Employees' Perception towards Compensation and Benefit Policy:

The case of some selected Government Higher Education Institutions in Addis Ababa

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C E R T I F I C A T E

This is to certify that this project work, **"Employees' Perception towards Compensation and Benefit Policy: The case of some selected Government Higher Education Institutions in Addis Ababa"**, undertaken by Ahmed Kelil for the partial fulfillment of Master's of Business Administration (MBA) at Addis Ababa University is an original work and not submitted earlier for any degree either at this University or any other University.

_____

Research Advisor

DECLARATION

I, Ahmed Kelil declare that this work entitled **"Employees' Perception towards Compensation and Benefit Policy: The case of some selected Government Higher Education Institutions in Addis Ababa"**, is the outcome of my own effort and study 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 has not been submitted for any degree in this University or any other University. It is offered for the partial fulfillment of the degree of Masters of Business Administration (MBA).

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ABSTRACT

This study examined the perception of employees regarding the compensation and benefit policy in government higher education institutions found in Addis Ababa. 150 employees from three institutes namely Addis Ababa University, Ethiopian Civil Service College, and Kotobe College of teachers' education participated in this study and 96 questionnaires were returned that gave a response rate of 64%. Data was collected using a set of questionnaires which consists three parts including demographic information of respondents, 30 likert's scale perception items, and additional and open-ended questions. Data analysis was done using descriptive statistics using SPSS 15.0; number, percentage, and mean rating were used to present the perception of the respondents. Findings showed that employees perceived the current compensation and benefits inadequate, employees did not participate in compensation and benefits decision, it is not periodically updated and communicated to employees. Moreover, it was perceived that the effectiveness of compensation and benefits was not evaluated and the policy was no revised. It was recommended that the compensation and benefit policy should be periodically revised taking into account the market conditions and nature of the job. The analysis indicated that there was no significant difference in perception between gender and job category there was a slight difference between age groups, educational qualification, work experience, and salary level of employees.

Key Words: Compensation and benefits; Employee's perception; higher education

Chapter One

1. Introduction

1.1. Background of the study

Compensation is reward that employees receive in exchange for their performance. It is concerned with wages and salaries, pay raises, and similar monetary exchanges for employees' performance (Holt, 1993). Compensation is a part of transaction between employees and employer that results in employment contract. From the employees point of view pay is necessity for life. The compensation received from work is one of the basic reason people seek employment. From the employers' point of view, it is one of the most important human resource management functions and constitutes a significant portion of organization cash out flow. Compensation often equals 50% of cash out flow of organizations, for some service organization is even larger. It may be the major instrument used to attract employees as well as way to motivate employees towards more effective performance (Ivancevich and Glueck, 1989).

Higher education system in the country is rapidly expanding both in the number of universities and student intake. The number of public universities has grown significantly in recent times. In 2007, the public higher education sector consists of 21 universities (8 old and 13 new ones). The construction of additional 10 universities in different regional states is underway under the direct supervision of the Ethiopian Ministry of Education. There are also three specialized institutions under different Ethiopian government ministries/agencies and more than eight teacher-training colleges under the supervision of governments of the regional states (Kasirim, 2008).

It is believed that there is significant movement of individuals from one university to another or out of higher education. Altogether movement is pervasive throughout Ethiopia. Staff turnover takes place at all levels, driven by the desire to improve earnings and to move from rural toward urban areas. Constant staff turnover wreaks havoc on an institution's capacity to operate efficiently and to manage long-term planning and development. To overcome this problem attempt is being made to design compensation and benefit system that fit with general standards working environment, competitive remuneration, compensation and reward system integrated with good institutional governance and shared values and beliefs of their organization that can attract, retain and motivate the desired man power. Different Universities are trying to make their compensation and benefit package as attractive as possible. For example Addis Ababa University

through implementation of BPR has the stretched objectives of the compensation system that will attract top 10% of qualified and experienced researchers and educators in the country as well as Ethiopians working abroad and 95% of the employees will be satisfied with the rate and efficiency of extra work compensation of the University (HRM process BPR team report June, 2009)

In most cases employees are willing and cooperative to do their job to the best of their abilities if they believe that pay is relatively equitable to performance. In other words compensation and benefits affects employee's decision to stay or leave an organization, to work effectively and accept additional responsibility (Bratton & Gold, 1995). The value employees give to the compensation and benefit package have an influence on human resources outcomes namely, performance, productivity, satisfaction, retention, and attraction. The inevitable need to know the perception of employees towards the organizations compensation and benefit policy in the Government higher education institutions interested me undertakes this study.

Previous studies focus on the relationship between compensation and other human resources outcomes like satisfaction, productivity, performance, Attendance, and retention. Effective compensation administration is desirable in an effort to increase employee satisfaction. Moreover, satisfaction with pay is important because as many researchers have found, if pay satisfaction is low, job satisfaction is low. Consequently absenteeism and turnover will be higher and more costly. If pay is tied to performance the employee perform a higher quality and quantity of work (Ivancevich and Glueck, 1989). Pay policy that strengthen the instrumentality between attendance and pay are likely to motivate attendance. Organization pay level places a direct influence on voluntary turnover; employees tend to compare their pay with level available in other organization (Heneman and Schwab, *et.al.* 1987). People stay or leave organization for several reasons but the conventional wisdom is that people who are satisfied with their job (i.e. perceived pay, supervision, promotional opportunity and work environment as positive) will stay, and those who aren't will leave (Mitchell and Holton *et.al.* 1993).

The project is designed to evaluate the employees' perception towards the current compensation and benefit policy and practices and the associated problems in selected government higher education found in Addis Ababa because the compensation strategy is same throughout the organization, so data collected from few institutions may be replicated and projected for the rest of the institutions as well. It is also intended to evaluate the degree to which employee rate

favorably or unfavorably the existing compensation and benefit packages. It is different from the previous studies in that the latter focus on the perception of employees towards compensation and benefit policies in particular, where as the former focus on the effectiveness of human resource management in general.

1.2. Statement of the Problem

The study and understanding of human behavior has posed a strong challenge to both the researchers and practitioners. They have been interested in finding out the causes of human behavior. The behavioral scientists want to find out why people behave the way they do. Scientific management school of thought assumes that most people are motivated primarily by economic rewards and emphasize the role of compensation and other incentives for increase in productivity. The behavioral approach claim better physical environment and increased economic benefit in themselves were not sufficient motivators in increasing productivity and shifted to psychological and social forces. Argument is going on among practitioners whether man is entirely a "Social man" or an "Economic man" (Chandan, 1995)

Pay levels is one of the most important factors potential recruits consider when selecting alternative employment opportunities and the amount of total compensation received by employees relative to other opportunities they may have, has a clear effect on attraction and retention (Gomez-Mejia and Balkin, 1992 as cited by Dulebohn and Martoccio,1998). Pay has a significant impact on employee behavior, performance and effectiveness in organizations. (Edwards and Gilman 1999 as cited by Fitsum Ghebregiorgis and Karsten, 2006). Attracting and retaining competent employees are becoming a headache for many companies. Different strategies may be designed to do the same like improving the working condition, good employee-management relationship, attractive compensation system, promotion opportunities; etc.

With an increasingly educated workforce who desire more information about pay and benefit practices, it will be essential to communicate far more effectively than today and effective understanding and acceptance of compensation policies lead employees to contribute their maximum effort for the achievement of organizational objectives. When setting pay rates, compensation managers must take into consideration the employees' perception of fair, equitable compensation. Regardless of its being one of the most critical factor for which an individual join

an organization less attention has been given to examining organizational members' evaluations of different compensation and benefit packages. A need exists to examine the employee's perceptions of the compensation and benefit policy of their organization and how employees differ in their perceptions (Schuster & Zingheim, 1992 as cited by Dulebohn and Martoccio, 1998). Taking into account the view of scientific management, the problem of the study was what will be the perception of employees towards the compensation and benefit package in some selected government higher education institutions in Addis Ababa.

1.3. Purpose of the study

The purpose of this study was to know the perception of employees towards the compensation and benefit policy in some selected Government higher education institutions in Addis Ababa. The study will cover both academic and administrative employees working permanently for the selected institutions namely Addis Ababa University, Ethiopian Civil Service College, and Kotobe College of Teachers Education. Compensation generally defined as all forms of financial and non-financial rewards employees receive in return for their service to the organization. Benefits are defined as an indirect reward, such as health insurance, vacation pay, or retirement pensions, given to an employee or group of employees as a part of organizational membership. On the other hand, employee perception is defined as a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment. The specific objectives are:

- To examine the perception of employees towards the compensation and benefit policy of some selected Government higher education institutions specifically those found in Addis Ababa.
- To identify the type of benefit that most and least favored by employees
- To describe the level of involvement employees have in compensation and benefit decisions and degree of communications about pay and benefit practices.
- To identify whether difference exist between employee characteristics such as gender, age, qualification, salary level, and work experience in perception towards compensation and benefit policy.
- Based on the findings, to summarize, conclude, and recommend alternative ways to design compensation and benefit policy.

1.4. Theoretical perspective

Compensation decision is influenced by internal and external factors. Internal factors include internal equity, job evaluation, and individual reaction to pay. External factors are those factors outside organizations mainly the external labor market condition, market pricing, external competitiveness, union influence, and government. Compensation has an impact on various human resources out comes like performance, productivity, satisfaction, attendance, retention, and attraction of employees. Studies show that there is a direct relationship between compensation and these human resources out comes.

Compensation comprises financial and non-financial components. Financial compensation can be either direct or indirect. Direct compensation includes wages, salaries, bonuses, and commissions. The indirect compensations are different forms of benefits an employee receive like insurance plans, retirement benefits, educational assistances, employee services, and paid absences (Mondey and Noe, 1990)

Compensation need to be high enough to attract applicants to a position. Pay level must respond to the supply and demand of workers in the labor market since organizations compete for employees (Werther and Davis 1996). Attraction of employees is likely to be influenced to some extent by individual pay policies and practices. Job seekers who have choices between two or more job alternative might express an interest in just how their pay be expected to increase in time, if hired.

It is the most important factor for employees when choosing to leave a job; it is less of a factor for why they stay in a job. When broken down by gender, attractive compensation is the top reason for staying in a job for men, while women focus more on working relationships and desirable working hours. A gender breakdown does not alter the results for why employees leave a job. Furthermore, inadequate compensation remains the top reason employees leave a job (Source: www.salary.com).

1.5. Research Questions

The perception of employees towards compensation and benefit policy is not clearly known despite the organization effort to design compensation and benefit package that can attract,

motivate and retain competent employees. In carrying out the study, therefore, an attempt was made to address and seek answer for the following basic questions:

i. What is the perception of employees towards compensation and benefit policy of their respective institutions?
ii. Which type of compensation and benefit packages perceived most favorably and least favorable?
iii. Is there a difference in perception towards compensation and benefit policy between employee characteristics such as gender, qualification, salary level, age stereotype, and work experience?
iv. Does the benefit program updated and communicated periodically?
v. Does the compensation policy satisfy the criteria for effectiveness? Adequacy, fairness, equitability, balanced, cost effectiveness, security, and incentive providing?

1.6. Definition of terms

Compensation: The total of all rewards provided employees in return for their services.
Benefits: Additional financial rewards other than base pay include paid vacations, sick leave, holidays, and medical insurance etc.
Equity: Workers' perceptions that they are being treated fairly. Compensation must be fair to all parties concerned and be perceived as fair.
Perception: the process by which people select, organize, interpret, retrieve, and respond to information from the world around them
Policy: General guidelines that focus organizational actions
Higher education institutions: Institutions that are charged with providing bachelor degree, and graduate degree award.

1.7. Delimitations and limitations

This study was confined itself only to selected administrative and academic employees working in some selected Government higher education institutions found in Addis Ababa namely, Addis Ababa University, Ethiopian Civil Service College, and Kotobe College of Teachers Education.

A limitation of this study was that it didn't assess the perception of employees longitudinally at multiple states of labor market conditions and relative attractiveness of the vacancy, qualification

of employees to include a wider variety of substantive and control variables in this study, and to supplement the vast number of employee's perception across different industries.

There is a possibility that the conclusions that will be drawn non-transferable to other fields due to the fact that individuals that are attracted to firms with in education industry have unique characteristics that are not present in other groups and the convenient sampling method used.

1.8. Research Methodology

The study of human resources management practices across organization is best accomplished with a narrow occupational category (Rynes and Boudreau 1986). The study has chosen Government higher education institutions found in Addis Ababa for two reasons. First, an adequately sized population of employees categorized into different job categories available in Addis Ababa. Second, it is one of the fast growing sector and experiencing immense movement of employees from one university to the other or from university to industry.

Type of research design

The study was undertaken based on qualitative research design to ascertain the perception of employees towards compensation and benefit policies and practices of the institutes. Preliminary depth interviews were conducted with the selected employees to gain understanding of employee perception and to assist in the development of questionnaires. Questionnaires were administered to a sample of employees of selected Government higher education institution found in Addis Ababa through convenience sampling technique.

Sample, population, and participants

Questionnaires were administered to a sample of employees selected from government higher education institutions in Addis Ababa namely, Addis Ababa University, Ethiopian Civil Service College, and Kotobe College of teachers education. According to Sekaran (2001) defines a population as "the entire group of people, events or things of interest that the researcher wishes to investigate."

The population for the study includes Academic and administrative (Ethiopian) employees including teachers, directors, deans, department heads, secretaries, different experts, guards, librarians, and other supportive staff working permanently in the selected higher education

institutions. A convenience sample was used, which according to Leary (2004) refers to a sample of participants that are readily available. Through convenient sampling four campuses of Addis Ababa University namely main campus, technology faculty(north), college of science, College of commerce. The participants were selected based on convenience including the availability of volunteer to distribute the questionnaire. Interview was conducted with human resource management process owners of the respective institutes to gain the understanding of their perception about the current practices of compensation and benefits. The total population of the study is estimated to be 6022.

Leary (2004,) defines sampling as, "the process by which a researcher selects a sample of participants for a study from the population of interest". Since compensation and benefit package is almost similar across the institutions, so data collected from some selected respondents can be replicated and projected for the rest of the employees as well. Moreover, due to time and financial limitations and the nature of the population using the sample determination method developed by Carvalho (1984), as cited by Zelalem (2005) a sample of 150 employees were selected from the three institutions. The following table shows the breakdown of population range the small, medium, and large sample that can be drawn for the study.

Table1. Sample determination method

Population size	Sample size		
	Small	Medium	Large
51-90	5	13	20
91-150	8	20	32
151-280	13	32	50
281-500	20	50	80
501-1200	32	80	125
1201-3200	50	125	200
3021-10000	80	200	315
1001-35000	125	315	500
35001-150000	200	500	800

Sourse: (Zelalem, 2005: ***Issues and Challenges of Rural Water Scheme: The Case Study of Burayu***)

Data collection instruments, variables, and materials

To undertake the study both primary and secondary data will be collected. Secondary data will be collected from different sources including journals, books, periodicals, and online from internet sources form Addis Ababa University liberalities, Ethiopian Civil Service College library, and private sources.

Primary data was collected from the participants using interview and questionnaire. 5-item lickert scale except for personal attributes, open ended response boxes including the demographic aspect of the respondents, asking their gender, age, educational qualification, salary scale(only range), and their experience in the organization in order to accumulate informative data used to see how employees perceive compensation and benefits from "1 strongly agree" to "5 strongly disagree". Employees were asked to rank different forms of benefit packages so that the most favored and least favored will be known.

