

**REWARD MANAGEMENT AND EMPLOYEES PERFORMANCE**

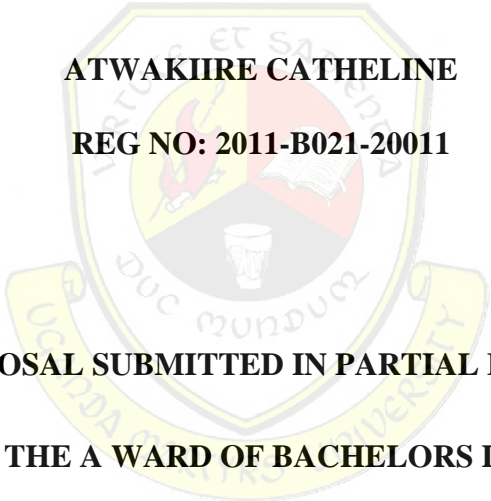
**CASE STUDY: KABALE DISTRICT LOCAL GOVERNMENT**

**BOOMA GROUND MAIN OFFICES**

**BY**

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**A RESEARCH PROPOSAL SUBMITTED IN PARTIAL FULFILMENT OF THE  
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## **DEDICATION**

This Research Dissertation is entirely dedicated to my lovely husband Mr. Ndamira Didas who supported me financially and again accepted all my inconveniences. May the almighty God bless him abundantly.

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## **ABSTRACT**

The study explored the effect of reward management on the performance of employees of Kabale District Local Government. Growing evidence suggests that, in Kabale District Local government, most employees are ill motivated and lack the human resource capacity, the morale and the enabling environment to improve productivity and this is to a greater extent due to the unavailable human resource managers in Kabale District Local Government to administer employee centered and goal-oriented reward system. Administering rewards are thought to be a very daunting task managers must perform since managers need to use judgments, diagnosis and the resources available to reward these employees based on performance. This problem stems from the fact that employers have different needs and perceptions, so outcomes such as pay, promotion, a reprimand and so on have different value for different people..Data on three independent variables of effects of rewards on employees' performance, the types of rewards system on employees' performance and the methods / strategies used in implementing rewards on employee performance were collected from 52 participants whose response rate was 100%. Data was collected through the use of a structured questionnaire, interviews, observation, and documentary analysis. Qualitative and quantitative data analysis tools were used. The data was summarized and analyzed and interpreted using frequency tables. The study established that reward systems in Kabale district local government are poor and its an issue which needs more attention. It was concluded that, Strategies to improve on employees' performance in Kabale district local government, is to improve on reward systems they are using if employees are to perform well in their respective department. It was further Recommended that All employees, whether paid wages or a salary, should be given a classification (often based upon an award) which accurately reflects their skills and experience and the work allocated to the employee. As a



minimum, wages or salary paid to the employee should meet award rates of pay which apply to the particular classification. In order employees to perform better for Kabale district local government, financial reward systems should be emphasized and on job training be a priority throughout the year.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.0 Introduction**

This study intended to investigate the extent to which performance is related to Reward Management and this chapter covered the background of the study, problem statement, objectives of the study, research questions, research hypothesis, scope of the study, Justification of the study, Significance of the study and the conceptual framework.

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

The history of reward management begins around the end of the 19th century, when welfare officers (sometimes called ‘welfare secretaries’) came into being. They were women and concerned only with the protection of women and girls. (Robert Owen (1987), Their creation was a reaction to the harshness of industrial conditions, coupled with pressures arising from the extension of the franchise, the influence of trade unions and the labor movement, and the campaigning of enlightened employers, often Quakers, for what was called ‘industrial betterment’. As the role grew there was some tension between the aim of moral protection of women and children and the needs for higher output.

During the 1920s, jobs with the titles of ‘labor manager’ or ‘employment manager’ came into being in the engineering industry and other industries where there were large factories, to handle employee rewards. During the 1930s, with the economies beginning to pick up, big corporations in these newer sectors saw value in improving employee benefits as a way of recruiting, retaining and motivating employees. By 1945, reward management and welfare work had become integrated under the broad term ‘personnel management’. Experience of the war had shown that output and productivity could be influenced by employment policies. The role of the personnel

function in wartime had been largely that of implementing the rules demanded by large-scale, state-governed production, and thus the image of an emerging profession was very much a bureaucratic one. But of present reward management profession encompasses a number of specialist disciplines, including diversity, reward (including compensation, benefits, pensions), employee relations and organization performance.

Dr. Kwaku Ahenkora Business Research Methods (2012) said that, Reward Systems is a vital aspect of any organization. They can actively engage and renew the overall sense of community and mission of an organization. A properly administered system of rewards can provide incentive for quality workmanship and staff performance. Likewise, a poorly administered reward system can lead to low morale, unproductive performance, and even lead to a high percentage of staff turnover. A reward system is successful when the staff interprets its policies as even handed, consistent, and relevant. Rewarding and recognizing employees is a ticklish business. It can motivate people to explore more effective ways to do their jobs or it can utterly discourage such efforts.

Wilson (2004) urged that, Rewards systems are much more than just bonus plans and stock options but while they often include intrinsic incentives, they also include extrinsic types like promotions, re-assignment, non-monetary bonuses, vacation holidays or simple “thank you” from a manager. Since high morale and productivity go hand in hand, it is however imperative on managers to reward employees when they hit organizational targets and stretched standards set by the organization. A properly administered system of rewards has the capacity not only to improve incentives for quality workmanship and staff performance but also strategically attract skilled employees to join the organization whereas the reverse may lead to unproductive performance and even to a high incidence of staff turnover.

Mrs. Evelyn Owusu Frempong (2012), while the term reward system, not only includes material rewards, but also non-material rewards. Reward system or management usually means the reward an organization gives its employees in return for their labor. The components of a reward system consist of financial rewards (basic and performance pay) and employee benefits, which together comprise total remuneration. They also include non-financial rewards (recognition, promotion, praise, achievement responsibility and personal growth) and in many cases a system of performance management.

The above notwithstanding, most organizations in Uganda have problems describing these rewards fairly to suit the organizational demands in relation to employee performance. (Martin,2010), Thus, which kind of reward system to allocate and at what time and whether non-salary based, salary based, annual merit based or personal praise by managers. Therefore, problems of rating and measurement of performance coupled with inadequate funding by some organizations have necessitated the adoption of non-salary based rewards which are based solely on the reward power of managers with no direction from formalized policies.

Kabale District is one of the four districts that make Kigezi sub region. Its headquarters is found at Makanga Hill in Kabale Municipality. It has 25 sub counties and three town councils with three divisions. It is 267km from the capital city of Uganda. It is dominated by Bakiga followed by Banyarwanda and Bafumbira. It borders with the Republic of Rwanda to the South and the Districts of Kisoro to the West, Ntungamo to the East, Rukungiri to the North and Kanungu to the North Western direction. Kabale district local government has different departments: planning, procurement, marketing and production, community based services, Education and natural resource management. Reward management in Kabale district local has for the last years been a problem and this has affected employee's performance. This has caused under staffing due to the

fact that employees move from the district to look for other opportunities where reward management is a priority. It is therefore from this background that, the research intends to examine the effect of rewards management and performance of employees taking Kabale district local government as a case study.

## **1.2 Statement of the problem.**

It is a well-known fact that human resource is the backbone of every organization and other corporate entities due to their enormous strides and accomplishment within the organization. It is however baffling to note that productivity in Kabale District local government have not seen major improvements. This is evidenced in the auditor's general report of 2013, that poor reward systems could be the one affecting employee's performance in Kabale district local government. This problem stems from the fact that employers have different needs and perceptions, so outcomes such as promotion, on job training and financial rewards both monetary and non monetary could have contributed to poor employee's performance in Kabale District local government. If this situation continues, employees will keep on working but outputs will not be realized. . It's from this background that, the researcher intendeds to find the effect of reward management systems and employee's performance within Kabale district local government

## **1.3. Purpose of the study.**

The purpose of the study was to examine the effect of reward management on the performance of employees of Kabale District Local Government.

## **1.4 objectives of the study.**

1. To examine the effects of on job promotion on employees performance in Kabale District Local Government
2. To assess the effect of financial rewards on the employees performance in Kabale District Local Government

3. To explore the effect of on job training on employees performance in Kabale District Local Government

### **1.5 Research Questions**

2. What is the effect of on job promotion on employee's performance in Kabale District Local Government?
3. What is the effect of financial rewards on the employee's performance in Kabale District Local Government?
4. How does on job training affects the employees performance in Kabale District Local Government?

