCTION

This chapter introduces the research by presenting background of the study and demonstrating the need for the research. An explanation as to why this research had conducted within the MoHA manufacturing industry had given. The research objectives and questions had presented in the context of the conceptual framework and scope. Limitations and definitions of terms had presented.

### **1.1. Background of the study**

Human resource management becomes a significant aspect of an organization's prosperity. Because it is a human, who built up and develop the organization to effectively and efficiently achieve its objectives. Today human acknowledged as the most valuable asset for an organization, so that they should be properly administered (Kabene et al,2006). Employees are termed as the human capital of the company. So that without proper compensation management, they can't be properly managed and retained. As we all know that hiring cost is much higher than retaining cost. Therefore, it is necessary that employees in companies are well compensated to achieve their goals effectively and efficiently. Thus, Employees are the corner stone of the companies, without employees companies are nothing.

The compensation package comprises of monetary and non-monetary benefits that includes salary, special allowances, house rent allowance, travel allowance, mobile allowance, employee stock options, club memberships, accommodations, retirement benefits and other benefits.

Compensation is the area of human resources management which involves making decisions about pay that are fair, equitable and competitive with current market rates; providing employees with incentives to improve performance; ensuring that benefits packages are cost effective and serve to motivate employees, and making certain that all compensation-related policies and programs comply with government requirements (Hamel, 2008).

Human Resource is a vital function of business, because it is employees who carry out all the functions of the company. Here the problem or question is whether companies are applying the appropriate compensation strategies with respect to their human resource issues ? Are their strategies achieving their desired results? These questions leads to identification of

problems like de-motivation, dissatisfaction of employees and customer, high turnover etc. and therefore needs to be studied with care. .

According to Armstrong and Brown, (2005), described that Compensation management is one of the central pillars of Human Resources Management. It is concerned with the formulation and implementation of strategies and policies that aim to compensate people fairly, equitably and consistently in accordance with their value to the organization. Compensation management is an integral part of HRM approach to managing people and as such it supports the achievement of business objectives and it is strategic in the sense that it addresses long term issues relating to how people should be valued for what they want to achieve.

Other writers (Bob and Anyebe, 2003) indicated compensation management as being based on a well-articulated philosophy a set of beliefs and guiding principles that are consistent with the values of the organization which recognizes the fact that if HRM is about.

A literature reviewed showed that compensation packages have relationships with workers' job satisfaction. A study established a theoretical framework based on equity theory and used it to examine how different compensation packages might be influencing workers' job satisfaction. .

Compensation is a fundamental component of human resource management. It covers economic reward in the form of wages and salaries as well as benefits, indirect compensation or supplementary pay (Ojo, 2008). Compensation emanates basically from the fact that it provides income to workers and constitutes an important cost item to the employer (Martocchio, 2011).

Compensation plays a significant role as it is the back-bone of any employment relationship more especially in an industry like MOHA Soft Drinks Share Company which requires human effort to achieve its objective. Workers cannot put their effort without return for their labor as referenced to classical theory.

Employees' compensation is divided into two categories: the intrinsic and extrinsic reward. Intrinsic rewards relate to a psychological mindset that had experienced by workers at work. whereas the extrinsic reward covers employees' pay and benefits, which workers enjoy as a result of their contribution to the organization (Armstrong, 2002).The most vital tool for creating value to organization is extrinsic compensation (Lai,2012).

Therefore, this research has undertaken on extrinsic and intrinsic reward. Extrinsic compensation does not only involve salary alone but all remuneration, benefits and allowances offered to the employees for their service (Bhattacharya and Sengupta, 2009; Bruvik and Gibson, 2010). Moreover, this research had applied the theoretical framework based on equity theory to examine how the elements of total compensation might influence workers' motivation, job satisfaction, attraction and retention at work. Thus, the principal dimensions of total compensation that give rise to different reactions among workers also examined in this study.

The focus of this study is the compensation packages in form of pay (salary and other allowances) and workers' benefits (pension and gratuity), recognition, promotion opportunities and meaningful work which MoHA Soft Drinks Hawassa Millennium Pepsi Cola Plant Share Company employees are enjoying, in form of seniority and longevity pay. Therefore, seniority and longevity pay system compensates workers based on the time spent in service, that is to say; pay increases in a number of years put in service (Martocchio, 2011).

This research has explored various compensation factors that influence employees on job satisfaction for their work efficiently and effectiveness in flourishing their performance in order to meet company's goals.

### **1.1.1 Back ground of the Company**

According to company's working document 2017, Pepsi cola traces its origins to 1898 when Caleb Braham, a pharmacist in New Bern North Carolina, created a curative drink for dyspepsia called Pepsi cola. Pepsi cola later referred to simply as a Pepsi was a mixture of carbonated water Cana sugar syrup, and an extract form topical cola nuts. To sell this product, Brabham formed the Pepsi cola company in 1903. In addition to selling the drink at the drug store counters, Bardham bottled Pepsi for sale on store shelves. At this time, bottling was a new innovation in food packaging.

However, due to major increases in the price of sugar, Braham began to lose money on Pepsi and in 1923 he filed for bankruptcy. The Craven holding company of craven country, North Carolina, purchased the company's assets. In 1931 Charles G. Guth of the Loft Company in New York City purchased Pepsi cola from holding company. Goth had getting difficulty the business going again, but he increased sales by selling larger bottles at an unchanged price.



by 1933 Pepsi cola was sold by 313 franchised U.S dealers bottled in the United States, Cuba, and England and sold in 83 countries.

### **Pepsi start in Ethiopia**

Nefas Silk Pepsi cola, plant in Ethiopia, is the first Pepsi cola plant in Ethiopia and was established in 1966 as Share Company with an initial capital of 1 million birr. The capacity of the bottling line at that time was 20000 per hour (bph). 1986, the plant was renovated and expanded to a capacity of 50000 bph with twin fillers. Total renovation and expansion investment cost was birr 6647944.00.

T/Haimanot Pepsi cola plant was established in 1961 as ‘Saba tej’ share company , but nationalized in 1975 replacing the old line and stated predicated Pepsi cola, Miranda and team brands in January 1978. Gondar Pepsi cola plant, before nationalization was owned by private individual produced wilkfitte water. The Ethiopian beverage corporation made a new feasibility study on Pepsi cola product which got the blessing of the government to erect the currently operating plant in 1986. Dessie plant, Dessie soda industry was established in 1952 by and individual owner 1979. The plant discontinued other soda products and start producing Pepsi cola, Miranda brands and carbonated Tosa water. Hawassa Pepsi cola plant is a new Pepsi cola plant with capacity of 36,000 bph of 300 ml .it was established in August 2007 which can cover the demand of the southern region.

MOHA(Mohamed Hussein Ali\_Amoudin)soft drinks industry s.c. was formed and registered under the commercial code of Ethiopia on the 15<sup>th</sup> of may 1996. this company was formed after the acquisition of four Pepsi cola plants located at Addis Ababa Nefas silk & T/Haimanot Gonder and Dessie which were purchased by sheik Mohamed Hussien Ali Amoudin on the 18<sup>th</sup> of January 1996,through BID which was tendered by Ethiopian privatization agency. The handover of the factories was finalized on the 4<sup>th</sup> of April 1996.

Since it dates of establishment it is producing and distributing five types of soft drinks namely: Pepsi, Miranda orange, 7up, Mirinda Apple, Mirinda tonic

According to MOHA Soft Drinks Industry S.C working document (2017:7)the company is one of the biggest manufacturing industries in Ethiopia. It was established on May 15, 1996 acquiring Nifas Silk Plant, Tekle Haimanot Plant, Gondar Plant, and Dessie Plant from the Ethiopian Privatization Agency with paid capital of Birr 108,654,000. The Company currently has eight operating units including Summit Plant, Bure Plant, Mekele Plant and Hawassa Plant in the Southern Nations & Nationalities People's Region.

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

Compensation management has always been a central problem for managers and companies as it has various impacts on productivity, it affects how willing employees are performing their duties, how many efforts they will extend, and how well they perform it. Keeping employees happy is certainly one of the things that need to focus on. This is especially, true if the company has gone through the trouble to find employees that really feel are valuable to business each and every way. Once companies have found the employees that fit into company business, do good work and that company can trust, do not want to lose them. Employees who are good at what they do or who are good employees are going to know that they can find work anywhere, so they are going to need to be kept happy, no matter what company do, So that company should not lose them.

Compensation makes a prime role and is the primary factor among all other factors, which includes company image, job satisfaction, welfare facilities, job security etc. Designing compensation to gain employee satisfaction is a burning issue in both service and manufacturing industries. Compensation practices are directly related to employees but it also affects an organization performance in this competing world too.

As Armstrong and Murlis (1994) believe, companies should implement compensation practices that include both financial and non-financial aspects as this would ensure the satisfaction of employees needs, thus, increasing levels of employees commitment and performance. Resource based theory as stated by novel, (2015) that “employees are major sources of competitive advantage” in any business environment. As managers gets things done through others, it is essential that the manager should understand matters that motivate and satisfy employees to perform better to the extent of their capacity and get full commitment toward ensuring organizational effectiveness. So, the vital issue here in different companies is how to get employees satisfied on their job and try to do better job that contributes to organizational success and how to retain these satisfied employees for long period in the company Greer, (2001).

As well and skillfully designed compensation practices can give company a competitive advantage. In addition, it can help the company to generate the business strategy that influences the organizational outcomes. These outcomes may or may not contribute to

employee retention, productivity, service quality and job satisfaction. Now a day, many organizations believe that strategic values and well-designed total reward systems can provide employee retention, productivity, service quality and job satisfaction.

It is known that MoHA has long experience in manufacturing industry even if it does not have clear reward policy as pilot study shows (observation of employees reaction). So, this study focuses on the assessment of problems related with compensation practices of MoHA soft drinks S.C Hawassa Millennium pepsi cola plant. So that recommendation was forwarded to solve problems in this area of practices.

Still the problem not solved is whether the compensation package offered by Hawassa Millennium Pepsi Cola Plant is enough or not to satisfy its employees. Moreover, there is not enough evidence that the compensation packages provided to employees have direct effect on employees on job satisfaction as a result to improve the performance of the company and to achieve company's goals.

### **1.3. Research Questions**

Based on the above stated problems, the research questions that are answered by this research were;

1. What is the satisfaction level of employees of the different component of compensation?
2. Do the compensation practices; pay, promotion opportunity, recognition and meaningful work have directly contribute to a significant extent on job satisfaction?
3. To what extent compensation practices variables affects employees job satisfaction?

### **1.4. Objective of the study**

#### **1.4.1. General Objective**

The general objective of this research is to examine the Effect of Compensation Practices on Employee Job Satisfaction: A Case of MOHA Soft Drinks Hawassa Pepsi Cola Millennium plant.

### **1.4.2. Specific Objectives**

To be more specific, the study had undertaken in order to:

1. Identify the satisfaction level of employees of the company.
2. Examine the relationship between pay and employees job satisfaction.
3. Identify the relationship between recognition and employee on job satisfaction.
4. Ensure the effect of promotion opportunities on employee's job satisfaction.
5. Investigate the significance of meaningful work on employee's job satisfaction.
6. Examine which type compensation practices are best contributed to employees job satisfaction than other.
7. Understand the influences of compensation practices on employees job satisfaction in the case of MoHA soft Drinks S. C. of Hawasa Millennium Pepsi Cola Plant.

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

The results of this study are significant in various respects. Firstly, the study was to identify level of employee satisfaction on the various components of compensation on the bases of the findings and the report draws some conclusions and gives signal to the Finance and Human Resource Management of the company to take remedial action to boost satisfaction of employees and ultimately improve company productivity.

Second, the study would be able to help concerned authorities and departments of multinational corporations by providing them a concrete study regarding the potential of a compensation system to boost up the performance of the company by satisfying its employees; MOHA soft drinks in particular.

Thirdly, it gives the researcher the opportunity to gain deep knowledge in the practice of compensation management effects of employee satisfaction. Finally, it could help in providing additional document based information for multinational corporations and researchers who would like to pursue on similar issues in the future.

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

Due to time limit, inaccessibility, difficulty in manageability and the researcher was interested to Conduct this research only at MoHA Soft Drinks S.C. Hawassa Millennium Pepsi Cola Plant. This makes things easier to collect information required for this research both from Hawassa branch as well as head office.

There are eight Pepsi plants operating nationwide. Had it been possible to cover all of them, the results gained from the study could have made the study more complete. Hence, taking all constraints into account, the scope of this study was limited to the Effect of Compensation Practices on Employees Job Satisfaction: A case of MOHA Soft Drinks Hawassa Millennium Pepsi Cola plant. As a result, the conclusions that would be derived from this study might not necessarily be the real reflection of the situation in the country's another Pepsi plant. Moreover the study had limited permanent employees as a participant of the study and precludes contract and casual workers.

## **1.7. Limitations of the study**

There were many challenges that affect the quality of this study and pull back the progress. These limitations raised from the researcher due to lack of previous experience & not using all compensation variables' that have impact on employees job satisfaction, because of using secondary data and using data collected from permanent employees only respondents may lack of awareness and willingness to fill questionnaire genuinely, lack of dedication to respond all the questionnaire were main reasons that pull back this research. Despite the fact that this study revealed the extent on how compensation influences private company employees, some limitations need to be considered. This research was conducted in MoHA Soft Drinks S.C. specifically Hawassa Millennium Pepsi Cola Plant, and the variables used in establishing the relationships in the study are limited to pay, recognition, promotion opportunity, meaningful work and job satisfaction. Therefore, future researches can be conducted in other companies using additional variables which have not been employed in this study.

