EFFECTIVENESS OF REWARD SYSTEM AS A MOTIVATOR OF EMPLOYEES:
THE CASE STUDY OF TANZANIA REVENUE AUTHORITY IN DAR ES SALAAM TANZANIA
EFFECTIVENESS OF REWARD SYSTEM AS A MOTIVATOR OF EMPLOYEES:
THE CASE STUDY OF TANZANIA REVENUE AUTHORITY IN DAR ES SALAAM TANZANIA

By
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A Dissertation Submitted to MUDCC in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Science in Human Resource Management (MSc-HRM) of Mzumbe University.

2014
CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a thesis entitled; *Effectiveness of Reward System as a Motivator of Employees: The Case Study of Tanzania Revenue Authority In Dar es Salaam Tanzania*, in partial fulfillment of the requirements for award of the degree of Master of Science in Human Resource Management (MSc-HRM) of Mzumbe University

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All thanks are of the almighty God who is above of all creatures; I would like to extend my indispensable gratitude to him who gave me strength, wisdom and guidance during whole time of writing this report. More than ever, for his love giving me health and opportunity going to school particularly being a student at Mzumbe University to me it is a complement.

The successful accomplishment of this study yet has been a result of integral cooperation and constructive views of many people who have generously devoted much of their time in giving me moral, intellectual, material support, financial support and constructive criticisms. It could be difficult to mention all of them but I’m extremely grateful to all. However some deserve special thanks and I cannot avoid mentioning.

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I’m also grateful to the entire staff of TRA specifically to mention the Regional Manager (RM) Mr. Mitta for his approval of my request to conduct the research.

Furthermore; I am indebted very distinctive thanks to my lovely mother Mrs. Emmalucy Mbwambo and beloved father Prof. Andrew Mbwambo, All of them they have contributed to the success of this research work, either morally or materially.

Lastly it is strongly necessary to mention that, the incomparable appreciation goes to my fellow students Adam Chihimba, Grace Msuka, Rosalia Mkungilwa and Miriam Mwakasindile, Riah Mshana for their encouragements, advices, contributed to me as well as the typing effort. However any errors, omissions are shortcoming remain my responsibility.
DEDICATION

To my beloved father and mother for their love and support to me
# LIST OF ABBREVIATION

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<tr>
<td>HRM</td>
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<tr>
<td>TRA</td>
<td>Tanzania Revenue Authority</td>
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<td>VAT</td>
<td>Value Added Tax</td>
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ABSTRACT

This study focused on the rewarding system at Tanzania Revenue authority and the study aimed at identifying what rewarding system do TRA use to its employees, and what does TRA offer to its employees and how reward system is implemented at TRA.

Moreover, the study involved forty (50) respondents as the sample at Tanzania Revenue Authority Dar Es Salaam. Findings indicate that the status of reward system in the organization is 72.0% as at Tanzania Revenue Authority there is awareness of reward system as a motivator of employees.

In conducting this study the researcher employed various methodologies such as questionnaires, interviews, observations, and documents to collect the required data. Probability and non-probability sampling techniques were also used to select the sample of the study. Both qualitative and quantitative data have been analyzed by using some devices such as tables, numbers and percentages.

On completion of the study, the researcher draws a conclusion and makes recommendation based on the findings so as to bring about an effective customer service management. The study finding revealed that, TRA rewarding system constitutes various awards such as retirement benefits; best workers award, leave allowance and salary package. The study revealed that, each reward has its own criteria for the provision and there are some procedures that are involved in awarding employees.
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CHAPTER ONE

INTRODUCTION AND PROBLEM SETTING

1.0 Introduction

Reward system is an important tool that management can use to channel employee motivation in desired ways. In other words, reward systems seek to attract people to join the organization to keep them coming to work, and motivate them to perform to high levels. The reward system consists of all organization components—including people processes rules and decision making activities involved in the allocate of compensation and benefits to employees in exchange for their contribution to the organization. In order for an organization to meet its obligations to shareholders, employees and society, its top management must develop a relationship between the organization and employees that will fulfill the continually changing needs of both parties. At a minimum the organization expects employees to perform reliably the tasks assigned to them and at the standards set for them, and to follow the rules that have been established to govern the workplace.

Management often expects more: that employees take initiative, supervise themselves, continue to learn new skills, and be responsive to business needs. At a minimum, employees expect their organization to provide fair pay, safe working conditions, and fair treatment. Like management, employees often expect more, depending on the strength of their needs for security, status, involvement, challenge, power, and responsibility. Just how ambitious the expectations of each party are, vary from organization to organization. For organizations to address these expectations an understanding of employee motivation is required (Beer, Spector, Lawrence, Mills, & Walton, 1984). Baron (1983) defines motivation as “a set of processes concerned with the force that energizes behavior and directs it towards attaining some goal.” Kreitner and Kinicki (1992) postulate that motivation represents “those psychological processes that cause the arousal, direction and persistence of voluntary actions that are goal directed.”
If it is the role of managers to successfully guide employees toward accomplishing organizational objectives, it is imperative that they understand these psychological processes. Schermerhorn, Hunt and Osborn (1991) conceptualize motivation as based on content and process approaches.

The content theories of motivation emphasize the reasons for motivated behavior and/or what causes it. These theories specify the correlates of motivated behavior that is states, feelings or attitudes associated with motivated behavior, and help to represent physiological or psychological deficiencies that an individual feels some compulsion to eliminate. Establishing this balance and meeting this need is one of the first reasons, according to Deeprose (1994) to reward and recognize employees. Formal reward programme which denote financial rewards such as salary, fringe benefits, bonuses, promotions or share.