### **1.6 Scope of the study.**

#### **1.6.1 Content scope.**

This research established how reward management which includes job promotions, employee appraisal and financial rewards impacts on employees' performance which includes, Time Management, Quality of work, Employee Behaviours and Rate of Completion of tasks of employees of Kabale District Local Government.

#### **1.7.2 Time scope.**

The study covered a period of four years. (2011-2014). This period was preferred to enable the researcher acquire articulate and excellent information from the respondents as it enabled the respondents to give responses that are typical of their opinion from the observations made over this period since its within this period that reward management became more vibrant at Kabale District Local Government.

#### **1.7.3 Geographical scope.**

The study was carried out specifically at Kabale District Local Government main offices Makanga hill Booma ground and this is because of the ease of accessibility and the well developed reward management function that they have.

### **1.8 Justification of the study.**

Now that reward management is becoming a key concept in almost every organization and being advocated for country wide, the researcher will be interested in finding out how organizations have adopted this concept of reward management and the impact it has on employees' performance.

### **1.9 Significance of the study.**

To the employers, the study will give them an insight on the importance and results of reward management on employee performance and also, the accomplishment of the study will enable the researcher to acquire skills about processing of research work and data analysis.

The research will be of great importance to various groups of people like to the current researcher, policy makers, future researchers and the management of Kabale district local government while designing its policies concerning employees' performance.

The research will be of great importance to the researcher because the researcher will acquire research skills which can be applied to conduct research in other subjects. Skills like developing questionnaires, interacting with new people and get the necessary information and analyzing data.

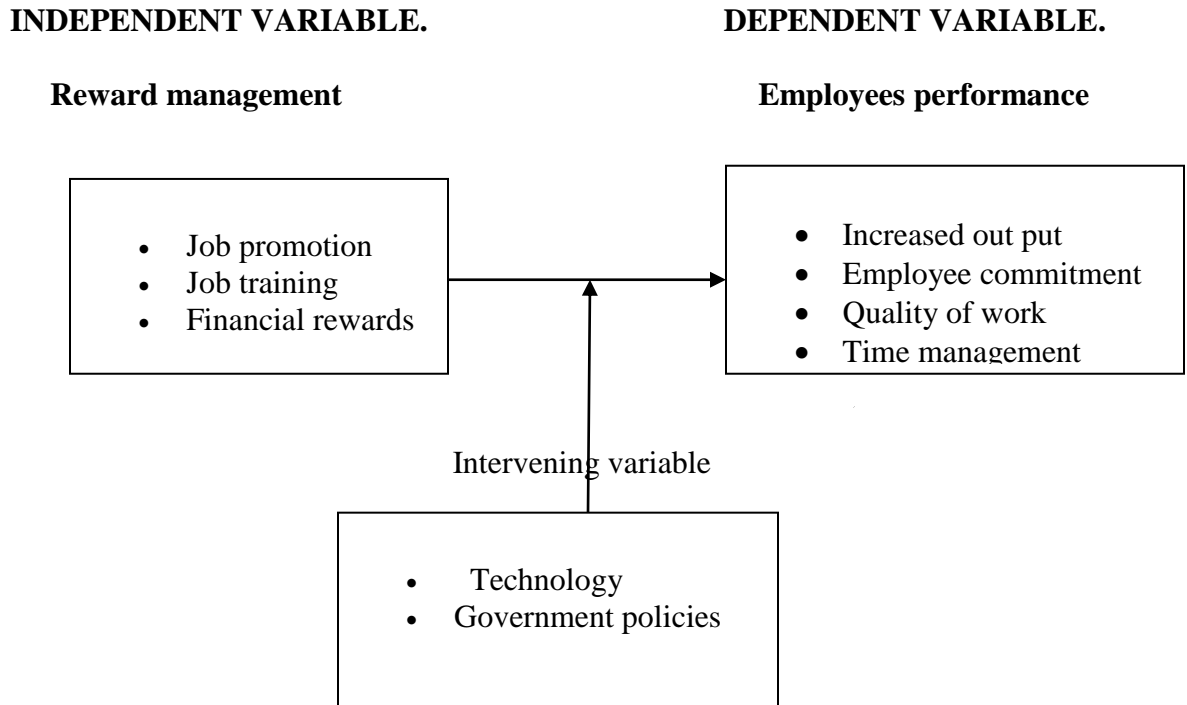
The research will also help the management of Kabale district local government to discover the effect of reward management on employee performance. This will help them come up with better motivation techniques which will result into improved employee performance.

The study will benefit policy makers like the International Labor Organization, Workers' Union and other government organizations to come up with effective realistic policies of motivating employees.

### **1.10 Conceptual framework.**

The conceptual framework presents a schematic representation of the dimensions under the independent variables (IV) and dependent variables (DV). The dimensions under reward management (IV) include, job promotion, job training, and financial rewards

**Figure 1.10.1: An Illustration of the conceptual framework.**



**Source: Kabale District Local government Auditor’s report 2013.**

### **1.10.1 Definitions of the key terms (dimensions) and concepts.**

#### **Promotion,**

A job promotion is the advancement of an employee's rank or position in an organizational Hierarchy system. Promotion may be an employee's reward for good performance, i.e., positive appraisal. Before a company promotes an employee to a particular position it ensures that the person is able to handle the added responsibilities by screening the employee with interviews and tests and giving them training or on-the-job experience. A promotion can involve advancement in terms of designation, salary and benefits, and in some organizations the type of job activities may change a great deal.( Harold Kpontz and Heinz Weihric).



**Employee appraisal,**

Bear

Welsh and Holden (1994) Defined employee appraisal as the procuring, analyzing and documenting of facts and information about an employee's net worth to the organization. It aims at measuring and constantly improving the employee's present performance and tapping on the future potential.

**Financial rewards,**

According to Armstrong (2005), There are three types of financial rewards; basic pay (salary), performance pay and employee benefits. Basic Pay is a certain payment connected with a job, usually given on a time basis (hourly, weekly, monthly or yearly). Performance Pay is dependent on performance of individual, team or organization and cannot become part of the basic pay. Employee Benefits are made up of options like insurance, stock options, company cars, pension-schemes and holidays necessary for generating job satisfaction related to performance. Financial rewards may also include, salary increments, bonuses, allowances among others.

## CHAPTER TWO

### 2.0 LITERATURE REVIEW

#### 2.1 Introduction

This chapter discusses the literature related to reward management and employees performance in organizations. It particularly focuses on the effects of rewards on employees' performance, the types of rewards system and the methods / strategies used in implementing rewards management in organizations.

#### 2.2 Conceptual review

##### **Reward Management;**

Reward management enables people to make the best use of their capacities and to realize their potential to the benefit of both the organization and themselves. It is one of the factors that managers use as the complex of a driving force inspiring a person of work to willingly use his/her capabilities to accomplish the task being given for delivery of improved services hence performance measure criteria. ( Bahinywa 1999). Evelyn (2012), states that, Reward Management are all those inner striving condition described as desires, wishes, needful, deriving force inspiring an employee that activates or moves". Therefore and enables efforts, persistence, desire to perform and providing human basic needs to employees for actual performance. This actual performance is what the managers can evaluate to determine indirectly the person's desire.

According to Bear and Holden (2009), Reward management usually means the reward an organization gives its employees in return for their labor. While the term rewards system, not only includes material rewards, but also non-material rewards. The components of a reward system consist of financial rewards (basic and performance pay) and employee benefits, which together comprise total remuneration. They also include non-financial rewards (recognition,

promotion, praise, achievement responsibility and personal growth and in many case a system of performance management.

