

EFFECT OF COMPENSATION ON EMPLOYEE MOTIVATION.

**A CASE STUDY OF TEACHERS SERVICE COMMISSION,
(TSC) KISUMU, KENYA.**

BY

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DECLARATION

I Amondi Lilian Siso, hereby declare that this is my original work and has never been presented for degree or any other academic award in Kampala International University or any other institution of higher learning.

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APPROVAL

This dissertation has been moderated with profound commitment of the supervisor and the student. It has been submitted for examination purpose with my approval as the supervisor.

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DATE.....7/6/2010

DEDICATION.

This book is dedicated to Hearth to Hearth Ministries Organization, for giving bright futures to the African children!

ACKNOWLEDGEMENT

First and foremost I thank the almighty God for granting me the strength and grace to come this far, for this far the He has brought me.

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ABSTRACT

The problem under investigation was to assess the effects of compensation on employee motivation. In short, the researcher wanted to know how salary, incentives and benefits affect the motivation of employees in an organization. Teachers Service Commission was adopted as a case study being that in the past decade TSC has promised teachers a salary increment and equalizing the salary, which to presently have never been fulfilled resulting into strikes and poor performance.

This study adopted a case study research design, in which the researcher used both qualitative and quantitative methods of data analysis. Qualitative design was used to collect information from the respondents on the attitudes and opinions, whereas, quantitative design was used to collect numerical data. Purposive sampling was used to select Kisumu as the research site and specifically TSC as an organization. Simple random sampling was used to select employees as respondent for the study. a questionnaire that was had both open ended and closed ended question were used research instruments. A total of 75 respondents were drawn from both the secondary and primary teachers and education officers.

The findings of the study revealed that salary was a strong motivational factor for the employees. It was also found out that benefits could not really motivate employees to work but it only provided employees with job satisfaction. Incentives were also noted to be motivators for employees to work.

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CHAPTER ONE.

1.0 Introduction

This chapter focused on the background of the study, statement of the problem, purpose of the study, objective of the study, research questions and the scope of the study.

1.1 Background of the study

The study of employee motivation began with the work of Frederick W. Taylor on scientific management. Frederick argued that economic rewards are provided to employees for high performance. The emphasis on pay evolved into perception of workers as economic people – who would work harder for higher pay. This approach led to the development of incentive pay systems, in which people are paid strictly on quantity and quality of their work output (Daft, 2000).

Expectancy theory introduced by Victor Vroom during early 1960's, suggested that people not only are driven by needs but also make choices about what they will or will not do. Expectancy theory proposes that individuals make work related decisions on the basis of their perceived abilities to perform tasks and receive rewards (Holt, 1990). Vroom established an equation with three variables to explain this decision process. The three variables are: (a) Expectancy; this is people perceive likelihood that their effort will enable them to successful attain their performance goals. Expectancy can be high (up to 100%) and can also be low (down to 0%). All else equal, high expectancies create higher motivation than do low expectancies (Snell and Bateman, 2002). (b) Instrumentality: - the degree of confidence a person has that if the task is performed successfully he or she will be rewarded appropriately. (c)Valence is the value the outcomes hold for the person contemplating it (Snell and Bateman, 2002).

Equity theory is concerned with individual's perception about how fairly they are treasured compared to their peers. Equity means fairness; motivationally, it means employees' perceived fairness of rewards or treatment at work. Perception of equitable rewards is an important link between performance and satisfaction (Holt, 1990). The primary research on equity was done in 1963 by Stacy Adams who showed that perceived inequities lead to changes in behaviors. When individuals compare their rewards to those given to others doing similar tasks and feel inequities exist, they will react in some ways to achieve satisfaction.

For example, they will decrease their performance and work to compensate for lower rewards when they perceive a negative inequity- when their pay, for instance seems too low by comparison with others (Holt, 1990). Pay equity is achieved when the compensation received is equal to the value of the work performed. Employees' perception of the pay equity, or inequity, can have dramatic effect on their motivation for both work behavior and productivity (Holt, 1990).

Compensation refers to all monetary payments and all non monetary goods or commodities used in lieu of money or reward (Daft, 2000). Ivancevich (2001) defined compensations as the human resource function that deals with every reward individuals receive in exchange for performing organizational tasks. The objective of the compensation function is to create a system of rewards that is equitable to the employer and employee alike. The desired outcome is an employee who is attracted to the work and motivated to do a good job for the employer (Ivancevich, 2001). Compensation is the package of quantifiable rewards an employee receives for his or her labor. It includes three components, base compensation, pay incentives and indirect compensation or benefit (Gomez et al, 1995). Base compensation is the fixed pay an employee receives on regular basis; either in form of a salary or as an hourly wage. Pay incentives are programs designed to reward employees for good performance. Incentives come in many forms including profit sharing and bonus (Gomez et al, 1995). Employee benefits constitute an indirect form of compensation intended to improve quality of the work lives and personal lives of the employees (Bohlander et al, 1998).

Dessler (2001) defined a motive as something that incites the person to action or that sustains and gives direction to action. Motivation is the stimulus of behavior. It is the composite of energetic forces that originate within a person and that are stimulated by his or her surroundings. Motivation is the concept of behavioral change or result of influence that alters an individuals' performance (Holt, 1990). Chuck (2002), defined motivation as a set of forces that initiates, directs and makes people persist in their effort to accomplish a goal.

The Kenya National Union of Teachers, established in 1957, an umbrella body of teachers found it unnecessary to have the decentralized system of handling teachers affairs. It therefore made it its priority to press for the employment of teachers by a central body which led to the establishment of the Teachers Service Commission (TSC) under an Act of Parliament (Cap 212) of the Laws of Kenya in 1967.

Since the establishment of the teachers service commission, it has experience some major experience with its compensation system. The teachers service commissions pay system has greatly exhibited inequity in the pay system as it pay its employees lower than the other employees in similar job group. The discontent with the pay system as been shown by a number of; nationwide demonstrations, strikes and poor performance in schools.

1.2 Statement of the problem.

The problem under investigation was about the effect of compensation on employee motivation in Teachers service commission. Teachers Service Commission (TSC) is a public service organization that employs teachers in Kenya. TSC has in the past decade promised teachers a salary increment and equalizing the salary, which to presently have never been fulfilled. This issue has resulted into demotivation of teachers, which has been evident through strikes and poor performance in schools across the country, with the recent nation wide strike and demonstrations in 2009. It due to this that the researcher has found it necessary to carry out a study to examine the effect of compensation on employees motivation in TSC.

1.3 Purpose of the study.

The purpose of the study was to assess the effect of compensation on employee motivation in Teachers Service Commission, Kisumu District.

1.4 Objectives of the study.

1. To asses the effect of salaries on employee motivation in Teachers Service commission, Kisumu district.
2. To establish the relationship between benefits and employee motivation in Teachers Service commission, Kisumu district.
3. To analyze the effect of incentives on employee motivation in Teachers Service commission, Kisumu district.

1.5 Research questions.

1. What is the effect of salaries on employee motivation in Teachers Service commission, Kisumu district?

2. What is the relationship between Benefits and employee motivation in Teachers Service commission, Kisumu district?
3. How do incentives affect employee motivation in Teachers Service commission, Kisumu district?

