

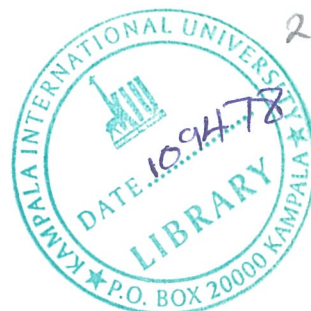
**COMPENSATION SYSTEM AND EMPLOYEE PERFORMANCE
IN PUBLIC SECTOR ORGANISATIONS, ACASE STUDY OF
UGANDA INDUSTRIAL RESEARCH INSTITUTE
(UIRI), KAMPALA-UGANDA**

BY

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**A RESEARCH REPORT SUBMITTED TO THE COLLEGE OF HIGHER
DEGREES AND RESEARCH IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF MASTERS
DEGREE IN HUMAN RESOURCE MANAGEMENT
OF KAMPALA INTERNATIONAL
UNIVERSITY**

NOVEMBER, 2014



DECLARATION

“This thesis is my original work and has not been presented for a degree or any other academic award in any university or institution of learning”.

Sumaherwe Abdul Kader

Name and Signature of Candidate

10th / 11 / 2014

Date

APPROVAL

“I confirm that the work reported in this thesis was carried out by the candidate under my supervision”.

Name and Signature of Supervisor

Dr. Eric Malonga 

10/11/2024

Date

DEDICATION

I dedicate this work to my parents, Mr. and Mrs. Ferry Byarugaba, my husband Atuheire. K. Godfrey, brothers, sisters and my lovely children Vanessa, Vinrick and Valeria

ACKNOWLEDGEMENT

I appreciate the invaluable inputs of several people that have been fundamental to the completion of this work. In particular, special thanks go to my supervisor Eric Mabonga (PhD) for his patience, guidance and significant support during the time of supervision.

In an immeasurable form, I feel obliged to thank my husband Atuheire.K.Godfrey for his love, moral, financial support and encouragement during this research proposal write up. I cannot fail to appreciate the love of my children Atuheirwe K. Vanessa, Atuheire K.Vinrick and Atuheire K.Valeria

In equal terms, thanks go to my students at MTAC who provided me with a platform to practice my skills and who, on often times, challenged me with various questions that helped to improve my knowledge.

Special thanks go to Mr. Nabeeta soteri who guided me and provided me with reading materials during my Masters course.

Special thanks go to my parents Mr. and Mrs. Ferry Byarugaba for taking good care of me from my child hood up to now. I also thank my brothers and sisters for being there for me and a blessing to our parents.

Lastly, I thank God in a very special way for his love, favor, spirit of wisdom and protection. May his name be glorified always!

May God bless you all!

ABSTRACT

The research was carried out in Uganda Industrial Research Institute about the Compensation systems and employee performance. The purpose of the study was to investigate whether there is a relationship between compensation system and employee performance in Uganda Industrial Research Institute. The research objectives were; i) to examine compensation system in Uganda Industrial Research Institute, ii) to determine the level of employee performance in UIRI; iii) to establish the relationship between compensation system and employee performance . The research was guided by a conceptual frame work and supported by motivational theories like Abraham Maslow, Expectancy theory. The methods that were used to collect the data included questionnaires and secondary data. The frequency and distribution tables were used to determine the demographic characteristics of the respondents. To ensure the validity and reliability of the instruments, the researcher employed the expert judgment method. After constructing the questionnaire, the researcher contacted experts in the study area to go through it to ensure that it would measure what it is designed to measure and necessary adjustments was made after consultation and this ensured that the instrument is clear, relevant, specific and logically arranged. The results from the reliability test using SPSS; The researcher made conclusions in terms of strength and weaknesses. For the case of strengths; The level of compensation systems in UIRI was high. Meaning that UIRI's compensation systems can be regarded as good. The employees revealed that the compensation system is high. Rewards of workers are based on employees' skills applied to the organization and also UIRI rewards and recognizes individual efforts and contribution very high. The results therefore the results indicate that rewards among the employees in UIRI are as a result of skills. Skilled employees are rewarded highly than those who are not. Also there are recognitions and rewards for individual contributions towards the growth of UIRI.

TABLE OF CONTENTS

Declaration	ii
Approval	iii
Dedication	iv
Acknowledgement	v
Abstract	vi
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background of the Study	1
1.1.1 Historical Perspective	1
1.1.2 Theoretical Perspective	4
1.1.3 Conceptual Perspective	5
1.1.4 Contextual Perspective	6
1.2 Statement of the Problem	7
1.3 Purpose of the Study	8
1.4 Research objectives	8
1.5 Research Question	8
1.6 Research Hypothesis	8
1.7.1 Geographical scope	9
1.7.2 Content Scope	9
1.7.3 Time Scope	9
1.8 Significance /Justification of the Study	9
CHAPTER TWO	11
Literature review	11
2.1 Introduction	11

2.1.1 Compensation System	11
2.1.3 The relationship between Compensation System and Employee Performance.....	21
2.2 Theoretical Review.....	24
2.2.1 Expectancy Theory	25
2.2.2 Maslow's Hierarchy of Needs Theory	26
2.3 Conceptual Framework	26
 CHAPTER THREE	 33
METHODOLOGY	33
3.0 Introduction	33
3.1 Research Design	33
3.3 Sample Size	34
3.4 Sampling Procedures	35
3.5 Research Instrument	35
3.6 Validity and Reliability of the Instrument.....	36
3.7.1 Before the Administration of the Questionnaires.....	37
3.9 Ethical Considerations.....	38
3.10 Limitations of the Study	39
 CHAPTER FOUR	 40
DATA PRESENTATION, ANALYSIS AND INTERPRETATION	40
4.0 Introduction	40
4.1 Demographic Characteristics of Respondents.....	40
4.2 Compensation system in Uganda industrial research institute.....	42
4.3 Level of employee performance in Uganda industrial research institute	46
4.4 Relationship between Compensation System and Employee Performance in Uganda Industrial Research Institute	51

CHAPTER FIVE

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.....	58
5.0 Introduction	58
5.1 Findings	58
5.2 Conclusions	61
5.3 Recommendations	63
5.4 Areas for further research.....	63
References	64
Appendices	67
Appendix 1A: Transmittal letter.....	67
Appendix 1B: Transmittal letter for respondents.....	68
Appendix II: Clearance from ethics committee.....	69
Appendix III : Informed consent	70
Appendix IV: Research instruments.....	71
Interview Guide for Key Informants	75
Researcher's Curriculum Vitae	76

LIST OF ACRONYMS

ED	:	Executive Director
HR	:	Human Resource
HRM	:	Human Resource Management
MTTI	:	Ministry of Trade Tourism and Industry
RT	:	Research Technician
UIRI	:	Uganda Industrial Research Institute

LIST OF TABLES

Table 4.1: Demographic Characteristics of Respondents.....	41
Table 4.2: Compensation System in Uganda Industrial Research Institute.....	43
Table 4.3: Level of Employee Performance in Uganda Industrial Research Institute	47
Table 4.4: Correlation Analysis between Compensation System and Employee Performance in Uganda Industrial Research Institute.....	51
Table 4.5: Regression Analysis between Compensation System and Employee Performance in Uganda Industrial Research Institute.....	52

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The modern system of workers' compensation is so complex and it produces considerable grief to those who must deal with it on a daily basis. Yet these often cumbersome regulations are so ultimately vital to society they appear, in one form or another, in all industrialized nations. A look at workers' law over the years demonstrates the failure of the historical alternatives to formal workers' compensation systems to meet either the goals of social justice or economic efficiency (Gregory, 1999).

1.1.1 Historical Perspective

The compensation of employees started long before, especially for those workers who used to work for kings in mines. The history of compensation for bodily injury begins shortly after the advent of written history itself (Louis DS, 1990). The Nippur Tablet No. 3191 from ancient Samaria in the Fertile Crescent outlines the law of Ur -3. Nammu, king of the city-state of Ur. It dates to approximately 2050 B.C. (Kramer SN, 1958). The law of Ur provided monetary compensation for specific injury to workers' body parts, including fractures. The code of Hammurabi from 1750 B.C. provided a similar set of rewards for specific injuries and their implied permanent impairments. Ancient Greek, Roman, Arab, and Chinese law provided sets of compensation schedules, with precise payments for the loss of a body part. For example, under ancient Arab law, loss of a

joint of the thumb was worth one-half the value of a finger. The loss of a penis was compensated by the amount of length lost, and the value an ear was based on its surface area (Geerts et al, 1977). All the early compensation schemes consisted of "schedules" such as this: specific injuries determined specific rewards. The concept of "impairment" (the loss of function of a body part) separate from a "disability" (the loss of the ability to perform specific tasks or jobs) had not yet arisen.

The development of English common law in the late Middle Ages and Renaissance provided a legal framework that persisted into the early Industrial Revolution across Europe and America. Three critical principles gradually developed which determined what injuries were compensable. They were generally so restrictive they became known as the "unholy trinity of defenses (Haller 1988).

Contributory negligence: If the worker was in any way responsible for his injury, the doctrine of contributory negligence held the employer was not at fault. Regardless of how hazardous the exposed machinery of the day was any worker who slipped and lost an arm or leg was not entitled to any compensation. This was established in the United States through the case of *Martin v. the Wabash Railroad*, in which a freight conductor fell off his train. Although inspectors subsequently blamed a loose handrail, his injuries did not receive compensation because inspecting the train for faulty equipment was one of his job duties.

The "fellow servant" rule: Under the "fellow servant" rule, employers were not held liable if the worker's injuries resulted in any part from the action or negligence of a

fellow employee. This was established in Britain through the case of *Priestly v. Fowler* in 1837, a case of an injured butcher boy. In America, precedent was provided five years later by *Farnwell*

The assumption of risk: The doctrine of "assumption of risk" was exceptionally far-reaching. It held simply that employees know of the hazards of any particular job when they sign their contracts. Therefore, by agreeing to work in a position they assume any inherent risk it carries. Employers were required to provide such safety measures as were considered appropriate in the industry as a whole. In the nineteenth century, this often left a great deal to be desired. Assumption of risk was often formalized at the beginning of an employee's tenure; many industries required contracts in which workers abdicated their right to sue for injury. These became known as the "worker's right to die," or "death contracts."

