REWARD SYSTEM AND EMPLOYEE PERFORMANCE IN THE ORGANIZATION
A CASE STUDY OF NATIONAL WATER AND SEWERAGE CORPORATION, GGABA WATER WORKS

BY

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A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS AND MANAGEMENT IN PARTIAL FILFULLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF BACHELOR OF HUMAN RESOURCE MANAGEMENT OF KAMPALA INTERNATIONAL UNIVERSITY

AUGUST, 2010
DECLARATION

I MIGISAYE KEREN, here by declare that the work contained in this dissertation entitled, "Reward System and Employee Performance in the Organization, A Case Study Of National Water and Sewerage Corporation, Ggaba Water Works", with the exception of acknowledged references, ideas and concerns is my original work and it has never been submitted for fulfillment of the requirement for any award of education qualification in any institution of learning.

Signed: ____________________________ Date: 27th Aug, 2010

MIGISAYE KEREN
APPROVAL

This dissertation entitled, "Reward System and Employee Performance in the Organization, A Case Study of National Water and Sewerage Corporation, Ggaba Water Works", is submitted to the faculty of Business and Management with my approval as the Supervisor.

Signature........................................ Date........................................

Mr. WANDIBA AUGUSTINE

(Supervisor)
DEDICATION

This research report is dedicated to my family.
ACKNOWLEDGEMENTS

My special thanks go to my parents who assisted me in terms of funds and encouragement in the completion of my course and my dissertation. Their presence was the reason for my success.

Special regards go to my brothers, sisters and relatives for their endless support, source of encouragement and inspiration.

I also thank my supervisor, for mentoring me academically. Further, I extend my appreciation to the respondents who were so cooperative in the data collection process.

Special thanks go to the Human Resource Manager of NWSC of Ggaba Water Works who organized other employees in the data collection process by mobilizing other respondents during the data collection process. Also the efforts and ideas of all employees of NWSC are appreciated because they made this study a success. I appreciate the efforts of my friends, Godfrey, Isaac and Joel for academic support and encouragement.

I wish also to acknowledge the information from various sources, namely; magazines, journals, reports and text books, whose copy right holders could not easily be traced.
ABSTRACT

This study examined the relationship between reward systems and employee performance in NWSC Ggaba Water Works. These study objectives included; establishing the general understanding of reward system, establishing the reward systems that can boost employee performance and assessing the performance of employees in NWSC in regard to the reward systems in place. A descriptive and analytical study was done with a cross sectional survey of respondents. A total of 60 sample respondents were used to answer the question to the study.

About the forms of reward systems used by NWSC; most of the respondents (65%) reported effective performance where 52% reported Pay-for-performance and 13% reported competence based compensation. Twenty six percent reported compensation benefits while 9% reported season rewards.

About the reward systems that boosted employee performance, respondents reported Pay for performance, competency-based compensation, compensation benefits and seasonal rewards.

There was self motivation, high commitment and retaining of high performing employees, participative decision making, good behavior, self disclosure, flexible time working and good coordination between departments was evident among well paid employees.

Pay for performance was the major reward system considered in rewarding employees at 65%. Pay for performance reward system that most boosted employee performance. The performance of employees in NWSC in regard to the reward systems in place was more evident in self motivation through high commitment to work and such employees were retained in most cases.

The study therefore concludes the reward systems greatly influenced employee performance in NWSC Ggaba Water Works.

The researcher therefore suggests that; employees should be given pay for performance rewards so that they work will all their abilities to achieve organizational goals, reward decision taken by managers should aim to fulfill the interests of the organization. Operative employees should given the salary ranges according to their skills, knowledge and experience within the field of work.
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1.0 Background of the Study

Reward systems are ways how employee’s efforts towards organizational goals are appreciated. These may be monetary or non monetary. Rewards are decided by the management of the organization.

Rewards are gains that human resource gets for fulfilling organizational goals. Robbins and Decenzo, (2000) note that, rewards are motivating factors for better performance of employees in the organization. Every human resource puts efforts in a task with a major goal of gaining a pay after its completion. The kind of pay differs according to the task and the employers. The task is paid for according to the level of skills and importance it as to the organization among other factors.

In most cases rewards are determined depending on the performance of the employees evidenced by the fulfillment of the organizational goals. One of the systems used are pay-for-performance (P-F-P). Harris (2000), noted that a pay-for-performance plan is a program in which the employee’s pay is at least part dependent upon the job performance. P-F-P plans differ widely in terms of whether performance refers to the individual employee’s success, his or her work group’s success, or the success of the division, plant or company.

Organizations use P-F-P plans for several reasons. Each of these is detailed as follows; pay is a powerful motivator for employees through profit sharing, many employees support the P-F-P concept for determining the size of salary increase, P-F-P plans attract and retain top performers who will review the plan for offering excellent opportunities for financial increase and P-F-P plans provide a clear signal.

Pay constitutes a quantitative measure of an employee’s relative worth. For most employees, pay has a direct bearing not only on their standard of living, but also on the status and recognition they may be able to achieve both on and off the job. Since pay represents a reward received in exchange for an employee’s contribution, it is essential according to the equity theory (Sherman
and Bohlander, 1992). It is essential also that an employee’s pay be equitable in terms of what other employees are receiving for their contribution.

Mc Kenzie, and Shilling, (1998) noted that, reward systems are organizational plans that ensure the attainment of employees’ specific goals. When we link rewards to performance, there is need to make rewards contingent to performance. Rewarding factors other than performance only reinforce the importance of these other factors. It is considered that the highly skilled employees require an equitable pay to have their skills manifested in quality work.

Rodgers, and Hunter, (2000) noted that, performance of employees is realized when the organizational goals are achieved. This is tested depending on the task description in terms of skills needed, time efficiency and time framework.

Sherman, and Bohlander, (1992) noted that, performance may be measured depending on the satisfaction the employee derives from the job done and the response the employers shows. This means that the organizational goals may not be fully achieved due to some extraneous factors but the supervisor gets satisfied basing on the commitment of the employee to the job given.

Mc Caffery, (2002) noted that, performance considers the behavior and experience employees exhibit at work which creates satisfaction among fellow employees, clients and employers as well. The above attributes are not common to many employees due to the amount of rewards they get.