## 1.8. Operational Definition of Terms

**Benefits:** Indirect financial and non-financial payments employees' receive for continuing their employment with the company (Desseler, 2003, 527).

**Bonus:** A grant of money as gratuity to works. A special earned payment based on for example production. Anything well come that received over and above what is expected or usual (Webster, 1991, 110).

**Company:** A business organization that makes money by providing or selling goods or services. (Webster, 1991,239).

**Compensation:** the wage rate and the expected benefits for employees. To include but not limited to wages. Fringe benefits, scholarships, tuition reimbursement, coupons, from community organization, relocation cost and signing benefits.(Desseler,2003,301).

**Direct financial payments:** - pay in the form of wages, salaries, incentives, commissions and bonuses (Desseler, 2003,529).

**Effect:-**on somebody /something causes in somebody or something else; a result.(Webster,1991,678).

**Employee Compensation:** - all forms of pay or rewards going to employees an arising from their employment (Desseler, 2003,528).

**Job:-** work for which somebody receives regular payment.(Armstrong,2006).

**Job satisfaction:** the attitudes and feelings people have about their work, positive and favorable attitudes towards the job indicate job satisfaction (Armstrong, 2006).

**Management:-** Individuals who achieve goals through other people (Robbins, 1992, 2).

**Merit pay:** - Any salary increase awarded to an employee based on his or her individual performance (Desseler, 2003, 531).

**Satisfaction:-**the good feeling that somebody has when he/she has achieved something that he/she wanted to happen do happened does; .something that gives good feeling.(Armstrong,2006).

## **1.9. Organization of the study**

The structure of this study is a five-chapter format. The introduction chapter describes among other things the Topic, Background of the study, Statement of the problem, Research questions, Objective of the study, Significance of the study, Scope and limitation of the study Definition of terms and Organization of the study. Chapter two treats Review of related literature and is segregated along the areas to be examined within the data; the meaning of compensation and compensation management, component of compensation and compensation management as related to employee on job satisfaction. Chapter three provides a rationale for methodology chosen the statistical test performed and description of methodology used in the study. While chapter four documents result and discussion of the analysis performed and provides interpretation from this information. Finally, chapter five concludes major findings and presents the recommendations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

Chapter two treats Review of related literature and is segregated along the areas to be examined within the data; the compensation packages; the concept of compensation and meaning; the objectives of compensation management; components of compensation; importance of compensation; job satisfaction, the concept of job satisfaction; causes of job satisfaction; gauging appropriate benefits for different needs; compensation links to job satisfaction; pay; recognition; promotion and meaningful work; conceptual frame work and hypothesis.

#### **2.1. Theoretical Literature**

There has been extensive coverage in research and studies that associate employee compensation with employee satisfaction. Human resource management practices including compensation may give a competitive edge to one corporation over its rivals (Schuler and MacMillan 2004). Thomas E. Catanzaro (2001) in his article Compensation & Motivation described the effects of compensation over employee satisfaction. He stated that compensation has a profound effect over employee motivation. He also discussed several factors of compensation, which include both intrinsic, extrinsic factors, and their possible effects over employee satisfaction in detail.

Wright and Barney (2007) say that human resource should not be neglected because they can bring competitive advantage to organization. Therefore, they should be managed with equal importance with other functions of the business. (Huselid, 2005) has emphasized on the fact that usage of high performance work practices i.e. comprehensive employee recruitment, Incentive compensation and performance management, extensive employee training and involvement programs surely increase competence of employees, increase their satisfaction and reduce turnover.

The significant and positive correlation between compensation design and employee satisfaction (Chang, 2006) indicates that compensation is an important function in human resource management. If the design and management of a compensation system are appropriate, enterprises will be able to attract the talents they require, satisfy their employees and thus keep the talents they have

There is need to define the two constructs/ variables used in this study, before measuring the impact of compensation on workers attraction. These are dependent and independent variables, which are compensation packages and job satisfaction.



### **2.1.1. The Compensation Packages:**

The research used the classification of compensation packages used in MOHA Soft Drinks Hawassa Millennium Pepsi Cola Plant Share Company employees. In this categorization, pay (salary) is a fixed amount paid to workers for the service or work done monthly salary and promotional salary increase). Salary is calculated on a monthly basis. It is designate to pay white-collar workers administrative, professional and executive employees (White and Drucker, 2000). Thus, salary is also called basic pay and allowances.

Allowances are monetary benefits other than salary offered to workers for specific purposes such as personnel movement, financial support and personnel engagement allowances. Benefits are supplementary compensation awarded to workers apart from the basic salary as a result of some certain circumstances like retirement in this context.

Pension is benefits to workers paid upon retirement monthly. A worker to be entitled for pension pay must put in at least ten years of service. Gratuity is lamp sum amount paid to workers after retirement (Amrstrong, 2002). Therefore, to qualify for the gratuity a worker must have served for at least five years.

#### **2.1.1.1. Concept of Compensation Management**

##### **The Meaning of Compensation**

In managing people in an organization, the manager must first satisfy the needs of the employees. Compensation by its definition means all monetary payments and all commodities instead of financial to recompense employees. Compensation refers to all forms of financial returns and tangible service and benefits employee receive as part of an employments relationship (Singh, 2007). Compensation is the area of human resources management which involves making decisions about pay that are fair, equitable and competitive with current market rates; providing employees with incentives to improve performance; ensuring that benefits packages are cost effective and serve to motivate employees, and making certain that all compensation-related policies and programs comply with government requirements (Hamel, 2008).

### **2.1.1.2. What is Compensation Management?**

Compensation by its definition means all monetary payments and all commodities used instead of financial to recompense employees. Compensation is one of the human resource management functions that deals with every type of reward individuals receive in exchange for performing organizational tasks, such as: wages, salaries and bonuses.

According to Bratton and Gold (2007:p 360),” Reward refers to all the financial, non-financial and psychological payments that an organization gives for the employees in exchange for the work they perform.” Regardless of any other reward, it gives to its employees, an organization must make three main decisions about monetary reward how much to pay, for whom to pay, and how much to pay. Emphasis should be placed on monetary reward as part of the total employment relationship. Thang (2004) suggests, “Compensation and reward can be powerful tools for getting efforts from the employees to fulfill the organizations goals.”

Rewards can be divided into financial and non-financial rewards and different strategies can be adopted for the allocation of rewards (Armstrong 2010,267). The rewarding has many different systems to follow. The financial rewards can be base pay, and performance related pay. Base pay is determined with internal and external rates that are the form of job evaluation and market rates and it is expressed with relation to a certain period i.e. year, month, and week. The levels of pay are agreed with individual agreements or with collective agreements with labor unions (Armstrong 2010, 275).

To complement financial rewards, there are different tools of non- financial rewards. Those focus on the needs that people have for recognition, achievement, responsibility, influence and personal growth. Money alone cannot be relied on motivating employees to work, so it should be reinforced with these non-financial rewards. If the motivation is achieved in such means, it can have longer lasting and powerful effect on people (Armstrong2010,279).

However, choosing an appropriate compensation mechanism is probably the core problem of HRM and represents the heart of personnel economics (Gar, Baldi p, 2006, P 82). Further, he stated that compensation packages must be consistent with profit maximization on the part of the firms, but they should also provide workers with the incentives to do as well as possible.

Compensation refers not only to extrinsic rewards such as salary and benefits but also to intrinsic rewards such as achieving personal goals, recognition, autonomy, promotion and

more challenging job opportunities (Carrell et al.,1995, p. 498 ). Job evaluation is used to evaluate jobs systemically and to assign them to pay grades. Standard methods of evaluation include ranking, classification, point, and factor comparison.

Compensation management is one of the central pillars of human resources management (HRM). It is concerned with the formulation and implementation of strategies and policies that aim to compensate people fairly, equitably and consistently in accordance with their value to the organization (Armstrong, bn,l2005).

Armstrong and Brown (2005) postulate that compensation management is an integral part of HRM approach to managing people and as such it supports the achievement of business objectives and it is strategic in the sense that it addresses longer term issues relating to how people should be valued for what they want to achieve; It is therefore integrated with other human resource management functions.

(Bob and Anyebe, 2003) see compensation management as being based on a well-articulated philosophy: a set of beliefs and guiding principles that are consistent with the values of the organization, which recognizes the fact that if, HRM is about. Armstrong (2005) in his own analysis says compensation management is all about developing a positive employment relationship and psychological contract that adopts a total compensation approach, which recognizes that there are a number of ways in which people can be compensated.

### **2.1.1.3. Objective of Compensation Management**

The objective of compensation function is to create a system of rewards that is equitable to the employer and employees. Huselid (1995) asserts that the compensation system is recognized as employee merit and it is widely linked with firm's outcomes. The reward system is recognized to attract and motivate so as to keep employees. Reward management is closely related to the performance management as usually the rewards follow successful performance

World a work (2002) argues that compensation philosophies and objectives must reflect the overall culture, philosophies and strategic plans of the organization. He posits that there are two basic compensation philosophies, which should be seen as opposite ends of a continuum. At one end of the continuum is the entitlement philosophy, at the other end, the performance-oriented philosophy. Employees and managers who subscribe to the entitlement philosophy believe that individuals who have worked another year are entitled to a rise in base pay and

that all incentives and benefit programs should continue unchanged regardless of changing industry or economic conditions. On the other hand, in case of performance-oriented approach, no one is guaranteed compensation just for adding another year to organizational service instead pay and incentives are based on performance differences among employees. Employees those who do not perform satisfactorily receive little or no increase in compensation. Pay systems are usually designed to compensate people for work they produce, the skills they learn and use, or the time they spend on the job. Individual-employee, team-based, and organization wide systems such as profit sharing and gain sharing are replacing automatic pay increases to relate pay to performance.

Fairness is critical when developing your compensation package. It is vital that businesses maintain internal and external equity. Internal equity refers to fairness between employees in the same business while external equity refers to relative wage fairness compared to wages with other firms or businesses. However for compensation to satisfy employees, transactions must be timely and accurate (John Fitzsimon, 2006).

French (1998) stressed the importance of perceptions of equity (to feel fairly treated) an individual should feel his/her contributions of education, training, skills, seniority, effort, and job performance are corresponding to his/her outcomes such as pay, benefits recognition, promotion and meaningful work. In addition these contributions and out comes should be consistent with those of other individuals such as co-workers and employees in the same job levels or/and same organization.

If they are not consistent a feeling of dissatisfaction is likely to occur. Dulebohn and Macmillan (1998) investigated in a field study employees' perceptions of the fairness of incentive pay plans. The findings indicated (Milkovich and Newman, 1999) consider equity (fair treatment for all employees, and a fair day's pay for a fair day's work) as a fundamental theme in pay systems.

Equity objective is to ensure fair pay treatment for all participants in organizational setting. Consequently, a pay system should be designed to recognize both employee contributions and employee needs. Compliance as a pay objective involves conforming to various federal and state compensation laws and regulations. As these laws and regulation change, pay systems often need to be adjusted to ensure continued compliance (Singh, 2007).

It is therefore critical that organizations align their compensation practice with performance to enhance the achievement of organizational goals, enhance competitive advantage and satisfy their employees. Compensation systems are designed to attract, retain, and motivate employees while complying with all legal rules and regulations.

#### **2.1.1.4. Components of Compensation**

Executive compensation systems normally include four components, including salary, bonuses, long-term incentives and benefits. Total compensation includes all forms of cash compensation (e.g. base pay, shift differentials, overtime, on-call pay, bonuses, commissions, etc.) and the dollar value of the employer-sponsored benefit package (e.g. health and dental insurance, long and short term disability, paid leave, retirement, life insurance).

According to Singh (2007), Compensation is typically divided into direct and indirect components. The term direct compensation is used to describe financial remuneration usually cash and includes such elements as basic pay, dearness allowance, overtime pay, shift allowance, incentives, bonus, profit-sharing bonus and commission etc. Indirect compensation or wage supplements or fringe benefits refer to such benefits as provident fund, pension scheme, medical and health insurance and sick leave and various other benefits and perks.

Long (2006) categorizes compensation into extrinsic and intrinsic rewards. Extrinsic Rewards are those rewards, which are most visible, such as job security or opportunities for promotion. They may be further divided into direct rewards, including cash compensation such as base pay and performance pay and indirect rewards generally classed as non-cash, or benefit items, that protect an employee's income or contribute to the employee's standard of living.

Total Compensation refers to all forms of pay or rewards going to employees as a result of their employment and can be broken down into three categories: Such as Base Pay, Performance Pay and Indirect Pay(Long, 2006) .