While these common law principles were quite restrictive, it was their method of enforcement that proved most cumbersome. An injured worker's only recourse was through the use of torts. In the nineteenth century as in our own, these were exceptionally expensive legal affairs. Most countries required considerable fees simply to file a personal injury lawsuit. These more often than not were beyond the limited means of the injured worker. It was so uncommon for a working man to win compensation for injury that private organizations such as the English "Friendly Societies" and German "Krankenkassen" were formed that offered more affluent laborers the option of buying various kinds of disability insurance (Hadler 1995).

Nevertheless, the worker did occasionally prevail through tort legislation. As the century wore on, this began to happen frequently enough that employers too became uncomfortable with the capricious nature and high cost of battling civil suits

According to Randall (1995), an employee's performance can be evaluated through performance appraisal. he defines performance as a formal, structured way of measuring, evaluating, and influencing an employee's job-related attributes, behavior and outcomes, as well as levels of absenteeism, to discover how productive the employee is and whether he/she can perform as or more effectively in the future, so that the employee and the organization, and society all benefit.

1.1.2 Theoretical Perspective

There are a variety of theories both employee performance and motivation theories. The study reviewed employee performance theory that is Expectancy theory: According to Vroom, Porter and Lawler (1997), the philosophers of expectancy theory argue that the degree of effort an individual exerts depends on his or her own perception of the performance.

Motivation theories that were reviewed in this study include Maslow's Hierarchy of needs (1954) According Maslow's Hierarchy of needs (1954), human needs operate at a number of different levels, from basis physiological needs such as food to higher level needs such as self development and self fulfillment

1.1.3 Conceptual Perspective

The dependent variable of the study is employee performance. According to Qasar and Yaqoob, (2009) employee performance is taken as the building block to an organization with a factor that puts high performance from the staff to be at an upper hand. It can also be defined as the multidimensional aspect aiming at getting good results with a strong linkage to the organization's strategic objectives or goals.

Managing the performance of the employees in a company requires the manager or supervisor to become a coach or trainer rather than being a controller to his subjects. This manager need to be a good planner, and able to make good decisions with an organized focus to the core values of the organization and without observing these elements performance will be hard to manage (Werner, & Randy, 2008).

It should be noted that employee performance is a very important factor in relation to the individual and the organization at large. The employee's performance may decline simply because of the different factors in the environment or at the organization like the structural change of the organization with unclear goals to the employees, procedures for work, coordination and responsibilities (Murphy, & Wilmot, 2010. p.128).. Therefore, basing on this literature the institution may need to have a well and clear working environment and be streamlined to enable employee achieve efficiency and effectiveness at the workplace.

Basing on the above information, it therefore makes compensation very vital for any organization, as it works as a fuel toward achieving goals. Compensation works like motivation. Therefore, compensation affects employee performance.

Compensation is broadly used to refer to remuneration and pay systems designed to retain productive employees in the organization and compensation entails direct compensation that includes salary, cash, and employee bonus and employee benefits. Employee benefits may include retirements benefits, death related benefits, disability benefits, medical allowances. Profit sharing, recognition and fringe benefits are also part of the compensation systems. Fringe benefits may include cars and holiday loan.

1.1.4 Contextual Perspective

The specific study area was Uganda Industrial Research Institute. Uganda Industrial Research Institute is Uganda Government's lead agency for industrialization, established by an Act of Parliament of Uganda under the auspices of the Ministry of Trade Industry and cooperatives (MTIC). It is the country's main vehicle for implementing strategies and measures aimed at transforming industry in Uganda (www.uiri.org).

Despite the industries successes associated with properly administered compensation based on performance, employee compensation in various industries is inadequate to provide the employee benefits like: incentives, allowances based on their performance and evaluation. According to Maslow (1954), the ways of employee

motivation through compensation are often ineffective and are based on discrimination instead of being on merit, thus affecting employee performance.

1.2 Statement of the Problem

Some organizations over the years see employee as additional cost as well as liability to their operations, hence do not remunerate them appropriately, and where it is more appropriate, the compensation is not commensurate with the efforts and skills that workers put into the organization's activities, instead of paying attention on how employees will be compensated appropriately, some organizations concentrate more on other resource, such as materials, machines and money. The effort is more on how to improve the production process with little or no consideration for human efforts. This had led to the inability of such organizations to attain their set objective, organization success relies heavy on how much attention pay to its employees' reward policies. It is in view of this that the study seeks to know how compensation system in organization affects the performance of employees as well as that of the organization in general.

The initial perception fails to take into account the fact that even when public enterprises appear to have wider range of compensatory systems; employee performance in such organizations has not necessarily matched with the existing provisions (Killefer & Mendoca, 2006). This has not spared UIRI, a public organization whose general performance has not met the expected standards. Therefore the purpose of this research is mainly to investigate the relationship between compensation system and employee performance in Uganda Industrial Research Institution.

1.3 Purpose of the Study

The purpose of the study was to investigate whether there is a relationship between compensation system and employee performance in Uganda Industrial Research Institute

1.4 Research objectives

1. To examine compensation system in Uganda Industrial Research Institute.
2. To determine the level employee performance in Uganda Industrial Research Institute.
3. To examine whether there is a relationship between compensation system and employee performance in Uganda Industrial Research Institute.

1.5 Research Question

1. What are compensation systems in Uganda Industrial Research Institute?
2. What is the level employee performance in Uganda Industrial Research Institute?
3. Is there a relationship between compensation system and employee performance in Uganda Industrial Research Institute?

1.6 Research Hypothesis

H0: There is no relationship between compensation system and employee performance in Uganda Industrial Research Institute.

1.7 Scope of the Study

1.7.1 Geographical scope

The study was conducted in Kampala district with Uganda Industrial Research Institute (UIRI). The area was selected for the study because the researcher thought it would provide enough data required for the study.

1.7.2 Content Scope

This study essentially addressed the different compensation policies like salaries, Benefits, incentives in Uganda Industrial Research institute, the effects/impact of compensation system on employee's performance and other factors affecting employee performance other than compensation system for example employee relations, political factors, and employee recognition among others.

1.7.3 Time Scope

The study covered the period of May 2013– November 2014. Within the anticipated time, the researcher will be able to complete proposal writing, data collection and analysis. This period is selected because it will provide enough data required for the study.

1.8 Significance /Justification of the Study

The research study will be significant to different stake holders; to Uganda Industrial Research Institute, the study will be useful by providing data and information regarding

their employee performance and possible strategies that can be used to improve their performance.

The study will be significant to the policy makers seeking to draft policies in regard to compensation and other employee performance. These may include government, donors and the general community.

The other purpose is to be submitted in partial fulfillment of the requirements for the award of the master degree of Human Resource Management of Kampala International University.

The study will be important to other researchers seeking to make research in a similar field. The study will identify gaps and recommended areas for further discussion.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter tackles the review of literature related to Compensation schemes for example benefits, salary, incentive and allowance, employee performance

2.1.1 Compensation System

Compensation can be defined as all of the rewards earned by employees in return for their labour. This includes: Direct financial compensation consisting of pay received in the form of wages, salaries, bonuses and commissions provided at regular and consistent intervals. Indirect financial compensation including all financial rewards that are not included in direct compensation and can be understood to form part of the social contract between the employer and employee such as benefits, leaves, retirement plans, education, and employee services. Non-financial compensation refers to topics such as career development and advancement opportunities, opportunities for recognition, as well as work environment and conditions. Remuneration can be defined as the financial and non-financial extrinsic or intrinsic rewards provided by an employer for the time, skills and effort made by employees in fulfilling job requirements aimed at achieving business objectives (Dowling *et al* 2011 and Swanepoel *et al* 1998).

Armstrong and Murlis (2004), defined reward management as “the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organization”. Armstrong and Murlis (2004) advocate a total or holistic reward approach by using multiple reward strategies such as “self management, self-awareness, social awareness and relationship. The single most important obligation owned by him or her wages and the fulfillment of the duty involves most employers in the biggest expense of their business. Typically wages, salaries and related costs it pensions make up about 60%of the total costs of an organization (Cole, 2002). Employers, therefore have more than a passing interest in this aspect of their operations.

Employee compensation schemes include benefits, salary, incentives, allowance and bonus payments that are used to recompense workers for their services in accordance with their performance and as a means of motivating them towards achieving organizational goals, (Adams, 2001).

In most organizations there is need to balance, often significant, labor costs against the need to pay competitive rates. A well-designed compensation scheme may be used to motivate employees towards achieving more ambitious goals and play a vital role in attracting and retaining top talent within an organization and improve on performance.

Adam (2008) argues that employers must seek to reward employees through a combination of monetary and non-monetary benefits and thereby tap into cooperative strength of workers to create an enthusiastic and satisfied workplace.

Compensation is not all about financial rewards; it includes financial and non-financial rewards that companies give their staff in exchange for their handwork (Jefferson 2001). Jefferson adds that the purpose of compensation systems is to attract and retain good staff work and help the organization to achieve the goal.

Benefits: Benefits are the things of value other than compensation the organization provide to its workers. The average organization spends an amount equal to more than one-third of its cash payroll on employee benefits.

Salary: A salary system can be considered as a mechanism by which an organization plans how to attract, retain and motivate its salaried employee's i.e those who are paid monthly under the terms of an annual rate of pay it includes employee benefits which were once associated with salaried staff, but which are now being applied to all grades of employee (Cole, 2002).

Incentives: White (1991) considers incentives as a mode of compensation. He adds that talented people want to work for organization that recognizes their value and which

provide opportunities to move ahead. Consultant, (Howard 2007) argues that there is a global trend to adopt pay performance policies.

Pay Systems: Pay systems are not devised in an ideal world where every external factor in the organization's interest. On the contrary, payment systems in particular are to major influence from external forces .The external influences combines with internal issues as productivity, produce a complex background against which to construct an effective pay system,(Cole 2002).