1.6 Scope of the study.

The researcher focused on the impact of compensation on employee motivation. The study was limited to three components of compensation which included salaries, benefits and incentives.

The geographical scope of the study was Teachers Service Commission (TSC), Kisumu district, located in Western Kenya, Nyanza province.

1.7 Significance of the study.

The findings of study were meant to help the managers of TSC and other organizations to know the importance of compensation on employee motivation and to come up with a better sound compensation system as their current one seem to be ineffective.

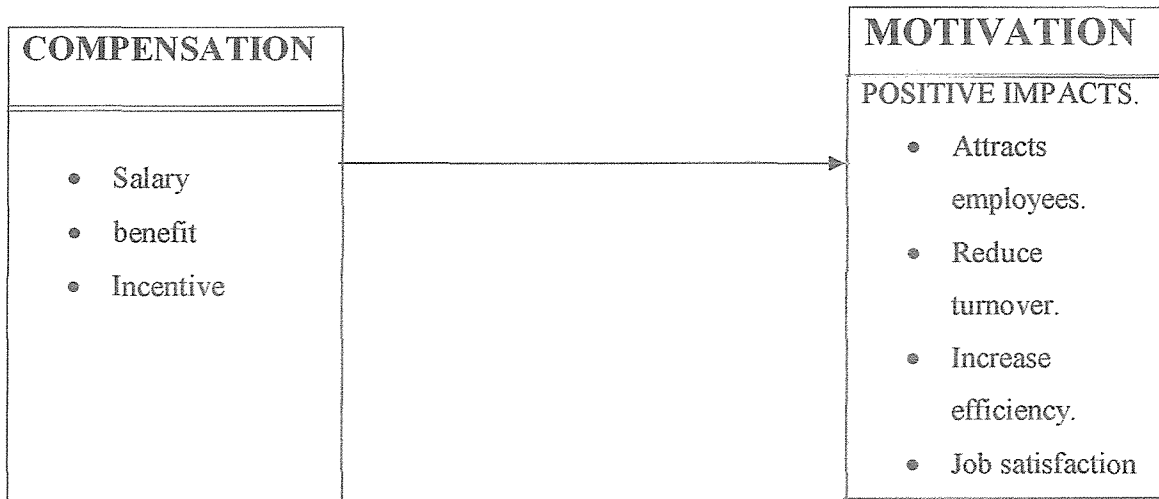
This study results were also to be used by other learners and researchers at Kampala International University, for further reference into the area of compensation and employee motivation.

This study was important as it was contribute to the researcher's fulfillment of the partial requirement for the award of Bachelors degree in Human Resource management.

1.8 Conceptual framework

INDEPENDENT
VARIABLE

DEPENDENT VARIABLE



Source: Milkovich & Newman (2005).

Level of pay and pay system characteristics influence a job candidate's decision to join a firm. Pay is one of the more visible rewards in the recruitment process. Job offers spell out the level of compensation and may even include discussion about the kind of pay such as bonuses and profit sharing participation. Much of the equity theory research in the 1970's documented that workers who feel unfairly treated in pay react by leaving the firm for greener pasture. This is particularly true under incentive conditions. Turnover is much higher for poor performance when pay is based on individual performance. Conversely, group incentives plans may lead to more turnover of better performers. Clearly, pay can be a factor in decisions to stay or leave. Too little pay triggers feeling of unfair treatment. Results? Turnover. Skill based pay is intended, at least partially, to pay employees for learning new skills- skills that hopefully will help employees perform better on current jobs and adjust more rapidly to demands on future jobs (Milkovich & Newman,2005).

CHAPTER TWO.

LITERATURE REVIEW.

2.0 Introduction.

This chapter was about the review of literature related to effect of compensation on employee motivation. It focuses mainly on salaries, benefits and incentives as components of compensation.

2.1 Salaries and employee motivation.

Byars and Rue (2000) defined wages and salary as the hourly, weekly or monthly pay employees receive for their work. Salary is the pay calculated at an annual or monthly rate rather than hourly (Ivancevich, 2001).

Pay is seen as an indicator of status within the organization and society as well as in society at large. Thus, for some people, pay is reflection of self worth, so pay satisfaction takes on critical significance when it comes to retention. Satisfaction with structure deals with how happy the person is with the manner in which pay within the organization is rank ordered across different job categories. A manager of a sales force, example may be satisfied or is motivated with her overall pay, but she discovers that due to sales commissions some subordinates actually winds up higher pay, and then dissatisfaction with the structure of pay may result. People generally expect that their pay will increase overtime and to the extent that this expectation is not met, they may wind up dissatisfied with pay raises. (Hollenbeck et al, 2003).

The wages and salaries of employees are typically adjusted at some point during the year. Historically, the adjustments have resulted in pay increases. Pay is adjusted upward through four types of increases such as, a general across the board increase for all the employees, merit increase paid to employees based on some indicators of the job performance, a cost of living adjustment based on consumer price index and seniority. Salary increment such as merit increase and cost of living adjustment has proved to be a motivating factor to the employees. From the employee's point of view, pay is a necessity of life. It is one of the chief reasons people seek employment. Pay is the means by which people provide for the physiological needs of the employees (Ivancevich, 2001).

Work outcomes or rewards can satisfy more than one need. Pay is a good example. It is a source of performance feedback for a high need achiever. It can be a source of personal security for someone with strong existence needs (Schermerhorn, 2005). Merit plans can work in circumstances where there's well designed and the performance criteria are both well delineated and assessable. However, because most current merit pay focuses only on the individual, it is more likely to cause employees to compete with each other for resources than to collaborate or share resources. The merit pay systems depend on the rewards to produce an effect rather than planning and designing the effect at the outset. Merit pay should promise an increased salary to an employee in exchange for the employees promise to perform satisfactory future work of a specified and mutually agreed upon complexity (Ivancevich, 2001).

What a person is paid indicates his or her worth to an organization. In today's service based economy, pay often equals 50% or more of the cash flow of an organization. It is one of the major methods used to attract employees and motivate them for more effective performance (Ivancevich, 2001). Maslow's hierarchy of needs takes the form of a pyramid. In ascending order the needs are, physiological, safety, social, esteem and self actualization. Lower needs motivate employees towards earning direct financial compensation to buy shelter and do things like providing for retirement (Ivancevich, 2001).

Herzberg two-factor theory of motivation tries to find out what people want from work. Hygiene factors relate to the context of job and include pay, working conditions, and supervision. They do not motivate. Motivators include factors like achievement, recognition, responsibility, advancement growth and work itself. Motivators become operational only when dissatisfies are removed. Herzberg concludes that changing pay will not motivate. But if pay is inadequate or of the wrong type, or mismatched to employees need in any way, dissatisfaction results (Ivancevich, 2001).

A major challenge for managers is to develop a fair pay system that will lead to both high individual motivation and high group or team performance. Salary levels are typically based on performance levels, cost of living increases so forth. From the day people start working in an organization, which means that the absolute level of the salary is based largely on factors unrelated to current performance. All in all, bonus plans have more motivational impact than

salary increases because the amount of the bonus can be directly and exclusively based on performance (Jones et al, 1998).