1.1 Background of the Problem
Rewarding system has been a very useful tool in motivating people, and a motivated and committed employee usually has a sense of ownership of the organization in which he/she is working especially when his or her effort are rewarded and recognized. This is likely to increase commitment and promote the productivity of an individual.

Exchange theory as proposed by Blau(1964)acknowledges the mutual dependence between the organization and the individual. The valued service to an individual from an organization is an exchange that is an incentive for them to continue supplying service to the organization. The system of reward posits that the reward offered by an organization would provide a desirable environment that will make employees committed to the organization. On the other hand in order to make employees committed in organizations must have a well implemented reward system. Luthans, (1992) says that,organizations provide rewards to their personnel in order to try to motivate their performance and encourage their loyalty and retention. Organization reward system takes a number of different forms including money (salary,bonuses,incentives pay) recognition and benefits.
Rewarding system is a common problem in various organizations in Tanzania and organizations do not make the use of rewarding system as a motivator of their employees efficiency and hardworking and this results to poor performance and inefficiency.

1.2 Statement of the Problem

In every organization employees’ reward and recognition programs are observed basically to motivate the employees and to get the best out of them. Service providers in organization are not an exception to that. But what has been disappointing is that existing reward and recognition programs appear not to be successful. This had made various managements taking steps toward developing new recognition system over the years.

In an organization employees are very important. They can be a resource or they can be a burden. Employees can be of great advantage for some organizations if they are adequately motivated through reward and recognition. However implementing this, the management must asses the perception, attitude and thinking of the employees of the organization to avoid a mismatch.

Discussions with experts in this field revealed that several gaps exist between expectations of the customers and service delivery system, which clearly indicate that the internal management particularly in the human side of the business are lacking. Consequently there is a mismatch between the overall business strategy, human resource function and their ability to cope with the changes in the external environment.

Organizations often express their concerns that they are not getting the right person for the right position.

On the other hand, employees say that organizations are failing to attract and maintain promising employees - a deviation in between organizational and individual
expectations. Current research will try to find out this gap by investigating the effectiveness of reward system as a motivator of employees.

1.3 Objective of the Study

1.3.1 General Objectives
Generally this study aims on making a critical analysis on the effectiveness of reward system as a motivator of employees in Tanzania Revenue Authority.

1.3.2 Specific Objectives
(i.) To identify the rewarding system of Tanzania Revenue Authority to its employees
(ii.) To explore the rewards that is offered to Tanzania Revenue Authority employees.
(iii.) To determine the factors behind failure of reward system implementation towards its employees at TRA

1.4 Research Questions
(i.) What reward system does TRA use to motivate employees?
(ii.) What rewards do TRA offer to its employees?
(iii.) What are the factors behind failure of reward system implementation towards its employees at TRA?

1.5 Significant of the Study
(i.) The study was useful in analysis reward system implementation in the case study organization and other organizations.
(ii.) The findings was be the guide or used as a reference material to other researchers who was be studying the same problem.

1.6 Scope of the Study
Tanzania Revenue Authority has alot of branches within the country; it is costly in terms of time and money to study all the branches, so the study will be done at TRA Kinondoni branch in Dar-es-Salaam
CHAPTER TWO

LITRATURE REVIEW

2.0 Introduction
This chapter presents theoretical literature on the concept of reward management and system concept; together with its constituents, further the researcher tries to link reward and commitment. Thereafter, this chapter presents empirical literature review of what other researchers have done.

Several managers invited to provide a short statement of their philosophy wages said” Employees feel that their worthy to their employer is measured in great part by the earning they receive. It is important to make the employees that to a large degree their earnings are direct result of the work they perform. Thus the employer should make sure that every employee understands why he/she does not receive an increase. The employee deserves the truth concerning these matters. Many employees grant wages increase almost entirely on the basis of longevity, but I feel that productivity and cooperation are equally- more –important .It’s also the employers ‘advantage ,as well as the employees’ to pay personnel as much as possible under circumstance’”

Reward is the generic term for the totality of financial and non-financial compensation or total remuneration paid to an employee in return for work or service rendered at work.

Reward, which is sometimes been refer to as compensation or remuneration, is perhaps the most important contract term in every paid-employment. Its impact on workers (or employee’s) performance is in most instance greatly misinterpreted. The understanding of this term is very important; this is because the incentive scheme given to an employee will influence the behavior and level of engagement to the organization.
Reward strategy, in practice, is beyond the obligatory compensation or remuneration package it is a package of motivational incentives that guide actions in manipulating and controlling the behavior of employees towards the achievement of an organization’s goal (Armstrong and Murlis 2004 sited (Stoner, Freeman and Gilbert 1995). it is in the recognition of the importance of reward as motivational technique that most organizations invest heavily in them (reward) in order to gain control of the behavior of their employees (Shields 2007).

2.1 Literature Review

Several managers invited to provide a short statement of their philosophy wages said” Employees feel that their worthy to their employer is measured in great part by the earning they receive. It is important to make the employees that to a large degree their earnings are direct result of the work they perform. Thus the employer should make sure that every employee understands why he/she does not receive an increase. The employee deserves the truth concerning these matters, Many employees grant wages increase almost entirely on the basis of longevity, but I feel that productivity and cooperation are equally – important. It’s also the employers ‘advantage’ as well as the employees’ to pay personnel as much as possible under circumstance”

2.2 Concept of Reward Management

Armstrong, (1988) defines reward management as being concerned with designing, implementation and maintenance of remunerations steam which helps the organization to achieve its objectives, requirements and/or the provisions of employment agreements, and includes wages, salaries, allowances and other forms of monetary payment, and employment benefits.

