THE RELATIONSHIP BETWEEN FINANCIAL REWARDS AND EMPLOYEE PERFORMANCE

A CASE OF NATIONAL SOCIAL SECURITY FUND UGANDA (NSSF)

BY

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DECLARATION

I Ondicho M. Ruth declare that the dissertation is my original work and has never been presented to any University or Institution of higher learning for the award of any academic qualification.

Signature

Date

Ruthdicho

7th Nov. 2008

APPROVAL

This is to certify that the dissertation has been submitted in partial fulfillment of the requirements of the award of a Masters of Business Administration of Kampala International University with my approval as a University Supervisor.

Signature Date

Dr. Andrew Musiime

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DEDICATION

In appreciation of the contribution and support to this work, I dedicate the research to my family most especially my mother, friends and the entire academic world.

ACKNOWLEDGEMENT

First, I thank Almighty God who brought success to me in this study.

My sincere acknowledgement goes to the managing director of Kampala International University for awarding me a scholarship to pursue the Masters degree. My acknowledgement goes to Dr. Canene and Mr. Kule for all the encouragement and the support they gave me during the time of this research. Lastly, my acknowledgement goes to my supervisor Dr. Andrew Musiime for guiding me throughout this work.

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ABSTRACT

The purpose of the study w as to examine the effect of financial rewards on employee performance at NSSF. The research questions were designed to guide the research work. A conceptual framework relating the financial rewards to employee performance was developed. The research adopted an analytical and descriptive research design which also used qualitative and quantitative methods. Out of the 56 staff and managers in the Benefit Department, Compliance and Record Department, Accounts and Audit Department, 40 staff members and nine managers responded to the study. Questionnaires were used to collect primary data on objectives of the study. The study revealed a significant positive relationship between, financial and non-financial rewards. However, the financial rewards were the most significant predictor of employee performance with a correlation of 0.963. From the study, the researcher recommended that top management should ensures that performance appraisal is carried out regularly so that financial rewards can be linked to either individual or group performance. The management should also ensure timely payment of employees so as to reduce the unnecessary complaints and lastly, continuous improvements in working conditions will help change attitude of employees and hence productivity.

CHAPTER ONE

INTRODUCTION

Introduction

In this chapter, the researcher presents the background of the study, statement of problem, the purpose of the study, objectives of the study, the research questions, significance of the study, the scope of the study and the conceptual framework.

Background of the Study

Managing employee performance depends on good systems that offer competitive financial rewards (Stockley, 2005). Financial rewards are becoming a pertinent issue in today's highly capitalized business environment unlike in the past (Kambungu, 2003). Employees seek employment to satisfy a range of needs, so management must consider the economic needs of their human resources for survival through the payment of wages, salaries, benefits and incentives that are commensurate with their skills, knowledge, contribution and relative market worth (Armstrong, 2001).

Employees must perceive such financial rewards as attractive and linked to performance in order for them to remain productive. Drawing from the social exchange perspective, Sandy et al (2002) and Settoon et al (1996) intimate that the payment of financial rewards to employees may create a sense of obligation on the part of the employees to reciprocate in terms of behaviours valued by the employer. To the economists these may seem merely variable costs, but to the businessmen they are becoming ever-increasing costs which must then be accounted for in terms of high employee performance (Ahuja, 1992).

National social security fund is an organization that provides a wide range of social products and also plays its role as the lead institution for domestic capital formation and financial sector deepening. National Social Security Fund management had for many years relied on the payment of financial rewards to boost employee productivity. However such financial rewards seem to represent a substantial part of the total production cost which many times surpassed the wage budget by approximately 15% (NSSF budget review report, 2003). With time this forced management to agree and had to withdraw some of the financial rewards such as incentives and benefits that were offered to employees across the different levels within in the organisation. However, the withdraw of such financial rewards led to low employee job involvement, polarized management-staff relationships, job dissatisfaction, employee commitment declined and all this adversely affected the organisation's performance. This was reflected by the ever increasing registered customer complaints, poor quality service delivery, bribery, failure to meet deadlines, massive cases of tardiness and continued public criticisms.

Most managers and economists have tended to place money high on the scale of employee productivity while behavioural scientists tend to place it low (Koontz and Weihrich 1988). This study is an attempt to demonstrate by empirical evidence the effect of financial rewards on employee productivity using the case of NSSF.

Statement of the Problem

Pressure is constantly exerted on the wage and salary committee of National Social Security Fund for pay increases by executives, supervisors and employees. On top of this, staff continued to advocate for other payments in form of incentives and benefits which management had to honor. Overtime, this increased the wage and salary expenditure to approximately 15% above the funds made available on the payroll thereby forcing the management to withdraw some financial rewards offered to the employees. After the withdrawal of those financial rewards employees performance was recorded low. This was evident in the ever increasing registered customer complaints, poor quality service delivery, bribery, continued failure to meet deadlines, and massive cases of tardiness (NSSF Budget Review Report 2003). This study seeks to determine the relationship between financial rewards and employee performance.