Komunda (2006) urged that, reward management as the creation and running of a system that rewards the work done by employees. Reward management deals not only with basic pay, but also with the whole remuneration process or package offered to employees including such things as incentive schemes and fringe benefits. According to Armstrong and Murlis (2006), Reward Management is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organization”

## **2.2. The Effect of on job promotion on employee’s performance**

### **2.2.1. Promotion ladders as motivators**

More talented workers are usually more productive higher up in organizational hierarchies. Promotions assign workers to jobs better suiting their abilities and quickly move up talented workers (Gibbons 1997). These are other purposes of promotions. They can be used to reward past employee efforts, promote investments in specific human capital and lower job turnover (Lazear 1998). The simplest form of incentive pay is a promotions ladder (Savych 2005). This requires recruits to accept lower paid port-of-entry jobs. This early period of employment is a screening process. Good performance leads to promotion. When promotion ladders are used as deferred compensation, almost all junior workers who prove themselves are promoted (Savych 2005). The prospect of promotion encourages the good workers to stay and invest in specific human capital. Job seekers will self-select by limiting their applications to the type of jobs where they expect to succeed and be promoted out of the less well paid port-of-entry job

Older workers may have reached a career peak in their wages and accumulated human capital. This may reduce their access to jobs that use promotions as incentives. Promotions as motivators for additional effort may not be as effective for older workers because they may not wish to wait in lower paid port-of-entry jobs that are the precursor to some promotions once performance is proven. To the extent that the lure of promotions is designed to encourage recruits to invest in specific human capital, promotion ladders may not work as effectively with workers with shorter payback horizons on new skill investments and who have a preference for harvesting their existing human capital. This may reduce access to jobs that use promotions to reward investments in specific capital (Armstrong, 1988). Older job changers may prefer jobs whose compensation is made up mostly of wages and less of promises of promotion and on-the-job human capital. Younger rival applicants, both internal and external, may find the promise of more on-the-job human capital and promotions to be attractive given the length of their remaining working lives and may trade this for higher wages. This may lengthen job searches for older job seekers because they may want jobs with different wage and promotion components to comparable younger workers. Job packages with the preferred mixes may be fewer and further between.

Adams (2002) found evidence that older workers passed over for promotion were given promotions while younger. The observed lower wage growth towards the end of their careers may mean that their wage growth via promotions ladders had already occurred earlier in their working lives, and their lifetime incomes and output may have been greater because of this pattern of delayed compensation, staged promotions and high levels of work effort and whole of career wages.

Adams (2002) inferred that the older workers that were passed over for promotion were in the reward phases of their delayed payment contracts, where their wages may exceed current

productivity. The older and younger workers need not differ in productivity - the younger workers were receiving promotions to increase their wages, motivate effort and to move them closer to the reward phases of their own delayed payment contracts. Adams (2002) suggested that older workers stayed in their current jobs because they did not want to give up the high wages implicit of the reward phase of their delayed payment contracts.

#### **4.2.2. Promotions as prizes**

There is no need for tasks, responsibilities and output rates to differ between pre- and post-promotion jobs for firms to profit from promotions. Workers can be promoted because those left behind are motivated to supply more effort and invest in hard to verify specific human capital by the prospect of a wage rise upon their own promotion later on (Lazear and Rosen 1981; Malcomson 1984; Rosen 1986; Prendergast 1993, 1999; Waldman 2003, 2007).

Workers enter at one level and are promoted if they win a promotion tournament. The promotions are similar to prizes in sports tournaments. The promotions are prizes for past efforts, not future potential (Lazear and Rosen 1981). Even if individual output and specific human capital investments cannot be measured with any precision, it is often possible to identify who is the best worker with relative performance evaluation, which is a common reason for running promotion tournaments (Lazear and Rosen 1981). Observing the actions and the outputs of competing employees performing similar tasks provides information to employers on what has been done and what could be done. There can be a gap between the contribution of the best worker and that of the next best, and so on, that is large enough to be perceived without being quantifiable. These gaps are indicators of who is exerting most effort and investing more in the specific human capital, albeit often otherwise unverifiable human capital is needed to underpin success. To induce greater employee effort and human capital investment, the best performer (highest scorer) is promoted to a better paid job. In addition to motivating workers promoted to

the higher level, the prospect of future promotion is a prize to motivate those left behind at the lower levels (Lazear and Rosen 1981; Rosen 1986; Prendergast 1993, 1999; Waldman 2007).

To effectively encourage workers to work harder, there must be a fair but not overly generous chance of promotion and a reasonable pay rise or a lower chance of promotion and a much larger pay rise (Lazear 1998). Higher level jobs may be handsomely paid not because of a higher output, but to act as a prize to encourage effort at the lower levels. There must be regular job turnover so that follow-up promotions keep hope alive among the junior workers. The pay rise must not be so large that the required level of effort puts workers off and they go elsewhere or workers do not co-operate when teamwork is required and employees engage in non-productive industrial politics (Lazear 1998).

### **2.2.3 Incentives and recruitment versus promotions**

The need for regular job turnover and rising stars may disadvantage older workers seeking jobs with firms that use promotion tournaments. The wage structure of a firm must be seen as a whole (Lazear 1998). Competition for promotions has large effects on employee incentives. Promotion systems balance the allocation of talent across jobs and the corporate hierarchy, the rewarding of team and individual effort provision and the accumulation of human capital. It is the structure of wages within the firm rather than individual current wages and productivities that can be important to the overall productivity of the firm.

Frempong (2012), Said that, Promotions are regular prizes offered to encourage more effort at the lower levels, properly reward the promoted and sort employees into more senior jobs that better match their relative abilities and accumulated human capital. Promotion ladders and promotion tournaments supplement theories of careers that are built on the accumulation of general and specific human capital by introducing implicit contracts that commit workers to

higher levels of effort and employers to reward this with pay rises and periodic promotions later in careers. Promotions systems complicate the hiring of older workers because they often perform different tasks and organizational roles to younger workers. Older workers appear in most types of jobs up and down the entire job ladder. Young workers cluster into port-of-entry jobs. Prime age workers are rising through the ranks. Older workers earn significantly more than younger workers in all countries studied. Older workers as a group have more human capital so they can compete for middle level and senior vacancies that younger employees aspire to now or in the future. Who is hired has incentive repercussions beyond the vacancy at hand.

Hiring an outsider when an insider can be promoted undercuts the incentive effect of promotions (Lazear 1998). Workers are hired both for their productivity and the incentive effect on co-workers of seeing them rise to successively higher levels. Firms that use promotions retain their older staff because, in addition to profiting from their specific human capital, these workers made their way up from below. Internal candidates who have risen through the ranks should be of proven ability and have extensive firm-specific human capital. The global incentive effect of promotions of long-standing employees is reinforcing, because their rise through the ranks will motivate younger workers at lower levels to do the same.

Hiring an outsider with superior ability may reduce the long-run profits of the firm. Internal candidates are favored because of incentive effects on all employees. By promising a promotion system that favors' internal candidates, this increases the effort levels of young workers and the possibility of receiving the higher wage in the future reduces the wage required to initially attract young workers into the firm (Waldman 2003). Older outside applicants are disadvantaged because, as a group, they would be applying for vacancies that required more human capital, experience or seniority. These are the positions in which employers promise a favorable treatment to younger internal applicants.

If the firm regularly hires outsiders for higher positions, anticipation of this employer behaviour by current employees has adverse effects in prior periods on worker effort and on hard to verify employee investments in specific human capital (Chen 2005; Waldman 2003; Prendergast 1993). Filling a vacancy internally will also save on the fixed costs of hiring such as firm-specific training for recruits (Bayo-Moriones and Ortin-Angel 2006).

Outside hiring may be profitable if the external candidate is significantly better. Employers also open up competition to outsiders to reduce collusion and industrial politics among internal candidates and to absorb external talent (Lazear 1998; Chan 1996, 2006; Chen 2005; Bayo-Moriones and Ortin-Angel 2006). The morale, work effort and productivity of internal candidates can be preserved by implicitly setting a higher bar for outsiders to keep the promise to offer junior employees careers. Internal applicants are already advantaged because of their large accumulations of firm-specific capital. Favouritism implies that senior positions are filled internally more often than not because outside applicants must have a significant margin of superiority to succeed against internal candidates (Chan 1996, 2006; Bayo-Moriones and Ortin-Angel 2006).

The overseas evidence on management and executive recruitment is that employers do hire externally but the majority of vacancies are filled internally (Chan 1996, 2006; Baker *et al.* 1993, 1994a, 1994b; Treble *et al.* 2001) found that hiring is somewhat concentrated at the lower levels of hierarchical firms but there was still external hiring at all levels and there was good evidence that employees could advance themselves to pursue careers. Bayo-Moriones and Ortin-Angel (2006) found that internal promotions were more frequent where workers invest more in specific capital and where employers are able to obtain relatively good measurements of the skills of current employees.



Tobbs (1991) urged that, A concentration of experience in one job and a large accumulation of specific human capital can set further hurdles to older job seekers. Older job changers not only need to be equal in productivity to the internal applicants, they may need to be significantly superior, and that hurdle comes along after weathering any reduction in productivity from the loss of specific human capital. Older workers may prefer to move within their current industry or occupation because this retains access to their industry-specific or occupation-specific human capital. If older new hires have longer expected job tenures than younger workers, older new hires slow the regular job turnover that employers want so workers at lower levels see regular job openings and promotions. Promotions systems do not motivate as well if openings are irregular and taken by outsiders. Older workers are less preferred, not because they retire sooner, but because they may stay too long. If older workers see a new job as their end of career job, the incentive effect of promotions is weakened for them.

