UNIVERSITY OF EDUCATION, WINNEBA

ASSESSING THE EFFECTS OF REWARD SYSTEMS ON EMPLOYEE MOTIVATION IN URBAN ROADS DEPARTMENT, KUMASI –METRO

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DECLARATION

STUDENTS DECLARATION

I, AGNES GYASI, declare that this dissertation, with the exception of quotations and references contained in published works which have all been identified and acknowledged, is entirely my own original work and that it has not been submitted, either in part or whole, for another degree elsewhere.

SIGNATURE……………… ……   DATE……………………..

Agnes Gyasi

SUPERVISOR'S DECLARATION

I hereby declare that the preparation and presentation of this work was supervised in accordance with the guidelines and supervision of the dissertation laid down by the University of Education, Winneba.

SIGNATURE:………………………….   DATE: ………………………………

Dr. Faisal Iddris

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DEDICATION

To my daughter Afia Nhyira Duaa Gyasi, and my parents Mr. John Kwesi Darkwah and Madam Leticia Essumang.

ABSTRACT

The main purpose of the study was to assess the effect of reward systems on employee motivation in Urban Roads Department, using Kumasi –Metro as a case study. Quantitative research approach was used. The population for the study was five hundred and fifty (550) employees from the Urban Roads Department, Kumasi Metropolis. Random sampling technique was used to select 226 participants for the study. Questionnaire was the main instrument used to collect primary data. The computer statistical package for social scientists (SPSS version 20) was used to process all the quantitative responses from the questionnaire. The study results concluded that the available reward packages at the Urban Roads Department, Kumasi Metropolis were good working conditions, salaries, employees recognition, training and development opportunities, allowances, and bonuses. Supervisors gave employees recognition for their effort and work. The employees have prospects for career development in their profession. The study results concluded that as a result of the motivation packages, employees work to the best of their ability and skills. Finally, there is a positive significant relationship between the reward packages and employee's motivation to work effectively. The study recommended that the Management of the Urban Roads Department, Kumasi Metropolis should continue to give frequent allowances to staff to motivate employees to work effectively. Moreover, worker's salaries should be increased to enhance employee's motivation and job performance and also organise periodic career development programs to enhance employees' prospects for future developments and goal achievements. There is the need to provide sufficient funds to enhance employee commitment to training and also provide adequate infrastructure to enhance training and development initiatives.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

The main purpose of the study is to assess the effect of reward systems on employee motivation in Urban Roads Department, using Kumasi –Metro as a case study. This chapter contains the background to the study, statement of the problem, purpose of the study, specific objectives of the study, research questions, significance of the study, scope of the study and organisation of the study.

1.1 Background to the Study

According to Torrington *et al.,* (2008) every employee has a strong feeling about the level of payment that was fair for the job. In most cases, this is a rough, personalized evaluation of what is appropriate, bearing in mind the going market rate and personal contribution vis-à-vis that of fellow employees. The employee who feels underpaid is likely to demonstrate the conventional symptoms of withdrawal from the job; looking for another, carelessness, disgruntlement, lateness, absence and the like. Perhaps, the worst manifestation of this is among those who feel the unfairness but who cannot take a clean step of moving elsewhere. They then not only feel dissatisfied with their pay level but also feel unfairness too: being trapped in a situation they resent (Torrington *et al.*, 2008).

Employee motivation is one of the most essential parts in a company's development and success. In order to maximize the overall performance of the company it is vital for an employer to understand what motivates the employees and how to increase their job satisfaction. It might however be challenging for a company to find out what motivates its employees, especially because different people are motivated by different things. A well designed and functional reward system is an efficient way to increase employee work motivation. The appropriate type of reward is developed in accordance to the company's reward philosophy, strategies and policy. However, it might be challenging to find the right way to combine the company's integrated policies and practices together with the employee's contribution, skill and competence (Armstrong, 2009, p. 569- 570).

In the view of Halepota (2015), motivation is crucial for organizations to function; without motivation employees will not put up their best and the institution's performance would be less efficient. Excellent services provided and offered by employees can create a positive perception and everlasting image in the eyes of clients (Okorley and Boahene, 2016). The employee engaged must be motivated in order to get the best output from them. It is not enough to rely on the number of people engaged, their qualification and experience or their ability but motivating them appropriately is also of paramount importance. Low motivation has a negative impact on the performance of individual employees (Okorley and Boahene, 2016).

The main objective of every business organization is to stay in business so as to be able to promote the stability of the community, generate products or services that are useful to customers and provide the setting for satisfaction including growth for its members. In this regard employees in the service organisation and particularly those who have frequent contacts with customers usually serve as representatives of both the organisation and their products or services to the customers at the point of contact. The quality of the service rendered and the satisfaction that customers may derive will be an assessment of the entire service experience. Employees who are empowered and motivated in an organisation can either portray a positive or negative image to the customers. Therefore, a satisfied customer and employee are of important value to the organization (Bateman and Snell, 2016). It is the duty of the management to formulate a system that would ultimately generate satisfaction for the customers and employees. The employees have a major role to play in determining whether a customer would enjoy the experience or contact their competitors for better solutions. However this study focused mainly on the influence of motivation on employee motivation. It is then of the highest priority for the Managers of the urban roads to consider means through which their employees can be well motivated in order to create zeal and strengthen their working desires so as to be able to exploit their talent and hard work to the maximum.

According to Bateman and Snell (2016), motivation is the force that energizes, direct and sustain a person's effort towards the achievement of a goal. A highly motivated person will work hard towards the achievement of organizational goal, given the ability and adequate understanding of the job. Therefore, the challenge for today's management is to administer motivational programmes which will encourage employees to improve their work performance and productivity.

Rajput (2011) stated that, the word motivation is derived from a Latin word *"Movere"* which literally means "to move". He defined motivation as "the individual's desire to demonstrate the behaviour and reflects willingness to expend effort". Motivation can be divided into extrinsic and intrinsic motivation. Extrinsic motivation refers to external factors, which can be measured in monetary terms, such as salary and benefits, promotion and disciplinary action. Extrinsic motivators can have an immediate and powerful effect, but it will not necessarily last long. Intrinsic motivation refers to internal factors such as job satisfaction, responsibility, freedom to act, scope to use and develop skills and abilities, challenging work and opportunities for development. Intrinsic motivators which are concerned with the quality of working life' are likely to have a deeper and longer term effect. A lot of research work has been conducted to assess the effects of motivation on employee's performance at work; however, the research gap is to investigate the reward system that influences employee's motivation. Therefore, the main aim of this study is to investigate the effect of reward systems on employee motivation in urban roads department, using Kumasi –Metro as a case study.

1.2 Statement of the Problem

There is an agreement that pay distributions influence individual and organizational performance, there is little agreement over how or why they matter (Gerhart & Milkovich, 2012). In fact, there has been disagreement in the literature regarding the proper distribution of pay for some time: Should pay distributions be compressed and egalitarian, or should they be hierarchical and consecutively increasing like prizes in a golf tournament (Lazear & Rosen, 2011). This discussion about what constitutes an equitable distribution of pay is of crucial importance to organizations since, their profits depend upon it.

Indeed, pay distribution decisions have been asserted to have meaningful effects on employee staffing (Rynes, 2012), attitudes (Heneman, 2015), and performance (Levine, 2013). Recent interest in high-performance work systems (Kochan & Osterman, 2014) and concerns about the allocation of pay in companies (Frank & Cook, 2017) have added emotion and ideology to the debate, yet empirical research is just beginning to inform the controversy (Pfeffer & Langton, 2013).

Based on informal discussion the researcher had with the staff at the Kumasi-Metro, Urban Roads department, it was evident that the rate of labour turnover at the Kumasi-Metro, Urban Roads is high. Moreover, most employees complain that the salary is not enough to cater for their needs. Over the years, majority of employees have expressed a lot of dissatisfaction concerning the functions of human resource managers. Some of these issues range from poor remuneration, poor working conditions, stress, delayed promotional system and more importantly poor human relation. The general view is that, managers do not apply motivation properly or lack requisite skills and strategies in that area. Again, there have been rapid turnover, absenteeism and reduced contact hours by most employees. Therefore, this study seeks to investigate the effect of reward systems on employee motivation in Urban Roads Department, using Kumasi –Metro as a case study.

1.3 Purpose of the Study

The main purpose of the study was to assess the effect of reward systems on employee motivation in Urban Roads Department, using Kumasi –Metro as a case study.

1.4 Specific Objectives of the Study

The specific objectives include to:

1. To assess the effects of reward systems on employee motivation
2. To examine the types of reward systems in an organisation that motivate employees.
3. To explore the challenges managers face when rewarding employees efforts

1.5 Research Questions

The research was guided by the following research questions:

1. How does employee reward system affect motivation?
2. What are the types of reward systems in an organisation that motivate employees?
3. What are the challenges managers face when rewarding employee's efforts?

1.6 Significance of the Study

The research provided useful information for the Board of Directors and management of Kumasi-Metro of Urban roads Department, branch managers, workers and Policy framers and stakeholders. This study assisted them to learn and compare motivation theories and apply them directly to motivate employees for a higher productive performance.

1.7 Scope of the Study

The main purpose of the study was to investigate the effect of reward systems on employee motivation in Urban Roads Department, using Kumasi –Metro as a case study. Therefore, the study is geographically limited in scope to Kumasi-Metro of the urban roads department. Moreover, the study is conceptually limited in scope to the effects of reward systems on employee motivation.

1.8 Organization of the Study

The study was organized in six Chapters. The first chapter which is the introduction will cover the background of the study, problem statement, objectives of the study, research questions, significance of the study, as well as the scope and limitations of the study. This was followed by Chapter Two reviewed extensive related theoretical and empirical literature on the subject matter. Among the various topics that were covered include concepts of motivation, theories of motivation and their impact on employee performance, review of literature on job satisfactory, definition of motivation concert, types of motivation and their impact on employees performance and how reward systems and motivation improves performance. Chapter Three looked at the methodology of the research which comprises the research design, the research population, sample and sampling technique. It also considered the sources of data and data collection instruments, methods of data collection and analysis. Chapter Four was dedicated to data analysis, findings and discussions. Finally, Chapter Five discussed the findings of the study. Chapter Six dealt with a summary of the study, conclusions drawn from the findings and recommendations of the study and suggestion.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviewed literature to cover the theoretical framework of the study, content theories of motivation, reward system equity theory, Relative Deprivation Theory by Crosby (2016), pay equity theory and performance-based compensation, perceived equity in performance-based compensation, pay equity and employee motivation, perceived equity in performance-based compensation and employee commitment, pay and performance-related factors, reward system equity and equality, the consequences of reward system inequity, significance dimensions of perceived reward system equity, conceptual framework of the study, intrinsic and extrinsic factors and employee motivation, assessing the relationships among the awarding of incentive pay, employee motivation and engagement, salary, wages and conditions of service and employees motivation, money and its influence on employees performance, motivation factors, factors that influence employees' perceptions of reward system equity, compensation components, conceptual framework, relationship between minimum wage and perception of reward system, relationship between salary and perception of pay equity reward system, relationship between benefit and perception of pay equity reward system, relationship between relational returns and perception of pay equity reward system, and ranking effects between compensation components on perception of pay equity reward system.

2.1 Theoretical Framework of the Study

2.1.1 Content theories of motivation

They are group of theories about work motivation that focuses on employees needs as the sources of motivation. A need is a requirement for survival and well-being and motivation of a person depends on the strength of their needs. Maslow (1946) suggested that human needs are arranged in a series of levels, a hierarchy of importance, usually displayed in the form of a pyramid as shown in Figure 2.1.