Purpose of the Study

The study sought to examine the effect of financial rewards on employee performance at National Social Security Fund.

Objectives of the Study

- To find out the financial rewards used by National Social Security Fund
- To find out the non- financial rewards offered to staff at National Social Security Fund
- To find out the effect of financial rewards on employee performance.

Research Questions

- What are the financial rewards used by National Social Security Fund?
- What other forms of rewards are offered to staff at National Social Security Fund a part from the financial rewards?
- What is the effect of financial rewards on employee performance?

Significance of the Study

- The study findings may help policy-making management executives and human resource specialists to support pay initiatives that incorporate the economic well-being of staff for survival geared towards stimulating employee performance.
- The study findings may add to the body of the existing literature on effective motivation through financial rewards.
- To the general society, the study findings may help sensitize those in leadership positions to appreciate the power of monetizing contributions that will transform their constituencies by appreciating the need to focus on each

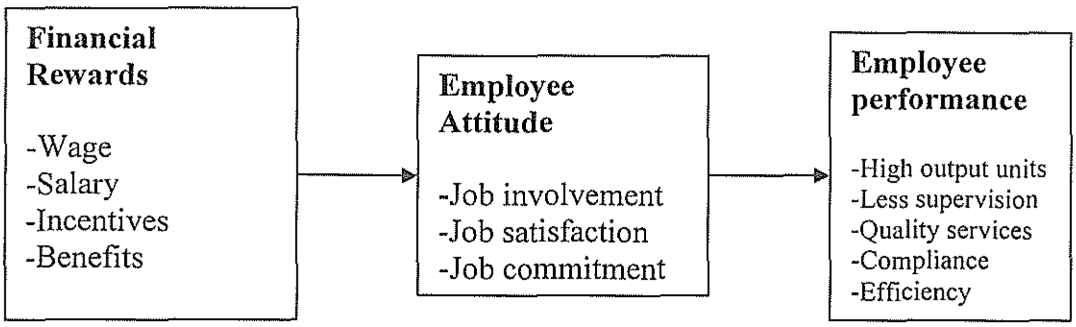
members' needs and values without any forms of discrimination that is likely to pave way for rehearsed and tired arguments due to conflicts

Scope of the Study

Content Scope: The study focused on the factors that affect employee performance in National Social Security Fund and in particular the effect of financial rewards.

Geographical scope: The study was carried out within National Social Security Fund situated in Kampala. This organisation was selected by the researcher because staff here continued to complain of poor pay systems that could merely exploit their potential.

Conceptual Framework



Source: *Adapted and modified from Stockley, 2005.*

Description

While examining the construct of financial rewards, the study intends to look at wage, salary, incentives and benefits. Once such financial rewards are perceived to be attractive by the individual employees, this will then lead to change of attitude, therefore, job involvement, job satisfaction and job commitment will build. Such moderating variables will lead to increased employee performance as would be represented in terms of increased output, less supervision, new skills, compliance, quality services and efficiency

CHAPTER TWO

REVIEW OF RELATED LITERATURE

Introduction

This chapter reviews literature from several authors on the variables used for the study. This includes; forms of financial rewards, Non-financial rewards and the relationship between financial rewards and employee performance.

Financial Rewards

Motivation is looked at as many potential choices man can take on. All these forms of behaviours cannot be expressed on any one single occasion. The behaviour that comes to expression represents a man's performance whereas his/her potentialities for behaving represent his abilities. If a worker is motivated, then his/her ability is expressed in form of productivity. Therefore motivation is a way of bringing to expression the ability a person already possess (Blanchard & Johnson, 1988)

Financial rewards is where managers use wages, attractive salaries, allowances, bonus, commissions and fringe benefits as direct incentives to motivate employees while working towards the goals of the organization in order to improve performance (Stoner and Freeman, 1995) or can be in form of indirect financial incentives such as housing, transport, medical allowances and pension schemes to satisfy individual needs.

According to Koontz and Weihrich (1988) money can never be overlooked as a motivator whether in the form of wages: piece of work getting paid for units produced at a certain level or any other incentive pay, bonuses, stock opinions, company paid insurance or any other things that may be given to people for performance. He goes on to say that money is likely to be more important to people when raising a family for example than to people who have "arrived "in the sense that their money needs are so urgent.

Money is an urgent means of achieving a minimum standard of living, although this minimum has a way of getting higher as people become more and more affluent. For example an individual who was once satisfied with a small house and a low priced car may now be able to derive the same satisfaction only from a large and comfortable house and fairly luxurious automobile (Bate & Organ, 1991).

Money is a very complicate motive that is entangled in such a way with all kinds of needs besides physiological needs that its importance is often difficult to ascertain. For example in some cases, money can provide individual with certain materials things such as fancy sports cars from which they gain a feeling of affiliation, recognition (status symbol and even self actualization by becoming outstanding sports driver (Hersey et al 1993).