1.1 Statement of the Problem
There are different reward systems that are used by different organizations in Uganda to appreciate the efforts of their human resource so that the productivity may increase. Rewards are mainly based performance of employees. Over 40% of the employees in NWSC perform below the organization’s expected standards with reports complaining about the inadequate rewards given in relation to the increasing work load (NSWC Ggaba Water Works Report, 2007).

Due to rapidly changing technology, it’s required for employees to possess the knowledge, skills and abilities (KSA) needed to cope with the new process and production techniques (Sherman and Bohlander, 1992) that need to change with rewards. National Water and Sewerage Corporation (NWSC) has grown into a large organization with several branches, has complex
operations whose structures are continually changing making it necessary for managers as well as employees to develop the KSA within a better reward system that will enable them to handle new and more demanding assignments. This is why NWSC needs to give better rewards to employees in order to attain its organizational goals.

There lack of employee commitment their work, inadequate innovative, disobedience, corruption and lack of integrity at work. It could be that the inefficiencies experienced by the clients result from unfair reward system in place. This study therefore investigated the impact of reward system in place to employee performance in organizations in National Water and Sewerage Corporation, Ggaba Water Works.

1.2 The Purpose of the Study

The purpose of the study investigated the relationship between reward system and employee performance in the organization.

1.3 Specific Objectives

The study utilized the following specific objectives

- To establish the forms of reward systems used by NWSC.
- To establish the reward systems that can boost employee performance.
- To assess the performance of employees in NWSC in regard to the reward systems in place.

1.4 Research Questions

The study utilized the following questions

- What are the forms of reward systems used by NWSC?
- What reward systems can be utilized by NWSC to can boost employee performance?
- What is the performance of employees in NWSC in regard to the reward systems in place?

1.5 Scope of the Study

1.5.1 Geographical Scope

The study was carried at NWSC Ggaba Water Works, Kampala District.
1.5.2 Content Scope

The study investigated the relationship between reward system and employee performance in the organization.

1.6 Significance of the Study

The study would be the following importance.

- It elaborated the functions of reward systems in organizations. These included; ensuring performance, good behavior, conflict resolution and motivation among other functions. This would enable the reader to identify the implication of the reward system in a bid to improve performance.

- It elaborated the standards required of employees in the organization to qualify for any reward. This would help the recipients to establish the standard upon which decisions are taken for effective rewarding to achieve organizational performance and items required to maintain it. Items like conflict resolution would be easy due to set standards.

- The study would provide avenues through which employees may assume responsibility to guide company tasks depending on the rewards they get. This is because managers delegate authority to various employees due to the rewards they get which gives them enough experience. This would help to make employees part and particle of organization.

- Through interviews to managers they would identify their tactical plans they use and intend to use in order to achieve organizational goals through the reward systems in place. This would help to establish the reasons why the organization intends to realize the major strategic plans.

- The organization would derive information on the value attached to rewards to effective employee performance. This would be derived from the advantages respondents will advance for improving the reward systems in place.
• The study would be a reliable source of reference to further studies related to this topic of study. This is because it would elaborate the basic reward systems necessary for the effective employee performance in the organization.

• This study was a partial fulfillment for the award of the degree of bachelors of Human Resource Management of Kampala International University (KIU) to the researcher.
CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

This chapter presents data sought from already done studies by researchers and scholars among others. Literature is reviewed upon the background of the study, purpose and objectives that will include; establishing the forms of reward systems used by NWSC, establishing the reward systems that can boost employee performance and assessing the performance of employees in NWSC in regard to the reward systems in place. These are discussed below.

2.1 Theoretical Framework of the Study

Rewards are monetary or material items that are given to human resource in appreciation of their efforts towards the achievement of organizational goals. At times rewards are benefits employees receive after the nominal pay (Heinemann 1999). Employees with NWSC receive a number of rewards that include; pay for performance (merit, individual incentive, team incentive and organizational-wide incentive), compensation, festive session rewards, duration of service, and benefits (pensions, deferred profit sharing, Employee Ownership Stock Plan (ESOP), Fee-for-service program and paid time off). These create an incentive into the employee to work better because their contribution to the organization is recognized.

Rewards are gains that human resource gets for fulfilling organizational goals. Robbins and Decenzo, (2000) noted that, rewards are motivating factors for better performance of employees in the organization. Every human resource puts efforts in a task with a major goal of gaining a pay after its completion. The kind of pay differs according to the task and the level of skills and experience of the employees. The task is paid for according to the degree of importance it has to the organization among other factors.

A reward system is an organized way of reinforcing the capacities of employees through tangible pay or praise (Rigby, 1999). Reinforcing the capacities of the employees in most cases mean competence compensation. Competence based compensation is a program that pays and rewards employees on the basis of skills knowledge or behavior they posses. Such employees earn on the basis of some performance measure of their skills. Employees in most cases raise their skills so
that they increase the pay they get from the organization which in turn helps to organization to register good results due to improved performance.

2.2 Conceptual Framework of the Study

Figure 1: Shows the Conceptual Framework of the Study

- **Independent Variable**
  - Reward system

- **Forms of rewards**
  - Salaries
  - Bonuses
  - Health benefits
  - Festive season rewards

- **Intervening Factors**
  - Taxation
  - Government Policy
  - Company Policy
  - Training Policy
  - Employee desires
  - Employee Health

- **Rewards that boost performance**
  - Pay-for-performance
  - Team incentive
  - Individual merit performance
  - Compensational benefits

- **Dependent Variable**
  - **High Performance**
  - **Poor Performance**
  - **Good Performance**
    - Profits
    - Self esteem
    - Growth
    - Failure

*Source: Research Pilot Findings 2010*
The organizations recruit employees they are sure that are competent enough to enable them achieve their goals. They enhance this performance through the rewards they give employees because they are motivating factors. Some of these rewards include; salaries, bonuses, health benefits and festive season rewards among others.

Without much influence of the external factors such as; taxation, government policy, company policy, training policy, employee desires and employee health employees’ rewards are satisfactory in most cases and can ensure effective performance.