Although base pay remains the largest, most readily quantified component in most pay systems, indirect pay, often referred to as "benefits" constitutes a significant and increasing expenditure for many organizations. The term indirect pay acknowledges that benefits are an integral and significant part of total compensation for most organizations and should be considered a component of employee pay in the same way as base pay and performance pay. According to (Long 2006) averaging anywhere from 10 to 40% of a given organization's total

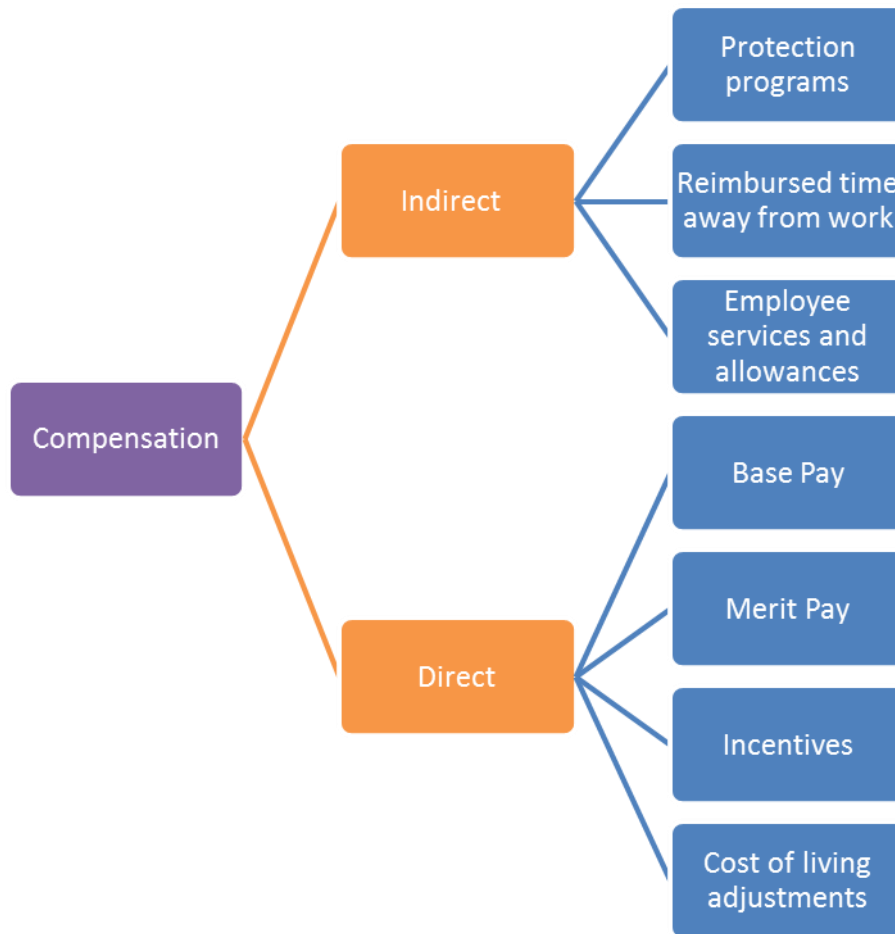
compensation, indirect pay can be any employee related expenditure not included in base or performance pay that is a gain to the employee. The six main categories of indirect pay are as follows:

1. Benefits mandated by law, including employer contributions to the Pension Plan, Employment Insurance, and the Workplace Safety and Insurance Board;
2. Deferred income plans, commonly known as retirement or pension plans;
3. Health-related benefits such as life, medical, dental, or disability insurance;
4. Pay for time not worked, such as holidays and leaves;
5. Employee services, ranging from employee assistance programs to food services;
6. Miscellaneous benefits ranging from provision of agency cars to purchase discounts on agency products or services.

Certain indirect compensation elements are required by law, such as: social security, unemployment and disability payments. Other indirect elements are up to the employer and can offer excellent ways to provide benefits to the employees and the employer as well.

Summarily the following figure shows the variety of forms of compensation adopted as far as this study is concerned. Pay may be received directly in the form of cash (e.g., wages, merit increases, incentives, cost of living adjustments) or indirectly through benefits and services (e.g., pensions, health insurance, paid time off). Programs that distribute compensation to employees can be designed in an unlimited number of ways, and a single employer typically will use more than one program. These pay delivery program typically fall into four forms: base wage, merit pay, incentives, and employee services and benefits.

**Figure 1 Compensation Components**



*Source:* Adapted from Chang (2006)

By combining many of these compensation alternatives, progressive managers can create compensation packages that are as individual as the employees who receive them (Aswathappa, 2008). For Singh, overall satisfaction is the result of a mix of rewards rather than any single reward (Singh 2007). With good design and consistent administration performance pay plans can aid in motivating employees toward meeting strategic objectives.

#### **2.1.1.5. Importance of Compensation**

In practice, the compensation should be based on the type of job the individual is doing and how one performs the job, although the demand and supply of the labor force are increasingly affecting the compensation. The compensation practice is seen as a tool of managing which supports the success of organization and motivates the workforce to act according to the values and objectives of the organization.

In addition, incentive compensation has a positive impact upon organizational performance, lower employee turnover and increases sales growth (Arthur, 1994). Particularly, salary growth effects on turnover are greatest for high performer that is high salary growth performing employees in the organization.

According to Noe et al. (2003, p.519), wages, bonuses, and other types of pay have an important influence on an employee's standard of living. This carries at least two important implications. First, pay can be a powerful motivator. An effective pay strategy can substantially promote an organization's success; conversely, a poorly conceived pay strategy can have detrimental effects. Second, the importance of pay means that employees care a great deal about the fairness of the pay process. A recurring theme is that pay programs must be explained and administered in such a way that employees understand their underlying rationale and believe it is fair.

Although compensation means something different to individuals, organizations and society, it is important to all. For individuals, compensation is not only the return of benefits, but it also reflects on individuals' capabilities or achievements (Ali, 2009). For organizations, compensation is a cost or expenditure, as well as an important tool to obtain competitive advantages. Within society, compensation not only influences wealth distribution, but also symbolizes social equity and justice. Therefore, the diversity of implications and influences of compensation are profound (Chang, 2006).

A compensation system is an encouragement design whereby the contribution of employees is returned. An effective compensation system can stimulate employees to work harder, thus increasing productivity (Creswell, 2008), and enhancing job performance. Babbie (2008) divided compensation into a reward system and non-reward system. In the former, enterprises distribute the returns to employees by money and various recompenses; in the latter, enterprises provide spiritual, psychological and physical welfare activities to employees. Beer (2003) suggests that compensation has two meanings for managers: first, it is the main operational expenditure of enterprises; second, it influences employees' work behavior and attitude. Wang (2005) suggested that in order to provide a return to labor, organizations should offer direct and indirect compensation to employees, including base compensation, subsidies, reward and welfare. Wang (2005) divided compensation into a base level of compensation, subsidies and rewards. Basic compensation includes salary and benefits. Subsidies include payments for rental housing, transportation, benefits to relatives,



compensation for special projects, overtime, delayed food supplies and danger pay allowances (it is established by the threaten physical harm or imminent danger to the health or well -being of a majority of employees officially stationed).

Willey (2007) suggested that compensation is not simply a return for labor service. It is an important tool that managers can use to influence and manipulate employee behavior. Therefore while designing compensation system in order to satisfy multiple goals; companies should consider several factors such as the health of employees, their postings, performance and skills.

## **2.2 Job Satisfaction**

Job satisfaction is one of the major concerns of organization because it affects organizational outcomes like employee performance and productivity, absenteeism and turnover (Onukwube, 2012). Most employees are proud of their various jobs (Onukwube, 2012) because they are satisfied. In fact, employees show the high degree of job satisfaction and low turnover intention, when the characteristics of their place of work satisfied their need (Bright, 2008).

Employees' on job satisfaction causes turnover and absenteeism. Employee on job satisfaction is therefore very important to retain the employees with their job (Robbins,2003). Employee satisfaction has a wide impact on the company overall productivity and returns. Employees with high job satisfaction care about the quality of their work, more committed to the organisation, and more productive.

Employee expectations of a compensation plan are that it is fair and equitable, that it provides them with tangible rewards commensurate with their skills and, further, that it provides recognition and a livelihood. Worner (2001) stated that job satisfaction has seven facets in which include work itself mean how much work is meaningful for people, salary that is paid to people, promotion opportunity for people and recognition.

### **2.2.1. The Concept of Job Satisfaction**

Locke (2006) defined job satisfaction as “job satisfaction is actually an enjoyable and exciting emotional condition which someone get in their work and an employee’s general attitude about the job”.

Job satisfaction is important for reducing turnover rate and increase motivation. Prior studies identified that there are different instrument for managing job satisfaction like pay, recognition, promotion opportunities and meaningful work (Mathauer et al., 2006). People will be more committed and more productive during their job if they are more satisfied (AlHussami, 2008). Satisfaction and dissatisfaction not only depend of the job but also depend upon employee's expectation about job (Hussami, 2008). Job satisfaction is considered to be the most important element in the organization. In order to succeed organization must keep their employees satisfied (Wubuli, 2009).

Job satisfaction is a significant factor in private company for better performance. Job satisfaction is actually a mixture of job role, job responsibilities, incentive and rewards. Job satisfaction is a combination of extrinsic and intrinsic job satisfaction. Extrinsic job satisfaction includes all the external factors like communication style, supervisor co-operation, pay and working conditions while intrinsic job satisfaction includes type of work the worker's do and the duty considered by the employee. When employee is satisfied, he will perform well in workplace.

To satisfy employees, organization provides different facilities to employees like to provide good working condition, fairness in job, give promotion and rewards to employees because these are the elements, which contribute to employee satisfaction (Parvin&Kabir, 2011).

Organizational reward system has a significant impact on the level of employee's job satisfaction. The major components of job satisfaction are- attitude toward the work group; general working conditions; attitude toward the company; monetary benefits; and attitude toward supervision. Health, age, level of aspiration, social status, and political and social activities are other factors that contribute to job satisfaction (Byars& Rue, 2004, p. 321).

Dipboye et al. (2004) categorized job satisfaction theory into three: The dual factor theory, Compares theories and Cognitive theories. The two or dual factor theory tried to highlight how job satisfaction is being influenced by intrinsic factors like responsibility and achievement. This support the assertion that the most significant condition or determinant factors for job satisfaction are intrinsic factors ( Borzaga and Tortia, 2006 ;Ellickson,2002; Kim, 2004, Wright and Davis, 2003). This conclusion of some writers like Herzberg is misleading and vogue since the prerequisite and the result for any responsibility and achievement of any task is extrinsic factors(rewards) as such it supposed to be given priority not intrinsic factors. Therefore, job dissatisfaction is affected by extrinsic factors such as

salary and working conditions. Compares theories cover concept such as need and value, meaning that workers measure what they expect to gain in their job and compare it with how it will satisfy their need and value.

### **2.2.2. Causes of Job Satisfaction**

The level of employee job satisfaction could be measured using five facets: pay, promotion, meaningful work, recognition, and supervisors and co-workers. Spector (2007) added contingent reward, fringe benefits, operating condition and communication among these facets.

Many researchers have found that job satisfaction can be influenced by some certain factors such as: factor related to working setting, factors related to specific aspects of the job and factors attributed to employees' involvement in the organization (Baron, 2006). Hassan (2009) viewed factors or determinants of job satisfaction in the organization as; Intrinsic motivating factors, which relate to job content, challenge, responsibility, control over work methods, and control over the workplace, the opportunity to use skills and abilities and involvement in decision making. Extrinsic factors which relate to workers compensation and the content in which the work is carried out e.g. pay, benefits, praise and so on. However, the most popular determinants of job satisfaction, which encompasses all other literatures for job satisfaction determinants, could be traced to five facets of job satisfaction. (Onukwube, 2012). Employees' dissatisfaction with pay can lower their morale and commitment, increase theft and enhance employee turnover (Currall et. al., 2005).

### **2.3. Gauging Appropriate Benefits for Different Needs**

Hallock (2010) suggests that the actual costs of insurance, retirement benefits, stock options, and time off may not reflect the value that employees place on these forms of compensation. And workers in different personal situations will value benefits differently. For instance, a childcare benefit means little to a childless employee, and generous healthcare coverage for dependents is not particularly helpful to an unmarried employee. However, both of those benefits could be extremely valuable to someone with a family. In similar fashion, a working mother may take a lower paying job with flexible hours that allows her to be home when her children get home from school. Retirement benefits may have different value to a young worker than to an older employee.

Hallock (2010) also suggests employers can optimize the salary/benefits formula by thinking carefully about how much benefits are worth to specific workers, versus how much they actually cost. He cites the real example of a worker who did not need her employer sponsored health insurance because her spouse held a secure government job providing generous dependent coverage. The worker asked her employer if she could drop the health insurance, which cost the employer \$10,000 annually, in exchange for \$5,000 in additional salary. While this change would have benefited both employer and employee by \$5,000 annually, the employer declined the worker's offer.

Hallock (2010) mentions that if employees are simply asked how they value specific benefits, they may not be able to give meaningful answers. Indeed, people are rarely able to predict their own responses to hypothetical situations. He suggests, rather, that changing compensation systems and observing employees' subsequent behavior provides concrete results for better decision-making and company human resource decisions. For example, in one study, a company wanted to determine how specific employees valued stock options, possibly to gauge how much cash would be needed to replace the options if they were discontinued (Hallock & Olson, 2009). The estimates that the researchers formulated differed widely from those that some standard economic models would have predicted.

In a similar study, a firm told its employees that they could take either fewer stock options or less at-risk bonus in exchange for higher guaranteed salaries (Hallock & Olson, 2009). The researchers found that men preferred the more risky types of compensation (such as stock options and at-risk bonus) than did their female counterparts.

Dreher, et.al(2008) found that level of benefits coverage and amount of employee contribution toward benefits cost affect both pay and benefits satisfaction. The study suggested that satisfaction increases as employee insurance coverage improves in terms of benefits and comprehensiveness, and satisfaction decreases when employees pay higher contribution for coverage.

The level of compensation is one of the more important job attributes to individuals (Jurgensen, 2008). Not surprisingly, salary or wages as measures of pay level consistently have been shown to predict pay satisfaction among a number of different occupational groups in different countries. In Hong Kong, base salary, merit pay, year-end bonus, annual leave, mortgage loan, and profits sharing were the most important factors to retain and motivate employees. In China, base salary, merit pay, year-end bonus, housing provision, cash

allowance, overtime allowance, and individual bonus were the most important factors to retain and motivate employees (Wang, 2005).

#### **2.4. Compensation links to Job Satisfaction**

It has been established in several studies that job related factors, such as pay, recognition, meaningful work, promotion opportunities, job security influences job satisfaction (Pouliakas and Ioannis,2010); whether the job involves difficult, boredom or risk, (Skalli,et al.2008); whether the job is fascinating, prestigious, or demanding (De Jonge and Wilmar, 2008); and whether the job involves little worker freedom, gives room for learning skill, allows one to be self- accomplished for getting something valuable (Bockerman and Ilmakunnas 2009; Clark 2008; Linz 2003).