2.2 Benefits and employee motivation.

Armstrong (2006) defined employee benefits as the elements of remuneration given in addition to the various forms of cash pay. They also include items that are not strictly moderation, such as annual holidays.

Benefits are compensations that employees receive by virtue of their membership in an organization (Jones et al, 1998). Organizations are legally required to provide certain benefits to the employees including workers' compensation, social security and unemployment insurance. Workers compensation provides employees with financial assistance if they become unable to work because of work related injury or illness. Social security provides financial assistance to retirees and disabled former employees. Unemployment insurance provides financial assistance to worker who loses their jobs through no fault of their own. Other benefits such as health insurance, dental insurance, vacation time, pension plans, life insurance, flexible working hours, company provided day are provided at option of employer (Jones et al, 1998)

Benefit make up a large portion of any worker's total compensation package. Hence, satisfaction with benefits is another important dimension of overall pay satisfaction. Because many individuals have a difficult time ascertaining the true dollar value of their benefit package, however, this dimension may not always be as salient to people as pay itself (Hollenbeck et al, 2003). It is relatively easy to understand the value of a dollar as part of a salary, but not as part of benefit package. The advantages and disadvantages of different types of medical coverage, pension provisions, disability insurance and so forth are often difficult to grasp, and their value of one's salary (Hollenbeck et al, 2003).

The tax treatment of benefits programs is often more favorable for employees than the tax treatment of wages and salaries meaning that a dollar spent on benefits has the potential to generate than the same dollar spent on wages and salaries. Not surprisingly, public opinion survey indicates that medical benefits are by far the most important benefit to the average person. (Hollenbeck et al, 2003). Although vacation and other paid leave programs help attract and retain employees; there is a cost to providing time off with pays especially in

global economy. (Hollenbeck et al, 2003). To ease employees' conflict between work and non-work, organization may use family-friendly policies such as family leaves and child care. Although the programs discussed here would seem to be targeted to a particular group of employees, these programs often have "spill over effects" on other employees, who see them as symbolizing a general corporate concern for human resources thus promoting loyalty even among employee groups that do not use the programs (Hollenbeck et al, 2003).

Benefits are contingent on membership in the organization, they help a company attract and retain employees. Benefit programs do not directly motivate increased employee performance, for the link between performance level and benefit level is virtually zero. All employees receive similar benefit coverage, regardless of their performance levels. Benefit plans have positive valence to employees. Employee's gain several advantages by receiving part of their compensation in this indirect form. Employees tend to regard existing benefits as rights rather than privileges and strongly resent any reductions in benefits levels. (Schoenfeldt et al, 1993)

Today human resource managers face a wide range of challenges in helping their organizations determine what types of compensation and benefit suit their employees' needs. Because of the diversity of today's workers in midsized to large organization, the choice can be mind boggling, but human resource managers must work to get the right mix to attract and retain talented employees. Older employees are more concerned about how their retirement accounts are shaping up; working parents are desperate for child care; young workers want opportunities to move up the ladder fast. Thus human resource manager and other executives must come up with creative ways to motivate and empower employees through compensation and benefits plans (Hollenbeck et al, 2003).

Employees at Wilton Connor packaging Inc. in Charlotte, North Carolina, can actually bring their dirty laundry to work and have it cleaned for \$ 1 per load. The company also offers child care services on-site tutoring for children and English classes for employees. In addition, Wilton Connor conducts a six week summer school program for children of fulltime employees. Workers at Wilton Connor seem to be satisfied; only two leave the company on average every year. (Hollenbeck et al, 2003).

2.3 Incentives and motivation.

Incentives are rewards offered in addition to the base wage or salary and are usually directly related to performance (Byars and Rue, 2000). Incentives were supported by early economist like J.Smith on the basis of the 'hungry man' theory. Since a hungry worker would want to earn money to buy food, wages should be kept at the subsistence level so that workers would be motivated to be highly productive (Ivancevich, 2001).

Although between 80% and 90% of private sector firms offer merit incentives raises, little research has directly examined merit pay or its effect on performance. One study shows how it is quite interesting. It investigated what size merit increase is necessary to get desired results in terms of motivation. The finding showed that anything less than 6% to 7% was not motivating and that merit incentives above that level could actually be demotivating. Rewarding the best performers with the largest pay is claimed to be a powerful motivator (Ivancevich, 2001).

Starbucks seems to have the recipe right- not just for coffee but also for rewards and performance. The company offers a stock option plan to all its employees. Called 'bean stock', the incentive plan offers employees stock options linked to their base pay. This means they can buy the company's stock at affixed price in the future; if the market value is higher than the price of their option, they gain . thus they should be motivated to do things that help the firm best. CEO Howard Schulz says the plan has had a positive impact on attitude and performance . the phrase 'bean stocking' is even used by employees when they find ways to reduce costs or increase sales. Schulz is committed to motivational value of this innovative reward plan (Schermerhorn, 2005).

It can be motivating to have an ownership share in one's place of employment. An approach to employee ownership, through stock options and option holder the right to buy shares of stock at a future date at a fixed price. This links ownership directly with performance incentive, since employees holding stock options presumably are motivated to work hard to raise the price of the firm's stock (Schermerhorn, 2005).

From a motivational perspective, making some or all of a workers pay conditional performance measures focus at the notion and effort on that measure then reinforces the continuation of that effort with rewards. However, if the employee, team or organization's

performance decline, so does the reward. Thus, there is an incentive to keep efforts and motivation strong. For instance, employees at Hallmark Card Inc. in Kansas City, have up to 10% of their pay at risk. Depending on their productivity on such performance measures as customer satisfaction, retail sales and profit employees can turn that 10% into rewards as high as 25%. However, failure to reach the performance measure can result in the forfeiture of the 10% of the salary placed at risk (De Cenzo and Robbins, 1998).

Employee Stock Ownership (ESOP) plan is a compensation program in which employees become part owners of the organization by receiving stock as a performance incentives (De Cenzo and Robbins, 1998). Employees stock ownership plans involves employee in organizational ownership through the purchase of stock in the companies that employ them (Hollenbeck et al, 2003).

Under an ESOP, employees are motivated to give more effort because it makes them owners who will share in any gains and losses. Although ESOP have the potential to increase employee satisfaction and work motivation employees need to psychologically experience ownership in order to realize that potential. Employee need to be regularly informed on the status of the business to have the opportunity to exercise influence over the operation. When these conditions are met, employees will be more satisfied with their organizational identification, motivated to work, and motivated to perform well while at work (De Cenzo and Robbins, 1998).

Profit sharing plans distribute to some or all employees a proportion of net profits earned by the organization during a stated performance period. Gain sharing plans extends profits sharing concept by allowing groups of employees to share in any saving or gain received through their effort to reduce costs and increase productivity (Hollenbeck et al, 2003). Improshare a Gain Sharing plan was developed by Mitchell Fein. It supports consultative management practices. It supports consultative management practices. The basic underlying principle is raising the employees' motivation to work. Improshare ties economic rewards to performance without any attempt at meaningful participation by employees (Ivancevich, 2001).