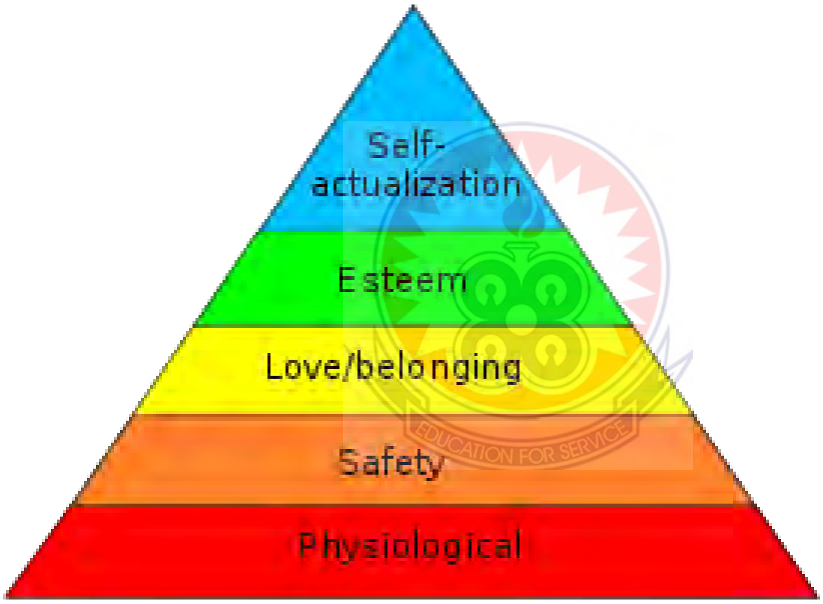

Figure 2.1: Maslow's hierarchy of needs

Source: Maslow, (1946)

The lower-level needs (psychological, safety and social) are at first predominant: people's behaviour is directed towards satisfying these needs. Once the lower-level needs are met, people direct their behaviour toward satisfying their need for self-esteem and self-actualisation (the ultimate motivator). Physiological needs i.e. a person's needs for food, drink, shelter, sex and other physical requirements. Safety needs i.e. a person's needs for security and protection from physical and emotional harm, as well as assurance that physical needs will continue to be met. Social needs i.e. a person's needs for affection, belongingness, acceptance, and friendship. Esteem needs i.e. a person's needs for internal esteem factors, such as self-respect, autonomy, and external esteem factors, such as status, recognition and attention. Self-actualisation i.e. a person's needs for growth, achieving one's potential, and self-fulfillment; the drive to become what one is capable of becoming. Wahba & Bridwell (2016), found little evidence for the ranking of needs that Maslow described or for the existence of a definite hierarchy at all. Hofstede (2014) described the order in which the hierarchy is arranged (with self-actualization as the highest need) as being ethnocentric.

Cianci and Gambrel (2013) reinforces these criticisms in their argument that:

"Maslow's hierarchy of needs fails to illustrate and expand upon the difference between the social and intellectual needs of those raised in individualistic societies and those raised in collectivist societies. The needs and drives of those in individualistic societies tend to be more self-centered than those in collectivist societies, focusing on improvement of the self, with self-actualization being the apex of self-improvement. In collectivist societies, the needs of acceptance and community will outweigh the needs for freedom and individuality".

In an article by Bennett (2009), he stated that while Maslow's theory has its uses, most modern management experts and psychologists regard it with some suspicion. One obvious criticism is that the hierarchy doesn't take into account acts of selflessness, bravery, charity and heroism. Herzberg (1968) proposed another well-known approach which is also known as motivator-hygiene. This theory implies that there are two different sets of factors, hygiene and motivators or satisfiers, which affect individual motivation and job satisfaction (Ott, 2009).

Herzberg (1968), discovered that there were certain factors associated with job satisfaction (motivation factors) which are those factors that are related to the content of one's job and are necessary to maintain a reasonable level of motivation among employees, such as the nature of the work itself, the possibility for growth, responsibility, advancement, recognition and status. A completely different set of factors are associated with dissatisfaction which are referred to as hygiene or maintenance factors. For instance, inadequate monthly salary to employees could cause dissatisfaction at work when hygiene factors are absent, for example, when good relations with supervisors and peers, good pay and working conditions, job security and among others are absent (Herzberg et al, 1959; Ott, 2009). However, a high salary would not necessarily cause job satisfaction. Herzberg (1968) work challenged the central thesis of Taylorism that job satisfaction was one-dimensional, ranging along a continuum from satisfaction to dissatisfaction. Instead, Herzberg (1968) found motivation to be two-dimensional.

Herzberg's (1968) theory has been labelled as the two-factor theory. Moreover, the hygiene factors, if correct, did not cause any dissatisfaction, neither did they motivate workers. However, when they were not right, they led to dissatisfaction and exerted negative impact. Thus, supervisors ought to look for the motivators. When management provides employees with the motivators such as recognition, acceptance and responsibility, job satisfaction is obtained and motivation is high. If such factors are not right, job satisfaction and therefore motivation will be lacking. Hackman and Oldham (2016) noted that the theory does not allow for individual differences, such as particular personality traits, which would affect individuals' unique responses to motivating or hygiene factors.

Mullins (2016) agrees that the motivation-hygiene theory by Herzberg has extended Maslow’s hierarchy of need theory and is more directly applicable to the work situation. Herzberg’s theory suggests that if management is to provide positive motivation then attention must be given not only to hygiene factors, but also to the motivating factors. McClelland (2008) suggests the need to satisfy basic human needs: achievement, power and affiliation. Employees are said to accomplish the most when they a need for high achievement. Employees with the strong need for achievement tend to set goals that are moderately difficult, to set out feedback on their performance, and to generally preoccupy with accomplishment. Employees differ in the extent to which they experience need for achievement, affiliation and power. The theory is not preoccupied in specifying a hierarchical relationship among the needs but first three motives correspond roughly to Maslow’s self-actualization, esteem and love needs.

Many attempts have been made to classify needs because of the long standing debate as to how many categories of needs exist. Some claim there are only two needs while others say there are seven (7) and Existence, Relatedness, and Growth theory is a well-known simplification. Alderfer (1972) reorganizes Maslow’s needs hierarchy into three levels: Existence (Physiological and safety), Relatedness (social) and Growth (esteem and self-actualization). Alderfer (1972) maintains the higher and the lower order needs who agree with Maslow (1946) that satisfied needs motivate individuals. Therefore, based on Maslow (1946) work managers or leaders are expected to meet the lower- level needs of their employees so that they will not dominate the employee’s motivational process. Management should get to know the people’s needs and to meet them as a means of increasing performance.

Unlike Maslow (1946) theory, the results of Alderfer (1972) work suggest that lower-level needs do not have to be satisfied before a higher-level need emerges as a motivating influence. Existence, Relatedness, and Growth Theory states that an individual is motivated to satisfy one or more basic sets of needs. Therefore if a person's needs at a particular level are blocked then attention should be focused on the satisfaction of needs at the other levels (Mullins, 2016).

2.2 Reward System Equity theory

The concept of perception is derived from Gestalt psychology theory (Hothersall, 2013), which posits that our subjective experience or perception is not simply a collection of sensations but the sum of accumulated experiences and individual outlook. Since people have a limited capacity to process, store and retrieve information, it makes them prone to bias when it comes to evaluating others (Elsbach, Barr, & Hargadon, 2015). According to Cole (2015), the extent to which an individual's perception of the event matches what is truly there depends on factors at work in the perceiver, such as the individual's physical health, intelligence level, degree of open-mindedness, and general level of emotional well being and factors at work in the external situation such as whether this is a new experience or a repeat of a past event, the extent of involvement of others especially those who bring strongly positive or negative messages.

Individual's personal values and attitudes play a key role in the way people, things and events are perceived (Parker, Baltes, Yough, Huff, Altmann, Lacost & Roberts 2013). These values and attitudes develop from early childhood onwards as a result of upbringing, education and experience of life. Indeed, the manner in which employees perceive environmental factors mediates much of the influence of the work environment on individual behavior. Armstrong (2014) reported that people channel their discretionary effort into their work if they believe it has meaning and is worthwhile and appreciated. The reward can come as a consequence of the way in which leaders treat their people and their contribution Employees do not often believe that pay-for-performance programmes are fair or that they are truly reward performance (Gomez-Mejia, 2010).

Equity theory was introduced by Adams (2015). The theory highlights the conditions that lead to an individual perception of equity or inequity, and also identified specific ways in which individuals react to those conditions. The foundation of this theory is the idea of a social exchange. Following social comparison and relative deprivation theorists, Adams (2013) developed a view on exchanges between employees and employers in workplaces. He states that an employee brings many inputs to his/her job, including experience, education, intelligence, physical strength, commitment, status, and social connections; and then expects to receive a just return or outputs. The outputs might be in the form of status, benefits, or basic pleasures, and reimbursed monetarily. He also emphasises that the exchange between employees and employers is subjective, so that the employees continuously check their inputs and outputs for jobs to perceive whether or not the ratio of the input and output is equitable.

If the ratio is not equitable, they might feel dissatisfaction or discomfort (Adams 2013). The idea of perceived equity in the equity theory of Adams (2013) actually refers to employee perceptions of their pay when they make a comparison with the inputs (contributions) they are bringing to the job. If the ratio between the inputs and the outputs is equal, they perceive there to be pay equity, otherwise feelings of pay inequity exist. There was a development of the reference people with whom an employee compares his/her own situation to defining the perception of pay equity in

Adams's theory. In his first research on this issue in 1963, Adams stated that the employee makes a comparison between his or her inputs and the outputs, and then defines whether the pay is equitable or not (Adams, 2013). In this sense, the employees made the comparison between their own inputs to outputs. The development of the reference point was made in a study in 1965, in which Adams expanded the comparison to be made with relevant others such as the colleagues inside or outside the organisation.

The referent others in Adams (2015) can be either oneself in an exchange or a co-worker, while in the earlier version the relationship was mainly with a co-worker. Thus, the term 'equity' in this theory implies a personal perception of equity that assumes individuals to be rating all equity on a single range from equitable to inequitable, and dependent on the pay referent points used (Scholl et al. 2007). The pay-for-performance effect is clearly rooted in the equity theory that emphasizes employees' perception of fairness. According to the theory, employees will perceive a practice to be fair or equitable when their input-output ratio is equal to that of a referent. When paid in accordance to individual performance, it is likely that employees perceive fairness or justice in the ratio. Studies have shown that a rating based on individual performance and salaries based on the rating tend to enhance employee perceptions of distributive justice (Campbell, Trapnell, Katz, Lavelle and Lehman, 2016).

The Adams' Equity Theory model incorporates influence and comparison of other people's situations - for example colleagues and friends - in forming a comparative view and awareness of Equity, which commonly manifests as a sense of what is fair. When people feel fairly treated they are more likely to be motivated; when they feel unfairly treated they are highly prone to feelings of disaffection and demotivation. The way that people measure this sense of fairness is at the heart of Equity Theory.

2.2.1 Relative Deprivation Theory by Crosby

Building on the comparison process inherent in equity theory, relative deprivation theory suggests that when individuals compare their (desired) outcomes with those of relevant others and perceive that there is a discrepancy; they may feel deprived under certain conditions (Crosby, 2016). Crosby (2016) posits that employees will feel deprived when they desire and feel they deserve the outcome, perceive that referent others have that outcome, and think it is feasible to obtain the same outcome.

Further, to perceive inequity, employees must not see their failure to achieve the desired outcome as their fault. Applying that line of reasoning, if a professional of color who desires a higher level of pay, who perceives that she/he is being paid less than a comparable (majority) colleague, who believes the organization could pay him/her equally, and perceives that the pay inequality is not his/her fault, then that employee may feel relatively deprived. Relative deprivation has been shown to lead to feelings of resentment, anger, dissatisfaction, unhappiness and perceptions of unfairness, or inequity (Crosby, 2014).

Sweeney et al. (2010) found support for relative deprivation theory across four disparate samples in predicting (dis)satisfaction with pay level, including participants' use of social comparisons. Consistent with equity theory and relative deprivation theory, Warr (2007) in his model of well-being proposes that several job characteristics influence subjective well-being. One of these job aspects is the perception of equity in the relationship between an employee and the employer. Warr (2007) attends to the equity perceptions in employer-employee relationships through the influence of procedural justice, which pertains to fairness in processes (Thibault and Walker, 2015), and distributive justice, pertaining to fairness in outcomes

(Deutsch, 2015) and their effects on well-being and occupational stress. Perceptions of justice and equity convey that the employer will not act in arbitrary and unpredictable ways, thus reducing environmental uncertainty for employees.

Warr, in reviewing the research on the effects of perceived equity, notes that inequity is perceived negatively and is associated with depression and emotional exhaustion and negatively influences subjective well-being. Consistent with Warr's model of subjective well-being, Dietch et al. (2013) found that blacks in the USA experienced subtle, pervasive discrimination on a daily basis and that the negative relationship between race and well-being was partially mediated by everyday mistreatment experienced in the workplace.

Gervek et al. (2017) reported that for an academic sample, employee's perceptions of salary adjustments (increases) were more important than the size of the increase itself in influencing employee retention, suggesting that pay equity perceptions may have a substantive association with employee outcomes. Other empirical research has indicated that perceived pay equity influences a number of important employee outcomes, including pay-level satisfaction (Brown, 2011), absenteeism (Della Torre et al., 2015), and voluntary turnover intentions (Summers and Hendrix, 2011). In a related set of studies, Miceli and Mulvey (2010) found that satisfaction with the pay system itself was related to organizational commitment, but the study did not examine perceptions of pay equity. Combining the tenets of equity theory and deprivation theory with the corresponding empirical results in these areas suggest that it is probable that when professionals of color perceive pay inequity, they may become less committed to their employing organization.

2.2.2 Pay Equity Theory and Performance-based Compensation

Performance-based compensation is a major element of high performance work systems and is linked to an organization's performance. Assessing performance is one of the thorniest tasks a manager faces, particularly when the assessments are used to dispense rewards (Benerdin, 2007). According to Gomez-Mejia, (2010), accurate measures of performance are not easy to achieve, and trying to pay inaccurate is likely to create problems. According to several studies carried out, the inaccuracy in accessing measures of performance suggests a further study to determine how equity is achieved in Performance-based compensation.