However, the importance of pay and benefit in satisfying economic need of an employee could never over emphasis since what employee will gain in his employment relationship is salary and benefit; this statement has been supported by all the writers of job satisfaction in their explanation of determine employee job satisfaction in organization where they have written similar things like pay, recognition, promotion, meaningful work, work itself, and supervision.

All these determining factors of job satisfaction when looked at critically it can conclude that very important to job satisfaction.

There is a significant correlation between compensation/reward and workers' job satisfaction (Nelson, 2008). As views by Armstrong and Murlis (2006) that reward is a means through which various workers' need are satisfied. The thus unsatisfied Workers normally reduce workplace morale and lower productivity (Garrett, 2003).Job's satisfaction could be enhanced by increasing autonomy, stress reduction and above all rises in compensation package (Whitt, 2006).

#### **2.5. Compensation management as related to employee job satisfaction**

It is important for a company to realize how employees are satisfied with the benefits they are offered. With this realization comes the need of employee satisfaction. According to (Singh, 2007) the individual satisfaction with compensation is, in part, a function of what is expected and how much is received. Feeling of satisfaction or dissatisfaction arises when individuals compare the nature of their job skills, education, effort, and performance (input) with a mix of extrinsic and intrinsic reward they receive (output).

Employee satisfaction has always been a central problem for managers and companies as it has various impacts on productivity. It affects how willing employees are performing their duties, how many efforts they will extend, and how well they perform it. The employer has a responsibility to ensure the satisfaction of all of its employees. Employee satisfaction not only enhances the productivity, but also increases the quality of work.

Satisfied employees are likely to be more enthusiastic to work, productive and committed to the company, therefore, a sensible company makes its effort in attracting high calibre of person and to retain them, and continuously reward them for keeping and bringing more business for the company (Becker and Gerhart, 2006).

Hoppock (2005) was the first scholar to propose the concept of employee satisfaction, which he defined as the subjective reaction or satisfaction of employees with physical and psychological aspects of their work environment. Employee satisfaction” is also called “job satisfaction” (Wang, 2005). Locke (2006) proposed the Value theory, and suggested that employee satisfaction does not refer to individual needs, but is related to individuals’ wants, desires or values. If employees are well- paid, have a good work environment and promotion opportunities that meet their work values, employees will be satisfied. Schneider and Vaught (2004) indicated that employee satisfaction refers to the positive emotion employees feel after evaluating their work situation.

Employee satisfaction is a matter every company concerns, based on its significance to the employee well-being and prospects for long-term organisational growth. Human motivation to work can be categorised into two distinct types: the intrinsic value of the work of the individual (such as interest value) and extrinsic motivation, the desire to gain some outcome (e.g. rewards) apart from the work itself (Amabile, 2003).

According to Branham (2005), “Gallup studies” show that businesses with higher employee satisfaction also have:

- 86 percent higher customer ratings
- 76 percent more success in lowering turnover
- 70 percent higher profitability
- 78 percent better safety records.

Those employees who do work well to support the company may not be compensated for their efforts. Employers that choose to under compensate know that these employees will work hard for minimal pay, and these employers will compensate accordingly (Timpe, 2006). At the same time, the same employers will pay more to other employees who are not willing to work for minimal compensation. This compensation disparity leads to dissatisfaction because eventually the hard worker will notice that he or she is not being compensated fairly for work they are doing, and will begin searching for another company that will appreciate his or her labor.

From definitions given by different scholars, employee satisfaction can be perceived as the gap between a person's expectation in a specific work environment and the actual value obtained. High employee dissatisfaction on the other hand put the company at risk with high dysfunction turnover, high replacement costs, resources and expertise being lost or poached by the industry within (Hollenbeck and Williams, 2006). It becomes pivotal that the employees should have a positive mind set for the work which they do. If not, it will leave them annoyed and unhappy. In addition, this negative mind set will not only leave a bad impact on the social and family life but also renders an individual physically and emotionally distressed, (Schultz and Schultz 2008).

Employee satisfaction is affected by comparisons with other people in similar jobs and organizations. In effect employees compare their own input/output ratio with that of others (Singh, 2007). It is necessary for a company to perceive as to what employees feel, think, desire along with discovering how the workforce commitment can be increased. With amplifying employee devotion, business outcomes can be improved, productivity can be enhanced, commitment can get intensified and attrition rate can take a dip. According to (Lin 2002), the factors of employee satisfaction include pay welfare and the working environment. Chang (2006) indicated that the factors of employee satisfaction include internal marketing, gender, educational background, seniority and compensation.

### **2.5.1. Pay and Job Satisfaction**

Oshagbemi (2000) carried out a research on UK academics and discovered that there is a strong relationship between pay and job satisfaction. But young et. al (1998) Studies public sector employees in UK and found no significant relation between pay and job satisfaction. This is a major concern for both workers and their employers. For an employee, pay has a paramount importance in satisfying their economic need. The pay is so significant because

when workers are satisfied with pay, their behavior and attitude could be influenced towards the desired objective.

Heery and Noon (2001) defined pay as payment, in which include many components like basic salary, benefits, bonuses, pay for doing extra work and incentives. According to Erasmus, van Wyk and Schenk (2001) define pay, “is what an employee gets against his work after fulfilling his duty, include all type of financial and non-financial rewards”. Martocchio (1998) described that compensation include both intrinsic rewards and extrinsic rewards. Extrinsic rewards include monetary and non-monetary rewards. Non-monetary rewards include things apart from basic pay like benefits. Money is the indicator of motivation.

Employee’s performance will increase if they are highly paid. Money is considered as the reward which is given to employees against work, to support their family, and payment for the work which is done. Barton (2002) suggested that organization should take into account financial rewards like salary because it has strong influence on employee motivation and retention. Dessler (2008) indicated that employee pay includes all compensation factors, which are given to him against his work. Cowin’s (2002) indicated pay is an important component for the retention of nurses because if they feel inequality regarding pay between their profession and others’ profession, they got dissatisfied and disappoint with their profession. Less pay as compared to work done is one of that extrinsic factor which is responsible for job dissatisfaction (Robbins, 2003). Yang, Miao, Zhu, Sun, Liu and Wu (2008) suggested that, in Chinese forces it is considered that pay and satisfaction influence each other. Pay has direct influence on satisfaction level of employee. NL (2012) described that pay is one of those satisfying variable which hindered reduces the dissatisfaction level of employees. If an employee is compensated according to his need, he will easily manage overload work if any emergency occurs. So remuneration is most satisfying factor. Robbins (2001) described that Herzberg’s motivation-hygiene theory tells that salary is one of those hygiene factors, which eliminate job dissatisfaction. Salary is a factor, which leads employees from dissatisfaction to no dissatisfaction.

Expectancy theory described that people do effort because they want some rewards in term of money, promotion etc. People expect that if they work well in the workplace then their performance will increase and automatically their pay will increase and they will be promoted. This will cause increase in their job satisfaction level.



### **2.5.2. Recognition and Job Satisfaction**

Recognition is defined as “in organization employees are rewarded by different status, this process is called as recognition” (Danish et al., 2010). Intrinsic rewards like recognition, growth, feedback, opportunities lead employees more towards high job performance and motivation than extrinsic rewards like salary (Nel et al., 2001). Robbins (2001) described that through the recognition employee get appreciation and status like as a part of organization. Barton (2002) described that recognition is considered the most important factor among non-financial rewards in order to increase job satisfaction level of employees.

Romano (2003) pointed out that recognition is the component that is used to strengthen the relationship between organization and people. Through the recognition employee feel rewarded and motivated. By giving recognition to the employee’s competitive advantage can be achieved. Lawler (2003) suggested that the well-being of any organization depend upon how its human resource is treated. Organization achieves its well-being through giving rewards and recognition to its employees. Andrew (2004) described that employee becomes more loyal to their organization if organization recognizes their work. Organizations are missing the very valuable component in the organization that is recognition. However, the cost of practical implementation of this component is very low. Through recognition, employees are being realized that they are valuable for organization and employees feel appreciated through recognition (Sarvadi, 2005). Recognition is actually to show employees that their participation is valuable for the organization, which ultimately increases motivation and performance of employees. The best use of recognition is in the performance management system. Rewards and recognition are used to increase motivation and job performance of employees (ROBERTS, 2005). Robbins (2003) described that recognition and promotional opportunities are considered the important factor for intrinsic job satisfaction. This is the factor, which is used as a reward for the employee.

Human resource tool, which is useful for the job satisfaction, is salary and recognition (Mathauner et al., 2006). NL (2012) pointed out that our younger generation is motivated more through recognition than money. Young people are more active and vibrant. Recognition is the step through which they can be satisfied in their work. They required that someone like their work, make them to participate in decision-making, and value them. It is seen that employees get more motivated through recognition than money. People of fresh blood are more energetic and dynamic so they want recognition regarding their work than

others. Recognition can be provided through involving employees in decision making, by increasing their responsibility, by showing empathy towards them and provide them with succession planning and different opportunities to get high designation. Robbins (2001) described that Maslow's theory tells about the self-esteem need of employee. This theory shows that recognition, status, development and growth are the factors, which leads to motivation and ultimately leads toward job satisfaction. Herzberg theory indicated that recognition is one of those motivating factors, which leads employee from no dissatisfaction to satisfaction.

### **2.5.3. Promotion Opportunities and Job Satisfaction**

Promotion opportunities various studies have suggested that job satisfaction has a strong link with promotion opportunities in organization (Pergamit and Veum, 2009,) which is supported by Ellickson (2002) in his study of a public employee found that there is a strong relationship between promotion opportunity and job satisfaction. Bowen et al. (2008) supported this assertion. Keiner and Kinicki (2001) lamented that a significant relationship exists between job satisfaction and promotion, and they viewed that job satisfaction is contingent upon what employee perceives as equity in his employment relation like reward

Heery and Noon (2001) define promotion "getting high status in workplace by doing effective work, generally increase the status, position and remuneration of employee in the organization". Grobler et al. (2002) define promotion as "going towards upward position in the organization". Graham (2006) defines promotion as "shifting from lower designation to high designation within an organization and usually increases in pay package". If organizations are not giving promotion to their employees then employees will be dissatisfied and their turnover rate will be high (Shields and ward, 2001). When employees get promotion, they will be more committed to their organization (De Souza, 2002). Pay and promotions are considered most important element for the employee satisfaction (Parvin & Kabir, 2011). Promotion has significant effect on employee satisfaction (Wubuli, 2009). There is positive relationship seen between job satisfaction and opportunity to develop (RAMASODI, 2010).

If organization provides employees, the factors of promotion like facilities, ability and skills, then employees will be automatically motivated and satisfied. Promotion and satisfaction has direct relationship (Naveed et al., 2011). Robbins (2001) indicated that Maslow's hierarchy of need theory also described that when esteem needs (autonomy, power, recognition and

status) of people are fulfilled, they will be more satisfied with their job. Herzberg theory of motivation tells what employees demand from their job. Three need theories tell that there is a need of achievement and need for power in people. People will be more satisfied and motivated when their needs are fulfilled. Herzberg theory indicated that there are some components of motivation like growth, responsibilities, recognition, achievement and advancement, which also leads to job satisfaction.

#### **2.5.4. Meaningful Work and Job Satisfaction**

Meaningful work is considered more valued factors than the rewards to employees. Now a day employees want qualitative work and outcomes. Employees want their work to be meaningful or them. Meaningful work is an emerging factor for valued outcomes of organization (Caudron, 1997; towers Perrin, 2003). Towers Perrin (2003) indicated that meaningful work provides value for the organization as well as value for the employee. Meaningful work is an important issue and valued for both employee and employer.

There are some other factors rather than money which any employee want to share with their community and home members. Such factors include sense of achievement and feelings of accomplishment of some task. This meaningful work is considered as a dividend to employee (Pocock, 2006). Outcomes, task characteristics and meaningful work are important for such people who have need for achievement (Hackman & Oldham, 2006). Job satisfaction cannot be separate from demand of meaningful work. It is the duty of managers to make work meaningful for their employees, so that they can be satisfied with their job and due to these employees will show positive response in the organization (Ramayah et al., 2001). Meaningful work is actually the purpose of working through which they have to pass. Success, achievement and status are included in the meaningful work experiences (Pratt & Ashforth, 2003).

### **2.6. Conceptual Framework**

This research relies on certain theories such as, Herzberg s job satisfaction theory and Rows and Boulgarides decision making styles theory, Reward theory, Equity and Expectancy Theories. The application of these theories helps to understand the organizational, management and behavior.

The dimension of the determinates for employee satisfaction surveys vary among different businesses or organizations, but the differences are not obvious, moreover, the structure of

employee satisfaction model for private companies are more or identical (Shun- Hsing Chow, Jiun Yan & Hui-Hua 2006 ).

The following documents are referred to in discussing the determinants of employee satisfaction in the field of manufacturing industries. Oshagbemi ( 2000) to measure the job satisfaction profiles of company employees seven elements and some demographic variables were used thus are; nature of job, administration, management, pay, recognition, promotion, and meaningful work, supervision, supervisor behavior, Co –worker behavior and physical conditions /working facilities.