Skill based Pay is an alternative to job-based pay. It sets pay level on the basis of how many skills employees have or how many jobs they can do. Expected positive outcomes of

changing to the new module included increased quality, higher productivity, a more flexible workforce, improved morale and decreased absenteeism and turnover (Ivancevich, 2001). Bonus plans provide one time or lump-sum payment to employees based on the accomplishment of specific performance target or some other extra ordinary contribution, such as idea for work improvement. (Hollenbeck et al, 2003).

Naturally, if managers are paid only a straight salary, they have little reason to take on risky investment. They gain nothing from the higher rates of return associated with the risky investment, which is why they may shy away from them. Accordingly, it should surprise no one to learn that when managers are given bonuses based on performance, they tend to undertake riskier, higher paying investment (Mc Kenzie & Lee, 1998).

Lincoln Electric is known for achieving high productivity levels among its productions workers by tying their pay to measure of how much they produced. But they went too far. When they tied the pay of secretaries to ‘ production’ with counters installed on typewriters to measure how much was typed, the secretaries responded by spending their lunch hours typing useless pages of manuscript to increase their pay; as a result, that incentives was quickly abandoned. Incentives always work, but they don’t always work well or in the way that’s expected (a fact that has led to harsh criticism of even attempts to use incentives, punishments, or reward), (Mc Kenzie & Lee, 1998).

To motivate team members to cooperate and to encourage high performance, 1993, Textron managers implemented a pay plan that awarded team annual bonuses based on team performance; the bonus was split equally among team members. The managers realized, however, that this pay plan did not provide any extra rewards for individual employee who made understanding contributions. Labetz and his managers wanted to reward these contributions in order to make them motivated thus they revised their pay system (Jones et al, 1998)

CHAPTER THREE.

METHODOLOGY

3.0 Introduction

This chapter was about the research methodology. It presented and described the methods and techniques that were used to collect and analyze data. It included the research design, area of study, study population, data collection methods and instruments, data analysis and research limitations.

3.1 Research design.

This was a case study design, in which the researcher used both qualitative and quantitative methods of data collection and analysis. Qualitative design was used to collect information from the respondents on the attitudes and opinions in relation to effects of compensation to employee motivation, whereas, quantitative design was used to collect numerical data.

3.2 Area of study.

The study was carried out in Teachers service Commission Kisumu district, which is located in western part of Kenya, Nyanza Province. The respondents were got from both the employees who are primary and secondary school teachers and the Teachers service commission officials in the district. The researcher chose Kisumu municipality branch as the area of study because of its convenience to the researcher in accessibility.

3.3 Sample size and technique.

Teachers Service Commission (TSC) had a population that comprised of 200 employees. The researcher chose a population of 100 employees to be the target sample. The sample was selected from both the primary and secondary school. The researcher used simple random sampling techniques. The respondents were identified depending on their willingness and availability to take part in the exercise or study. A total of 75 employees of TSC helped in giving out the information as respondents, in contrary to the intended number of 100 employees.

Table 3.1 below table shows the distribution of the sample

DEPARTMENT	INTENDED SAMPLE	RESPONDED	
Primary school teachers	50	50	
Secondary school teachers.	50	25	
TOTAL	100	75	

3.4 Data collection instruments.

The data collection instrument that was basically used is the questionnaires. The questionnaire comprised of both open and closed-ended questions that required respondents to answer all questions to the best of his or her knowledge. Interviews were also used in the data collection from which the researcher had to ask questions and respondents answered from the selected departments.

3.4.1. Interview

The research carried out a face to face interview with the respondents who were mainly the education officers. The researcher explained to the respondents why the study was being carried out. The method was preferred because of the fact that the researcher had face to face interaction with the respondent and was able to ask probing questions relevant to the study.

3.4.2. Questionnaires

A questionnaire is a self- report instrument used for gathering information about variables of interest in an investigation. The researcher used a set of questionnaire with both open ended questions and closed ended questions. Closed ended questions were used to enable easy statistical data entry and analysis whereas the open ended questions were used to probe for more information from the respondents.

3.4.3 Secondary data

Secondary data was collected by reviewing available literatures and publications in relation to the topic. For example past researches, magazine and books.

3.5 Data analysis and presentation.

The data that was collected was subjected to editing to eliminate errors and unwanted data. The data was then analyzed and processed to make it useful and understandable. The data was then tabulated and analyzed using percentages and frequencies. The researcher used Ms Excel to present that data in form of tables and graphs.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS.

4.0 Introduction.

This chapter was about presentation and analysis of data on effect of compensation on employee motivation in TSC. The research mainly concentrated on the effect of salary on employee motivation, relationship between benefits and employee motivation and effects of incentives on employee motivation. The total number of employees who responded were 75 in contrary to the intended number of 100 respondents.

4.1 The effects of Salary on employee motivation in TSC.

This was the first objective of the study which was meant to investigate the effect of salary on employee motivation in TSC. The findings were based on the research question for this specific objective. 'What is the effect of salary on employee motivation in TSC?' The respondents were asked if the organization had a fair, logical and equitable compensation policy, if high/ increased pay would motivate them to work harder. The results of these questions were summarized as shown below in the table.

Table 4.1 Views on if TSC had a fair, logical and equitable compensation.

QUESTION	RESPONSES			
	YES	NO	TOTAL	
Do you think TSC has a fair, logical and equitable compensation policy				
	25	50	75	
Frequencies(fo)				
Percentage (%)	33.33	66.67	100	

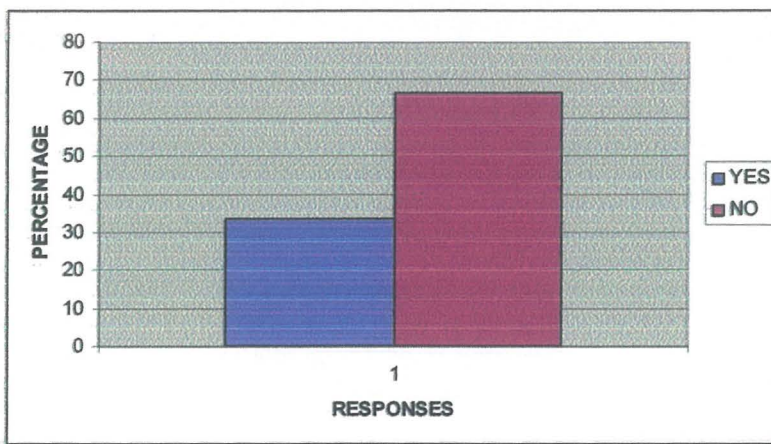


Figure 4.1: Employees view on whether TSC had a fair, logical and equitable compensation policy.

Table 4.1 and figure 4.1 shows that 25(33.33%) employees were of the view that there was a fair, logical and equitable compensation policy in TSC, while 50(66.67%) said that the compensation policy in use was not fair, logical and equitable. These results show that TSC does not have a fair, logical and equitable compensation policy as characterized by the majority NO of 50(66.67%) . The reasons the respondents gave to support their stand, was that irrespective of the number of years they have worked in the organization, either as teachers or education officers, they all receive the same salary regardless of their experiences. This was notice in the personal data on the years of service in TSC. Majority who served for 20 years and above said NO to the above question being that they were also familiar with the compensation policy the organization. The respondents also argued that the policy was not equitable in that the teachers who make the majority of TSC labor force were paid less than their counterparts in the civil service although they were classified in the same job groups. These results were in line with what Human distributive justice / exchange theory and Adams equity theory 1963, which said, ‘motivation is greatly influenced by how fairly an employee feel he/ she is being paid. A major determinant of an employee satisfaction arises from the degree of equity that an employee perceives in the workplace in comparison to the others. The minority 25(33.33%) who said yes argued that their salaries are usually in time compared to the other organizations, making the compensation policy to be fair, logical and equitable to them.