Performance-related salary progression is one way to incentives good performers. It involves the movement of an individual form one step within the grade to the next (also between grades). It is used on recognition of increased value of the jobholder to the organization and therefore a need to compensate them at a commensurate level. Providing an employee with a satisfactory pay package is important to the operations of an organization. If employees do not feel they are being treated fairly, they will act to reduce the tension caused by inequity (Organ, 2014). The researchers have failed to adequately measure the relationship between perceived equity in performance-based compensation on organizational commitment.

2.3 Perceived Equity in Performance-based Compensation

Compensation system must be administered with scrupulous care and fairness; if performance standards are set unrealistically higher, or if individual performance evaluations are not accurate, dissatisfaction with the system will overcome any positive benefits. The incentives must be tightly linked to achieving only those performance targets spelled out in the strategic plan as performance indicators based on factors not indicated in the strategic plan may send wrong signals about the system (Lawler and Cohen, 2012). The traditional compensation process has three components: determination of internal job value by job analysis and evaluation; determination of job value in external labor market by using, for example, salary survey analysis; and determination of an employee's individual value by means of performance appraisal (Newman, Milkovich 2010).

The compensation process should also strive towards fair distribution of benefits. Procedural justice of compensation can be judged on the basis of six rules: consistency, bias suppression, correct ability, accuracy, ethicality, and representativeness. A more recent study by Marler, Milkovich & Yanadari (2012) found out that in terms of compensation design, individual level factors play an important role, making earned variable pay dependent on the type of the job performed as well as on the level of the particular employee's job in the organizational hierarchy. On organizational level, performance risks, company size, and strategy all influence short-term variable incentives, but differences in the provided long-term incentives between the companies are associated with differences in organizational performance, but not with risks and strategies.

Indeed, the study of Bloom and Milkovich (2013) indicated that emphasizing (long-term) incentive pay based on higher performance risks of the company could even have detrimental effects on performance compared to those organizations that never use risk-based incentives. Although performance-based compensation has been traditionally very common, and sometimes complemented by experience-based compensation portion, more contemporary compensation systems are based upon employee's skills and competences. Interestingly, a comparative study of the Human

Resource Manager functions showed that private-sector companies tend to use skills-based or competency-based systems, while public organizations prefer more traditional compensation systems (Budhwar & Boyne, 2014).

2.3.1 Pay Equity and Employee Motivation

Employee commitment is a psychological state that binds an individual to the organization. It is a link between an employee and the organization that makes turnover less likely. Affective commitment is an employee's emotional attachment to, identification with, and involvement in the organization (Allen & Meyer, 2010). Continuance commitment is a desire to continue to engage in consistent lines of activity which would be lost if the activity were discontinued (Allen & Meyer, 2010). It has been suggested that general pay satisfaction will have a positive influence on both forms of employee commitment (Heneman & Judge, 2010). Procedural fairness has been positively related to perceived organizational support and organizational commitment (Kulno & Tonu, 2007).

Schein (2010) reported that there are two conditions which exert influence on an employee's willingness to commit to an organization. The first condition is the "goodness of fit" or match of the employee's expectations to the organization's expectations and if there is agreement, then the very nature of what is being exchanged is the second condition. Mutual expectations relative to exchange relationships contribute to "psychological contract" which specifies expectations of giving and receiving from each other.

Based on the multidimensional nature of organizational commitment, there is a growing support for a three-component model proposed by Meyer and Allen (2010). All the three components have implications for the continuing participation of the individual in the organization. The components are affective commitment (psychological attachment to the organization), continuance commitment (costs associated with leaving the organization) and normative commitment (perceived obligation to remain with the organization). According to Armstrong (2016) when creating a commitment strategy, it is desirable for management to have defined strategic goals and values. And it is equally desirable from management point of view for employees to behave in a way that supports those strategies and values. Creating a commitment strategy includes communication, education, training programmes, and initiatives to increase involvement and ownership and the development of performance and reward management systems (Kithiaya, 2011).

2.3.2 Perceived Equity in Performance-Based Compensation and Employee Commitment

According to Robbin and Judge (2011), managers can help foster employees' perceptions of fairness. First, they should realize that employees are especially sensitive to unfairness in procedures. Thus it is important to openly share information about how allocation decisions are made, follow consistent and unbiased procedures and engage in similar practices to increase the perception of procedural justice. Second, when addressing perceived injustices, managers need to focus their actions on the source of the problem. In establishing pay, it is not always possible to distribute rewards fairly to everyone's satisfaction, but it is always be possible to distribute rewards using procedures which operate equitably (Torrington *et al*, 2008).

Many organizations systematically collect performance information from its employees, internal and external customers and clients, through anonymous surveys and interviews. The information is used alongside other internal information as an ingredient for human resource decisions. This is so because this information provides a unique perspective on organization's performance (Cascio, 2013). While pay satisfaction antecedent research has been guided by equity and discrepancy theories and dimensionality studies have used the concept of administrative independence, the deficiency in research linking equity in performance-based compensation to organizational commitment has been blamed on the lack of a theoretical model to guide research (Heneman & Judge, 2010).

In a recent review, Heneman and Judge (2010) suggested that organizational justice may provide the theory to explain many of the relationships between equity in performance-based compensation to organizational commitment. They suggest, "Fairness, whether in terms of distributive or procedural justice, is central to employee satisfaction. However, the specific relationship between fairness in performance-based compensation to organizational commitment is not defined. Pay for performance may lead to greater productivity but lower organizational commitment. Research carried out by Gomez-Mejia, 2010 suggest that the more pay is tied to performance, the more work unit begins to unravel and the more unhappy employees become. If employees see that pay is not distributed on the basis of merit, they are more likely to lack commitment to the organization, decrease their level of effort and look for employment opportunities elsewhere.

2.3.3 Pay and performance-related factors

When it comes to pay, employees cannot help but comparing themselves with each other (Pfeffer, 2007). Such comparisons often concern how employees believe their own performance stacks up against that of their co-workers with comparable work tasks. If everyone's work results were of the same high quality, there would be no point in utilizing individually based pay setting, since every employee would deserve to receive the same size pay raise. But if employees find that there are performance differences among the employees, they tend to have a positive view of individualized pay, since it allows for distinctions to be made among the performances, and efforts and results are rewarded to a greater extent than in a traditional pay system (Lawler, 2011).

However, in order for employees to have positive attitudes towards individualized pay, they must feel that the differences between employee performances are actually being noticed by those who are in charge of pay setting and that they are receiving differentiated pay raises (Mannheim & Angel, 2016).

Several investigations have found that having a strong connection between performance and pay, known as "line of sight" (Heneman, Ledford, & Gresham, 2010), can lead to employees being more satisfied with the pay system and their pay, as compared to when the connection is weak and unclear (Mulvey et al., 2012). Other studies have found that the expectations employees have in regard to this connection may also influence how positive or negative they are towards a pay system, for example, in that they are ready to blame the pay system when they are not rewarded in accordance with their expectations (Williams et al., 2016).

If employees find that differences in employee performances are not reflected in the pay raises received, or that their efforts to improve or alter their work to meet the determined criteria are not rewarded, they will be less satisfied with their overall pay, perceive less equity, and have more negative attitudes towards the entire individualized pay-setting process (Honeywell, Dickinson, & Poling, 2017). To maintain or create positive attitudes towards individualized pay setting, it is therefore crucial that employee's feel convinced that a given behavior will result in a given reward, and that they are made aware of the employer's impression of their performance – which can lead to more realistic expectations about the magnitude of the reward (Lawler, 2010).

2.4 Reward system Equity and equality

It is important to distinguish 'equity' and 'equality'. Equity implies fairness, whereas equality means that everyone receives the same reward (Trevor et al. 2012). This distinction is an important one because, along with equity theory, there are other thoughts on organisational allocation systems and distribution decision rules. Both the nature and the distribution method of the compensation system will directly affect employees' work behaviour. As conceptualised by Deutsch (2015), when the overall goal is to promote productivity, equity will be the primary decision rule, and employees should be rewarded based on individual performance. When the objective is to promote group harmony, equality will be the primary decision rule, and egalitarian group reward structures are the most effective. When personal development is a goal, then the individual need should be used to determine the outcome. If these organisational objectives and reward allocation rules are improperly aligned, employee reactions to pay policies can become problematic (Deutsch 2015).

Trevor et al. (2012) made a further development on this point by distinguishing dispersion in explained pay from dispersion in unexplained pay. They report that the existing literature frequently confuses inequality with inequity; thus, they theorise that the effects of horizontal pay dispersion on team performance depend on whether or not pay differences are input-based. For example, in highly interdependent work settings, pay dispersion among employees having the same job deriving from differences in their inputs is not source of inequity. Otherwise, the pay dispersion configures an inequitable situation (Carrell & Dittrich, 2008).

2.4.1 The consequences of reward system inequity

In equity theory, Adams (2015) predicts the reactions of individuals when they perceive equity or inequity. He presents that employees respond to inequitable situations in four ways: 1) if feeling overpaid, they can decrease their inputs brought to work; 2) if feeling there to be inequity, they can psychologically distort their inputs and outcomes, or those of the referents, to rationalise the differences between these two elements; 3) they might choose a new referent other; or 4) the persons can quit their jobs to remove themselves from the inequitable situation (Adam 2015). Thus, the literature on compensation has shown that, in evaluating the fairness of a pay system, equity theory is a crucial theoretical foundation (March & Simon 2008).

Equity theory suggests that employees will always seek fair treatment (Adams, 2015); in which notions of pay equity are based on perceptions about justness of compensation allocation, and on processes of comparison with others in which the justness of actual pay and actual pay distributions are assessed. As a natural response, a person will be motivated to eliminate a sense of discomfort caused by the perception of inequity. The four reactions to perceptions of equity or inequity clearly show a linkage between a sense of equity and the fairness objective of a compensation system by which employees' attitudes and behaviours at work are strongly influenced (Walster et al. 2008).

2.4.2 Significance dimensions of perceived reward system equity

Since equity theory was proposed by Adams (2015), various studies have been conducted to confirm multiple referent dimensions of perceived pay equity. For example, Finn and Lee (2012) conducted research on sources of comparisons that individuals used in evaluating their pay. Their research findings show that, in most cases, the respondents indicated that they used a mix of internal and external comparisons to determine whether pay is equitable or not. In line with this thesis, Hills (2010) and Scholl et al. (2007) conducted research about pay equity referents, and confirmed that two crucial dimensions in research on pay equity are internal equity and external equity. For internal pay equity referents, the comparison occurs between employees in an organization who might have the similar jobs or different jobs (Bloom 2009; Werner & Mero 2009). Internal equity exists when an employer pays wages commensurate with the relative internal value of each job (Romanoff et al. 2016).

For external pay equity referents, the comparison occurs with pay for the similar job but at a competing organization (Werner & Mero 2009). External equity exists when an employer pays a wage rate commensurate with the wages prevailing in external labour markets. Assessing external equity requires measuring these labour markets (Romanoff et al. 2016). More recently, Della et al. (2015) confirm that the more widely accepted referents are internal pay equity and external pay equity referents to measure pay equity.

Based on the relevant literature, this thesis uses multiple dimensions to measure perception of pay equity. Those dimensions are internal and external referents. The internal referents comprise the self-comparison and the comparison with others within an organization. The external referent is the comparison with others working in similar jobs but in a competing organization.

2.5 Conceptual Framework of the Study

2.5.1 Intrinsic and Extrinsic factors and Employee Motivation

According to Tileston (2014), motivation can be prompted by either external or internal stimuli. The former is called Extrinsic Motivation, which is the motivation inspired by external rewards or a tangible result Walker Tileston (2014); while the latter is Intrinsic Motivation, which is the motivation that comes from within, where the enjoyment or success in the task is the actual reward, without the promise of a tangible reward (Tileston, 2014).

According to McCormick and Tifflin (2009), motivation can be either intrinsic or extrinsic. Intrinsic motivation stems from motivations that are inherent in the job itself and which the individual enjoys as a result of successfully completing the task or attaining his goals. While extrinsic motivations are those that are external to the task of the job, such as pay, work condition, fringe benefits, security, promotion, contract of service, the work environment and conditions of work. Such tangible motivations are often determined at the organizational level, and may be largely outside the control of individual managers.

Intrinsic motivation on the other hand are those rewards that can be termed "psychological motivations" and examples are opportunity to use one's ability, a sense of challenge and achievement, receiving appreciation, positive recognition, and being treated in a caring and considerate manner. An intrinsically motivated individual, according to Ajila (2007) will be committed to his work to the extent to which the job inherently contains tasks that are rewarding to him or her. And an extrinsically motivated person will be committed to the extent that he can gain or receive external rewards for his or her job. He further suggested that for an individual to be motivated in a work situation there must be a need, which the individual would have to perceive a possibility of satisfying through some reward. If the reward is intrinsic to the job, such desire or motivation is intrinsic. But, if the reward is described as external to the job, the motivation is described as extrinsic.