Aspirations of internal advancement should remain strong for promotions systems to motivate. If older outside hires stay only a short time, they have disrupted internal incentive dynamics by taking a promotion prize from internal applicants, and as they have quit instead of moving up, their career paths do not offer rising stars to inspire junior workers.(Dr. Kwaku Ahenkora Business Research Methods (2012) Hitchcock, D and Willard, M. (1995). Younger external hires may quit at the same rate as older workers but, at least in principle, younger workers have time left to pursue a model career where they too rise higher within the ranks. The possibility of multiple promotions gives both younger outside hires and their co-workers incentive uplifts that are less likely for workers that are nearing retirement. The overseas evidence is that older workers have reduced hiring opportunities with firms with promotion systems.

### **2.3. The effect of financial rewards on the employee's performance**

Reward systems in an organization can either be intrinsic or extrinsic. Extrinsic rewards also known as financial rewards which include salaries, bonuses, allowances and benefits. It is a well known fact that, rewards are linked with performance of employees in any organization.

This is because employees are generally rewarded on the basis of the value of the job, their personal contribution and performance. According to Victor Vroom's Expectancy theory, employees will be motivated to exert a high level of effort when they believe that, effort will lead to good performance appraisal and followed by organizational rewards such as bonus, Salary increment which later satisfy goals. Before rewards are administered, there are certain criteria and processes which may be followed, rewards processes suggested by model indicate that, the motivation to exert effort is not enough to cause acceptable performance. Performance results from a combination effort of an individual and that person's ability, skill and experience. In most organizations, performances of individuals are evaluated either formally or informally and distribute it amongst the two types of rewards i.e. intrinsic and extrinsic because of the evaluation. Most organizations now establish conditions under rewards i.e. the reward that are part of their behavior.

Employees who are effective and efficient are likely to be limited if they are not motivated to Perform. Mendonca, (2002) sees reward and compensation system that is based on the expectancy theory, which suggests that employees are more likely to be motivated to perform when they perceive there is a strong link between their performance and the reward they receive. Guest, (2002) is of the opinion that reward is one of the keys that motivates employees to perform as expected. The reward can be in the form of cash, recognition and praise or a combination of both. Group Performance-related schemes reward a group or team of employees

with a cash payment for achieving an agreed target. These schemes are all designed to enhance company performance by aligning the interests of employees with the financial performance of their companies (Chin-Ju, 2010). Huselid, (1995) sees reward as a system (e.g. profit sharing) that contributes to performance by linking the interests of employees to those of the team and the organization, thereby enhancing effort and performance. La Motta (1995) is of the view that performance at job is the result of ability and motivation.

Osterloh and Frey (2000) as cited in Lotta, (2012) defines an individual to be extrinsically motivated when employee needs are indirectly met through the use of monetary rewards. They described pay for performance to be the ideal incentive for the extrinsically driven employees but blamed it to lack the longterm results. They described money to be a goal which provides satisfaction independent of the actual activity itself. Kanfer (1990) states that employees are constantly involved in a social exchange process wherein they contribute efforts in exchange for rewards. They also compare the effort or contribution that they put in towards accomplishing a certain task and acquiring rewards in exchange for the former. Entwistle (1987) is of the view that if an employee performs successfully, it leads to organizational rewards and as a result motivational factor of employees lies in their performance. Freedman (1978) as cited in Rizwan and Ali, (2010) is of the view that when effective rewards and recognition are implemented within an organization, favorable working environment is produced which motivates employees to excel in their performance. Employees take recognition as their feelings of value and appreciation and as a result it boosts up morale of employee which ultimately increases productivity of organizations. Rewards play a vital role in determining the significant performance in job and it is positively associated with the process of motivation (Rizwan and Ali, 2010).

### **2.3.1. Salaries and Wages**

Money has been the major mechanism for rewarding performance but very little is known about how it works. To understand how money modifies performance, the preference or taste of the person being rewarded must be known or understood and this makes it a challenge for most managers. Money cannot be a powerful motivator, when employees cannot see a connection between performance and merit increases. To make this clear in the minds of employees, a well designed appraisal system should be adopted. The clarity does not just happen; managers must work hard at communicating the performance – financial reward connection, (Lawler, 2008). Bonus plans are very essential part of reward systems in an organization. This is so because they are related to the current performance of employees as it is an extra amount of money added to an employees pay. This bonus plans are initiated in order to enhance performance and effectiveness of employees on their job.

Doellgast,(2006) notes that, though promotions among employees within an organization are not vital for performance, many firms still use promotions at work depending on the employee's performance as a major incentive. She adds that, when employees are promoted, they tend to own their organization and at the end high productivity is observed.

### **2.3.2. Benefits in kind**

Clifton (2002) urged that, People, or the staff, are the most important and the richest resource in an organization. Employees make the basis of an organization and they are greatly included in realizing the economic growth and development. As successful business can be largely in the direct correlation with the employees, so there is the need to determine some factors, i. e. motives that exert influences on efficient engagement of the employees. Therefore, managers, today, besides the role of leaders, at the same time, have the role of psychologists with a view of recognizing the employees' behavior and their motives. Just motivation, according to Stoner et al.(1995). It is not surprising that business globalization often requires moving some of the

employees abroad as expatriates, or residents based in foreign countries in order to do business better in the wide world. In their professional careers, managers, dealing with compensation policies, must be well familiar with compensation techniques for employed expatriates. As companies/ organizations widen their business in the world, it is very important to know the laws and norms that define compensations and benefits.

### **2.3.3. Salary increment**

During tough times, employers may be tempted to sacrifice wages to provide the employees with job security and avoid layoffs. While the steps to ensure the company/organizations remains open are admirable, a company/ organization must take care not to reduce or freeze wages so much that top performers feel forced to go elsewhere to earn what they deserve. That leaves the employer absorbing the cost of hiring a replacement who may not be as qualified and this would affect the organization negatively in terms of performance hence low productivity. Salary increment is per mount to employees how percentage it would be. (Cole, 2008).

### **2.3.4. Recognition**

Employee motivation, positive employee morale, rewards and recognition are explored in these resources. (Cole, 2008). What creates motivated, contributing people? How do you maintain high employee morale when people work long hours? How does your reward and recognition system contribute to or deflate employee motivation, positive morale and retention. Recognition gives morale to employees to work and this affects productivity positively.

### **2.3.5. Fringe Benefits**

Benefits are the programs an employer uses to supplement the cash compensation that employees receive. These programs are designed to protect the employee and his/her family from financial risk and this include pensions, sick pay, insurance cover, company cars and annual holidays. The major financial fringe benefits in many organizations are the pension plan. For most employees, opportunity to participate in the pension plan is a valued reward.

### **2.3.6 Equity and Equality of Rewards**

Unfair or improper distribution of rewards sometimes results in organizational conflict. Employees have different needs, perception and outcomes such as pay, promotion, a reprimand from a superior having different values for different people. A significant amount of research has been done on what determines whether individuals are satisfied with rewards or not, which has been summarized by Lawler (1988: 68 – 71). First, satisfaction with a reward was found to be a function of how much is received and how much the individual feels should be received. If individuals receive less than they feel they should, they are dissatisfied. Second, feeling of satisfaction is influenced by comparisons with what happens to others. People tend to compare the efforts, skills, seniority and job performance with those of others.

#### **2.4. The effect of on job training on employees' performance**

There is no doubt that organizations worldwide are striving for success and out-competing those in the same industry. In order to do so, organizations have to obtain and utilize her human resources effectively. Organizations need to be aware of face more realistically towards keeping their human resources up-to-date. In so doing, managers need to pay special attention to all the core functions of human resource management as this plays an important role in different organizational, social and economically related areas among others that are influential to the attainment of the organizational goals and thus organizations successful continuation in the market.

This involves training and development of workforces and managers (Briscoe 1995: 83). Training and development are often used to close the gap between current performances and expected future performance. Training and development falls under HRD function which has been argued to be an important function of HRM (Weil & Woodall 2005). Amongst the functions activities of this function is the *Identification of the needs for training and development*

and selecting methods and programmes suitable for these needs, plan how to *implement* them and finally *evaluating* their outcome results (McCourt & Eldridge 2003, 237).

