



Extrinsic Rewards and Employee Performance in Buikwe District Local Government Local Government- Uganda

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ABSTRACT

The study was to determine the relationship between rewards and employee performance of local governments in Uganda using Buikwe district local government local government as a focus. A sample size of 112 respondents was selected using both Simple random and purposive sampling techniques in a case study research. Data analysis was done using frequencies, means, one way ANOVA, Pearson's correlation coefficient and regression analysis. The study findings revealed that there was significant relationship between extrinsic rewards and employee performance. It is recommended that the management of Buikwe district local government Local Government to increase on the provision of extrinsic rewards such as compliments payment of bonuses to attain effective performance of employees.

Key words: Extrinsic rewards, Employee performance, Buikwe district local government

1.0 Introduction

Globally, the dynamic state of global business greatly influences how organizations position themselves for performance and profitability (Muchiri, 2019). In most organizations, rewards are directly linked to employee performance (Zaman, 2017). Employee rewards have been used for decades to recognize, and appreciate employees as a way of enhancing their performance. In Uganda since its independence in the 1962, the human asset is seen to be the most paramount asset of organizations and for employees to be effective and efficient, human resource motivation is imperative and thus, many organizations were concerned with having productive, committed, and enthusiastic workers for excellent organizational performance, so to achieve this, firms had to put rewards at the Centre of their operations.

This study was carried out in Buikwe district local government local government. Buikwe district local government lies in the Central region of Uganda, sharing borders with the District of Jinja in the East, Kayunga along river Sezibwa in the North, Mukono in the West, and Buvuma in Lake Victoria.

2.0 LITERATURE REVIEW

2.1 REWARDS

Van Rooy & Bussin (2014), define rewards as a significant tool to attract, motivate and retain employees. Similarly, Kwon, Hewitt and Hein (2013) agree with this definition by stating that total reward is a way of attracting, motivating and retaining employees.

Malhotra et al. (2007) define rewards to refer to all forms of financial and non-financial rewards, tangible services and benefits an employee receives as part of an employment relationship. Rewards therefore refer to all the monetary, non-monetary and psychological payments that an organization provides for its employees in exchange for the work they do. In this study, extrinsic rewards were examined. Extrinsic or monetary rewards include salary and wages, benefits, bonuses, office furnishing, cars, pensions and prizes (Malhotra et al., 2007). Hence, extrinsic rewards are tangible benefits which determine performance of employees. Extrinsic rewards provided by employers in form of pay, are vital in attracting and retaining employees, through increasing effort and minimizing dissatisfaction.

2.2 EMPLOYEE PERFORMANCE

Blanchard (2018) defined employee performance as the job related activities expected of a [worker](#) and how well those activities are [executed](#). Employee performance is defined by Iqbal et al., (2015) as the effectiveness of employee's specific actions that contribute to attain organizational goals. Employee performance is defined by Podsakoff *et al.* (1997) as the way to do the job tasks according to the prescribed job description. Employee performance as the dependent variable was broken into constructs such as completeness, accuracy, speed at work and goal accomplishment.

2.2.1 Service Quality

Service quality is how different consumers perceive the service they receive, assessing whether their consumption is worth the while as a kind of invisible feedback and giving their ratings (Lemon & Verhoef, 2019). If the service provided satisfies consumers, the quality of service is good (Janahi & AL Mubarak, 2017). Service quality is an important aspect in customer service because it the ability to get the desired services from the chosen provider at the right price (Gaunker and Gaonkar, 2021).

2.2.2 Efficiency

Efficiency refers to a functioning or prospering of a company at a given time in a given period basing on the desired goals and objectives of a company (Kaplan, 2005; Lemon and Verhoef, 2019). Efficiency measures relationship between inputs and outputs or how successfully the inputs have been transformed into outputs (Tran & Le, 2020). The fewer the inputs used to generate outputs, the greater the efficiency (Bretz etal 2002).