Good remuneration has been found over the years to be one of the policies the organization can adopt to increase their workers performance and thereby increase the organizations productivity. Also, with the present global economic trend, most employers of labour have realized the fact that for their organizations to compete favourably, the performance of their employees goes a long way in determining the success of the organization. On the other hand, performance of employees in any organization is vital not only for the growth of the organization but also for the growth of individual employee. An organization must know who are its outstanding workers, those who need additional training and those not contributing to the efficiency and welfare of the company or organization. Also, performance on the job can be assessed at all levels of employment such as: personnel decision relating to promotion, job rotation, job enrichments etc. And, in some ways, such assessment is based on objective and systematic criteria, which includes factors relevant to the person's ability to perform on the job. Hence, the overall purpose of performance evaluation is to provide an accurate measure of how well a person is performing the task or job assigned to him or her. And based on this information, decisions will be made affecting the future of the individual employee. Therefore, a careful evaluation of an employee's performance can uncover weaknesses or deficiencies in a specific job skill, knowledge, or areas where motivation is lacking. Once identified, these deficiencies may be remedied through additional training or the provision of the needed rewards. The view that specific rewards will encourage increases in production has not always been substantiated, even though management has often attempted to spur production by such offerings and has often attributed production increase to them.

Throughout the years production has increased for many reasons in addition to the particular motivation and has erroneously over simplified a highly complex phenomenon. Since then psychologists have been especially concerned with understanding an individual through his motives and acquired a body of knowledge in this field that often differs from the layman's knowledge. It is necessary to review briefly from the psychologists' point of view what is known about motivation at the present time. For example in Nigeria, interest in effective use of rewards to influence workers performance to motivate them began in the 1970s. So many people have carried out researches in this area, some of which are (Oloko, 2007; Kayode, 2013; Egwuridi, 2011; Nwachukwu, 2014, & Ajila, 2007).

The performance of workers has become important due to the increasing concern of human resources and personnel experts about the level of performance obtained from workers due to poor remuneration. This attitude of workers is also a social concern and is very important to identify problems that are obtained in industrial settings due to inability of managers to manage their workers by rewarding them well to maximize their productivity. All efforts must be geared towards developing workers interest in their job so as to make them happy in giving their best to their work, this will ensure industrial harmony. Vroom (1964), supported the assumption that workers tend to perform more effectively if their wages are related to performance which is not based on personal bias or prejudice, but on objective evaluation of an employee's merit. Though several techniques of measuring job performance have been developed, in general, the technique chosen varies with the type of work. All these issues call for research efforts, so as to bring to focus how an appropriate reward package can jeer up or influence workers to develop positive attitude towards their job and thereby increase their productivity. Possibly the best means of understanding workers motivation is to consider the social meaning of work. In this respect, short-term goals and long-term goals of employees and employers may affect production variously. Accordingly, giving attention to the manner in which rewards given to workers are perceived is preferable to assuming that reward means the same thing to all employees.

2.6 Assessing the Relationships among the Awarding of Incentive pay, Employee Motivation and Engagement

According to Robinson (2014), money in the form of pay or some other sort of remuneration is the most obvious extrinsic reward. Money provides the carrot that most people want. Doubts have been cast by Herzberg *et al.* (1957) on the effectiveness of money because they claimed, while the lack of it can cause dissatisfaction, its provision does not result in lasting satisfaction. Money may in itself have no intrinsic meaning, but it acquires significant motivating power because it comes to symbolize so many intangible goals. It acts as a symbol in different ways for different people and for the same persons at different times.

Goldthorpe, Lockwood, Bechhofer and Platt (1968) noted that pay is the dominant factor in the choice of the employer and consideration of pay seem most powerful in building people to their present Job. Money can therefore provide positive motivation in the right circumstance, not only because people need and want money but also because it serves as a highly tangible means of recognition. But badly designed and managed pay systems can de-motivate.

Furthermore Jaques (1961) emphasized the need for such systems to be perceived as being fair and equitable. Therefore, in motivating the workers at the firm, the reward should be clearly related to effort or level of responsibility and people should not receive less money than they deserve compared with their fellow workers.

2.6.1 Salary, Wages and Conditions of Service and Employees Motivation

To use salaries as a motivator effectively, personnel managers must consider four major components of a salary structure. These are the job rate, which relates to the importance the organization attaches to each job; payment, which encourages workers or groups by rewarding them according to their performance; personal or special allowances, associated with factors such as scarcity of particular skills or certain categories of information professionals, or with long service; and fringe benefits such as holidays with pay, pensions, and so on. It is also important to ensure that the prevailing pay in other departments or establishments is taken into consideration in determining the pay structure of their organization (Stoner *et al*. 2015).

2.6.2 Money and its influence on Employees Performance

Akintoye (2010) asserts that money remains the most significant motivational strategy. As far back as 1911, Frederick Taylor and his scientific management associate described money as the most important factor in motivating the industrial workers to achieve greater productivity. Taylor advocated the establishment of incentive wage systems as a means of stimulating workers to higher performance, commitment, and eventually satisfaction. Money possesses significant motivating power in as much as it symbolizes intangible goals like security, power, prestige, and a feeling of accomplishment and success. Katz, in Sinclair, *et al*., (2015) demonstrates the motivational power of money through the process of job choice. He explains that money has the power to attract, retain, and motivate individuals towards higher performance. Banjoko (2006) states that many managers use money to reward or punish workers. This is done through the process of rewarding employees for higher productivity by instilling fear of loss of job (e.g., premature retirement due to poor performance). The desire to be promoted and earn enhanced pay may also motivate employees.

2.6.3 Motivation factors

In the study conducted by Ukaejiofo Rex Uzonna (2013) on the topic the impact of motivation on employees performance using Credit West Bank in Cyprus as a case study, the findings revealed that 50% of the respondents would prefer the organisation to recognise them for performance with higher position, 24% of the employee would prefer nothing, both or all of the above (20%) indicated cash reward while 6% would prefer to be recognised for performance with more responsibility. In this study, 60% of the respondents strongly agreed that employee recognitions can motivate them to work hard, 20% agreed, 12% were neutral and 8% disagreed. The finding suggested that 60% of the respondents strongly agreed recognitions can motivate them to work hard. Moreover, in the research conducted by Pettinger, (2002), a critical part of process of developing self-esteem and self-worth lies in the nature and levels of recognition accorded to the achievement of particular goals. The need for recognition itself therefore becomes a drive. Individuals tend to pursue goals that will be recognised and valued by those whose opinions and judgment is important to them: family, friends, peers and social groups, as well as work organisations. Dissatisfaction occurs when this recognition is not forth coming (Pettinger, 2002).

According to the study conducted by Ukaejiofo Rex Uzonna (2013), fringe benefits scored ranking 1st, salary was ranked 2nd, performance pay was ranked 3rd. Bonuses became 4th, It can be seen from Ukaejiofo Rex Uzonna (2013), study that fringe benefits and salary have the highest score and they are both ranked 1st and 2nd respectively. This shows that both factors are the most important expected monetary motivation variables. Performance pay is next expected monetary motivational variable that most respondents choose to be important followed by bonuses. However, in this study, 60% of the respondents strongly agreed that increased salaries can boost their performance to work effectively, 26% of staff agreed, 10% were neutral and % of the respondents disagreed. The finding suggested that 60% of the respondents confirmed that increased salaries to employees can boost their performance to work effectively. 40% of the respondents agreed that fringe benefits like allowances and incentives can boost their performance to work effectively. About 36% strongly agreed and 12% were neutral. The finding suggested that 20% of the respondents agreed fringe benefits like allowances and incentives can boost their performance to work effectively.

However, Mullins (2005), confirmed that extrinsic motivations related to tangible rewards such as salary and fringe benefits, security, promotion, contract of service, the work environment and conditions of work. Such tangible rewards are often determined at the organisational level and may be largely outside the control of individual managers (Mullins, 2005). Intrinsic motivation is related to psychological rewards such as opportunity to use one's ability, a sense of challenge and achievement, receiving appreciation, positive recognition, and being treated in a caring and considerate manner. Economic rewards such as pay, fringe benefits, pension rights, material goods and security. Intrinsic satisfaction derived from the nature of the work itself, interest in the job and personal growth and development.

It is generally accepted that having targets to work towards, as long as they are realistic, is one of the most effective ways of improving performance. Hitting targets improves morale and self-confidence but remember that those who consistently underachieve will end up feeling demotivated. Target achievement can be rewarded not only with financial incentives but perhaps with the offer of increased responsibility or even promotion. Different people are motivated by different things so it is important to make sure that you offer the right incentives to the right member of the team. Motivating a team is always easier if you fully understand that they may not necessarily be motivated by the same things as you. The most effective teams are those that feel valued and supported but also feel that they are progressing and developing through the completion of challenging tasks. If a team understands company's objectives, they are much more likely to want to work harder towards their achievement. Also, most people tend to respond well to being given the opportunity to make decisions and take on additional responsibilities. Whatever motivational techniques work the best, it is always important to ensure that your team feels it is making a valuable and positive contribution (Koontz and Weihrich, 2010; Daniel, 2011; Kelly, 2010).

Whether in the form of wages, piecework (getting paid for units produced at a certain quality level) or any other incentive pay, bonuses, stock options, company-paid insurance, or any of the other things that may be given to people for performance, money is important; it could also mean status or power. For some people money will always be of the utmost importance, while for others it may never be. It is probably quite true that in most kinds of businesses and in enterprises money is used as a means of keeping an organisation adequately staffed and not primarily as a motivator. People in various positions, even though at a similar level, must be given salaries and bonuses that reflect their individual performances. The way to ensure that money has meaning, as a reward for accomplishment and as a way of giving people pleasure from accomplishment, is to base compensation as much as possible on performance (Koontz and Weihrich, 2010; Edwin, 2013).

2.7 Factors that influence employees' perceptions of reward system equity

Adams (2015) proposed that employees compare their inputs such as education, skill, experiences, and efforts brought to work to outputs received, including pay, benefits, and personal recognition. Since Adams's equity theory was proposed, many researchers have put effort into examining the effects of these factors on employee perceptions of equity. The empirical research on this topic might be separated into two groups: research on the effects of compensation components, including monetary benefits and non-monetary benefits, on the perceptions of pay equity; and research on the effects of demographic and organizational factors.

2.7.1 Compensation components

The research on impacts of pay as cash compensation on the perceptions of pay equity is the most popular in the relevant literature. Feelings about a fair amount and procedure of a payment can have positive effects on employee attitudes to the total pay or compensation. For the amount of pay, when people sense that they are not being fairly compensated for their efforts, they are less satisfied with their total pay (McFarlin & Sweeney 2012), and as a result they tend to experience higher absenteeism rates, burnout, emotional exhaustion, and turnover rates (Carson et al. 2010). Moreover, when employees feel they have been underpaid due to wage cuts, they might react by engaging in acts of stealing and theft (Greenberg 2010).

More recently, Kumari (2016) reviews online research publications on employee pay perceptions which indicate that employee perceptions of pay equity are strongly related to whether the payment is adequate to their skill, efforts, and performance brought to the work. If the employees see that their current compensation is competitive in the labour market, they will tend to perceive it as equitable. For procedures of pay, Robert and Karren (2011), in a study on organisational justice and pay level satisfaction, found that the procedural compensation had the strongest influence on the total pay satisfaction and the feelings of fairness. Similarly, Zheng et al. (2014) found that the decision-making process of pay has more impact on the perception of fairness than has the amount of pay. Della et al. (2015) indicate that the transparency, fairness, and openness of compensation decisions significantly enhance employee satisfaction with pay and perception of pay equity.

Besides pay as cash compensation, Romanoff et al. (2016) state there are several non-monetary benefits influencing the perception of pay equity. Studies show that workers often rank job security, working conditions, advancement opportunities, management appreciation, relations with co-workers, and flexibility of hours or job assignment, ahead of pay. Studies done by Davis and Ward (2015) and Martin and Bennett (2016) indicate that the perception of fairness in benefits provided by the firm was related to the fairness of the total amount of compensation. Jawahar and Stone (2011) emphasise that the employees' satisfaction with value and administration of benefits will tend to result in satisfaction with the overall compensation system.

Research on compensation factors influencing the perception of pay equity poses a direction for studying impacts of compensation components on the perception of pay equity. Since 1978, Carrell and Dittrich (1978) were concerned that research on pay equity should include the systemic dimension of compensation components in the research design. However, this issue has not been well investigated. Gerhart and Rynes (2013) emphasise that numerous factors have been identified as influencing individual pay equity. Some factors that have yet been explored include pay, benefits, and personal characteristics; but the effects of all compensation components on pay equity have not been explored well. A list of individual level factors that affect pay is useful, but to substantially advance the field, research needs to develop models incorporating numerous factors, rather than just adding other individual factors to the list (Werner & Ward 2014). Similarly, Williams et al. (2016) point out that the literature on attitudinal reactions relating to compensation and fairness perceptions still have to be conducted independently. More recently, Jawahar and Stone (2011) emphasize that, even though most would readily acknowledge that fairness is important to compensation decisions, research examining how fairness perceptions relate to reactions to components of pay is relatively scarce. Thus, this literature gap provides a significant rationale for conducting a study examining roles of whole compensation components as antecedents of perception of pay equity.