Guest (1987) argues that policies are necessary to ensure that employee performance is evaluated, which in turn ensures that the appropriate training and development take place. With the help of the performance appraisal reports and findings, the organization can be able to identify development needs. However, individuals themselves can help to indicate the areas requiring improvement as a result of the

As one of the major functions within HRM, training has for long been recognized and thus attracted great research attention by academic writers (see e.g. Gordon 1992, Beardwell, and Holden & Claydon 2004). This has yielded into a variety of definitions of training. For example, Gordon (1992, 235) defines training as the planned and systematic modification of behavior through learning events, activities and programs which result in the participants achieving the levels of knowledge, skills, competencies and abilities to carry out their work effectively.

It is worth noting that, as researchers continue with their quest into the training research area, they also continue their arguments into its importance. Some of these researchers argue that the recognition of the importance of training in recent years has been heavily influenced by the intensification of competition and the relative success of organizations where investment in employee development is considerably emphasized (Beardwell et al. 2004). Related to the above, Beardwell et al. (2004) add that technological developments and organizational change have gradually led some employers to the realization that success relies on the skills and abilities of their employees, thus a need for considerable and continuous investment in training and development.

### 3.2 Benefits of training

The main purpose of training is to acquire and improve knowledge, skills and attitudes towards work related tasks. It is one of the most important potential motivators which can lead to both short-term and long-term benefits for individuals and organizations. There are so many benefits associated with training. Cole (2001) summarizes these benefits as below:

- 1) High morale – employees who receive training have increased confidence and motivations;
- 2) Lower cost of production – training eliminates risks because trained personnel are able to make better and economic use of material and equipment thereby reducing and avoiding waste;
- 3) Lower turnover – training brings a sense of security at the workplace which in turn reduces labor turnover and absenteeism is avoided;
- 4) Change management – training helps to manage change by increasing the understanding and involvement of employees in the change process and also provides the skills and abilities needed to adjust to new situations;
- 5) Provide recognition, enhanced responsibility and the possibility of increased pay and promotion;
- 6) Help to improve the availability and quality of staff.

According to Wognum (2001, 408), training and development needs may occur at three organizational levels namely; (1) *strategic level* where needs are determined by top management while considering organizations goals, mission, strategy and problems, which need to be resolved or fixed (2) *tactical level* where needs are determined with middle management while considering developments needs to the coordination and cooperation between organization units



and (3) *operational level* where needs are determined with lower executive management and other employees while considering problems related to operations such as performance problems of individual workers and departments in subject. In order to enable an organization formulate human resource training and development goals that will enable both formal and informal human resource training and development methods and programmes create a workforce that enables effectiveness and competitiveness, it is worth giving consideration to, providing proper coordination as well as proper incorporation of the needs within the three levels.

#### **3.4.1 Job rotation and transfers**

Job rotation and transfers (McCourt & Eldridge 2003, 356) as a way of developing employee skills within organization involves movements of employees from one official responsibility to another for example taking on higher rank position within the organization, and one branch of the organization to another. For transfers for example, it could involve movement of employees from one country to another. These rotations and transfers facilitate employees acquire knowledge of the different operations within the organization together with the differences existing in different countries where the organization operates. The knowledge acquired by the selected employees for this method is beneficial to the organization as it may increase the competitive advantage of the organization.

#### **3.4.2 Coaching and/or mentoring**

This involves having the more experienced employees coach the less experienced employees (Devanna, Fombrun & Tichy 1984; McCourt & Eldridge 2003, 256; Torrington et al. 2005, 394 - 395). It is argued that mentoring offers a wide range of advantages for development of the responsibility and relationship building (Torrington et al. 2005, 394 – 395). The practice is often applied to newly recruited graduates in the organization by being attached to mentor who might be their immediate managers or another senior manager. This however does not imply that older

employees are excluded from this training and development method but it is mainly emphasized for the newly employed persons within the organization.

### 3.4.3 Orientation

This is yet another training and development method. This involves getting new employees familiarized and trained on the new job within an organization. During this process, they are exposed to different undertakings for example the nature of their new work, how to take on their identified tasks and responsibilities and what is generally expected of the employees by the organization. They are further given a general overview of the organizational working environment including for example working systems, technology, and office layout, briefed about the existing organizational culture, health and safety issues, working conditions, processes and procedures.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter covered the background against which data was gathered. It discussed the research design, study population, sample size, data collection methods and instruments, validity and reliability, data collection procedures, data analysis and Ethical issues

#### **3.2 The research design**

Study employed a case study research design. A case study research design was used to provide in-depth understanding reward management and employees performance. Both Qualitative and quantitative methods were used to collect data from primary respondents, as well as key informants selected from Kabale district local government. Qualitative method of data collection was used because it emphasizes the meaning of, experiences and description. Understanding of how people feel, perceptions that underlie and influence behavior, what goes on in their everyday life situations can be captured. Qualitative approaches allows applications of techniques and measures that produce discrete numerical and quantifiable data needed to answer research questions to provide an in-depth understanding of motivation and employees performance in organizations and basing mainly on key informants and heads of organizations

#### **3.3 Study population**

The study focused on Kabale District Local Government Staff This is because they are the with information concerning reward management and employees performance. The study population comprised of employees under Kabale District Local Government. For example in the administration sector , Chief Administrative Officer, Deputy Chief Administrative Officer and Assistant Chief Administrative Officers from all three rural counties and three urban divisions, sub-county chiefs, personnel officers in Human Resource Department and some low staff employees that were chosen randomly.

### **3.4 Sample size.**

The researcher used a sample size of 52 respondents from a population size of 60 because of time limits involved during research study and its through R.V.Morgan and D.W.Morgan (1970).

### **3.5 Sampling techniques.**

The sample was selected using sampling techniques and procedures as follows: staff of caritas is composed of 31 respondents, respondents filled the questionnaire given the fact that they are the ones affected, purposive sampling technique we used because they have in-depth information about motivation, 9 board members were also be interviewed using purposive sampling because they are policy makers on employees should be facilitated.

### **3.6 Pre-testing (validity and liability)**

#### **3.6.1. Validity**

The validity of the research instruments checked using content and face validity by research experts and my supervisors to ensure that instruments include an adequate and representative set of items that tap the key concepts of the study. For the instrument to be accepted as valid the average content validity index (CVI) = No. of items declared valid divided by the total No. of items = at least 0.7 (Amin, 2005 pg 288).

#### **3.6.2. Reliability**

Reliability of the instruments is increased by reviews of the instruments by more experienced people, and field test on appropriate population. The internal consistence method was used. The researcher administered eleven questionnaires to the same category of beneficiaries' respondents. Once in an area that had similar characteristic as the study area. This was intended to minimize errors and increase reliability of the data to be collected by taking collective actions based on the pre-test result

### **3.7 Data collection methods**

#### **3.7.1. Questionnaires**

The researcher used questionnaires which contained reformulated written set of questions that was sent to different respondents at Kabale District local Government main offices on which these respondents recorded their answers, usually within rather closely defined alternatives. They was used to obtain data from respondents on variables under study that cannot be observed for instance the views, opinions, perceptions and feelings of the respondents. Questionnaires were opted for because information which was collected from a large sample in a short period of time.

#### **3.7.2. Interviews**

The researcher also used interviews which led the research to go on a one by one dialogue between her and the interviewee. Interviews were organized and conversations with the respondents aimed at gathering data about the relationship between reward management and employee performance was done. In this case, the interviews during this research were structured and specifically administered to selected respondents at Kabale District local Government main offices.

#### **3.7.3. Direct observation**

The researcher also used observation methods which later used observation to analyze different records of employees performance over the years, employee payment records among others.

### **3.8 Data collection instruments**

The instruments the researcher used include; pens, rulers, paper, recorders, pencils, news paper, publications, internet among others.

### **3.9 Data collection procedures,**

The researcher obtained the introductory letter or clarification from the Research Coordinator that was presented to Kabale District Local Government for easy identification, permission to conduct a research and asking them for their assistance and the way in which the researcher would like to be assisted.

The reply from the respondents was positive, they agreed on the convenient method of data collection to use. Methods were okay with the respondents, the researcher went ahead and formulated questionnaires and sent them to the selected respondents for answering and also organize and meet the different selected respondents for interviews for validity and reliability of the data.

### **3.10 Data analysis,**

The data collected from the field was sorted, arranged, organized and summarized in order to remove irrelevant information and to make the data precise, clear, easy to understand and accurate. The researcher also used tables in presenting the data collected.

### **3.11 Ethical issues,**

The researcher kept a high level of discipline in the process of data collection by respecting respondent's confidentiality and also first obtaining permission from respondents before approaching them for information was done..

