

Rewards and Employee Performance in Government Agencies: Evidence from Kampala Capital City Authority (KCCA), Uganda

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ABSTRACT

Despite continued reforms in Uganda's public service compensation framework, limited empirical evidence exists on how specific reward components shape employee performance in local government agencies. This study examined the relationship between rewards and employee performance at Kampala Capital City Authority (KCCA), with attention to compensation, performance recognition, career development opportunities, and fringe benefits. Guided by Herzberg's Two Factor Theory and Maslow's Hierarchy of Needs, the study adopted a mixed methods descriptive survey design. A sample of 85 employees was drawn from a population of 108 using Yamane's formula at a 5% level of precision, with stratified and purposive sampling used to ensure representation across departments. Data were collected through structured questionnaires and interviews. Rewards were measured through compensation, recognition, career development, and fringe benefits, while employee performance was assessed using indicators such as service quality, task completion, teamwork, dependability, and creativity. Descriptive statistics, correlation analysis, and multiple linear regression were used to analyse the data. The findings showed that all reward dimensions were positively associated with employee performance. Fringe benefits emerged as the strongest predictor, followed by career development opportunities, compensation, and performance recognition. The model was statistically significant, although the findings should be interpreted with caution because the study was limited to one agency and a relatively small sample. The study concludes that both monetary and non monetary rewards matter, but a balanced reward system that strengthens employee welfare, growth, and recognition is more likely to improve performance in public institutions. Policy makers and managers in government agencies should therefore design integrated reward frameworks that combine fair compensation with career support, recognition, and benefits in order to improve motivation, retention, and service delivery.

Keywords: Employee Performance; Reward System; Compensation; Performance Recognition; Career Development; Fringe Benefits; Employee Motivation; Job Satisfaction; Public Sector; Kampala Capital City Authority

INTRODUCTION

In both government and non-governmental establishments, reward systems play a key role in motivating employees and running an organisation. They are indicative of the general organisational practice of attracting, motivating, and retaining employees with both monetary and non-monetary rewards including paying, benefits, working life balance, recognition and development (Emrić, 2024; Khairy et al., 2023). Experts say that organisations need to comprehend the expectations of employees due to the direct influence of reward systems on motivation and job satisfaction (Ali and Anwar, 2021). Employees are likely to show greater commitment, effort, and performance when they feel that the rewards are fair and meaningful (Manzoor et al., 2021).

The workforce of most organisations is worked through as strategic resources whose productivity is the hallmark of organisational success. Successful human resource practices hence put the middle stage of

performance enhancement on reward management (Holbeche, 2022; Saks, 2021). Financial and non-financial rewards are important. Extrinsic needs are met through monetary rewards: wage increases and bonuses, whereas intrinsic motivation is reinforced through recognition, promotion opportunities, increased responsibility, and personal development (Ayi, 2023; Mohammad and Mohammad, 2023). It has been demonstrated that reward systems can enhance engagement and performance, yet employees fail to always learn about reward packages they can get that might undermine the desired effect (Hilton et al., 2021).

Employees in East Africa vary with their responses to reward structure in three contexts; institutional, depending on the individual preference, and performance of the quality of implementation. Others are more highly influenced by extrinsic rewards, and others are more influenced by intrinsic rewards like appreciation and recognition (Katabalo & Mwita, 2024; Manzoor et al., 2021). One of the most important issues that employers have to cope with in Uganda is to find the reward practices that would satisfy the needs of employees and be financially viable. The proposed solutions are enhanced recognition frameworks, enhanced career development interventions, superior organisational communications, and job promotion (Mustafa and Lleshi, 2024).

It is particularly significant in organisations in the public sector because in many cases the performance of employees is restricted due to the bureaucratic procedures, deficiency in resources, and employee motivation (Berman et al., 2021). Kampala Capital City Authority as an important administrative body in charge of overseeing the capital city of Uganda has implemented a list of reward practices aimed at enhancing the performance of its employees. Nevertheless, there is a need to look into whether these rewards bring about any meaningful effect on performance in an environment characterized by a budget constraint, obligations of accountability and consumer expectations. This paper thus explored the connection between rewards and performance of employees in KCCA and adds to the broader scale of discussion on the management of performance in the state sector.

