



**EFFECTS OF REWARD SYSTEM ON EMPLOYEE PERFORMANCE IN PUBLIC
ORGANIZATIONS: A STUDY OF EMPLOYEE PERFORMANCE IN MIGORI
COUNTY, KENYA**

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Abstract

Employee's performance is the centre point of the organizational behavior. Extrinsic behavioural contingencies are significant elements to motivate behaviour. Additionally, each motivation type (extrinsic and intrinsic) has its exclusive system and when both meet, there is conflict which is based on statement that extrinsic (tangible) rewards have a negative influence on intrinsic rewarding criteria, a situation that creates a paradox on reward systems and employee performance. Regression model results for the relationship between reward systems and permanence of employees in the county governments indicated that employee performance is a function of reward systems adopted in the county government; substituting the coefficients in the equation resulted in $EP = 0.317 + 0.286PTO + 0.086 REoY + 0.289PoE - 0.064 IEB - 0.031 FPR$ showing that employee performance was positively influenced by the use of professional training in the public sector; this influenced unit change in employee performance by a magnitude of 0.286 when used on employees, while recognition of employees of the year contribute to performance by 0.086 magnitude. For promotion of employees it influences employee performance by 0.289 magnitudes. Only increases in employee benefits and formal public recognition reward systems have negative contribution towards employee performance in the county government. The information further showed that reward systems had a strong association with employee performance ($R = 0.916^a$), further the rewards systems could explain upto 83.8% of the variation in employee performance and this was indicated by R Square ($R = 0.838$) the model used in this study can be relied on by its users upto 83.7% (its adjusted $R^2 = .837$) and this result was statistically significant ($P < 0.005$). The study recommends that organizations to adopt reward systems for improving employee performance.

Keywords: employee performance, public organisations, reward systems

INTRODUCTION

In the real world, it is very important to reward high performance levels because this motivates and controls the performance. Reward strategies confirm the level and the merge of non-financial and financial rewards required to attract, maintain and inspire skilful competent and capable employees to make the organization prosperous. Although some of these benefits are financial forms, such as options for salary sacrificing and competitive pay, there are a lot of non-financial benefits which firms can provide its employees. They are, in fact, some factors that may motivate the staff. Therefore it is necessary to know what really inspires employees and perhaps they are not the same things that stimulate other employees. The obvious reward practice should be carried out by the simplification of the connection between the given reward and the additional effort (Porter et al., 1975). There also have been cautions about the rewards ways managed within the reward system. Further to achieve positive motivational properties, the organizations distribute incentive rewards to be performance-dependent. Indeed, organizational leaders attempt to run a fair rewarding system to boost performance rather than those who reward in an unfair manner. In this case, although the necessity of being fair in rewarding others seems to be understood clearly from a theoretical view, bias in the performance evaluations has often been reported in different economic studies (Prendergast, 1999). Thus, clear fairness is needed to manage an optimistic association with the reward victory in an organization. The controllability concept is defined as the amount of the employee's capability to influence on or control the outcome (Baker, 2002).

Reward management is one of the strategies used by Human Resource Managers for attracting and retaining suitable employees as well as facilitating them to improve their performance through motivation and to comply with employment legislation and regulation. As a result HR managers seek to design reward structures that facilitate the organizations strategic goals and the goals of individual employees. We all believe that reward systems are very crucial for an organization. Rewards include systems, programs and practices that influence the actions of people. The purpose of reward systems is to provide a systematic way to deliver positive consequences. Fundamental purpose is to provide positive consequences for contributions to desired performance (Wilson, 2003). The only way employees will fulfill the employers dream is to share in their dream. Reward systems are the mechanisms that make this happen. They can include awards and other forms of recognition, promotions, reassignments, monetary bonuses and others like vacations or private medical cover. When employees are rewarded, they get work done. Employers get more of the behavior they reward, not what they assume they will automatically get from employees. Thus when employees surpass their target or exceed their standard they should be rewarded immediately as a way of motivating them. By doing this, employees directly connect the reward with behavior and higher performance they have attained. Effective reward systems should always focus on the positive reinforcement and raising employee morale. Migori county government as an employer is obligated to provide free medical treatment, training, house allowance and basic salary to all its employees. The interest of the

study is to try finding out and studying the relationship between different rewards given to employees and the effect it has on output (service delivery).