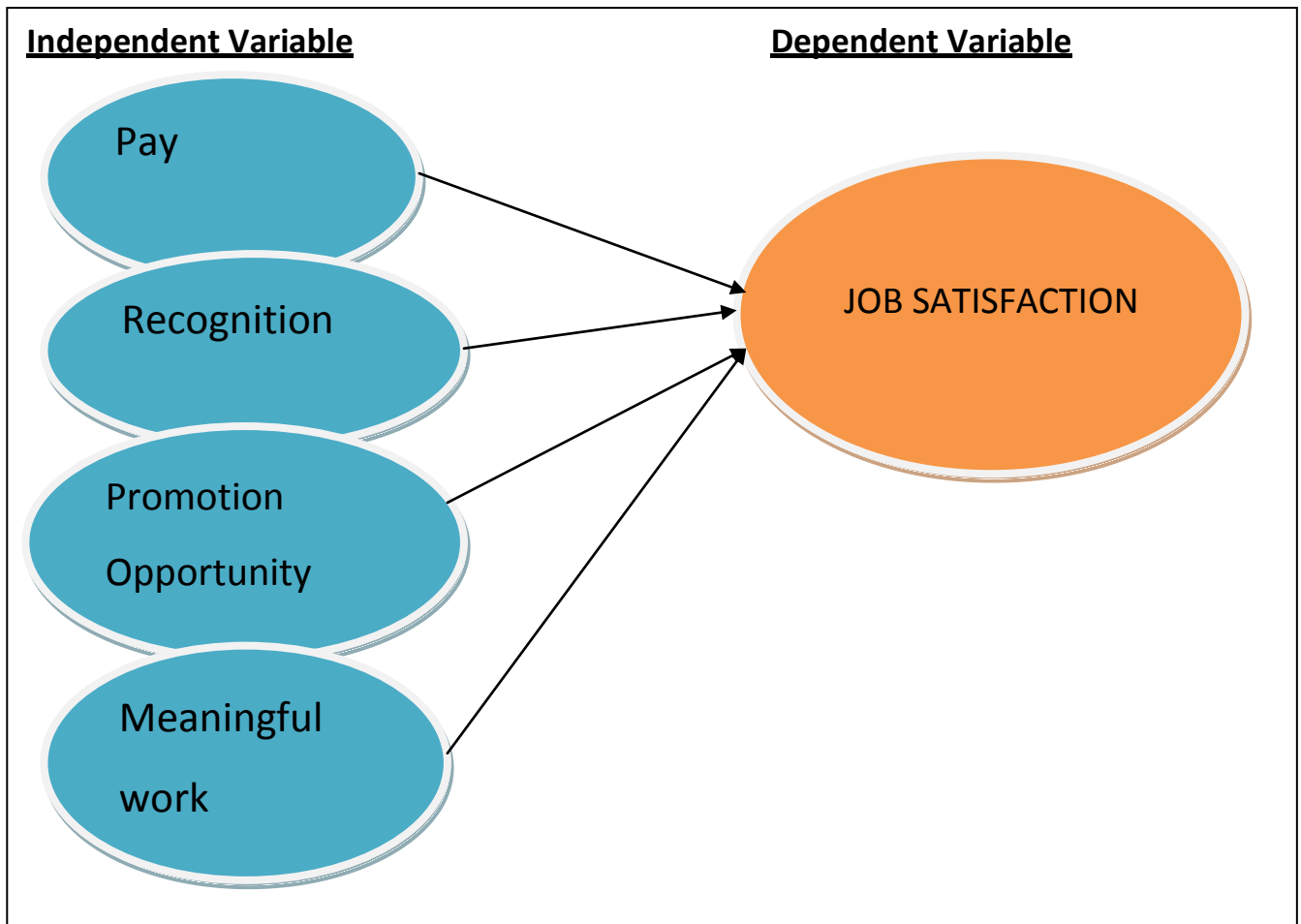
Kusku (2001 ) proposed applying employee satisfaction to the employees of a Turkish companies and applied the following dimensions for measuring their satisfaction.

- General satisfaction
- Management satisfaction
- Recognition
- Other working group satisfaction
- Job satisfaction
- Promotion opportunities
- Meaningful work
- Salary

Ismail et (2012) conducted research on Structural equation models of recognition and meaningful work with job satisfaction of private company employees research and use the following model. Since the satisfaction of manufacturing companies employees have many contributing factors, no complete models can be followed. Based on the literature and theories the researcher conceptualized the compensation, pay, recognition, promotion opportunities, and meaningful work to have a direct effect on the employees job satisfaction.

**Figure 2 conceptual framework of the study**

**Conceptual Framework:**



Source: **Macro think Institute:** International Journal Of Human Resource Studies

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## **Hypothesis**

**H1. Null hypothesis (H0)** Pay has no significant effect on employees' job satisfaction.

- **Alternative hypothesis (H1)** Pay has a significant effect on employee job satisfaction.

**H 2 Null hypothesis (H0)** Recognition has no significant effect on employee job satisfaction.

- **Alternative hypothesis (H1)** Recognition has a significant effect on employee job satisfaction.

**H3.Nullhypothesis (H0)** Promotion opportunity has no significant effect on employee job satisfaction.

- **Alternative hypothesis (H1)** Promotion opportunity has a significant effect on employee job satisfaction

**H4. Null hypothesis (H0)** Meaningful work has no significant effect on employee job satisfaction.

- **Alternative hypothesis (H1)** Meaningful work has a significant effect on employee job satisfaction.

In general, companies need good, knowledgeable employees. If these employees are not treated fairly, they are going to take advantage of other job offers that will provide more stability, more benefits, and more compensation. Satisfied employees will work harder for the company and plan to stay at the company, ultimately reducing that company's labor and other administrative costs. Thus, it is important for a company to realize how employees are satisfied with the benefits they are offered. With this realization comes the need of employee satisfaction.

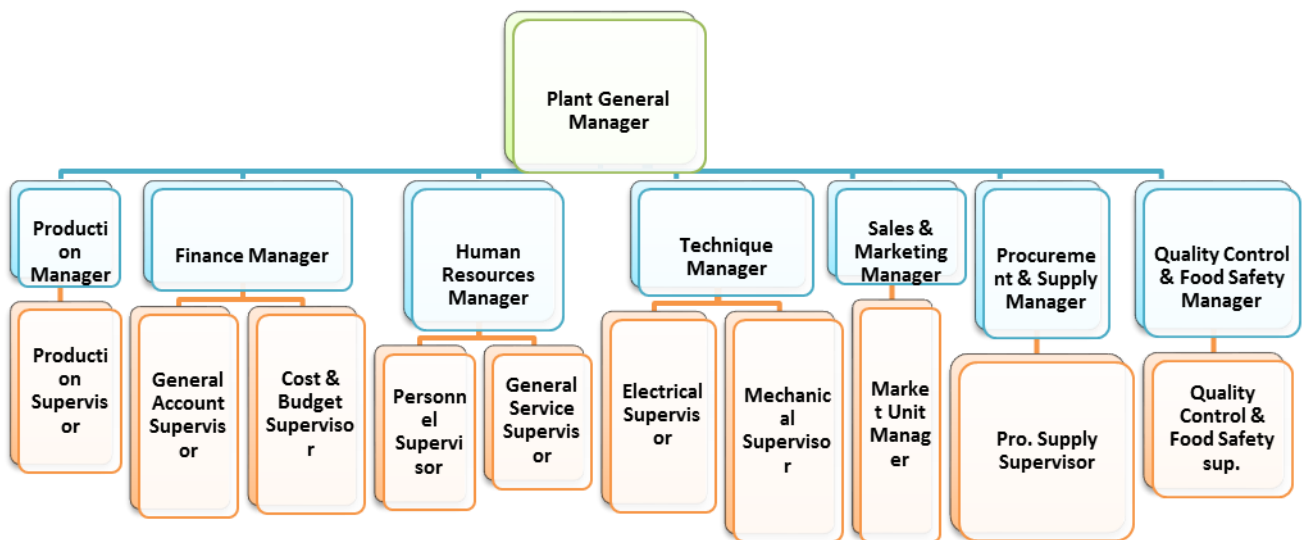
To summarize, employees need to be paid so that they are able to live. Pay needs to be adequate and equitable. Money is not the only reward and compensation and may not motivate employees to be more productive, other benefits are also need to be looked at.

**CHAPTER THREE**  
**RESEARCH METHODOLOGY**

**3.1. Description of the Organization Understudy**

A Hawassa Millennium Pepsi Cola Plant is found in the southern region of Ethiopia SNNPR on the southern edge of Hawassa city. It is established on the area of 48000 m<sup>2</sup> adjacent to Hawassa Cheep Wood Factory. It is licensed under MOHA soft drinks industry as the seventh plant of its sister companies. In 1996 the foundation of the plant was laid and completed the whole building as well as more advanced technology machinery erection was done in August 2007 and it started production. The plant was inaugurated on September 03, 2007 and started producing its licensed products for its customers officially

Figure 3.1 Organization Structure of Hawassa Millennium Pepsi Cola Plant



Source: Personnel Manual of HMPP (2018)

### **3.2. Research Design and Approach**

The researcher design of this study focused on MOHA SOFT Drinks share Company in Hawasa Millennium Pepsi Cola Plant. As Creswell, J.W.(2003) stated, a research is the technique for investigating something in a systematic manner .

The research design used was descriptive type , which were concerned with specific predications of the relationship between independent and dependent variables, as Kothari(2004), researcher was used this type of research design to find the effect of compensation practices on employees' job satisfaction. In addition, this type of research design helped the researcher to gather information from selected sample and generalized the result to population. The other thing that the researcher had undertaken was a random sampling method using a five point likert scale questionnaire addressed personally by the researcher from selected employees.

The quantitative research approach had applied. Because, Gronhauge and Ghauri (2005) note that quantitative research design focuses on objective and standardized means of inquiry and application of statistical analysis for attainment of objectivity and generalizations. It helps the researcher to identify various components of the concepts in to variables and mostly use questionnaire as major methods to collect data. Moreover, Standardized categories that fit diverse opinions and experiences into predetermined is used. The design facilitates to measure the reactions of a large number of individuals to limited set of question which facilitate easier statistical analysis.

Since the objective of the research is to determine the relationship between job satisfaction and specific predictor variables, which are compensation, practices (pay, recognition, promotion opportunities and meaningful work) the researcher used a descriptive type of research.

This study employed descriptive design to find out the effects of compensation practices on job satisfaction among the employees of MOHA soft Drinks Hawassa Millennium Pepsi Cola Plant Share Company had selected for the research among eight branches of MOHA Share Companies. In depth analysis had done through using questionnaires. According to Orodho(2003), descriptive Survey is the method collecting information by interviewing or administering a questionnaire to a sample of individuals. The design assisted the researcher to obtain important information concerning the status of phenomenon and where possible drew general conclusion from the facts discovered. Descriptive survey enabled the researcher



to have a systematic collection and presentation of data in order to determine the effects of compensation practices on employee job satisfaction among employees in MOHA Soft Drinks Hawassa millennium Pepsi Cola Plant Share Company.

### **3.3. Data Sources**

The study has conducted based on the descriptive research technique to describe employees' satisfaction towards compensation they receive from Hawassa Millennium Pepsi Cola Plant Share Company. The primary data was collected using close ended questionnaire from both management and non-management employees of the all the nine departments of the company in order to gather pertinent information. Secondary data was collected from literatures and both published materials (books, journals, articles, proceedings, company working papers, brochures' policy documents, activity reports, etc.) and unpublished materials to supplement the primary data.

### **3.4. Instrument of Data Collection**

In order to gather primary data, I had developed a questionnaire that comprises three parts. The first section is regarding the demographic aspect of the respondents, asking their gender, age, educational qualification, and their experience in the organization department and category to which employees belong. The researcher was ask the respondents to put a tick mark if a particular benefits happen or not according to given alternatives to answer all questions.

The second and third part was comprised 80 statements evaluated on a 1-5 Likert scale , where '1' indicates strongly disagree with the statement, '2' indicates disagree, '3' indicates neutral, '4' indicates agree, and '5' refers to strongly agree with the statement. At the end of each category open ended question had forwarded to get employees' opinions of further expectation.

### **3.5. Sampling Design**

Sampling is the process of selecting a random subset of individual observation for making projections based on statistical inferences. Currently, the total labor of the factory is 498; out of which 417 are permanent and 81 are contracts employees. For this project, only the permanent employees have taken as a sampling frame. Because the population from which a sample was drawn does not constitute a homogeneous group, stratified sampling technique

had employed in order to obtain a representative sample. The stratification had performed by dividing the target population into several departments (strata) that are individually more homogeneous than the total and then items from each stratum had selected randomly to constitute the sample. As of August, 2018 report, there were 417 permanent employees in the company. As indicated bellow, by using Taro Yamane, (1967) formula to determine the sample size, out of the indicated branches in the sampled zones, 51 branches had taken.

$$n = N / [1 + N (e)^2]$$

Where

n = corrected sample size,

N = population size,

e = Margin of error (e = 0.01)

$$n = 417 / [1 + 417 (0.1)^2]$$

**≡ 204 Permanent Employees**

### **3.6. Procedure of Data Collection**

Prior to conducting the study the researcher applied for permission from responsible body of the organization by forwarding legal application letter for the MOHA Soft Drinks Hawassa Millennium Pepsi Cola Plant Share Company and Head Office, consent had been granted to the researcher to have access to information necessary for the research. A contact person will assigned from management bodies to assist with the distribution and collection of the research questionnaires. The printed questionnaires had provided to contact person and distributed to participants. To evoke an interest the respondents initially informed about the purpose and objectives of the study, the confidentiality, anonymity of the information they provided and assurance have given that the information acquired would only used for the research purposes. The participants had requested to return the questionnaires to the contact person within seven days. However, the data collection and analysis process had taken more than four weeks.

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

Primary purpose of validity is to increase the accuracy and usefulness of findings by eliminating or controlling as many confounding variables as possible, which allows for greater confidence in the finding of a given study ( marczyk J., DematteoD.,2005) and Adams J., khan N., &white R., 2010) stated it as the strength of our conclusions, inferences or prepositions.