2.1.2: The concept of Employee Performance

Employee Performance

John B. Miner, Timothy M and Vincent P. luck singer (1985), defined employee performance as the amount and the qualities of work output and effects on the work of others and changes in performance level. He looks at the important points as (1) performance is multi-faceted so that people can do well in one area and not in another (2) performance is typically a composite result of a number of forces within and outside the individual, (3) changes in either individual characteristics or relevant outside forces may bring about a change in performance.

Betty Ream (1984), an employee is that worker with a contract of service, have a variety of rights which are not extended to independent contractors and others working on their own account, namely those having a contract for service. Employee performance can be evaluated by use of performance appraisals. this is process carried

out during which the progress, performance, results and sometimes personality of an employee are reviewed and assessed by his/her immediate supervisor and in many instances by other senior managers.

According to Randall (1995), an employee's performance can be evaluated through performance appraisal. he defines performance as a formal, structured way of measuring, evaluating, and influencing an employee's job-related attributes, behavior and outcomes, as well as levels of absenteeism, to discover how productive the employee is and whether he/she can perform as or more effectively in the future, so that the employee and the organization, and society all benefit.

There are three major steps in the performance appraisal process: identification, measurement, and management. With identification, the behaviors necessary for successful performance are determined. Measurement involves choosing the appropriate instrument for appraisal and assessing performance. Management, which is the ultimate goal, is the reinforcing of good performance and the correction of poor performance Lawrence S. Klaiman & Marcia J. Simmering.

Randall (1995) uses the term performance appraisal system (PAS) to account for all factors that affect formal, structures system of measuring and evaluating performance. In essence, the PAS requires the organization to: Conduct a job analysis to identify job duties and responsibilities for which criteria need to be developed, Choose an appropriate and valid performance appraisal method to assess job behaviors or

outcomes, Develop a process for conveying job expectations to employees prior to the appraisal period, establish feedback system relating to job performance, evaluate how well the PAS is doing in relation to its stated objectives and make necessary revision.

Dale S. Beach (1980) says that performance appraisal is the systematic evaluation of individual with respect to their performance on the job and their potential for development. The main purpose of performance appraisal is to measure employee performance; A standard or yardstick with which to judge employee performance and therefore, provides information upon which promotion and salary decision can be made.

- a) A careful measuring of performance and to determine whether an employee is in an organization where proper use is being made of that person's skill and talents.
- b) To provide an opportunity for you the manager and your subordinates who are employees to sit down and review the subordinate's work-related behavior. Most people need and want some feedback covering their performance (especially when it's favorable) and the appraisal provides this feedback.
- c) It provides an evaluative way of improving on the employee performance by (a) motivation which is the end result of an effective evaluation, (b) compensation which determines appropriate pay for performance and equitable salary and bonus incentives based on merit or results, (c) performance measurements which establish the relative value of an individual contribution to the organization and thus provides information that can be used in decisions on layoffs, terminations and promotions.

d) Finally, to help create a more effective organization where staffs/employee not only know what jobs they have to do, but also the reasons for doing the jobs and how good they fully aware of what their staff are supposed to be doing and how they actually performing.

e) The last purpose of performance appraisal is development. This can be through (a) management development which identifies and prepares individuals for increased responsibilities and this provides a frame work for futures employee development, (b) identification of potential, which identifies candidates for promotion, (c feedback, which informs employees of the organization's standards and how their performance measures up David Evans (1999), Randall S. Schuler (1995).

Employee Performance Evaluation Methods:

Nonetheless, employee performance evaluation is necessary for developing and implementing improvement plans for achieving long term profits. Inevitably, performance evaluation helps organization performance which is very significant in employee performance evaluation (Kundan, 2010). How to evaluate employee performance' is a question that concerns many managers and recruiters in the organizations. There are various methods of performance evaluation and these include;

Ranking

In the ranking method, employee performance is analyzed by ranking employees from worst performers to best performers. Based on the performance, employee graphs are drawn and top performers are always on the top of chart, while worst performers are

down the graph. This method is generally regarded negative as worst performers may feel demotivated to work. Besides that, rivalry among employees may trigger negative work environment and sometimes cause unhealthy competition.

Rating

In this method, employees are rated based on their traits that may include attitude towards work, punctuality, quantity and quality of work and team participation. The objective of this evaluation method is to foster employee motivation. One disadvantage of this employee performance evaluation criterion is that there is no well defined evaluation scale for every trait and it may differ from one person to other.

Objective

This is by far, one of the most transparent and objective based employee performance evaluating methods. In this method, employees have to submit frequent reports about their targets. The employer sets specific targets for every employee and achieving or exceeding those targets is counted as a measure of performance. This method is popularly known as Management by Objectives (MBO). In this method, sometimes it may happen that in the quest to outperform another employee, a non cooperative work environment may be created in the work place. However, being objective oriented, this method certainly works better than others.

Multi-source feedback

Multi-source feedback is an interesting employee performance evaluating method as in this process; the Human Resource managers and employees give written feedback about the performance of an employee. Either they are asked to write a page or two defining the qualities and work of the employee or they are given certain options to evaluate the employee performance. This way of feedback is generally quite insightful for the management team as sometime.

Dennis Hartman (2010), many different types of organization's employee performance evaluation as means of monitoring and evaluation employee performance and growth often managers participate in the process, rating their staff in a variety of areas and discussing the results with the employee to encourage growth in certain fields.

Evaluation System

One of the most fundamental requirements for performance evaluations is a structured and consistent performance evaluation system. If part of the goal of performance evaluations is to monitor the progress of individual workers, then the system must be the same from year to year. At the same time, different supervisors in different departments must be able to evaluate employees on a level playing field, especially if those employees will be competing for the same jobs and promotions in the future. Managers must construct a performance evaluation system that addresses the needs of the organization and asks pertinent questions about the employees' achievement and goals.

Time

Performance evaluations take time. In some cases, supervisors ask workers to fill out their own evaluations, and then use the information as a guide for a more thorough examination. This takes time away from other tasks, especially in the case of lengthy performance evaluations with many in-depth questions. Supervisors also spend a great deal of time applying scores. Having performance evaluations recorded and archived also requires time and energy from the human resources department.

Objectivity

Objectivity is essential for performance evaluations to give a fair and accurate picture of employee value. While it may be easy, and perhaps desirable, for workers to give themselves glowing reviews, this will be less useful in charting progress or identifying areas that need improvement. At the same time, supervisors who have personal relationships with employees may have a hard time remaining objective when comparing that person's skills to those of another, less well-known worker.

Follow-Up

Performance evaluations also require a follow-up process, which may be a simple meeting between the supervisor and the employee. This is a time to discuss the performance evaluation and also to compare the score to that from an earlier evaluation period, looking for trends that signify growth or continued struggles. Without the

follow-up meeting, performance evaluations only offer a small portion of their potential benefits.

2.1.3 The relationship between Compensation System and Employee Performance

Compensation practices are positively related with retaining & enhancing the skilled employees that are considered assets of an organization. (Mondy and Noe, 1993) has divided compensation in two types' financial compensation & non-financial compensation. Financial compensation is further divided into direct and indirect financial compensation. Direct compensation includes bounce, good salary packages, profits & commission indirect financial compensation are all those benefits that are not covered by direct financial compensation. Non-financial compensation consists of responsibilities, opportunities, recognition promotion, vacations, work place environment, sound policies, insurance, medical, retirement etc. All these compensations affect the performances of the employees in different manners.

Armstrong (1999), argued about the non-financial compensation which should be any reward that should focus on the needs of people which can be different such as level of attainment, respect, task, control and individual improvements. According to Sherman (1996), cited in Prasetya & Kato, the general purposes of the compensation policy covers respecting employee's performance, maintaining a competitive labor market conditions, maintain justice employee salaries, motivating employee performance& Reduce employee turnover.

Monday et al (1987), argued about the job improvement of employees and said that employees receive good benefits for meaningful jobs. These are the true and natural returns but it must be a part of non-financial compensation such as jobs contains different dimensions motivation, improvements in work, skills and good feedback which results in the shape of rewards. All above the data gathered is by the descriptive method. It includes qualitative information and quantitative information as well. It is stated in research study by Bashir& Khattak, (2008) that if we review the relevant literature we will find that no appropriate researches are there on Pakistan. This developing country requires much more focus on different HR practices. Implementation of compensation activities requires a comprehensive review. On the basis of above given literature it is evident that employee compensation has some positive impact on the employee's employment pleasure and organizational loyalty. Organizations that have better compensation management system put a very positive impact on their employees.

Shahzad (2008) had concluded in their research using methodologies of questionnaire, participants, procedure and statistical methods that compensation activities have positive and direct impact on employees performance of the educational institutes and because of this higher education commission have announced an attractive salary packages for the teachers in universities of Pakistan.

Singh (2004), after his wide observation in cultural environment argued that compensation is a behavior aligning mechanism of employees with the business strategy

of a firm. Organizations which are interested in their growth through employee's participation must pay attention on compensation practices (Marwat et al).

Wright et al (2003), cited in Ramay & Bilal argued that if proper performance management is in place and is supported by compensation system then employees will exert discretionary efforts. Although compensation contribution in effecting employees' performances is low in banking sector of Pakistan but suggested in their studies after research that the factor of compensation should be taken into account in order to increase the employees working efficiency. Individual incentive plan pay off for individual performances. These plans have been the biggest trend in compensation administration in the United States. Popular approaches included merit pay, piecework plans, time-saving bonuses, and commissions (Performance management key strategies and practical guidelines 3rd edition).

Robbins (2001), stated that when employees feel that their efforts are appreciated and the company introduced a system of fair compensation and satisfaction, the company has optimized the motivation. By encouraging employee's motivation to work there will be increased employee performance. Compensation benefits the employees in such way that they become satisfied from their job, get motivated, it result in low absenteeism & low turnover (hub page).compensation system increase the loyalty of employees, they feel piece of mind and their self-confidence increases In an organization

there should be more than financial reward given to employees in order to motivate them.

Financial rewards most times is said to favor in short-term while non-financial reward favor long term goals. On- financial rewards provide significant levels of employee satisfaction at little or no cost and the least costly non-financial reward is “Thank You”. It has been noticed that most employees do not thank their employees enough for their efforts. Such non- financial rewards or compensation motivate employees and increase their performance (essay).