The reward system in the public sector has over the years, encouraged disparities in rewards to employees within the departments in Migori -County and therefore leading to general dissatisfaction by employees. The coming into existence of Migori county government was as a result of the promulgation of the new constitution 2010 which advocated for a devolved system of government. Migori County government is among the 47 counties formed as a result of devolved system of governance.

The county government has two arms, the legislative arm and executive arm. The executive arm is composed of the Governor, the deputy governor, executive committee members and all civil servants, (The Constitution of Kenya) 2010. The county government in the process of creating a structure decided under the leadership of the governor to have 10 ministries headed by the ECM's as guided by the constitution with intention to manage the 10 functions devolved to counties (Schedule Four Part 2 of the Constitution of Kenya, 2010). Public service being one of the functions created to ensure service delivery to citizens picked it constitutional mandate well by setting up structures that will ensure the goals of devolution are achieved. New offices have been created some have been abolished. After creating structures the ministry of public service has embarked on bringing changes to the organization. One of the proposed tools picked was the introduction of performance contract, whereby all the stakeholders were engaged in preparing the document then vetting and negotiation took place to pave way for implementation of the tool. It's two years down the line and the management feels nothing much has been achieved. The management therefore decided to sit down and find out why employees were not able to achieve organization objectives, what came out as a quick measure was to introduce reward management to motivate employees.

STATEMENT OF THE PROBLEM

Properly measuring performance ensures that a reward program pays off in terms of business goals since rewards have a real cost in terms of time and money. Despite vast empirical literature on reward systems the main issues like the degree of employee performance difference based on either intrinsic or extrinsic rewards remains unclear. In view of the existing scenario, it was therefore necessary to establish effects of reward systems on employee performance specifically in Migori County Kenya.

STUDY OBJECTIVES

The study was guided by the following specific objectives:

- i. To determine the effect of professional training reward system on employee performance in Migori County Kenya.

- ii. To establish the effect of recognizing employee of the year reward system on employee performance in Migori County Kenya.
- iii. To find out the effect of promotion reward system on employee performance in Migori County Kenya.
- iv. To establish the effect of increase of employee benefits reward system on employee performance in Migori County Kenya.
- v. To determine the effect of formal public recognition reward system on employee performance in Migori County Kenya.

LITERATURE REVIEW

The study was guided theory X and theory Y, hierarchy of needs theory and equity theory.

Conceptual Framework

In conducting the study, a conceptual framework was developed to show the relationship between the independent variables and the dependent variable as illustrated in the figure below.

Independent variables

Dependent variables

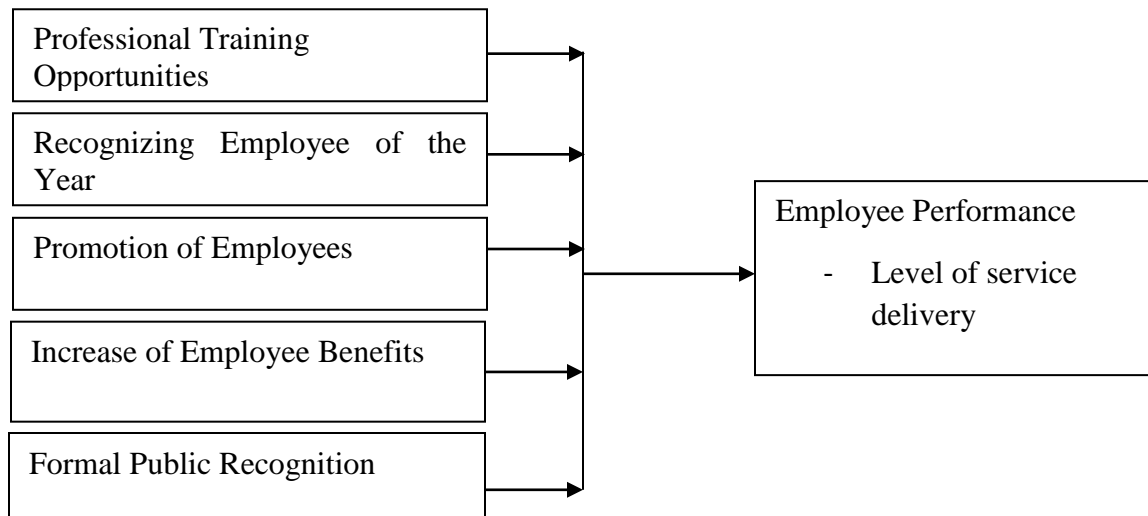


Fig 1: Conceptual Framework

RESEARCH METHODOLOGY

This study adopted used of descriptive case study research design. The study target population was 1890 respondents who are employees from the devolved functions in Migori county government, Kenya. The sample size was 734 respondents selected using stratified random sampling technique. A questionnaire was used to collect primary data from the respondents. Quantitative data analysis was done using descriptive statistics and inferential statistics.