Organizations such as NWSC use different rewards to boost the performance of their employees and these include; pay-for-performance, team incentive, individual merit performance and compensational benefits among others if these are assured to employees, effective performance may be realized.

2.3 Related literature

This will be reviewed in relation to the study objectives that include; establishing the forms of reward systems used by NWSC, establishing the reward systems that can boost employee performance and assessing the performance of employees in NWSC in regard to the reward systems in place.

2.3.1 Forms of Reward Systems used by NWSC

Drucker, (2000) noted that, “competence based compensation program in NWSC helps the highly skilled employees with much experience about their work receive more rewards so that they may perform better. This may not be the same to their counterparts who do not exhibit competence at their work. This is a compensation plan to some specialized employees based on piece rate plan, profit sharing and the likes which calls for competence between employees.

Henemann, (2000) noted that, Merit pay is pay out based on the individual employees’ performance. Performance is evaluated in a subjective fashion and the pay out is added on the employees’ base salary. Employees in NWSC improve their performance periodically because they expect an additional pay at the end of the month due to brilliance they show at work. Through experience on the same job day after day, employees get on the job training which results in good performance.
Hills, et al., (1994), noted that, “team incentive is pay out based on the team’s level of performance and performance is evaluated using an objective standard.

There are rewards based on the performance of a plant such as Ggaba Water Works. NWSC has many plants that rewards are increased or decreased after a general assessment of all plants in the country. The payout based on the performance of the plant, division, or organization performance is evaluated using an objective standard.

Yang, et al., (1996) noted that, gains sharing plans are reward systems that provide a payout when productivity improves due to competence. Some expertise employees are given rewards a bonus when the proceeds exceed what was projected at the start of the financial year.

Hills, et al., (1994), noted that reward system are compensation gain plans for would be overtime pay, maximum wage and any other inequalities the employees may face. In an organization it is required to operate according to the national constitutional laws that do not discriminate against some people. This helps to create unity that enables effective coordination between departments.

Gerhart and Milkovich (1994) noted that reward systems may be organizational-wide incentive system. This is where the payout is based on the performance of the plant, division or the whole organization. Performance is evaluated using an objective standard. These may be profit-sharing or gain sharing plans. In profit sharing plans, performance is linked to some index of profitability. Typically, the payout is placed into a retirement fund for employees. Gain sharing plan provides a payout when productivity improvement occurs. The assumption is that employees can increase productivity by suggesting or by working more efficiently.

In a nut shell reward system is an organized way of reinforcing the capacities of employees (Rigby, 1999). Competence based compensation is a program that pays and rewards employees on the basis of skills knowledge or behavior they posses. Such employees earn on the basis of some performance measure of their skills. Employees in most cases raise their skills so that they increase the pay they get from the organization which in turn helps to organization to register good results due to improved performance.
2.3.2 Reward Systems that can boost Employee Performance

Rewards are the gains human resource get for fulfilling their obligations in the organization. They may be in form of wages, salaries, and other benefits such as welfare services. These are primarily meant to motivate employees to perform better.

Harris (2000) explained that, pay out for performance rewards to both the organization and the employee. This is a system in which the employees pay is at least in part dependent upon job performance in other instances this is a reward system where some pay is based on the individual, the team or the organizations performance. Team or organizational performance is determined after effective standard evaluation.

Linda, (2006) noted that, “there is always need to reward employees who help in major decision making because they determine the destiny of the organization. Some of the major areas are conflict resolution, salary changes determination, and changes in technology among other vital industrial relations.

Mc Gregor, (2000), noted that, Competence based compensation is a program that rewards employees on the basis of skills, knowledge and behavior they posses. Employees use the knowledge they have to improve their skills that help them to fulfill organizational tasks. This is guided by the right behavior that aims at improving themselves and the organization as well.

Mc Caffery, (2002) asserted that rewards that aim at benefiting employees in cases of uncertainties create a great bond between the organization and the employees. An effective Employee Benefit Program that compensates employees when they are sick, lose loved ones, for overwork, old age among others raise the performance standards of the employees.

Brandt, and Reece, (1999) noted that, “Team incentive is pay out based on the team’s level of performance and performance is evaluated using an objective standard. This helps to motivate a big group of employees that help in the effective coordination of departments to achieve the intended goals. Rewarding team performance helps to increase the level of self esteem within employees their raising their performance standards.

Hood and Hardly, (2003) noted that, “Gains sharing plans provide a payout when productivity improves due to competence. Some expertise employees are given bonuses when the proceeds
exceed what was projected at the start of the financial year”. This plans ensures the employees that they are part and partial of the organization so they work willing so that the increase the proceeds they would get at the end of a specified period.

Henemann, (2000) noted that, merit pay is the payout based on the individual employee performance. Performance is evaluated in a subjective fashion and the pay is added on the employee’s base salary. Individual incentive is where the payout is based on the performance evaluated by an objective standard.

2.3.3 Performance of Employees in NWSC in regard to the Reward Systems in Place

Just like in any activity done, when employees are well rewarded by the organization they would always be committed to their work so that they may even attract more rewards from their employers. This results from the motivation, belongingness to the organization, job security,

Hatcher and Ross (1999) noted that, where payout for performance is used, employees are motivated to perform better. A well planned pay for performance plan, with profit sharing leads to increased productivity. Sharing profits in the organization makes them part and parcel of the organization. This induces them to work better so that they may gain as much as possible from their efforts.

Gerhart and Milkovich (1994) notes that pay for performance plans attract and retain top performers. A successful pay for performance plan will attract and retain highly qualified applicants, who will view the plan as offering excellent opportunities for financial rewards.

Dyer, et al, (1999) noted that with good reward systems in place discussion over pay changes in cases of booms and slumps in businesses can easily be reached. This is because of the binding governing principle in place that guides both the employer and the employee. With a good managerial set up in place that fairly perceives the needs of the employees reaching a common comprise is vey possible. This in the end motivated employees for better performance.

Bartol, and Martin, (1998) noted that, “payout is based on the performance of the plant, division, or organization performance that is evaluated using an objective standard helps to motivate employees to perform better so that they may keep a good record with the organization that may be considered when salary changes or promotions are effected. When a given group of
employees are paid evenly salary conflicts are avoided and they work as a group to improve the situation. This in return helps the organization to achieve its goals.