According to Armstrong (2010) reward management is defined “as the strategies, policies and processes required to ensure that the value of people and the contribution they make to achieving organization, departmental and team goals is recognized and rewarded”.

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Armstrong and Murlis (2004 p3) defined reward management “as the process of formulating and implementation of strategies and policies that aim to reward people fairly, equitably and constantly in accordance with their value to the organization. It also deals with the design, implementation and maintain of reward processes and practices that are geared towards the improvement of organizational, team and individual performance”.

Literally, according to the above definitions reward management is a motivational tools use in appreciating employees on the efforts contributed to the organization. Which means reward could be interchanged as compensation or remuneration or explicit price of labour. Reward management is more concerned with people (employee) and the value they create in the organization (Schneider 1987).

Thus reward management is concerned with the formulation and implementation of strategies and policies the purpose of which are to reward people fairly, equitably and consistently in accordance with their value to the organization, thus helping the organization to achieve its strategies and policies the purpose of which are reward people are fairly, equitably and consistently in accordance with their to the organization, thus helping the organization to achieve its strategic goals.

2.2.1 Reward System

A reward system puts together natural self-interests with the organization’s objectives and provides three types of management control benefits, informational, motivational and personnel related. 

Firstly, reward should catch the employees’ attention and the same time it works as the reminder for the person in charge of what results should be completed in different working areas. Organizations use reward system to emphasize on which parameters their employees should exert the exact effort on by including them in their reward program.
This is a good to emphasize and convince the employees of which performance areas that are important and create goal congruence within the organization and signals how the employees should direct their efforts.

To motivate is the second control benefit. People sometimes need an incentive to perform tasks well and work hard. Also there is personnel control benefit, organizations give rewards for many different reasons for example to improve recruitment and retention by offering a compensation package that is competitive on the market.

Moorhead, (1995) says that, reward is the system consisting of all organization components including people, process, rules, and procedures decision-making involved in the allocation of compensation and benefits to employees in the organization. Flowers and Hughes, (1981) support this view, arguing that, reward system includes both compensation mad non compensation rewards; compensation rewards include direct financial payments plus indirect payments in form of fringe benefits.

Robbins, (1003:581) provides that, direct compensation includes basic salary or wage, over time and holiday premiums, performance bonuses profit-sharing, stock options and indirect compensation includes; protection programs, pay for time not worked service and perquisites.

Moorhead, (1995: 193-196) says that, indirect compensation includes following:- Off the job time; example vacations, sick leave, holidays and pension days. Social security contribution; half the money paid into system established under the national insurance systems. Unemployment compensation; people who have lost their job or temporarily lay off get a percentage from the stage. Life and health insurance plans. Perquisites; are means of compensation in from special privileges associated with employees of relatively high in the organization. Example; - using company vehicle.
Non compensation rewards include all aspects of work environment that serve to enhance workers sense of commitment including physical, mental, and social and a healthy perception of self-worth.

Robbins, (1993:581) says that, intrinsic rewards are those things that an individual receives for themselves. They are largely a result of a workers satisfaction with his or her job, including participation in decision making, greater freedom to act, discretion, more responsibility, more interesting work, opportunities for personal growth, and diversity of activities.

Armstrong, (2006) sees a reward system as consisting of policies that provide guidelines on approach to managing rewards. He further explains that, reward policies need to take into consideration;- Levels of reward; -how much should be paid. Indicates whether the company is a high payer; is content to pay rates or even exceptionally accepts that it has to pay below average.

Differential reward; -the policy will need to determine whether or not the organization wants to pay rewards and if so how much under what circumstances.

Involving employees; - reward policies and practices are more likely to be accepted and understood and therefore, more effective if employees are aware of them.

Communicating to employees; -reward system is powerful medium for conveying message to employees about the organization value and objectives and the contribution they are expected to make.

Armstrong (2006) says that, reward system also consists of practice that provide for financial and non-financial rewards. Thompson, (2002) provides that financial rewards consist of base pay, cash bonuses, fit sharing, shares and pensions.
David, Decenzo (1998:396-403) says that, Financial rewards consist of the following:-
Money – this include wages, and commission. Money is important because of things it can buy and symbolizes employee’s value.
Bonuses – usually provided by management with substantial additional income based on standard price, performance earning per or on equity.
Profit sharing – this distributes percentage of the organization profit to all employees at definite rate.
Paid vacation – this refers to employees leave which are entitled to payments on special agreements. Paid sick leave – this refers to payments which an employee is entitled to on sick leave on special agreement.

Armstrong, (2006) argues that, non-financial reward to not involve any direct payment and often rise from the work itself. Examples include achievement, autonomy and recognition, scope to use and develop skills, training, career development opportunity and high quality leadership.

According to Armstrong (2010) reward management is defined “as the strategies, policies and processes required to ensure that the value of people and the contribution they make to achieving organization, departmental and team goals is recognized and rewarded”.

Armstrong and Murlis (2004 p3) defined reward management “as the process of formulating and implementation of strategies and policies that aim to reward people fairly, equitably and constantly in accordance with their value to the organization. It also deals with the design, implementation and maintain of reward processes and practices that are geared towards the improvement of organizational, team and individual performance”

Robbins, (1993) says that, on financial reward include office, furnishing, training, career development opportunity and high quality leadership. Robbin, (1993) says that, on-financial reward include office, furnishing, assigned parking space, preferred lunch
hours, preferred work assignment, business cards, one secretary, and impressive titles.