Problem Statement

The success of the performance of employees plays a crucial role in meeting the objectives of the public sector. Uganda has seen reforms by the Ministry of Public Service to enhance service delivery by re-organizing compensation, retention efforts and expanded public service reform (Olum et al., 2024). Nevertheless, Kampala Capital City Authority has to work in the environment with the following characteristics: the issues with staff retention, a greater number of competitors with their talent, a stricter regulation, and the acceleration of the technological change. Meanwhile, KCCA is supposed to be professional, maintain integrity, transparency, and provide high-quality services. Even though rewards packages are expected to enhance motivation and performance in the organisation, the fear surrounding low morale, low professionalism, insufficient pay and low job commitment would imply that the targeted performance improvements may not necessarily be realised. Past research has pointed to the fact that monetary and non-monetary rewards may in turn influence employee outcomes but limited research has been done on the efficacy of total reward systems in influencing employee performance in KCCA. The research was hence done to fill that gap by investigating on the correlation between compensation, recognition, career development and fringe benefits and employee performance at KCCA.

Overall Aim of the Study

The overall objective of the study was to investigate the relationship between rewards and employee performance at Kampala Capital City Authority (KCCA), Uganda.

Study Objectives

- i. To determine the effect of compensation on employee performance in government agencies.
- ii. To assess the effect of performance recognition on employee performance in government agencies.
- iii. To examine the effect of career development opportunities on employee performance in government agencies.
- iv. To establish how fringe benefits influence employee performance in government agencies.

Significance of the Study

This study is important because it contributes to understanding the role of reward reform in improving performance in public institutions. It adds to the literature on public sector human resource management and provides evidence that may support policy makers and managers in designing more effective reward strategies for civil servants. The findings are also expected to inform efforts to improve employee motivation, retention, and service delivery within KCCA and similar government agencies.

LITERATURE REVIEW

Theoretical Framework

This study was anchored in Herzberg's Two Factor Theory and Maslow's Hierarchy of Needs. Herzberg distinguishes between hygiene factors and motivators, arguing that factors such as pay and working conditions prevent dissatisfaction, while recognition, achievement, and advancement promote satisfaction and performance (Dunnette & Herzberg, 1967). Maslow's theory explains that individuals are motivated by a hierarchy of needs ranging from basic physiological and safety needs to esteem and self actualisation needs (Maslow, 1943). Together, these theories justify the study's focus on compensation, recognition, career development, and fringe benefits as key reward dimensions that may influence employee performance.