Hersey et al (1993) refers to Whyte (1989) who found that money is the oldest reliable motivational tool and not almost almighty as it is supposed to be, particularly for production workers. For each of these workers, other key factors as Mayo (1974) discovered are their work group. Whyte (1989) using the ratio of high producing r ate busters to low producing restrictions as an index estimates that only about 10% of the production workers in the United States will ignore group pressure and produce as much as possible in response to an incentive plan.

According to "theory X" which says that human behaviour towards work is viewed as being negative and that people naturally hate work and would avoid responsibility in such a way that financial rewards relate to employees performance and employees are motivated with economic gains. If people are given high economic rewards, they will be influenced to put in more effort and perform better (Bate & Organ, 1991).

Taylor F. W (1947) emphasized that financial r ewards in terms of g ood pay is necessary to realize the goals of an individual or group of employees within that organization for effective performance. He emphasized that through the use of higher financial rewards such as attractive salaries, commissions, bonuses, fringe benefits, among others employees will be strongly motivated to work harder as these are good motivators used by managers nowadays to improve employee performance in organizations (Stoner at el, 1996)

Bate et al (1991), says that money can motivate or influence action only when the increment is large enough relative to the existing income. For that matter, it has been proposed that to motivate an employee, employers need to design and create a situation that suggests a monetary drive at some levels for a particular need.

According to Graham and Bennett (1998), money is looked at as dominant motivator. For example he gave arguments in favour of money as being the dominant motivator. For instance:- High wages provide access to physical goods, services and life styles greatly valued by the majority of employees, High incomes indicate occupational competence and are a mark of success. This in itself constitutes an important motivating factor; money can simultaneously satisfy many needs. People may say that, they do not value financial rewards, but still want the something that can be purchased with money. Comparison of a person's wage with the wages of others enables the individual to relate his/her job to others within the organization and industry generally.

Roy (1994) says that the motivational theories all suggest that most people can be motivated to work harder with the prospect of being paid more. He gave reference to Maslow`s ideas of being motivated by those needs that are not met at present, that is; by promise of more pay in the future like piece rate, merit rises, commission and potential pay rewards from promotion may motivate us to work harder. He relates to the equity theory, which states, "The inputs a person gives to an organization should be equal to the output he receives in return".

According to Milkovich and Newman (1984), money is important, both economically and psychologically. Without it, we cannot buy the goods and services that make life comfortable. Money is also equaled with status and recognition. Therefore employees are quite sensitive about the amount of pay they receive and how it compares to what others in the company and in society are earning. It is important for employees to believe that they are fairly compensated for the time, effort and results they provide the employer.

In a study by William M.Mercer and Yankelovich (1998) patterns Inc. of "Why I do this job" financial reasons are the single most important reason (40%) of why people work. The remaining (60%) is composed of other reasons like; co-workers (15%), Job-satisfaction (15%), Benefits (13%), and others (17%) One might argue successfully that benefits such as health care and retirement should be included in financial reasons. If this argument is followed then financial reasons are increased to 53% (Roy, 1994)

Forms of Financial Rewards

Salaries and wages are streamlined payments and remuneration done periodically or seasonally. Salaries are differential and are based on the nature of the job to some extent on the length of service. Salaries increments however act as better motivators especially when the organization puts in place a program of steady annual increments. This motivates the workers` ability to maintain his/her performance (Mulindwa, 1989).

Basically wage incentives provide more pay for more production. The main reason for use of wage incentives is to increase productivity while reducing unit labour cost. In order to be successful, a wage incentive needs to be simple enough for example to have a strong belief that reward will follow performance (Graham, et al, 1998).

According to Graham, et al, (1998) a wage is nearly expressed as a rate per hour. It can be in the following forms: overtime pay for any work done beyond normal hours, shift pay for employees who work unusual or changing hour to compensate them for inconveniences or hardships, special additions for example danger money, dirt money which is paid to the employee during abnormal working conditions, merit or length services additional to employees either on the result of appraisal or on completion of certain period of service, cost of living allowance, which are given quite commonly in response to arise in the general price level or to employees who work in high cost areas, and policy allowance/cover miscellaneous extra payments.

Profit sharing scheme is a system that distributes to employees some portion of the profits of business either immediately (in the form of cash bonuses) or deferred until a later date (held in trust in the form of employee owned shares). Profit sharing recognizes mutual interests: - employees become interested in the economic success of their employer when they see that their own rewards are affected by it. (Newstrom & Davis 1997)

Don Nightingale (1984) says that several studies have derived into the particulars of the relationship between human resources motivation and performance. He concluded that profit sharing led to performance improvement in thousands of firms. The Profit sharing concept also resulted in bonus being paid at the end of the year to the employees. Some companies pay up to three months as bonus to their employees even in year which do not justify such a high bonus payment (Graham, et al, 1998).

According to Stoner and Freeman (1995) who referred to Taylor, F. W. (1947) said that managers determine the most efficient way to perform repetitive tasks and then motivate workers with a system of wage incentive reflected in form of a commission. The more work produced, the more they earned. The underlying assumption was that managers understood the work better than workers who were essentially lazy and could bye motivated with only money. Legacy of this model is the practice of paying sales person on a commission basis.