Armstrong, (2006) provides further, that a reward system is concerned with evaluating the relative of jobs (job evaluation) and assessing individual performance. Job evaluation is the systematic process for defining the relative worth or size of job within the organization in order to establish internal relativities and provide the basis designing an equitable grade structure, grading job in the structure and managing relativities. While performance management process involves defining individual performance and contribution expectations, assessing the performance against those expectations, providing for regular constructive feedback and resulting in agreed plans for performance improvement, learning personnel development.

Lastly Armstrong explains, reward system as concerning procedures. Procedures operated in order to maintain the system and ensure that it operates efficiently and flexibly and provides value for money. For example, procedure may include:-
establish an action plan for rewarding employees where you define the desired behavior, create specific, measurable, achievable and timely objectives, communicate the program clearly, fairly and full. Along the way and at the conclusion of the program, keep your promises and stay the course.

Edward (1977) identifies quality of an affective system and indicates that rewards work best when they are implemented in implemented in such away as take into consideration what employee consider important are perceived as equitable are visible, flexible, and can be allocated at relatively low cost as follows:-

Importance;- reward should be important to people who receive it. Research indicates that the preference for rewards will be affected by age, marital status and number of children an employee has .In expectancy theory terms, the term motivation is optimized when employees see rewards as satisfying their individual need. Therefore a reward system should be designed to offer heterogeneous rewards to heterogeneous labor force. This, there should be various types of rewards to meet
individual needs. The advantage of flexible compensation go boy on merely allowing employing employees to customize their own compensation package.

This method involves little in additional direct cost. It makes clear to employees exactly how much the organization is actually spending to compensate them and make sure money is spent on the rewards the employees want.

An equal distribution;- Reward system should be managed in a way as to ensure equal distribution .Adams (1965) say ,employee’s rewards that are distributed in what is considered to be an equitable manner. This means fairness among the organization employees; and relative to what people get for doing similar job in another organization. If employees perceive inequality in reward system, in can result in low productivity, increase in labor turnover ratio, more absenteeism or an increase in resignation.

Flexibility;-An effective reward system should also be flexible to change in performance .It should be flexible in terms of the amount give .That means reward should be renewed from time .Flexibility in reward system is important in that, some rewards diminish in importance used overtime.

Low cost; - the final quality of an effective reward is low cost. Reward is not free goods and the organization must consider the cost along with the benefits from providing any reward.

In implementing reward systems, there must be criteria on how rewards are distributed to employee. Theory by Decenzo, (1998) write reward can be distributed based on the following criteria.

Performance;-reward should be distribute on the basis of performance is concerned with result. To reward people in organization based on performance requires some agreed upon criterion of defining performance.

Effort;-This includes rewarding means rather than ends.
Seniority: it is easily to determine compared to other criterion. This include things like who has been longer with the organization, means length of time on the job is the major factor in determining the allocation of reward skills held; skills level become a major determinant of the compensation when individuals either organization .It helps the organization to attract and retain.

High quality employees Individuals who possess the highest skills or talents will be rewarded commensurately.

Job difficulty; the complexity of the job can also be criteria by which rewards are distributed. For example, those jobs that are highly repetitive and can be learned quickly may be viewed as less deserving than those that are complex and sophisticated.

Discretionary time: a derivative of rewarding employees based on discretionary time is Elliot, equitable payment. This theory argues that fair and equitable compensation should reflect maximum time during which the employees exercise discretion without the result being viewed. It says that, people should be rewarded for the weight of the responsibility they assume.

Workplace reward systems are incentive programs that encourage employee engagement and productivity by offering bonuses, increased pay, additional time off or other awards for a job well done. Reward systems recognize staff members who excel in areas such as customer service, loyalty and sales ability. Organizations implement workplace reward systems to retain employees, increase morale and improve overall service and productivity within the company.

2.2.2 Increase Productivity

Employers who recognize and reward workers for their efforts give them an incentive to perform better and be more productive. Reward programs that are quota-based not only encourage healthy competition within the workplace but also stimulate workers to meet personal and organizational goals that drive production.
2.2.3 Improve Attendance
Workplace reward systems come in a variety of forms. Although many programs are performance-based, some reward for work ethic, tenure and/or attendance. Unscheduled absences cost organizations money. Absenteeism affects customer service because workers are not available to assist clients. Attendance-based reward systems offer employees incentive to adhere to their schedule and maintain perfect attendance, which, in turn, supports an organization's bottom line.

2.2.5 Improve Morale
Low employee morale leads to poor job performance, burnout and increased absenteeism. Poor attendance and insubordination can stem from workers not feeling good about their jobs. Organizations often create workplace reward systems to encourage a positive work environment and to improve employee morale. Reward programs motivate employees to meet goals while reducing job burnout.

2.2.6 Improve Retention
Reward programs increase employee engagement and improve attitudes toward companies, inspiring workers to do their jobs well and stay longer. Employees who feel valued and successful are more likely to pursue advancement opportunities within their current companies. Thus, incentive-based goals are a win-win for employees and companies. Employees reach personal goals while helping companies reach theirs. With the recession effecting organizations across the country, employee recognition and rewards are often one of the first areas to be neglected or done away with to protect the organization's bottom line. This may look good on the balance sheet but it can be disastrous to hiring, retention, and the overall long-term success of the business. Recognition and rewards are not limited to monetary limits but include many non-monetary practices that can enhance morale and productivity.
Objectives of the Reward System

The research on reward systems suggests that potentially they can influence six factors which in turn impact organization effectiveness.