Table 4.2 Respondents view on if proper salary would compel them to work harder.

QUESTION	RESPONSE		TOTAL
	YES	NO	
Can good salary motivate you to work harder?			
Frequencies(fo)	55	20	75
Percentage (%)	73.33	26.67	100

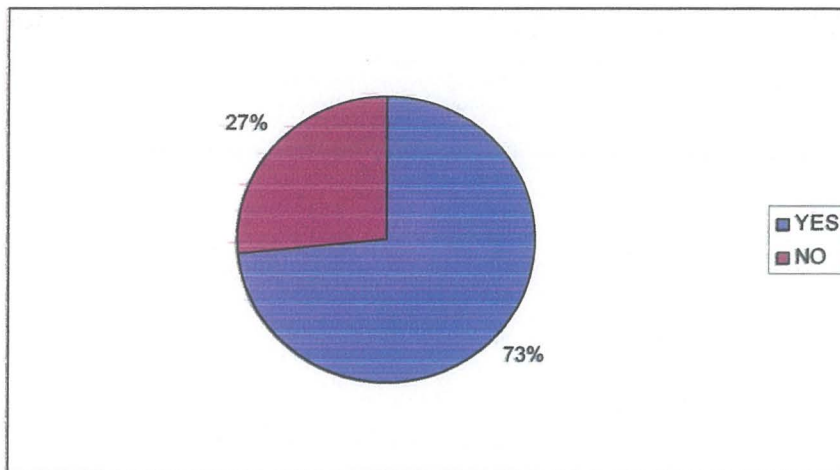


Figure 4.2: Pie chart shows the employee responses on whether good salary can compel or motivate them to work harder.

The figure 4.2 and Table 4.2 shows that most employees can be motivated or compelled to work harder if proper pay is extended to them as indicated by the majority of 55(73.33%). The results above shows that the majority of the employees 55(73.33%) are motivated to work harder by proper pay or high pay as opposed by the minority 20(26.67%) employees who believed that not salary is not one of their motivational factor. It was therefore deduced that most employees if highly or properly paid will be motivated to work harder and this is due to the response of majority 73.33%. the respondents who advocated for good pay being an important motivational factor for them to work harder had the following reasons: that money makes them settle various problems and to meet their family needs and finally that money is highly tangible means of recognition while others said money is everything to them, so working harder to earn it is not a problem to them.

The minority 26.67% who said that money cannot compel them to work harder argued that money is not all that someone needs to be alive and motivated, as one can derive motivation from the work itself if not other factors. The employees' or respondents were then asked if they have ever received any pay increase since they were employed in TSC.

Table 4.3 respondents' views on whether they have ever received any salary increase since they were employed by TSC.

QUESTION	RESPONSE		TOTAL
	YES	NO	
Have you ever had a salary increase since you were employed?			
Frequencies(fo)	65	10	83
Percentage (%)	86.67	13.33	100

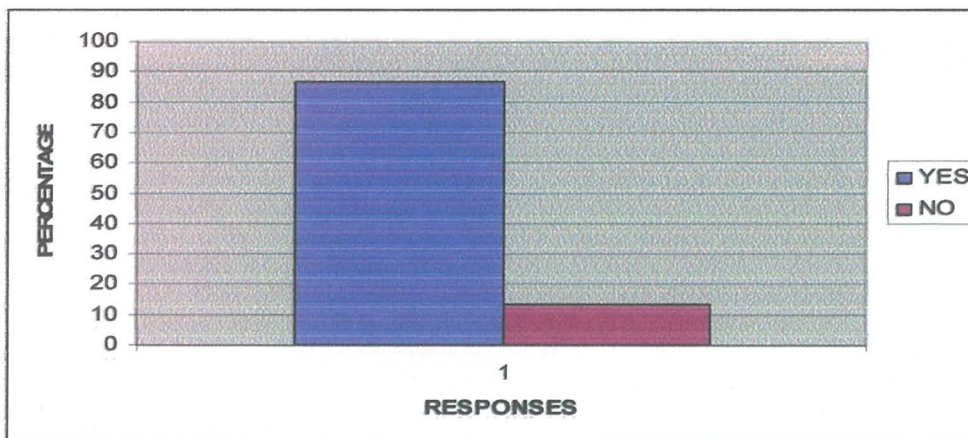


Figure 4.3: illustrates the results on whether the employees have ever received any salary increase since they were employed by TSC.

The results in table 4.3 and figure 4.3 shows that TSC usually give their employee pay increase after given duration of time. This is supported by the majority 73(87.95%) who says that they have ever received pay increases since they were employed by TSC. Even though TSC give their employees pay increases, the percentage of employees who said YES stated that the pay increase is usually in small percentage thus making the increase insignificant compared to the former salary that they received.

4.2 The relationship between Benefits and employee motivation in TSC.

This was the second objective of the study and it was meant to find out how benefits that employee get in TSC are related to the motivation. To answer this objective, the researcher formulated a question, 'what is the relationship between benefits and employee motivation in TSC?' The respondents were asked if TSC had any employee benefit program, if they have ever received any benefit from TSC and finally if benefits would motivate them to work harder.

Table 4.4 Response on whether TSC had an employee benefit program.

QUESTION	RESPONSE		TOTAL
	YES	NO	
Does TSC have employee benefit programs			
Frequencies(fo)	15	60	75
Percentage (%)	20	80	100

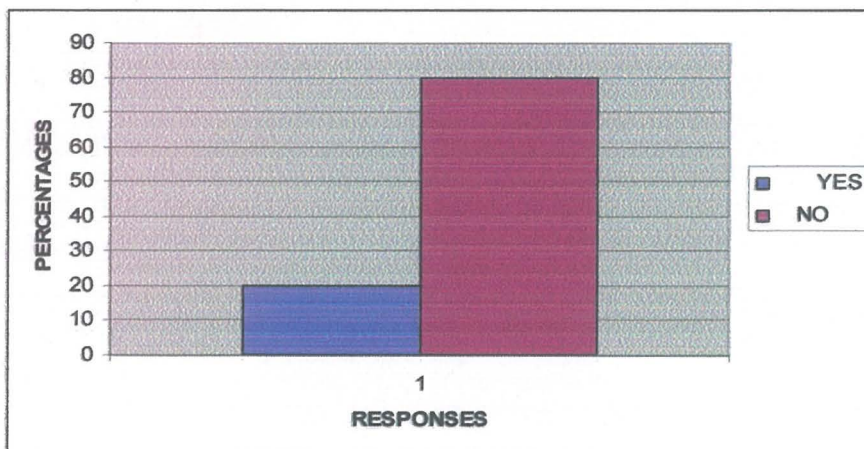


Figure 4.4: shows the figure below shows an illustration of the above table.