Gain sharing is also used as a financial reward. Gain sharing is a formula-based company or factory wide-bonus plan, which provided for employees to share in the financial gains made by a company as a result of its improvement performance and participation. The formula sometimes incorporates performance measures relating to quality, customer service delivery low costs reduction, and sometimes participation (Stoner and Freeman 1995).

Milkovich and Newman (1984) add skilled based pay as yet another form of financial reward. In contrast to salaries (which pay someone to hold a job) and wage incentives (which pay for the level of performance), skilled based pay (also called knowledge based pay) rewards individuals for what they know to do. Employees are paid for the range, depth and type of skills in which they demonstrate capabilities.

Forms of Non-Financial Rewards

Armstrong (2001) emphasises that managers are forced to use non-financial rewards due to the belief that money alone does not satisfy all company employees. Financial rewards must be accompanied by non-financial rewards such as increase in responsibility, status, job security, participation, opportunity to advance and recognition.

Kuzmits (1982) asserts that casual dress days, holiday parties, reduced parking rate, employee dinner, lunch with senior management, free or company sponsored community service activities are examples of non-financial rewards.

Managers also provide responsibility which many employees find to be a challenge. This is because many have a preference for challenging jobs. Therefore increase in responsibility is away of providing non-financial reward to employees (Armstrong, 2001)

Job security is also provided by managers as away of giving non-financial rewards because almost every one is assured of tomorrow and a stable income (Flippo, 1984). One setback associated with job security is that when employees feel they are secured, they become less productive. Job security therefore can depend on realization of expected performance.

Status is the most non-financial reward in most organisations. Managers are conscious of status needs to their employees in general will experience job satisfaction of their employees. Employees in general will experience job satisfaction of their status recognised according to their contribution to the company. Status related benefits may include; prestige cars, entertainment allowance, enhance pension and life insurance schemes, pay of telephone bills and the like (Kuzmits, 1982).

Recognition of work done by employees is an important non-financial reward because many employees have a strong feeling that their work must be recognised and appreciated (Yankelovich & Immerwarch, 1983).

Kotler (1995) affirms that if benefits and services are to yield a return to the employer and provide something positive to employees, they must be developed and used systematically. Too often, the so-called fringes are improperly installed. It is important to determine what benefits an employees prefers and what resources are available to meet these preferences, and then to select the best package within the means of company.

Performance of Employees

Heineman et al (1994) stated that there is performance crisis in many organizations today, which causes layoffs or mergers of establishments. The only challenge being to raise performance. And the o nly solution-line the subject of human resource management has come up is to raise remuneration.

Yankelovich and Immerwarch (1983) found out that worker attitudes have an important influence on performance. A study was carried to find out why there was declining ethics in work in U.S. Americans commitment to hard work and personal achievement. The study found out there was an alarming lack of commitment of many Americans to their jobs, but does not attribute to the lack of commitment to the loss of the work ethics. The study found that the work ethics was still alive and healthy.

From they study, 23 percent of workers surveyed reported that they were performing at full capacity, almost half (44 percent) said they do not put a greater deal of effort in their jobs over and over what is required. 62% of work managers and labour union believed people were not working as hard as they used to.

Then Yankelovich and Immerwarch (1983) attributed much of the job effort to management's failure to reward hard work and high performance. For example, almost one-half of the managers surveyed said there was no relationship between how good people do a job and how much people are paid. Bill Richardson (1992) observed performance as for may times as being related to quality more especially in the service industry.

Dave (1993) stated that an organization's most valuable resource is its work force, the people who work for it. Managers therefore need to give careful though to the needs of employees. An organization can have all the latest technology and best physical resources but unless it looks after its people it will never strive and achieve optimum results. He says that the activity of an organization to pay high wages depends on the value of the output of employees and the price at which the organization can sell its products.

He summarizes by saying that, if the human resources are to be used effectively it needs to be used productively and competitively. This involves providing work that is rewarding and motivating and which results in high productivity levels and maximizes long-term profitability.

In addition to Maslow`s (1954) hierarchy of needs theory, is the expectancy theory. Several writers have talked about this theory but the basic characteristic of this theory is that individuals are motivated to work because they see relationship between their efforts and the value of the rewards that they expect in performing their work. Gallerman (1988) agrees with Mayo (1974) by saying that special motivators such as financial incentives should be built in organization. Such financial reinforcement shapes employee's behaviour to focus on performance. He believed that financial rewards, which are large enough to be felt and tied directly to perform in terms of salaries, are strong motivators in any system of employment.

"Money can motivate or influence action only when the increment is large enough relative to the existing income". For that matter, it has been proposed that to motivate an employee, employees need to design and create a situation that suggests a monetary drive at levels for a particular need. (Bate and Organ, 1991).

Darvar (1993) argued that an effective compensation program which consists of a better pay and fringe benefits that compare salaries prevailing outside and within an organization for similar job determines other payments such as bonus pay presents a long term value of the desired conduct and performance of employees in an organization.