Other factors

The empirical studies also indicate others factors apart from compensation components as contributing influences on the perception of pay equity. These include personal characteristics, firm's management, government policies, and culture. The relevant literature has shown that education background, seniority, experience, age, and occupation are demographic factors that influence perception of pay equity. Berkowitz et al. (2017) conducted telephone interviews of 248 males, and found that equity considerations included material benefits associated with living standards, age, occupation, education, and past unemployment. Research by Major and Forcey (1985) and Summers and Decotiis (2008) found that gender has influenced equity perceptions. These two studies show that women, compared to similarly situated men, think they deserve less pay. Other research has also added employees' personality types into their studies to explore individual differences between their equity perception and pay satisfaction (Huseman et al. 2015).

Lok (2007), in PhD research, confirms that perceptions of equity are always vague, and vary among people. Therefore, measuring perceptions of equity should not isolate the effect of individuals' personality types. Milkovich and Newman (2015) highlight that the perception of pay fairness might relate to other factors that determine the pay structure in compensation practices. Milkovich et al. (2011) state that these factors might include government policies, firm's management and trade unions. They state that government regulations on compensation, such as minimum wage policies and welfare policies, set a legal framework forcing firm compensation practices to follow. Based on this background, employees' compensation packages are established. These policies, therefore, indirectly influence employee perceptions of pay.

Different to government policies, the firm's management directly influences how the employees perceive their payment received. Regarding to the relationship between individual performance and management restructuring, Blackman et al. (2017) argue that high performance organizations seek to align individual performance with organizational outcomes. Performance management can enable high performance through managing employee expectations. A study by Buick et al. (2015) found that adaptability to change of management in the public sector in Australia was integral for high performance. Many other studies on the fairness of compensation systems indicate that the management compensation practice strongly relates to how the employee compensation is determined. Such practice, thus, significantly affects the perception of pay (Heneman et al. 2007).

Wu et al. (2013) conducted research on the perceptions of compensation fairness of front-line staff in the hospitality industry, and found that the compensation communication and the supervision fairness of managers were significant elements creating employees' feelings of fairness. Ketchand and Strawser (2001, p.231) based on their literature analysis on employees' commitment state that the employees are likely to perceive their organization through their leader behaviors and communications. If the employees have high level of trust in their leaders, they are also likely to have similar feelings toward their organization and therefore have higher levels of satisfaction and commitment. Trade unions are another vital actor influencing the employee perceptions of equity.

Webb & Webb (2014, p.1) define trade unions as ‘a continuous association of wage-earners for purpose of maintaining or improving the conditions of their employment’. In the modern sense, a trade union is a collective worker organization where the interests of employees are expressed and represented (Bray et al. 2009). Via unions’ operations, employees can contribute and influence to their terms and conditions at the workplaces (Vo & Stanton 2011). More importantly, trade unions pay a vital role in maintaining an equitable compensation system by participating in determining wage levels and wage structures. Katz & David (2009) state that changes in the extent of unionization or degree of centralization of collective bargaining can alter the wage structure and then result in compensation distribution. Card, Lemieux and Riddell (2014) also examines roles of unionization on wage distribution and state that stronger union has similar influences as other factors as age and skill group on dispersion of wage especially at the middle level of the wage distribution.

Culture has been found to be another factor influencing the employee perceptions of pay. Employees’ cultural background influences their view in judging compensation fairness. Deutsch (2015) and Leung and Bond (2014) indicate that employees in groups, concerning harmony, tend to accept equal reward distribution more than others did who were not in groups. Hundley and Kim (2017) found that college students in America perceived reward allocation fairness if it was based on individual performance, as they were strongly influenced by an individualistic view. In contrast, seniority and education attainment were criteria for assessing the fairness of pay among Korean students, as they had a collectivistic view. Chatterjee and Pearson (2012), in a study of variations of work-goal preferences in Asian countries, state that contextual factors of culture and economic conditions significantly affect the individuals' favoured choices of work-goals. For example, they found that, after the financial crisis in 1997, of the compensation components, promotion was more favourable and desirable than other benefits. In addition, they also indicate that strong social, philosophical and religious ideology creates norms for obligations and entitlements of management of work goals.

Chatterjee and Pearson (2007), examining meaning of working with a large sample size of 2,466 managers in ten Asian countries, state that those managers from different national culture background have differently emphasised expected outcomes from work. They point out that managers from poorer economies such as India, China, and Mongolia might pay more attention to economic rewards; and managers who are from collectivist societies such as China and India might place harmonious goals to be the most important in the workplace. Hundley and Runde (2008) also confirm that cultural effects were predictive of pay fairness evaluation among employees and the pay determinants of compensation systems.

2.8 Conceptual framework

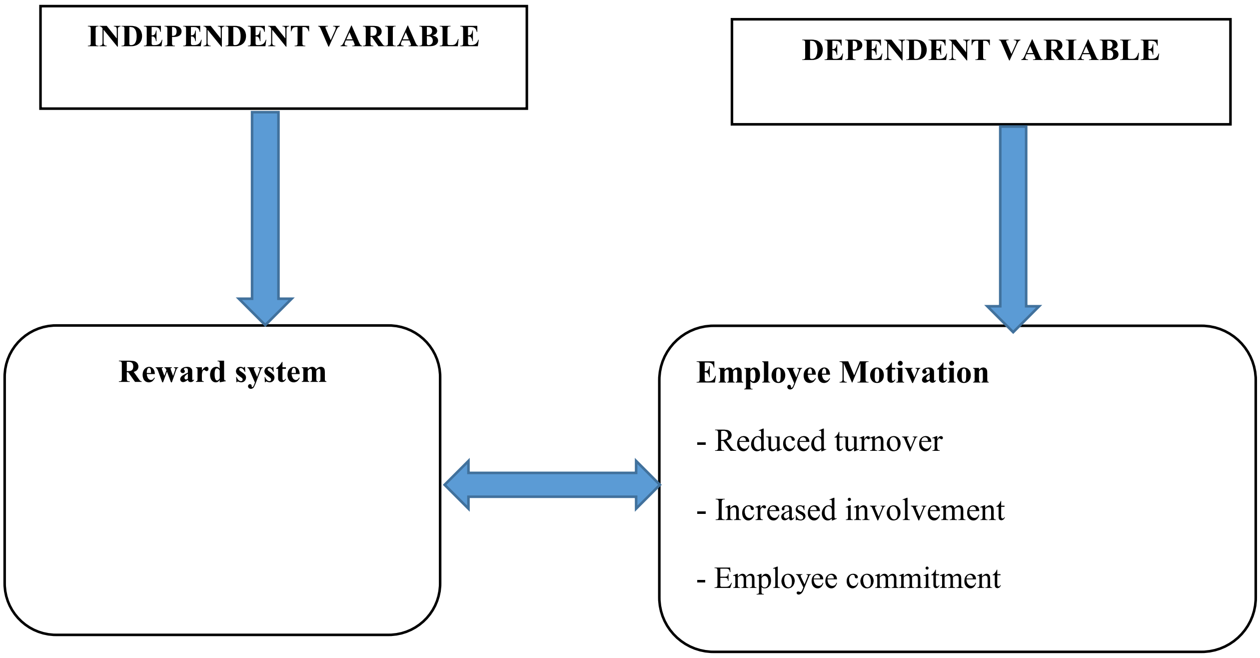

Figure 2.2: Conceptual framework of the study

From Figure 2.2 above, it is seen that high equity in performance-based compensation will lead to high employee commitment and the reverse is true if there is no equity in performance-based compensation.

The fundamental concepts for the present research include compensation components and perceptions of pay equity; and have conceptualized relationships between them. Accordingly, in this thesis, perception of pay equity is defined as suggested by Adams (2015); and compensation includes minimum wage, salary, benefits, and relational returns, as suggested by Milkovich et al. (2011). The perception of pay equity is a personal sense of equity, when an employee compares his or her contribution to his or her reward, or compares the ratio with others (Scholl et al. 2007). Adams (2015) emphasizes that, when employees perceive their compensation received to be inequitable compared to their inputs such as time, loyalty, and effort, they will feel distressed or dissatisfied with their compensation; in contrast, when they realise that their compensation is equitable, their satisfaction occurs. Thus, employee perceptions of pay equity and feelings of satisfaction or dissatisfaction with their compensation have strong correlations, and might be used to define each other (Heneman 2015).

Minimum wage

The minimum wage is the minimum amount of wage that enterprises must set for their employees' salaries. It is decided and fixed by the Government (Government of Vietnam 2012). Minimum wages have direct effects on employee incomes, because they are a basis for calculating basic salary and welfare (Government of Vietnam 2012). This is consistent with research by Milkovich and Newman (2005), which showed that the compensation policy that most obviously affects pay structures is the minimum wage legislation. Therefore, examining relationships between perceptions of pay equity and compensation should include minimum wage as another independent variable beyond compensation components.

Salary

Salary is monetary rewards that an employee receives usually on a monthly basis based on their working time, and quantity and quality of tasks they have completed (Government of Vietnam 2012). In enterprises, salary comprises three major components: basic salary, business salary, and allowances. According to the Vietnam Labour Code 2012, these components are defined as follows. Basic salary is the amount of salary defined in labour contracts or labour agreements between employees and employers. Business salary is the amount of salary calculated based on business outcomes of companies and employees' performance. Allowances are extra monies paid for difficulties of positions or jobs, and defined in labour contracts, collective agreements, or regulations for employing labour (Government of Vietnam 2012).

Bonuses are the amount that employers reward employees based on business results of annual production and the degree of completion of work by employees (Milkovich et al. 2011). In Vietnam, bonuses are considered as a compensation element having similar characteristics to salary in terms of motivating employees at work (CIEM 2012).

Benefits

Benefits are apart from salary and bonuses, and help to support workers and their families when their working capacity is reduced or lost. They include compulsory insurance, called social insurance, medical insurance, unemployment insurance, and other benefits that are provided by individual enterprises such as paid holidays and paid training (Tran & Mai 2008).

Relational Returns

Relational Returns are non-financial benefits including skills development, promotion, and the stability of a job (CIEM 2012). Promotional opportunities are for the advancement of an employee within a company position or job tasks. A job promotion typically is associated with a higher rate of pay or a financial bonus. Opportunity for skill development refers to learning and training opportunities to develop employee skills and knowledge. Stability of a job is an assurance that an individual will keep his or her job without the risk of becoming unemployed. Job stability might be ensured by the terms of a labour contract, a collective bargaining agreement, or labour legislation that prevents arbitrary termination (Collins 2009).

2.9 Relationship between minimum wage and perception of reward system

Milkovich et al. (2011) state that minimum wage contributes to social fairness by forcing employers to pay workers at least equally to a socially acceptable minimum. This protects workers from exploitation, especially ones in the low-income group. The relevant empirical studies also indicate that minimum wage positively affects pay equity. A study conducted by DiNardo et al. (2016) highlights that a falling minimum wage explained about 40 to 60 per cent of the rise in earning inequity between 1979 and 1988 in the US. Similarly, later, Lee (2009) in research on the gap between the state median wage and the applicable state or federal minimum wage in the US, concludes that a share of the rise in pay inequity from 1979 to 1988 was caused by the falling minimum wage. Bradshaw et al. (2008) confirm that the minimum wage is an effective tool to promote pay equity. This positive effect is stronger when the minimum wage level links to the minimum income needs of a single adult, possibly with some dependents, in order to underpin the notion of wages as the basis for standard of living. More recently, David et al. (2016) continue to approve that minimum wage increases pay equity at the lower end of the wage distribution.

2.9.1 Relationship between salary and perception of pay equity reward system

Although salary is a vital component of pay, empirical research on the relationship between salary and perception of pay equity is scant. Most of the existing research focuses on the relationship between salary and perception of pay satisfaction, and pay equity and pay satisfaction. Regarding the amount of salary, Rice et al. (2010) showed that the actual amount of salary that an individual receives well explains about 25 per cent of the variance in pay satisfaction. Many years later, Martocchio (2016) and Milkovich and Newman (2015) continue to state that, when employees are satisfied with the amount of their salary, they tend to be happy with the total payment received. Similarly, regarding the salary procedure, several authors (Dyer & Theriault 2016) have noted the positive relations between salary procedure and pay satisfaction.