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND DISCUSSION OF THE RESEARCH FINDINGS

#### 4.0 Introduction

The study was to find out the effect of reward management and employees performance in organizations with a case study of Kabale district local government South Western Uganda.

#### 4.1. Socio- Demographic Characteristics of Respondents

##### 4.1.1 Age of respondents

**Table 1 showing the age of respondents**

Age	Frequency	Percentages
18—30	11	21.2
31-40	19	36.5
41-50	13	25
50 & above	9	17.3
<b>Total</b>	<b>52</b>	<b>100</b>

Source: Field Data 2014

The age of respondents who were interviewed shows that, the majority were from 31-40 Years with the percentage of 36.5%, followed by those of 41-50 years with 25% , 18-30 years with 21.2% and lastly 50& above with 17.3 %. This implies that, majority of the employees at Kabale district local government are in the 31-40 years. These ages has got many challenges where they need to be motivated through rewards and other benefits to prevent high labour turn over in the district.

#### 4.1.2 Sex of Respondents,

Findings on the sex of respondents was considered to find out whether there was no gender bias in the study and the findings were as in the table below;

Table 2 showing the sex of Respondents

Sex	Frequency	Percentage
Male	29	55.8
Female	23	44.2
Total	52	100

Source: Field Data 2014

The majority of the respondents were male with 55.8% compared to the female respondents (44.2%). This is an indication that, majority of the respondent were male. However, though the majority of the respondents were male, the findings showed that there was no gender bias in the research.

#### 4.1.3 Level of Education

Table 3 showing the level of education of Respondents

Level of Education	Frequency	Percentages
Primary	-	
Secondary	05	9.6
Diploma	14	26.9
Degree	29	55.8
Post graduate	4	7.7
Total	52	100

Source: Field data 2014



The majority of respondents have attained had attained degree (55.8%) followed by diploma with 26%, secondary with 9.6% and lastly post graduate with 7.7%. This is an indication that, the information was got from the respondents who had expert knowledge on the questions.

#### **4.1.4. Duration of employees working with Kabale District Local Government**

Table 4 Showing duration of employees with Kabale District Local Government

<b>Level of Education</b>	<b>Frequency</b>	<b>Percentages</b>
1 year	3	5.8
2 years	05	9.6
3 years	13	25
4 years	06	11.5
5 Years & above	25	48.1
Total	52	100

Source: Field data 2014

The majority of respondents had experience 5 years & above working with Kabale district local government with 48.1%, followed by 3 years, 4 years with 11.5% have attained had attained degree ( 55.8%) followed by diploma with 26%, secondary with 9.6% and lastly 1ygovernment. This implies that, the information given is reliable and valid to be based on.

#### **4.2 Analysis and Discussion of the findings according to objectives**

##### **4.2.1. The effects of on job promotion on employees’ performance in Kabale District Local Government.**

Table 5 a showing the effects of on job promotion on employees performance in Kabale District Local Government

Response	Frequency	Percentages
Yes	46	88.5
No	06	11.5
Total	52	100

Source: Data from the field 2012

The majority of respondents agreed that, on job promotion effects on employees' performance in Kabale District Local Government with 88.5% compared to 11.5% respondents who disagreed. This implies that, 88.5% who agreed are lower class of employees and therefore are being affected at all. This was evidenced during data collection in an interview session where a respondent said that, (rewards are for the few like Chief Administrative Officer, Chief finance officer and heads of department. The juniors we suffer very much, they do not mind".

Table 6 showing respondents' responses on the effect of on job promotion and employees' performance in Kabale District Local Government.

Effect of on job promotion and employees performance	Agree		Degree		Total	
	Frequency	%ge	Frequency	%ge	Frequency	%ges
I have been in Kabale District local government for 4 years	35	67.4	5	32.6	52	100
There is Promotion ladders as motivators at Kabale district	7	13.5	45	86.5	52	100
Promotion is being practiced as prizes at	11	21.2	41	78.8	52	100

Kabale District						
Incentives and recruitment versus promotions is done very well	30	57.6	23	44.4	52	100
Promotions have motivated employee to work	45	86.5	7	13.5	52	100
Promotion has influenced employees to compete in terms of performance at the district	50	96.2	2	8.8	52	100
promotion has relationship with employees performance	35	67.4	17	32.6	52	100

**Source: Data from the field 2013**

Majority of respondents agreed that, they have been in Kabale District local government for 4 years with 67.4% compared to 32.6% who disagreed. This implies that, majority of employees were recruited long time ago and therefore they are aware about reward management systems in the district compared to those who were newly recruited. Majority of respondents disagreed that, there is Promotion ladders as motivators at Kabale district with 86.5% compared to 13.5% who agreed. This implies that, reward system in Kabale district local government is not common. This is an indication, why districts at all levels perform poorly because employees are not happy.

Majority of respondents with 78.8% disagreed that, Promotion is being practiced as prizes at Kabale District compared to 21.2% who agreed. This is an indication that, to be promoted is not simple in local government and therefore employees work they way they would wish. This was evidenced during data collection in an interview session, where a respondent said that” in local government, it is not simple to be promoted .you must have finished a good time with them’.

30 respondents with 57.6% agreed that, Incentives and recruitment versus promotions is done very well compared to 44.4% who disagree. This is an indication that, majority are given incentives while others it is not. Majority of respondents disagreed that Promotions have motivated employee to work with 86.5% compared to 13.5% who agreed. Majority of respondents disagreed with 96.2% that Promotion has influenced employees to compete in terms of performance at the district. This implies that, there is a possibility of working and get retired without being recognized at all. 67.4% of respondents disagreed that, promotion has relationship with employees’ performance.

#### 4.2.2. The effect of financial rewards on the employee's performance in Kabale District Local Government

**Table 7 showing the effect of financial rewards on the employees performance in Kabale District Local Government**

The effect of financial rewards on the employees performance in Kabale District Local Government	Agree		Degree		Total	
	Frequency	%ge	Frequency	%ge	Frequency	%ges
Salary increment is available depending on the performance of employees	5	9.6	47	90.4	52	100
Benefits in kind are also available as an incentive for employees	2	3.8	47	96.2	52	100
Bonus plans are based on employees performance	5	9.6	47	90.4	52	100
There is high Recognition among employees in Kabale District	3	5.7	49	94.3	52	100

**Source: Data from the field 2014**

The majority of respondents Disagree that, Salary increment is available depending on the performance of employees with 90.4% compared 9.6% who agreed. This implies that, to get salary increment depends on how long you have been in service. 96.2% of respondents disagreed that, Benefits in kind are also available as an incentive for employees in Kabale District compared to 3.8% respondents who agreed. This is an indication that, you earn what you have

worked for and there stretching you self for any incentive is zero. 90.4% of respondents disagreed that Bonus plans are based on employees’ performance compared to 9.6% who agreed. Respondents with 94.3% disagreed that, there is high Recognition among employees in Kabale District Local government compared to 5.9% who agreed.

#### 4.2.3. The effect of on job training on employees’ performance in Kabale District Local Government

Table 8 showing the effect of on job training on employees performance in Kabale District Local Government

Response	Agree		Degree		Total	
	Frequency	%ge	Frequency	%ge	Frequency	%ges
Employees capacities are built every year	3	5.7	49	94.3	52	100
Employees performance have been realized due to on job training	7	13.5	45	86.5	52	100
New innovations have been realized due to on job training	8	15.4	44	84.6	52	100
Job rotation and transfers is being done due to on job training	11	21.2	41	78.9	52	100
On job training has Helped to improve the availability and quality of staff.	15	28.8	37	71.2	52	100
There is Career development prospects in Kabale District	9	17.3	35	67.3	52	100

**Source: Data from the field 2012**

The majority of Respondents disagreed that, Employees capacities are built every year with 94.3% compared to 5.7% who agreed. Majority of respondents disagreed that, Employee’s performance have been realized due to on job training with 86.5% compared to 13.5% who

agreed. This implies that, capacity building for staff at the district is not simple.. Majority of respondents disagreed that new innovations have been realized due to on job training at Kabale District with 84.6% compared to 15.4% of respondents who agreed. This implies that employees are not considered for capacity building and therefore there no way how one can bring an innovation which he/she has not gained skills to development it.