2.2.3 Timeliness in Delivery

Timeliness in delivery is the organisations' capacity to provide customer services quickly after a need is recognized (Bretz etal 2002). Measures of timeliness include time spent waiting on the reception and in offices of the organisation, and the interval between identifying a need for specific attention and actually delivering the service (Koapaha, 2020; Singh & Pandey, 2021).

2.2.4 Responsiveness

Responsiveness of workers is the willingness or readiness of employees to provide a service (Heizer & Render, 2008). In this regard, it is important to pay critical attention to those aspects that affect the efficiency and receptiveness of health workers. The health workforce must have the motivation, skills and enthusiasm to respond to the health needs of their clients. Freedman (2005) was of the view that focusing on health workers' receptiveness allows for a more holistic approach to quality service provision by taking into consideration the technical aspects and client satisfaction. According to Freedman (2005), the responsiveness of health workers can be improved through a number of mechanisms, including increase in remuneration and provision of other incentives like hardship allowances for health workers in the hard-to-reach areas.

2.3 Extrinsic Rewards and Performance of Employee

Extrinsic rewards are rewards in terms of money, compliments, bonuses or trophies. Wiersman (2018) conducted a meta-analysis to summarize the inconsistent results of past studies. The meta-analysis by Wiersman concluded that when extrinsic rewards are given by chance, they reduce intrinsic rewarding. This result is supported when task behavior is measured during a free-time period. However, it is not supported when task performance is measured and when the extrinsic reward is in effect. Wiersman also found that such results cannot be generalized to all situations. He also found that pay increases extrinsic rewarding for subjects with an external locus of control whereas pay increases increased intrinsic rewarding for subjects with an internal locus of control (Silvestri, 2018).

Bozionelos and Wang (2007) define extrinsic rewards as compensation for employees in the form of fringe benefits, payments and other tangible benefits that employees receive from an organization to achieve specific goals, or just because they are part of the organization. In most hospitality organizations, extrinsic rewards take the form of salaries and wages, payment of annual leave, payment of leave in addition to annual rewards (Amos et al., 2004). The hospitality sector is very competitive and requires employers to formulate attractive rewards for current and potential employees. Burton (2020) argues that extrinsic rewards are important because they play an important role in motivating employees to perform. Extrinsic rewards systems are designed based on the organizational process for performance structures that determine the level of employee compensation. Therefore, it is necessary to view remuneration systems as being fair to all employees in terms of operations, rules, regulations and remuneration mechanisms (Armstrong, 2011; Lotta, 2012).

Further, Barton (2012) assumes that management decisions in awarding employee compensation must be above all else. When employees feel that their organization is fair in awarding extrinsic rewards, they are committed to organizational performance and sustainable development. Wages and salaries are the monthly payments that employers pay their employees for the services provided based on contractual agreements (Boselie, Dietz & Boon, 2005). The terms salaries and wages are often used interchangeably, referring to the financial rewards that employees give to employees. But salaries and wages are not the same. Salaries are payments or compensation to permanent employees, or to long-term contractual employees, while wages are payments to temporary or short-term contractual employees (Armstrong, 2010).

3.0 METHODOLOGY

A descriptive Correlational research design together with qualitative and quantitative approaches were used (Creswell & Plano Clark, 2007). The target population of 155 employees of Buikwe district local governmentt namely administrators, and employees (Buikwe DLG, staff manual 2020). From the population of 155 employees and using the Slovenes formula, a sample size of 122 employees using purposively and simple random sampling was selected from the district. The data was collected using a questionnaire and interview guide. The instrument was tested for content validity through

content review by experts, who evaluated the relevance of each question item. The Content validity ratio of 0.888 was greater than the minimum ratio of 0.70 provided by Lawler (2003). Based on this, the instrument declared to be content valid. Instrument reliability was tested using Cronbach's alpha coefficient, computed with the Statistical Package for Social Scientists (SPSS). The Cronbach's coefficient (α) of 0.771 was obtained, which was higher than the minimum of 0.70 provided in Amin (2005) and so the instrument was declared reliable. Data analysis was done using relative frequencies for profile of respondents, mean, one way ANOVA, Pearson's Linear Correlation Coefficient (r) and simple linear regression to establish the relationship between and the effect of reward on employee performance and to test the study's hypothesis. The 0.05 level of significance was used to establish whether the computed statistical values are statistically significant so that the decisions on hypothesis are taken (Amin, 2004).