Compensation practices effect the faculty’s job satisfaction and thus influence the intentions to leave or retain. Higher compensation leads to higher job satisfaction and retention rate. Enhanced reward system in organizations also enhances the satisfaction level (Boyt et al,2000 cited in Nawab & Bhatti,2011).It was suggested to management of the universities in Pakistan after conducting research through mixed techniques (hypothesis, observations) Employees job satisfaction and their organizational commitment can be effected by compensation management.

2.2 Theoretical Review

An understanding of motivation can help managers increase performance. Employees generally fall into types: self motivated and those that require external motivation to stay motivated. Self motivated employees tend to exhibit good performance even if they are never provided with much external motivation but their

performance increases still more if they are provided with that motivation certainly improve on performance when skillfully motivated. Under this, the researcher reviews different theories that relate to the variables under study.

2.2.1 Expectancy Theory

According to Vroom, Porter and Lawler (1997), the philosophers of expectancy theory argue that the degree of effort an individual exerts depends on his or her own perception of the performance. If individuals are not nor given the data necessary to make the perceived probability of these linkages communication will suffer. If rewards are not made clear, if the criteria for determining and measuring performance are ambitious it will lead to unsatisfactory performance, then effort will be reduced. So, communication plays significant role in determining the level of employee performance.

This theory is about mental processes regarding choice. It explains the mental processes that an individual undergoes to make choices and predicts that employees in an organization will be motivated when they believe that putting in more effort will yield better job performance, better job performance will lead to organizational rewards such as increase in salary or benefits. This therefore was first proposed by Victor Vroom and emphasizes the need for organizations to relate rewards directly to performance to ensure that the rewards provided are those rewards deserved and wanted by the recipient.

2.2.2 Maslow's Hierarchy of Needs Theory

According Maslow's Hierarchy of needs (1954), human needs operate at a number of different levels, from basis physiological needs such as food to higher level needs such as self development and self fulfillment. Maslow's general argument was that other things being equal, people tend to satisfy their lowest level of felt need before moving on to higher level needs. Maslow argued that people are motivated to satisfy five needs.

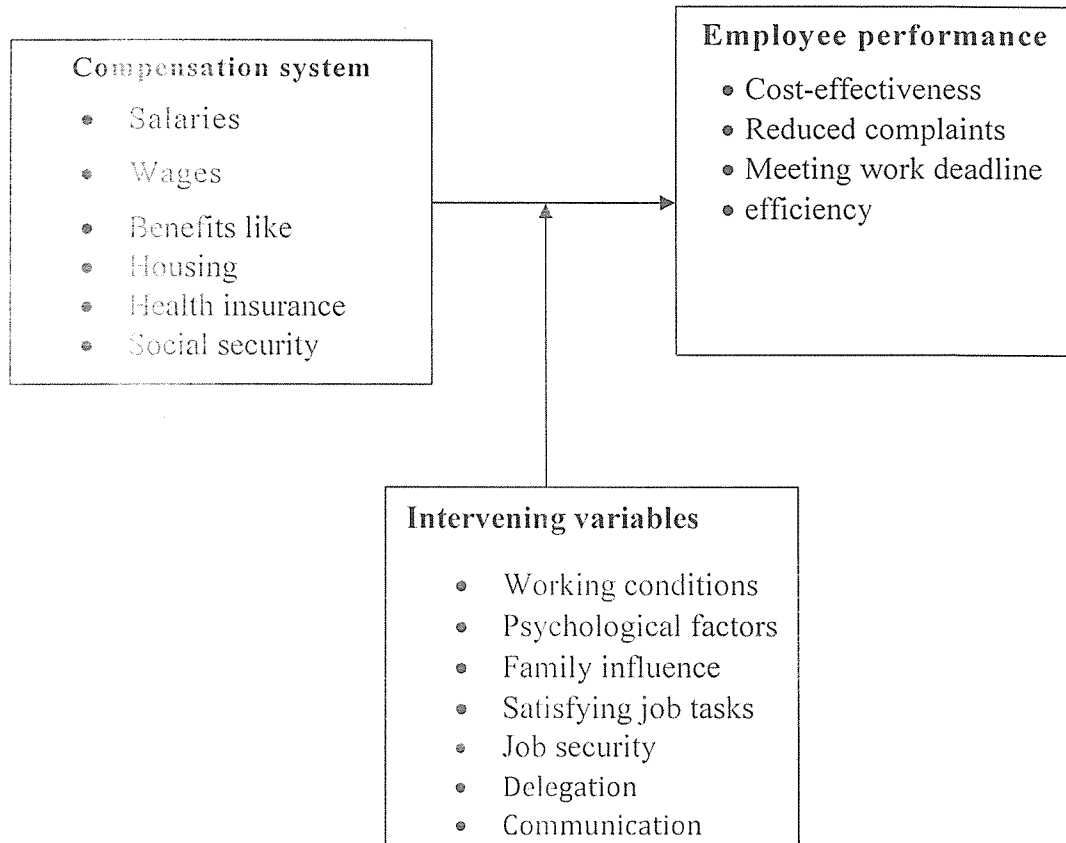
Maslow argued that some people appear to be content with lower level needs, but only until these are satisfied; they would then strive for the next level (Maslow 1943). Since the theory was first presented in 1943, there has been much debate by many scholars on the five categories as suggested by Maslow, the stated order of the five step model, and how some step seems to interact more or overlap with others (Cronje *et al* 2001; Dresang 2009; Marne wick 2011; Rabin *et al* 1985).

The researcher notes that despite the criticisms, Maslow's model has had a considerable impact on the study of motivation in general and in particular as regards employee performance that relates to this research.

2.3 Conceptual Framework

The study was guided by a conceptual framework. It is anticipated that by having a clear compensation system in place, employees will be motivated and ultimately satisfied with their jobs, leading to employee performance

Figure 2: Conceptual Framework



Source: Developed by the Researcher (2014).

Compensation systems motivate workers and lead to employee performance. Employee performance can be observed through reduced complaints, meeting work deadlines, reduced absenteeism and client satisfaction. Despite the above there are other intervening factors that can influence employee performance;

Working conditions refer to the working environment and to the non –pay aspects of an employee's terms and conditions of employment and it covers the organization of work and work activities; training skills, health ,safety and wellbeing ,working time and work-life balance. All this is put in place and intended to reduce stress and increase performance.

Job security is an assurance of maintaining employment even when in spite of eliminating circumstances. It can be difficult to attain, however and a lack of job security can affect everything from job performance to one's death. When employees are sure of their job security they get motivated and put in more than to achieve organizational goals but also work towards maintaining that job security.

Delegation means the assignment of work to others and conferring them the separate authority to accomplish the work assigned. It enables the managers to distribute their load of work to others and concentrate on important functions which they can perform better because of their capability and position in the organization. Delegation motivates employees and as a result than performance is enhanced, (Saakshi 2008).

Communication is the conveying of information from one person to another or it's a two way exchange of ideas and information that leads to a common understanding. Management functions cannot be performed efficiently without effective communication network in the organization. It's only through the process of communication that the manager establishes interpersonal relationships with subordinates as to get the things

done by them (N.C Jain Saakshi, 2008).In return effective communication enhances their performance.

Cole (2002) argues that keeping employees informed about general matters affecting their work-role contributes to increased understanding of management's actions, reduces misunderstandings arising from day to day activities and improves trust between employers and employees. Thus, an organization should acknowledge the supreme importance of formal accommodation channels, and ensure that adequate mechanisms exist to stimulate and channel the exchange of information, suggestions, feelings and space between management and employees.

Employee recognition is a communication tool that reinforces and rewards the most important outcomes people create. When you recognize people effectively, you reinforce the action and behaviors you must want to see people repeat. And the effective employee recognition system can be observed through a thank you, giving praise providing opportunity, showing respect or a handwritten note by the supervisor. Recognition is most effective when it takes place on a regular time. Many studies on the work place have shown that being recognized for achievements, knowing that one's contributions matter to the organization and the opportunity for growth and professional development have a considerable impact on employee satisfaction, commitment and performance.

2.4 Related Studies

Different studies are available that show positive relationship between compensation and employees performance (Gneezy & Rustichini 2000; Gardner et al 2004; Teseema & Soetens, 2006). Providing respectful compensation to the employees of an organization has soothing effect of both organization and employees performance Jamil and Sarfaraz (2011). In their research it was significantly hypothesized that compensation practices are positively associated with performance of the employees in public as well as private sector in Pakistan. Opkara, (2004) and Samad, (2007) conducted the studies in which they concluded that if labor force is happy with their job as well as the organizational setting including its age group, compensation, and control they will be more loyal with the devoted with their organization as compared to when they are not happy. The importance of these two areas cannot be ignored because they are the key factors that power employee's return, employee's performance, and their productivity. Satisfied and committed workforce is regularly a supplier and player towards attractive organizational productivity.

Nawab and Bhatti (2011), in their research attention was also drawn on the role of each component of financial & non-financial reward toward organizational commitment, which they can implement and increase their practices to maximize the employees contribution and production. They also revealed in their research study that educational setups in Pakistan normally focus on increasing the productivity without paying attention toward compensation and its significance.

After highlighting the drawback they suggested to concentrate over different compensation plans to increase or decrease the size of both financial and non-financial rewards to achieve the desired result from workforce. Strong evidences in literature are available about the positive and significant relationship of compensation & reward with the employee behavior & organization performance (Chiu et al., 2002 cited in khan, 2010). In research on oil & gas industry of Pakistan (khan 2010) in empirical studies concluded that in five HRM practices compensation is also one that has visible impact on employee performances.

A research on the effect of extrinsic intrinsic compensation of employee's performance was conducted in national bank of Pakistan taking as a special case. Initial data was collected by surveys & near 50 bank employees were interviewed. After finding results from regression it was concluded from the research that all of the extrinsic & intrinsic compensations used in NBP had positive relationship with employees' motivation & performance, (Tahir et al; 2011).