Descriptive statistics involved the use of percentages and means, determination of coefficient of multiple correlations and regression equations to establish the relationship between the reward system's practices and the performance of employees in Migori County.

DATA ANALYSIS AND PRESENTATION

Reward Systems and motivation in the County Governments

The study sought to establish whether the county governments use reward systems to motivate employees in their quest to provide public services. The information obtained from the field was presented as in table 1.

Table 1 Reward Systems and motivation in the County Governments

Reward System	Yes		No	
	Freq	Percentage	Freq.	Percentage
Professional Training Reward System	503	68.5%	231	31.5%
Recognition of Employees Reward System	476	64.85%	258	35.15%
Promotion Reward System	318	43.33%	416	56.67%
Employee Benefits Reward System	274	37.33%	460	62.67%
Formal Public recognition Reward System	348	47.41%	386	52.59%

Table 1 indicate that 68.5% of the total respondents who reacted to professional training reward system revealed that the system was used to motivate employees while 31.5% of the respondents felt that this reward system was not adopted and hence it had no influence on employee's performance. On the recognition of employees reward system 64.85% of the total respondents expressed that it is adopted and it influences employee's service delivery to the general public while 35.15% of the respondents reacted with a negative (no) response indicating that it is not used and has no effect on employee performance in the county governments. For promotion reward systems majority of the respondents expressed negatively by saying no at 56.67% response rate, indicating that this type of reward system is not used in the county government to motivate employees in the provision of public services. Further on the employee benefits reward system the respondents expressed that it is not in use, 62.67% of the respondents reacted negatively by saying no to confirm it not used in the county governments to motivate employees in the provision of public services; while 52.59% of the total respondents reacted to formal public recognition reward system as not used to motivate employees in the county government in the quest to provide public services.

Bevan (2013) suggests that in excess of 60 percent of UK employees used non-financial recognition in motivating its employees. There is a public belief and civil responsibility that an

employee is motivated when his efforts are recognized and appreciated, a sense of fairness and equity practiced, personal improvement or a sense of respect and status related to one's position (UNDP, 2015). According to (Armstrong, and Murlis 2013), in their study on reward management, non-financial appreciation can be very motivating, helping to build feelings of confidence and satisfaction among employees.

Reward Systems and Employee Performance

The study sought to establish the extent to which reward systems influence the motivation of employees in Migori County in relation to the provision of public services. The respondents were asked to rate their opinions on a 5 point Likert scale from 5.0 most influential, 4.0 more influential, 3.0 moderately influential, 2.0 less influential and 1.0 not influential of the level of employee motivation which translates to performance. The responses obtained from the field were presented as in table 2 below

Table 2 Reward Systems and Employee Performance

Reward System	5	4	3	2	1	Σf_i	$\Sigma w_i f_i$	$\Sigma w_i f_i / \Sigma f_i$
Professional Training Reward System	342	103	197	68	24	734	2873	3.914
Recognition of Employees Reward System	7	48	510	78	91	734	2004	2.7302
Promotion Reward System	438	206	61	10	19	734	3236	4.409
Employee Benefits Reward System	411	239	68	10	6	734	3241	4.416
Formal Public recognition Reward System	54	68	307	294	11	734	2062	2.809

Table 2 indicate that professional training reward system influenced employee performance to a moderate extent as the respondents rated it at 3.914 weighted magnitude. Recognition of employees as a reward system was rated to influence employee performance to a less extent at 2.7302 weighted magnitudes by the respondents. Majority of the respondents felt that promotion rewards system and employee benefits reward systems have more influence employees performance as they were rated at 4.409 and 4.416 weighted magnitude respectively; this indicate that employees recognize more what they gain from the employer and its relation to their labour output. Finally for formal public recognition reward system the respondents rated it at less influential with 2.809 weighted magnitudes.