As stated earlier in order to use valid and reliable instrument of data collection, the questionnaire had compiled from different reputed sources by making a minor modification to adapt it to the situation under investigation.

To further refine the accuracy of the instrument it had been evaluated and checked by my advisor to assure accuracy. Besides that internal-examiner was examined the instrument before distribution.

Accordingly necessary adjustments had taken in clarifying questions and instructions eliminating ambiguous wording, and restructuring the layout of the questionnaire.

Furthermore, to assess reliability and internal consistency of the variables, Cronbach's alpha was calculated. A benchmark alpha of 70 is set as an acceptable measure of reliability (Cronbach, 2001) The Cronbach coefficient indicates the consistency of responses to item in a measure (Fox croft & Roodt, 2001) Reliability assessments using Cronbachs' alpha coefficient has exceeded80 for all variables in this study. The results had obtained reflect the consistency of responses to items in the measure.

### **3.8. Methods of Analysis and Statistical Tools**

To make the collected data ready for analysis, the questionnaires had checked for completeness. The data obtained through questionnaire had analyzed with the help of SPSS by using descriptive statistics. The analyzed data then organized in tables and computed using percentages and mean values. For analysis purpose, the responses obtained from Likert scale had grouped in to two major categories: Satisfied and Dissatisfied. The findings, possible conclusions and recommendations had forwarded.

### **3.9. Research Ethical Consideration**

Ethical issues in research works are not a single point activity in doing any a research, there is an ethical responsibility to do the work honestly (Adams J et al, 2010), and it is the responsibility of the researcher to be ethical in all stages of process of research (Marczyk J. & Dematteo D., 2005).

So that in this research work the researcher has abide by the policy of anonymity of respondents adhered to, avoid fraud in simple selection, avoiding making-up of data by the researcher, avoiding trimming , obfuscation and a statement of confirming the prohibition of including any identity details or personal reference of the respondents in the questionnaire is included. This is to avoid biased response or unauthentic data provided by the respondents.

Also requests for names and employee identification number were excluded at any part of the data collection process so that participants may be certain that he/she cannot be trace by employers. This might offer them enough room to express their ideas and point out their responses freely and safely. The Data gathered in process of the study had kept confidential and had not used for any personal interest and the whole process of the study was controlled within acceptable professional ethics.

## **CHAPTER FOUR**

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

Demographic characteristics of respondents, analysis and interpretation based on data collected from the respondents of the study area about assessing the effect of compensation practices on employee job satisfaction: the case study MoHA Soft Drinks S.C. Hawassa Millennium Pepsi Cola plant are presented in this chapter. More over summarize result of the demographic profile of respondents and the response towards the items include in the questionnaire as well as descriptive statistic were described, analyzed and synthesizes in tables and percentage with the help of Statistical Package for social science (SPSS).

#### **4.1. Demographics of the Respondents**

This sub section of the chapter presents background information of respondents of the company from whom the data has been collected. Hence, this section presents analyses and interprets the data from employee with regard to their age group (in years), sex, their education level and the length of time they have worked for company.

**Table 1: Demographic Information of Respondents**

<b>Age</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
25-34	66	32.4	32.4	32.4
35-44	129	63.2	63.2	95.6
45-54	9	4.4	4.4	100.0
<b>Total</b>	<b>204</b>	<b>100.0</b>	<b>100.0</b>	
<b>Gender</b>				
Male	149	73.0	73.0	73.0
Female	55	27.0	27.0	100.0
Total	204	100.0	100.0	
<b>Education</b>				
College Diploma	12	5.9	5.9	5.9
First Degree	192	94.1	94.1	100.0
Total	204	100.0	100.0	
<b>Service Year</b>				
1-5 years	37	18.1	18.1	18.1
6-10 years	102	50.0	50.0	68.1
11-15 years	41	20.1	20.1	88.2
16-20 years	17	8.3	8.3	96.6
above 21 years	7	3.4	3.4	100.0
Total	204	100.0	100.0	
<b>Department</b>				
Finance	6	2.9	2.9	2.9
HRM	30	14.7	14.7	17.6
Marketing	116	56.9	56.9	74.5
Others	52	25.5	25.5	100.0
Total	204	100.0	100.0	
<b>Category of Work</b>				
Non Management	172	84.3	84.3	84.3
Management	32	15.7	15.7	100.0
Total	204	100.0	100.0	

Source: Survey (2018)

## **Age**

As indicate in table above, most of the employees are aged 35 to 44 with 63.2%, next to it the age category of 25 to 34 with 32.4% and the rest are with the age of 45 to 54 category with only 4.4%. Thus, most of the employees of the company are youth.

## **Gender**

As indicate in the table above, the male and female proportion holds 73% and 27% respectively, indicating that there are more male than female employee in the organization.

## **Education**

As indicated in the table above, 94.1% of the respondents were first-degree holders and 5.9% were college diploma holders. Thus, most of the respondents were first-degree holders in the company.

## **Work Experience**

As indicated in the table 1 above, those employees with 6 to 10 years experience were highest in the number with 50% of the employees followed by 11-to 15 years experience, 1-to 5 years experience, 16 to 20 years experience and above 21 years experience with 20.1%, 18.1%, 8.3% and 3.4% respectively. This shows most of the employees of the company were working for the company for long time with more than 5 years.

## **Department in Which the Employee Works**

As indicated in the table 1 above, most of the employees were working in marketing department with 56.9% followed by others, human resources management and finance department with 25.5%, 14.7% and 2.9% respectively. It shows, most of the employees of the company were hired in the company in the marketing department.

## **Position**

As indicated in the table above, most of the employees were in no management position with 84.3% and the 15.7% of the respondents were in the management positions.

## **4.2. Result for Descriptive Analysis**

This section of the chapter puts the results for the descriptive analysis and interprets it accordingly. Evi Susanti et al., (2015), made the categorization of such descriptive statistics

for mean based on the class length. Their research scale was five point Likert's scale type. The class interval and the scale they assigned for was 1 to 1.799 is not good; 1.8 to 2.599 is less good; 2.6 to 3.399 is pretty good; 3.4 to 4.199 is good and 4.2 to 5.0 is very good with 0.8 class interval found as  $[(5-1)/5] = 0.8$ .

The current research also used five point Likert's type scale. Accordingly, the interpretation had based on their setting.

**Table 2: Descriptive Statistics for Pay**

Item	N	Mean	Std. Deviation
Pay increase directly linked to performance and/or productivity in my company.	204	3.88	.965
My company provides me with salary/wage increase to adjust the cost of living.	204	3.84	1.011
My salary is better when compared to what I could earn in another company doing the same job	204	3.83	1.047
Our company offers merit salary increase for exceptional quality of work performance above standard performance of duties.	204	3.94	.973
My retainment with my organization is highly depending up on the sound salary structure.	204	3.85	.987
My salary adequately meets my needs and I motivated and satisfied with my current job.	204	3.89	.956
My salary is compatible with my job and I satisfied with my current pay.	204	3.85	1.011
Our pay is compatible to other people in other industries with the same level and experience.	204	3.87	.973
The company reward system is closely related with job satisfaction.	204	3.85	1.011
Pay scale of the company treats everyone equally	204	3.94	1.011
There is fair salary increment	204	3.94	.976
Cumulative of pay Valid N (list wise)	204	3.881	.46529



As indicated in the table 2above, all the values for the questions to rate the pay schemes of the company are in between 3.4 to 4.199, which is under good range. The overall average of the pay is under the same range. This shows that the description of the respondents is good about the pay of the company.

**Table3: Descriptive Statistics for Recognition**

Item	N	Mean	Std. Deviation
I am given a written appreciation letter for my good work	204	3.92	.997
I usually acquire acknowledgement for the work done by me	204	3.86	.998
I am ready to accept constructive criticism regarding my work	204	3.82	1.021
I am praised regularly for my good work	204	3.85	1.013
I receive feedback on making progress	204	3.8	.76
Cumulative of recognition Valid N (list wise)	204	627	050

*Source: Survey (2018)*

I am given a written appreciation letter for my good work has scored a mean and standard deviation of (3.92 and . 997), I usually acquire acknowledgement for the work done by me has scored a mean standard deviation of ( 3.86 and 0.998 ), I am ready to accept constructive criticism regarding my work has scored a mean and standard deviation (3.82 and1.021 ), I am praised regularly for my good work has scored a mean and standard deviation of (3.85 and 1.013 ), I receive feedback on making progress has scored a mean and standard deviation of (3.8 and .76 ). The cumulative regard to MoHA Soft Drinks Hawasa Millennium Pepsi Cola Plant are under good range and this shows that employees of the company are in the good position. From this the researcher concludes that, Company is giving the recognition towards its employees is under good range and Company has to continue with recognition in order to enhance employees performance.

**Table 4: Descriptive Statistics for Promotion**

Item	N	Mean	Std. Devi
There exist an opportunity for promotion in the company	204	4.16	.479
Staffs are promoted in a fair and transparent way	204	4.09	.612
I am satisfied with promotion system of the company	204	3.99	.366
Criteria for promotion is acceptable to me	204	3.90	.474
Promotion is very important to improve my work motivation	204	4.38	.587
Cumulative for Promotion Valid N (list wise)	204	4.10	.370

There exist an opportunity for promotion in the company has scored a mean and standard deviation of (4.16 and 0.479), Staffs are promoted in a fair and transparent way has scored a mean and standard deviation of (4.09 and 0.612), I am satisfied with promotion system of the company has scored a mean and standard deviation of (3.99 and 0.336), criteria for promotion is acceptable to me has scored a mean and standard deviation of (3.90 and 0.474), promotion is very important to improve my work motivation has scored a mean and standard deviation of (4.38 and 0.587). The cumulative mean shows that, the company employees are near to the agreement level and this infers that promotion of the given industry is working with regard to the promotion. Therefore, this shows that employees in MoHA Soft Drinks S.C are promoting and the company have to work with promotion for better level of promotion.

**Table 5: Descriptive Statistics for Employee meaningful Work**

Item	N	Mean	Std. Deviation
I have a chance to work alone on the job	204	4.11	.507
There is a sense of responsibility in my work	204	4.13	.468
I am allowed to decide on the methods to perform my work	204	4.03	.497
I am completely independent when I perform my work	204	4.14	.592
I have part in decision making process	204	3.78	.674
Cumulative of meaningful work Valid N (list wise)	204	3.93	2.97

*Source: Survey (2018)*

I have a chance to work alone on the job has scored a mean and standard deviation of (4.11 and 0.507), There is a sense of responsibility in my work has scored a mean and standard deviation of (4.13 and 0.468), I am allowed to decide on the methods to perform my work has scored a mean and standard deviation of (4.41 and 0.592), I have part in decision making process has scored a mean and standard deviation of (3.78 and 0.674).

**Table 6: Descriptive Statistics for Job satisfaction**

Item	N	Mean	Std. Dev.
I am generally satisfied with my organization	204	3.94	.421
Management tries their best to ensure that employees will not leave from the company	204	3.91	.496
When the compensation increased, my satisfaction on job is increasing	204	3.92	.979
The company compensation system is closely related with job satisfaction	204	3.85	.987
Cumulative of job satisfaction Valid N (list wise)	204	3.92	.917

The above table indicates that, I am generally satisfied with my organization has scored a mean and standard deviation of (3.94 and .421), management tries their best to ensure that employees will not leave from the company has scored a mean and standard deviation of (3.91 and .496) The company compensation system is closely related with job satisfaction has scored a mean and standard deviation of (3.85 and .987). This indicates that employees are moderately satisfied with regard to the job satisfaction .

### **4.3 Data Preparation for Regression Analysis (Inferential Analysis)**

Data preparation procedures were taken to ensure the quality of data suitability for regression analysis used in this chapter. The procedures involved were assessing the adequacy of the sample size, coding the data, and diagnosing the normality of data distribution. Most parametric tests based on the normal distribution have four basic assumptions that must be met for the test to be accurate. These are the assumption of normally distributed data; the assumption of homogeneity of variance, the assumption of independence of data from different participants /observations/ sampling and the assumption that the data should be at interval measurement level (Andy Field, 2005, 2009; Bruce et al., 2002).

### **4.3.1 Sample Size Adequacy**

Regression analyses require a large sample size (Kline,2005). However, there have been various views and recommendations on this issue. As a general rule of thumb, samples with more than 200 cases are deemed large (Hair, Anderson, & Tatham, 1998; Kline, 2005). Others believe that a sample size of 150 or more is required to get parameter estimates that have small standard errors (Anderson & Gerbing, 1998). Another recommendation is to have a sample size of at least 300 cases (Tabachnick & Fidell, 1996). Referring to such guidelines, the sample size of 204 from employee respondent sources by using Yamane formula as used in this research was considered more than appropriate.

### **4.3.2 Coding the Data**

As mentioned under the section of Data Collection Procedures in Chapter Three, all questionnaires given to prospective respondents were pre-coded with hand written numbers. The delivery and return dates of the questionnaires were recorded. Each questionnaire for employee respondents contained 92 main questions & 6 questions related with respondents demographic and background questions. Once the raw data was collected, responses to these questions were examined. Any entry errors were corrected. A total of 204 questionnaires were found to be eligible for further analyses.

### **4.3.3 Normality**

Cases in a data set would be considered normally distributed when they are clustered around the mean in a symmetrical, uni-modal pattern (Hair et al.,1998). Normality occurs on two levels. The first concerns the normal distributions of individual variables, called uni-variate normality (Kline,2005). The second is multivariate normality in which the individual variables are uni-variate normal and their combinations are also normal (Hair et al.,1998).