Caruth and Handlogten (2001), explained: "Employees are encouraged when they are financially rewarded directly fasten to their performance". From famous study of HR practices, it was proved that compensation practices can affect directly or indirectly on the performance of employees and also affect the motivation level of the employees (Husolid, 1995). It was concluded in research paper of (Bowraetal; 2012) by (Teseema & Soeters ,2006) that positive correlation exist between employees performance and compensation practices.

A research was conducted about the impact of HR practices on employee perceived performance by Bowra et al; (2012) in Pakistan on banking sector. For the collection of data random sampling technique was used and 3 public & 19 private banks were selected. The collections of data from the sample banks were done in a research survey through a personally administered questionnaire. After testing different hypothesis, all the hypothesis were accepted. All the HR practices (compensation, promotion & performance evaluation) and employee perceived performance has positive and significant relationship in this study.

Different researches have carried out on these variables but most of them were carried outside Uganda. So there is a geographical gap that the researcher wants to bridge. Though Samantha (2010), carried out her research in Uganda, the case study did not focus on research institutions; the research was carried out in Uganda Electoral commission. It is therefore under this base that the researcher is set to carry out this study

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This section tackles the methods that were used in conducting the study. This include Research design, research population, sample size, sampling procedure, research instrument and validity and reliability of the instrument data gathering procedures, data analysis, ethical considerations and limitations of the study.

3.1 Research Design

The study adopted both qualitative and quantitative research design. Bailey (1994), notes that descriptive studies attempt to describe phenomena in detail while qualitative attributes have labels or names rather than numbers assigned to their respective categories. Therefore, the researcher opted for this research design in order to describe the level of compensation system and the level employee performance. Correlation analysis and inferential statistical analysis were used to explain the relationship between compensation system and employee performance and also test the hypothesis of this research. This design helped the researcher in obtaining enriched views and opinions of respondents regarding the study variables.

3.2 Study Population

The study targeted a total of 321 employee of UIRI. These included employees from Uganda industrial Research Institute from diverse backgrounds. It involved Top level management 51 respondents; middle level (135)respondents then lower level management (135) respondents'.All these helped the researcher to generate critical data important for the study.

3.3 Sample Size

The sample size was selected using both probability and non sampling techniques as stated above. The sample size of 178 respondents was taken as shown in the table below using Sloven's formula.

$$n = \frac{N}{1+N(e^2)}$$

$$n = \frac{321}{1+321(0.05^2)}$$

$n = 178$ Where N = is the population size, n = is the sample size, e = is the level of significance (0.05).

Table 3.1: Population and sample size of the Study

Respondents	Target Population	Sample size
Top level management	51	28
Middle and Lower level	270	150
Grand Total	321	178

Source: Human Resource Manager (2014)

3.4 Sampling Procedures

Purposive sampling technique was used to select the sample in top management, and middle level management since these are just a few. Simple random sampling was used to select the sample from other employees under lower level management because these are very many people and it's hard to involve all of them in the study

3.5 Research Instrument

The questionnaire was developed for the research on both variables. Closed ended questions were used. It was based on a four Likert scale ranging from 1-4, with 1 being *strongly disagree*, and 4 being *strongly agree*. Questionnaires were used because they allow the researcher to find out information such as facts, attitudes and opinions. Questionnaires are less time consuming than interviews and can easily be kept anonymous. The questionnaire was developed considering compensation systems and



Performance of Employees. The items were developed so as to facilitate in analysis and finding relationships between these variables. To supplement on the above method, the researcher also used interviews to gather data from respondents by the help of an interview guide.

3.6 Validity and Reliability of the Instrument

To ensure the validity and reliability of the instruments, the researcher employed the expert judgment method. After constructing the questionnaire, the researcher contacted experts in the study area to go through it to ensure that it would measure what it was designed to measure and necessary adjustments was made after consultation and this ensured that the instrument is clear, relevant, specific and logically arranged. The reliability of the instrument was tested by the use of Cranach's Alpha. The results from the reliability test using SPSS are shown in table 3.2 below.

Table 3.2: Reliability Statistics

Cronbach's Alpha	No of Items
0.675	23

Source: Primary Data (2014)

3.7 Data Gathering Procedures

3.71 Before the Administration of the Questionnaires

1. An introduction letter was obtained by the researcher from the College of higher degrees and research evaluations at Kampala International University, requesting the HR Administrator of the institution to allow the researcher to collect data from the institutions.
2. On approval, the researcher secured a list of the targeted respondents from the institution to arrive at the minimum sample size.
3. The respondents were briefed about the study and requested to sign the informed consent form.
4. More than enough questionnaires were produced for distribution to the respondents.

3.72 During the Administration of the Questionnaires

1. The respondents were requested to answer all the questions to the best of their abilities.
2. The researcher and research assistants emphasized retrieval of the questionnaires within five days from the date of distribution.
3. On retrieval, all returned questionnaires were checked to ensure that all were answered.

3.73 After the Administration of The Questionnaire

1. The data gathered was coded and input in a computer for statistical analysis.

3.8 Data Analysis

Frequency and percentage distribution were used to determine the demographic characteristics of the respondents. Mean item analysis were used to evaluate the compensation systems and the level of employee performance in UIRI based on indicators of strengths and weaknesses. From these recommendations to the study will be formulated.

A correlation and regression analysis was carried out to test the hypothesis on relationship between compensation systems and employee performance (H_0) at 0.05 level of significance. Also, bivariate regression analysis was carried out to test the strength of relationship between these variables as well.

3.9 Ethical Considerations

To ensure confidentiality of the information provided by the respondents and to ascertain the practice of ethics in the study, the following activities were implemented by the researcher.

1. The respondents were coded instead of reflecting the names through a written request to the concerned officials of the selected organization (UIRI) in order to access data from them.

2. The researcher requested the respondents to sign the informed consent form (appendix). Specifically, participants were informed about the aim and nature of the research
3. The researcher acknowledged the authors quoted in the study through citations and referencing.
4. Findings to the study were presented in a generalized manner to enhance privacy and confidentiality.

3.10 Limitations of the Study

In view of the following threats to validity, the researcher claimed an allowable 5% margin of error. Mitigating measures were taken to minimize if not to eradicate threats to validity of findings of the study as shown below;

1. **Extraneous variables** which would be beyond the researchers control such as respondents honesty, personal biases and uncontrolled setting of the study.
2. **Instrumentation:** The research instruments on resource availability and utilization are not standardized. Therefore a validity and reliability test was done to produce credible measurements of the research variables.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

In this chapter, the researcher presents the data in terms of tables, analyses and does the interpretation, following objectives of the study. The researcher presents the demographic profile of respondents in terms of frequencies and percentages, level of compensation system in Uganda Industrial Research Institute and level of employee performance in Uganda Industrial Research Institute in terms of means and ranks and examines whether there is a relationship between compensation system and employee performance in Uganda Industrial Research Institute by applying correlation and regression analysis. The data presentation, analysis and interpretation follows;

4.1 Demographic Characteristics of Respondents

Here, the researcher presents the demographic characteristics of respondents in terms of gender, age, marital status, education level, years of experience and job position of respondents. The results in terms of frequencies and percentages are shown in table 4.1 below;

Table 4.1: Demographic Characteristics of Respondents

Demography	Category	Frequency	Percent
Gender	Male	132	74
	Female	46	26
	Total	178	100
Age	20 – 39	94	53
	40 – 59	78	44
	60 +	6	3
	Total	178	100
Marital status	Single	36	20
	Married	130	73
	Divorced	12	7
	Total	178	100
Education level	Certificate	18	30
	Diploma	52	29
	Undergraduate degree	55	31
	Post graduate degree	53	10
	Total	178	100
Years of experience	One to three years	27	15
	Three to five years	32	18
	More than five	119	67
	Total	178	100
Job employment position	Operations	139	78
	Administration	25	14
	Finance	14	8
	Total	178	100

Source: Primary Data (2014)

Results in table 4.1 show that, in terms of gender, most of the respondents are male 132 (74%) and female are 46 (26%). The results therefore indicated that there was some imbalance in terms of sex among the respondents in this research. In terms of age, most of the respondents were in the age bracket of 20 – 39 with 94 (53%), followed by those

in the range of 40 to 59 with 76 (44%) and the least in terms of age of respondents were those of 60 and above with 6 (3%).

In terms of marital status, most of the respondents were married with 130 (73%), followed by those who were single with 36 (20%) and the least were those who were divorced with 12 (7.0%). In terms of education level, most of the respondents had undergraduate degrees with 55 (31%) of the total respondents, followed by those with post graduate degrees with 53 (30%) of the respondents. Those with diplomas were 52 (29%) and those with certificates were the least with 18 (10%) of the total respondents.

In terms of years of experience, 119 (67%) had the experience of more than five years. This implies that the information given in this researcher can therefore be justified as true since most of the respondents had enough experience to give the right information. Of the remaining respondents, 32 (18%) of the respondents had the experience of three to five years and the least were those with experience of one to three years with 27 (15%). In terms of job position of respondents, most of the respondents were in operations with 139 (78%), administrators were 25 (14%) and the least were 14 (8%).

4.2 Compensation system in Uganda industrial research institute

The first objective of the study was to examine compensation system in Uganda Industrial Research Institute of which the researcher wanted to find its level. Respondents were asked questions in which they were asked to rate them on a four

Likert scale with 1 = strongly disagree, 2 = disagree, 3 = agree and 4 = strongly agree.

The mean responses were ranked and the results are revealed in the table 4.2 below.