CHAPTER THREE

METHODOLOGY

Introduction

This chapter deals with how data was collected and analyzed. It describes the research design, the survey pupation, sampling, sampling frame, data sources, data collection methods and instruments, data quality control, data processing and analysis, the research procedure, ethical considerations and the problems encountered during the study.

Research Design

The researcher used an analytical and descriptive research design since the research concentrated on primary source of data to solicit information from the respondents. Both qualitative and quantitative methods of data collection were used.

Survey Population

This study sought to assess the role of financial rewards on employee performance; consequently the population surveyed included the members of staff in the Benefits Departments, Compliance and Records Department and the Accounts and Audit Department and Managers at NSSF.

Sampling Frame

This was a case study carried out at National Social Security Fund (NSSF) and the population of the study included employees in three departments and managers of NSSF

Sample Selection

This represents the number of respondents taken from the population to provide data about the study. Out of the 56 staff members and managers in the Benefit Department, Compliance and Record Departments, Accounts and Audit Department, 40 staff members and nine managers responded to the study. The total population was selected for the study, but 49 responded.

Data Sources

Data sources were both primary and secondary. The main primary data source was directly from questionnaires filled by the respondents in National Social Security Fund.

The secondary data source included National Social Security Fund manuals, work plan, strategic plan, sector profiles and the relevant literature from the library that was deemed useful for this study.

Data Collection Methods and Instruments

The researcher used a structured questionnaire and documentary review in the process of collecting primary and secondary data respectively. The selection of those tools was guided by the nature of data that was required as well as the objectives under study. Questionnaires were hand-delivered and collected from the respondents.

Data Quality Control

Validity of instruments

To improve the validity of the questionnaires, the researcher was used research experts who moderated the tools to fit the objective. This ensured language clarity, relevancy, and comprehensiveness of the content and standard length of the questionnaire. The content validity index was computed as a ratio of the number of items in the questionnaire. These questionnaires were then pilot tested on the some employees. This greatly helped in bringing out the inadequacy of the draft questionnaire thus drawing light on several difficulties.

Reliability and Measurement of Instruments

The various c ategories of NSSF staff in the: - benefits department, compliance and records department, accounts and audit department and the senior managers provided a degree of homogeneity. In measuring the research instrument, 10% of the questionnaire was used in pre-testing. The pre-testing of the instruments revealed that the instruments yielded the same results on repeated constructs which guaranteed to the researcher that the instrument was reliable on repeated trials.

Data Processing and Analysis

All the responses collected from the field were coded and edited with the view of checking for data completeness, consistency and accuracy. It was then computed using the statistical package for social sciences (SPSS). Significant tests were employed to process and analyse the data. Tables were used to arrange the data in a presentable manner so as to draw conclusions and recommendations.

Research Procedure

The research proposal was handed over to the supervisor and the school of post graduate studies for approval. Research instruments were approved; the researcher received an introduction letter and authority from the relevant office that helped to introduce the researcher to the field where the actual administration of the instruments was done. Data from primary sources was collected, sorted, organised, tabulated, and edited to reveal frequencies and percentages which were later accompanied with other relevant literature and actual analysis finally done.

Ethical Considerations

The researcher got a letter of introduction from the University which she presented to the respondents to seek for their consent. The information obtained from the respondents was treated purely as academic and confidential for the safety, social and psychological well-being of the respondents.

Problems Encountered

The researcher faced a problem of respondents delaying to return the questionnaires. Here the researcher ensured that questionnaires distributed were more than the required number of respondents this enabled the researcher to collect the expected number.

Some of the respondents concealed information from the researcher due to fear of being implicated in case they released sensitive information about the organisation but relevant to the study.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

Introduction

In this chapter the researcher presents findings of the research so as to address issues raised in the statement of the problem. The findings obtained from the primary sources of data are presented in tables showing cross-tabulation and correlations.

Table 1

NSSF Workers Who were Satisfied with Various Rewards

Categories of Reward	Employees Satisfaction	Percentage
Wages & Salaries	(25)	51.00
Allowance	(17)	35.00
Bonus	(1)	2.00
Commissions	(1)	2.00
Other benefits (Medical, Housing Allowance)	(5)	10.00
Total	(49)	100.00

Data: NSSF Records

Table 1 shows that of the 49 staff and managers 25 or 51% were satisfied with their salaries, 17 or 35% were satisfied with their allowances, one each or 2% was satisfied with the bonus and commission, while five or 10% were satisfied with other benefits such us medical, housing allowances.

Table 2

Factors Influencing Motivation of Workers in National Social Security Fund

	Salary scales (ranges)			
Category of factors	U1-U2 Number of respondents	U3-U5 Number of respondents	U6-U8 Number of respondents	Total
Monetary payments (wages, Salaries and allowance)	12	17	5	34
Opportunities for Off- days, Training and Staff development	19	7	16	42
Both Monetary payment and other factors equally important	3	5	2	10

Source: Primary data

According to the table above, 34 of the respondents felt that financial payments motivated them most at the work place. 42 of the respondents showed that other non financial rewards such as off- days, training and staff development motivated them while 10 respondents showed that they were motivated by both financial and other non financial rewards. The table shows an overlap therefore percentages are not shown.