Table 4.4 and figure 4.4 indicates that TSC has no employee benefit program and if at all it has it not in use or only covers some few employees who are mostly in management posts and not teachers. This is evident through the majority of 80% of the respondents who said that TSC does not have any employee benefit programs. A minority of 20% of the respondents said that TSC had an employee benefit program, although it does not cover many

employees. These respondents who said YES were mostly education officer who are the beneficiaries of the benefit programs that usually extended in form of cars and houses.

Table 4.5 shows Respondents view on whether they have ever earned benefits in the organization.

QUESTION	RESPONSE		TOTAL
	YES	NO	
Have you ever received any benefits in this organization?			
Frequencies(fo)	5	70	75
Percentage (%)	6.666667	93.33333	100

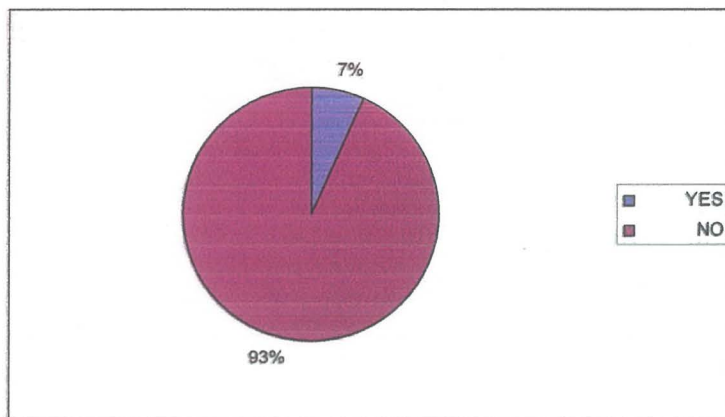


Figure 4.5: The figure below shows an illustration of the above table on whether the employees have ever received benefits.

The table 4.5 and figure 4.5 clearly indicate that TSC does not extend benefits at all to all its employees particularly teachers as shown by NO response of 70(93.33%). This is in contrast to the minority of the employees 5(6.66%) who said that they have ever receive benefits particularly cars. The researcher learnt that those who said YES were all educational officers who held positions in administration. The researcher also learnt that the employees particularly teachers perceive benefits as liabilities, in that if received, there's usually deductions made to the basic salary. From the above, it can be analyzed that being that TSC does not have any employee benefit program that's its employees are not well motivated.

Table 4.6 shows respondents' view on whether benefits can motivate them to work harder.

QUESTION	RESPONSES		TOTAL
	YES	NO	
Do you think benefits can motivate you to work harder?			
Frequencies(fo)	15	60	75
Percentage (%)	20	80	100

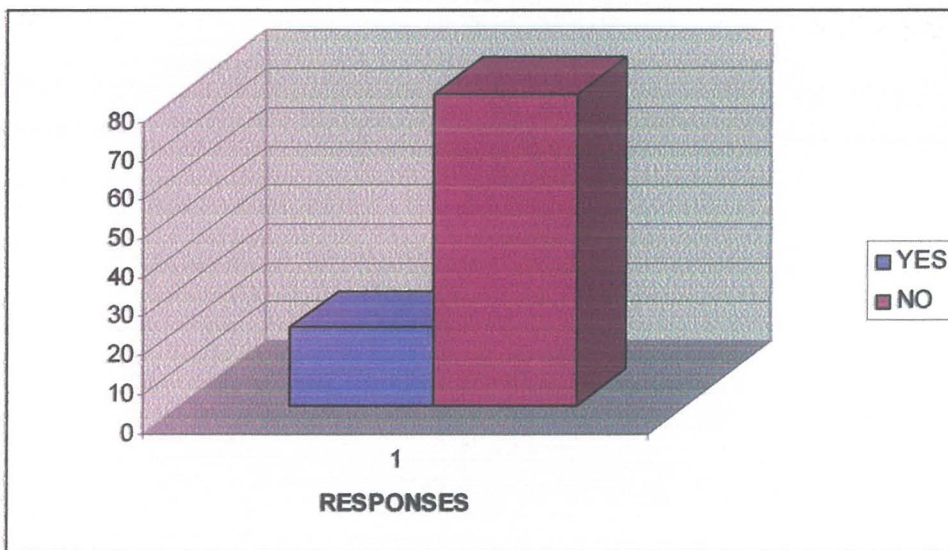


Figure 4.6: shows Illustrations on whether the benefits can motivate employees of TSC to work harder.

Table 4.6 indicates that benefits do not motivate employees to work harder. This is supported by the majority 60(80%) who responded that the benefits do not motivate them to work harder. This is supported by Schoenfeldt et al (1993) who states that, 'benefit programs do not directly motivate increased employee performance, for the link between performance level and benefits level is virtually zero. All employees receive similar benefit coverage regardless of their performance levels. Employees tend to regard existing benefits as rights rather than privileges and strongly resent any reductions in benefit levels.

The minority of the respondents 15(20%) said YES in that benefits they receive do motivate them to work harder.

From the above results from the respondents, we can analyze that benefits do not motivate employees to work harder in TSC in that the employees benefits are not related to the performance, but to the membership in the organization.

4.3 The effect of incentives on employee motivation in TSC.

This was the final objective of the study which was meant to investigate if incentives had any effects on employee motivation in TSC. In order to answer this, the researcher asked the following questions: 'have you ever received any incentive for your good performance?', 'how did you feel after receiving the incentive?'

Table 4.7 Opinions on if the respondents have ever received any incentive for their good performance.

QUESTION	RESPONSE		
	YES	NO	
Have you ever received any incentive for your good performance?			TOTAL
Frequencies(fo)	45	30	75
Percentage (%)	60	40	100

Results from the table 4.7 and figure 4.7 indicated that 45(60%) respondents reported that they had once received incentives inform of promotions and praise for their job well done. Whereas, only 30(40%) admitted that they had never received any incentive since they joined TSC as employees.

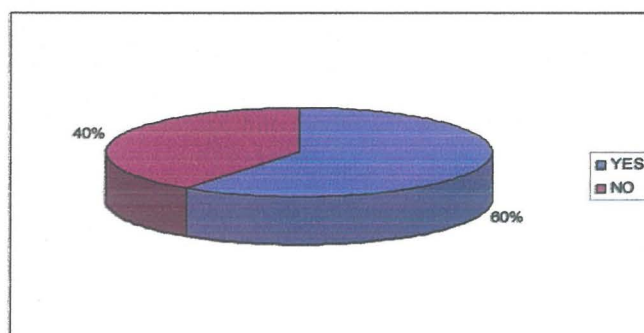


Figure 4.7: below shows the respondents answers on if they have received any incentive.

Figure 4.7 shows that TSC do extend incentives to its employees. This can be proved by the majority of YES responses of 60%.

Table 4.8 Shows respondents views on how they perceived incentives.