Dyer, et al (1999) reveals that, in developing a pay for performance plan two things are developed. First, the organization must decide what employee behavior, processes, and goals are important, and it must communicate those expectations to the employees. Thus, the organization is compelled to consider its mission and goals. Secondly, employees will have a better understanding of what the company desires, and therefore should be more successful in their jobs.

Rewarded employees would always want to be recognized for their fine performances. This would help them to acquire promotions or pay increases in case the organization gets more profits. Mc Garvey (1996) noted that, many organizations use recognition programs so that their fine performers may keep up their standards. These include; employee of the month, quarterly year performance awards, father of the month, and welfare employee of the month among others. In NWSC employees are praised for their fine performances thus become more focused on their work.

Yang et al, (1996) were of a view that, “some employers opt for use of flexible time of work which increases efficiency and commitment. With flextime there is a scheduling option that allows employees to work within specified parameters and may time table themselves during their time of convenience. Employees have to work for a specified number of hours a week but they are free to vary the hours of work within certain limits. Not only in NWSC, many research companies give their employees options of putting up their own time table so long as they work for the required amount of time. This gives them advantage to fulfill their domestic and work obligations thus motivating them to perform better.

Harris (2000) observed that, in most cases rewarded employees easily report what is relevant about their work to their supervisors because they work willingly. They take the initiative to research about; their work, their personal weaknesses and strength and can always work to improve where they are weak and keep up where they are strong. This even gets better on improving the reward system in place.
Kim (1999) noted that, "reward system enable employees to perform better since they are the measure of performance of employees or their efforts towards the organization inmost organizations. On a simplistic level, experience, ability, effort and other obvious outcomes. There is also team incentive is pay that is based on the group's level of performance and performance is evaluated using an objective standard."
CHAPTER THREE
RESEARCH METHODOLOGY

3.0 Introduction
This chapter presents the research design, study design, study area, research instruments and
techniques to be used, research population (sample design, sampling method, sample selection
and size), Data collection methods, statistical treatment of data and limitations of the study.

3.1 Research Design
This study was descriptive and analytical in nature. It elaborated the different views of different
employees about reward systems and employee performance in NWSC in the in regard of the
study purpose and objectives.

A sample survey and cross sectional study designs based on qualitative and quantitative data
designs were used to collect primary data. Observation, interview and focus group discussions
(FGD) methods were used to collect qualitative data. Quantitative data were collected through
questionnaires.

The qualitative data were presented in a descriptive form. The data from questionnaires were
presented in a descriptive manner using; percentages, mean and ratio after integrating it with
qualitative data. Secondary data were obtained through library search (documentary review) and
internet surfing.

The population samples were derived using; purposive sampling designs given the nature
homogeneous of the population. These were operative employees and managers of NWSC
Ggaba Water Works. The procedure of making the research report was that recommended by
Kampala International University Faculty of Business and Management.

3.2 Area of Study
The study took place in National Water and Sewerage Corporation (NWSC), Ggaba Water
Works, Makindye Division, Kampala District.
3.3 Population of the Study
The study used a sample population of 60 respondents that represented other employees who worked in the organization.

3.4 Sample Design
Sampling is the process of selecting elements from a population in such a way that the sample elements selected were represented the population. These results were generalized to represent the whole population.

Non probability sampling design was used where purposive sampling was used. This is where the researcher in her own judgment regarded the participants from whom information was got as competent. These were employees of NWSC Ggaba Water Works.

3.4.1 Sampling Technique
Purposive sampling was used because it reduced the costs of carrying out the study since few samples of population in NWSC were interviewed. This reduced the transport and telephone communication costs.

There was greater speed, time was economized, and questions were set and given to a small part of the population who were working within the company premises in Kampala. Tabulation and analysis of results took much less time in sample data than in population data.

There were greater levels of accuracy in analyzing the findings. There was assurance of completeness and high degree of accuracy due to a limited area of operation. The volume of work was reduced therefore careful execution of field work was possible.

3.4.2 Sample Selection and Size
The study involved a purposive sampling research data collection designs. The first stage involved a purposive selection of NWSC Ggaba Water Works as a case study. Secondly the researcher identified competent respondents that included operative employees and managers. Six departments that that included the accounts, marketing, production, human resource, Engineering and Security departments were considered for data collection. From each
department 10 respondents were selected where two were managers and eight operative employees. These constituted a sample size of 60 respondents.

3.5 Sources of Data
Both primary and secondary data were used. Primary data were got through questionnaires and interviews. Secondary data were sought from already done studies related to the topic of study. These included documentary review and internet surfing.

3.6 Data Collection
Questionnaires and interviews were used. Questionnaires were used because they were easy to fill than and interviews. Interviews were easy for the researcher to ask the respondents directly and got answers with little time used.

3.7 Research Instruments
3.7.1 Interview Design
Through this instrument, face to face questions were asked to respondents by the researcher. The researcher used interview schedules where the most competent and willing samples of the population were informed of the full intentions of the study to prepare themselves to give reliable answers. Interview schedules included a topic and detailed questions about the study. These were administered in an organized manner.

3.7.2 Questionnaires
Sets of close and open ended questions were administered to the respondents. They answered the questions in their privacy and returned them within 2 days.

3.8 Data Analysis
Descriptive statistical analysis data processing was used and it included; tables of means and standard deviation for dependent, independent, extraneous and background variables. Frequency distribution and percentages were used to form bar graphs and pie charts. In tables, frequency distributions, ratio, mean and percentages were used.
3.9 Validity of Data
Data instruments and methods measured to what they were intended to measure by use of content validity method. Here sample population representiveness was used. The knowledge and skills covered by the test items represented the larger domain of knowledge and skills of a large population.