Data analysis procedure

The analysis begins by reporting information about the samples that returned and did not returned the questionnaire. The obtained data were summarized organized, tabulated, coded, and analyzed using SPSS 15.0 descriptive statistics. Comparison of the percentages were made to ascertain the difference in perception in age group, gender, work experience, and job category and the type of compensation that is most and least favored. The mean rating score was also used to present the perception level toward the compensation and benefit items listed in the questionnaire.

1.9. Significance of the study

The present study contributes to emerging industry level perspective by investigating the relationship between the compensation and benefit package available and employee's perception. The compensation and benefit package provided by the firm in the industry serves as the primary independent variable of interest and employee's perception as dependent variable. Moreover, it helps the firms within the industry to understand the perception of employee's towards compensation and benefit policy and the type of compensation and benefit instrument best favored by employees. It also helps to modify the pay policies and practices so that competent employees attracted to the organization and voluntary turnover reduced. Moreover, if the modified compensation meets the aspiration of workers productivity will increases and workers

become more and more stable. Employees dissatisfied with pay either prepare to leave the organization and even if they stay negatively react to their and the organization as a whole (Sara and Barber, 1990).

Despite the perceived importance of pay policies and practices; very little empirical research has examined the link between employee's perception and compensation and benefit policy and organizational outcomes. This study adds to the existing body of knowledge in several ways. First, it places the theory in broader context. I.e. compensation as a whole rather than only few attributes of compensation system. Second, studying the perception of employees towards compensation and benefit policy industry level complements the traditional approach and the two perspectives together contribute towards the integration of theory and research and advance the knowledge of human resource management. Third, it initiates researchers in the many dimensions of the study.

Government directly or indirectly affects compensation through wage control and guidelines. Understanding the relationship between employee's perception and compensation and benefit policy helps the government in different ways. It helps in establishing wage control and guidelines, which determine the minimum wage and overtime pay. It eases the mediating activity between organizations and the labor union representing the employees.

Union tends to demand high pay level, benefits, and improved working condition. The result of the study assist union in push their employers towards the compensation element that is highly desired for the employees it represents. Another importance is it contributes towards the elimination of dispute and the disagreement between firms and the labor union representatives.

1.10. Organization of the paper

The report is organized into four chapters. Chapter one deals with introduction, chapter two deals with the review of the related literature, chapter three deals with the presentation, analysis and interpretation of data, and finally chapter four contains summary of findings, conclusions, and Recommendations.

Chapter Two

2. Literature Review

2.1. An Over View Compensation

Employees are the backbone of an organization. The attainment of organizational objectives largely depends on the motivation of employees to work. Among other things employees are motivated to work when they are provided a fair financial and non-financial compensation for service rendered to the organization. "*Compensation is the reward employees receive in exchange for their performance. It is concerned with wages and salaries, pay raises, and similar non-monetary exchange for employee's performance*" (Holt, 1993). Well designed compensation system enables organizations to attract qualified employees required and retain and motivate the existing work force towards goal achievement. The most obvious reward employees get form work is pay (Decenzo and Robbins, 1999)

On the contrary, if compensation is not tied to work, employees are likely to look for better paying job. Moreover, where employees are dissatisfied with the type of compensation, their contribution towards goal attainment tends to be lower. In severe cases, pay dissatisfaction may lower performance, causes strike, increase grievance, and leads to forms of physical or psychological withdrawal ranging from absenteeism and turnover to increased visit to dispensary and poor mental health (Werther and Davis, 1996).

The objectives of compensation system is to create a system of reward that is equitable to employers and employees alike, so that employees are attracted to work and motivated to do good job for the employer. Through effective compensation Werther and Davis (1996) has identified the following seven objectives: Acquire qualified personnel, retain current employees, ensure pay equity, reward desired behavior, control cost, comply with legal considerations, and facilitate understanding.

2.2. Types of Compensation

In general, there are two types of compensation: These are

2.2.1. Financial compensation

Financial compensation includes direct compensations, which is paid to employees in the form of wages, salaries, bonuses, and commission in exchange for their performance and indirect

compensation in the form of insurance plans(life, health, social assistance), Retirement benefits, educational assistance, employee services, and paid absence for vacation, holydays, sick leave, etc.(Mondey and Noe, 1990)

2.2.2. Non- Financial compensation

Non- Financial compensation includes any satisfaction which employees receive from the job, such as the need for recognition, responsibility, personal growth and the like or from environment in which they work including comfortable working condition, competent supervision, pleasant work companion and other related physical and social needs of Employees(Mondey and Noe, 1990).

2.3. Compensation Strategy alternatives

Compensation is an expense in the sense that it reflects the cost of labor (Mondey and Noe, 1990), often governed by compensation policies. As organization differ in size and purpose, so do in pay level. Glueck (1978) has identified three alternative strategies. These are:

The high-pay-level strategy: under this strategy organizations choose to pay higher than the average pay level that the market pays. The assumption is that a higher salary or wage will enable organizations attract and retain competent employees and this, in turn enhances employee's productivity.

The low-pay-level strategy: In this alternative, the organization pays a minimum salary or wage to employees. This may be because a poor financial condition or the work doesn't require highly qualified personnel.

The comparable-pay-level strategy: This strategy requires organizations to follow "equal pay for equal work". In this strategy employees are paid based on comparable value of jobs they are performing within the company and/or the market.

2.4. Indirect compensation/Benefits

Indirect compensation/benefits are paid for being member of the organization. It provides protection against health and accident related problems and ensures income at the end of one's work life. For example, in United States legally required benefits includes social security, unemployment compensation, and workers compensation; private programs includes health care, life and disability insurance. Retirement income is provided through pension and saving plan.

Benefit programs also includes pay for time not worked (for example, vacation, holydays seek leaves and absence pay, breaks and wash up and clean up time(Randal, 1998)

According to Randal (1998), benefits provide firms the opportunity to attract and retain valued employees. He identified several reasons why organizations pay much money into benefit programs. These include:

- Attracting good employees
- Increase employee morale
- Reduce employee turnover
- Increase job satisfaction
- Motivate employees
- Enhancing the organizations image among employees and in the community
- Make better use of compensation Dollars

2.4.1. Benefit Administration issues

Although organizations tend to view indirect compensation as a reward, recipients do not always see it that way. This causes organizations to become concerned with their package of indirect compensation and benefits and how they administer (Randal S, 1998). The issues include:

2.4.1.1. Determining the compensation and benefit packages

The compensation and benefit packages should be selected on the bases of what is good for employees as well as the employer. Often knowing employees preference can determine which benefits should be offered. There are series of internal and external factors that influence compensation and benefit decisions.

According to Ivancevich and Glueck, (1989), government directly affect compensation and benefits through wage control and guidelines which prohibit an increase in compensation for certain workers at certain times, and laws directed at the establishment of minimum wage rate, wage and hour regulations, and prevention of discrimination directed towards certain groups. Its main concern is to ensure the financial compensation support the social and economic interest of the broader society (Scarpello and Lendvinka, 1988).

Another important external influence on an employer's compensation program is the labor unionization. Unions have an effect whether or not the organization's employees are unionized; Union tended to be pacesetters in demand for pay, benefits, and working condition and affect the overall compensation policy of organizations (Ivancevich and Glueck, 1989). Its main concern is to protect, maintain, and increase the welfare of workers ((Scarpello and Lendvinka, 1988).

According to Glueck (1978), the number and type of employees indicated in the organization's human recourse planning mainly drawn from labor market. Since the market directly affects the pay-level, analysis of the demand for supply of labor is absolutely necessary. In times of full employment, wages and salary may have to be higher to attract and retain enough qualified employees; in depression, the salary may be reduced since the organization's ability to pay limited as a result of the depression (Ivancevich and Glueck, 1989).

According to Ivancevich and Glueck (1989) the nature of the task affects compensation primarily in the method of payment for the job, such as the payment for the time worked or incentives. One of the most significant factors in compensation is the nature of the employee and how employee's attitude and preference directly affect performance and pay structure. Organizations appear to attribute similar value for similar jobs and different values to different jobs. Organization pay for the value they attach to certain duties, responsibilities, and other job related factors (Mondey and Noe, 1990)

2.4.1.2. Providing benefit flexibility

When employees participate in the designing of benefits packages both the employees and the company better off. Changing employee needs and values give impetus to more flexible compensation system. Flexible compensation system provides the option to choice what to consume back in the hands of employees. (Schiemann, 1987). The linkage benefit to motivation may not exist unless the benefits offered are tailored to the specific needs of the workers. Traditional benefits administration treating benefits as membership based may not generate the increased productivity like that of flexible benefit options. (Decenzo and Robbins, 1999).

2.4.1.3. Communicating the benefit packages

Providing benefit flexibility is good not only because it gives employees what they are more likely to want but also it makes them aware of the benefit they are gaining and thereby not only increase their morale but also their commitment to the organization. If employees have no knowledge of their benefits there is a little reason to believe the organizations benefit program objectives will be attained. Communicating the benefit packages and providing employees with benefit flexibility increase the positive impact of indirect compensation. To communicate total compensation to employees, some organizations use annual benefit summary to provide a detailed list of costs incurred by the organization to retain, train, support, and reward a member of that organization (Randal, 1998).

Communication is a major element in this entire compensation and benefits decision process. Many employees are unaware of employer efforts. Also, many employees do not understand how their usage patterns ultimately affect cost. Hence, employee education is a major gap that remains to be filled in most organizations .Finally; tomorrow's systems will be highly dependent on an effective understanding and acceptance of compensation policies. With an increasingly educated workforce who desire more information about pay and benefit practices, it will be essential to communicate far more effectively than today (Suddarth, et al. (1984) as cited by Schiemann, 1987).

The most technically sophisticated payment plan can generate desired employee reactions or exactly the opposite. The actual effect depends on whether the rationale for the payment plan is understood and accepted and whether employees' perceptions of the facts upon which the rationale is built (e.g., the company's financial health, the pay of employees in other jobs or organizations) are the same as the perceptions of those charged with seeing that the payment plan has the intended effects. (Olsen et.al. 1994).

2.5. Compensation Policy

Compensation policy is derived from organizational strategy and its policy on overall human resource management. In order to make compensation management to work effectively, the organization should clearly specify its compensation policy, which must include the basis for determining base compensation, incentives and benefits and various types of perquisites to various levels of employees. The policy should be linked with the organizational philosophy on

human resources and strategy. Organizations needs develop policies as general guidelines to provide for coordination, consistency, and fairness in compensating employees. (Source: http://www.ioma.com)

There should be a written policy on compensation related matters including the determination of what, when, and how they pay and related issues computed. According to Gary Dessler(1994), other compensation policies includes the amount of vacation and holyday pay, overtime pay policy, method of payment(i.e. weekly, biweekly, monthly) etc.

2.6. Compensation and Benefits Model

Schiemann, (1987) in his article described that employers obviously have myriad goals that vary from one organization to another. However, there are a number of common goals that transcend most organizational boundaries: profitability (except in nonprofit organizations), longevity, growth, and mission. For most organizations, this implies an effective use of labor. The cost of labor continues to be a major variable in the cost equation of most organizations. Employers strive to maximize labor output (in all forms) while minimizing the labor costs necessary to generate the output. The major labor costs come from direct and indirect forms of compensation, usually wages and fringe benefits. Moreover, there are other costs that must be considered as well: recruitment, selection, training, occupancy, and separation costs, for example

To maximize organizational goal attainment and productivity, it is crucial for most employers to carefully evaluate both labor costs and output in all forms. That is, most employers wish to improve output (individual performance levels, quality of products and services, waste reduction) more rapidly than they increase their costs to deliver the output. This implies the use of compensation and benefit policies that improve output yields while controlling costs.

Practically, this means enhancing employee motivation, attitudes, and performance at costs that are less than the gains from increasing labor output. For example, if increases in compensation in the form of wages and benefits reduce unwanted employee turnover at a cost that is less than the labor replacement cost, then the investment might prove valuable.

Another example might be in recruitment. If a certain employer sponsors a child care program as part of the fringe benefit package, then presumably some employees would be more likely to work for this organization instead of its competitors (which do not have this benefit). If this

benefit were to reduce recruitment costs (by increasing recruitment rates), increase employee commitment, and reduce turnover, the costs for such a program might improve overall productivity. The following figure shows the forces that have an impact on benefit policy today.

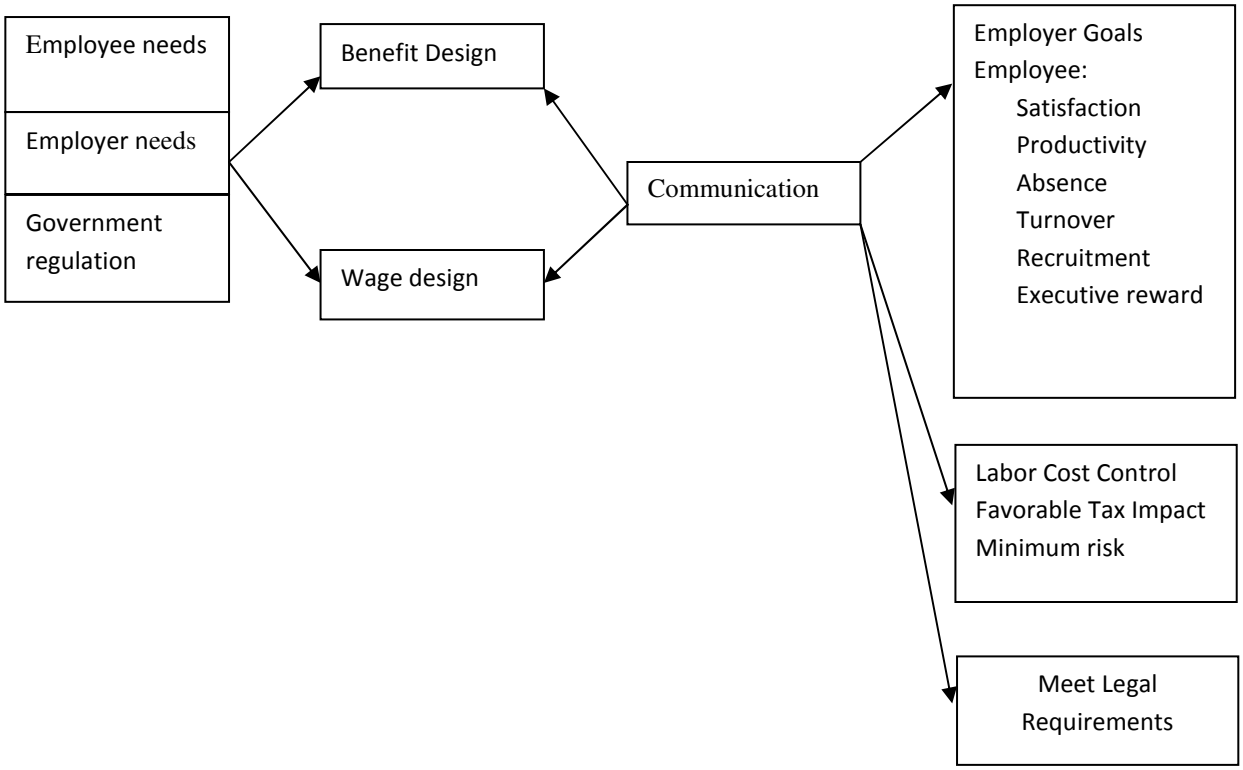


Figure1: Compensation and benefit model (Source: William A. Schliemann. (1987). ***The Impact of Corporate Compensation and Benefit Policy on Employee Attitudes and Behavior and Corporate Profitability***. Journal of Business and Psychology, Vol. 2, No. 1, pp.10)

2.7. Employees Attitudes toward Compensation and Benefits

Supposedly, increasing levels of benefits should be satisfying to most employees. However, recent data (Schiemann, 1987) indicates that employee attitudes toward benefits have not kept pace with increases in employer contributions to benefit plans.

2.7.1. Attitudes toward Pay

According to Morgan & Schiemann, (1986) employee attitudes toward pay show decreases in favorable pay ratings among managers, exempt, and nonexempt employees. These downturns are attributed to diminishing pay increases (due to lower inflation and lower merit increases); poor pay for performance relationships, and poor employee understanding of how pay is determined.

Moreover, organizations are facing a problem with their performance appraisal. A recent study shows that the standards against which employees performance are judged are vague and highly subjective. Hence, the lack of clarity and objectivity of the criteria used to measure the performance of the employees creates role ambiguity, confusion and frustration among the workers to undertake their job. As a result, the majority of the respondents questioned the legality and appropriateness of the current form used to measure the performance of workers to undertake administrative decisions. Hence, at least, employees do not perceive that their performance is measured; they believe that the performance record does not reflect their true performance. (Zelalem Bayisa, 2007) .Another problem is the lack of good communication regarding the relationship between the appraisal and subsequent pay. Furthermore, annual appraisals without continual supervisory feedback are unlikely to be effective in establishing accurate feedback regarding a subordinate's location in the performance distribution. Still another cause of low pay for performance ratings is the relatively small spread in merit increases. (Teel, 1986 as cited by Schiemann, 1987).

2.7.2. Attitudes toward Benefits

Attitudes toward various benefits differ substantially. The most favorably rated benefits are profit sharing, savings plans, and stock purchase plans. The least favorably rated benefits are pensions, disability (short and long term), and sick leave (for some job groups). Al though 84% of employees rate medical benefits as the most important benefit they receive, only 67% rate health insurance favorably. Moreover, 60% or fewer rate dental, sick leave, and disability insurance favorably. Furthermore, some of the most expensive benefits (pension and health related benefits) are not rated most favorably; in fact, pension plans are rated favorably by only half of the employees having retirement programs (White & Becker, 1980 as cited by Schiemann, 1987).

Schiemann (1987) stated that historically, these ratings do not vary dramatically across job groups, sex, or different age groups. Females and older employees (with higher tenure) are somewhat more favorable than their counterparts, but they do not differ substantially in the benefits that they rate most favorably. With respect to tenure, newer employees (those with tenure under one year) rate their benefits most favorably, followed by periods of declining ratings, which then turn upward after 15 or so years of service. The favorable ratings during early years probably reflect a "honeymoon" period, and the more positive ratings of longer tenured,

older employees reflect greater usage patterns (for health benefits), more accrued benefits (e.g., vacation, savings, stock), and a realization that they will probably be with this organization until retirement (and therefore, some rationalization of benefit quality).

Thus, it appears that employers are not receiving the value in employee satisfaction with benefits that current expenditures might warrant. Some of the most expensive benefits are the least favorably rated. In surveys conducted by Hefferan, (1985) across organizations in various industries, pensions and health coverage are the two benefits that employees most want to see improved. Clearly something is wrong given that these two benefits represent the largest and fastest growing expenditures for most employers (Schiemann, 1987).

Chapter Three

Data Presentation, Analysis, and Interpretation

3.1. Introduction

This chapter presents the presentation of data, analysis, and interpretation. It explores short history of f higher education in Ethiopia and institutions under the study. It also summarizes the demographic profile of respondents and the questionnaire distributed and the response rate. The perception of employees towards the items included in the questionnaire and comparison of the perception items and employee characteristics including the gender, age, educational qualification, job category, and work experience will be presented. Employee's rating of salaries and benefits as well as ranking of the benefit package instruments included under this chapter.

Higher education is crucial for the production of vital human resources, such as teachers, healthcare professionals, lawyers, engineers, managers, businessmen, and researchers critical for socio-economic development of a nation. Secular higher education in Ethiopia started in the1950s and has been expanding both in public and private sector (Zenawi, 2007). Higher education system in the country is rapidly expanding both in the number of universities and student intake. The number of public universities has grown significantly in recent times. In 2007, the public higher education sector consists of 21 universities (8 old and 13 new ones). The construction of additional 10 universities in different regional states is underway under the direct supervision of the Ethiopian Ministry of Education. There are also three specialized institutions under different Ethiopian government ministries/agencies. There are also eight teacher-training colleges under the supervision of governments of the regional states (Kasirim, 2008).

The total public university enrollment for the year 2008/2009 was about 75,000 in regular undergraduate programs. . Expansion in enrollment between 2004 and 2009 was around 65% in undergraduate program. In addition, total enrollment in graduate programs in 2008/2009 was about 6500, which was an expansion of 400% in less than three years. The dramatic increase in intake was the result of the establishment of 13 new universities in different regions of the country and also the expansion works in the already established universities(Ministry of education, 2002). For the purpose of the study three higher education institutions found in Addis Ababa were selected namely, Addis Ababa University, Ethiopian Civil Service College, and Kotobe College of Teachers Education. Short description and staff profile of each institution is presented below in table 2.

Addis Ababa University, the first and the oldest higher learning institution in the country, has been engaged in teaching –learning, research and community services. It has been playing a pivotal role in producing trained manpower for more than half a century. It was founded on March 20, 1950 at the request of Emperor Hiale Sellasie I as a two year college, the then Addis Ababa University College. It started operation with faculty of arts and science and an enrolling capacity of 33 students. Today (May 2010), Addis Ababa University (AAU) has over 50,000 students in its regular and continuing education program (www.aau.edu.et/ the research and graduate programs informer).

AAU admitted its first graduate student in 1978. Currently, it has 6819 masters and 913 PhD student enrolled in its various programs. The program has also expanded from only a few thirty years ago to 180 in PhD, masters, specialty, and sub-specialties. With regard to employees, AAU has currently has a total of 2174 of academic and 2756 administrative staff excluding expatriates and employees other than academic and administrative category.

The Ethiopian Civil Service College started operation in 1995 but was formally established in February, 1996 as an autonomous institution with legal status by the Council of Minister Regulation No. 3/1996. Since establishment, the College has contributed immensely in developing the capacity of the Ethiopian Civil Service through education and training. More specifically, the College aims at building the capacity of the civil service at both federal and regional levels through specialized education, training, research and consultancy programs and services (www.ecsc.edu.et/ information bulletin).

The College has six institutes namely institute of public management and development studies, institute of urban development studies, institute of federalism and legal studies, institute of tax and custom administration, institute for certification of accountants and auditors, and institute of distance and virtual learning. The institutes offering short courses, under- and post-graduate programs, research and consultancy services, with delivery modalities ranging from regular to evening to distance/ virtual (print and technology-assisted). On the basis of the BPR study related activities have been brought under the relevant institutes. Thus, for example, the Institute for Tax and Customs Administration carries out all the education, short term training, and research and consultancy activities in the sector. The current total staff is around 780 excluding expatriate staffs where 220 academic and 568 administrative staff.

Kotebe College of teachers' education is one of the oldest higher education institutions in Ethiopia. It was established in 1962 by training into diploma or certificate. It started operation with fields of study including English, Ethiopian language and literature, health and physical education, mathematics, Geography, and history. It provides training in regular, summer, extension, and evening programs. Currently the college increase number of departments and both at diploma and first degree level. The information obtained from human resource unit of the college shows that the total number employees of the college is 302 of which 141 academic staff and the remaining administrative staff

Table2.Academic and administrative staff profile of each institutes

	PhD		MA/MSc		BA/BSc		Dip./Adv. Diploma		Certificate		0-12		Total
	M	F	M	F	M	F	M	F	M	F	M	F	
Academic staff													
Addis Ababa University	443	43	641	71	407	125	173	217	4	1	12	13	2174
Ethiopian Civil Service College	16	-	113	11	28	9	19	16	3	3	-	-	220
Kotebe College of Teachers Education	-	-	-	-	-	-	-	-	-	-	-	-	141♦
Academic staff total	459	43	554	82	435	134	192	233	7	4	12	13	2535
Administrative staff													
Addis Ababa University	-	-	6	1	69	81	205	301	135	221	589*	1121*	2756
Ethiopian Civil Service College	-	-	1	-	6	9	72	78	45	67	124	186	568
Kotebe College of Teachers Education	-	-	-	-	-	-	-	-	-	-		-	163**
Administrative staff total			7	1	75	90	277	379	180	288	713	1307	3487
Grand total	459	43	561	83	510	224	469	612	187	292	725	1320	6022

Source: Human resource department of the institutions under study

*this figure includes all employees below grade 12th
** This figure contains 59 male and 102 female
♦ This figure total academic staff, the break down was not really available

In order to understand the perception of employees towards the current compensation and benefit policy structured questionnaire were distributed to both academic and administrative employees working in the institutions under the study. The questionnaire distributed and the response rate from each institution is shown in the table3 below.

Table3.Questionnaire response rate by institutions

Institution	Number of questionnaire distributed	Number and percentage returned
1. Addis Ababa University	65	44(67.7%)
2. Ethiopian Civil Service College	50	33(66%)
3. Kotobe College of teachers Education	35	19(54.3%)
Total	150	96(64%)

Source: Appendix A

According to Sekaran (2001), a response rate of thirty percent is acceptable for most studies. The response rate for this study was 64% which is sufficient. Demographically the respondents were asked to classify themselves according to the category of their jobs as academic and administrative, their qualification, and length of service at their institutions, gender, and age.

The questionnaire consists of three sections. Section 1 focused demographic information of the respondents, Section 2 focus on likert's rating of perception items, Section 3 considers additional questions and open ended questions. A copy of the questionnaire is included in the Appendix A of this paper.

3.2. Demographic profile of respondents

In terms of length of service at the institution, 45%t of the respondents had worked for the institution fewer than five years and, 42.7% between 5 and 19 years, and the rest above 20 years. 75% of the respondents were male, 25% were female. A respondent was younger than 25 years, 28.1% were between 25-34 years, 64.5% were between 35-54 years, and 6.3% were over the age of 55. Regarding qualification, 18.8% of the respondents had the PhD, 57.3% were 2nd degree, 10.4% were 1st degree, 6.3% were college diploma, and 6.3% were below 12 grade. In terms of the job category in their institution, 83.3% of those responding from Academic while the rest administrative. The following table shows the detail.

Table4. The demographic characteristics of the respondents

Characteristics	Number (%)
Gender (n=96)	
Male	72(75%)
Female	24(25%)
Education (n=96)	
High school complete	0(0%)
Technical school graduate	1(1.0%)
College diploma	6(6.3%)
BA/BSc degree	10(10.4%)
Masters degree	55(57.3%)
PhD	18(18.8%)
Others*	6(6.3%)
Age (n=96)	
Under 25	1(1.0%)
25-34	27(28.1%)
35-44	37(38.5%)
45-54	25(26.0%)
55 and above	6(6.3%)
Work experience(n=96)	
0-4	44(45.8%)
5-9	21.9(21%)
10-19	20(20.8%)
20-30	11.5(11%)
Above 30	0(0%)
Salary level(n=96)	
Less than 500	8(8.3%)
501-1200	3(3.1%)
1201-3000	10(10.4%)
3001-4000	71(74.0%)
4001-5000	4(4.2%)
Above 5000	0(0%)

* Represent respondents with educational qualification is below grade 12.

Source: Appendix A

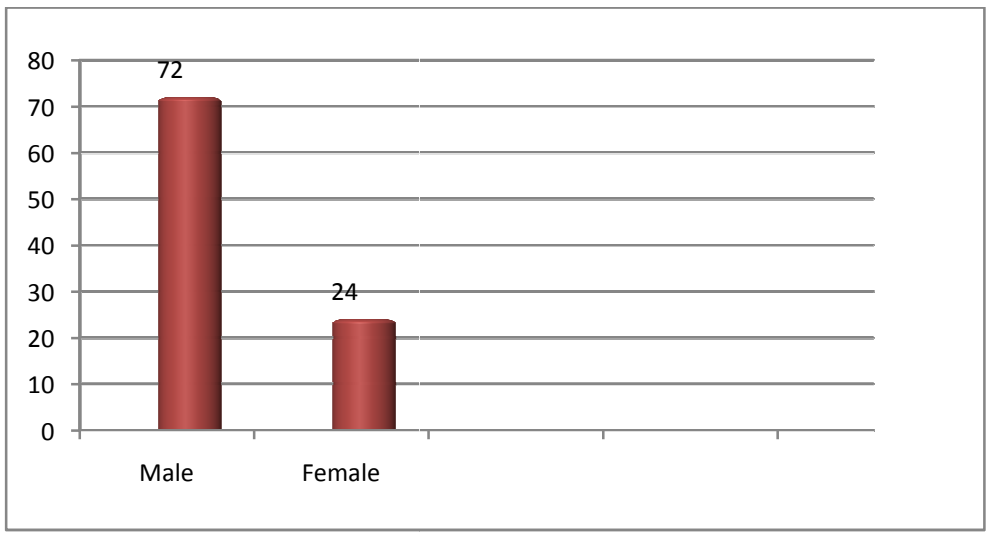


Figure2: Gender distribution using graph

Figure2 indicates the gender distribution of the sample of respondents from the institutions at which the study was conducted. As can be seen from the figure, the majority of the sample (n = 72) or 75% was male, while the remaining 25% (n = 24) comprised of female respondents.

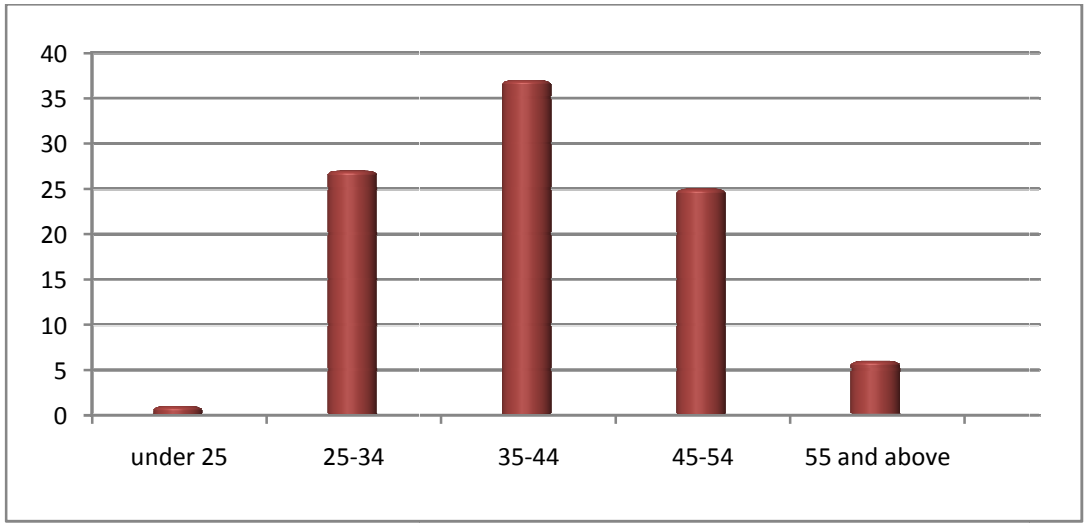


Figure3: Presents the respondents' responses with regard to their ages

As can be seen from figure3 the majority of respondents in the sample 38.5% were between the ages of 35 and 44 years. This category is followed by the age group 25 – 34, into which 28.1% of the respondents' fall, 26.0% was between the ages of 45 and 54 years, 6.3% were over 55 years of age and only one respondent (1%) was under 25.

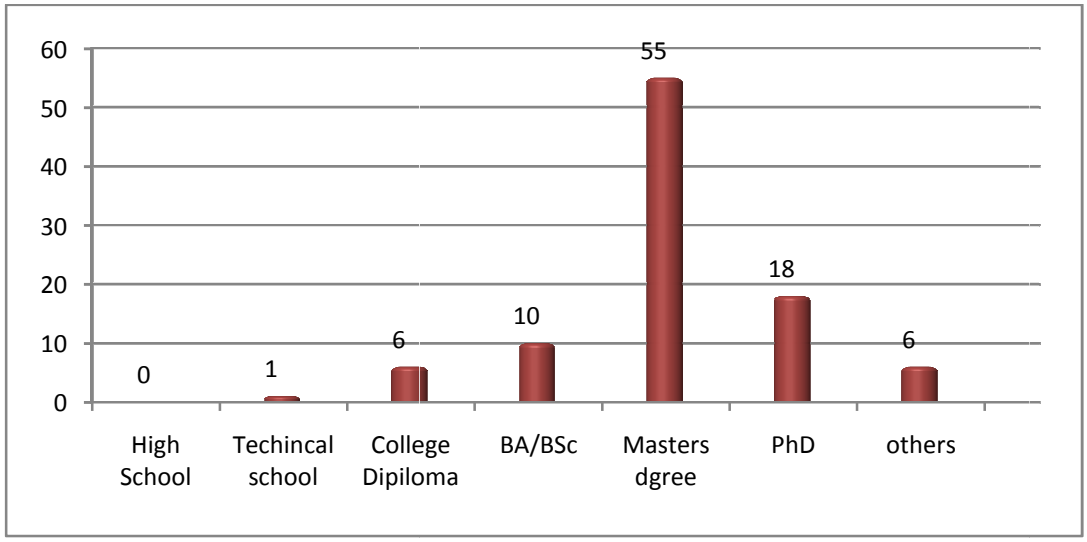


Figure4: Graphical presentation of qualification

It can be seen from Figure4 that 57.3% of respondents of the sample has master's degree. This is followed by respondents with a PhD degree (18.8%) and those with a BA/BSc degree constitute 10.4%, 6.3% with college diploma and another 6.3% below grade 12. One respondent indicate he/she has technical school graduate educational qualification.

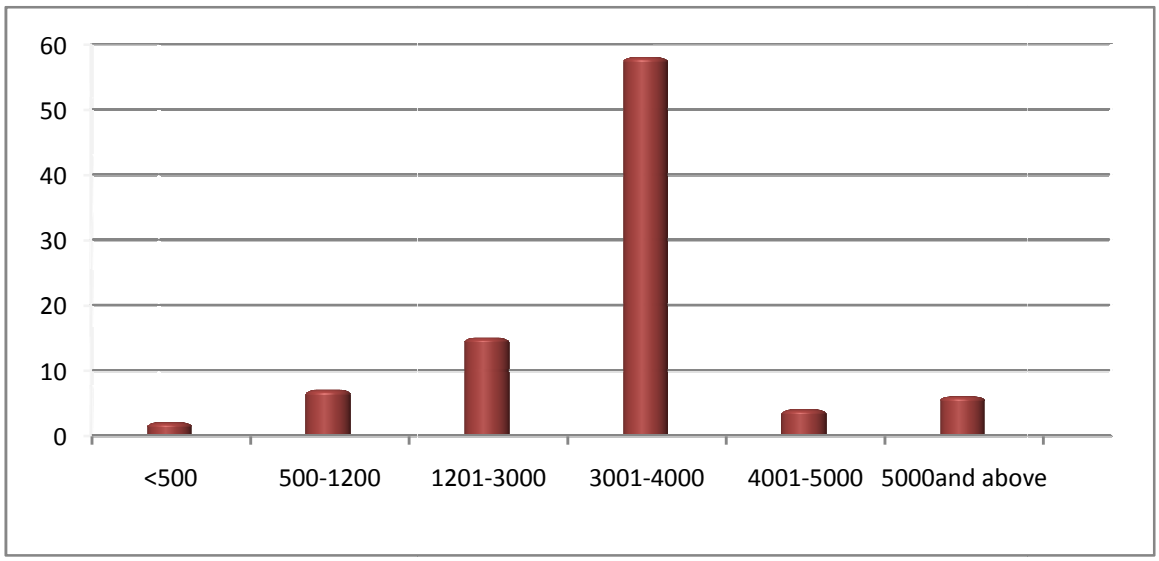


Figure5: provides a graphical representation of the distribution of the sample based salary scale

Figure 5 indicates that the salary level of 74% (n = 71) of the sample are between 3001 and 4000 birr, 10.4% (n = 10) are between 1201-3000, whilst 4.5% (n = 4) of the respondents indicated that they are between 4001 and 5000. 11.4% (n = 11) are below 1200 birr.

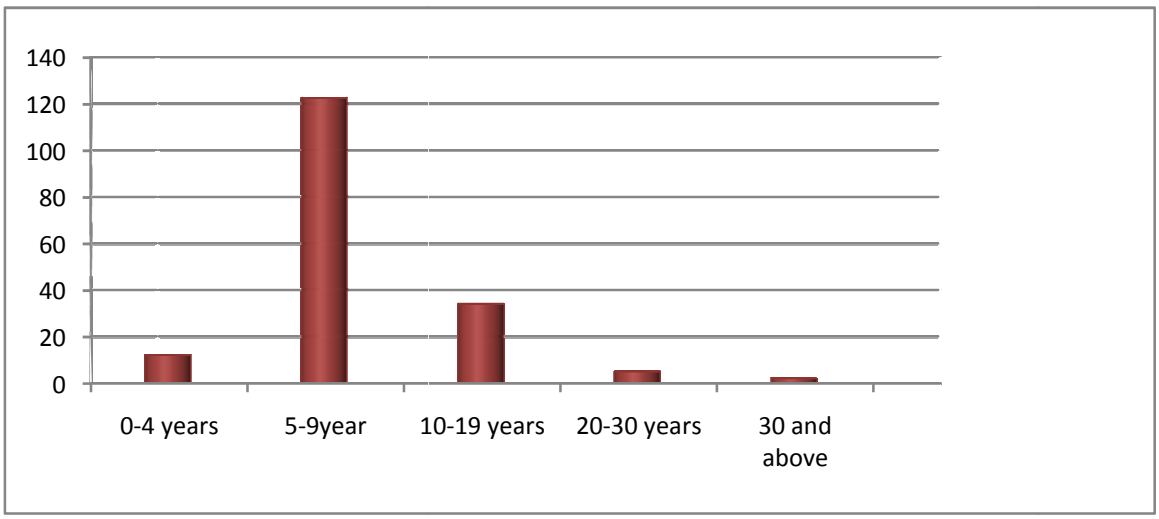


Figure6: provides a graphical representation of the year of experience of the sample.

Figure 6 indicates that the majority of the respondents, 45.8% (n = 44), have worked for their institution for less than 5 years, while 21% (n = 21.9) have worked for their institutions for 5-9

years. Twenty-one percent (21%, n = 21.9) of the respondents have worked for their institution between 10 and 19 years, 11% (n = 11.5) have worked for the organization between 20 and 30 years.

The collected data were entered into a database and analyzed using SPSS 15.0 software. I used number and percent to describe the personal characteristics and perceptions towards compensation and benefit policy among the subjects. The mean rating score was also used to present the perception level towards compensation and benefit policy among the subjects

So the main forms which were used in the descriptive technique were frequency distribution and the percentage forms, and mean rating scores with aim of providing an overall view of characteristics of the respondents and the perception towards items listed in the lickert's scale.

Multi-stage sample design was adopted Selection of institutions from higher education found in Addis Ababa, followed by selection of colleges form the institutions (the selection was made form Addis Ababa University (main campus, Faculty of Technology faculty (north), Science faculty, and College of Commerce), Ethiopian Civil Service college (main campus), and Kotobe College of teachers education), followed by selection of 150 respondents from each colleges.

Based on the responses gathered from the employees of the institutions, I have grouped the items in the likerts scale into four major categories namely, effectiveness of compensation and benefits, compensation and benefits decision and administration process, employees perception towards overall compensation and benefit issues, and perception towards pay mix and pension plan. As it is indicated in the method part the questionnaires were designed using Likert Scale where almost all the statements were measured on a five point scale with 1 = strongly Agree; 2 = agree; 3 = No opinion; 4 = disagree; and, 5 = strongly disagree. The information obtained from the questionnaire are summarized and discussed in the table 5, 6, 7, and 8 below.

3.3. Employee's perception of the effectiveness of compensation and benefits

Nine items were used under this category. These include perception towards compensation and benefits adequacy, compensation equitability, fairness, compliance with government regulations, motivation and incentives, attraction and retention, keeping balance between cost of employer and employees contribution, securing from unemployment, and provision of opportunity to attain self- interest.

Table5: Perception towards the effectiveness of compensation and benefits

Item of perception	Likert's rating score					
	Strongly Agree	Agree	No opinion	Disagree	Strongly disagree	Mean rating
	Number (%)	Number(%)	Number(%)	Number(%	Number(%)	
1. compensation and benefits adequacy (n=96)	1(1%)	3(3.1%)	7(7.3%)	24(25.0%)	61(63.5%)	4.31
2.Compensation equitability(n=96)	3(3.1%)	11(11.5%)	14(14.6%)	39(40.6%)	29(30.2%)	3.90
3 Compensation fairness(n= 96)	11(11.5%)	10(10.4%)	10(10.4%)	35(36.5%)	30(31.3%)	3.74
4. Compliance with Government regulations (n=96)	27(28.1%)	20(20.8%)	32(33.3%)	14(14.6%)	3(3.1%)	2.55
5. Motivate and provide incentives for better performance(n=96)	1(1%)	10(10.4%)	6(6.3%)	42(43.8%)	38(39.6%)	4.18
6. Attract and retain competent employees(n=96)	1(1%)\	4(4.2%)	12(12.5%)	27(28.1%)	52(54.2%)	3.98
7. keep balance between government cost and employee contribution(n=96)	1(1%)	4(4.2%)	16(16.7%)	29(30.2%)	46(47.9%)	4.07
8. Secure employees from being exposed to unemployment(n=96)	6(6.3%)	10(10.4%)	23(24.0%)	22(22.9%)	35(36.5%)	3.50
9. provide opportunity to attain self-interest(n=96)	3(3.1%)	2(2.1%)	2(2.1%)	12(12.5%)	77(80.2%)	4.41

Source: Appendix A

As we can observe from table 5, about 88.5% of the respondents disagree or strongly disagree with the statement that 'the current compensation and benefit package are adequate'. Only 4.1% of the respondents agree or strongly agree whereas 7.3% of the respondents have no opinion with the statement. The mean rating score for the statement was 4.31 which is between disagree and strongly disagree. Similarly, the majority of the respondents (67.8%) disagree or strongly disagree with the statement that 'the current compensation and benefit package is fair' while about 10.4% of them have no opinion and 21.90% of the respondents agree or strongly disagree with the statement and the mean rating was 3.74. Moreover, 14.6% of the respondents agree or strongly agree with the statement that 'the current compensation and benefits is equitable with comparable government organizations' .However, the majority of respondents 70.80% of the

respondent disagree or strongly disagree with the statement whereas about 14.6% of them have no opinion and the mean score was 3.90.

Regarding the statement 'the current compensation and benefit policy comply with government regulations about half (48.9%) agree/strongly agree, 33.3% have no opinion, and the remaining 17.7% disagree/strongly disagree with the mean rating of 2.55 which is between agree and have no opinion. Similarly, the respondents rate the statement 'the compensation and benefit package in the government higher education institutions motivate and provide incentives for better performance. 11.4% of them agree/strongly agree with statement, 6.3% have no opinion, and 83.4% disagree/strongly disagree.

Table 5 also indicates that 82.2% of respondents either disagree or strongly disagree with the statement 'the compensation and benefit package available in their institutions is capable of attracting and retaining competent employees'. 12.5% of respondents decline from expressing their level of agreement, and 5.2% of them agree/strongly agree with the statement and rate at 3.98 which is between no opinions and disagree. In response to the statement 'the compensation system and benefits offered keep balance between government cost and employee contribution' 5.2% agrees/strongly agree, where as 78.1% disagree/strongly disagree, and the remaining 16.7% have no opinion. On the other hand, 16.7% agree/ strongly agree with statement 'the compensation available is capable of securing employees from being exposed to unemployment', 59.4% argue they disagree/strongly disagree, and 24.0% have no opinion. Moreover, the respondents rate the statement 'the compensation and benefit package offered by your institution provide opportunity to attain self-interest (like building house, buying car, paying children school fee etc.)' at 4.41 which is between disagree and strongly disagree. The number of respondents who either disagree/strongly disagree was 89(92.2%) of the total respondents. Only 5.2% agree/strongly agree with statement where as 2.1% have no opinion on the statement.

From this it is possible to infer that employees working in the selected institutions hardly believe that the current compensation and benefit package across their institutions is adequate. It is further implied that, the majority of the employees don't perceive the compensation and benefits they receive as fair and equitable with comparable government organizations. The analysis shows that employees' perceive the compensation and benefits they obtain from their institutions

can no let them attain self interest. They argued that the pay they receive is not even capable of covering their basic costs of life.

3.4. Employee's Perception about the compensation and benefits decision and administration process

The items included in this category includes periodic updating and communicating, employees participation, existence of written compensation and benefit policy, periodic evaluation of effectiveness, link to organizational strategic plan, knowledge of source of information, and flexible benefit options.

Table6: Perception towards compensation and benefit decision and administration

Item of perception	Likert's rating score					
	Strongly Agree	Agree	No opinion	Disagree	Strongly disagree	Mean rating
	Number(%)	Number(%)	Number(%)	Number(%	Number(%)	
1. periodically updated and communicated (n=96)	0(0%)	3(3.1%)	8(8.3%)	36(37.5%)	49(51.0%)	4.37
2. employees participation in compensation decision process(n=96)	0(0%)	1(1%)	1(1%)	33(34.4%)	61(63.5%)	4.52
3.The institution has written compensation and benefit policy n (n=96)	10(10.4%)	22(22.9%)	35(36.5%)	9(9.4%)	20(20.8%)	2.84
4. Periodic evaluation of effectiveness(n=96)	1(1%)	1(1%)	6(6.3%)	23(24.0%)	65(67.7%)	4.53
5. link to organization's strategic plan(n=96)	3(3.1%)	3(3.1%)	33(34.4%)	26(27.1%)	31(32.2%)	2.31
6. knowledge of where to go for information related to benefits(n=96)	1(1%)	3(3.1%)	33(34.4%)	26(27.1%)	31(32.3%)	3.78
7. Understanding of how retirement benefits calculated(n=96)	8(8.3%)	7(7.3%)	26(27.1%)	24(25%)	31(32.3%)	3.74
8. provision of flexible benefit options(n=96)	1(1%)	1(1%)	5(5.2%)	37(38.5%)	52(54.2%)	4.52

Source: Appendix A

Table 6 shows that majority of the respondents (88.5%) either disagree/strongly disagrees whereas about 8.3% showed no opinion, and only 3.1% agree with the statement that the compensation and benefits available in their institution is periodically updated and communicated to employees. The mean rating score of the item was 4.37 which is found on the scale between disagrees and strongly disagrees. Similarly, majority of the respondents (97.9%)

disagree or strongly disagree with the idea that employees participate in the compensation and benefits decision process and the rest either have no opinion or agree. They rate this statement at 4.52 which is found between disagree and strongly disagree on the scale. They further contend that rather there is no time in which they participate in the compensation and benefits decision processes. Moreover, majority of the participants do not agree with the statement that the effectiveness of compensation and benefit package periodically evaluated.

With regard to the statement 'your institution has written compensation and benefits policy' 33.3% of the employees agree/strongly agree whereas 36.5% have no opinion on the statement, and 30.2% disagree or strongly disagree. They rate this statement at 2.84 found between agree and have no opinion. On the other hand, employees do not believe that it linked to organizations strategic plan. Some 34.4% have no opinion, 59.3% disagree/strongly disagree, and the remaining 6.2% agree/strongly agree. Moreover, the respondents do not agree with statement that employees know where to go for information related to benefits. The mean rating of the statement was 3.78 which lie between no opinion and disagree and 59.4% disagree/strongly disagree, 34.4% have no opinion, and only 4.1% agree. Employees also argue that they do not know how retirement benefits calculated. Accordingly, 57.3% disagrees/strongly disagree, 27.1% have no opinion, and only 15.6% agree or strongly agree. Moreover, the majority of respondents hardly believe their institution have flexible benefit package. Accordingly, 92.7% disagree/strongly disagree with idea where as 5.2% show no opinion, and only 2.1% agree.

Form the analysis it is possible to infer that the compensation and benefit packages available in the institutions under the study is hardly communicated to employees so that significant number of employees show no opinion towards the statements institutions written compensation and benefit policy and link to its organizations strategic plan.

3.5. Employees perception towards overall compensation and benefit issues

Eight items included in this part namely, performance based payment, appropriate payment for experience and qualification, adequate payment for responsibility discharged, effect on employee's productivity, comparison with private sector, potential for supporting and facilitating organizational goals, gap between what is and what employees think should be, and the need for revision and rationalization.

Table7: Perception towards overall compensation and benefit issues

Item of perception	Likert's rating score					
	Strongly Agree	Agree	No opinion	Disagree	Strongly disagree	Mean rating
	Number(%)	Number(%)	Number(%)	Number(%	Number(%)	
1. payments based on performance(n=96)	1(1%)	8(8.3%)	1(1%)	23(24.0%)	63(65.6%)	4.53
2. Appropriate payments for experience and qualification(n=96)	2(2.1%)	3(3.1%)	9(9.4%)	31(32.3%)	51(53.1%)	4.23
3. Adequate payments for responsibility discharged(n=96)	4(4.2%)	3(3.1%)	14(14.6%)	38(39.6%)	37(38.5%)	3.86
4 .Payments have positive effect on employees productivity (n=96)	0(0%)	6(6.3%)	5(5.2%)	36(37.5%)	49(51.0%)	4.24
5 .The benefits are as good as private sector(n=96)	1(1%)	1(1%)	0(0%)	40(41.7%)	54(56.3%)	4.50
6. Support and facilitate achievement of organizational goals(n=96)	4(4.2%)	11(11.5%)	16(16.7%)	39(40.6%)	26(27.1%)	3.90
7. Comparable to what employees think should be(n=96)	2(2.1%)	5(5.2%)	2(2.1%)	36(37.5%)	51(53.1%)	4.16
8. Need to review and rationalize pay structure and benefits packages(n=96)	64(66.7%)	21(21.9%)	7(7.3%)	3(3.1%)	1(1.0%)	1.53

Source: Appendix A

The above table indicates that the majority of the respondents (89.6%) disagree/strongly disagree, 9.3% agree/strongly agree with the statement that 'I am being paid based on may performance' and only few of the respondents agree with the statement. Moreover, about 85.4% of the respondents disagree/strongly disagree with the statement that says 'Appropriate payments for experience and qualification employees have and about 5.2% of the respondents agree with the statement, and the rest 9.4% have no opinion. They rate the above two statement at 4.53 and 4.23 both within the scale disagree and strongly disagree respectively. Similarly, the majority of respondents disagree/strongly disagree (78.1%) with statement 'there is adequate payments for responsibility discharged', 14.6% show no opinion, and only 7.3% agree/strongly agree. Therefore, there is a need to design compensation and benefits taking in to account the performance, experience, and qualification of employees. In the open ended question asked to suggest the solution to the problem available in their institution they state that there should be

differential pay system for different professions and experiences, attractive position and house allowance.

Furthermore, about 88.0% of the respondents disagree/strongly disagree, 5.2% have no opinion, and the remaining agrees with the statement 'the current compensation and benefit package has positive effect on employee's productivity'. This implies the compensation and benefit being offered to the employees have no positive effect and force employees to look for additional employment outside their institution which they claim to have a negative effect on quality of education, particularly academic staff and the mean rating score was 4.24. On the other hand, the majority of respondents (98%) do not agree with the idea that the compensation and benefits available in their institution is as good as private sector. Only 2% of employees agree with the idea and the mean rating was 4.50 which is found between disagree and strongly disagree.

In relation with statement 'the current compensation and benefits are comparable with what you think should be' 90.6% of the respondents disagree/strongly disagree, 7.3% agree and 2.1% have no opinion. This implies there is a gap between employee's expectation and the actual compensation and benefits. Moreover, the majority of respondents agree/strongly agree (88.6%), 7.3% have no opinion, and 4.1% disagree with statement 'there is a need to review and rationalize the pay structure and benefit packages'. The mean rating score was 1.53 which found between agree and strongly agree on the scale.

The analysis shows that employees' perceive that the current payment is not based on the performance of employee, do not consider the qualification and experience of employees, and not comparable what they think should be. Therefore, they need the respondents indicated that there is need to review and rationalize the compensation and benefits.

3.6. Employee's Perception towards pay mix and pension plan

This category contains items related with pay mix and pension planning issues and respondents perception.

Table8: Perception towards pay mix and pension plan

Item of perception	Likert's rating score					
	Strongly Agree	Agree	No opinion	Disagree	Strongly disagree	Mean rating
	Number (%)	Number(%)	Number(%)	Number(%	Number(%)	
1. Giving more cash and letting pension planning for the employees(n=96)	12(12.5%)	9(9.4%)	21(21.9%)	33(34.4%)	21(21.9%)	3.26
2. Option to choose cash component against non- monetary benefits(n=96)	16(16.7%)	22(22.9%)	15(15.6%)	22(22.9%)	21(21.9%)	3.02
3. Let employee plan their pension and exit at their will(n=96)	13(13.5%)	13(13.5%)	11(11.5%)	19(19.8%)	40(41.7%)	3.33
4. Pay should focus more on cash and let retirement planning for employees	5(5.2%)	16(16.7%)	30(31.3%)	27(28.1%)	18(18.8%)	2.71
5. Pay packet focus on cash than non-monitory benefits(n=96)	3(3.1%)	48(50.0%)	26(27.1%)	10(10.4%)	9(9.4%)	2.29
6. Employee choose pay mix at the beginning of the year(n=96)	25(26.0%)	29(30.2%)	23(24.0%)	11(11.5%)	8(8.3%)	2.41

Source: Appendix A

Table 8 shows the items regarding the perception of employees towards the pay mix and pension plan. The majority of respondents (56.3%) disagree/strongly disagree with the statement 'giving more cash and letting pension planning to employees', 21.9% have no opinion, and 21.9% agree/strongly agree with statement and the mean rating score was 3.26 found between no opinion and disagree. Moreover, 44.8% of the respondents disagree/strongly disagree with the statement 'Organization should give the option to choose cash component against non-monitory benefits', 39.6% either agree or strongly agree where as 15.6% show no opinion. The mean rating score of the statement was 3.02.

Furthermore, 61.6 % respondents disagree/strongly disagree with statement 'let employees plan their pension and exit at their will', 27% agree/ strongly agree, and 11.5% have no opinion. The mean rating of the statement was 3.33 which is found between no opinions and disagree on the scale. Similarly, 46.9% disagree/strongly disagree with the statement 'pay should focus more on cash and let retirement planning for employees', 31.3% have no opinion. However, majority of respondents (53.1%) agree or strongly agree with the statement 'pay packet should focus on cash than non-monitory benefits, 27.1% have no opinion, and only 19.8% disagree. Finally,

respondents argue strongly towards the statement 'Employee chooses pay mix at the beginning of the year' and the mean rating was 2.41 which is between agree and no opinion. The table shows 56.2% agree or strongly agree 24% have no opinion, and 18.8% disagree/strongly disagree.

The above description indicates that generally employees argue against letting pension planning for employees. But, need pay packet is more of cash and flexible benefit package.

3.7. Employee's rating of salaries and benefits

Following table shows the response of employees to the question asked to rate the current compensation and benefit packages.

Table9: Perception towards rating of salaries and benefits

Item of perception	Likert's rating score					
	Most Favorable	Favorable	No opinion	Unfavorable	Most unfavorable	Mean rating
	Number(%)	Number(%)	Number(%)	Number(%	Number(%)	
1. The current salary (n=96)	0(0%)	7(7.3%)	4(4.2%)	62(64.6%)	23(24.0%)	4.14
2. The current benefits packages(n=96)	0(0%)	3(3.1%)	6(6.3%)	46(47.9%)	41(42.7%)	4.21

Source: Appendix A

As it can be observed from the above table almost all respondents rate the current salary and benefits either unfavorable/most unfavorable and the mean rating was 4.14 and 4.21 respectively. 88.6% of the respondents rate the current salary as either unfavorable or most unfavorable, 4.2% have no opinion, and only 7.3% rate it favorable. Similarly, 90.6% rate the benefit package as unfavorable/most unfavorable, 6.3% show no opinion, and the remaining 3.1% rate it favorable. The mean rating score was larger for benefits than salary and respondent's response in the open ended questionnaires also support this claim. They argued that the current allowances received other than the basic salary like house, transportation, position allowances are not enough. The following graph provides graphic presentation of the response.

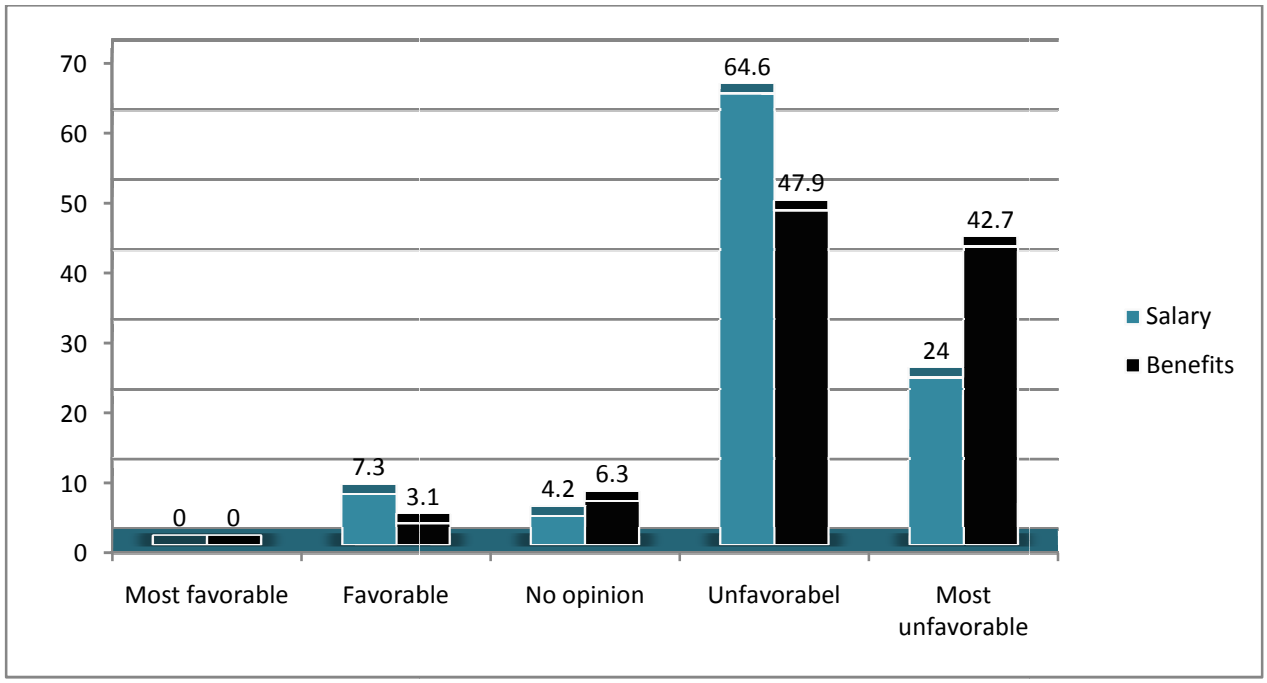


Figure7. Provide graphic representation of the percentage of ratings of salary and benefits

3.8. Employee understands of how compensation and benefit instruments are determined

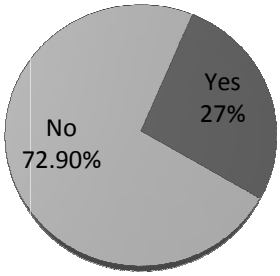
Employees were asked whether they understand how compensation and benefit instruments are determined. As the following table depicts, majority of the respondents (72.9%) said that they do not have the understanding of how the compensation and benefit instruments are determined and 27.1% of the respondents replied that they do understand. This response is a clue for the for compensation and benefit decision makers that education and training required to make employees know how it is determined.

Table10: Employees understanding of how compensation and benefit instruments determined

Question	Response	Frequency	Percentage
Do you have clear understanding of how compensation and benefit instruments are determined	Yes	26	27.1%
	No	70	72.9%
	Total	96	100%

Source: Appendix A

Figure8: Graphic representation of the number of respondents who understand how compensation and benefit instruments are determined.



Form figure 8 it can be observed that the majority of respondents (72.90) do not understand how compensation and benefit instruments are determined where as the remaining 27% do understand. Form it can be deduced that management needs to educate and communicate compensation and benefit issue. Respondents claim that they do not have clear understanding regarding benefit.

Employees were asked to specify the benefit they have received so far among those specified in the questionnaire including insurance policies(health, life, disability) paid leaves(leave for training, seek days, vacation, holydays etc), legal advice, child and elderly care, social security and saving plan. The response indicates that tangible number of respondents even does not understand the available benefits. This implies management should communicate periodically about the available benefits and its objectives. The response is shown below

Table11: Employees response regarding the benefits received so far

Question	Response					
	Paid leaves		Paid leaves and social security		None of the benefits	
	Male	Female	Male	Female	Male	Female
Which of the following benefits you have received so far? 1. Insurance policies (health, life, disability) 2. Paid leaves (leave for training, seek days, vacation, holydays etc), 3. Legal advice, 2. Child and elderly care, 3. Social security and saving plan	18	6	48	16	27	8

Source: Appendix A

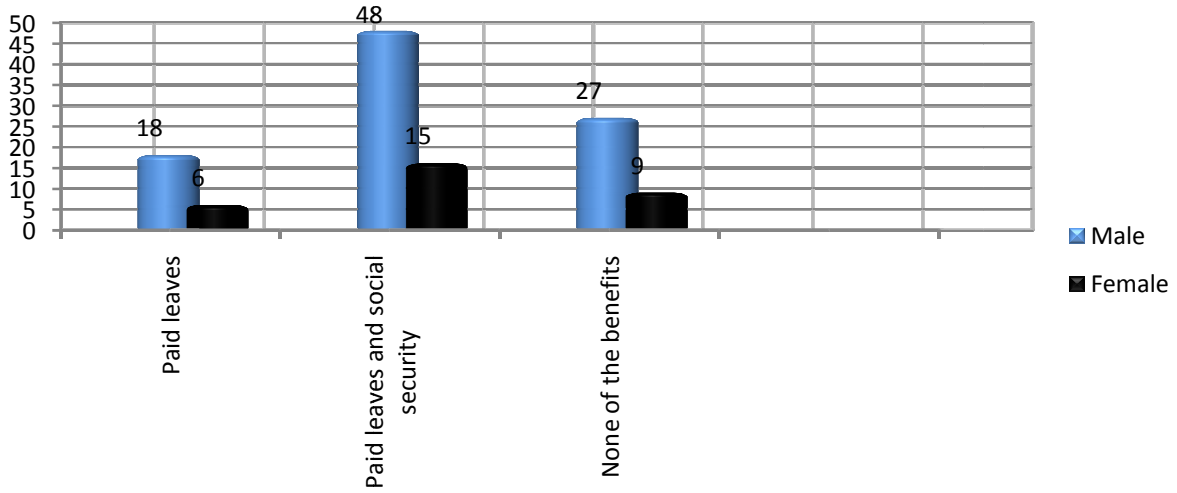


Figure9: indicates the graphic representation employees decision regarding the benefits they have received

3.9. Perception towards the favorableness of salary and benefits

For the question asked to specify the best and least favored among the benefits listed in the instrument and others that can be added by the respondents 79.2% chose paid leaves as the beast favored and 79.2% choose child and elderly care as the least favored. The following table shows the detail of the responses.

Table12: indicates employees perception towards the best and least favored benefits

Benefit instruments	Best favored		Least favored		No opinion		Total
	Number	%	Number	%	Number	%	
Insurance (Health, life, disability)	36	37.5	42	43.8	18	18.8	96(100%)
Paid leaves (Training, vacation, seek day etc)	76	79.2	5	5.2	15	15.6	96(100%)
Legal service	3	3.1	74	77.1	19	19.8	96(100%)
Child and Elderly care	2	2.1	76	79.2	18	18.8	96(100%)
Social security and saving plan	64	66.7	15	15.6	17	17.7	96(100%)

Source: Appendix A

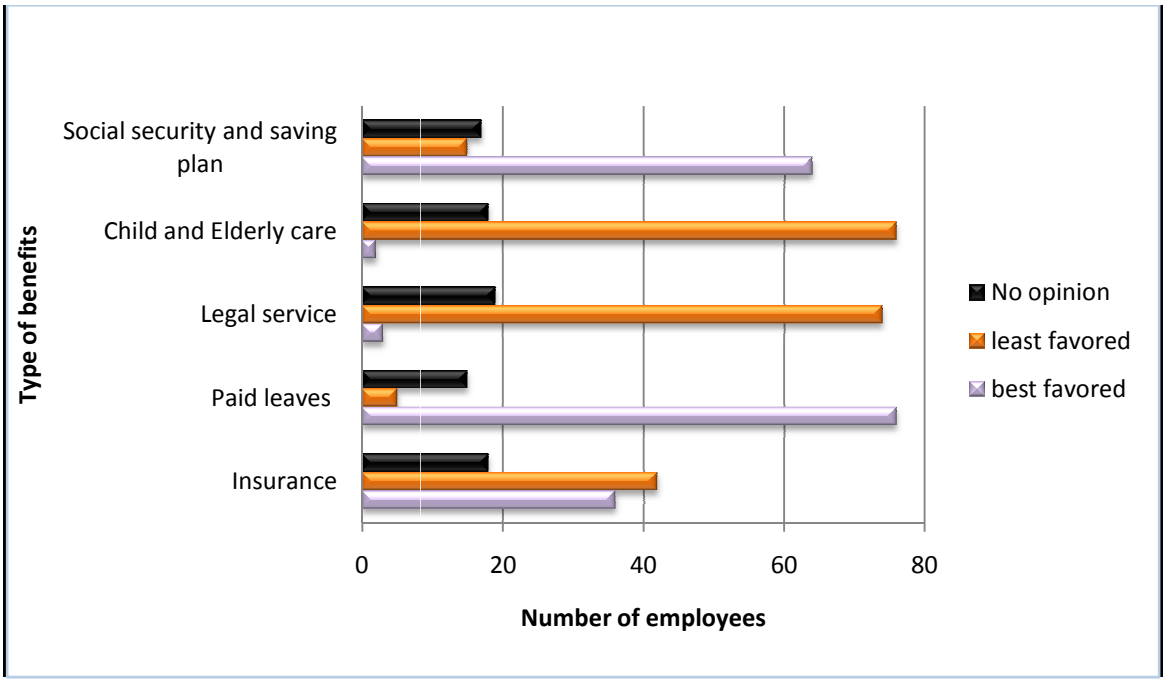


Figure10: indicates the number of respondents who choose either of the benefit instrument as best, least favored, and have no opinion

As we can observe from the figure the best favored benefit type(79.2%) was paid leaves followed by social security and saving plan(66.7%), and 37.5% of employees as insurance is their best favored benefit. The least favored benefits were child care (79.2) followed by legal service (77.1 %). The response to these question provide important clue for benefit decision makers regarding which benefit instrument if included in the package can satisfy the interest of the majority of employees

3.10. Comparison of Employee characteristics and employees perception

For analysis purpose the level of agreement is grouped as strongly agree/agree, no opinion, and strongly disagree/disagree and four major items compensation adequacy, employees participation in compensation and benefits decision process, periodic evaluation of effectiveness of compensation and benefits, and need for revision and rationalization of pay structure and benefit packages were selected to compare against employee characteristics including sex, age, experience, job category, qualification, and salary scale.

Table13. Employee's perception towards selected items by Sex, qualification, experience, age, job category, and salary level

Employee Characteristics	Compensation Adequacy			Participation in Compensation and Benefits decision Process			Periodic evaluation of Effectiveness of compensation and benefits			Need for review and rationalization pay structure and benefit packages		
	1	2	3	1	2	3	1	2	3	1	2	3
Age												
Under 25	0%	100%	0%	0%	0%	100%	0%	100%	0%	100%	0%	0%
25-34	3.07%	7.4%	88.9%	0%	0%	100%	3.7%	3.7%	92.6%	70.4%	18.5%	7.4%
35-44	2.7%	10.8%	86.7%	0%	0%	100%	0%	5.4%	94.6%	89.2%	5.4%	5.4%
45-54	4%	4%	92.0%	4%	4%	92%	0%	12%	88%	100%	0%	0%
Above 55	0%	0%	100%	0%	0%	100%	0%	0%	100%	100%	0%	0%
Gender												
Male	2.8%	7%	90.3%	1.4%	0%	98.6%	1.3%	7%	91.7%	88.9%	5.6%	5.7%
Female	8.3%	8.3%	83.3%	4.1%	4.2%	95.8%	1.3%	8.3%	91.7%	87.5%	12.5%	0%
Qualification												
High school	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Technical school	0%	0%	100%	0%	0%	100%	0%	0%	100%	100%	0%	0%
College Diploma	0%	16.6%	83.3%	16.7	0%	83.3%	0%	33.3%	66.7%	100%	0%	0%
BA/BSc degree	20%	0%	80%	0%	10%	90%	20%	0%	80%	80%	20%	0%
Masters degree	3.6%	10.9%	85.5%	0%	0%	100%	0%	5.5%	94.5%	87.3%	9.1%	1.8%
PhD	0%	0%	100%	0%	0%	100%	0%	0%	100%	88.9%	11.1%	0%
Others	0%	0%	100%	0%	0%	100%	0%	0%	100%	100%	0%	0%
Experience												
0-4	6.8%	11.6%	81.8%	0%	0%	100%	4.5%	4.5%	90.9%	86.4%	11.4%	2.3%
5-9	0%	9.5%	90.5%	4.8%	0%	95.2%	0%	9.5%	90.5%	90.5%	9.5%	0%
10-19	5%	0%	95%	0%	5%	95%	0%	5%	95%	90%	5%	5%
20-30	0%	0%	100%	0%	0%	100%	0%	9.1%	90.9%	90.9%	9.1%	0%
30 years or more	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Job Category												
Academic	2.6%	9%	88.5%	0%	0%	100%	1.3%	6.4%	90.3%	91%	9%	0%
Administrative	11.1%	0%	88.9%	5.6%	5.6%	88.9%	5.6%	5.6%	88.9%	93%	7%	0%
Salary Scale												
<500	12.5%	12.5%	75%	0%	0%	100%	12.5%	37.5%	50%	100%	0%	0%
501-1200	33.3%	0%	66.7%	0%	11%	89%	0%	0%	100%	100%	0%	0%
1201-3000	0%	10%	90%	0%	0%	100%	10%	10%	80%	70%	10%	20%
3001-4000	2.8%	7%	90.1%	0%	0%	100%	0%	2.8%	97.2%	88.7%	8.5%	2.8%
4001-5000	0%	0%	100%	0%	0%	100%	0%	0%	100%	100%	0%	0%
5000 and above	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

N.B. the scale are 1=strongly agree/agree, 2=no opinion, 3= disagree/strongly disagree
Source: Appendix A

3.10.1. Comparison of perception towards compensation and benefits adequacy

As shown in table 12 above, 90.3% of male and 83.3% of female respondents disagree/strongly disagree with the statement 'The current compensation and benefits are adequate', which shows little difference between the two gender. However, the percentages of female respondents, who have either no opinion or agree with statement slightly, exceed that of male. There was also little

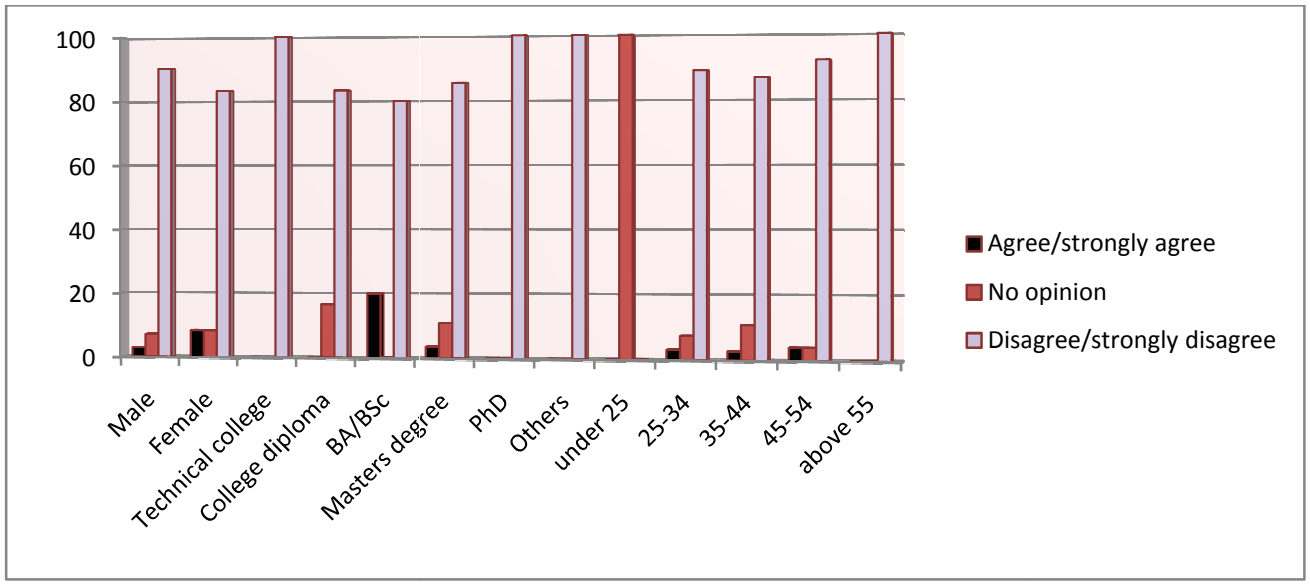
difference between age groups 25-34, 35-44, 45-54 (88.9%, 86.7%, and 92.0%) however, all employees with age group greater than 55 tends argue that it is inadequate. Similarly, all employees' with highest educational qualification (PhD), technical school graduate, and below grade 12th disagree/strongly disagree, 85.5% masters degree, 80% of BA/BSc, 83.3% Diploma holders disagree/strongly disagree with adequacy of compensation and benefits. Moreover, all employees with highest work experience (20-30 years), 95% of 10-19, 90.5% of 5-9, and 81.8% of below 4 years disagree with statement. There was little difference between academic and administrative employees (88.5% vs. 88.9%). More employees with highest salary level viewed the compensation and benefit inadequate than employees with lower salary level.

Overall, there was consensus among the respondents that the current compensation and benefits are inadequate and this was observed across all the categories of gender, age, qualification, work experience, job category. However, the most concerned category was employees with older age, large work experience, and highest educational qualification, as these would be in conflict with their expectation and standard. Compensation and benefits adequacy is one of the major problems claimed as one of the respondent noted:

> *"The salary level and the benefit packages are not adequate to cover the living cost of instructors and it is far below our expectation. Thus, many instructors are forced to look for part time in other institutions, which has seriously hampered the quality of education".*

The other factor related by respondents to the inadequacy of compensation particularly salary is the tax levied on the base pay and other professional services. The statement of one of the respondent also supports the idea:

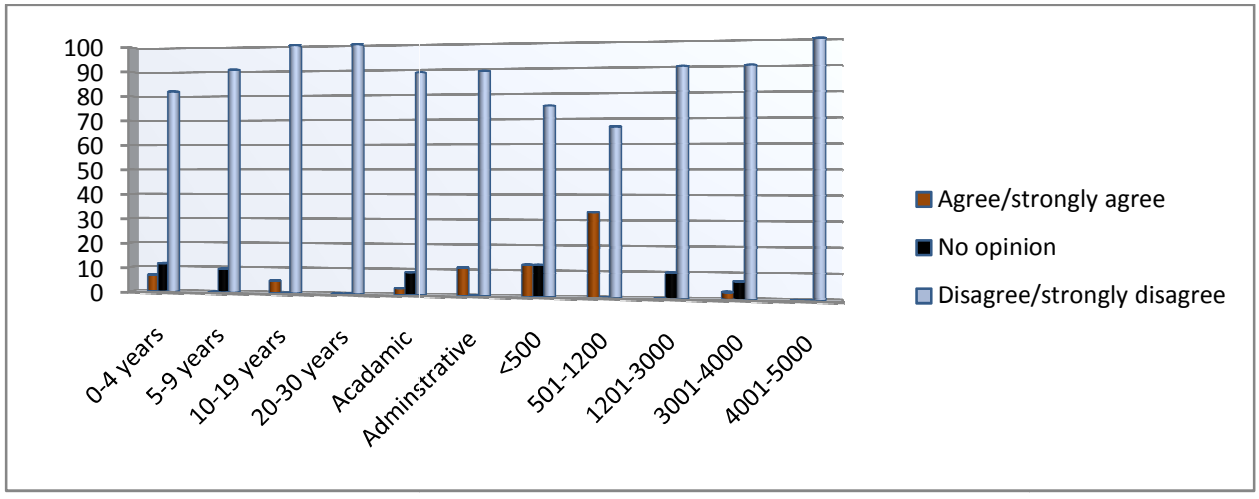
> *"The tax levied on instructors salary and other professional works like teaching material preparation should fair and if possible free form the progressive taxation. The taxation system is not uniform on all instructors across all institutions. Special consideration has to be there for higher education institutions than other any civil service organization so; instructors as well as supportive workers focus only on their duty rather looking outside for additional works elsewhere. The amount of salary exempted to tax has not been adjusted though the minimum amount of money to meet basic needs has been increased".*



* Others indicate those below grade 12th

Figure11 (a). Shows the relationship between employee's age, qualification, and gender and perception towards compensation and benefit adequacy

From the above figure 11(a) it can be observed that in all categories the majority of respondents disagree/strongly disagree with compensation and benefit adequacy. The remaining characteristics work experience, job category, and salary level is shown in figure 11(b) below.



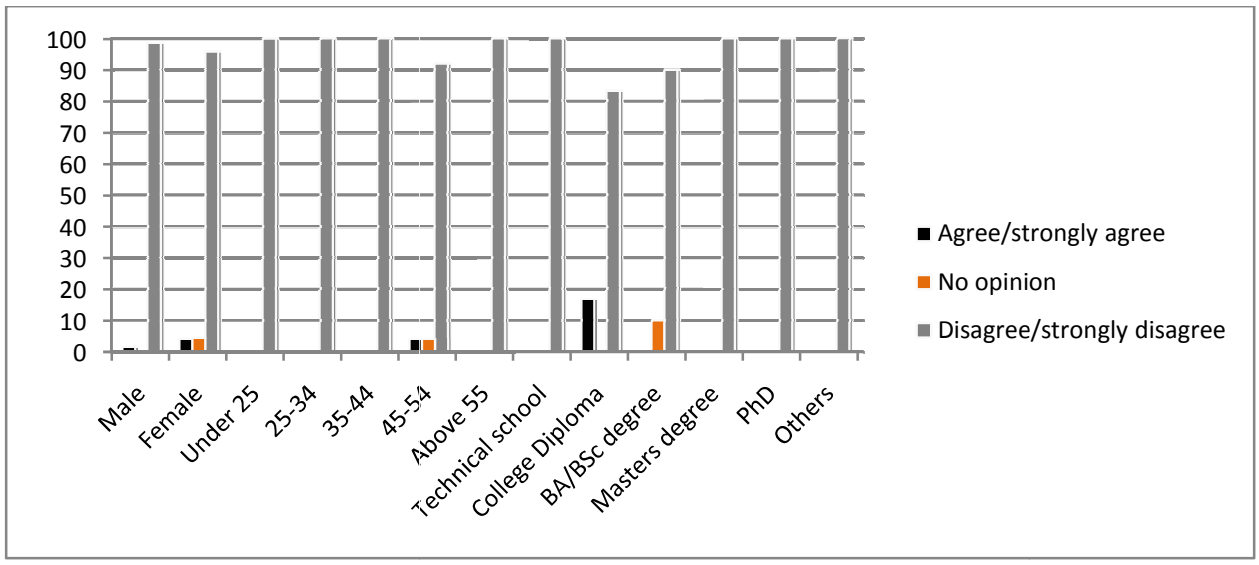
N.B. the figures are percentages

Figure11(b). Shows the relationships between work experience, job category, and salary level and perception towards adequacy.

As it can be observed from the above table, the percentage of employees who disagree/strongly disagree increase as the year of experience increases. This could be associated with the increase in expectation of respondents with the increase in service year, age as well as status.

3.10.2. Comparison of perception towards participation in compensation and benefits decision making process

The analysis also showed that the majority of respondents from both genders (98.6% vs. 95.8%) believe that they hardly participate in compensation and benefits decision process. Almost all age group (100% except age group 45-54 of which 92%) disagree/strongly disagree with the statement 'employees participate in compensation and benefits decision processes. There was also little difference between respondents with higher and lower educational qualification (all 100% but, BA/BSc and college diploma 90% and 83.3% respectively). The following figure shows the graphic representation of the values.



N.B. the figures are percentages

Figure12(a). Shows the relationships between gender, age, and educational qualification of respondents and perception towards participation in decision making process.

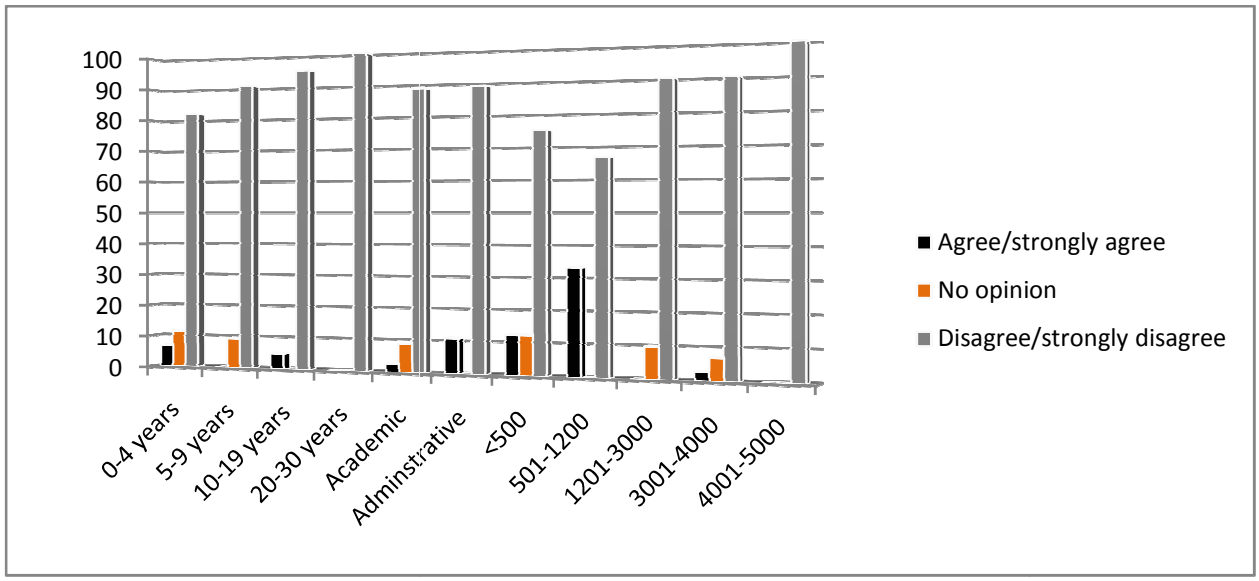
Similarly, the result was the same for work experience where more than 95% of all categories disagree/strongly disagree. Academic staffs were more concerned compared to administrative staff (100% vs. 88.9%). All employees within the salary scale 1201-5000 and below 500 and 66.7% of employees within 501-1200 disagree/strongly disagree with participation of employees in the compensation and benefit decision process. The above figure was supported by respondent's response to the open ended questions seeking for problem and its solution one of the problem mentioned by the respondents was that management do not participate employees in

any aspect of salary and benefits and communicate about the issues to the employees: one of the respondent noted:

> *"Institutions management at all level is not responsive to the employees and most employees do not even have information about the existence of benefit packages and Pension and retirement benefits issues are not known clear by employees".*

The other respondent state the solution in his statement:

> *"The management has to raising awareness among employees about the issue of compensation and benefits should assess the interest employees to better motivate by providing appropriate benefits. Moreover, they should address the issue to the government bodies, because this has an implication to the quality of education and staff satisfaction".*



N.B. the figures are percentages

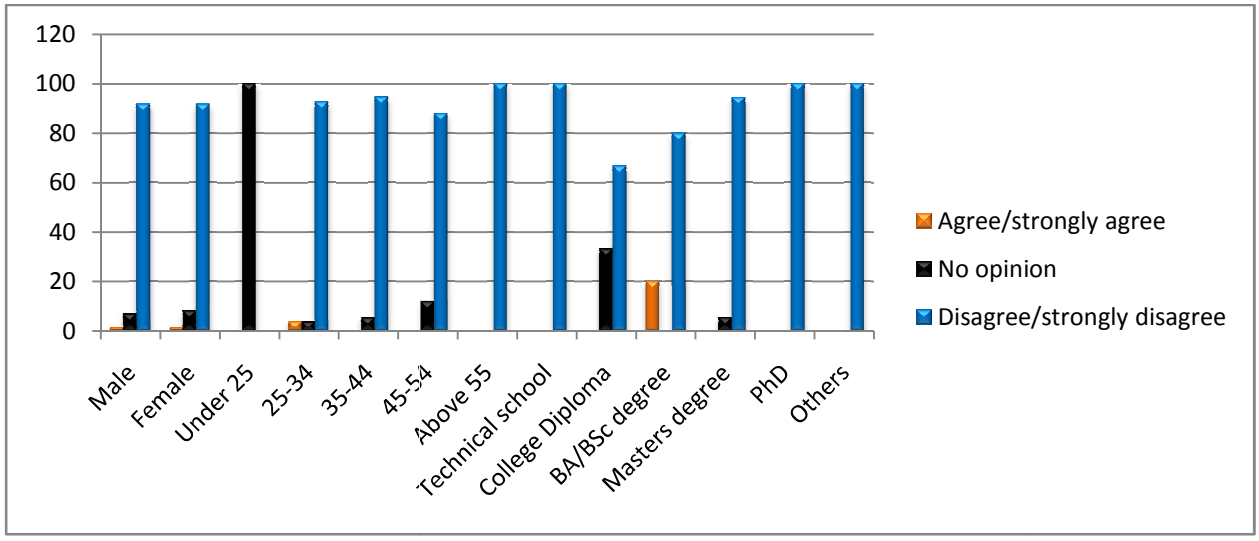
Figure12 (b): Shows the relationships between work experience, job category, and salary level of respondents and perception towards participation in decision making process.

3.10.3. Comparison of perception towards periodic evaluation of the effectiveness of compensation and benefits

Regarding the periodic evaluation of the effectiveness of compensation and benefit there was little difference in the percentage of respondents who either disagree or strongly disagree with idea across the characteristics including gender, age, educational qualification, job category.

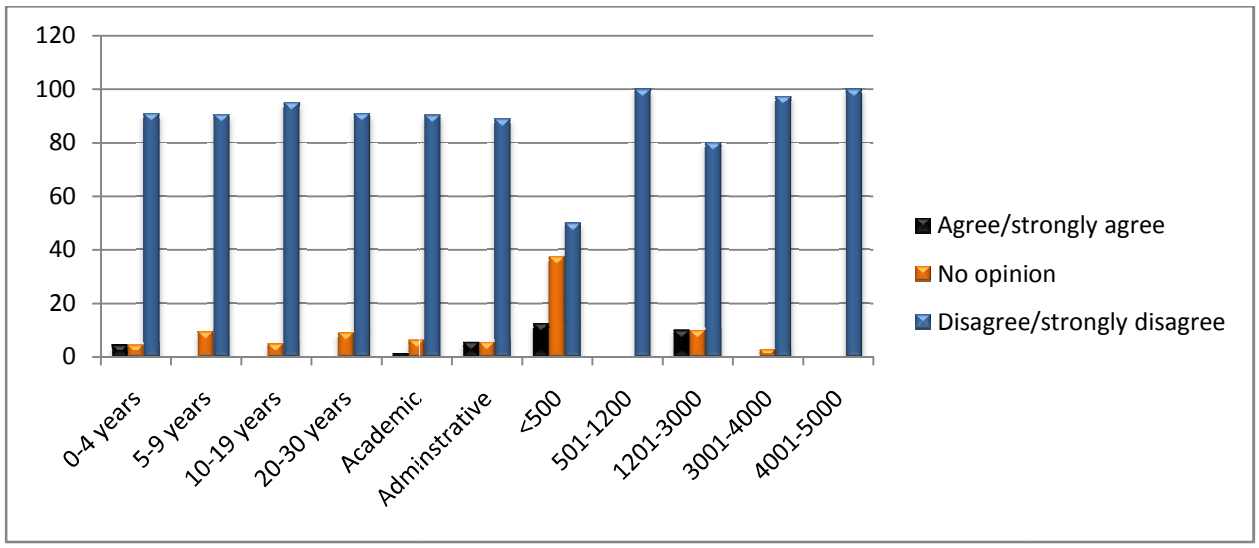
However, 37.5% employees with salary level less than 500 have no opinion and 50% disagree with statement. Figure 13(a) and 13(b) below shows the graphic presentation of the values. The respondents claim that the compensation and benefits system available in their institution hardly evaluated periodically one of the respondents noted that:

> *"Low monitory payment and poor benefit packages. Moreover, the available benefit packages are not practiced as intended. Generally speaking the current compensation and benefits are static. Changes are not made taking into consideration the current market conditions"*



N.B. the figures are percentages

Figure13 (a): Shows the relationships between gender, age, and educational qualification of respondents and perception towards periodic evaluation



N.B. the figures are percentages

Figure13 (b). Shows the relationships between work experience, job category, and salary level of respondents and perception towards periodic evaluation

3.10.4. Comparison of perception towards the review and rationalization of pay structure and benefit package

In contrast to the above statements almost all employees irrespective of their qualification, age, gender, work experience, job category, and salary level agree or strongly agree with the statement 'there is a need to review and rationalize the current pay structure and benefit package'. There was little difference between male and female (88.9 % vs. 87.5%) respondents. The opinions of academic and administrative respondents were also closer to one another (91% vs. 93%). The respondents claim that the current compensation and benefit policy should be reviewed and assessment made adjusted to adjust benefits following changes in the market conditions a respondent noted that:

> *"Any one knows that higher education is the highest level of education that determines the manpower that is capable of joining industry as well as public sector. Therefore, Government should seek mechanisms for good compensation packages in a more flexible manner in higher education institutions"*

The following two figures (figure 14(a) and 14(b) demonstrate graphically the characteristics of employees and their perception towards issue of revision and rationalization of compensation and benefits.

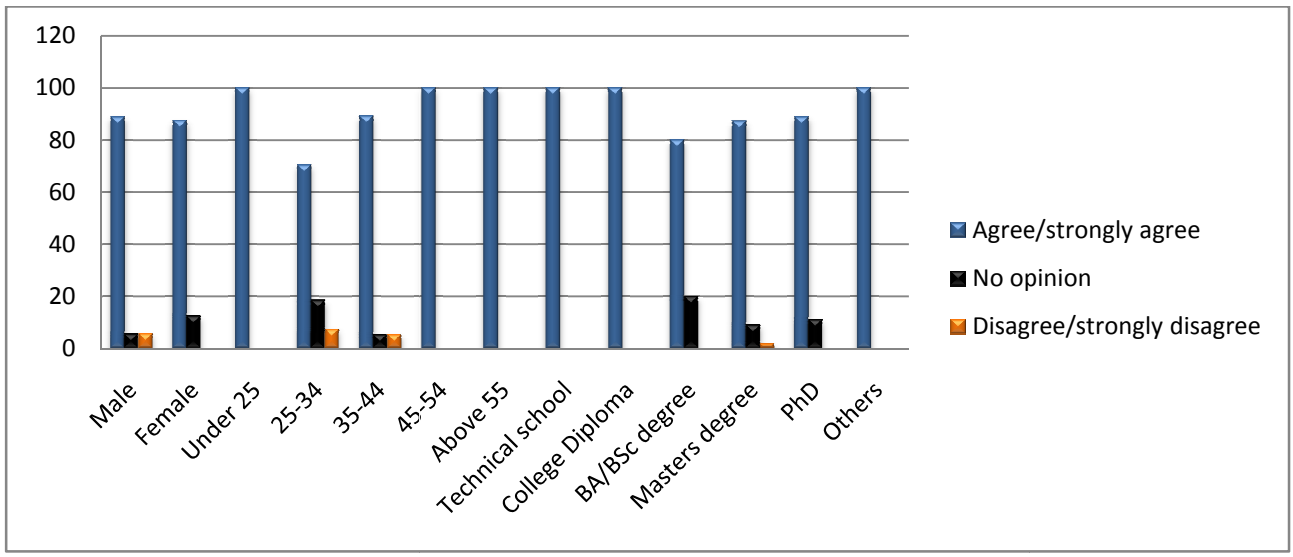


Figure14 (a). Shows the relationships between gender, age, and educational qualification of respondents and perception towards revision and rationalization

Figure 14(a) indicates that majority of respondents in all categories agree or strongly agree with the revision and rationalization of the current compensation and benefit package.