4.0 RESULTS

4.1 Demographic characteristics of the Respondents

Majority of the respondents were male 61.5%, aged 30-39 years (40.4%), were bachelor's degree 44%, diploma were 21.1%, masters were 21.1%. and certificate were 13.8%. Majority of the respondents had served for 3-5 years (61.5%), 25.7% had served for less than a year and 12.8% had served for 6 years.

4.2 Extrinsic Rewards and employee performance

The main target of this study was to establish the effect of reward on employee performance in Buikwe district local government. In line with this, the researcher tested a hypothesis that extrinsic rewards significantly affect the quality of employee performance. To achieve this target and to test the study's hypothesis, the Pearson's linear correlation coefficient and simple linear regression analysis were used, results of which are presented in tables 1 and 2.

Table 1: Pearson's Linear Correlation Coefficient Results for Extrinsic Rewards and Employee Performance in Buikwe district local government Local Government

Variables Correlated	R-value	Sig.	Interpretation	Decision on Ho
Extrinsic Rewards Vs Performance	.731**	.002	Significant correlation	Rejected

Results in table 1 reveal that there is a positive significant relationship between extrinsic rewards and employee performance ($r=.731$, $p=0.02 < 0.05$). The findings indicate that an improvement in extrinsic rewards can improve employee performance and vice versa. Based on these results, the null hypothesis is rejected and a conclusion is taken that extrinsic rewards have potential of increasing employee performance in Buikwe district local government Local Government. Table 2 shows results of simple linear regression between the two variables.

Table 2: Simple Linear Regression Results for Extrinsic Rewards and Employee Performance in Buikwe district local government Local Government

Variables Regressed	Adjusted R ²	F	Sig.
Extrinsic Rewards Vs Performance	.361	14.852	.000 ^a
Coefficients	Standardized Beta	t	Sig.
(Constant)	2.926	25.416	.002
Extrinsic rewards	.635	22.814	.003

Regression analysis results in Table 2 reveal that extrinsic rewards account for 36.3% on employee performance in Buikwe district local government Local Government (adjusted r-square =0.363). The remaining percentage (63.7%) is the contribution of other factors, not included in this model. The results indicate that extrinsic rewards significantly influence employee performance, as indicated by the F-value=14.852 and Sig-value=.000. Based on these results, the null hypothesis is rejected, leading to a conclusion that extrinsic rewards are a significant determinant of employee performance at Buikwe district local government Local Government. The coefficients section of this Table indicated that, extrinsic rewards positively and significantly influence employee performance in Buikwe district local government Local Government ($\beta=0.437$, $\text{Sig}=0.003$). This suggests that a one unit increase in extrinsic rewards is likely to bring a 0.437 improvement in employee performance and vice versa.

5.0 CONCLUSIONS ANDRECOMMENDATIONS

Rewards are a positive significant determinant of employee performance in Buikwe district local government local government, the finding is consistent with Chattertee and Prechard (2017) who noted that if an organization is willing to pay high wages, it can usually attract well qualified employees. A contrary view from Farrant's was established by the researcher that workers should not only participate in decision making but all other high-performance activities must be practiced together. The finding also agree with some other scholars, such as Guest (1997), Armstrong (2010) and Maicibi (2005), who

maintained that there is a link between reward management and performance. From the findings of the study, it was concluded that rewards directly affect performance of employees in Buikwe district local government.

The study recommended that Buikwe district local government that leadership of Buikwe district local government Local Government to increase on the provision of extrinsic rewards such as compliments, payment of bonuses, since they influence personal feelings about the job, the employees will be motivated and hence leading to quality of work.

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