Table 4.2: Compensation System in Uganda Industrial Research Institute

Items	Mean	Std. D.	Rank	Interpretation
Reward of workers is based on their skills applied to the organization	3.58	.572	1	Very High
UIRI rewards and recognizes individual efforts and contribution	3.58	.496	1	Very High
Salary and wage scale is based on one's position in the organization	3.57	.556	3	Very High
UIRI provides health insurance that encourages staff to perform	3.53	.577	4	Very High
Uganda industrial research institute (UIRI) compensation policy is regularly revised	3.52	.594	5	Very High
Fringe benefits are based on the criteria followed in the organization	3.25	.809	6	High
We normally get incentives for the good work done	2.62	1.052	7	High
UIRI's compensation system is based on performance	2.31	1.022	8	Low
UIRI's compensation system is based on the nature of the job	2.29	1.028	9	Low
UIRI's compensation system is based on qualifications and skills	2.03	.893	10	Low
Overall Mean	3.028			High

Source: Primary Data (2014)

Mean Range	Response	Interpretation
3.26-4.00	Strongly agree	Very high
2.51-3.25	Agree	High
1.76-2.50	Disagree	Low
1.00-1.75	Strongly disagree	Very Low

Results in table 4.2 above shows the mean responses ranked from the highest to the lowest in measuring the compensation systems in UIRI. The results indicate that, concerning whether reward of workers is based on their skills applied to the organization and whether UIRI rewards and recognizes individual efforts and contribution, these were ranked the highest with (mean = 3.58) interpreted as very high. The results therefore indicate that rewards among the employees in UIRI are as a result of skills. Skilled employees are rewarded highly than those who are not. Also there are recognitions and rewards for individual contributions towards the growth of UIRI.

Also, the results revealed that the salary scales are based on one's position in the organization, this was ranked third with (mean = 3.57) interpreted as very high. There is no equal scale as different positions have different responsibilities thus requiring different skills, level of education, mental work and techniques. The results indicate that employees in different positions are rewarded differently. In terms of whether UIRI has offers health insurance, this was ranked 4th with (mean = 3.53) interpreted as very high. Providing health insurance to staff motivates them and this increases productivity of employees. Therefore, having a better insurance policy will increase the human resource productivity at UIRI.

Concerning whether Uganda industrial research institute (UIRI) compensation policy is regularly revised, this was ranked 5th with (mean = 3.52) interpreted as very high. This

means that UIRI continually revises the compensation policy to suit the changing demands of the society thus encouraging employees to continually serve in different positions they are employed. In terms of whether fringe benefits are based on the criteria followed in the organization, this was ranked 6th with (mean = 3.25) interpreted as high. The respondents revealed that benefits are based on the compensation policy of UIRI.

In terms of whether employees normally get incentives for the good work done, this was ranked 7th with (mean = 2.62) interpreted as high. Employees revealed that, incentives like bonuses are given to workers based on performances. In terms of whether UIRI's compensation system is based on performance, this was ranked 8th with (mean = 2.31) interpreted as low. Though it seems contradictory, the employees contended that, compensation system is not based performance.

Concerning whether UIRI's compensation system is based on the nature of the job, this was ranked 9th with (mean = 2.29) interpreted as low. This means that the compensation is not based on the nature of job, but rather other factors. The last ranked item was about whether UIRI's compensation system is based on qualifications and skills, with (mean = 2.03) interpreted as low. The employees revealed that compensation is not based on skills and qualifications either.

Generally, the overall level of compensation systems in UIRI was high with (mean = 3.028). This means that UIRI compensation systems can be regarded as good. The employees revealed that the compensation system is high. The overall highest ranked items were concerned with whether reward of workers is based on their skills applied to the organization and whether UIRI rewards and recognizes individual efforts and contribution, these were ranked the highest with (mean = 3.58) interpreted as very high. The results therefore indicate that rewards among the employees in UIRI are as a result of skills. Skilled employees are rewarded highly than those who are not. Also there are recognitions and rewards for individual contributions towards the growth of UIRI. The overall ranked item was concerned with whether UIRI's compensation system is based on performance, this was ranked 8th with (mean = 2.31) interpreted as low. Though it seems contradictory, the employees contended that, compensation system is not based performance.

4.3 Level of employee performance in Uganda industrial research institute

The second objective of the study was to determine the level employee performance in Uganda Industrial Research Institute of which the researcher wanted to determine its level. The respondents were asked question in the view of rating their level of performance in UIRI. The results are revealed in table 4.3 below;

Table 4.3: Level of Employee Performance in Uganda Industrial Research Institute

Items	Mean	Std. D.	Rank	Interpretation
Employee performance is influenced by rewards	3.52	.611	1	Very High
Employee relations at work place affect the way UIRI employees work	3.08	.662	2	High
Delegation of authority at UIRI encourages my performance	2.90	.732	3	High
Execution of UIRI's duties follows the prescribed rules and procedures	2.76	.806	4	High
Internal personnel control affect the way employees work	2.74	.661	5.5	High
Political issues affect employee performance at the organization	2.74	.676	5.5	High
Workers' attitude at the organization affect the way they work	2.62	1.023	8	High
Rules and procedures determine performance at UIRI	2.62	.776	8	High
Employee recognition at UIRI encourages my performance	2.62	.749	8	High
Communication at UIRI encourages my performance	2.12	.729	10	Low
Task allocation at UIRI encourages my performance	1.98	.681	11	Low
My family obligations influence the way I operate at my organization	1.69	.662	12	Very Low
Some employees in my organization dedicate part of their time to part-time in other organizations	1.63	.580	13	Very Low
Overall Mean	2.54			High

Source: Primary Data (2014)

Mean Range	Response	Interpretation
3.26-4.00	Strongly Agree	Very High
2.51-3.25	Agree	High
1.76-2.50	Disagree	Low
1.00-1.75	Strongly Disagree	Very Low

The results in table 4.3 above reveal the mean responses of employee performance in UIRI. The results indicate that concerning whether employee performance is influenced by rewards, this was ranked the highest with (mean = 3.52) interpreted as very high. This means that rewards in UIRI are key motivators for increasing performance of employees. In terms of whether employee relations at work place affect the way UIRI employees work was ranked 2nd with (mean = 3.08) interpreted as high. Good working environment in terms of good relationship encourages higher performance of workers. UIRI are no different as the results reveal that relations at work affect the performance.

Concerning whether delegation of authority at UIRI encourages employees performance, this was ranked 3rd with (mean = 2.90) interpreted as high. Delegation can cause employees to work hard as it acts as a motivation as well for workers. Employees normally work hard not to disappoint their bosses. In terms of whether execution of UIRI's duties follows the prescribed rules and procedures, this was ranked 4th with (mean = 2.76) interpreted as high. Rules and procedures act a compass for direction of workers. This in turn will increase the performance of employees.

In terms of whether internal personnel control affect workers' performance and whether political issues affect employee performance at the organization, these had the same mean (mean = 2.74) interpreted as high. These items therefore took the 5th and 6th position respectively. This implies that internal human resource management is believed to affect the performance of employees. Poor human resource affects the motivation, leads to poor compensation plans thus affecting the performance of employees. Also, the employees contended that political issues such as arguments, beliefs and affiliations affect the performance of employees.

Concerning whether workers' attitude at the organization affect the way they work, rules and procedures determine performance at UIRI and employee recognition at UIRI encourages my performance, these had the same mean (mean = 2.62) interpreted as high. This means that, in terms of worker's attitude towards UIRI affect the performance. This is because a negative attitude leads to low performance, effort and determination towards work. Rules and procedures when they are favorable, workers are enticed to work hard since they consider conditions to be favorable. In terms of whether employee recognition encourages performance, this goes without saying as employees feel connected to the organization whenever they are given gifts and recognized as for example employee of the month.

Concerning whether communication at UIRI encourages employee performance, this was ranked 10th with (mean = 2.12) interpreted as low. Communication is regarded as the life blood of any organization. Effective communication leads easier implementation of policies and procedures. This leads to higher performance of employees. In this case, employees reveal that communication at UIRI encourages performance at a low rate. In terms of whether task allocation at UIRI encourages employee performance, this was ranked 11th with (mean = 1.98) interpreted as low.

In terms of whether employees' family obligations influence the way they operate at UIRI was ranked 12th with (mean = 1.69) interpreted as very low. Employees at UIRI reveal that they are not affected by their family obligations and thus their performance is not affected. In terms of whether some employees at UIRI dedicate part of their time to part-time in other organizations, this was ranked the last with (mean = 1.63) interpreted as very low. This reveals that part-time is not commended at UIRI and therefore employees are not allowed to part-time in other organizations.

Generally the level of employee performance in UIRI was high with (mean = 2.54). This means that the level of employee performance in UIRI is high in term of productivity, levels of absenteeism, meeting deadline. The overall highest ranked item under this construct or variable (employee performance) was concerned with whether employee performance is influenced by rewards, this was ranked the highest with (mean = 3.52)

interpreted as very high. This means that rewards in UIRI are key motivators for increasing performance of employees. The overall lowest ranked item was concerned with whether some employees at UIRI dedicate part of their time to part-time in other organizations, this was ranked the last with (mean = 1.63) interpreted as very low. This reveals that part-time is not commended at UIRI and therefore employees are not allowed to part-time in other organizations.

4.4 Relationship between Compensation System and Employee Performance in Uganda Industrial Research Institute

The third objective of the study was to investigate whether there is a relationship between Compensation System and Employee Performance in Uganda Industrial Research Institute. To achieve this objective the researcher correlated the means using the Pearson Linear Correlation Coefficient and later worked out linear regression analysis between Compensation System and Employee Performance. The results from the correlation and regression analysis were carried out at 0.05 level of significance. The results are shown in tables 4.4 and 4.5.

Table 4.4: Correlation Analysis between Compensation System and Employee Performance in Uganda Industrial Research Institute

Variables correlated	r-value	Significance	Interpretation	Decision on H0
Compensation systems Vs Employee Performance	0.83	0.000	Positive relationship	Rejected

Source: Primary Data (2014)

Results in table 4.4 indicate that there is a strong positive relationship between Compensation System and Employee Performance in Uganda Industrial Research Institute ($r = 0.83$). Since ($\text{sig.} = 0.00 < 0.05$), the researcher rejected the null hypothesis that there is no relationship between Compensation System and Employee Performance in Uganda Industrial Research Institute. The results reveal that favorable compensation policies lead to increased employee performance in Uganda Industrial Research Institute.