Rewards and Employee Performance

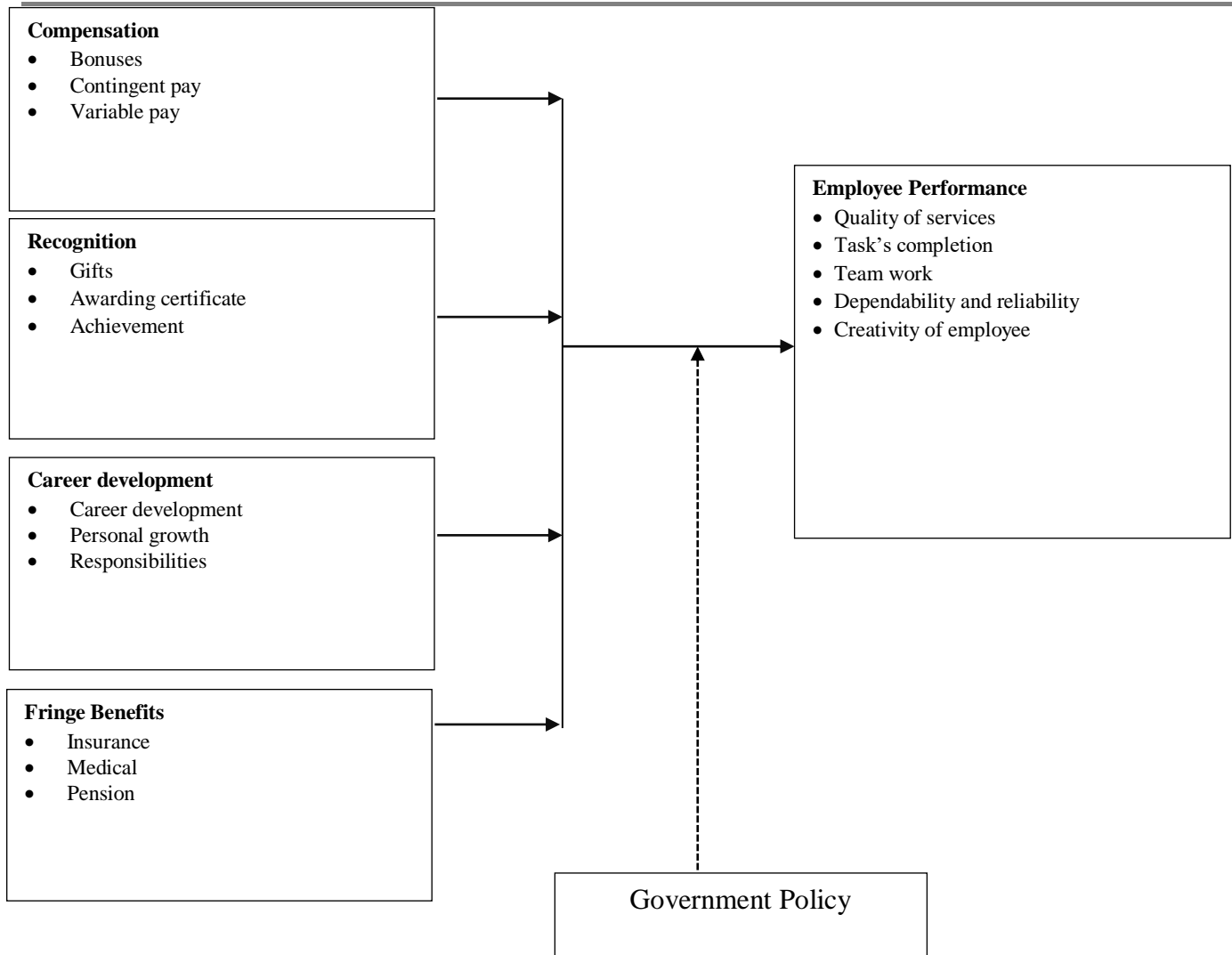
Recent studies consistently report a positive relationship between reward systems and employee performance. Financial incentives can increase employee enthusiasm and effort, while non financial rewards such as recognition and development opportunities improve satisfaction and longer term commitment (Manjenje & Muhanga, 2021; Moonlight, 2020). The implication is that organisations are more likely to realise sustained performance when they combine financial and non financial rewards in a balanced way.

Performance Management in Government Agencies

In government agencies, the design and implementation of reward systems are often complicated by bureaucratic processes, regulatory constraints, and limited budgets. Even so, evidence suggests that carefully designed incentive programmes can strengthen employee engagement and improve organisational performance when they are aligned with institutional goals (Ihemereze et al., 2023). This makes the study of reward systems in public institutions particularly relevant.

Conceptual Framework

The conceptual framework for this study treats the reward system as the independent variable and employee performance as the dependent variable. The reward system was operationalised through four dimensions: compensation, performance recognition, career development, and fringe benefits. Employee performance was assessed using indicators such as quality of service, task completion, teamwork, dependability, and creativity. Government policy was treated as a contextual factor that may shape how reward systems operate within KCCA.



Dependent Variable (DV)

METHODOLOGY

Research Design

The study adopted a mixed methods descriptive survey design combining quantitative and qualitative approaches. A concurrent triangulation strategy was used so that numerical and non numerical evidence could be collected within the same study and interpreted together. This design was considered appropriate because it allowed the researcher to examine measurable relationships among variables while also capturing explanatory insights from respondents.

Sample Selection

The target population comprised 108 employees working in selected KCCA departments, including the Office of the Director, Building Regulation, Inspection and Audits Division, and Affordable Housing Planning. Because it was impractical to study the entire population, Yamane’s (1973) formula was used to determine the sample size at a 5% level of precision, producing a sample of 85 respondents. Although the sample was adequate for the stated design and population size, the relatively small number of respondents and focus on one institution limit the broader generalisability of the findings.

Using Yamane’s formula, the sample size was calculated as $n = N / [1 + N(e^2)] = 108 / [1 + 108(0.05^2)] \approx 85$ respondents.

Sampling Procedure

The study employed both stratified and purposive sampling techniques. Stratified sampling was used to draw respondents from different departments in order to improve representation, while purposive sampling was used to select participants with relevant knowledge for the qualitative component.