Miceli and Lane (2010) state that employees who are happy with how payments are determined will feel happy with their total payment. Lind and Tyler (2008) and Thibaut and Walker (1975) were consistent with the idea that, when people are more positive about salary procedures, this results in favourable pay outcomes or pay satisfaction. Therefore, this could come with a conclusion that salary positively affects pay satisfaction. In addition, Heneman (2015) reviews the pay satisfaction literature, concluding that the relationship between perception of pay equity and pay satisfaction is always positive. According to Milkovich et al. (2011), salary is a vital component of pay; therefore, when employees feel satisfied with it, they tend to perceive total pay be equitable.

2.9.2 Relationship between benefit and perception of pay equity reward system

Similar to research on relationships between salary and perception of pay equity, research on benefits and perceptions of pay equity is very limited. Previous research has focused mainly on relationships between benefit and pay satisfaction. Due to the positive relationship between pay satisfaction and perception of pay equity, suggested by Heneman (2015), it is expected that, if the relationship between benefit and pay satisfaction is positive, then the relationship between benefit and pay equity is also positive, and vice versa. Research in the field proposes a positive influence of benefit on pay satisfaction. The effect of benefit on pay satisfaction was first introduced by Heneman and Schwab (2015) as a dimension measuring pay satisfaction. Then, it also used by Miceli and Lane (2010) to measure pay satisfaction.

Later, Barber et al. (2012) in empirical research showed that the implementation of flexible benefit plans enhanced employees' pay satisfaction. Williams (2015) found that those who rated their current level of benefit coverage as higher tended to be more satisfied with their pay package. Davis and Ward (2015) also found evidence that employee perceptions of benefit justice positively impact their pay satisfaction. Similarly, Williams (2015) and Williams et al. (2008) support this view by confirming that employees' perceptions of benefit positively relate to pay satisfaction.

2.9.3 Relationship between relational returns and perception of pay equity reward system

Previous research suggests that relational returns positively impact the perception of pay equity. In a book about reward management, Armstrong and Murlis (2014) emphasised that relational returns such as learning opportunities and promotion opportunities all act as powerful motivators and increase the employee perception of pay equity and satisfaction with the pay system. In addition, Milkovich et al. (2011), in their own theory of compensation, point out that relational return beside financial rewards are other important outcomes that positively influence perception of the fairness of the pay package. These factors are part of the total returns, and bring a broader view on perceptions of pay equity of individual employees. Practically, in a report on pay fairness conducted by Scott et al. (2011), it is presented that relational returns have positive impacts on the perception of pay equity among employees.

2.9.4 Ranking effects between compensation components on perception of pay equity reward system

Milkovich et al. (2011) proposes that individuals perceive salary to be the main source of their financial security. In other words, monetary compensation or salary plays a vital role in ensuring employees' well-being. Moreover, salary is also a key compensation component reflecting the value of skills, experiences or other inputs that employees bring to completing their jobs (Adams 2015). Therefore, it is expected that salary will have the strongest impact on the perception of pay equity among compensation components

2.9.5 Conclusion

The literature review suggests that pay satisfaction depends on the comparison of the person's outcome-input ratio to the outcome-input ratio of a comparison. A greater similarity of the ratios will lead to higher pay satisfaction. The discrepancy model examines the difference between individuals' perceptions of the amounts of pay that they should receive and is received. A smaller (or larger) discrepancy will lead to higher pay satisfaction (or pay dissatisfaction) respectively.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter covered the research method that was adopted by the researcher in arriving at the findings. It describes the research design, research approach, the population, sampling and sample procedures, data gathering instruments, data collection measures, data analysis and ethical consideration would also be dealt with in this chapter.

3.1 Research Design

Research design is the plan of research that essentially guides the conduct of the whole research (Burns and Bush 2012). The researcher needs to develop a proper research design before conducting data collection and analysis, because research design will guide the logical flow of the research project. It is important to have a clear and systematic research design at the outset of the project for being rigorous throughout the investigation process and for being confident in the outcome of the study. This process may involve a number of stages and each stage has its own outcomes. Hair et al. (2013) concluded that a vigorous and systematic research design will lead to the type of data, technique of data collection, sampling methodology to be used, that the schedule and compliance with budget. Indeed, it will help to align the planned methodology to the research problems.

Research design essentially addresses two fundamental research inquiries – “what” and “why”. "What" normally refers to the descriptive research and a clear description will lead to the "why" questions or exploratory research. Answering the "why" questions (exploratory research) involved developing a causal explanation. These research processes were identified by Burns and Bush (2012) and Hair et al. (2013), who classified research designs into three parts: exploratory, descriptive and causal.

A choice of research design reflects decisions about the priority given to set of dimensions of the research process. The researcher used descriptive research design for the study. This refers to a research which specifies the nature of a given phenomena. It determines and reports the way things are done. Descriptive research thus involves collecting data in order to test hypotheses or answer research questions concerning the current status of the subject of the study (Bryman, 2004).

Descriptive research portrays an accurate profile of persons, events, or situations (Kothari, 2010). Therefore, the descriptive survey is deemed the best strategy to fulfil the objectives of this study. According to Kombo and Tromp (2006) the basic purpose for descriptive research usually is to describe characteristics of the population of interest, make specific predictions and test associational relationships.

3.2 Research Approach

3.2.1 Quantitative versus qualitative research

Distinction between qualitative research and quantitative research

Ulin et al. (2014) defined qualitative research as scientific research that involves an investigation to find a solution, has a proper way to answer the question, gathers evidence and lastly provides an outcome applicable to the study. Furthermore, the finding can be generalized to the population where it is involved. They also added that a qualitative study is one of the methods that can be used to obtain information about culture.

Golafshani (2013) stated that qualitative research allows the researcher to bring to light the problem to be studied by developing hypotheses to be tested. This was supported by Patton (2012) who stated that a qualitative attempt to understand certain phenomena is based on context-specific settings without ignoring the natural surroundings. Denzin and Lincoln (2010) broadly defined qualitative research as a multi-method focus which involves an interpretive naturalistic approach to its subject matter. This means that such research attempts to investigate things based on a natural setting which brings meaning to them. Qualitative research also involves the studied use and collection of a variety of methods to capture the story, such as interview, observational, historical, interactional and visual texts. All these methods can describe people's routines and problematic moments which can bring full meaning to them.

Strauss and Corbin (2010) stated that qualitative research is different from quantitative research: the finding of the former method naturally explains without using statistical procedures or other means of quantification. Indeed, the qualitative researcher describes explanation, understanding and prediction to similar situations. In contrast, quantitative researchers seek causal determination, prediction, and generalization of findings (Hoepfl 2017). In simplified terms, qualitative research does not involve any statistical analysis to interpret the data to make the findings. For instance, if we were asked to explain in qualitative terms a thermal image displayed in multiple colours, we would explain the colour differences rather than the heat's numerical value. In quantitative inquiry, the collection of data is normally measured and expressed numerically and used for statistical data analysis. Quantitative methods allow researchers to test theories and hypothesized relationships. This study adopted a quantitative inquiry.

Table 3.1 below provided a clear understanding about the different between qualitative research and quantitative research

Table 3.1: Qualitative versus quantitative research

Criteria	Qualitative Research	Quantitative Research
• Purpose	To understand and interpret social interaction	To test hypotheses, look at cause and effect and make predictions
• Group studied	Smaller and not randomly selected	Larger and randomly selected
• Variables	Study of the whole not variables	Specific variables studied
• Type of Data Collected	Words, images or objects	Numbers and statistics
• Form of Data Collected	Qualitative data such as open-ended responses, interviews, participant observations, field notes and reflections	Quantitative data based on precise measurements using structured and validated data-collection instruments
• Type of Data Analysis	Identify patterns, features, themes	Identify statistical relationships
• Objectivity and Subjectivity	Subjectivity is expected	Objectivity us critical
• Role of Researcher	Researcher and their biases may be known to participants in the study and participant characteristics may be known to the researcher	Researcher and their biases are not known to participants in the study Participant characteristics are deliberately hidden from the researcher (double blind studies)
• Results	Particular or specialized findings that is less generalizable	Generalizable findings that can be applied to other populations
• Scientific Method	Exploratory or bottom-up; the researcher generates a new hypothesis and theory from the data collected	Confirmatory or top-down: the researcher tests the hypothesis and theory with the data
• View of Human Behaviour	Dynamic, situational, social and personal	Regular and predictable
• Most Common Research Objectives	Explore, discover and construct	Describe, explain and predict
• Focus	Wide-angle lens: examines the breadth and depth of phenomena	Narrow-angle lens: tests a specific hypotheses
• Nature of Observation	Study behaviour in a natural environment	Study behaviour under controlled condition; isolate causal effects
• Nature of Reality	Multiple realities; subjective	Single reality; objective
• Final report	Narrative report with contextual description and direct quotations from research participants	Statistical report with correlations, comparisons of means and statistical significance of findings

Adopted from Xavier University Library and the content was taken from Johnson and Christenen (2008) and Lichtman (2016)

3.2.2 Advantages and disadvantages of qualitative and quantitative research

This section briefly explained the advantages and disadvantages performing qualitative and quantitative research method. For qualitative research, the advantage of this method lies in its strength in uncovering multiple realities based on varying experiences of people. In other words, a researcher who conducts qualitative research can produce more in-depth and comprehensive information about their subjects. In addition, qualitative research could be conducted on a small group to understand multiple realities. However, the disadvantage of this method is its focus on a selected group only, where participants feel or think or how they behave. The researcher cannot make any assumption beyond this specific group of participants.

Quantitative research is a systematic approach to investigation. It involves measuring or counting attributes and answers to the 'what' and 'how many' questions. According to Demand Media Inc (2012), the research data is based on numbers which allow statistical tool to analyze it. This research method investigates the relationship between an independent variable and dependant variables to be studied. Researchers derive the hypotheses and test them with statistical tools like SPSS and SEM. However, advantages always come with disadvantages. Two disadvantages of doing quantitative research are: it ignores the natural setting like the qualitative research method. Besides that, it requires a large sample size so that it can be run through analysis statistical tool.

3.2.3 Justification of the quantitative approach

Researchers should bear in mind that methods used to conduct the research need to align with the research questions (Punch 2008). In other words, data which need to be collected should be enough in answering the research question. Amaratunga et al.

(2012) maintained that quantitative research can help a researcher to gather strong evidence through statistical analysis on the relationship between dependent and independent variables. Undoubtedly, results obtained from statistical analysis can provide directions of relationships when mixed with theory and literature. Neuman (2007 p.63) defined the quantitative approach as "an organized method for combining deductive logic with precise empirical observations of individual behavior in order to discover and confirm a set of probabilistic causal laws that can be used to predict general patterns of human activity."

Thus, this study aimed to measure underlying variables based on Cavana et al. (2011 p.106) who stated, "measurement of the variables in the theoretical framework is an integral part of research and an important aspect of quantitative research design". Furthermore, the advantages of using a quantitative approach can provide a researcher with in-depth explanations of quantitative enquiry. Cavana et al. (2011) and Amaratunga et al. (2012) emphasized this method can provide strength in reliability and validity for the constructs. Because the objective of this study was to empirically investigate a causal relationship between the underlying constructs, this methodology was deemed to be appropriate (Churcill and Suprenant 2012).

3.3 Population

Mugenda (2008) describes population as the set of all groups of individuals, objects, items, cases, articles or things with common attributes or characteristics. According to Kothari (2014) a population consists of all items in any field of inquiry. The population for the study was five hundred and fifty (550). The population was drawn from a sample of employees from the Urban Roads Department, Kumasi Metropolis. The population was drawn from a sample of Managers, accountants, revenue officers, internal auditors, procurement officers, administrators, security men, drivers, messengers, and cleaners.

3.4 Sample Size and Sampling Technique

Sample is a smaller, manageable version of a larger group. Samples are used in statistical testing when population are too large for the test to include all possible members or observations. A sample should represent the whole population and not reflect bias toward a specific attribute. It has been indicated that the size of the sample and the way in which it is selected definitely had implication for the confidence you can have in your data and the extent to which you can generalize (Saunders *et al* 2007).

A stratified random sampling was used to obtain the sample size. The population was categorized into the management positions. Auka et al. (2013) posit that stratified random sampling ensures that all the groups (categories) are adequately sampled and this facilitates comparison among the groups. According to the Krejcie and Morgan (1970), table for determining sample size, a population of 550 requires a sample size of 226. Therefore, stratified random sampling techniques were used to select 226 participants for the study.

3.5. Data Collection Instruments

To ensure that data collected address the study objectives, the data collection instruments must be selected appropriately to avoid collecting irrelevant information, Odongo (2013). In this study, questionnaire was prepared for purposes of obtaining data from the respondents. The questionnaire items comprised of closed - ended and open -ended items that offered to give the advantage of collecting both qualitative and quantitative information. The questions were divided into sections that covered the research objectives and research questions. The researcher used the main primary data collection method that is structured questionnaire in soliciting data from the selected participants for the study. The questionnaire had four main sections, which were designed in line with the research questions. The first section contained socio-demographic characteristics of the respondents and included their age, gender, working experience and level of education. This was primarily to enable the researcher to have background information of respondents.