3.10 Research Procedure
The researcher got a letter from the faculty of Business and Management of KIU that helped that researcher to seek permission to carry out research in NWSC Ggaba Water Works. This was presented to the General Manager to grant permission for the study to take place. The researcher also studied the behavior and general duties of the respondents before she administered questions to them.
CHAPTER FOUR
FINDINGS

4.0 Introduction
This chapter presents the findings by taking into consideration the research problem the
examined the relationship between reward systems and employee performance in NWSC Ggaba
Water Works. The research through controlled and systematic study measured the variables
using quantitative and qualitative techniques considered the demographic nature of the
population of study. These were sought in relation to the study objectives that included; the
forms of reward systems used by NWSC, the reward systems that boosted employee
performance and the performance of employees in NWSC in regard to the reward systems that
were used. The findings were presented in form of tables, charts, graphs and essays.

4.1 Forms of reward systems used by NWSC
The study found out that, NWSC uses Salaries, incentives, job enrichments, certificates of
recognition, training, promotions, end of year parties and retirements as forms of rewarding
employees. These forms of rewards were based on four systems that included; Pay-for-
performance where it included; merit pay, team incentive and Organizational-wide incentive.
Secondly there was competence based compensation. The third reward system was compensation
benefits where there was social security, unemployment compensation, unpaid time off work and
4 reported pensions. The fourth reward system was seasonal rewards and was reported where 2
reported festive season rewards and 3 reported worker of the month rewards. This information is
shown in the table on the next page.
Table 1: Shows Findings about the forms of reward used by NWSC

<table>
<thead>
<tr>
<th>Forms of rewards to employees in NWSC</th>
<th>Frequency</th>
<th>Ratio</th>
<th>Mean</th>
<th>Percentage%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
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<td>2.4</td>
<td>42</td>
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<tr>
<td>Incentives</td>
<td>08</td>
<td>2:15</td>
<td>7.5</td>
<td>13</td>
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<tr>
<td>Job enrichments</td>
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<td>10</td>
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<td>Certificates of recognition</td>
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<td>1:12</td>
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<tr>
<td>Training</td>
<td>05</td>
<td>1:12</td>
<td>12</td>
<td>8</td>
</tr>
<tr>
<td>Promotions</td>
<td>04</td>
<td>1:15</td>
<td>14</td>
<td>7</td>
</tr>
<tr>
<td>End of year parties</td>
<td>04</td>
<td>1:15</td>
<td>15</td>
<td>7</td>
</tr>
<tr>
<td>Retirements</td>
<td>03</td>
<td>1:20</td>
<td>20</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
<td><strong>1:1</strong></td>
<td><strong>1</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

This implies that 42% of the respondents reported salaries, 13% reported incentives, 10% job enrichments, 8% reported certificates of recognition, 8% reported training, 8% reported promotions, 7% reported end of year parties and 5% reported retirements as forms of rewarding employees as forms of rewards used by NWSC.

Table 2: Shows Findings about the Systems based on when NWSC rewards employees

<table>
<thead>
<tr>
<th>Systems based on when NWSC rewards employees</th>
<th>Frequency</th>
<th>Ratio</th>
<th>Mean</th>
<th>Percentage%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay-for-performance</td>
<td>26</td>
<td>13:50</td>
<td>2.3</td>
<td>43</td>
</tr>
<tr>
<td>Competency-based compensation</td>
<td>13</td>
<td>13:60</td>
<td>4.6</td>
<td>22</td>
</tr>
<tr>
<td>Compensation benefits</td>
<td>14</td>
<td>7:230</td>
<td>4.3</td>
<td>23</td>
</tr>
<tr>
<td>Seasonal rewards</td>
<td>07</td>
<td>7:60</td>
<td>8.6</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
<td><strong>1:1</strong></td>
<td><strong>1</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Research Filed Findings 2009

From table 2 out of 60 respondents; 31 respondents reported Pay-for-performance where (13 reported merit pay, 10 reported team incentive, and 08 reported Organizational-wide incentive.)
Eight respondents reported competence based compensation. The third reported reward system was compensation benefits where 4 reported social security, 3 reported unemployment, 3 reported unpaid time off work and 4 reported pensions. The fourth reward system was seasonal rewards and was reported where 2 reported festive season rewards and 3 reported worker of the month rewards. This implies that largely payment was based on pay-for-performance. This information is shown in the figure 7.

**Figure 1: Shows Findings about the forms of reward systems used by NWSC**

![Pie chart showing reward systems percentages.](image)

Source: Research Filed Findings 2010

Further more there were 60 respondents and the responses were 43% reported pay for performance, 23% reported compensation benefits, 22% reported competence based compensation and 12% reported seasonal rewards.

4.2 Reward systems that can boost employee performance

The study found out that, pay for performance, competency-based compensation, extra ordinary attributes, compensation benefits and seasonal rewards were reported as reward systems that boosted employee performance in NWSC Ggaba Water Works. This information is shown in the table below.
Table 3: shows Reward systems that can boost employee performance

<table>
<thead>
<tr>
<th>Performance in regard to the reward systems in place</th>
<th>Frequency</th>
<th>Ratio</th>
<th>Mean</th>
<th>Percentage%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay for performance</td>
<td>16</td>
<td>4:15</td>
<td>3.8</td>
<td>26.7</td>
</tr>
<tr>
<td>Competency-based compensation</td>
<td>13</td>
<td>13:60</td>
<td>4.6</td>
<td>21.7</td>
</tr>
<tr>
<td>Extra ordinary attributes</td>
<td>12</td>
<td>1:5</td>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td>Compensation benefits</td>
<td>10</td>
<td>1:6</td>
<td>6</td>
<td>16.7</td>
</tr>
<tr>
<td>Seasonal rewards</td>
<td>09</td>
<td>3:20</td>
<td>6.7</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
<td><strong>1:1</strong></td>
<td><strong>1</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Research Filed Findings 2010

Table 2 shows that; 16 reported Pay for performance, 13 reported competency-based compensation, 12 reported extra ordinary attributes, 10 reported compensation benefits and 09 reported Seasonal rewards. This implies that largely pay-for-performance boosted employee performance. This information is shown in the figure below.

Figure 2: Shows Reward systems that can boost employee performance

Source: Research Filed Findings 2010

Further more there were 60 respondents and the responses were; 16 reported Pay for performance, 13 reported competency-based compensation, 12 reported extra ordinary attributes,
10 reported compensation benefits and 09 reported Seasonal rewards. This implies that largely pay-for-performance boosted employee performance.