Majority of respondents disagreed with 78.9% that Job rotation and transfers is being done due to on job training compared to 21.2% who agreed. 28.8% of respondents agreed that On job training has Helped to improve the availability and quality of staff in Kabale District local government compared to 71.2% who disagreed.. 17.3% respondents agreed that, On job training has Helped to improve the availability and quality of staff. to 67.3% who disagreed. This is an indication that, there is on job training but could be there for the few. This implies that, employee's performance will be challenged because of limited additional trainings and capacity development. Majority of respondents disagreed that, there is Career development prospects in Kabale District. With 90.4% compared 9.6% of respondents who agreed. This could be true because employees go work around 10:30 am and leave office at lunch hours and coming back to office is a round 3:00 pm.

## **CHAPTER FIVE**

### **5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents the discussion of the study findings, conclusion and recommendations from the presented results,. The study was confined to the effect of reward management on the performance of employees of Kabale District Local Government.

## **5.2 Discussion of the study findings according to objectives.**

A research proposal was written and approved by the research supervisor to go ahead and collect data from the field where ethical considerations were observed during data collection. The study was aimed at establishing the effects of reward management on the performance of employees of Kabale District Local Government. A descriptive and cross sectional design was used where quantitative techniques utilized an interview schedule for 52 respondents and qualitative segment utilized in depth interview technique for key informants. Pre-testing the study tools, editing and coding data assured quality and accuracy. Data was presented in tables.

### **5.2.1. The effects of on job promotion on employees' performance in Kabale District Local Government**

The study revealed that, rewards effects on employees' performance in Kabale District Local Government with 88.5% compared to 11.5% respondents who disagreed. This implies that, 88.5% who agreed are lower class of employees and therefore are being affected by these promotions. This was evidenced during data collection in an interview session where a respondent said that, (rewards are for the few like Chief Administrative Officer, Chief finance officer and heads of department.

This is in agreement with Bear and Holden (2009), Reward management usually means the reward an organization gives its employees in return for their labor. While the term rewards system, not only includes material rewards, but also non-material rewards. The components of a reward system consist of financial rewards (basic and performance pay) and employee benefits, which together comprise total remuneration. They also include non-financial rewards (recognition, promotion, praise, achievement responsibility and personal growth and in many case a system of performance management.

Komunda (2006) urged that, reward management as the creation and running of a system that rewards the work done by employees. Reward management deals not only with basic pay, but



also with the whole remuneration process or package offered to employees including such things as incentive schemes and fringe benefits. According to Armstrong and Murlis (2006), Reward Management is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organization”

More talented workers are usually more productive higher up in organizational hierarchies. Promotions assign workers to jobs better suiting their abilities and quickly move up talented workers (Gibbons 1997). These are other purposes of promotions. They can be used to reward past employee efforts, promote investments in specific human capital and lower job turnover (Lazear 1998). The simplest form of incentive pay is a promotions ladder (Savych 2005). This requires recruits to accept lower paid port-of-entry jobs. This early period of employment is a screening process. Good performance leads to promotion. When promotion ladders are used as deferred compensation, almost all junior workers who prove themselves are promoted (Savych 2005). The prospect of promotion encourages the good workers to stay and invest in specific human capital. Job seekers will self-select by limiting their applications to the type of jobs where they expect to succeed and be promoted out of the less well paid port-of-entry job

Older workers may have reached a career peak in their wages and accumulated human capital. This may reduce their access to jobs that use promotions as incentives. Promotions as motivators for additional effort may not be as effective for older workers because they may not wish to wait in lower paid port-of-entry jobs that are the precursor to some promotions once performance is proven. To the extent that the lure of promotions is designed to encourage recruits to invest in specific human capital, promotion ladders may not work as effectively with workers with shorter payback horizons on new skill investments and who have a preference for harvesting their existing human capital. This may reduce access to jobs that use promotions to reward

investments in specific capital (Armstrong, 1988). Older job changers may prefer jobs whose compensation is made up mostly of wages and less of promises of promotion and on-the-job human capital. Younger rival applicants, both internal and external, may find the promise of more on-the-job human capital and promotions to be attractive given the length of their remaining working lives and may trade this for higher wages. This may lengthen job searches for older job seekers because they may want jobs with different wage and promotion components to comparable younger workers. Job packages with the preferred mixes may be fewer and further between.

Adams (2002) found evidence that older workers passed over for promotion were given promotions while younger. The observed lower wage growth towards the end of their careers may mean that their wage growth via promotions ladders had already occurred earlier in their working lives, and their lifetime incomes and output may have been greater because of this pattern of delayed compensation, staged promotions and high levels of work effort and whole of career wages.

There is no need for tasks, responsibilities and output rates to differ between pre- and post-promotion jobs for firms to profit from promotions. Workers can be promoted because those left behind are motivated to supply more effort and invest in hard to verify specific human capital by the prospect of a wage rise upon their own promotion later on (Lazear and Rosen 1981; Malcomson 1984; Rosen 1986; Prendergast 1993, 1999; Waldman 2003, 2007).

To effectively encourage workers to work harder, there must be a fair but not overly generous chance of promotion and a reasonable pay rise or a lower chance of promotion and a much larger pay rise (Lazear 1998). Higher level jobs may be handsomely paid not because of a higher output, but to act as a prize to encourage effort at the lower levels. There must be regular job

turnover so that follow-up promotions keep hope alive among the junior workers. The pay rise must not be so large that the required level of effort puts workers off and they go elsewhere or workers do not co-operate when teamwork is required and employees engage in non-productive industrial politics (Lazear 1998).

### **5.2.2. The effect of financial rewards on the employee's performance.**

The majority of respondents during the study revealed out that, financial rewards on the employees' performance was due. Salary increment is available depending on the performance of employees, Benefits in kind are also available as an incentive for employees, Bonus plans are based on employee's performance, and there is high Recognition among employees in Kabale District.

This is in agreement with Lawler, (2008) Money has been the major mechanism for rewarding performance but very little is known about how it works. To understand how money modifies performance, the preference or taste of the person being rewarded must be known or understood and this makes it a challenge for most managers. Money cannot be a powerful motivator, when employees cannot see a connection between performance and merit increases. To make this clear in the minds of employees, a well designed appraisal system should be adopted. The clarity does not just happen; managers must work hard at communicating the performance – financial reward connection, (Lawler, 2008). Bonus plans are very essential part of reward systems in an organization. This is so because they are related to the current performance of employees as it is an extra amount of money added to an employees pay. This bonus plans are initiated in order to enhance performance and effectiveness of employees on their job.

Reward systems in an organization can either be intrinsic or extrinsic. Extrinsic rewards also known as financial rewards which include salaries, bonuses, allowances and benefits. It is a well known fact that, rewards are linked with performance of employees in any organization.

This is because employees are generally rewarded on the basis of the value of the job, their personal contribution and performance. According to Victor Vroom's Expectancy theory, employees will be motivated to exert a high level of effort when they believe that, effort will lead to good performance appraisal and followed by organizational rewards such as bonus, Salary increment which later satisfy goals. Before rewards are administered, there are certain criteria and processes which may be followed, rewards processes suggested by model indicate that, the motivation to exert effort is not enough to cause acceptable performance. Performance results from a combination effort of an individual and that person's ability, skill and experience. In most organizations, performances of individuals are evaluated either formally or informally and distribute it amongst the two types of rewards i.e. intrinsic and extrinsic because of the evaluation. Most organizations now establish conditions under rewards i.e. the reward that are part of their behavior.

Employees who are effective and efficient are likely to be limited if they are not motivated to Perform. Mendonca, (2002) sees reward and compensation system that is based on the expectancy theory, which suggests that employees are more likely to be motivated to perform when they perceive there is a strong link between their performance and the reward they receive. Guest, (2002) is of the opinion that reward is one of the keys that motivate employees to perform as expected. The reward can be in the form of cash, recognition and praise or a combination of both. Group Performance-related schemes reward a group or team of employees with a cash payment for achieving an agreed target. These schemes are all designed to enhance company performance by aligning the interests of employees with the financial performance of their

companies (Chin-Ju, 2010). Huselid, (1995) sees reward as a system (e.g. profit sharing) that contributes to performance by linking the interests of employees to those of the team and the organization, thereby enhancing effort and performance. La Motta (1995) is of the view that performance at job is the result of ability and motivation.

Money has been the major mechanism for rewarding performance but very little is known about how it works. To understand how money modifies performance, the preference or taste of the person being rewarded must be known or understood and this makes it a challenge for most managers. Money cannot be a powerful motivator, when employees cannot see a connection between performance and merit increases. To make this clear in the minds of employees, a well designed appraisal system should be adopted. The clarity does not just happen; managers must work hard at communicating the performance – financial reward connection, (Lawler, 2008). Bonus plans are very essential part of reward systems in an organization. This is so because they are related to the current performance of employees as it is an extra amount of money added to an employees pay. This bonus plans are initiated in order to enhance performance and effectiveness of employees on their job.