Section two assessed the effects of reward systems on employee motivation in Urban Roads Department. Section three examined the types of reward systems in an organisation that motivate employees while section four explored the challenges managers face when rewarding employees efforts at the Urban Roads Department. The analysis of the study was based on the research objectives of the study.

3.5.1 Pre-Testing the Instruments

Instruments pre-testing, also known as piloting is a preliminary study conducted on small scale to ascertain the effectiveness of the research instruments, Alila (2011). A pre-test sample should be between 1% and 10% depending on the sample size, Mugenda, and Mugenda (2013). In this study the researcher used a pre-test sample size equivalent to 10% of the study sample size, culminating into 20 respondents. Copies of questionnaire were developed and self administered to the pre-test sample that was similar to the actual study sample in its major characteristics. This was significant as it helped to reveal aspects of ambivalence depicted by the questionnaire items that were subsequently reframed relative to the responses obtained from the respondents.

3.6 Validity of the Instrument

Validity is a measure of the degree to which differences found with a measuring instrument depict true differences among the items being measured, Kothari (2014). In the perspective of Mugenda and Mugenda (2013), an instrument is validated by providing that its items are representative of the skills and characterics to be measured. Validity of the research instruments was reinforced by ensuring that the questionnaire items sufficiently covered the research objectives and this was subsequently confirmed by the pilot study. Other measures put in place to address issues of instrument validity took the form of exposing the questionnaire to the experts and peers for judgment and review, respectively. Validity of the instrument was also assured through randomization that proved helpful in checking the influence of extraneous variables. Randomization is considered crucial for it is the best technique of ensuring the representatives of the sample to the target population.

3.7 Reliability of the Instruments

According to Mugenda and Mugenda (2013), reliability is a measure of the degree to which a measuring instrument yields consistent results or data after repeated trials. In Kothari (2015), reliability of a test instrument is a measure of the consistency with which a test instrument produces the same results when administered to the group over time intervals.

In this study, split-half reliability measure was employed by diving the questionnaire items into two equal parts on the bases of odd and even appearances. The first part of the research instrument having been administered and the result obtained, the second part was subsequently administered and the results noted. Pearson's product moment coefficient of correlation (r) was then used to compare the two scores obtained and by giving an alpha value of 0.8, indicating that the data collection instrument was reliable.

3.8 Data Collection Procedures

According to Kothari (2015), data collection procedures comprises of the steps and actions necessary for conducting the research effectively and the desired sequencing of these steps. The researcher embarked on the process of collecting data from the field upon preparation of a research proposal which was assessed, corrections effected and research permit obtained from the Management of the urban roads department. With the research permit obtained, the researcher started the collections of data collection by presenting the permit to relevant authorities such as the management of the urban department. Thereafter, two trained and well motivated research assistants would be engaged in the actual data collection, while closely being supervised by the researcher. The research assistants were informally trained before commencement of data collection process, especially on procedures of administration of data collection instruments to the respondents.

In order to increase the return rate, the researcher adopted the steps proposed by Wiseman and McDonald (2010). These steps involved preparing cover letters attached to each questionnaire disclosing the significant of the study as well as assuring the respondents of the researcher's commitment to confidentiality. In this study, research assistants self administered the data collection instruments to the respondents in batches of ten copies each, systematically until all were exhausted.

Given that the researcher was committed to collecting the desired data, the respondent were advised to complete the questionnaire in the presence of the research assistants in order to address cases of misunderstandings that may arise. In the event that the respondents were not prepared to complete the questionnaire due to any other reason, arrangements would be made for the questionnaire to be collected later by the research assistants for purposes of enhancing questionnaire return rate.

3.9 Methods of Data Analysis

Given the fact that the study was descriptive in its major characteristics, descriptive statistics would be used as main method of data analysis. The analysis of the data commenced with editing and inspection of the pieces of data in order to identify simple mistakes, items that were wrongly responded to and any blank space left unfilled by the respondents. The computer statistical package for social scientists (SPSS version 20) was used to process all the quantitative responses from the questionnaire. The questionnaire items were sorted, coded and fed into SPSS program to generate frequencies and percentages and data was presented using frequency distribution tables.

3.10 Ethical Considerations

According to Resnik (2011), there are several reasons for the adhering to ethical norms in research. Norms promote the aims of research, such as knowledge, falsifying or misrepresenting research data, promote the truth and avoid error. Moreover, since research often involves a great deal of cooperation and coordination among many different people in different discipline and institutions, ethical standards promote the value that are essential to collaborative work, such as trust, accountability, mutual respect and fairness. For instance, many ethical norms in research , such as guidelines for relationships, copyright, and patency policies, data sharing policies and confidentiality and peer reviews are designed to protect intellectual property interest while encouraging collaborations. Many of the ethical norms help to ensure that researcher can be held accountable to the public.

William (2016) lists some of the ethical issues as informed consent, confidentiality and anonymity. Given the importance of ethical issues in several ways, the researcher would avoid taking any ones work and where someone's work was included, such were acknowledged. In the process of data collection, respondent's identities would be concealed and any information obtained would be handled with utmost confidence. No harm of any nature was meted out on any respondent, aspects of privacy was observed and any cruelty avoided.

CHAPTER FOUR

RESULTS AND FINDINGS

4.0 Introduction

The main purpose of the study was to assess the effect of reward systems on employee motivation in Urban Roads Department, using Kumasi –Metro as a case study. The specific objectives include to: a) assess the effects of reward systems on employee motivation in Urban Roads Department, b) examine the types of reward systems in an organisation that motivate employees and c) explore the challenges managers face when rewarding employees efforts at the Urban Roads Department. The analysis of the study was based on these research objectives. The researcher sent 226 questionnaires to the field to gather primary data. Out of the 226 questionnaires sent out for primary data, 212 questionnaires were retrieved while 14 questionnaires were not retrieved. Therefore, the analysis of the study was based on 97.6% response rate.

4.1 Demographic Information of the Respondents

Table 4.1 shows the demographic characteristics of the respondents, including the respondent's gender, age categories, highest academic qualification and working experience of the respondents.

Table 4.1: Demographic Information of the Respondents

Gender	*Frequency*	*Percent*
Male	164	77.4
Female	48	22.6
Total	212	100.0
Age ranges		
18-25 years	30	14.2
26-30 years	44	20.8
31-35 years	52	24.5
36-40 years	36	17.0
41-45 years	32	15.1
46-50 years	8	3.8
51 years and above	10	4.7
Total	212	100.0
Highest academic qualification		
Certificate	52	24.5
Diploma	46	21.7
Bachelor' s degree	86	40.6
Master' s degree	28	13.2
Total	212	100.0
Working experience		
Below 5 years	33	15.6
6-10 years	41	19.3
11-15 years	71	33.5
16-20 years	24	11.3
More than 21 years	43	20.3
Total	212	100.0

Source: Field survey, (2019)

Table 4.1 shows that 164 respondents representing 77.4% were males while 48 respondents representing 22.6% were females. Moreover, 52 respondents representing 24.5% were between the age ranges 31-35 years, 44 respondents representing 20.8% were between the age ranges 26-30 years, 36 respondents representing 17% were between the age ranges 36-40 years, 32 respondents representing 15.1% were between the age ranges 41-45 years, 30 respondents representing 14.2% were between the age ranges 18-25 years, 10 respondents representing 4.7% were above 51 years. Furthermore, 86 respondents representing 40.6% were holding Bachelor's degrees, 52 respondents representing 24.5% were certificate holders, 46 respondents representing

21.7% were Diploma holders while 28 respondents representing 13.2% were Masters degrees holders.

Research Questions One: How does employee reward system affect motivation.

Table 4.2 evaluated the effects of reward systems on employee motivation

Results of the effects of reward systems on employee motivation

Table 4.2: The Effects of Reward Systems on Employee Motivation

Statement (s)	Agree f(%)	Neutral f(%)	Disagree f(%)	Total f(%)	Mean X	Ranking
• Satisfaction with a reward depends on how much is received and how much individual perceptions should be received.	204 (96.2)	8 (3.8)	-	212 (100)	1.04	1st
• People's feelings of satisfaction are influenced by comparisons with what happens to others.	195 (92)	17 (8)	-	212 (100)	1.08	5th
• Overall job satisfaction largely depends on how satisfied an employee is with both the intrinsic and extrinsic rewards he receives from his job.	198 (93.4)	14 (6.6)	-	212 (100)	1.07	4th
• There is enhancement in the competence of the employee to carry out his or her duties with little or no supervision that enhances his or her output that also affects his remuneration package.	190 (89.6)	13 (6.1)	9 (4.2)	212 (100)	1.15	6th
• If an employee experience is being rewarded highly, it motivates, hence, there is satisfaction in the pay received which automatically affects the performance of the firm positively	200 (94.3)	12 (5.7)	-	212 (100)	1.06	3rd
• The higher the employee moves within firm, the upward movement goes with increase in reward/pay which ginger the employee's motivation and ultimately has a direct impact on the satisfaction of the worker resulting to outright results on the firm's performance	198 (93.4)	6 (2.8)	8 (3.8)	212 (100)	1.10	4th
• As a result of the reward systems, I report to work in time and happy to serve customers	204 (96.2)	4 (1.9)	4 (1.9)	212 (100)	1.06	1st
• As a result of the reward systems, I work to the best of my ability and skills and am committed to my work and the organisation.	190 (89.6)	7 (3.3)	15 (7.1)	212 (100)	1.17	6th
• As a result of the reward systems, I work hard to achieve the given target of output of work set for the department.	202 (95.3)	4 (1.9)	6 (2.8)	212 (100)	1.08	2nd

Source: Field survey, (2019)

Table 4.2 indicated that 204 respondents representing 96.2% agreed that satisfaction with a reward depends on how much is received and how much individual perceptions should be received, while 8 respondents representing 3.8% were neutral. Moreover, 195 respondents representing 92% agreed that people's feelings of satisfaction are influenced by comparisons with what happens to others, while 17 respondents representing 8% were neutral. Also, 198 respondents representing 93.4% agreed that overall job satisfaction largely depends on how satisfied an employee is with both the intrinsic and extrinsic rewards he receives from his job while 14 respondents representing 6.6% were neutral.

The study results revealed that 190 respondents representing 89.6% agreed that there is enhancement in the competence of the employee to carry out his or her duties with little or no supervision that enhances his or her output that also affects his remuneration package, 13 respondents representing 6.1% were neutral, while 9 respondents representing 4.2% disagreed. Moreover, 200 respondents representing 94.3% agreed that if an employee experience is being rewarded highly, it motivates, hence, there is satisfaction in the pay received which automatically affects the performance of the firm positively, while 12 respondents representing 5.7% were neutral. The results held that 198 respondents representing 93.4% agreed that the higher the employee moves within firm, the upward movement goes with increase in reward/pay which ginger the employee's motivation and ultimately has a direct impact on the satisfaction of the worker resulting to outright results on the firm's performance, 8 respondents representing 3.8% disagreed, while 6 respondents representing 2.8% were neutral.

Moreover, 204 respondents representing 96.2% agreed that as a result of the reward systems, they report to work in time and happy to serve customers, while 4 respondents representing 1.9% disagreed and were neutral respectively. The study findings indicate that 190 respondents representing 89.6% agreed that as a result of the reward systems, they work to the best of my ability and skills and am committed to my work and the organisation, 15 respondents representing 7.1% disagreed, while 7 respondents representing 3.3% were neutral. The study result show that 202 respondents representing 95.3% agreed that as a result of the reward systems, they work hard to achieve the given target of output of work set for the department, 6 respondents representing 2.8% disagreed, while 4 respondents representing 1.9% were neutral. The study results mean that reward systems played a significant role in achieving organisational goals.

Research Question Two: What are the types of reward systems in an organisation that motivate employees?

Table 4.3 indicates the types of reward systems in an organisation that motivate employees.

Results of the types of reward systems in an organisation that motivate employees.

Table 4.3 The types of reward systems in an organisation that motivate employees.

Types of reward systems	Satisfied f(%)	Neutral f(%)	Dissatisfied f(%)	Total f(%)	Mean X	Ranking
• Good working conditions	146 (68.9)	39 (18.4)	27 (12.7)	212 (100)	1.43	1st
• Good salaries	169 (79.7)	7 (3.3)	36 (17)	212 (100)	1.37	2nd
• Incentives	17 (8)	10 (4.7)	185 (87.3)	212 (100)	1.21	4th
• Employee recognition	194 (91.5)	7 (3.3)	11 (5.2)	212 (100)	1.14	6th
• Training and development opportunities	191 (90.1)	10 (4.7)	11 (5.2)	212 (100)	1.15	5th
• Allowances	197 (92.9)	8 (3.8)	7 (3.3)	212 (100)	1.10	7th
• Bonuses	181 (85.4)	13 (6.1)	18 (8.5)	212 (100)	1.23	3rd

Source: Field survey, (2019)

Table 4.3 reveals that 146 respondents representing 68.9% were satisfied with the good working conditions, 39 respondents representing 18.9% were neutral while 27 respondents representing 12.7% not satisfied. To add more, 169 respondents representing 79.7% were satisfied with the salaries, 36 respondents representing 17% disagreed while 7 respondents representing 3.3% were neutral. The study findings revealed that 185 respondents representing 87.3% were not satisfied with the incentives they receive, while 10 respondents representing 4.7% were neutral. Furthermore, 194 respondents representing 91.5% were satisfied with the recognition they receive at work, 11 respondents representing 5.2% were not satisfied while 7 respondents representing 3.3% were neutral.