4.3 Performance of employees in NWSC in regard to the reward systems in place

Self motivation, High commitment and retains high performing employees, participative decision making, good behavior, self disclosure, flexible time a work to improve their performance and good coordination between departments. This information is shown in the table below.

Table 4: Shows Performance of employees in NWSC in regard to the reward systems in place

<table>
<thead>
<tr>
<th>Performance in regard to the reward systems in place</th>
<th>Frequency</th>
<th>Ratio</th>
<th>Mean</th>
<th>Percentage%</th>
</tr>
</thead>
<tbody>
<tr>
<td>High commitment and retains high performing employees</td>
<td>13</td>
<td>13</td>
<td>4.6</td>
<td>21.7</td>
</tr>
<tr>
<td>Participative decision making,</td>
<td>10</td>
<td>1:6</td>
<td>6</td>
<td>16.7</td>
</tr>
<tr>
<td>Good communication and coordination between departments</td>
<td>08</td>
<td>2:15</td>
<td>7.5</td>
<td>13.3</td>
</tr>
<tr>
<td>Self motivation</td>
<td>09</td>
<td>3:20</td>
<td>6.7</td>
<td>15</td>
</tr>
<tr>
<td>Flexible time work</td>
<td>07</td>
<td>7:60</td>
<td>8.6</td>
<td>11.7</td>
</tr>
<tr>
<td>Self disclosure</td>
<td>07</td>
<td>7:60</td>
<td>8.6</td>
<td>11.7</td>
</tr>
<tr>
<td>Conflict resolution</td>
<td>06</td>
<td>1:10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>1:1</td>
<td>1</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Research Filed Findings 2010

Table 3 shows that; 09 reported Self motivation, 13 reported High commitment and retains high performing employees, 10 reported Participative decision making, 06 reported Good behavior, 07 reported Self disclosure, 07 reported Flexible time a work to improve their performance and 08 reported Good coordination between departments. This implies that reward systems led to motivation of employees and participative decision making. This information is shown in the figure on the next page.
Figure 3: Shows Performance of employees in NWSC in regard to the reward systems in place

- High commitment: 21%
- Participative decision making: 17%
- Good communication and coordination: 13%
- Self motivation: 15%
- Flexible time work: 12%
- Self disclosure: 12%
- Conflict resolution: 10%

Source: Research Filed Findings 2010

Furthermore, there were 60 respondents and the responses were 21% reported high commitment to work and retains high performing employees, 17% reported Participative decision making, 15% reported Self motivation, 12% reported Self disclosure, 12% reported Flexible time work to improve their performance, 13% reported Good coordination between departments and, 10% reported conflict resolution.
CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction
This chapter presents a discussion of the results of the study, general major findings and the possible solutions to for better performance. These are analyzed in relation to the study objectives and the set research questions.

5.1 Discussions

5.1.1 Forms of reward systems used by NWSC
The study found out that, there were 4 rewards systems in place mainly; Pay-for-performance where it included; merit pay, team incentive and Organizational-wide incentive. Secondly there was competence based compensation. The third reward system was compensation benefits where there was social security, unemployment compensation, unpaid time off work and pensions. The fourth reward system was seasonal rewards where festive season rewards and worker of the month rewards were reported. These are discussed below.

Most of the respondents reported pay-for-performance as the most considered reward system by NWSC, Ggaba Water Works. Merit pay where the organization paid employees’ yearly salary increased based on their supervisor’s recommendation. Here pay out was based on the individual’s performance in relation to the tasks assigned him or her basing on a given criterion known to all employees. Forms of rewards in this system are mainly, salaries, certificates of recognition, promotions, incentives and job enrichments. Most of the employees that showed good performance were given salary increments and promoted to better positions in the organization. In relation Hills et al (1994) noted that, under pay-for-performance plan employee perform to their best their exhibiting their merit.

Further on some respondents reported that team performance incentive was used to pay employees under the p-f-p reward system. Here performance was measured using an objective standard according to Rutasheka one of the supervisors in the water treatment section. All employees were given a uniform pay in regard to the team performance. In consonance McGregor, (2000) revealed that, payment based on team performance gives a general pay that may not be welcomed by all the people.
Further on use of organizational-wide incentive p-f-p plan was important for effective employee performance. Some human resource especially top managers are given pay outs according to the general performance of their plants, divisions or the whole organization during a specific period of time. Similarly National Water and Sewerage Corporation, (2007) reveals that, with organization-wide incentive gives managers a general pay out on a profit sharing basis while operative employees generally are given basing on a gain sharing plan.

Competence based compensation as the second reward system that was used by NWSC Ggaba Water Works. Here employees were paid according to their knowledge, skills and behavior within the organization. The forms of rewards most considered here are training after assessing the training needs. High skilled employees such as engineers and other vital experts, experienced in water works and well behaved such as those that resolved conflicts, dedicated their life to the organization at their expense, and drew strategies for the development of the organization received exceptional pay outs for the commitment they had towards the organization. In relation Mc Caffery, R., (2002) reveals that, competence based compensation pays employees on the basis of their skills, knowledge and bahaviour in the organization. These competences may include such behaviours and skills as leadership, problem solving, decision making or strategic planning.

The third reported reward system was compensation benefits where respondents reported social security. Here the organization considered retirement income, disability income, survivors’ benefits and health care expenses. Retirement income made employees eligible for monthly payments for the rest of their life depending on how much money they earned during their career. Similarly Hood, and Hardly, (2003) notes that, social security program receives funding from employees and their companies, which are used for retirement, disability, survivors’ benefits and health care expenses.

Four respondents reported unemployment compensation strategy was a commonly used rewards system in the organization. Here employees terminated by means such as lay offs (not for being fired or quitting or due to any other unavoidable circumstance to the employee). In relation Harris, (2000) noted that the purpose of unemployment compensation s to provide financial support for employees who have been laid off due to poor economy or stagnant business
conditions, a company has the right to deny unemployment compensation to an employee who was terminated for other reasons.