Table 3:

Preference for Financial or Non-Financial Rewards by Respondents

Allowance	Cash	Material	Indifferent
Transport	45	40	13
Medical	40	40	8
Housing	39	10	0
Other incentives	40	5	4

Source: NSSF Records

The table above shows that 45 respondents showed that they preferred their transport allowance to be paid in form of money while 40 respondents preferred it in material form and 13 respondents remained indifferent 40 respondents showed that they preferred their medical allowance to be in form of money while 40 respondents preferred it in material and only 8 respondents remained indifferent. 39 respondents showed that they preferred their housing to be paid in form of money while 10 preferred housing to be provided in material form. Other non-motivational factors were given. These included; - study leave with pay, establishing good friends at the place of work, and reasonable degree of job security. Here 40 respondents preferred them to be paid in cash, 5 respondents preferred them in material form while four respondents remained indifferent.

Reasons for Poor Staff Motivation in National Social Security Fund

When asked about the major causes of poor staff motivation in the National Social Security Fund, the responses were as shown in the table below.

Table 4

Reasons for Poor Staff Motivation in National Social Security Fund.

Reasons	**Salary u scales (ranges)**					
	U1-U2		U3-U4		U6-U8	
	No.	%	No.	%	No.	%
Nature of Work	(7)	36.84	(9)	25.71	(13)	35.13
Low pay	(9)	47.36	(14)	40.00	(6)	16.21
Management Techniques	(3)	15.78	(4)	11.42	(6)	16.21
Bureaucracy	(0)	0	(8)	22.85	(12)	32.43
Total	(19)	100.00	(35)	100.00	(37)	100.00

Source: Primary data

The table shows that seven or 35 % of the respondents on salary scale U1-U2, nine or 26% of respondents on salary scale U3-U4 and 13 or 35% on salary scale U6-U8 indicated nature of work as the reason for poor staff motivation in NSSF, nine or 47% of the respondents on salary scale U1-U2, 14 or 40% on salary scale U3-U4 and six or 16% on salary scale U6-U8 indicated low pay as the reason for poor staff motivation, three or 16% of the respondents on salary scale U1-U2, four or 11% of the respondents on salary scale U3-U4, six or 16% of the respondents on salary scale U6-U8 indicated management techniques as the reason for poor staff motivation, none of the respondents on the salary scale U1-U2 indicated bureaucracy as the reason for poor staff motivation while eight or 23% of the respondents on salary scale U3-U4, two or 33% on salary scale U6-U8 indicated bureaucracy as a reason for poor staff motivation at NSSF.

The Relationship between Financial Rewards and Employee Performance

The researcher investigated the relationship between the financial rewards offered to the employees (amount paid out to employees) and the employees' performance (out put in units). The table explains the correlation between the two factors.

Table 5

The Relationship between Financial Rewards and Employee Performance

Correlations

		Total Amount of Salary Paid to Employees,000	Number of Investments Created
Total Amount of Salary Paid to Employees,000	Pearson Correlation	1	.963
	Sig. (2-tailed)		.174
	N	3	3
Number of Investments Created	Pearson Correlation	.963	1
	Sig. (2-tailed)	.174	
	N	3	3

R= 0.963 r is the rank Pearson correlation coefficient.

The correlation coefficient is equal to 0.963. This is an indication that there is positive relationship between the amount paid out to employees and performance. This means that employees are positively motivated by amount of salary paid to them. The positive correlation indicates that an increase in salary is likely to increase workers motivation and hence increase their performance.

However, much as the two variables (salary and performance) are positively correlated, this correlation is not statistically significant. Therefore, its concluded that, the amount of salary paid to workers does not statistically significantly affect workers' performance. This implies that workers' can be more motivated by other factors (non-financial rewards) other than the financial rewards.

CHAPTER FIVE

SUMMARY, DISCUSSION AND CONCLUSION

Introduction

This chapter presents a discussion of the findings in chapter four in relation to the objectives of the study and review of literature. It presents a summary, discussion of the results, recommendation and the conclusion of the study.

Summary

The purpose of the study was to examine the effect of financial rewards on employee performance at NSSF. The research questions were designed to guide the research work.

A conceptual framework relating the financial rewards to employee performance was developed. The research adopted an analytical and descriptive research design which also used qualitative and quantitative methods. Out of the 56 staff and managers in the Benefit Department, Compliance and Record Department, Accounts and Audit Department, 40 staff members and nine managers responded to the study. Questionnaires were used to collect primary data on objectives of the study. The study revealed a significant positive relationship between, financial and non-financial rewards. However, the financial rewards were the most significant predictor of employee performance with a correlation of 0.963. From the study, the researcher recommended that top management should ensures that performance appraisal is carried out regularly so that financial rewards can be linked to either individual or group performance. The management should also ensure timely payment of employees so as to reduce the unnecessary complaints and lastly, continuous improvements in working conditions will help change attitude of employees and hence productivity.