Table 4.5: Regression Analysis between Compensation System and Employee Performance in Uganda Industrial Research Institute

Variables correlated	r²	F	Sig.	Interpretation	Decision on H0
Compensation systems and Employee Performance	0.537	66.60	0.000	Relationship exists	Rejected
Coefficients	Beta	t	Sig.	Interpretation	Decision on H0
Constant	2.408	13.500	0.000	Relationship exists	Rejected
Compensation Systems	0.47	.812	0.000	Relationship exists	Rejected

Source: Primary Data (2014)

Results in table 4.5 indicate that there is a positive relationship with ($F = 66.60$, $\text{Sig} = 0.000 < 0.05$), showing that there is a relationship between Compensation systems and Employee Performance. The results further show that, the rate of change of employee performance independent of compensation systems is 2.408. The rate of change of employee performance to change in compensation systems in UIRI is 0.47. The results also show that compensation systems cause 53.7% variations in the change in employee performance in UIRI ($R^2 = 0.537$). This implies that other factors that affect employee performance leads to 46.3% changes in employee performance.

4.5 Qualitative Analysis from the Interview Guide

From a total number of 178 respondents, only 21 respondents were interviewed, 9 being males and 12 being females. From the findings key informants, identified the compensation system used in Uganda industrial research institute, they identified

salaries for the full time staff, wages for casual workers, allowances for those who work over time and those who attend exhibitions, gratuity for the staff and talked of other benefits like medical insurance. The face to face interview elicited the following responses when the question below was asked.

In terms of strategies that can be put in place to enhance employee performance in Uganda Industrial Research Institute, Several strategies were put forward by the key informants as to how employee performance can be enhanced. Employee performance can be enhanced by conducting training and development courses for staff. This enables them acquire new knowledge and skills to enable them perform better in the execution of their duties. Increment of salary and providing benefits to employees is the greatest motivator, thus the UIRI should work towards making the employees' salaries attractive and ensure that benefits are availed to them to encourage them concentrate on doing their work and improve performance.

Employees should be rewarded according to their performance. In such situations employees who are less committed become more committed and take more tasks and responsibilities in order to improve their performance. Conversely, strengthening employee employer relations enhances performance. This can be done through organizing end of year parties so that subordinates and superiors can come together and talk about issues that concern themselves and how relationships can be strengthened among the two parties to enhance organizations performance.

Conduct performance evaluation to identify employees' strengths and weaknesses with a view to assist the weak ones to improve in the weak areas and come on board. In addition, the strong employees should be strengthened further by giving them more new skills to better their performance. Employee recognition is very vital to any organization. This can be done through praises at the end of year party, providing opportunities and gifts to the best performers. Through this employees are motivated to improve their performance and as a result organizational objectives are achieved

Strengthen communication channels within the organization, this makes employees feel part of the organization and work towards organizations success and individual improvements. This can be done through having consultations with the employee, encouraging information flow and sharing from top to bottom. In a nutshell, UIRI should be in position to handle issues of benefits, allowance and salaries that affect employees short of that performance is at risk. When the above issues are not handled well, absenteeism, poor employee relations, late coming and decline in performance are at their peak

Concerning the factors that affect employee's performance in UIRI other than compensation, employees identified different factors. These include: Limited delegation of authority was mentioned by some as an issue that affects employee performance. This is so because those in authority tend to keep work around them, as a result, employees

fell their superiors do not have trust and believe in them and this de-motivates them hence reduction in their performance.

Employee relations were highlighted as one of the factors that affect performance in organizations. In situations where the working relationship is not good, employees clash with their employers and this creates conflicts in the organization as a result work does not flow as expected. This lowers the performance of the organization leading to failure to achieve its goals.

Absenteeism at work affects performance, employees who normally absent themselves from work are at a greater risk of poor performance and this affects the organization negatively. Absenteeism is a result of poor health, family obligations and responsibilities and boredom at work which is brought about as a result of limited delegation to subordinates.

In addition, employees attitude towards work affect their performance. One head of the department emphasized that attitude was one of the major reason why employees performance is not good and said that there is need to encourage employees change their attitude if results have to be achieved. Employees with a positive attitude tend to perform much better than those with a negative attitude.

In summary, UIRI should have it in mind that it's not only compensations that can make employees perform but there are other factors that are crucial to their performance i.e.

their attitude towards work, delegation of authority, effective communication at the work place and employee recognition. All in all these factors should be seriously looked into in order to motivate employees to perform their best.

CHAPTER FIVE

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

In this chapter, the researcher highlights the findings, makes conclusions and recommendations and states some areas for further research.

5.1 Findings

The purpose of the study was to investigate the effect of compensation system on employee performance in Uganda Industrial Research Institute. It was guided by three objectives. These are: to examine different compensation system in Uganda Industrial Research Institute, to determine the level employee performance in Uganda Industrial Research Institute and to examine whether there is a relationship between compensation system and employee performance in Uganda Industrial Research Institute. The findings, objective by objective are highlighted below.

Demographic Characteristics of Respondents

In terms of gender, most of the respondents are male. Concerning of age, most of the respondents were in the age bracket of 20 – 39. In terms of marital status, most of the respondents were married. In terms of education level, most of the respondents had undergraduate degrees. Concerning years of experience most of the respondents had the

experience of more than five years. In terms of job position of respondents, most of the respondents were in operations.

Compensation System in Uganda Industrial Research Institute

The overall level of compensation systems in UIRI was high with (mean = 3.028). This means that UIRI compensation systems can be regarded as good. The employees revealed that the compensation system is high. The overall highest ranked items were concerned with whether reward of workers is based on their skills applied to the organization and whether UIRI rewards and recognizes individual efforts and contribution, these were ranked the highest with (mean = 3.58) interpreted as very high. The results therefore the results indicate that rewards among the employees in UIRI are as a result of skills. Skilled employees are rewarded highly than those who are not. Also there are recognitions and rewards for individual contributions towards the growth of UIRI. The overall ranked item was concerned with whether UIRI's compensation system is based on performance, this was ranked 8th with (mean = 2.31) interpreted as low. Though it seems contradictory, the employees contended that, compensation system is not based performance.

Level of Employee Performance in Uganda Industrial Research Institute

The level of employee performance in UIRI was high with (mean = 2.54). This means that the level of employee performance in UIRI is high in term of productivity, reduced absenteeism, meeting deadline and efficiency. The overall highest ranked item under this construct or variable (employee performance) was concerned with whether employee performance is influenced by rewards, this was ranked the highest with (mean = 3.52) interpreted as very high. This means that rewards in UIRI are key motivators for increasing performance of employees. The overall lowest ranked item was concerned with whether some employees at UIRI dedicate part of their time to part-time in other organizations, this was ranked the last with (mean = 1.63) interpreted as very low. This reveals that part-time is not commended at UIRI and therefore employees are not allowed to part-time in other organizations.

Relationship between Compensation System and Employee Performance in Uganda Industrial Research Institute

Results reveal that there is a strong positive relationship between Compensation System and Employee Performance in Uganda Industrial Research Institute ($r = 0.83$). Since ($\text{sig.} = 0.00 < 0.05$), the researcher rejected the null hypothesis that there is no relationship between relationship between Compensation System and Employee Performance. Results in table 4.4 indicate that there is a strong positive relationship

between Compensation System and Employee Performance in Uganda Industrial Research Institute. The results reveal that favorable compensation policies lead to increased employee performance in Uganda Industrial Research Institute. They also show that compensation systems cause 53.7% variations in the change in employee performance in UIRI ($R^2 = 0.537$). This implies that other factors that affect employee performance leads to 46.2 changes in employee performance.

5.2 Conclusions

The researcher made conclusions in terms of strength and weaknesses.

Strength

The level of compensation systems in UIRI was high. Meaning that UIRI's compensation systems can be regarded as good. The employees revealed that the compensation system is high. Rewards of workers are based on employees' skills applied to the organization and also UIRI rewards and recognizes individual efforts and contribution very high. The results therefore the results indicate that rewards among the employees in UIRI are as a result of skills. Skilled employees are rewarded highly than those who are not. Also there are recognitions and rewards for individual contributions towards the growth of UIRI.

The level of employee performance in UIRI is high. This means that the level of employee performance in UIRI is high in term of productivity, levels of absenteeism, meeting deadline. Following the findings also, the employee performance in UIRI is influenced by rewards. This means that rewards in UIRI are key motivators for increasing performance of employees.

Weaknesses

Concerning whether UIRI's compensation system is based on performance is low. Though it seems contradictory, the employees contended that, compensation system is not based performance.

Following the findings, the researcher also made conclusion s that employees at UIRI do not dedicate part of their time to part-time in other organizations.. This reveals that part-time is not commended at UIRI and therefore employees are not allowed to part-time in other organizations.

Testing Hypothesis

The hypothesis of the study was to that there is no relationship between Compensation System and Employee Performance in UIRI. Results reveal that there is a strong positive relationship between Compensation System and Employee Performance in Uganda

Industrial Research Institute. Therefore the researcher rejected the null hypothesis that there is no relationship between Compensation System and Employee Performance

5.3 Recommendations

Following the findings, the researcher made the following recommendations.

1. Since the rate at which employees are allowed to part-time in other organizations is low, there is a need to competitively remunerate
2. There is a need for UIRI management to favorably base compensation system is based on performance. This encourages hard work and higher productivity of employees.
3. There is a need for UIRI to keep giving employees high salaries in order to retain their talented staff.
4. I recommend the government of Uganda to come in and make more research about compensation and employees performance in Uganda Industrial Research Institute such that she may get to know more about what is happening on the ground.

5.4 Areas for further research

1. The effect of motivation on employee performance
2. The effect of non-financial reward on employee performance
3. Organizational commitment and employee performance
4. The effect of Training and development on employee motivation and performance

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**OFFICE OF THE HEAD OF DEPARTMENT, CONOMICS, BUSINESS AND
MANAGEMENT SCIENCES**

COLLEGE OF HIGHER DEGREES AND RESEARCH

8, 2014.

RODUCTION LETTER FOR TUMUHEIRWE AIDAH REG.NO.

2/39141/123/DU TO CONDUCT RESEARCH IN YOUR ORRGANISATION

above mentioned candidate is a bonafide student of Kampala international
iversity pursuing a Masters' of Human Resource Management.


is currently conducting a field research for her dissertation entitled
ompensation system and Employee Performance in Uganda Industrial
search Institute (UIRI) Kampala Uganda."