Skewness and kurtosis are two ways that a data distribution can be non-normal (Kline, 2005; Tabachnick & Fidell, 1998). These researchers also note that skewed distribution exists

When most of the data is either below the mean (positive skew) or above it (negative skew). Kurtosis concerns a relative excess of data in the tails of a distribution relative to a normal curve. It can be either positive (too peaked distributed) or negative (too flat distributed).

The absolute values of skewness and kurtosis indexes are two of the common statistical methods to assess normality (Kline,2005). Rules of thumb suggest that the skewness indexes greater than 3.00 indicate data are skewed distributed. There has not been an agreement on the threshold of kurtosis indexes though the absolute value of 10.00 is indicative of a normality problem (Kline, 2005).

The absolute values of skewness and kurtosis indexes for individual cases are displayed in table 7 below. As reported in the table, all ,indicating all uni-variate items were considered normally distributed. Therefore, multivariate normality can be assumed (Kline, 2005) and non-normality was not problematic in this research. Despite this finding of normality, the Maximum Likeli hood estimation method was used in this research since the method is quite robust against any violation of non-normality of data (Anderson &Gerbing, 1988; Bollen, 1989; Kline, 2005).

**Table 7: Summary for Z-values of skewness & kurtosis to check normality of data distribution**

Variable	Skewness			Kurtosis		
	Statistic	S.E	Z-values	Statistic	S.E.	Z-values
Average of Pay	-.066	.170	-0.389	-.558	.339	-1.65
Average of Recognition	-.336	.170	-1.98	-.599	.339	-1.77
Average of Promotion Opportunity	-.281	.170	-1.65	-.693	.339	-2.04
Average of Meaningful Work	-.687	.170	-4.04	.237	.339	0.70
Average of Job Satisfaction	-.320	.170	-1.88	-.646	.339	-1.91

*Source: Survey (2018)*

Although the values of skewness and kurtosis are informative, the second way to check the normality of distribution of data is that these values can be converted in to z-scores. A z-score is simply a score from a distribution that has a mean of 0 and a standard deviation of 1. To transform any score to a z-score, simply subtract the mean of the distribution (in this case zero) and then divide by the standard deviation of the distribution (in this case the researcher used the standard error). Skewness and kurtosis are converted to z-scores in exactly this way. If the resulting score (when ignoring the minus sign) is greater than 1.96 then it is significant

( $p < 0.05$ ). That means it should be in between  $\pm 1.96$ . Significance tests of skew and kurtosis should not be used in large samples (because they are likely to be significant even when skew and kurtosis are not too different from normal) because of the smaller standard error. It can take thus the comfort in the fact that all values of skewness and kurtosis were below the upper threshold of  $\pm 3.29$  for all variables. From the  $z$ -scores for both skewness and kurtosis, it can be verified that the data is normally distributed

**Table 8: Correlations among variables**

		Average Pay	Average Recognition	Promotion Opportunity	Average Meaningful Work
Average Pay	Pearson Correlation	1	.915**	.880**	.781**
	Sig. (2-tailed)		.000	.000	.000
	N	204	204	204	204
Average Recognition	Pearson Correlation	.915**	1	.897**	.652**
	Sig. (2-tailed)	.000		.000	.000
	N	204	204	204	204
Average Promotion Opportunity	Pearson Correlation	.880**	.897**	1	.689**
	Sig. (2-tailed)	.000	.000		.000
	N	204	204	204	204
Average Meaningful Work	Pearson Correlation	.781**	.652**	.689**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	204	204	204	204

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

## Correlation Analysis

In order to assess the association among the indicators of the compensation practices and overall job satisfaction, the above correlation matrix is used. The correlation measurement that is applied here person correlation coefficient with its associated sig. values (P-values). The correlation matrix above shows that all of the independent variables: pay, recognition, promotion opportunity, and meaningful work positive have a positive and significant correlation (sig. value of 0.000) with the dependent variable: job satisfaction. Like regression result, the correlation result shows that there is high degree of association among indicators of compensation practices variables and job satisfaction.

### 4.3.4 Model Fit for Regression Analysis

The  $R^2$  value (or known as the coefficient of determination) of the linear regression model tells that how well the model fits. Its value ranges from zero to one. Hence, it can be converted into percentage so that, the rule of thumb is the value from 90% to 99% is good model and 0% to 5% is poor model. For such a goodness of fit test, there is significance value in the ANOVA table of the regression model. When it is significant the model is considered as good model that linearly regression application is possible. As indicated in the model summary table16 ,the value of  $R^2$  were above 5% and the ANOVA table showed the significant values. Thus, it can be said that the regression model used in this research was fit.

## 4.4 Regression Analysis Result

This sub section presents the result for the effect of compensation practices on employees' job satisfaction base on the data collected from MOHA soft drinks Hawassa Millennium Pepsi-Cola plant by using the regression model and the beta result of the model. The  $X_1$ ,  $X_2$ ,  $X_3$ , and  $X_4$ , are indicating the basic pay, recognition, promotion opportunity and meaningful work respectively.

**Table 9: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.990 <sup>a</sup>	.980	.979	.067	2.257

a. Predictors (Constant), Average Meaningful Work, Average Recognition, Average Promotion Opportunity, Average Pay

b. Dependent Variable: Average Satisfaction

**Table 10: ANOVAa**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	42.957	4	10.739	2385.888	.000 <sup>b</sup>
	Residual	.896	199	.005		
	Total	43.852	203			

a. Dependent Variable: Average Satisfaction

b. Predictors: (Constant), Average Meaningful Work, Average Recognition, Average Promotion Opportunity, Average Pay

**Table 11:Coefficients**

Model		Un-standardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.253	.048		-5.293	.000
	Average Pay	.744	.036	.668	20.839	.000
	Average Recognition	.108	.025	.128	4.284	.000
	Average Promotion Opportunity	.141	.021	.164	6.677	.000
	Average Meaningful Work	.076	.019	.068	4.048	.000

Source: Survey (2010)

a. Dependent Variable: Average Satisfaction

As indicated in the summary of regression weights in table 12above, for the regression between compensation practices and employee job satisfaction, the value of  $R$  and  $R^2$  for the model has been derived. For this simple linear regression, the  $R$  has a value of 0.990. The predictor variables were the pay, recognition, promotion opportunities, and meaningful work. Hence, this value represented the simple correlation between all of the independent (pay, recognition, promotion opportunities, and meaningful work) and the dependent variable (employee job satisfaction) and the value indicated the existence of strong and positive correlation between the variables.

The  $R^2$  of 0.98 (98%) on the other hand, indicated that the pay, recognition, promotion opportunities, and meaningful work well explained the variance in employee job satisfaction as an  $R^2$  value summarizes the proportion of variance in the dependent variable explainable by the collective set of the predictors; in this case the independent variables were pay,



recognition, promotion opportunities, and meaningful work, which tells that these independent variables (pay, recognition, promotion opportunities, and meaningful work) can account for 98% of the variation in employee job satisfaction. In other words, if the researcher trying to explain why some employee job satisfaction was more than others in the study company, it can be looked at the variation in employee job satisfaction from different sources. There might be many factors that could explain this variation, but as per the model indicated which included pay, recognition, promotion opportunities, and meaningful work; it could explain 98% of the variation. This means that 2% of the variation in employee job satisfaction could not be explained by pay, recognition, promotion opportunities, and meaningful work alone. Therefore, there must also be other variables that had an influence on the job satisfaction of employee.

The most important part of the ANOVA table is the *F*-ratio and the associated significance value of that *F*-ratio. For this data, *F* –ratio was 2385.888, which was significant as  $p < 0.05$  ( $P = 0.000$ ). This result tells that there was less than a 5% chance that an *F*-ratio this large would happen if the null hypothesis were true. Therefore, it can be said that the regression model results in significantly better predictor of job satisfaction of employee than if it was used the mean value of job satisfaction of employee. In short, the regression model overall predicts job satisfaction significantly well as the ANOVA tells that whether the model, overall, results in a significantly good degree of prediction of the outcome variable. In this simple case there were four variables in the model- pay, recognition, promotion opportunities, and meaningful work, so it can be inferred that these variables were a good predictors of job satisfaction of employee.

The beta coefficient ( $\beta_1$ ) for un-standardized regression weights were 0.744, 0.108, 0.141, and 0.076 with significant *P*-value at 5% significance level showing the pay, recognition, promotion opportunities, and meaningful work were significantly and positively affecting employee job satisfaction of the company. It also shows the gradient of the regression line representing the change in the outcome associated with a unit change in the predictor. Therefore, if the pay, recognition, promotion opportunities, and meaningful work were increased by one measurable unit, then the model predicted that 0.744, 0.108, 0.141, and 0.076 extra employee job satisfaction in the company happens respectively. It indicated that when nothing was considered for pay, recognition, promotion opportunities, and meaningful

work (that is, when  $x_1, x_2, x_3,$  and  $x_4= 0$ ), the model predicted that -0.253 level of employee job satisfaction. Where the prediction model was:-

$$Y = -0.253 + 0.744 x_1 + 0.108 x_2 + 0.141 x_3 + 0.076 x_4$$

**Table 12 Hypothesis Results**

Hypothesized Issue (Null)	Sig (P-Value)	Decision
Pay	.000	Reject
Promotion	.000	Reject
Recognition	.000	Reject
Meaningful Work	.000	Reject

As shown on table 15 the independent variables sig. (p-values =.000).Therefore from these results it is possible to reject all null- hypothesis and accept the alternative hypothesis and hence conclude that pay, recognition, promotion opportunity and meaningful work have positively affect the overall level of employees job satisfaction on MoHA Soft Drinks S.C. Hawassa Millennium Pepsi Cola Plant.

## Chapter Five

### Summary of Findings, Conclusions and Recommendation

#### 5.1. Summary of Findings

The researcher has come up with the following findings. The largest proportion of the employees was composed of males with an age group that belongs to a matured age group who are considered to be responsible and committed for the duty they are assigned to work in. Most of them were found having first degree that is at least able to understand and explain clearly the association between reward practice of an organization and job satisfaction. The years of experience on the job is also found important in unveiling employees' exposure for different kinds of reward practices in the company. The job status of the study showed that non- managerial position holds the lion's share of the company and the large majority of the employees are paid more than an average monthly salary which will in turn is found having a positive impact on their job satisfaction. Also the paying system in the company is found to be fair and relatively higher than the competitor industries, and the employees are found being satisfied with the long term and insurance policies of the company. This shows that the company is able to keep the interest of the workers by offering a non- monetary benefit as well.

The study has also shown that there is transparent and fair promotion system across the employees within the same company, they believe that promotion is very important to them to improve their work motivation.

However, the company is found to recognize its employees for their contribution and role in their respective job in terms of acknowledging their accomplished tasks by giving them recognition letter and oral appreciation. The employees are bestowed with a minimum role in deciding on job related matters and there is a smooth and good employee to employee and employee to boss relationship within the company.

Regarding the working environment it is found that the working condition so comfortable that the employees are well satisfied with the situation.

In the regression and correlation results it is also found that all independent variables are seen as the major determinant of job satisfaction in MoHA S.C. Howassa Millennium Pepsi Cola plant.

In general the employees of the Company are well satisfied with the compensation system of the company. This is may be due to the above mentioned factors / employee compensation systems that have finally made them to be well motivated on their job.

## **5.2. Discussions**

The purpose of study was to investigate the effect of compensation practices on employee job satisfaction. The results are quite according to our hypotheses. Also all dimensions of compensation satisfaction are related. This shows that employees are moderately satisfied with their salaries and benefits, on the other hand, when they have sufficient promotional opportunities; their relationship with co-workers are friendly, they are paid for what they work, and they find their job secured, their supervisors are cooperative and they feel that they can grow living within the organization, then their level of satisfaction is very high. When Pearson product moment coefficient correlation was calculated purposely for determining the relationship between different dimensions of rewards along its relationship with job satisfaction it was found very interesting results. Also the relationship is strong in case of pay, recognition, promotion and meaningful work.

## **5.3. Conclusion**

Based on the major findings of the study, the researcher is able to conclude the following main points.

The objective of this study is to assess the effect of compensation practices on employee job satisfaction with the specific predictor variables pay, recognition, promotion opportunities and meaningful work. The empirical finding from the study indicate that there is positive and significant relationship between job satisfaction and the company compensation practices as is in early researches (Ismail et al. 2012, Bilal H. 2012). All the predictor variables are highly significant and well explain the dependent variable, employee job satisfaction.

As it is shown in the R<sup>2</sup>, which is the coefficient of determination, shows the variables identified as the predictors are well explain or predict the job satisfaction of employees, so that the variables require due considerations.

The results of this study are similar to the results of other studies in terms of the effect level and explanation ability of the predictor variable on the dependent variable – employee job satisfaction.

Satisfaction with job is important element for motivation and performance of employees. All the predictor variables were the main issue of employees' job dissatisfaction in the company. Because the findings also showing that pay, recognition, promotion opportunities and meaningful work have strong relationship with employee job satisfaction as the R coefficient on the model summary shows.

The basic pay, premium pay, incentives, fringe benefits, leave related benefits, health and insurance, the retirement and termination benefits, and employee welfare benefits all are good in the company as measured in mean value so that the management of the company should hold such satisfaction level of the employees.

## 5.4. Recommendations

Recommendations towards establishment of an improved compensations system were made based on the findings and conclusions. Employees expect return for their contribution while employers expect from their employees return for their pay and this forms the starting point of reward. Therefore, balance should be ensured when designing compensation so that each party attains majority of their expectations in terms of ability to pay and value for money for employers and employees respectively. If compensation offered are not competitive, it will be difficult to recruit staff since potential employees can obtain better rewards from competitors. Existing staff may also be tempted to level the organization if they are aware that their compensation system is uncompetitive. High staff turnover can lead to higher costs of recruitment and training of new staff, losing existing employees may also mean they mean that some of the organization's accumulated knowledge is lost forever.