Discussion

Financial Rewards Used by NSSF

According to Koontz and Weihrich (1988), money can not be overlooked as motivator to the employees. It can be in form of wages, bonuses, salaries and allowances. At the National Social Security Fund, the various financial rewards offered to the staff, consist of salaries, wages, bonuses and allowances. Salary payments to respondents are based on scales depending on the office post held. There are eight salary scales ranging from U8, lowest to U1, highest.

Majority of the respondents were satisfied with their salaries while some respondents said they were satisfied with the allowances such as housing and medical allowances, while two respondents were satisfied with bonus and commissions and five out off the 49 respondents were satisfied with other benefits offered at NSSF. Respondents confirmed that they need money to meet their economic and physiological needs such as food, shelter among others, while 45 respondents showed that they preferred their transport allowance to be paid in form of money, 40 of the 49 respondents showed that they preferred their medical allowance to be in form of money and 39 of the 49 respondents showed that they preferred their housing allowance to be paid in form of money.

Non-Financial Rewards Used by NSSF

The respondents in this study confirmed that financial rewards alone do not guarantee their performance and therefore managers needed to use non-financial rewards such as employee development, off days and provision of training opportunities. They prefer non-financial rewards such as study leaves with pay regular payments of salaries, job security and good interpersonal relationships. In fact, 40% and 50% of respondents preferred their transport and medical allowances to be paid in cash. This show view seems to be agree with Armstrong (2001) who emphasized that managers are constrained to use non financial rewards because employees needs ca not be satisfactorily meet with money per se. Nevertheless, the respondents seem to equivocate since they also want money instead of NSSF provisions for transport and medical services provided by the company.

Appropriateness of Salary Scales

Taylor F. W (1947) emphasized that financial rewards in terms of good pay is necessary to realize the goals of an individual or group of employees within that organization for effective performance. He emphasized that through the use of higher financial rewards such as attractive salaries, commissions, bonuses, fringe benefits, among others employees will be strongly motivated to work harder as these are good motivators used by managers nowadays to improve employee performance in organizations (Stoner at el, 1996)

From the findings, as much as salaries and wages were paid in time, they were not appropriate to expectations of the respondents. Respondents continued to mention that there are other factors apart from salary that prompted them to work.

The examples of such factors they gave include: training opportunities and further studies, contracts, promotion and appointment, career development, status, stable employment, regular salary, flexible work schedules, gaining experience, allowances like:-over time and night allowance, safari day allowance, mileage allowance, medical allowances, leave allowances and pay in due of leave and free access to services like telephone services and institutional vehicle.

The Decision to Stay in or Leave National Social Security Fund

Respondents were also asked on whether they felt like leaving the National Social Security Fund and their various reasons for leaving or staying. Most respondents advocated for staying in the NSSF and the reasons they gave included among others:-availability of various opportunities like study leaves with pay sponsorships; close the gap contacts and gaining experience, steady payments, job security, fear of failure to get employment anywhere else outside the NSSF. The advocates for leaving NSSF gave the following reasons: - corruption and favoritism, bureaucracy in the NSSF, low salaries. Most respondents revealed that promotion was fairly on merit while a number of respondents said that promotion was is not on merit giving reasons such as corruption and favoritism.

Reasons for Poor Staff Motivation in NSSF

Kotler (1995) affirms that if benefits and services are to yield a return to the employer and provide something positive to employees, they must be developed and used systematically. Too often, the so-called fringes are improperly installed. It is important to determine what benefits an employees prefers and what resources are available to meet these preferences, and then to select the best package within the means of company.

Finding from the study confirmed that respondents who gave reasons like the nature of work, low pay, management techniques and bureaucracy as reasons for poor motivation at NSSF. However, low pay and the nature of work took the lead with most respondents on all the salary scales indicating that they ere reasons for poor motivation in NSSF. Bureaucracy and the management techniques took the second lead. All these confirm to what is available in the literature review by different theorists. The nature of the work seems to be more associated with workers in the low range of payments (low scale; U6-U8) and bureaucracy to. The highly p aid w orkers w ere n ot v ery m uch a ffected b y b ureaucracy and l ow p ay was mostly associated with middle level workers.

The Relationship between Financial Rewards and Employee Performance

Kuzmits (1982) emphasize that, employees expect their financial pay to correlate highly with their performance. If employees recognise that hard work and superior performance are recognised, they will expect such a relationship to exist even in the future. On the other hand if employees see little relationship between performance and financial rewards, then they will set minimum goals to achieve in order to retain their current jobs for survival.

The study findings show a correlation coefficient of 0.963 between the two study variables an indication that there is positive relationship between the amount paid out to employees as motivation and their performance. This is because the coefficient is close to one and positive. For any increase or decrease in the motivational factors will result in respective increased or decreased output and or performance. It was assumed that other factors constant, output or performance is a result of the effect of increased financial rewards.