Clifton (2002) urged that, People, or the staff, are the most important and the richest resource in an organization. Employees make the basis of an organization and they are greatly included in realizing the economic growth and development. As successful business can be largely in the direct correlation with the employees, so there is the need to determine some factors, i. e. motives that exert influences on efficient engagement of the employees. Therefore, managers, today, besides the role of leaders, at the same time, have the role of psychologists with a view of recognizing the employees' behavior and their motives. Just motivation, according to Stoner et al. (1995). It is not surprising that business globalization often requires moving some of the employees abroad as expatriates, or residents based in foreign countries in order to do business

better in the wide world. In their professional careers, managers, dealing with compensation policies, must be well familiar with compensation techniques for employed expatriates. As companies/ organizations widen their business in the world, it is very important to know the laws and norms that define compensations and benefits.

During tough times, employers may be tempted to sacrifice wages to provide the employees with job security and avoid layoffs. While the steps to ensure the company/organizations remains open are admirable, a company/ organization must take care not to reduce or freeze wages so much that top performers feel forced to go elsewhere to earn what they deserve. That leaves the employer absorbing the cost of hiring a replacement who may not be as qualified and this would affect the organization negatively in terms of performance hence low productivity. Salary increment is per mount to employees how percentage it would be. (Cole, 2008).

### **5.2.3 The effect of on job training on employees' performance**

It was revealed that by the respondents that, on job training affects employees' performance.

This is true because no innovations and creativity to motivate employees to perform. This is agreement Guest (1997) argues that policies are necessary to ensure that employee performance is evaluated, which in turn ensures that the appropriate training and development take place. With the help of the performance appraisal reports and findings, the organization can be able to identify development needs. However, individuals themselves can help to indicate the areas requiring improvement as a result of the

As one of the major functions within HRM, training has for long been recognized and thus attracted great research attention by academic writers (see e.g. Gordon 1992, Beardwell, and Holden & Claydon 2004). This has yielded into a variety of definitions of training. For example, Gordon (1992, 235) defines training as the planned and systematic modification of behavior

through learning events, activities and programs which result in the participants achieving the levels of knowledge, skills, competencies and abilities to carry out their work effectively.

It is worth noting that, as researchers continue with their quest into the training research area, they also continue their arguments into its importance. Some of these researchers argue that the recognition of the importance of training in recent years has been heavily influenced by the intensification of competition and the relative success of organizations where investment in employee development is considerably emphasized (Beardwell et al. 2004). Related to the above, Beardwell et al. (2004) add that technological developments and organizational change have gradually led some employers to the realization that success relies on the skills and abilities of their employees, thus a need for considerable and continuous investment in training and development.

The main purpose of training is to acquire and improve knowledge, skills and attitudes towards work related tasks. It is one of the most important potential motivators which can lead to both short-term and long-term benefits for individuals and organizations. There are so many benefits associated with training. Cole (2001) summarizes these benefits as below:

- 1) High morale – employees who receive training have increased confidence and motivations;
- 2) Lower cost of production – training eliminates risks because trained personnel are able to make better and economic use of material and equipment thereby reducing and avoiding waste;
- 3) Lower turnover – training brings a sense of security at the workplace which in turn reduces labor turnover and absenteeism is avoided;
- 4) Change management – training helps to manage change by increasing the understanding and involvement of employees in the change process and also provides the skills and abilities needed to adjust to new situations;

5) Provide recognition, enhanced responsibility and the possibility of increased pay and promotion;

6) Help to improve the availability and quality of staff.

According to Wognum (2001, 408), training and development needs may occur at three organizational levels namely; (1) *strategic level* where needs are determined by top management while considering organizations goals, mission, strategy and problems, which need to be resolved or fixed (2) *tactical level* where needs are determined with middle management while considering developments needs to the coordination and cooperation between organization units and (3) *operational level* where needs are determined with lower executive management and other employees while considering problems related to operations such as performance problems of individual workers and departments in subject. In order to enable an organization formulate human resource training and development goals that will enable both formal and informal human resource training and development methods and programmes create a workforce that enables effectiveness and competitiveness, it is worth giving consideration to, providing proper coordination as well as proper incorporation of the needs within the three levels.

## 5.3 CONCLUSIONS

### **5.3.1. The effects of on job promotion on employees' performance in Kabale District Local Government**

On job promotion motivates employees to work very hard. This will make them proud and other employees who have not be seriously working will also work had also to be promoted. Therefore Kabale district local government has the role to play to emphases on job training as a reward for employees.

### **5.3.2. The effect of financial rewards on the employee's performance in Kabale District Local Government**



Financial rewards strongly affect employee's performance in Kabale district local government. This implies that financial reward systems must potentially be organized in the manner that will put positive impact on employees' performance to reduce on staff turnover in the district

### **5.3.3 The effect of on job training on employees performance in Kabale District Local Government**

In order creativity and innovation to be observed in Kabale district local government, on job training would be the right way to go. This will bring sense of ownership among employees and performance will be realized

### **5.3 Recommendation**

All employees, whether paid wages or a salary, should be given a classification (often based upon an award) which accurately reflects their skills and experience and the work allocated to the employee. As a minimum, wages or salary paid to the employee should meet award rates of pay which apply to the particular classification. In order employees to perform better for Kabale district local government, financial reward systems should be emphasized and on job training be a priority throughout the year.

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## **APPENDIX 1: QUESTIONNAIRE.**

### **QUESTIONNAIRE FOR STAFF ON REWARD MANAGEMENT AND EMPLOYEE'S PERFORMANCE A CASE OF KABALE DISTRICT LOCAL GOVERNMENT.**

Dear Respondent,

I am Atwakiire Catherine a student of Uganda Martyrs University Rubaga Campus doing a bachelors Degree in Business Administration and Management .This questionnaire is designed to study reward management and employee's performance in organizations. The information you give will help us understand the effect of reward management and employees performance in organizations with a case study of Kabale district local government and i request you to openly give us correct and accurate information. Information given will be treated with at most confidentiality and it is basically for academic purposes.

Thank you for your cooperation.

### **REWARD MANAGEMENT AND EMPLOYEE'S PERFORMANCE IN ORGANIZATIONS A CASE OF KABALE DISTRICT LOCAL GOVERNMENT**

#### **SECTION A: Background information about the Respondent.**

Please tick

		1	2	3	4	5
1	What is your age?	( 20-30 )	(31-40)	(41- 50)	(51- 60)	( 61&above)
2	Gender	Male	Female			
3	Level of education	Primary	Secondary	Diploma	Degree	Postgraduate
4	When did you join Kabale District Local government	1 year back	2 years back	3 years	4 years	5 years and above

**SECTION B: Effects** of rewards on employees’ performance in Kabale District Local Government

Key: Strongly Agree (SA)1, (Agree (A)2, Undecided (UD)3, Disagree (D)4 and Strongly Disagree (SD) 5

Statement	1	2	3	4	5
1.Ihave been in Kabale District local government for 4 years					
2. Have you been rewarded before					
3. Promotion is based on employees performance in Kabale District					
4. Job security is a grantee in Kabale district local government					
5. Salary increment is available all the time					
6. what even what is done , employees are recognized for the work done					
7. convince at work place motivate employees to perform					

**SECTION C:** types of rewards system on employee’s performance in Kabale District Local Government

Key: Strongly Agree (SA) 1, (Agree (A)2, Undecided (UD)3, Disagree (D)4 and Strongly Disagree (SD) 5

Statement	1	2	3	4	5
8. Employee Autonomy over Job in Kabale district local government is a sure deal					
9. Rewards are given based on achievement on task in Kabale District					
10.Bonus plans are based on employees performance					
11. There is active decision making on job training in Kabale District Local government					

**SECTION D** the methods / strategies used in implementing rewards on employee performance  
in Kabale District Local Government

Key: Strongly Agree (SA)1, Agree (A)2, Undecided (UD)3, Disagree (D)4 and Strongly Disagree (SD) 5

<b>Statement.</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
12. With the help of the management, there is employees attraction in Kabale district local government					
13. salary increment is a sure deal in Kabale District					
14. Technology influences our performance at Kabale District					
15. Government policies affect Employees performance due the strings attached					
15. There is a strong relationship between employee performance and reward management in Kabale District local government					
16. There is Career development prospects in Kabale District					
18. There is employee commitment in Kabale District local government.					

**Thank you for the co-operation.**