Promotion systems affect almost all aspects of organizational lives. This is particularly evident from studies of human resource management (Fuller and Huber, 1998) and internal labor markets

(Baker and Holmstrom, 1995; Barron and Loewenstein, 1985). Given the importance of promotion systems in organizations, it is surprising that few studies have attempted to examine the role of various environmental, organizational and job factors on the effectiveness of promotion systems (Allen, 1997; Ferris et al., 1992). This study focused on promotion reward systems to employees the results concurs with other scholars that promotion systems commonly practiced in organizations including up-or-out systems, absolute merit-based systems, relative merit-based systems, and seniority-based systems influence performance. The issue of employee recognition is rooted in a sense of fairness; (Geller 1997) takes the positive reinforcement of employee recognition with employee success. Success is a motivator and a much better teacher than failure. Although motivational theory is far more complex and far less understood, it appears that recognition plays a significant role in employee motivation and development and this brings out employee performance in an organization.

Cost of Reward Systems and Employee Performance

The study established whether the county governments perform a tradeoff between costs of using reward systems and expected performance of employees. The information obtained from the field was presented as in table 4.5 below

Table 3 Cost of Reward Systems and Employee Performance

Response	Frequency	Percentage
Yes	407	55.45%
No	327	44.55%
Total	734	100%

The information in table 3 reveals that county governments perform a tradeoff between costs of using rewards systems and the expected outcomes on employee's performance. Majority of the respondents 55.45% expressed that the method is applied while 44.55% felt that the method is not applied in the county government system. In most cases the provision of public services has no commercial obligation and therefore employee performance index is not clearly defined when compared with private sector which has a commercial obligation.

Regression model Results

The model summary for the relationship between reward systems and permanence of employees in the county governments was as below.

Table 4 Correlations Matrix of the Variables

		EP	REoY	PoE	IEB	FPR	PTO
Pearson Correlation	EP	1.000					
	REoY	.767	1.000				
	PoE	.892	.801	1.000			
	IEB	.875	.789	.955	1.000		
	FPR	.666	.683	.675	.706	1.000	
	PTO	.897	.776	.918	.933	.766	1.000

Table 5 Coefficients of the Reward systems and Employee Performance

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	.317	.072		4.395	.000		
	REoY	.086	.021	.109	4.151	.000	.321	3.115
	PoE	.289	.037	.420	7.736	.000	.075	13.296
	IEB	-.064	.045	-.081	-1.418	.157	.067	14.876
	FPR	-.031	.016	-.047	-1.918	.056	.377	2.652
	PTO	.286	.025	.538	11.33	.000	.099	10.124

a. Dependent Variable: Employee performance

The model adopted in this study indicated that employee performance is a function of reward systems adopted in the county government.

$$EP = f(\beta_0, PTO, REoY, PoE, IEB, FPR, \mu) \dots\dots\dots (4.1)$$

$$EP = \beta_0 + \beta_1 PTO + \beta_2 REoY + \beta_3 PoE + \beta_4 IEB + \beta_5 FPR + \mu \dots\dots\dots (4.2)$$

Where: EP – is Employee Performance

PTO- Professional Training Opportunities

REoY- Recognizing Employee of the Year

PoE- Promotion of Employees

IEB- Increase of Employee Benefits

FPR- Formal Public Recognition

$\beta_0, \beta_1, \beta_2, \beta_3, \beta_4$ and β_5 are regression equation coefficients

μ - Error (disturbance term)

Substituting the coefficients in the equation results in the equation results in

$$EP = 0.317 + 0.286PTO + 0.086 REoY + 0.289PoE - 0.064 IEB - 0.031 FPR$$

Employee performance is positively influenced by the use of professional training in the public sector; this influences unit change in employee performance by a magnitude of 0.286 when used on employees. While recognition of employees of the year contribute to performance by 0.086 magnitude. For promotion of employees it influences employee performance by 0.289 magnitude. Only increases in employee benefits and formal public recognition reward systems have negative contribution towards employee performance in the county government.

Table 6 Model Summary of the Reward systems and Employee Performance

Model	R	Change Statistics							
		R Square	Adjusted Square	R	F Change	df1	df2	Sig. Change	F Durbin-Watson
1	.916 ^a	.838	.837		755.054	5	728	.000	.057

a. Predictors: (Constant), PTO, FPR, REoY, PoE, IEB

b. Dependent Variable: Employee performance

The information in table 6 show that reward systems have a strong association with employee performance ($R = 0.916^a$), further the rewards systems can explain upto 83.8% of the variation in employee performance and this is indicated by R Square ($R = 0.838$) the model used in this study can be relied on by its users upto 83.7% ($\text{adjusted } R^2 = .837$) and this result is statistically significant.