Based on the major findings of the study, the researcher recommends the following points:

- Go beyond compensation and benefits to a total reward mindset- rewards go far beyond cash compensation and benefits. Monetary rewards alone are insufficient to satisfy employees. other factors such as giving greater gratitude and greater responsibility may be equally important, for example giving praise at company meetings, promoting staff, and involving staff more in decision making have the greatest impact on employee satisfaction.
- The company should maintain its strength on its rational and fair payment system.
- The company is also advised to identify other potential compensation mechanisms like contingency reward such as promotion, recognition and task autonomy other than bonus and other benefits so that it can further motivate and satisfy its employees.
- So as to further satisfy its employees it has to develop other employee compensation strategies both intrinsic and extrinsic mechanisms.
- The working environment should also be further improved so as to make it more comfortable to the employees and to motivate them more.
- Since giving recognition is the main compensation mechanism used by the company the researcher highly encourages it to acknowledge the work done by its employees not only in terms of written letter but also in terms of monetary value .

- Employees should also be given an ultimate power to participate in some part of the decision making process that will finally enhance their job satisfaction level.
- A salary system should be designed to promote internal salary equity as well as external salary equity (based upon salary comparisons among individuals in similar positions from similar industries). On the other hand, two shifts or three shifts is a way to reduce the work load of employees.
- The study also recommends that future research be directed towards investigating how variables like work life balance, organizational commitment, supervisors support and work itself can influence job satisfaction and to expand the scope to cover other private industries.

If organization can implement these recommendations, they will reap the benefits of more satisfied employees willing to invest more discretionary effort to make their organizations successful. Coupling this discretionary effort with enabling work environments will provide organizations with an even more competitive edge that will enable them to win in the talent marketplace.

Hence the management of the organization should give due attention to the pay, recognition, promotion opportunities, and meaningful work as these predictor variables well predict the employee job satisfaction as well as they have high level significance. The findings of the study have *practical* implications for the management of the organization..

As McKenna (2000) argues that if an organizations for minimum level of job satisfaction, the outcomes may be deterioration of productivity, increase employee turnover, absenteeism and a decrease in morale. So that the concerned body including the Ministry of workers and social affairs also should enforce such policies which bound the company to provide with standard facilities and provide the company enough resources so that satisfaction and in turn quality of education can be improved in the company.

To further enhance the satisfaction of company employee, the company should give more support, resources, and better pay, promotion opportunities, meaningful work and incentives.

Provision of inflation-adjusted salaries/basic pay and other benefits is very important to retain existing employee and make the provision as an attractive option for new applicants. Lower basic salary cannot bring employee job satisfaction (Tasim, 2006). Compensations should be consistent with present socio-economic conditions. Thus the company should give due attention to the socio-economic conditions of the country.

## **5.5. Further Research Direction**

- The coming researcher can study on the effect of compensation practices on job satisfaction in other organization like other MoHA soft drinks industries, educational institution and manufacturing sector, because these sectors are have huge investment to wards compensation practices and job satisfaction.
- The coming researcher can give a better attention for other compensation variables.

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**Annex-1**  
**Addis Ababa University**  
**School of Commerce**  
**Department of Business and Economics**  
**MA program**  
Questionnaire to participants in the Survey

*Dear respondent*

The research is under taken as academic requirements of MA degree in Human Resource Management and the focus of this study is to gain better understanding on **The Effect of Compensation Practice on Employees' Job satisfaction: A case study of MOHA Soft Drinks S.C. Hawassa Millennium Pepsi Cola Plant.** Your response will take few minutes and you will in no way be associated with your name or instruction. Completion of the survey is your indication consent to voluntary participate In this research all response will remain anonymous. Please respond to the simple short listed items in this survey. You are asked to respond some statements about general compensation package: pay, recognition, promotion opportunities, meaningful work, and on job satisfaction.

**General Instructions**

- ✚ There is no need of writing your name
- ✚ In all cases where answer options are available please tick (✓) in the appropriate box.
- ✚ For questions that demands your opinion, please try to honestly describe as per the questions on the space provided

*Thank you in advance, for your sincere cooperation!*

*If you have any query, please do not hesitate to contact me at (mobile : 0911912910 or e-mail: ayalewayza16@gmail.com )*

## PART ONE

### Demographic Information

**Directions:** Please complete the items by placing the answers in the spaces provided or by applying (√) when required.

1. Your current age (√)

Below 25

45-54

25-34

55 and above

35-44

2. Gender (√)  Male

Female

3. Educational qualification (√)

High school graduate

BA/BSC Degree

TVET training

Masters Degree

College diploma

PhD

Other Please state\_\_\_\_\_

4. Years you have been in your current position/job

1-5

6-10

11-15

16-20

21 and above

5. In which department do you work?

Finance

HRM

Marketing

Others

6. Category

Non management  Management

**PART TWO**

The Satisfaction Level of Employees on each component of compensation in Pepsi Cola Millennium Plant (To be filled by all participants)

This survey asks questions about your satisfaction level of the compensation package you receive from the Company. If there is something that I have neglected to consider please don't hesitate to include or comment. Please check (√) that applies and answer open ended question under each heading.

**I. Basic pay**

No.	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Pay increase directly linked to performance and/or productivity in my company.					
2	My company provides me with salary/wage increase to adjust the cost of living.					
3	My salary is better when compared to what I could earn in another company doing the same job.					
4	Our company offers merit salary increase for exceptional quality of work performance above standard performance of duties.					
5	My retainment with my organization is highly depending up on the sound salary structure.					

What do you propose or suggest further including in your basic pay scheme?

.....

.....



## II. Premium pay

No.	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Night shift premiums are given in accordance to shift work pattern are attractive and reasonable					
2	Employees receive overtime pay for hours worked in excess of standard hours in a work week with higher rate of payment than the standard rates.					
3	My company provides additional pay for performing hazardous duty or work involving physical hardship.					
4	Company pays additional compensation when they need my service on-call although I am not scheduled for duty on that day.					
5	Attractive additional pay is given to the employees those who worked on any days other than their scheduled days of work like holiday worked, Sunday worked, standby duty, and the like.					

What do you propose or suggest further to include in your premium pay scheme?

.....

.....

### III. Incentives

No.	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Cash Bonuses are awarded besides regular wages as performance incentives to increase employee satisfaction.					
2	Ownership or stock option plan is provided for employees as an incentive which boosted the employees to improve the productivity.					
3	My company has profit sharing plan that award employees a percentage of company's profit.					
4	My company uses commission as incentive to increase employee performance.					

What do you propose or suggest further to include in your incentive scheme?

.....  
 .....

#### IV. Fringe Benefits

No.	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Job-related education opportunities are provided and the reimbursement of the expenses is made by the company.					
2	My company provides furnished house or house allowance to employees.					
3	When the employees are in business tour and traveling, such related expenses bear by the employees are reimbursed by the company.					
4	Executives are provided with fueled company car or petrol allowance to bear their travelling expenses.					
5	My company provides leave travel assistance to the employees and their family members when they are leaving to vacation.					
6	My company allows reimbursement of telephone and cellular phone expenses.					
7	My company provides discount rates of the company products purchased by the employees.					
8	My company provides transport facilities to-and-fro the company.					
9	Company provides work wear to its employees at different level according to their work pattern.					
10	Company provides loan to their employees with the lower rate of interest to meet their additional financial needs.					

What do you propose or suggest further to include in your fringe benefits?

.....  
 .....

**V. Leaves**

No.	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	My organization considers my personal problem and duly granted annual leave with pay as per my convenience.					
2	My organization provides female employees with adequate paid maternity leave.					
3	My company provides sick leave as per the norms and in certain genuine cases sick leave is extended beyond the standard days till I get cure.					
4	Employees are permitted time off from work to attend for their higher studies class.					
5	In my company there is a provision of encashment of annual leave which are not used by the concern employees and payment is made at the end of the year.					

What do you propose or suggest further to include in your leave benefits?

.....  
 .....

**VI. Health and Insurance**

No.	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Employees are provided continuation of salary during work related disability in our company.					
2	My company covers life insurance for all employees with the reasonable contribution from their monthly salary/wage.					
3	Employees' medical insurance is sponsored by our company.					
4	Medical bills with reasonable amounts are reimbursed for all employees in my company.					
5	Women employees are not engaged in arduous or harmful to their health.					

What do you propose or suggest further to include in your health and insurance benefits?

.....

.....

**VII. Retirement and Termination benefits**

No.	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	My company employs defined contribution pension plan and offers at the time of retirement as regard to company policy.					
2	Severance pay is granted to employees up on termination of employment based on length of service and it is attractive.					
3	There is provident fund scheme in addition to pension plan in our company.					
4	My company has an extension of medical benefits and Insurance continuance offer to retirees.					
5	Funeral expenses are covered when company employee dies.					

What do you propose or suggest further to include in your retirement and termination benefits?

.....  
 .....

**VIII. Employee welfare benefits**

No.	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	There are subsidized meals in our company cafeteria.					
2	Company provides to its employees library facilities with good collection of books, journals, news papers etc. to upgrade their knowledge.					
3	I have the opportunity at the end of the work day or hour to participate in my personal hobbies and interests as there are recreational provisions like Gym, swimming pool, indoors and out door games.					
4	Company invites family get together by arranging office parties, picnics, sports, cultural events etc. frequently					
5	We have company sponsored services to help employees with personal problems that affect job performance (stress, substance abuse, family problems, etc.).					

What do you propose or suggest further to include in your employee welfare benefits?

.....  
 .....

### PART THREE

Items listed below are statements about job satisfaction

Compensation packages: pay and job satisfaction

pay and job satisfaction	No.	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
	1	My salary adequately meets my needs and I motivated and satisfied with my current job.						
	2	The fringe benefits provided to me by company motivated me to work harder.						
	3	My salary is compatible with my job and I satisfied with my current pay.						
	4	Our basic pay is compatible to other people in other industries with the same level and experience.						
	5	The company reward system is closely related with job satisfaction.						
	6	When reward is increased, my satisfaction on job is increasing.						
	7	The extra remuneration for employees increases employee job satisfaction						
	8	Premium pay provide by my company is satisfied me.						
	9	Leave benefits provided with my company is motivated me to be satisfied on job.						
	10	Incentive system provided with company is motivated me then am satisfied						
	11	Health and insurance benefits provide by company is motivated to work hard and I am satisfied.						
	12	On companies termination and retirement benefits are satisfy most employees.						
13	Company welfare benefits are satisfied employees on their job.							





	No.	Item	Strongly	Disagree	Disagree	Neutral	Agree	Strongly
			Disagree	Disagree	Neutral	Agree	Strongly	Agree
<b>Recognition and job satisfaction</b>	1	I like doing the things I do at work. Then it motivates me to work hard.						
	2	When I do a good job I receive the recognition for it that I should receive. Then am satisfied on my job.						
	3	Communication seems good with this origination then it motivates me to work hard.						
	4	Company management decisions making style help me to be productive and courage's to do a job.						
	5	Management looks for practical result from me.						
	6	Management asks for best solution from the employees.						
	7	Management invites to participate in solving difficult problems.						
	8	Management encourages me to achieve recognition then I satisfied on my job.						
	9	Senior and hard-working employees receive recognition from the company, this motivate me to work hard.						
<b>Promotion opportunity and job satisfaction</b>	1	Those who do well in job stand fair chance of being promoted. Then am motivated and satisfied on my job.						
	2	Management decision planning emphasizes on developing my careers.						
	3	Company rules and regulations give rooms for promotion opportunity. This has direct relationship my job satisfaction.						
	4	Those who working for long years has got promotion then it motivated me to work harder.						
	5	Those working harder are getting the chance of higher status						

Meaningful work and job satisfaction	No	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1	Company management is open minded and polite towards employees and employees are satisfied on their job.					
	2	Some of working conditions are enjoyable and meaningful then employees are satisfied on their job.					
	3	Company rules and regulations are safe for employees the most of employees are satisfied on their job.					
	4	There is room to participate on company decision making process then it motivates me to work hard.					
	5	Many of company procedures make good job simple, this motivates employees to work hard.					
	6	I enjoy working with my co-workers it motivates me to work hard.					
	7	The support of my supervisor is meaningful, and motivates me.					
	8	Company information flow process encourages working hard and satisfied me on job.					
	9	Those who work hard are having getting the chance of prizes.					
10	Company rule and regulations considers family life.						

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 *Please you can use back side of this questionnaire to write additional comments or suggestions if any.*

## **Annex 2**

	Company Name <b>MOHA SOFT DRINKS INDUSTRY S.C</b> <i>አወጃሳ ሺሌንኒየም የፔርሲ ኮሎላ ቀለል</i>	Document No. FO -AMP-E024	
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Ref.No  
 ቁጥር:- አማ/301/18  
 Date  
 ቀን:-05/09/2018

**ሰነድ ስም** የኒሸርሲቲ ሰንገድ ስራ ኮሌጅ  
**ሰነድ አይነት:**

**ጉዳይ:- መረጃ ስለመስጠት፤**

የኒሸርሲቲው ዙሪያ ዲገሪ የሰው ሀብት ተማሪ የሆኑትን ስድስት አይዛ በድርጅታችን መጠይቅ ስቅርብ የተሞላላቸው መሆኑን አንገልግላለን።



ከሰው ሀብት ጋር

በጋዩ መኪንንት  
 የሰው ሀብት መምሪያ ሥራ  
 አስኪያጅ

**ገልጻል:**

- ስተማሪ ስድስት አይዛ

ሀዋላ: