



Analysis of Account Receivables and Payment defaults in Ethio Telecom with reference to Mekelle Branch, Ethiopia

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Abstract

The starting period of the Telecommunication Industry in Ethiopia goes back to the reign of Emperor Menilik in 1894, during the construction of the capital city, Addis Ababa. This was followed by the Inter urban network construction to connect many important centre of the empire by 1930. Ethiopian telecommunication joined ITU (International Telecommunication Union) in 1932 and was showing good progress in the area until the Italian Acceptation. During 1932 – 1942 the network was seriously damaged because of the consecutive wars. Currently, the state monopoly Telecommunication service provider in Ethiopia, Ethiopian Telecommunications Corporations re-born on December 2, 2010 as Ethio-Telecom after France Telecom takes the management contract. The company maintains proper records of the receivables by strictly following the credit policies. It grants a total of 45 days credit to the subscribers. The credit payment system is mainly allowed to Government Organizations and NGOs.

Key words: Account receivables, Trend analysis, Ratio Analysis.

Introduction

Background of the study

From the employee point of view, pay is a necessity in life. Few people are so wealthy they do not accept financial remuneration for their work. The compensation received for work is one of the chief reasons people seek employment. Pay is the means by which employees satisfy their own and their family needs. Compensation may be the only (or certainly reward factor) to their effort. The term compensation refers to all forms of financial returns and tangible benefits that employees receive as part of employment relationship. Beyond these pure economic exchange model, compensation may also be viewed as, (1) a system of rewards that motivate employees to perform (2) critical communication device through which organization convey and reinforce the values culture and behaviors they require business objective (Russell, 1998; 273).

Employees feel worthy to the employers in a great part by the earnings they receive. It is an important measure to make the employees aware to a large degree their earnings are a direct result of work they perform, as the business environment becomes increasingly complex and global, the change to create and maintain effective compensation program gives cost constraints also require greater professional expertise, organizational understanding creativity and vision than ever before. Compensation practice has important implications for organization perspective compensation represents a major investment. In labor incentive organization, labor costs typically constitute the single largest proportion of the organization, employee remuneration costs may be 70 to 80 percent of operating budget (Russell, 1998; 273).

Employee compensation is a central part of employment relationship. From employees perspective policies having to do with wages, salaries and other earnings have a major impact on their overall income and thus their standard of living. Both the level of pay and its seeming fairness compared with other pay is important. Pay is also often considered a sign of status and success. Employees attach great importance to decision when they evaluate their relationship with the organization. Therefore pay decision must be carefully managed and communicated (Gerhart, 1985; 521).

Effective compensation practice and well managed policy with the organization have created a great change on employee performance, attitude and attractive to and remain with the organization. And it can be a powerful tool for aligning current employee's interests with those of the broader organization (Gerhart, 1985; 521).

Historical background of Ethio-telecom

The introduction of telecommunication service in Ethiopia dated back to 1894. ETC is the oldest public communication operator in Africa. In those years, the technological scheme was contributed to the integration of the Ethiopian Society, when the extensive open wire line system was laid out linking the capital with all important administrative cities of the country.

The company was placed under government control at the beginning of the 20th century, and was later brought to operate under the auspice of the ministry of post and communication. In 1952, telecommunications services were separated from the postal administration, and structured under the ministry of Transport and communications. The network began to expand from then on, extending to other cities in Ethiopia. After the end of the war against Italy, during which telecommunication network was destroyed, Ethiopia recognized the telephone, telegraph and postal service in 1941. It also established the Imperial Board of Telecommunication of Ethiopia (IBTE) by proclamation No. 131/52, whose activity was funded from domestic sources and the World Bank. The Board had full financial and administrative autonomy and was in charge of the provision and expansion of telecommunication service in Ethiopia.

The Imperial Board of Telecommunication of Ethiopia, which became the Ethiopian Telecommunication Authority in 1981, was placed in charge of the operation and regulation of telecommunications service in the wake of the market reforms, by regulation number 10/1996 of the council of ministers set up the Ethiopian Tele Communication corporation (ETC) to which all the rights and obligations of the former Ethiopia Telecommunication Authority (ETA) were transferred

to the corporation. ETC then has taken a responsibility to operate as public enterprise with the principal duty of maintaining and expanding telecommunication service in country and providing domestic and international telephone, telex, and other communication services under the supervision of ETA, which is a separate regular body founded by proclamation No. 49/1996, establishing the Ethiopia Telecommunication Agency (ETA), which has the objective of promoting the development of "High quality, efficient, reliable and affordable telecommunication service" in this respect, it is currently deemed by the regulation that Ethio-Telecom is the sole operator of any telecommunication related service, including the provision and public phone. Ethio-Telecom currently exerting extensive and comprehensive efforts to satisfy the ever increasing demands of telecom service in all over the country. Today the backbone net-work is constituted from a variety of micro wave, satellites and fiber optic links. International access is provided by the terrestrial microwave network, connecting Ethiopia to all over the world.

Statement of the Problem

Organization productivity is determined by many factors and employee motivations and satisfaction are important factors in any organization. Personnel department affect employee motivation and satisfaction through almost every activity they perform training and developments, performance appraisal, compensation, benefits and service, security safety and health. Employee compensation if properly administered and managed can be an effective tool to improve employee performance, motivation and satisfaction. For compensation to be appropriate it must be internally and externally equitable. Through job evaluation techniques the relative worth of jobs is determined. This assures internal equity. The process of wage and salary administration is influenced by several challenges, including union power the productivity of workers, the company compensation police and government consternates on pay (Bernaldin, 1996; 263). Another dimension of compensation practice and management are financial incentives and employee benefits and services. Individual incentives attempt to relate pay to productivity groups plans has the same objective but relationship is often not as direct or obvious to workers. Some approaches pay a bonus for reaching a production target, other share the company's profits with workers and still other share saving in labor cost (Gerhart, 1985; 524).

Many employees was stay with a company because they do not want to give up benefits vacation along with benefits of holiday and rest break, help employees reduce fatigue and many enhance productivity to the hours employees do work similarly retirement, health care and disability benefits may allow workers to be more productive by freeing them from concern about medical and retirement cost. In our country there is little concentration on employee compensation and benefit program specially in some government and private owned organization, this on going problem put the organization in an endless chain of un related objective and mission of the organization. It seems a need for research to assess compensation practice and management in selected government owned organization, Ethio-Telecom. There for this research would be assess the following basic research questions to investigate the practice of compensation management in ETC.

- 1 Does wage and salary determination help to effective compensation management?
- 2 What are the factors that affect compensation management in Ethio-Telecom?
- 3 what is the objective of effective of compensation management and practice in Etiho-telecom?

Objective of the Study

General Objective

The general objective of this research is to assess compensation practice and management in Ethio-Telecom Mekelle branch.

Specific objectives

1. To describe how wage and salary determination helps effective compensation management.
2. To identify the major factors that affect compensation practice and management of Ethio-telecom.
3. To assess the objectives of effective compensation management and practice in Etho-telecom.
- 4 To evaluate the advantage and disadvantage of different types of incentives in the compensation police.

Research Methodology and Data Collection

Data Type and Source

The researcher employed both qualitative and quantitative types of data and the researcher used both primary and secondary source of data. To carry out this research, Primary data were gathered using structured questionnaires distributed to employees and unstructured questioner to manager. Secondary data source obtained from journals, books, magazines and financial statement employed in this study.

Target Population

The target population for this study was the employees and the manager of Ethio-telecom in Mekelle branch.

Sample Design and Techniques

The total number of employees of the organization is 240 out of this the researcher has been taken 24 sample size which accounts 10 percent of the total population. The researcher used simple random sampling techniques to select respondents from the target population because this technique gives equal chances to all employees and it avoids bias.

Data collection

To carry out this research primary data were gathered through opened and closed ended questionnaires. The questionnaire distributed to employees and unstructured interview asked to manager of Ethio-telecom, Secondary data source were obtained from journals, books, magazines and financial statement employed in this study.

Data Process and Analysis

The researcher analyzed the data that has been collected from primary and secondary source. The researcher used both quantitative and qualitative types of data. To analyze the data, the researcher summarized the collected data in table and compute percentage to show proportions.

Significance of the Study

This study helps human resource management of Ethio-Telecom to know whether it is managing compensation effectively or not. Based on the finding of the study the department would be able to adjust its human resource management strategy. The top management of the company would be able to evaluate the performance of the human resource management department especially that of compensation practice management division.

In addition the study's findings may help other (companies both which are in the communication industry and these out side). To manage compensation effectively by observing the experience of Ethio-telecom. And also it is significant for people who need further study on compensation practice and management by making them aware of the practice of Ethio-telecom.

Scope and Limitation of the Study

In fact compensation practice and management have many dimensions, the organization may use deferent technique to mange compensation and there may be many problems hindering the way the organization manages compensation. Because of many limitations, this study focuses on how wage and salary administration affects compensation practice and management, the objective and importance of compensation. And also the study evaluates the advantage and disadvantage of and the problem of using different forms of compensation. Conceptually, the study confined to financial incentive and employee benefits and services.

There are many limitations to this study. The targeted population ware un willing to respond to interviews and to fulfill questionnaires or they was carless when they respond, this may be because of busy or personal status. Since the organization has many branches all over Ethiopia, it is too costly to obtain information all employees from all branches; because of that information from workers and managers of the head office of Mekelle branch is only used for the purpose of this study.

Organization of the Study

This study has been organized in four chapters. Chapter one describe introduction part which consist, Back-ground information of the study, statement of the problem, objective of the study significant, scope, limitation of the study and methodology of the study. The second chapter is review of related literature, this help me to know what different authors (scholars) of the field have written abut compensation practice and management. Chapter three is data presentation and interpretation which is main body of the study. This chapter was prepared based on data from respondent's response through questionnaire and unstructured interview with the management. The last chapter is conclusion and recommendation. It summarized the findings of the study and give conclusion and suggestion

Data Analysis and Interpretation**Introduction**

In this section data were collected from Ethio-telecom employees and managers of Mekelle branch through questionnaire and unstructured interview. The questionnaires were distributed to 24 employees who work in the organization via simple randomly sampling techniques. The interview question asked to managers. 100 % of the questionnaire filled and returned. The results and analysis of the finding are presented as follows.

Compensation policy of Ethio-telecom**Monthly Slary**

A newly employed worker, when he educational and job experience as well as other skills by the job positions, gets initial salary based on the company scale. When the company wants to hire employees with skills which are not easily found in labor market, can pay a large salary greater then the company salary scale. This is determined by the management. Except for employees whose contract ended, salary is given at the end of the month.

From a specified salary, nothing is deducted except it is ordered by law, labor agreement or courts, or described by the employee in writing.

Salary Increment

Salary increment is given when the employee puts s/he effort and knowledge to achieve organizations work plan and productivity increased by his role.

Bonus

When profitability and success increase above the expectation and it is realized that the employee's contribution significant the employee is given a bonus for the additional result (Contribution).

Financial Incentives**1. Desert Tips**

The company based on the federal governments declaration of desert areas or by conducting a study at the work area about temperature and infrastructures, give a tip based on the labor union agreement.

2. Cost of Living Tips

Are given based on:

- The work area's living conditions
- The work area's access to basic necessities of life like electricity, water, education, etc.

When the employees go far from their working areas for work purpose, the company pays tips based on the labor union agreement.

3. Relocation Tips

Are for leaders who are relocated by promoting or transfer to the regions. The purpose is to compensate them for the problem of housing and to work for a long time there.

4. Driving Tips

This is given for employees who drive cars give for a work rather than hiring a driver, to accomplish their jobs. The purpose is to reduce the cost of hiring drivers, to facilitate jobs to increase productivity. This is given for employee who drive cars in addition to their regular work for 20 days in month.

Employee Benefits and Services

1. Medical Service

Based on the labor union agreement medical service is given for employees

2. Education and Training

Believing that the employees will perform better if their skills are enhanced by education and training, educational expenses for employees who learn in different schools is covered by the company.

3. Telephone Service

Is given for permanent employees and also for those retired from the company. All employees are allowed 150 calls in country (not outside the country) per month. But the employee covers the fees for the apparatus out their pocket. And also the entrance fee is covered by the employees. This does not include mobile telephone service is allowed for project coordinators and higher experts.

4. Insurance Benefits

Insurance benefits are given based on the labor union agreement and administration procedures of the company.

5. Yearly Leaves

The purpose is that the employee will perform his next year job by a fresh mind and increased effort. This will increase productivity. By considering the employees position and seniority (Service life). A yearly leave greater than the employee employer proclamation of the minimum yearly leaves (20 days) is provided.

And also other leaves like sick leaves, maternity leaves, legal wedding leaves and exam leaves are given based on the labor union agreement.

Table- Profile of Respondents.

Variable		No	%
Gender	Male	15	62.5%
	Female	9	37.5%
	Total	24	100%
Age	20-30	15	62.5%
	31-40	5	21%
	41-50	3	12.5%
	Above 51	1	4%
	Total	24	100%
Education level	Grade 12	2	8.3%
	Diploma	9	37.5%
	Bachelor Degree	13	54.2%
	Masters Degree	-	-
	Total	24	100%
Service in Ethio-telecom	Below 5 years	10	41.8%
	6-10 years	9	37.5%
	10-15 years	2	8.3%
	16 and above	3	12.5%
	Total	24	100%
Monthly salary in(Birr)	Below 1000	-	-
	1001-2000	9	37.5%
	2001-3000	13	54.2%
	3001 and above	2	8.3%

Source: own survey 2012

From the above table we can see that 62.5% of the employees are male and 37.5% are female this shows that there is high number of male employees in the company the organization must work hard to enhance the number of women employees. Regarding their ages 62.5% are in the 20-30 range and 21% are in the 31-40 range 12.5% and 4% are in the 41-50 and above 50 ranges respectively in this aspect the company high number of employees are youngster. The proportion of the employees who have education level of degree and diploma are 54% and 37.5% respectively only 8.3% of the employees are 12 graduates. These show that most of the employees are holders of bachelor degree and diploma.

If we see employees service year in Ethio-telecom 41.8% and 37.5% are in the below 5 years and 5-10 years range respectively. 8.5% and 12.5% are in the ranges of 11-15 years and above 16 years respectively in this aspect most of employees was 1-10 years service in the organization.

Concerning monthly salary all employees earn above 1000 Birr. 54.2% and 37.5% in the ranges of 1001-2000 birr and 2001-3000 Birr respectively only 8.3 of the employees are in the range of 3001 and above. This shows that most of the employees are in the range of 1000-3000 Birr.

Importance and Objective of Compensation

Management in Ethio-telecom

Monthly salary benefits and financial incentive are given taking into consideration workers job performance, cost of living, supply of labor in the country, work environment and the corporation's ability to pay. The objectives are to avoid pay dissatisfactions, job dissatisfaction, turn over and absenteeism, and also to increase motivation of employees to work hard for the attainment of long term and short term objective and to provide a quality service for customers

In the table below the results of pay satisfaction, job satisfaction motivation to improve performance and cost of living problems are indicated.

Table-Respondents Response about Importance of Compensation.

Items		Yes	No	Total
Are you satisfied with the payment you get from Ethio-telecom?	No	15	9	24
	%	62.5%	37.5%	100%
Are you motivated to improve your performance?	No	14	10	24
	%	58.3%	41.7%	100%
Do you suffer from cost of living problem?	No	4	20	24
	%	17%	83%	100%
Are you satisfied with your job?	No	20	4	24
	%	83%	17%	100%
Are you eager to leave Ethio-telecom if the you gate a company that pays you more?	No	20	4	24
	%	83%	17%	100%

Source: own survey 2012

From the above table we see that most of the employees of the company compensation management are achieved. But there are some unfavorable situations when there is pay satisfaction, job satisfaction is most likely to come. 62.5% of employees are satisfied and 37.5% of are dissatisfied with the payments they get this show the company are payment system is good and 83% of employees are satisfied and 17% of employees are dissatisfied with their job. But I am not saying that pay satisfied with the recognition they get from their work. This may be why some employees are saying they are satisfied with their job but not satisfied with the payment. In the other hands 58.3% of the employees are motivated to improve their performance and 41.7% of employees are not eager to improve their performance.

Every one need a better working environment on job, that data collected from Ethio-telecom 83% of Employees are not eager to leave the corporation except they get a company that pays more than what Ethio-telecom pays now, this means most of employees are need a beater enhancement of compensation or salary, but 17% of employees are not leave the company in any satiation they get this may describe that the little number of employees in the company have highly inter related in different kind of social interaction this social interaction of employees have create beater working environment and those employees are highly loyal for the company. Since the payment in Ethio-telecom is highly equitable the turnover rate may not increase. The data on the above table shows their sensitivity to payment effective and well organized job evaluation and wage and salary surveys. The above table show that 17% of employees are suffer from the cost of living problem because of their pay get from the company but 83% of the remaining are steel with the cost of living problem this problem is a major problem in our country because of that the organization must work on supporting employees to strive this problem but if not the employees are not willing to serve the customer properly.

Importance of Job Evaluation on Wage and Salary

Survey to Ethio-telecom

The company compensation policy states that monthly salary benefits and financial incentives should be given based on job performance and should motivate the employees to work hard for the accomplishment of the organization objectives. This can be possible if the payment structure is both internally and externally equitable. The following table shows the result of the questionnaire filled by employees in the head office

Table - Respondents Response about Equitable Payments Structure.

Variable	Internal Equity					External Equity				
	Equitable		Not equitable		Total	Equitable		Not equitable		Total
	No	%	No	%		No	%	No	%	
Gender										
Male	14	93%	1	7%	15	15	100%	-	-	15
Female	8	89%	1	11%	9	9	100%	-	-	9
Total	22	92%	2	8%	24	24	100%	-	-	24
Education Background										
Grade 12 Diploma	1	50%	1	50%	2	2	100%	-	-	2
Bachelor Degree	8	89%	1	11%	9	9	100%	-	-	9
Total	13	100%	-	-	13	13	100%	-	-	13
	22	92%	2	8%	24	24	100%	-	-	24

Source: own survey 2012

The table enable us to see both internal equity and external equity in terms of gender and education back ground. In the internal equity section, 93% of males and 89% of females said the payment is internally equitable, when we see the education background section, 50% of those with grade 12 education level and 89% of Diploma holders said it is equitable. What is exceptional is 100% Of Bachelors said equitable so, we can see that the payment structure of Ethio-telecom is internally equitable.

In the externally equity section, all employees said it is equitable. This shows us that the company is conducting job evaluation and wage and salary survey efficiently.

The fact that the payment is both internally and externally equitable enable the company to achieves its objective.

Table - Importance's' of Employee benefits and Service in Ethio-telecom Respondent Ranking of Employees Benefits.

Types of benefits		First	second	Third	Fourth	Total
Insurance Benefits	No	4	5	10	5	24
	%	17%	21%	41%	21%	100%
Work schedule Benefits	No	7	6	5	6	24
	%	29%	25%	21%	25%	100%
Paid time off Benefits	No	12	7	3	2	24
	%	50%	29%	13%	8%	100%
Employee Service	No	4	6	7	7	24
	%	17%	25%	29%	29%	100%

Source: own survey 2012

The above table shows employees ranking of benefits and service according to their perform their tasks effectively. Below we will see each of the benefit and service one by one;

1 Paid off Benefits:

The proportion of employees who ranked paid off benefits firstly and secondly is 50% and 29% respectively 13% and 8% ranked it thirdly and fourthly respectively. The fact that above 79% ranked it first and second shows paid time off benefits are more demanded by employees in Ethio-telecom to effectively perform their tasks. So the company wants to be able to achieve its objectives these benefits must be provided satisfactorily.

2. Work Scheduling Benefits

The proportion of employees who ranked if firstly and secondly are 29% and 25% respectively 21% and 25% ranked it thirdly and fourthly respectively. From first up to fourth the number of employees is almost equal. This shows that work scheduling benefits are necessary for employees to effectively accomplish their jobs. They should be given by Ethio-telecom to its employees with effective managements of their distribution.

3. Employee services

The proportion of employees who ranked it firstly and secondly are 17% and 25% respectively 29% ranked it third and also 29% ranked it fourthly. Generally, paid time off benefits are of the greatest demand by employees being followed by work scheduling benefits. Insurance benefits and employee services are equally ranked first by employees in Ethio-telecom. So the company must provide all types of benefits and service but it should give priority first for paid time off benefits and then to work scheduling benefits since they are demand or ranked first and second by employees. These benefits are the top motivators of employees. Insurance benefits and employee services also should be provided but not greater than the two.

Importance of paid time off Benefits

Paid time off benefits are of four types. These include on the job breaks, holidays and vacations or absences and paid sick leaves. The table below shows employees ranking of these paid time-off benefits according to their importance to accomplish (perform) their tasks effectively.

Table - Respondents ranking of paid time-off benefit.

Type of paid time Benefits		First	Second	Third	Fourth	Total
On the job Breaks	<u>NO</u>	11	3	6	4	24
	%	46%	13%	26%	15%	100%
Paid sick Leaves	<u>NO</u>	6	5	8	5	24
	%	26%	21%	32%	21%	100%
Holidays and Vacations	<u>NO</u>	8	8	6	2	24
	%	32%	32%	26%	10%	100%
Leaves or Absences	<u>NO</u>	1	6	6	21	24
	%	4%	26%	26%	44%	100%

Source: own survey 2012

Let us see each of the above paid time off benefits one by one:

1. On the Job Breaks:

The proportion of employees who ranked on the job break firstly 46% among the remaining 54%, 13% and 15% ranked it second, third and fourth respectively. The fact that about half of employees (46%) ranked it first it show that on the job breaks are highest importance than paid time benefits it means employees need break in working time because it helps them to accomplish their task in hole time effectively with out mental distraction. So, the managements of compensation in Ethio-telecom should be aware of the importance to provide these benefits properly.

2. Paid Sick Leaves:

The proportion of employees who ranked paid sick leaves firstly are 26%. 21% of employees ranked it second and also 21% ranked fourth. The number of employees who ranked it third is some what relatively greater, which is 32%. It seems that they are equally ranked first up to fourth.

3. Holiday and Vacations:

The proportion of employees who ranked it first and second is 32% each 26% and 10% ranked It third and fourth respectively. The fact that 32% of the employees ranked it first and second, when combined is 64% shows that they are very important next to on the job breaks.

4. Leaves or Absences:

Only 4% of the employees ranked if first. This number is very small. The number of employees who ranked it second and third is 26% each. About half of employees (44%) ranked it fourth% this shows that they are the least important to employees.

Generally, from the four types of paid time-off benefits on the job breaks are very much important and leaves or absences are of less importance to the employees in Ethio-telecom to perform their tasks effectively. So the compensation management of Ethio-telecom should provide all the benefits but give high priority for on the job breaks and should not worry about leaves or absences.

Adequacy of Benefits and Services in Ethio-telecom.

Table-Respondents response about adequacy of benefits.

Types of Benefits	No	Gender		%
		Male	Female	
Insurance Benefits	4	3	1	17%
Employee Service	6	4	2	25%
Work scheduling benefits	3	1	2	12%
Paid time off Benefits	5	3	2	21%
None	-	-	-	25%
Total	18			100%

Source: own survey 2012

From the above table we can see that 25% of the employees indicated that employee service are not being adequately provide by Ethio-telecom the company need to set a new structural adjustment on employees service on the organization. 17%, 12% and 21% indicated that insurance benefits, work-scheduling benefits and paid time off benefits respectively are not adequate in Ethio-telecom. In general the company must employed the all the benefits to the employees as much as possible and needed, because they are one of the condition that employees need.

The important thing that should be remembered when analyzing the table in that not all employees indicated inadequacies 25% of the employees not responded. This shows that they think the different types of benefits are being provided by the organization.

From the table what the compensation management division of Ethio-telecom must know is that which benefits are important for the employees to perform their tasks and whether those benefits are being provided adequately.

Problems of Compensation Management in Ethio-telecom

Ability to Pay

A fund required for the implementation of Ethio-telecom plan is obtained mainly from revenue and profits generated by Ethio-telecom as the corporation.

Profits are not channeled to the government. Moreover Ethio-telecom as one of the most efficient public enterprise in the country in terms of cost minimization and resource mobilization is a highly profitable assets average 10 percent and its average profit margin is 38%. So, the compensation management division.

Government Regulations

Government regulation is imposing problem on the compensation management practice. The governments make different regulation from time to time. This regulation must be respected by the management the compensation management division must consider or take in to consideration the regulations when it makes decision on different issues. These include yearly leaves, maternity leaves, monthly salaries, income taxes paid holiday and many others.

Labor Union

Table- Employee's Awareness about Compensation Managements System in Ethio-telecom.

		High		Medium		Low		Total
		Male	Female	Male	Female	Male	Female	
Awareness about the compensation management system of Ethio-telecom	No	4	1	11	8	-	-	24
	%	21%		79%		-		100%

Source: own survey 2012

As we see from the above table that employees awareness about compensation management system is indicated 79% of respondent have medium awareness about the compensation practice of the organization and also 21% of employees have high awareness in compensation practice of the organization this indicated that there is lack of

information flow with in the organization but there is not employees with out a little awareness about the compensation system because it is one part their working environments.

These show that all employees are able to calculate their earning and know the conditions that lead to enjoy the different types of benefits and financial incentives. This is one of the essential requirements of an effective compensation system.

Table- Source of Information about the Compensation Practice and Management in Ethio-telecom.

Sources of Information	No	Gender		%
		Men	Female	
Written Materials	15	10	5	62%
Employees	6	3	3	25%
Training	2	1	1	8.3%
Labor Union	1	1	0	4.2%
Total	24			100%

Source: own survey 2012

Regarding to source of information about compensation practice and management 62% said that, they are getting awareness from the written materials in organization. About 25% get information from other employees in the organization. What is amazing is that only 8.3% of them gained awareness from the training provided to them and 1% of employees get information from labor union. These things (together) tell as that the company should increase written materials to make them aware with a lower cost. It should not in cure a cost for training. If the employees are made aware by using written materials they serve as a teacher of other employees coming into the company.

Awareness of employees

Table Employees Membership to the Labor Union in Ethio-telecom.

		Yes	No	Total
Are you a member of the labor union in Ethio-telecom?	No	7	17	24
	%	29%	71%	100%

Source: own survey 2012

Employees join a labor union for various reasons. Among these the following reasons are ranked in a decreasing order:

1. Socialization
2. Communication
3. Fair and equitable compensation
4. Safety and health
5. Job security

The fact that they ranked compensation third shows that the labor union's effect (challenge) is not strong. Many employees are not member of the labor union (71%). And among the member of the labor union only 10% have high belief on the union to meet its objectives. From the remaining 90%: 50% have a medium belief and 40% have a low belief. This shows that the labor union is not a strong challenger of the compensation management division of the human resource managements departments

Table- Employee's Belief on the Labor Union in Ethio-telecom?

		High	Medium	Low	Total
How much is your belief on the labor union in Ethio-telecom?	No	1	5	1	7
	%	14.3%	71.4%	14.3%	100%

Source: own survey 2012

As we see from the above table employees belief on labor union is, 71% of employees are amide point beliefs on labor union, but 14.3% and 14.3% of employees are high and low respectively beliefs on labor union, this shows that the labor union of Ethio-telecom is work hard but it is not sufficient to achieve employees satisfaction and belief of labor union at any condition.

- Members of labor union only

Conclusions and Recommendations

Conclusion

The objective of compensation practice and managements in Ethio-telecom are to give employees monthly salary, benefits and financial incentives based on their job performance, supply of labor, work environments and cost of living problem. The justification is that when these conditions are taken in to account when compensating employees, they may be motivated to use their mental as well as physical efforts and skills to the maximum possible for the accomplishment of the organizations objectives (long term and short term). To ensure that the payment takes in to account these conditions the compensation managements division conducts different studies like job evaluation, wage and salary survey and performance appraisal. And also collects information about the cost of living from concerned organization.

The importance of compensation practice and managements in Ethio-telecom is that by effectively adopting its objectives of compensation managements it's gained from employees job satisfaction, pay satisfaction and motivation to work hard. The result of the study show that the employees are motivated to improve their performance and they are satisfied with their jobs and payments. These have significant benefits since they reduce cost of requirement, increases customer satisfaction, increases the possibility of successfully achieving its objectives. Now day the organization is one of the most profitable public enterprises in the country. And also it is able to use the latest technologies in the world and enabled the citizens of Ethiopia to use these technologies.

Ethio-telecom performs job evaluation and wage and salary survey to develop equitable payment structure. Job evaluation is process the characteristics of the job, the work environment and also the external forces that hinder the work environment and also the maximum possible. For maintaining internal equity performance appraisal is also conducted to know employees performance and to compare it with the work standards. The performance appraisers are supervisor and immediate bosses. The results of both studies enable the compensation practice and management to decide the payments and benefits that employees should receive.

With regard to external equity, the corporation uses wage and salary survey to know what other organization are paying for their different positions. Based on the different positions in Ethi-telecom, provided that the employees perform satisfactorily. Ethio-telecom always uses their efforts to the maximum possible. For maintaining internal equity performance appraisal is also conducted to know employees performance appraisers are supervisors and immediate to decide the payments and benefits that employees should receive.

With regard to external equity, the organization uses wage and salary survey to know what other organization are paying for their different positions. Based on the results of the study the managements decides how much to pay for the different in Ethio-telecom, provided that the employees perform satisfactorily. Ethio-telecom always uses the strategy of paying above other organizations to reduce turn over, to increase pay and job satisfaction and to motivate employees, to reduce turn over, to increase pay and job satisfaction and to motivate employees. These are the objectives of the company performing job evaluation and wage and salary survey.

Challenges to the compensation practice and management In Ethio-telecom include government regulations, ability of the company to pay the labor union and awareness of employees about the compensation managements system (policy) of the organization.

Governments affects compensation practice and management by its regulation sick leaves, paid holidays, yearly leaves, maternity leaves, income taxes and also pensions. The labor union challenges the different type of benefits and financial incentives given to employees. The employees awareness about the compensation practice and management system help them to calculate their earning and to know the condition that lead to salary increment and to enjoy the different type of benefits and financial incentives. But when they are not aware of this condition they blindly blame the compensation management division discriminatory or not effective. The company ability to pay is now not a problem. This is because the effective compensation management company to be profitable and also the company's profits are not channeled to the government.

Ethio-telecom provides different type of benefits and service to its employees. These include paid time off benefits, work scheduling benefits, insurance benefits and employee's services. It is important for the compensation management to make sure that which benefits help the employees to perform their tasks effectively. The results of this study show that paid time off benefits are of the highest importance being followed by work scheduling benefits. Employee service and insurance benefits are of good importance but not as much as the first two. Half of the respondents indicated the importance of paid time off benefits for effective accomplishment of their task. 29% advocated work scheduling benefits, the remaining advocated employee service and insurance benefits.

From the paid time off benefits, on the job breaks are of the highest importance and leaves are of the least importance to employees in Ethoi-telecom. Paid sick leaves and holidays and vacations are in between the above tow. But much results of this study show that employee service is very much inadequate being followed by paid time off benefits. Very small number of employees said that insurance benefits and work scheduling benefits are inadequate. 25% of respondents said all the benefits are being adequately provided I Ethi-telecom.

Recommendation

The objectives of compensation practice and management in Ethio-telecom are clear and based on the mutual benefits of the organization and the employees, That is the objectives are established to benefits from motivated and satisfied employees from motivated and satisfied employees effort and skills by providing employees different type of benefits and services and also enough monthly salary and financial incentive based on their contribution (importance) to the company. The researcher appreciates this since it is strongly able to realize the importance of compensation practice and managements in Ethio-telecom. So the compensation management should continue to effectively implement these objectives.

With regard to equitable payments structure the compensation managements should continue conducting job evaluation wage and salary survey and performance appraisal. The results of the study show that Ethio-telecom is conducting wage and salary surveys more effectively. That is why all employees said the payment structure is externally equitable. The researcher would like to suggest that the performance appraisal system should have employee access to results, job relatedness, effective grievance procedure, reliability and validity. If these problems of the system are addressed the internal equity can be developed efficiently like that of the external equity. The compensation managements of Ethio-telecom should maintain a balance between the different types of benefits provided and their demand by employees.

For example, if we take paid time off benefits they are highest demand by employees for effective accomplishment of their tasks but their presents supply is not adequate. So, the management should have to increase their amount work scheduling benefits also should have to increased since they are the second largest in importance to employees. The present supply of employee service and insurance benefits are enough since they are not much demanded by employees.

If these things are corrected employees can do their tasks effectively and efficiently, then the company profits will be increased, the customer will also be one of the beneficiaries.

Concerning the challenges to compensation management, the management should formulate different strategies to turn the problems into benefits. This can be achieved by increasing profitability to increase the ability of Ethio-telecom to pay, by increasing awareness of employees by using written materials to avoid grievances and by complying with legal requirements and government regulations. If these things are met effectively most of the problems can be reduced with a lower cost.

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