(a.) Attribution and Retention- Research on job choice, career choice and turnover clearly shows that the kind and level of rewards an organization offers influences who is attracted to work for an organization and who will continue to work for it (see e.g. Lawler, 1973; Mobley, 1982). Overall, those organizations which give the most rewards tend to attract and retain the most people (Gerhart and Milkovich, 1992). This seems to occur because high reward levels lead to high satisfaction, which in turn leads to lower turnover. Apparently this is true because individuals who are presently satisfied with their jobs expect to continue to be satisfied and, as a result, want to stay with the same organization. The objective should be to design a reward system that is very effective at retaining the most valuable employees. To do this, a reward system must distribute rewards in a way that will lead the more valuable employees to feel satisfied when they compare their rewards with those received by individuals performing similar jobs in other organizations. The emphasis here is on external comparisons because turnover means leaving an organization for a better situation elsewhere. One way to accomplish this is to reward everyone at a level that is above the reward levels in other organizations. However, this strategy has two drawbacks. In the case of some rewards, such as money, it is very costly. Also, it can cause feelings of intraorganizational inequity because the better performers are likely to feel inequitably treated when they are rewarded at the same level as poor performers in the same organization, even though they are fairly treated in terms of external comparisons (Lawler and Jenkins, 1992). Faced with this situation, the better performers may not quit, but they are likely to be dissatisfied, complain, look for internal transfers, and mistrust the organization.

What then is the best solution? The answer for most organizations lies in having competitive reward levels and basing rewards on performance. This should encourage the better performers to be satisfied and to stay with the organization. It also should serve to attract achievement-oriented individuals since they like
environments in which their performance is rewarded. However, it is important to note that not only must the better performers receive more rewards, they must receive significantly more rewards because they feel they deserve more (Adams, 1965). Just rewarding them slightly more may do little more than make the better and poorer performers equally dissatisfied.

Research has shown that absenteeism and satisfaction are related, although the relationship is not as strong as the one between satisfaction and turnover (Mobley, 1982). When the workplace is pleasant and satisfying, individuals come to work regularly; when it isn't, they don’t. One way to reduce absenteeism is to administer pay in ways that maximize satisfaction. Several studies have also shown that absenteeism can be reduced by tying pay bonuses and other rewards to attendance (Lawler, 1981; Lawler, 1990). This approach is costly, but sometimes less costly than absenteeism. It is a particularly useful strategy in situations where both the work content and the working conditions are poor and do not lend themselves to meaningful improvements. In situations where work content or conditions can be improved, such improvements are often the most effective and cost effective way to deal with absenteeism. Reward system policies are only one of several ways to influence absenteeism, but they are potentially effective if an organization is willing to tie important rewards with coming to work. In many ways this is easier to do than tying rewards to performance, because attendance is more measurable.

(b.) Motivation of Performance - When certain specifiable conditions exist, reward systems have been demonstrated to motivate performance (Gerhart and Milkovich, 1992; Lawler, 1990; Lawler 1971; Vroom 1964). What are those conditions? Important rewards must be perceived to be tied in a timely fashion to effective performance. Organizations get the kind of behavior that leads to the rewards their employee’s value. This occurs because people have their own needs and mental maps of what the world is like. They use these maps to choose those behaviors that lead to outcomes that satisfy their needs. Therefore they are inherently neither motivated nor unmotivated to perform effectively; performance motivation depends on the situation, how it is perceived, and the needs of people. The
approach that can best help us understand how people develop and act on their mental maps is called expectancy theory (Vroom, 1964; Lawler, 1973). Three concepts serve as the key building blocks of the theory.

(i.) **Performance-Outcome Expectancy.** Every behavior has associated with it, in an individual’s mind, certain outcomes (rewards or punishments). In other words, individuals believe or expect that if they behave in a certain way, they will get certain things. Examples of expectancies can easily be described. Individuals may have an expectancy that if they product ten units, they will receive their normal hourly rate, while if they produce fifteen units, they will receive their hourly pay rate please a bonus. Each performance level can be seen as leading to a number of different kinds of outcomes, and outcomes can differ in their types.

(ii.) **Attractiveness.** Each outcome has attractiveness to a specific individual. Outcomes have different attractiveness for different individuals. This is true because outcome values result from individual’s needs and perceptions, which differ because they reflect other factors in an individual's life. For example, some individuals may value an opportunity for promotion or advancement because of their needs for achievement or power, while others may not want to be promoted and leave their current work group because of needs for affiliation with others. Similarly, recognition, such as a picture in the company newspaper, may have great value to some, but little for others.

(iii.) **Effort-Performance Expectancy.** Each behavior also has associated with it, a certain expectancy or probability of success. This expectancy represents the individual’s perception of how hard it will be to achieve such behavior and the probability of his or her successful achievement of the behavior. For example, employees may have a strong expectancy(e.g., ninety-ten) that if they put forth the effort, they can produce ten units an hour, but that they only have a fifty-fifty chance of producing fifteen units an hour if they try. Putting these concepts together, it if possible to make a basic statement about
motivation. In general, an individual's motivation to behave in a certain way is greatest when:

- The individual believes that the behavior will lead to certain outcomes (performance Outcome expectancy).
- The individual feels that these outcomes are attractive.
- The individual believes that performance at a desired level is possible (effort performance expectancy).