SUMMARY OF FINDINGS

The study established that male gender formed a larger percentage (71.66%) of respondents while 28.34% of the respondents were of female gender. In social science studies gender structure is important in the analysis to capture sociological views and organization of society. The study established that majority of the respondents in this study hold certificate level of education at 29.02%; diploma level of education the response rate was 20.30% secondary education formed 19.21% while the degree level formed 14.58% and masters (post graduate education level) formed 16.89% response rate. The level of education of respondents is a study is important for it defines the social structure of the respondents and the type of skills required in an organization in relation to service delivery. For the public sector the lower cadre of employee's requirements for their job description is basic education. That explains why in the county government's majority of the respondents are certificate level of education and diploma who are serving various capacities in the county government's structure.

The study found that 68.5% of the total respondents who reacted to professional training reward system revealed that the system was used to motivate employees while 31.5% of the respondents felt that this reward system was not adopted and hence it had no influence on employee's performance. On the recognition of employees reward system 64.85% of the total respondents expressed that it is adopted and it influences employee's service delivery to the general public while 35.15% of the respondents reacted with a negative (no) response indicating that it is not used and has no effect on employee performance in the county governments. For promotion reward systems majority of the respondents expressed negatively by saying no at 56.67% response rate, indicating that this type of reward system is not used in the county government to motivate employees in the provision of public services. Further on the employee benefits reward system the respondents expressed that it is not in use, 62.67% of the respondents reacted negatively by saying no to confirm it not used in the county governments to motivate employees in the provision of public services; while 52.59% of the total respondents reacted to formal public recognition reward system as not used to motivate employees in the county government in the quest to provide public services.

Further the study found that professional training reward system influenced employee performance to a moderate extent as the respondents rated it at 3.914 weighted magnitude. Recognition of employees as a reward system was rated to influence employee performance to a less extent at 2.7302 weighted magnitudes by the respondents. Majority of the respondents felt that promotion rewards system and employee benefits reward systems have more influence employees performance as they were rated at 4.409 and 4.416 weighted magnitude respectively; this indicate that employees recognize more what they gain from the employer and its relation to their labour output. Finally for formal public recognition reward system the respondents rated it at less influential with 2.809 weighted magnitudes.

The study established that county governments perform a tradeoff between costs of using rewards systems and the expected outcomes on employee's performance. Majority of the

respondents 55.45% expressed that the method is applied while 44.55% felt that the method is not applied in the county government system. In most cases the provision of public services has no commercial obligation and therefore employee performance index is not clearly defined when compared with private sector which has a commercial obligation.

Regression model results for the relationship between reward systems and permanence of employees in the county governments indicated that employee performance is a function of reward systems adopted in the county government; substituting the coefficients in the equation resulted in $EP = 0.317 + 0.286PTO + 0.086 REoY + 0.289PoE - 0.064 IEB - 0.031 FPR$ showing that employee performance was positively influenced by the use of professional training in the public sector; this influenced unit change in employee performance by a magnitude of 0.286 when used on employees. While recognition of employees of the year contribute to performance by 0.086 magnitude. For promotion of employees it influences employee performance by 0.289 magnitudes. Only increases in employee benefits and formal public recognition reward systems have negative contribution towards employee performance in the county government. The information further showed that reward systems had a strong association with employee performance ($R = 0.916^a$), further the rewards systems could explain upto 83.8% of the variation in employee performance and this was indicated by R Square ($R = 0.838$) the model used in this study can be relied on by its users upto 83.7% (its adjusted $R^2 = .837$) and this result was statistically significant ($P < 0.005$).

CONCLUSION

Based on the findings the study concludes that rewards systems adopted in an organization positively and significantly influence the performance of its employees. The management of organizations should maximize the use of professional training as this influenced unit change in employee performance by a magnitude of 0.286 when used on employees, while recognition of employees of the year contribute to performance by 0.086 magnitude and promotion of employees influenced employee performance by 0.289 magnitudes. Therefore their use in the organization contributes to the overall performance of the organization.

Recommendations

Based on the findings and conclusion on the reward systems and employee performance organizations including public organizations should use the professional training, recognition of employees of the year and promotion of employees to improve on employee performance to better service delivery to their customers.

Recommendation for further research

The target used in the research was only picked from Migori County Employees. Therefore the finding may be generalized to the population of all counties in Kenya. Future research should try to replicate the content study in all counties in Kenya before generalizing the findings.

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