QUESTION	RESPONSE		TOTAL
	MOTIVATED	MEANT NOTHING	
How did you feel after receiving the incentive?			
Frequencies(fo)	55	20	75
Percentage (%)	73.3333333	26.6666667	100

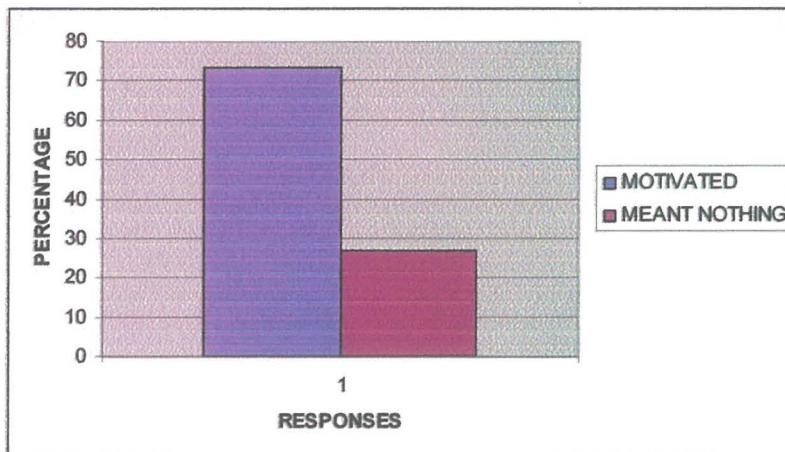


Figure 4.8: illustrates respondents' views on how they perceived incentives.

The table 4.8 and figure 4.8 shows that 55(73.33%) of the respondents were motivated after being recognized and receiving incentives such as promotion, while only 20(26.66%) respondents argued that incentives had no impact on their motivation thus incentives meant nothing to them. Further study into the results shows that most of the respondents who were motivated were mostly of ages 31 and above and they 55(73.33%) respondents. The minority 20(26.66%) who said NO were mostly the young employees in the age bracket of 25- 40 years of age. This minority response can be justified by Maslow's hierarchy of needs where people are seeking prestigious awards and being recognized. The respondents who were not motivated were in the lower age bracket whereby, awards and promotions meant nothing to them but the tangible rewards in form of salary or money.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter mainly dealt with summary, conclusions and recommendations related to effect of compensation on employee motivation in TSC drawn from the findings and analysis made after conducting the study.

5.1 Discussion.

The summary of the findings were presented in accordance with the research objectives of the study as follows:-The first objective was to assess the impact of salaries on employee motivation in TSC. The study conducted revealed that salary had a great impact when it came to motivation. Most respondents expressed that if TSC adopted fair, logical and equitable compensation similar to other civil servants rate/scale, its employees mostly the teachers could cater for their families and bills, and then would be motivated to work harder. It was noted that salary received affected the employee labor turnover for example in the past years, teachers have been going to Botswana, and the UK looking for greener pastures as they are well paid there.

The findings about salary and motivation were in line with Hollenbeck et al, (2003) which stated that, Pay is seen as an indicator of status within the organization and society as well as in society at large. Thus, for some people, pay is reflection of self worth, so pay satisfaction takes on critical significance when it comes to retention. Satisfaction with structure deals with how happy the person is with the manner in which pay within the organization is rank ordered across different job categories. A manager of a sales force, example may be satisfied or is motivated with her overall pay, but she discovers that due to sales commissions some subordinates actually winds up higher pay, and then dissatisfaction with the structure of pay may result. People generally expect that their pay will increase overtime and to the extent that this expectation is not met, they may wind up dissatisfied with pay raises.

What a person is paid indicates his or her worth to an organization. In today's service based economy, pay often equals 50% or more of the cash flow of an organization. It is one of the major methods used to attract employees and motivate them for more effective performance (Ivancevich, 2001). Maslow's hierarchy of needs takes the form of a pyramid. In ascending order the needs are, physiological, safety, social, esteem and self actualization. Lower needs

motivate employees towards earning direct financial compensation to buy shelter and do things like providing for retirement (Ivancevich, 2001). This was supported by the findings in that most of the respondents argued that TSC does not regard them to be worthy and that's why they are paid lower than their counterparts in the civil service. They also argued that the salary they receive is insufficient to cater for their needs and their families.

The findings about salary is also in line with the explanation of Ivancevich, (2001) as follows. Herzberg two-factor theory of motivation tries to find out what people want from work. Hygiene factors relate to the context of job and include pay, working conditions, and supervision. They do not motivate. Motivators include factors like achievement, recognition, responsibility, advancement growth and work itself. Motivators become operational only when dissatisfies are removed. Herzberg concludes that changing pay will not motivate. But if pay is inadequate or of the wrong type, or mismatched to employees need in any way, dissatisfaction results.

The relationship between benefits and employee motivation was the one second objective of the study. The outcome of the study showed that TSC was offering benefits to employees selectively, for example, only to its administration and not the teachers. This should that TSC has no proper employees benefit program. Most of the respondents admitted that they never be motivated to work being given benefits whatsoever, as they so it as a liability other than an asset or income.

The findings were in line with Schoenfeldt et al, (1993) argument which stated that, 'Benefits are contingent on membership in the organization, they help a company attract and retain employees. Benefit programs do not directly motivate increased employee performance, for the link between performance level and benefit level is virtually zero. All employees receive similar benefit coverage, regardless of their performance levels. Benefit plans have positive valence to employees. Employee's gain several advantages by receiving part of their compensation in this indirect for. Employees tend to regard existing benefits as rights rather than privileges and strongly resent any reductions in benefits levels'.

The third and the last objectives of the study was to asses how incentives affect the employee motivation in TSC. According to the result of the study, incentives was found to be having a motivational effect on the employees as they are rewarded according to their performance in

the organization. Most of the respondent argued that when given incentives they would be motivated to work harder.

5.2 Conclusions.

In accordance with the first objectives of the study which was to assess the impact of salary on employee motivation, the researcher concluded that indeed money has a positive impact when it comes to employees motivations in TSC. This is contrast to what the researcher had learnt in class that; provision of money does not result in long lasting motivation. This study is stated by Hertzberg two factor theories of motivation tries to find out what people want from work. Hygiene factors related to the context of job and include pay, working conditions, and supervision they do not motivate.

The analysis made revealed that money had a great importance attached to it that even some employees decide to quit due to pay related issues and go to greener pastures such as in Botswana. It can be noted that lack of fair, logical and equitable compensation policy can lead to serious complaints. Great care and concern should therefore be taken when salary is been administered to avoid incidences like teacher's strikes which have become rampant in the country being that the teachers are the major employees of TSC.

The research question which stated that; "what is the relationship between benefit and employee motivation in TSC?" had the following conclusion. The findings revealed that benefit did not have any impact on the motivation of employee benefit program as the benefits were selectively administered amongst the employees and, especially most of the administrators and managers received them whereas, teachers who constituted the greatest number of the employees only received retirement benefit program fund. The TSC should also note that benefits are not only given after employment period e.g. pension schemes for retired employees but also during employment e.g. giving cars and houses to teachers as some of them stay far way from the schools and end-up arriving at school late and hence resulting into poor performance and low moral among the teachers. TSC should also realize that paid holidays, health insurance, luncheon, voucher can also be tries out to improve the employee's motivation.