Given a number of alternative levels of behavior (ten, fifteen, or twenty units of production per hour, for example), an individual will choose the level of performance which has the greatest motivational force associated with it, as indicated by a combination of the relevant expectancies, outcomes, and values. Motivation leads to an observed level of effort by the individual. Effort alone, however, is not enough. Performance results from a combination of the effort that an individual puts for and the level of ability. Ability, in turn, reflects the individual's skills, training, information, and talents. As a result of performance, the individual attains certain outcomes. The model indicates this relationship in a dotted line, reflecting the fact that sometimes people perform but do not get outcomes. As this process of performance-reward occurs, the actual events serve to provide information that influences an individual’s perceptions (particularly shown in the model by the line connecting the performance outcome line with their line of sight to rewards and thus influences motivation in the future.

This is shown in the model by the line connecting the performance outcome line with motivation. In many ways, the expectancy model is a deceptively simple of statement of the conditions that must exist if rewards are to motivate performance. It is deceptive in the sense that it suggests all an organization has to do is actually relate pay and other frequently valued rewards to obtainable levels of performance. Not only is this not only thing an organization has to do, it is very difficult task to accomplish. In order for employees to believe that performance-based pay relationship exists, the connection between performance rewards must be visible, and a climate of trust and credibility must exist in the organization.
The reason why visibility is necessary should be obvious; the importance of trust may be less so. The belief that performance will lead to rewards is essentially a prediction about the future. For individuals to make this kind of prediction they have to trust the system that is promising them the rewards. As will be discussed later, research suggests that a high level of openness and the use of participation can contribute to trust in the pay system.

(c.) **Skills and Knowledge** - Just as pay systems can motivate performance they can motivate learning and development. The same motivational principles apply. Individuals are motivated to learn those changes which are rewarded. As will be discussed later, a relatively new approach to pay, skill based pay, has been developed to capitalize on just this point. It allows organizations to strategically target the learning its wants employees to engage in. This is in contrast to many job based systems which indirectly do this by tying increased pay and perquisites to obtaining higher level jobs.

(d.) **Culture** - Reward systems are one feature of organizations that contribute to their overall culture. Depending upon how reward systems are developed, administered, and managed, they can cause the culture of an organization to vary quite widely. For example, they can influence the degree to which it is seen as a human resources oriented culture, an entrepreneurial culture, an innovative culture, a competence based culture, a fair culture, and a participative culture. Reward systems have the ability to shape culture precisely because of their important influence on communication, motivation, satisfaction, and membership. The behaviors they cause to occur become the dominant patterns of behavior in the organization and lead to perceptions and beliefs about what an organization stands for, believes in, and values. Perhaps the most obvious tie in between pay system practice and culture concerns the practice of performance-based pay. The absence/presence of this policy can have a dramatic impact on the culture of an organization because it so clearly communicates to organization members what the norms are in the organization about performance. Many other features of thereward systems also influence culture. For
example, having relatively high pay levels can produce a culture in which people feel they are an elite group working for a top-flight company.

Finally, having employees participate in pay decisions can produce a participative culture in which employees are generally involved in business decisions and as a result are committed to the organization and its success.

(e.) **Reinforce and Define Structure**- The reward system of an organization can reinforce and define the organization's structure (Lawler, 1990). Often this impact of a reward system is not fully considered in the design of reward systems. As a result, their impact on the structure of an organization is unintentional. This does not mean, however, that the impact of the reward system on structure is usually minimal. It can have a strong impact of how integrated the organization is and how differentiated it is (Lawrence and Lorsch, 1967). When people are rewarded the same way it tends to unite them, when they are treated differently it can divide them. In addition, it can help define the status hierarchy, and it can strongly influence the kind of decision structure which exists. As will be discussed later, the key features here seem to be the degree to which the reward system is hierarchical and the degree to which it allocates rewards on the basis of movements up the hierarchy.

(f.) **Cost**- Reward systems are often a significant cost factor. Indeed, pay alone may represent over 50% of an organization operating costs. Thus, it is important in strategically designing the reward system to focus on how high these costs should be and how they will vary as a function of the organization's ability to pay. For example, a reasonable outcome of well-designed pay system might be an increase costs when the organization has the money to spend and a decrease costs when the organization does not have the money. An additional objective might be to have lower overall reward system costs than business competitors.

**Rewards and Incentives**

“Reward is the benefits that arise from performing a task, rendering a service or discharging a responsibility.” (ColinPitts,1995,p.11.) Pay is the most significant and
motivating benefit that is received in return for performing a task or service. It is pay that motivates individuals to go out and seek work. Pay is also one of the few ways to set a mutually acceptable common value to the individual’s work contribution. Pay can also be a powerful demotivator, if employees are not satisfied with the reward package, it will be hard for the company to recruit and retain good individuals (Colin Pitts, 1995, p. 11).

Advocates of the expectancy theory believe that employees will change their behavior by working harder or prioritizing their actions if they know that by doing so they will be rewarded with something of value to them. Hence, incentives are a great way to reward effort and behaviors which the organization wishes to encourage. If the incentive is paid in return for behavior that contributes to the organizations goals, it will in the long run enhance organizational effectiveness and productivity and hence generates a positive outcome for both employer and employee (Torrington, Hall, Taylor & Atkinson, 2009, p. 162). The principle reward for performing work is pay, many employees however offer also reward packages of which wages and salaries are only a part of. The packages typically include; bonuses, pension schemes, health insurance, allocated cars, beneficial loans, subsidized meals, profit sharing, share options and much more (Pitts, 1995, p. 13).