The study reveals that 191 respondents representing 90.1% were satisfied with the Training and development opportunities at work, 11 respondents representing 5.2% were not satisfied, while 10 respondents representing 4.7% were neutral. Moreover, 197 respondents representing 92.9% were satisfied with the allowances they receive, 8 respondents representing 3.8% were neutral, while 7 respondents representing 3.3% not satisfied. The study results show that 181 respondents representing 85.4% were satisfied with the bonuses they receive at work, 18 respondents representing 8.5% were not satisfied, while 13 respondents representing 6.1% were neutral. These findings show that an increment in annual basic pay enhanced employees' performance.

Research Question Three: What are the challenges managers face when rewarding employees efforts?

Table 4.4 evaluated the challenges managers face when rewarding employee's efforts

Results of the challenges managers face when rewarding employee's efforts

Table 4.4: The challenges managers face when rewarding employee's efforts at the Urban Roads Department.

Statement(s)	*Agree f(%)*	*Neutral f(%)*	*Disagree f(%)*	*Total*	*Ranking*
• If feeling underpaid, employees can decrease their inputs brought to work	197 (92.9)	8 (3.8)	7 (3.3)	212 (100)	2nd
• If feeling there to be inequity in reward system, employees can psychologically distort their inputs and outcomes	188 (88.7)	12 (5.7)	12 (5.7)	212 (100)	5th
• The persons can quit their jobs to remove themselves from the inequitable reward systems situation.	190 (89.6)	7 (3.3)	15 (7.1)	212 (100)	4th
• Employees will always seek fair treatment leading to labour strikes and unrest.	196 (92.5)	6 (2.8)	10 (4.7)	212 (100)	3rd
• Often, there is misconception of the reward of others by people	199	5	8	212	1st

	(93.9)	(2.4)	(3.8)	(100)

Source: Field survey, (2019)

The table 4.4 above indicates that 197 respondents representing 92.9% agreed that if feeling underpaid, employees can decrease their inputs brought to work, 8 respondents representing 3.8% were neutral, while 7 respondents representing 3.3% disagreed. Furthermore, 188 respondents representing 88.7% agreed that if feeling there to be inequity in reward system, employees can psychologically distort their inputs and outcomes, while 12 respondents representing 5.7% disagreed and were neutral respectively. The study results revealed that 190 respondents representing 89.6% agreed that the employees can quit their jobs to remove themselves from the inequitable reward systems situation, 15 respondents representing 7.1% disagreed, while 7 respondents representing 3.3% were neutral. Also, 196 respondents representing 92.5% agreed that employees will always seek fair treatment leading to labour strikes and unrest, 10 respondents representing 4.7% disagreed while 6 respondents representing 2.8% were neutral. Furthermore, 199 respondents representing 93.9% agreed that often, there is misconception of the reward of others by people, 8 respondents representing 3.8% disagreed, while 5 respondents representing 2.4% were neutral. This means that unsatisfied employees can become psychologically distorted.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The main purpose of the study is to assess the effect of reward systems on employee motivation in Urban Roads Department, using Kumasi – Metro as a case study. The researcher used descriptive research design for the study. Quantitative research approach was used. The population for the study was five hundred and fifty (550) employees from the Urban Roads Department, Kumasi Metropolis. Random sampling technique was used to select 226 participants for the study. Questionnaire was the main instrument used to collect primary data. The computer statistical package for social scientists (SPSS version 20) was used to process all the quantitative responses from the questionnaire.

5.2 Major Findings

The first objective of the study was to assess the effects of reward systems on employee motivation in Urban Roads Department. The study results indicated that satisfaction with a reward depends on how much is received and how much individual perceptions should be received. Moreover, people's feelings of satisfaction are influenced by comparisons with what happens to others. Also, overall job satisfaction largely depends on how satisfied an employee is with both the intrinsic and extrinsic rewards he receives from his job. The study results revealed that there is enhancement in the competence of the employee to carry out his or her duties with little or no supervision that enhances his or her output that also affects his remuneration package. Moreover, if an employee experience is being rewarded highly, it motivates, hence, there is satisfaction in the pay received which automatically affects the performance of the firm positively. The results held that the higher the employee moves within firm, the upward movement goes with increase in reward/pay which ginger the employee's motivation and ultimately has a direct impact on the satisfaction of the worker resulting to outright results on the firm's performance. Moreover, as a result of the reward systems, employees report to work in time and happy to serve customers. The study findings indicate that as a result of the reward systems, employees work to the best of my ability and skills and committed to my work and the organisation. The study result shows that as a result of the reward systems, they work hard to achieve the given target of output of work set for the department. The study results mean that reward systems played a significant role in achieving organisational goals.

These results are in agreement with Robinson (2004), he indicated that money in the form of pay or some other sort of remuneration is the most obvious extrinsic reward. Money provides the carrot that most people want. Doubts have been cast by Herzberg *et al.* (1957) on the effectiveness of money because they claimed, while the lack of it can cause dissatisfaction, its provision does not result in lasting satisfaction. Money may in itself have no intrinsic meaning, but it acquires significant motivating power because it comes to symbolize so many intangible goals. It acts as a symbol in different ways for different people and for the same persons at different times.

The second objective of the study was to examine the types of reward systems in an organisation that motivate employees. The study reveals that the employees were satisfied with the good working conditions, salaries, employee's recognition, training and development opportunities, allowances, bonuses, and were not satisfied with the incentives they receive.

Moreover, Goldthorpe, Lockwood, Bechhofer and Platt (1968) noted that pay is the dominant factor in the choice of the employer and consideration of pay seem most powerful in building people to their present Job. Money can therefore provide positive motivation in the right circumstance, not only because people need and want money but also because it serves as a highly tangible means of recognition. But badly designed and managed pay systems can de-motivate.

The third objective explored the challenges managers face when rewarding employees efforts at the Urban Roads Department. The study indicates that if feeling underpaid, employees can decrease their inputs brought to work. Furthermore, if feeling there to be inequity in reward system, employees can psychologically distort their inputs and outcomes. The study results revealed that the employees can quit their jobs to remove themselves from the inequitable reward systems situation. Also, employees will always seek fair treatment leading to labour strikes and unrest. Furthermore, there is misconception of the reward of others by people. This means that unsatisfied employees can become psychologically distorted.

These results are in disagreement with Robinson (2014), he indicated that money in the form of pay or some other sort of remuneration is the most obvious extrinsic reward. Money provides the carrot that most people want. Doubts have been cast by Herzberg *et al* (1957) on the effectiveness of money because they claimed, while the lack of it can cause dissatisfaction, its provision does not result in lasting satisfaction. Money may in itself have no intrinsic meaning, but it acquires significant motivating power because it comes to symbolize so many intangible goals. It acts as a symbol in different ways for different people and for the same persons at different times.

Goldthorpe, Lockwood, Bechhofer and Platt (1968) noted that pay is the dominant factor in the choice of the employer and consideration of pay seem most powerful in building people to their present Job. Money can therefore provide positive motivation in the right circumstance, not only because people need and want money but also because it serves as a highly tangible means of recognition. But badly designed and managed pay systems can de-motivate.

5.3 Conclusion

The available reward packages at the Urban Roads Department, Kumasi Metropolis were good working conditions, salaries, employee's recognition, training and development opportunities, allowances, and bonuses. Supervisors gave employees recognition for their effort and work. The employees have prospects for career development in their profession. The study results concluded that as a result of the motivation packages, employees work to the best of their ability and skills. Finally, there is a positive significant relationship between the reward packages and employee's motivation to work effectively.

5.4 Recommendations

According to the conclusions of the study, the study recommended that;

1. The Management of the Urban Roads Department, Kumasi Metropolis should continue to give frequent allowances to staff to motivate employees to work effectively. Moreover, worker's salaries should be increased to enhance employee's motivation and job performance.
2. The Management of the Urban Roads Department, Kumasi Metropolis should organise periodic career development programs to enhance employees' prospects for future developments and goal achievements. There is the need to provide sufficient

funds to enhance employee commitment to training and also provide adequate infrastructure to enhance training and development initiatives.

3. Senior Managers must recognise and respect junior staffs at various department to enhance employee's goal achievement and job performance.

4. The Management of the Urban Roads Department, Kumasi Metropolis should establish car loan and housing loan schemes to provide job security and improve performance.

5. The Management of the Urban Roads Department, Kumasi Metropolis should provide effective promotion policy to increase employee goal achievement.

5.5 Suggestions for Further Studies

According to the conclusions and recommendations made, the researcher suggested that a similar study should be undertaken to investigate the impact of training and development on employee's commitment to duty using the Urban Roads Department, Kumasi Metropolis as a case study.

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APPENDIX

UNIVERSITY OF EDUCATION, WINNEBA

COLLEGE OF TECHNOLOGY EDUCATION

APPENDIX A: QUESTIONNAIRE FOR THE RESPONDENTS

The researcher is a student of UNIVERSITY OF EDUCATION, WINNEBA, Kumasi Campus, conducting a piece of research to assess the **EFFECTS OF REWARD SYSTEMS ON EMPLOYEE MOTIVATION IN URBAN ROADS DEPARTMENT, KUMASI –METRO.** I respectively request that you form part of this research by completing the attached questionnaire. This is to solicit your opinion on the effect of reward systems on employee motivation in Urban Roads Department, using Kumasi –Metro as a case study. It is my fervent hope that you participate in the study. May I thank you for your valuable cooperation.

Section 1: Demographic Information of the respondents

1. What is your gender?

Female [ ] Male [ ]

2. What age range do you belong?

Below 18 years [ ] 19-29 years [ ] 30-39 years [ ] 40-49 years [ ] 50-59 years [ ] 60-69 years [ ] above 70 years [ ]

3. What is your highest educational background?

Diploma [ ] Bachelors' degree [ ] Masters' degree [ ] PhD [ ]

Section B: The effects of reward systems on employee motivation in Urban Roads Department.

Please use the following likert scale to evaluate the Section B: The effects of reward systems on employee motivation in Urban Roads Department by ticking one of the boxes from (1) to (4) where (1) = strongly disagree (2) = disagree (3) = agree (4) = strongly agree

Statement(s)	1	2	3	4
Satisfaction with a reward depends on how much is received and how much individual perceptions should be received.				
People's feelings of satisfaction are influenced by comparisons with what happens to others.				
Overall job satisfaction largely depends on how satisfied an employee is with both the intrinsic and extrinsic rewards he receives from his job.				
There is enhancement in the competence of the employee to carry out his or her duties with little or no supervision that enhances his or her output that also affects his remuneration package.				
If an employee experience is being rewarded highly, it motivates, hence, there is satisfaction in the pay received which automatically affects the performance of the firm positively				
The higher the employee moves within firm, the upward movement goes with increase in reward/pay which ginger the				

employee's motivation and ultimately has a direct impact on the satisfaction of the worker resulting to outright results on the firm's performance				
As a result of the reward systems, I report to work in time and happy to serve customers				
As a result of the reward systems, I work to the best of my ability and skills and am committed to my work and the organisation.				
As a result of the reward systems, I work hard to achieve the given target of output of work set for the department.				

Section C: The types of reward systems in an organisation that motivate employees.

Please use the following likert scale to assess the types of reward systems in an organisation that motivate employees.

SCALE: 1=Very satisfied, 2=Satisfied, 3=Dissatisfied, 4=Very dissatisfied

Types of reward systems	1	2	3	4
Good working conditions				
Good salaries				
Incentives				
Employee recognition				
Training and development opportunities				
Allowances				
Bonuses				

Section D: The challenges managers face when rewarding employee's efforts at the Urban Roads Department.

Please use the following likert scale to evaluate the challenges managers face when rewarding employees efforts at the Urban Roads Department by ticking one of the boxes from (1) to (4) where (1) = strongly disagree, (2) = disagree, (3) = agree, (4) = strongly agree

The challenges managers face when rewarding employee's efforts at the Urban Roads Department	**1**	**2**	**3**	**4**
If feeling underpaid, employees can decrease their inputs brought to work;				
If feeling there to be inequity in reward system, employees can psychologically distort their inputs and outcomes				
The persons can quit their jobs to remove themselves from the inequitable reward systems situation.				
Employees will always seek fair treatment leading to labour strikes and unrest.				
Often, there is misconception of the reward of others by people				

Thanks for your cooperation!