Analyzing the effect of incentives on employee motivation in TSC was the last objective of the study. It was found out that an incentive which is an element of payment linked to the

performance of individuals or team was being administered to the employees. The findings also indicated that incentive motivated the employees of TSC who are the majority whereas the minority of the employees do not see incentives as a motivating factor. A further study into YES and NO answer revealed that these two responses depends on the ages of the employees and also on whether one was on the ages of the employees and also on whether one was an X type of theory or a Y type of theory person. This is because theory X type of employees who liked money were motivated by high salary whereas the Y type employees who linked achievement and accomplishing challenging tasks were motivated by incentives. The overall analysis of the results however revealed that employees in TSC could be motivated by use of incentives to work harder.

Benefits are contingent on membership in the organization, they help a company attract and retain employees. Benefit programs do not directly motivate increased employee performance, for the link between performance level and benefit level is virtually zero. All employees receive similar benefit coverage, regardless of their performance levels. Benefit plans have positive valence to employees. Employee's gain several advantages by receiving part of their compensation in this indirect for. Employees tend to regard existing benefits as rights rather than privileges and strongly resent any reductions in benefits levels. (Schoenfeldt et al, 1993)

5.3 Recommendations

In accordance with the findings and conclusions of the study of the research findings, it is vital to make the following recommendations which could help in bringing about a positive change in regard to employee motivation in TSC.

TSC should endeavor to come up with a fair, logical and equitable compensation system which will put into consideration about the type of work an employee is doing and level of education before deciding on how to pay. Most importantly, the management of TSC should make sure that the teacher's salary is in accordance to the other civil servants salary. Teachers in the same job group as their civil servants counterparts should be paid equal salaries. This is because in accordance to recent study, it has been found out that teachers are paid lower salaries than the civil servants.

The organization should realize that benefits must be administered to all employees and not selectively to only the administrators and officers. Since a benefit of cars is expensive to

maintain given the current global financial status of the economy, TSC should try to implement, health insurances, housing to its employees particularly to teachers working in the rural areas, arid and semi-arid areas. When deciding what to do in order to motivate employees, human resource managers should take into consideration the theory X and theory Y types of employees in the organization. This will enable all the employees' needs to be satisfied in line with their preference and thus leading to motivation. Incentives which are performance related should continue being administered because they have shown a positive impact on employee's motivation. HR manager should however ensure that the incentives are consistent and fair and should explain the incentive policy program to all employees for them to be aware of what to do or how to perform in order to earn an incentive. Clear records should be kept indicating how one qualifies to get an incentive such as promotion, and the criteria used to reward an employee with an incentive. This is because recent studies have shown that complaint arose when incentives are administered to some employees resulting to demonstration of other employees who felt they should have also received incentives due to their improved performance.

The study also recommends that TSC should adopt other methods in order to motivate the employees other than salary, benefits and incentives. These other forms of motivation can be, job design, performance management, job evaluation and discipline or grievance handling.

5.4 Further research areas.

Employees motivation is a wide and vital area in an organization's human resource management, the researcher can not claim that she has exhaustively and accurately looked into this area. This because of the limitations by the scope of the study and therefore, there is still a chance of carrying out further study.

The above completed study mainly focused on the effect of compensation on employee motivation in TSC. It was further discovered that not only compensation could be used to motivate employees to work at TSC but also factors like job design, performance management, job evaluation, good leadership, management styles, the working environment, ergonomic factors at work, communication and many others but not only concentrating on compensation as a factor of motivation.

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APPENDIX 1: TIME SCHEDULE OF THE RESEARCH

	MONTH	YEAR
DATA COLLECTION	JANUARY-MARCH	2010
DISSERTATION WRITING	APRIL-MARCH	2010
SUBMISSION	JUNE	2010

APPENDIX II: ESTIMATED BUDGET OF THE STUDY.

STATIONERY	AMOUNT
1 Ream of ruled papers	10,000
1 Ream of plain papers	20,000
Pens	5,000
2 files	5,000
OTHERS	
Typing and printing	200,000
Transport cost	50,000
Miscellaneous	100,000
TOTAL	390,000

APPENDIX III: INTERVIEW GUIDE

1. Do you have a sound, fair, logical and equitable compensation system in your organization ?

.....

.....

.....

.....

2. Do you think that compensation in TSC motivates them?

Explain

.....

.....

.....

.....

.....

3. On your opinion do you think that the TSC compensation system is equitable compared to other Public service organizations?

.....

.....

.....

.....

.....

4. Do you intend to change your compensation system in the new future?

Explain

.....

.....

.....

.....

.....

APPENDIX IV: QUESTIONNAIRE FOR THE EMPLOYEES.

Dear respondents;

This questionnaire is about study being carried out on “the impact of compensation on employee motivation.” This study is being conducted as a partial fulfillment of the requirement of Bachelors degree in human resource management course in Kampala international. I kindly request you for contribution on the study. The data gathered will be held in confidence it deserves and be used strictly for the study and not otherwise.

Thank you!

Instructions

1. Check/ tick in appropriate boxes
2. Fill in the bank spaces

SECTION A: PERSONAL DATA

1. Sex Male ☐ Female ☐

2. Years of services to teachers' service commission.

0-10 ☐ 11-20 ☐ 21-30 ☐ More than 30 ☐

3. Age 25-30 ☐ 31-40 ☐ 40 and above ☐

4. Level of education.

Certificate ☐ Diploma ☐ Degree ☐ Masters ☐

SECTION B; COMPENSATION ISSUES

1. Do you think that this organization has a fair, logical and equitable compensation policy?

Yes ☐ No ☐

Explain

.....
.....

2. Can good salary motivate you or compel you to work harder?

Yes ☐

No ☐

3. Have you ever had a salary increase since you were employed?

Yes ☐

No ☐

4. Does teacher service commission have any employees benefit program?

Yes ☐

No ☐

Give examples

.....
.....

5. Personally, have you ever received any benefits like cars, paid vacation and leaves in your organization?

Yes ☐

No ☐

If yes, do you think benefits can motivate you to work harder?

Yes ☐

No ☐

6. Have you ever received nay incentive for example bonus, for your good performance?

Yes ☐

No ☐

7. How did you feel after receiving the incentive?

Motivated ☐ meant nothing ☐

8. Would you advice human resource manager to continue compensating using the present salary, benefit and incentive system.

Yes ☐ No ☐

9. Which are the other methods or things that you would recommend that motivates you.....
.....

Thank you for your participation.

OFFICE OF THE H.OD HR AND INTERNATIONAL BUSINESS.
SCHOOL OF BUSINESS AND MANAGEMENT

Date: 17/5/2010

To:

HUMAN RESOURCE
MANAGER,
TEACHERS SERVICE
COMMISSION
KISUMU.

Dear Sir/Madam

RE: AMONDI LILIAN SISO REG. NO: BHR/14480/71/DF

This is to certify that the above mentioned is a bonafide student of Kampala International University at the School of Management, he/she is pursuing a Three years, Six semester Programme in Bachelors of HUMAN RESOURCE MANAGEMENT and she/he is in 3RD year 2ND semester.

He/she wishes to carry out research

on THE EFFECTS OF COMPENSATION ON EMPLOYEE MOTIVATION
IN TEACHERS SERVICE COMMISSION (TSC) KISUMU DISTRICT.

Any assistance extended to him/her will be highly appreciated.

Thank you,

Yours sincerely,

Ms NABWATO DIANA

H.O.D

MGT & HR