There are various things to think about before making decisions about what kind of payment system is most appropriate for an organization. Managers should start by asking what objectives they are seeking to achieve. These are likely to include the following: (Torrington, Hall, Taylor & Atkinson, 2009, p.154).

(i.) To minimize expenditure on wages and salaries over the long term.

(ii.) To attract and retain staff of the desired caliber, experience and qualifications.

(iii.) To motivate the workforce so as to maximize organizational performance.

(iv.) To direct effort and enthusiasm in specific directions and to encourage particular types of employee behavior.

(v.) To underpin and facilitate the management of organizational change.
There is no one payments system that can achieve all the above mentioned features for all employees in an organization. Managers are required to weigh up the advantages disadvantages of each payment system and decide where to put the emphasis on (Torrington, Hall, Taylor & Atkinson, 2009, p. 154).

The ability of managers to obtain employee satisfaction with rewards is a complex process. Indeed, it is a function of several related factors which any manager who intends to achieve it must critically study to be able to positively implement.

First, each employee satisfaction with rewards is intrinsically related to what he or she expects from the organization and what is actually received. Feelings of satisfaction or dissatisfaction occur when employees compare their inputs such as education, job skills, and effort to the mixture of intrinsic and extrinsic rewards which they receive from their organizations.

Employee satisfaction or dissatisfaction is also influenced by comparisons they make with other people in similar job positions and organizations. It is no secret that employees keep comparing their input/output ration with colleagues in similar positions and organizations even though such comparisons are not always properly done. In most cases, employees tend to overestimate their input when making such comparisons. The onus therefore lies on managers to adequately and effectively communicate job performance appraisal methods to employees to avoid misperceptions and wrong comparisons. Finally, many authors have noted that employee satisfaction results from a mixture of rewards other than any one particular reward (Shanks 2007, Bessell et al. 2002, Drake et al, 2007).

Evidence from various researches done over the years suggests the importance of both extrinsic and intrinsic rewards. To achieve enhanced employee satisfaction, neither one can be substituted for the other. Employees who are well paid but are made to work in environments which are not conducive or made to do repetitive work will leave for other organizations because of the lack of intrinsic rewards just
as employees who work in interesting and enabling work environment will leave because they will be dissatisfied with extrinsic rewards.

The Total Reward System

Total reward describes a reward strategy that brings components such as learning and development together with aspects of the work environment, into the benefits package. In the total reward system both tangible and intangible rewards are considered valuable. Tangible rewards arise from transactions between the employer and employee and include rewards such as pay, personal bonuses and other benefits. Intangible rewards have to do with learning, development and work experience. Examples of these types of rewards are opportunity to develop, recognition from the employer and colleagues, personal achievement and social life. The aim of total reward is to maximize the positive impact that a wide range of rewards can have on motivation, job engagement and organizational commitments. The components of the total reward can be described as in the following figure (Armstrong & Brown, 2006, p.22).

The purpose of total reward is to create a cluster where all the different reward processes are connected, complementary and mutually reinforcing each other. In order to achieve internal consistency, the total reward strategies are horizontally integrated with human resource activities and vertically integrated with business strategies (Armstrong & Brown, 2006, p. 23).

The benefits of a total reward system are described by Armstrong and Brown, 2006:

(i.) Greater impact – when different types of rewards are combined, they will have a deep and long-lasting effect on the motivation, commitment and engagement of employees.

(ii.) Enhancing the employment relationship – total reward appeals more to employees due to the fact that it makes the maximum use of relational as well as transactional rewards.
(iii.) Enhancing cost-effectiveness – because total reward communicates effectively the value of the whole reward package, it minimizes the undervaluing of the true costs of the packages.

Total remuneration Non-Financial/ Intrinsic rewards Total reward
(i.) Flexibility to meet individual needs – due to the variety of rewards, the total reward is able to answer the individual needs of the employees and hence bind them more strongly to the organization.
(ii.) Winning the war for talent – because relational reward processes are more difficult to replace than individual pay practices, total reward gives the organization the ability to attract and retain talented employees by differentiating their recruitment process and hence becoming “a great place to work.”

Types of incentives
Payment by Result is historically the most widely used incentive scheme, it reward employees according to the number of items or units they produce or the time they take to produce them. This scheme has been criticized due to its tendency to reward quantity of output rather than quality which can lead to reduced quality of the product or service. There is a great need to modify and evaluate the effectiveness of this scheme if it is to retain the impact of productivity (Dessler, 2003, p. 335-336).

Skills-based pay is an input-based payment system in which employees receive pay for the skills or competencies which they acquire. This system gives the employees an opportunity to influence their pay by acquiring more skills that lead to pay increases. Skills-based pay encourages multitasking and flexibility, which in turn enables the organization to respond faster and more effectively to the needs of customers (Torrington, Hall, Taylor & Atkinson 2009, p. 163-164).

Profit sharing is an incentive based compensation program where employees are rewarded with company shares or a percentage of the company's profit. This scheme is claimed to increase employee's commitment to his or her company by linking pay
to profit, and hence deepening the level of mutual interest. Profit sharing also encourages the thought of everyone being on the same team; the employees have the same goals and are rewarded equivalently. The disadvantage of profit sharing in the employee' point of view is the fact that pay levels may decline if the company do not meet its profit expectations. Another weakness of profit sharing is that the employees cannot see and know the impact of their work performance on the profitability of the company. Due to the fact that the employees receive the profit sharing money regardless of their own performance, the reward might become more of an entitlement than a motivating factor. (Torrington, Hall, Taylor & Atkinson 2009, p163-164).