More still unpaid time off work was another reward system used by the organization. This was given to employees who became responsible for a child through birth, adoption or foster care. Also employees that provided care for a child, parent, or spouse with a serious health condition were specially rewarded. A thirdly employees that experienced a serious health condition that left them unable to perform a job. In relation, National Water and Sewerage Corporation, (2007) that, there is a special package given to all employees in time of joy and sorrow so that they develop a positive attitude towards work. When one gives birth a maternity leave of one month is given and when one loses a close relative, a three days leave is given after burial with a specified financial package.

Employees were given pensions where this was payment upon ones retirement. These were defined benefit pensions and defined contribution. With defined benefit pensions employees received payments upon retirement basing on a formula that determined exactly what the employee was to receive on retirement. In NWSC it was 50% of the nominal pay. While defined contribution each employee that participated had an individual fund into which contributions would be made by the company, the employee, or both, depending on the specific type of plan. In relation Gerhart and Milkovich (1994) noted that defined contributions are the most considered pensions because they are up to 60% of the nominal pay upon retirement.

The fourth reward system was seasonal rewards and was reported as festive rewards and worker of the month rewards. Festive season rewards were given during NWSC celebration days, Christmas, Easter and during other public holidays among others. This was meant to motivate employees for better performance. Similarly Drucker, (2000) noted that, rewarding employees during festive seasons boosts their performance because they share the happiness with their family members who in return treasure the worth of their work.

Finally worker of the month rewards were given to employees that had exhibited extra ordinary progress in fulfilling their tasks. This rewards easily earned employees promotions in the organization. Employees ensure high performance to uphold the good reputation of the organization to the public.
5.1.2 Reward systems that can boost employee performance

The study found out that, pay for performance, competency-based compensation, extra ordinary attributes, compensation benefits and seasonal rewards were reported as reward systems that boosted employee performance in NWSC Ggaba Water Works.

Pay-for-performance was the most important reward system where employees worked so hard that they gained promotion. They were based on merit pay, team incentive, individual incentive and organizational-wide incentive. Whenever the organization registered high profits it was majorly due to employee fine performance. In relation Decenzo, and Robbins, (1999) noted that, paying employees on merit helps them to exhibit their competence that helps to achieve organizational goals.

Competency-based compensation rewards were based on ones level of skills, knowledge and behavior within the organization. Highly skilled experienced employees offered a lot of commitment to the organization which led to high performance and productivity. In relation Dyer, et al., (1999) noted that, competency-based compensation includes competencies such behaviors and skills as leadership, problem solving, decision making or strategic planning.

Rewards that considered extra ordinary attributes of employees included; sacrificing personal time for the organization, counseling fellow employees without the directive of the organization and standing as a corporate image of the organization for its productivity. In relation Brandt, and Reece, (1999) noted that, people that offered extra ordinary attributes to the organization such as quasi partners are rewarded because the organization uses their image to prosper.

Compensation benefits that covered the life of the employees during problems so much boosted their performance that helped the organization to register high profitability. These included social security, unemployment, workers’ compensation, unpaid time off and pensions among other compensations. Employees offered a lot of commitment to the organization because they expected proceeds even if they got problems in future. In relation Rodgers and Hunter (2000) revealed that employees under compensation benefits are included on the health insurance plan even if they are on leave.

Lastly seasonal rewards were also reported among the reward systems that boosted employee performance in NWSC Ggaba Water Works. Here employees that had highly performed during a
specific period of time were rewards more than their counterparts that never performed to their standard.

5.1.3 Performance of employees in NWSC in regard to the reward systems in place

The study reported that there was; self motivation, high commitment and retaining of high performing employees, participative decision making, good behavior, self disclosure, flexible time a work to improve their performance and good coordination between departments. This information is elaborated below.

There was high commitment and retention of high performing employees depending on the salary scale of employees. Employees that earned good pay never wanted to leave the organization for other jobs because they could not easily land the same chances they had with NWSC. Some employee never concentrated on their work because of little pay but with enough pay in place they were focused on their jobs and never did part time jobs. In relation Bartol and Martin (1998) noted that, with good payout in place employees concentrate on their jobs which leads to high performance.

Secondly there was participative decision making on important issues about the goals of the organization. Employee discussed collectively about how best the company could make higher profits which helped to increase their salaries as well. Employees that received good pay converged and collectively discussed about the problems the organization faced fro profitability. Similarly Daft (2001) noted that, reasonably rewarded employees are very fast at reporting what happen in their departments. These can be based on to plan effectively for the organization.

There was self motivation among well paid employees. Nuwamanya from the marketing department revealed that through self motivation he convinced so many people to use NWSC services because the organization made him to prosper in different spheres of life. In relation National Water and Sewerage Corporation, (2007) revealed that, employees that are satisfied with their pay motivate them selves to work even if they are not under supervision.

Effective communication and coordination between departments was achieved after good facilitation by the organization. Employees used their airtime to communicate with clients which made their work fast. Rewards helped employees to be more open to their supervisors, improved working relationships with fellow employees and use of modern technology.
There was use of flexible time to work according to the rewards that were given to employees. Here employees were satisfied with their salaries that they worked at their time that was not within the normal working hours. These included night shifts, during difficult conditions such as rains, and life saving at the risk of their life. Similarly Mc Gregor (2000) noted that, the presence of work bonuses induce employees to work for extra hours beyond time in their job description. They work willing because the time is compensated and added on their base salary.

There was self disclosure among respondents. Employees freely revealed to their supervisors about the tasks they were given which enabled the organization to purchase the necessary requirements for the better productivity of the organization.

Lastly 06 respondents reported conflict resolution was even possible if employees were well rewarded. Most of the conflicts resulted from inadequate pay that employees earned but with good conflict resolution strategies by well paid employees the former gained ground to mutually demand fair rewards.

5.2 Conclusion
This study examined the relationship between reward systems and employee performance in NWSC Ggaba Water Works. These study objectives included; establishing the forms of reward systems used by NWSC, establishing the reward systems that can boost employee performance and assessing the performance of employees in NWSC in regard to the reward systems in place. A total of 60 sample respondents were used to answer the question to the study.