When financial pay is tied to performance it becomes an important motivator. Most organisations prefer the method of inducing employees perform better by offering them more money. Since most employees value money highly, Vroom in his expectancy theory suggests that pay motivates if it's directly linked to performance. If an increase in pay immediately follows a certain kind of positive behaviour, reinforcement theory confirms that the behaviour will be repeated.

Recommendation

The staff in NSSF has expressed dissatisfaction on the remuneration offered to them in terms of salary, wages and other forms of financial rewards. The management of NSSF should find out ways to motivate its staff better.

The payroll department should ensure revision of the salary scales regularly and ensure that payments are adjusted to employees' qualifications and contributions. The management should also ensure timely payment of employees so as to reduce the unnecessary complaints.

Top management should liaise with the central government to improve working conditions, as well as work space for staff.

Suggested Areas for Future Research

Whether monetary benefits can work solely to bring about motivation of workers without other opportunities like training and study leave, among others and if yes, how to systematically link financial rewards to performance since many organisations lack reliable and valid criteria for measuring performance and just like it is with instituting a pay structure.

Conclusion

The examined the effect of financial rewards on employee performance. The study objectives were to find out the financial rewards used in NSSF, to identify other non-financial rewards offered to staff in NSSF and lastly to establish the relationship between financial rewards on employee performance.

The findings show various financial rewards used in NSSF include, salaries, wages, benefits, bonuses, commissions and incentives, in form of allowances. The findings showed that there is a significant positive relationship between financial rewards and employee performance.

However, employees seem dissatisfied with the level of salaries and wages paid to them in respect of work done and overtime. They also mentioned non –monetary payments rewards such as; personal growth through provision of training opportunities, study leaves with pay and sponsorship, regular payments, establishing good rapport at the place of work, job security. For instance, some respondents worked hard in anticipation of promotions which never came. Majority of the respondents' stated that opportunities are concentrated at the top of management yet lower level managers face most challenges.

Generally, motivation problems in the National Social Security Fund were mainly due to poor nature of work and low pay although there are various other causes like bureaucratic bottlenecks and inhuman management of employees.

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APPENDIX

RESEACH QUESTIONNAIRE

KAMPALA INTERNATIONAL UNIVERSITY

Dear Sir/Madam,

You have been selected to participate in this on the role of financial motivational rewards on employee performance. The research is part of the two-year program for the award of a Master of Business Administration of Kampala International University.

Please spare a few minutes for your precious time and answer as accurately as possible following questions by ticking the right answer and where there is space fill in the appropriate answer.

1. What is your age limit?

   a). 18-25 ☐

   b). 26-35 ☐

   c). 36-45 ☐

   d). 45 and above ☐

2. What is your education level?

a). Post graduate ☐ b). Bachelors ☐ c). Diploma ☐ d) Certificate ☐

e). if other, please specify...

3. Are you a female or a male? (a). Female ☐ (b). Male ☐

4. Are you married? (a). Yes ☐ (b). No ☐

5. When did you join the National Social Security Fund?

....

....

6. What is your department? ☐

....

....

7. What is current post?

....

....

8. What is your salary scale?

....

....

9. Are you employed on a contract basis or permanent basis?

....

....

10. Are you satisfied with your salary scale?

a). Yes ☐ b). No ☐

11. If 'No' why..

....

12. Are your salaries paid in time?..

13. Apart from the salary, which other monetary payments do you receive?...........

....

14. On which basis are payments made?

a). Monthly ☐ b). Annually ☐ c). Weekly ☐

15. If otherwise please specify..

ii). Are you here for sole purpose of working and getting a salary?

a). Yes ☐ b). No ☐

16. If no why…………………………………………………………………………………

17. Do you have friends at work?………………………………………………………………

a). Yes ☐ b). No ☐

18. If yes of which category?……………………………………………………………

a). Male ☐ b). Female ☐ c). Both ☐

19. Have you been promoted ever since you joined?……………………………………………

a). Yes ☐ b). No ☐

20. If yes how often and on which basis? ……………………………………………………

……………………………………………………………………………………………..

21. Do you see any opportunities at your work place?

……………………………………………………………………………………………..

a). Yes ☐ b). No ☐

22. If yes mention at least 3 of them.

i……………………………………………………………………………………………..

ii……………………………………………………………………………………………..

iii……………………………………………………………………………………………..

23. Have you ever felt like leaving this organization?

a). Yes ☐ b). No ☐

24. If 'Yes' why? ……………………………………………………………………………

25. What other major problems do you face as a staff at National Social Security Fund?

i...

ii..

iii...

iv...

v..

26. What do you think is the reason for poor staff motivation in the National Social Security Fund?

i. Nature of work

ii. Low pay

iii. Management Techniques

iv. Bureaucracy

Give reasons for your choice above.

....

27. Do workers often leave the organizations for other jobs outside?

a). Yes...................................   b). No..

28. Why do you think this happens?

i...

ii..

iii...

Thank you for your co-operation