Data Collection and Measurement of Variables

Data were collected using structured questionnaires and interviews. The questionnaire captured information on compensation, performance recognition, career development opportunities, fringe benefits, and employee performance. Employee performance was measured through items relating to service quality, task completion, teamwork, dependability, and creativity, while the reward variables were measured through items reflecting the four reward dimensions examined in the conceptual framework.

Data Analysis

Data analysis was guided by the study objectives. Descriptive statistics were used to summarise responses, while Pearson correlation analysis examined associations between the reward dimensions and employee performance. Multiple linear regression was then used to estimate the combined and individual effects of compensation, performance recognition, career development opportunities, and fringe benefits on employee performance. The regression model was specified as $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$, where Y represents employee performance, X1 compensation, X2 performance recognition, X3 career development opportunities, X4 fringe benefits, β_0 the intercept, β_1 to β_4 the coefficients, and ϵ the error term.

Analysis and Discussion

Correlation Results

Pearson correlation analysis was conducted to examine the direction and strength of association between each reward dimension and employee performance at KCCA. A positive coefficient indicates that higher scores on a reward variable are associated with higher employee performance, while statistical significance was assessed at the 0.01 level.

Reward dimension	Correlation (r)	p value	Interpretation
Compensation	0.539	0.002	Moderate positive and significant
Performance recognition	0.309	0.004	Weak positive and significant
Career development opportunities	0.539	0.002	Moderate positive and significant
Fringe benefits	0.749	0.002	Strong positive and significant

Table 1 summarises the correlation results.

The findings indicate that all four reward dimensions were positively and significantly associated with employee performance. Compensation had a moderate positive relationship with employee performance ($r = 0.539$, $p = 0.002$). Performance recognition showed a weaker but still significant positive relationship ($r = 0.309$, $p = 0.004$). Career development opportunities were also positively related to employee performance ($r = 0.539$, $p = 0.002$). Fringe benefits had the strongest positive association with employee performance ($r = 0.749$, $p = 0.002$). Taken together, these results suggest that improvements in both monetary and non monetary rewards are associated with better employee performance at KCCA.

Regression Results

Multiple linear regression analysis was conducted to assess the combined effect of compensation, performance recognition, career development opportunities, and fringe benefits on employee performance.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.555	0.308	0.274	7.73627

Table 2. Model summary.

The regression model produced an R value of 0.555 and an adjusted R square of 0.274, indicating that the four reward dimensions explained 27.4% of the variation in employee performance. This means that reward related factors made a meaningful contribution to employee performance, although a substantial proportion of variation remained attributable to other factors not included in the model.

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	2135.584	4	533.896	8.921	0.000
Residual	4787.993	80	59.850		
Total	6923.576	84			

Table 3. ANOVA results.

The ANOVA results showed that the overall regression model was statistically significant ($F = 8.921$, $p < 0.001$), confirming that the combined reward variables significantly predicted employee performance at KCCA.

Predictor	Beta (β)	t value	p value
Compensation	0.341	2.179	0.048
Performance recognition	0.168	2.212	0.032
Career development opportunities	0.388	2.821	0.006
Fringe benefits	0.724	2.782	0.007

Table 4. Regression coefficients.

The estimated regression equation was: Employee performance = $9.891 + 0.341X_1 + 0.168X_2 + 0.388X_3 + 0.724X_4$. Holding other factors constant, compensation significantly predicted employee performance ($\beta = 0.341$, $t = 2.179$, $p = 0.048$). Performance recognition also had a statistically significant positive effect ($\beta = 0.168$, $t = 2.212$, $p = 0.032$). Career development opportunities were a stronger predictor ($\beta = 0.388$, $t = 2.821$, $p = 0.006$), while fringe benefits emerged as the strongest predictor of employee performance ($\beta = 0.724$, $t = 2.782$, $p = 0.007$). These findings suggest that although compensation matters, broader reward practices such as benefits and development opportunities may have a stronger influence on performance in this public sector setting.

CONCLUSION

The study demonstrates that reward systems are important determinants of employee performance in government agencies, particularly within KCCA. All four reward dimensions examined were positively associated with employee performance, with fringe benefits and career development opportunities emerging as the strongest predictors. The findings indicate that public institutions should move beyond narrow pay based approaches and adopt integrated reward policies that combine fair compensation with recognition, employee development, and welfare benefits. Such policies are likely to strengthen motivation, improve retention, and support better service delivery. However, because the study was limited to one institution and a relatively small sample, the findings should be interpreted cautiously and tested further in other public sector contexts.

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