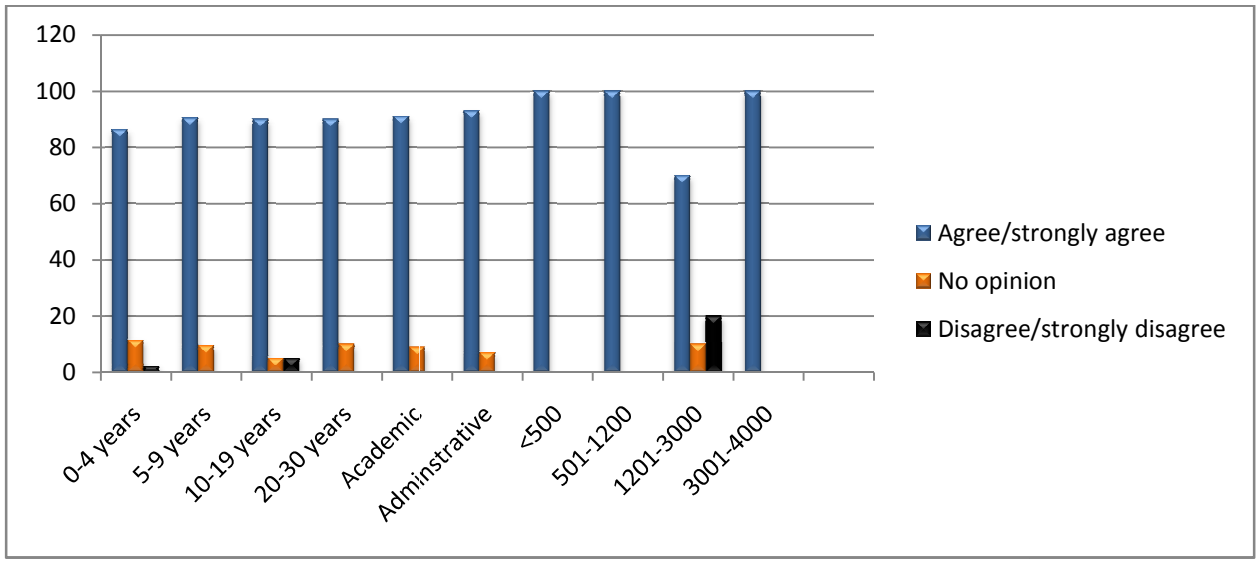


Figure14(b). Figure3. Shows the relationships between work experience, job category, and salary level of respondents and perception towards revision and rationalization.

Figure 14(b) demonstrates the level of agreement by work experience, job category, and salary level about the revision and rationalization of compensation and benefits.

Chapter Four

Summary, Conclusions, and recommendations

This chapter deals with summary of findings, conclusions and, recommendations. The summary of findings includes the demographic information of respondents, employee's perception towards the items related to compensation and benefit packages**.**

4.1. Summary of findings

In term of length of service at the institution, 45% of the respondents had worked for the institution fewer than five years and, 42.7% between 5 and 19 years, and the rest above 20 years. 75% of the respondents were male, 25% were female. A respondent was younger than 25 years, 28.1% were between 25-34 years, 64.5% were between 35-54 years, and 6.3% were over the age of 55. Regarding qualification, 18.8% of the respondents had the PhD, 57.3% were 2nd degree, 10.4% were 1st degree, 6.3% were college diploma, and 6.3% were below 12 grade. In terms of the job category in their institution, 83.3% of those responding from Academic while the rest administrative.

The items included in the lickert's rating scale were grouped into four categories. These are effectiveness of compensation and benefits, compensation and benefits decision and administration process, employee's perception towards overall compensation and benefit issues, and perception towards pay mix and pension plan.

The analysis of the items from likert's scale revealed that employees disagree/strongly disagree with majority of items. Moreover, the respondents feel that the current compensation is inadequate, employees do not participate in compensation and benefit decision process and its effectiveness is not periodically evaluated. However, generally employees believe that the current compensation and benefits comply with government regulations. They also indicated that their institutions has written compensation and benefit policy.

It has been shown that the respondents disagree with payment being for performance; take into account the experience and qualification of employees up on compensation and benefits package determination. Moreover, employees do not believe that there is no appropriate payment for responsibility they discharged.

It was also observed that the level of disagreement increases with the increase in educational qualification, age of employees, salary level, and work experience. However, there is no significant difference between gender and job category of employees.

Furthermore, irrespective of age, gender, educational qualification, salary level, job category, and work experience the majority of employees believe the current salary and benefits as unfavorable/most unfavorable. In addition, they agree or strongly agree with idea of revision and rationalization of pay structure and benefit packages.

It was also observed that the best favored benefit instrument was paid leaves followed by social security and insurance respectively. However, significant number of respondents have claim that they didn't receive any of the benefit packages listed in the questionnaire.

The analysis of open ended questions also showed that non-financial compensation are also not attractive, the good performance of employees hardly praised and recognized. Moreover, the current house and position allowance is not sufficient.

The analysis shown that the compensation and benefit packages available in the institutions under the study are hardly communicated to employees so that significant number of employees show no opinion towards the statements about the institutions compensation and benefit policy and its link to its organizations strategic plan. But, one of the major problems of compensation and benefit packages is the organization failure to align their compensation and benefits to the organization strategic plan.

4.2. Conclusions

Many employees believe that the current compensation and benefit is not adequate and let them to cope with ongoing cost of life. The respondents claim that the compensation and benefit package should be reviewed and designed taking into account factors in the external environment including the market condition, nature of the jobs, other organizations, government regulations and the internal environments for the values of the job grades through job analysis.

The current compensation and benefit packages are not periodically updated and evaluated for effectiveness. Furthermore, the existing benefits are not well communicated to employees.

Both salary and benefits available in the institutions were rated unfavorably or most unfavorably. Paid leaves and social securities are the best favored instrument of the benefit packages list in the item where as the least favored benefits were child and elderly care and legal advice.

Employee need their pay packet should be more of cash but disagree with idea of retirement planning left for employees and exit at their will.

4.3. Recommendations

In order to solve the problem of adequacy government need to revise the compensation and benefit policy assessing the external market condition, the nature of jobs and the employee's expectation. The compensation and benefit decision process should one in which employees participate, so that the sense of responsibility entrusted into employees. Compensation and benefit should not be a onetime issue and need to be evaluated periodically for effectiveness.

To attain its objectives and motivate employees towards better performance, attract and retain competent employees the current compensation and benefit package of government higher education institutions should be revise and improved. The focus of revision should also include the benefit packages not only the base pay. Furthermore, Differential and negotiable pay for professions based on market demand. Separate treatment of regular and part time pay for tax purpose and better position and house allowance. The benefit package should also include insurance coverage particularly health insurance both for the staff and their family.

With an increasingly educated workforce who desire more information about pay and benefit practices, it is essential to educate and communicate employee about compensation and benefits. Therefore, Organizations are expected to periodically communicate the compensation benefit packages so that the objective for which the compensation and benefit packages designed can be achieved. Furthermore, it was observed that only limited number of respondents understood the existence of policy, rules and regulation, so the institutions needs to periodically communicate the policies, rules and regulations pertaining to compensation and benefit packages. Pension benefits employees need to sensitized and educated with regard to purpose and uses of pension benefits; there should be a possibility of borrowing from their pension benefits in case of serious problems to ease their financial burden so that employee get dual benefit that employees may not deplete their pension at the same time relieve their financial burden.

The result of the study shows that employees perceive that the compensation and benefit packages being offered are not linked to organizational objectives. It is believed that the greatest deficiency of most compensation and benefit systems today is their lack of congruency with organizations strategic goals and objectives. Therefore, the institutions under study should link their compensation and benefits to their organizational goals and objectives. The objectives of compensation and benefit can be achieved if employees have clear understanding of employer's contribution they can exert better effort towards the achievement of the organization objectives.

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Appendix A

ADDIS ABABA UNIVERSITY

FACULTY OF BUSINESS AND ECONOMICS

MASTERS OF BUSINESS ADMINISTRATION

MBA PROGRAM

To be filled by Employees

The purpose of the study in general and this questionnaire in particular is to study on "The perception of employees towards compensation and benefit policy in some selected Government higher education institutions found in Addis Ababa" which may help the institutions under study in solving the major problem raised by the study. The research is undertaken as academic requirements of MBA degree in Business Administration. It also helps to gain practical knowledge on the topic under investigation and other prospective researchers as a stepping stone to carry out further investigation. I want to assure that this research is only for academic purpose authorized by Addis Ababa University.

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 open ended questions, please enter your response on the space provided

Contact Address

If you have any query, please do not hesitate to contact me and I am available as per your convenience at (Mobile: 09-12-08-13-64 or e-mail: *ayshu_1997@yahoo.com*)

Thank you in Advance!!!

PART I: Demographic Information

1. Number of years you have worked in education industry (in years) _____

2. Number of years working in your current institution (in years):

☐ 0-4 ☐ 5-9 ☐ 10-19 ☐ 20-30 ☐ 30 years or more

3. Age (in years): ☐ Under 25 ☐ 25-34 ☐ 35-44 ☐ 45-54 ☐ 55 and above

4. Sex: ☐ Male ☐ Female

5. Educational Qualification:

☐ High school graduate

☐ Technical school graduate

☐ College Diploma

☐ BA/BSc Degree

☐ Masters Degree

☐ PhD ☐ other (please state_____)

6. Your field of specialization and your highest educational status_____

7. Salary level

☐ < 500 ☐ 501-1200 ☐ 1201-3000 ☐ 3001-4000 ☐ 4001-5000 ☐ > 5000

8. Job category

☐ Academic ☐ Administrative

PART II: Questions related to the compensation and benefit policy

Listed below are statements about compensation and benefit policy in your organization. Please indicate your level of agreement with the statements so that your answers to these questions will enable the researcher to assess what you think about the compensation and benefit policy in your organization, where: 1= strongly agree 2=Agree 3=No opinion 4= Disagree 5= Strongly disagree

Item	1	2	3	4	5
1. The current compensation and benefit package being offered by my institution are adequate to cope with the ongoing cost of life					
2. Compensation and benefit package available in my institution is fair					

	1	2	3	4	5
3. Compensation and benefit package available in my institution is equitable with comparable organizations					
4. The compensation and benefit scheme in my institution comply with government regulations					
5. The current compensation and benefit package is motivating and provide an incentive for better performance					
6. It is periodically update and communicated to employees					
7. I participate in compensation and benefit decision process					
8. I am being paid based on my performance					
9. The current compensation and benefit package is capable of attracting and retaining competent employees					
10. The compensation and benefit package available in my institution keep a balance between employees contribution and cost of the employer					
11. The current compensation and benefit I receive secure me from being exposed to unemployment					
12. It provides the opportunity to attain self-interests (like building house, car, paying children school fee etc.					
13. The institution for whom I am working has a written compensation and benefit policy					
14. My institution periodically evaluate the effectiveness of compensation and benefit packages					
15. The current compensation and benefit scheme of my institution is linked to the organization's strategic plan					
16. The current compensation and benefit package provides appropriate payment for the work related experience and qualification I have					
17. Adequate payment is made for the responsibility discharged					
18. In my opinion, the current pay system has a positive effect on employee productivity					
19. I know where to go for information related to benefits					
20. I have good understanding of how my retirement benefits are calculated					

	1	2	3	4	5
21. My institution provides a more flexible benefit option					
22. The benefits I receive is as good as most available in private sector					
23. It facilitate and support the achievement of organizational goals					
24. By giving more cash to the employees organization can do away their pension plan and let employees plan their pension					
25. Employees should be allowed to choose the extent of cash component as against the non-monetary benefits					
26. Government should let employees plan their own pension so that they can exit at their will					
27. I feel that the cash component in the pay packet should be much more than the non-monetary benefits					
28. I should be given the option to decide on the pay mix at the beginning of the year					
29. The amount of pay I currently receive is comparable to what I think it should be					
30. There is a pressing need to review and rationalize the pay structure to improve employee efficiency					

Part III: Additional questions:

1. Do you have a clear understanding of how compensation and benefits instruments are determined?

   ☐ Yes ☐ No

2. How do you rate your current base pay/Salary/wage?

☐ Most favorable ☐ Favorable ☐ No opinion ☐ Unfavorable ☐ Most unfavorable

3. How do you see your current benefit package?

☐ Most favorable ☐ Favorable ☐ No opinion ☐ Unfavorable ☐ Most unfavorable

5. Which of the benefits you have received so far? Please, rank in order as 1st, 2nd, and 3rd the best and least favored.

	Best favored	least favored
☐ Insurance (Health, life, disability etc)		
☐ Paid leave (Training, sick leave, vacation etc.)	1. _____	1. _____
☐ Legal Advice	2. _____	2. _____
☐ Elderly and child care	3. _____	3. _____

☐ Social security and saving plan

☐ Mention others (if any) _____

6. Please, specify the important benefits that are being offered by other organization that is not available in your institution.

   _____

   _____

   _____

   _____

   _____.

7. What particular problem you have observed in the current compensation and benefit packages of government higher education institutions?

   _____

   _____

   _____

   _____

   _____

   _____.

8. What do you think the solution to the problem will be?

   _____

   _____

   _____

   _____

   _____

   _____.

Appendix B

ADDIS ABABA UNIVERSITY

FACULTY OF BUSINESS AND ECONOMICS

MASTERS OF BUSINESS ADMINISTRATION

MBA PROGRAM

To be answered by HR directors/Compensation and benefit managers

The following interview questions are designed to collect information about the perception of employees towards the compensation and benefit policy of selected government higher education institutions found in Addis Ababa. The information shall be used as primary data in my case research which I am conducting as a partial requirement of my study at Addis Ababa University for completing my MBA under faculty of Business and Economics.

The research is to be evaluated in terms of its contribution to our understanding of the practices of higher education institution and its contribution to improvements in these practices. Therefore, I will be willing to submit a copy of my final report to you if desired when it is ready. Therefore, your genuine, honest, and prompt response is a valuable input for the quality of and successful completion of the project.

List of interview questions:

1. Is there a compensation and benefit policy in your organization? What is the objective of compensation and benefits policy as stated in policy manual?
2. Do you think that the compensation and benefit policy of your institution is serving its purpose?
3. What are the major problems that your department is facing with respect to compensation and benefit?
4. Do you think the current compensation and benefits packages facilitate human resource functions?
5. How do you communicate the compensation and benefit packages to employees in your institution?
6. Do you think the current compensation and benefit package available in your institution is linked to the institutions strategic plan?
7. Do you think the current compensation and benefits is sufficient? If No, why?
8. Are there benefits and services which you think necessary but not considered?

9. Finally, is there anything that you want to comment about current compensation and benefit practices of your organization?