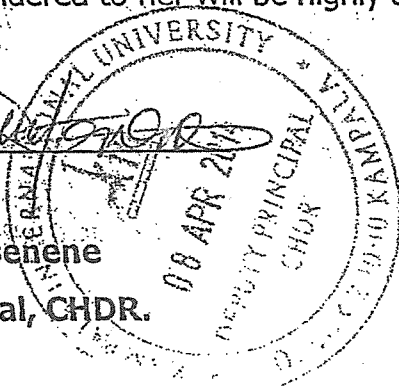
ur organization has been identified as valuable source of information pertaining to
r research project. The purpose of this letter then is to request you to avail her with
rtinent information she may need.

y information shared with her will be used for academic purposes only and shall be
ept with utmost confidentiality..

ny assistance rendered to her will be highly appreciated.

ours truly,


Dr. Edris S. Kasenene
Deputy Principal, CHDR.



APPENDIX 1B
TRANSMITTAL LETTER FOR RESPONDENTS

Dear respondent,

My name is Tumuheirwe Aidah. I am pursuing a Masters degree in Human Resource Management at Kampala International University. My research is titled '**Compensation system and Employee performance. A case study of Uganda Industrial Research Institute**' and is purely for academic use. I am therefore requesting for your cooperation in answering the questions that follow. Be as honest as possible for us to have sincere findings.

Yours faithfully,

.....

Tumuheirwe Aidah



UGANDA INDUSTRIAL RESEARCH INSTITUTE

"A lead Agency in Industrialisation of Uganda"



Our Ref UIRI / MASTERS/RESEARCH/10

Ms. Tumuheirwe Aidah

Date: 10th February 2014

RE: MASTER'S RESEARCH

This letter serves to permit you do your Masters Research at Uganda Industrial Research Institute for a period of four months effective 10th February 2014 to 30th May 2014. You are requested to operate within the Official working hours of the Institute.

You are expected to engage in all functions of the departments of the Institute in order to learn the skills needed for your career.

Upon completion of your Masters Research you are required to submit a report to your respective Director and a copy to the Human Resource Department.

Yours sincerely,

Nakyingi Susaba



Human Resource Officer

cc. Administrator UIRI.

APPENDIX II
CLEARANCE FROM ETHICS COMMITTEE

Date_____

Candidate's Data

Name: **Tumuheirwe Aidah**

Reg: **MHR/39141/123/DU**

Course: masters of Arts Degree in Human Resource Management

Title of Study: Compensation systems and Employee Performance

Ethical Review Checklist

The study reviewed considered the following:

- ☐ Physical Safety of Human Subjects
- ☐ Psychological Safety
- ☐ Emotional Security
- ☐ Privacy
- ☐ Written Request for Author of Standardized Instrument
- ☐ Coding of Questionnaires/Anonymity/Confidentiality
- ☐ Permission to Conduct the Study
- ☐ Informed Consent
- ☐ Citations/Authors Recognized

Results of Ethical Review

- ☐ Approved
- ☐ Conditional (to provide the Ethics Committee with corrections)
- ☐ Disapproved/ Resubmit Proposal

Ethics Committee (Name and Signature)

Chairperson _____

Members' _____

APPENDIX III
INFORMED CONSENT

I am giving my consent to be part of the research study of Ms Tumuheirwe Aidah that will focus on compensation systems and Employee Performance.

I shall be assured of privacy, anonymity and confidentiality and that I will be given the option to refuse participation and right to withdraw my participation anytime.

I have been informed that the research is voluntary and that the results will be given to me if I ask for it.

Initials: _____

Date _____

APPENDIX IV
RESEARCH INSTRUMENTS
(QUESTIONNAIRE)

Dear respondent,

My name is Tumuheirwe Aidah. I am pursuing a Masters degree in Human Resource Management at Kampala International University. My research is titled ‘Compensation system and Employee performance. A case study of Uganda Industrial Research Institute’ and is purely for academic use. I am therefore requesting for your cooperation in answering the questions that follow. Be as honest as possible for us to have sincere findings.

Yours faithfully,

.....

Tumuheirwe Aidah

Face Sheet: Demographic Characteristics of Respondents

Please tick in the blanks provided as your response



Gender:

- ☐ Male
- ☐ Female

Age:

- ☐ 20 – 39
- ☐ 40 – 59
- ☐ 60 +

Education level

- ☐ Certificate
- ☐ Diploma
- ☐ Undergraduate degree
- ☐ Post graduate degree

Years of experience

- ☐ One to three years
- ☐ Three to five years
- ☐ More than five

Job employment position _____

- ☐ Operations
- ☐ Administration
- ☐ Finance

Any other specify.....

Questionnaire on compensation system.

Tick where applicable using the following key.

4. SA-Strongly Agree, 3- A-Agree, 2- D-Disagree, 1- SD-Strongly disagree

ITEM	1.SD	2.D	3.A	4.SA
Uganda industrial research institute (UIRI) offers attractive salaries				
UIRI's compensation system is based on performance				
UIRI's compensation system is based on the nature of the job				
UIRI's compensation system is based on qualifications and skills				
Employees normally get incentives for the good work done				
Reward of workers is based on their skills applied to the organization				
Salary scale is based on one's position in the organization				
Fringe benefits are based on the criteria followed in the organization				
UIRI rewards and recognizes individual efforts and contribution				
UIRI practices equity in administration of compensation/benefits				
UIRI provides health insurance to its employees				
UIRI offers houses to top executive staff that recognizes the individual work efforts and accomplishments				
UIRI has a social security policy that encourages staff to improve on performance				
UIRI offers attractive wages to its staff				

Questionnaire to measure the level of employee performance

Tick where applicable using the following key

4. SA-Strongly Agree, 3- A-Agree, 2- D-Disagree, 1- SD-Strongly disagree

ITEM	1.SD	2.D	3.A	4.SA
Family obligations influence the way employees perform at work				
Some employees dedicate part of their time to part-time in other organizations				
Workers' attitude at the organization affect the way they work				
There is reduced complaint by management of UIRI about workers' performance				
Employee relations at work place affect the way UIRI employees work				
Rules and procedures determine performance at UIRI				
Task allocation at UIRI encourages performance				
Delegation of authority at UIRI encourages my performance				
Employee's meet work deadlines.				
Communication at UIRI encourages employee performance				

Thank you and be blessed

INTERVIEW GUIDE FOR KEY INFORMANTS

1. What are compensation systems in UIRI and how effective are they?

.....

.....

.....

2. What strategies can be put in place to enhance employee performance in Uganda industrial research institute?

.....

.....

.....

3. What social-economic factors affect employee performance in the organization other than compensation?

.....

.....

.....

Thank You

RESEARCHER'S CURRICULUM VITAE

TUMUHEIRWE AIDAH

P.O. BOX 4655 KAMPALA, UGANDA

TEL: +256782448337/704432222

Email: tumuaidah@gmail.com

Career Objective: To be a Human Resource manager with enviable Human Resource Management skills and counseling abilities in reputable organizations

EDUCATION BACKGROUND

Year	Institution	Award
2012 to date	Kampala International University	Master of Arts Degree in Human Resource Management
2007-2010	Kyambogo University	Bachelor of Guidance and Counseling
2004-2006	Makerere University	Diploma in Project Planning and Management
2002-2003	St. Paul's S.S Bukinda	U.A.C.E and Certificate in Entrepreneurship
2008-2001	St. Paul's S.S Bukinda	U.C.E
2001-1997	Nyanja Primary School	P.L.E

TRAININGS AND WORKSHOPS

Year	TRAINING INSTITUTION	AWARD
2012	Kampala International University (KIU)	Certificate in Human Resource Management
2011	Makerere University Business school (MUBS)	Certificate of attendance in Organizational behavior and Management
2010	Communication for Development Foundation Uganda (UDFU)	Certificate in medical male circumcision for HIV Prevention and telephone counseling
2010	Global Health e-learning Centre USAID	Certificate in family planning HIV/Aids and Mother to child HIV transmission (MTCHT)
2010	Kyambogo University	Certificate in HIV/AIDS Management
2010	Uganda Industrial Research Institute	Certificate in Computer Application
2004	Makerere University Hospital	Certificate in HIV/AIDS Counseling & testing

D: WORKING EXPERIENCE

2011 to Present: Management Training and Advisory Centre (MTAC)

Position: External Resource Person

DETAILS OF THE POSITION

- Facilitating on training programmes organized by MTAC
- Preparation of students' course works, tests and examinations
- Marking students' scripts
- Participate in assessment of MTAC participants
- Recording students results
- Preparing curricula for programmes

May 2012 to date: Eco-friendly Innovations Development Centre (EFID)

Position: Human Resource Consultant

Details of the position

- Monitoring Workers' performances
- Employee relations and welfare
- Assessing employees weekly reports
- Designing appropriate project models for EFID
- Human resource planning
- Developing training proposals for the Centre
- Advising Management on HR related policies

2010 to 2011: Communication for Development Foundation Uganda

Position: Counselor and Trainer

Details of the position

- Answering clients calls

- Providing guidance and counseling to clients with HIV/AIDS issues, family planning,
- alcohol abuse, medical male circumcision and gender based violence
- Sensitization campaigns in reproductive health
- Organizing seminars for CDFU
- Training in guidance and counseling
- Information giving and referral

2004-2008: Bageine and Company Limited

Position: Valuation Assistant

Details of the position

- Surveying and assessing properties
- Monitoring and evaluation of both commercial and residential properties
- Field work
- Writing reports on a daily basis

E: SKILLS

- Teaching skills
- Presentation skills
- Problem solving
- Research skills
- Record management skills
- Report writings skills
- Computer skills
- Consultancy skills in guidance and counseling
- Interpersonal skills

F: REFEREES

1.Rev. Fr Evalist Gabosya

Head of Counseling Department

Kisubi Brothers University

Mob: +256-702-949557/ +256-774-442692

2.Mr.Bariho Davis Bagamuhunda

Lecturer-Kyambogo University

Mob:+256-782016899

3.Mr. Mugerwa Musisi

Director Property Rates Management

Bageine and Company

Mob:+256-772420622/+256-752720622

Declaration

I, Tumuheirwe Aidah, to the best of my knowledge declare that the information given above is a true statement relating to my facts.

Dated Day of2014



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