Most of the respondents were males at 58%, 60% were married, 25% were single, 08% were divorced and 07% were widows/widowers. Most of the respondents were qualified to work in the organization were these accounted for 90% while only 10% had ordinary level of education. Their work experiences were such that 69% were below 15years and 31% had over 15 years.

About the forms of reward systems used by NWSC; most of the respondents (65%) reported effective performance where 52% reported Pay-for-performance and 13% reported competence based compensation. Twenty six percent reported compensation benefits while 9% reported season rewards.
About the reward systems that boosted employee performance; 16 reported Pay for performance, 13 reported Competency-based compensation, 12 reported Extra ordinary attributes, 10 reported Compensation benefits and 09 reported Seasonal rewards.

About the performance of employees in NWSC in regard to the reward systems in place, out of 60 respondents; 09 reported Self motivation, 13 reported High commitment and retains high performing employees, 10 reported Participative decision making, 06 reported Good behavior, 07 reported Self disclosure, 07 reported Flexible time a work to improve their performance and 08 reported Good coordination between departments.

The study therefore concludes the reward systems greatly influenced employee performance in NWSC Ggaba Water Works.

5.3 Recommendations
The researcher therefore suggests that;

- Employees should be given pay for performance rewards so that they work will all their abilities to achieve organizational goals.

- Also, reward decision taken by managers should aim to fulfill the interests of the organizing in general basing on the organizational culture. Decisions that are discriminative would lead to divisions within the organization thus collapse and failure.

- Operative employees should given the salary ranges according to their skills, knowledge and experience within the field of work.

- Management should always deign appropriate rewards to each section of employees or their employees in order to attract them towards the organization This would enable them to effectively adapt to changes as demanded by their supervisors.

- Employees should have an opportunity to express their own views on the reward system so as the management should make renovations where they are due. They should engage in decision making processes so as the managers to have an alternative point in the management career.
• Uniform rewards should be given to employees in the same team. This would enhance collective responsibility so as the problems faced are shared and resolved as a unit this would enhance togetherness within the organization.

• Human skills should be enhanced to operative employees and managers during training processes even if their rewards are not the same so as to create motivation, and proper communication. This helps for proper coordination of various departments which leads to effective performance upon which the organization may base to increase employee salaries.

• Also employees should be given technical skill so as to adapt to new technologies in place for better performance. All employees should be computer literate so as to access the online information that would keep them updated of the current affairs about the jobs. This would increase profitability and salary increment as well.
REFERENCES


32


Dear respondent(s), I am a student of Kampala International University pursuing a, ‘Degree of Bachelor of Human Resource Management’ conducting a study on, “Reward System and Employee Performance in the Organization, A Case Study of National Water and Sewerage Corporation (NWSC) between 2007 and 2009”, in your organization. You are kindly requested for assistance by availing the required information to this study by answering this questionnaire. The results of this study will be treated with at most confidentiality and will be for academic purposes.

Instructions
i) Be precise and concise
ii) Answer as instructed before each section

Section A (Personal identification)
From questions 1-4 please tick the most appropriate answer of your choice against the box.

1. What is your gender?
   (a) Male  
   (b) Female

2. What is your marital status?
   (a) Married
   (b) Single
   (c) Divorced
   (d) Widow/Widower

3. What is your level of Education?
   (a) Ordinary Level
   (b) Certificate level
   (c) Master’s Degree
   (d) Doctorate of Philosophy
   (e) Others

4. What is your working experience?
   (a) Below 5 years
   (b) 6-10 years
   (c) 11-15 years
   (d) 16-20 years
   (e) 21-25 years
   (f) 26+ years
5. What is your caliber?
   a) Manager
   b) Operative employee

Section B (Forms of rewards given by NWSC)
6. What are reward systems?
   a) Yes
   b) No

7. Do you use pay-for-performance reward?
   a) Yes
   b) No

8. Pay for-performance is the most commonly used reward system.
   a) Yes
   b) No

9. Merit pay is considered more than team performance.
   a) Yes
   b) No

10. Team incentive is pay that is based on the group’s level of performance.
    a) Yes
    b) No

11. Individual pay out is given to employees that exhibit unique skills that are vital to the attainment of organizational goals.
    a) Yes
    b) No

12. Do you get health benefits?
    a) Yes
    b) No

13. Are you compensated for extra time work?
    a) Yes
    b) No

Section C (Reward Systems that can boost Employee Performance)
14. Does pay out for performance rewards to both the organization and the employee boost performance?
    a) Yes
    b) No

15. Do you at times take decisions basing on your own principles that the set rules?
    a) Yes
    b) No

16. Competence based compensation is a program that rewards employees on the basis of skills, knowledge and behavior they posses.
17. Team incentive is pay out based on the team’s level of performance and performance is evaluated using an objective standard.
   a) Yes  [ ]  b) No  [ ]

18. Gains sharing plans provide a payout when productivity improves due to competence.
   a) Yes  [ ]  b) No  [ ]

19. What do you generally do as a manager?

20. Does payout for performance motivate employees to perform better?
   a) Yes  [ ]  b) No  [ ]

21. Does rewarding managers better than operative employees help in major decision making because they determine the destiny of the organization?
   a) Yes  [ ]  b) No  [ ]

22. Does pay for performance plans attract and retain top performers?
   a) Yes  [ ]  b) No  [ ]

23. Does your reward system help to solve conflicts among employees?
   a) Yes  [ ]  b) No  [ ]

24. Can employees improve their behavior depending on the reward system in place?
   a) Yes  [ ]  b) No  [ ]

25. What should managers do to improve employee performance through reward systems?

Thank you for your cooperation
Dear respondent(s), I am a student of Kampala International University pursuing a, ‘Degree of Bachelor of Human Resource Management’ conducting a study on, “Reward System and Employee Performance in the Organization, A Case Study of National Water and Sewerage Corporation (NWSC) between 2007 and 2009”, in your organization. You are kindly requested for assistance by availing the required information to this study by answering this questionnaire. The results of this study will be treated with at most confidentiality and will be for academic purposes.

Instructions
i) Be precise and concise

Questions
1. What forms of rewards are used by NWSC?
2. What reward system is used in your organization?
3. What rewards systems boost employee performance in your organization?
4. What is the performance of rewarded employees?