**Performance-related pay** works on the assumption that if an employee is offered monetary Bonuses for a job well done, they will perform better. There are two distinct varieties of this scheme. The merit-based system is based on the assessment of an employee's performance against previously set objectives. In the goal-based system, the employer and the employee arrange a meeting and agree a list of objectives which are set to be met during the coming months. In order for performance related pay to work, it should be based on clear and measurable targets that are agreed by both the employer and the employee (Torrington, Hall, Taylor & Atkinson 2009, p163-164).

**2.3 Meaning of Motivation**

Cole (1991) defined motivation as a process in which people choose between alternative forms of behavior in order to achieve personal goals. Thus, these forms of behavior are caused by stimulus and directed to a desired outcome. According to him, stimulus can be intrinsic or extrinsic rewards, which mean stimulus from individuals’ self-experience and stimulus from outside individual such as pay-rise, promotion as well as appreciations. He also provides a basic motivation model which shows how stimulus drives someone towards certain goal.

Motivation has been defined as the psychological process that gives behavior purpose and direction. (Kreitner 1995)
A predisposition to behave in a purposive manner to achieve specific unmet needs. (Higgins 1994); and the will to achieve. “Motivation is the desire to achieve beyond expectations, being driven by internal rather than external factors, and to be involved in a continuous striving for improvement”. (Torrington, Hall, Taylor & Atkinson, 2009, p. 276).

Motivation is a creation of willing to work and singles it out as the core of management. In order to market orders for organization goals the management must determine the motivate or needs of the workers and provide an environment on work appropriate incentive are available for the satisfaction of their needs. (Gupta, 2001)

Motivation is a creation of willingness to work and single it is as “the core of management” (Gupta 1990) Motivation has been defined as a process that energies, maintains and directs behavior towards achieving goals.

According to Chandan (1995), motivation is a stimulus of behavior; it consisting of all the forces that cause a person to behave in a certain ways, these forces comes from within the surroundings. Therefore the manager needs to know how people are motivated and what stimulate their behaviors towards organizational goals.

Motivation has been defined in various ways and by different authors. Gareth Jones, Jennifer George and Charles Hill (2000: 427) define motivation as “psychological forces that determine the direction of a person’s behavior […], a person’s level of effort, and a person’s level of persistence in the face of obstacles”. David Myers (1996: 297) defines motivation as “a need or desire that serves to energize behavior and to direct it towards a goal.”

Frank Hawkins (1993: 132-133) defines it as “what drives or induces a person to behave in a particular fashion […] the internal force which initiates, directs, sustains and terminates all important activities. It influences the level of performance, the efficiency achieved and the time spent on an activity.” All of the definitions refer to stimuli that trigger the motivational process.
Hawkins identifies also the properties of motivation such as it being an internal process with different roles in influencing behaviors (such as directing, initiating, sustaining or terminating it), and with different degrees of expression at the level of intensity, quality and speed in which the behavior is carried out.

Motivation is the broad term that shows an important function that every manager performs to inspire employees for accomplishment of the organizational goals. Generally motivation is operationally defined as the inner force that drives individual to accomplish personal and organizational goal. According to Arnold (1991), motivation consists of three components:

(i.) Direction – what a person is trying to do
(ii.) Effort – how hard a person is trying
(iii.) Persistence – how long a person keeps on trying

In this model motivation is initiated by the conscious or unconscious recognition of unsatisfied needs. These needs create wants, which in turn become desire to achieve or obtain something. In order to satisfy the needs and wants, goals are created and behavior selected in order to achieve these goals. If the goal is achieved, the behavior is likely to be repeated when a similar need emerges. If the goal is not achieved, the same action is less likely to be repeated (Armstrong 1988, p. 106-107).

Managers can motivate employees through methods such as pay, promotion and praise. Employees can also motivate themselves by seeking work where individual goals, needs and wants will be achieved. These two types of motivation are called intrinsic and extrinsic motivation and are more closely described as follows: (Armstrong 1988, p. 109).

Intrinsic motivation refers to the motivation that comes from inside an individual. The motivation is generated through satisfaction or pleasure that one gets in completing or even working on a task. Factors that influence on intrinsic motivation include responsibility, freedom
to act, scope to use and develop skills and abilities, interesting work and opportunities for advancement. These motivators, which are concerned with the quality of work life, tend to have a long-term effect since they are inherent to individuals and not imposed from outside (Armstrong 1988, p.109-110).

Extrinsic motivation is something that is done to or for people to motivate them. It arises from factors outside an individual, such as money, grades, criticism or punishments. These rewards provide satisfaction and pleasure that the task itself might not provide. An extrinsically motivated person might work on a task even when they have little interest in it. This type of motivation usually has an immediate and powerful effect, however it does not tend to last for long (Armstrong 1988, p.109-110).

2.4 Motivation Theories
Achievement motivation has been conceptualized in many different ways. Our understanding of achievement relevant effects, cognition and behavior has improved.

Maslow’s Hierarchy of Needs Theory
Assumes that people are motivated to satisfy five levels of needs like physiological, security, belonging, esteem and self-actualization, the hierarchical arrangement suggests that five levels of needs are arranged in order of increasing importance. These needs are satisfied one after another (Gupta 1990). Persons motivational needs could be arranged in hierarchical manner, (Robbins 1996). Maslow believes that when needs at one level are satisfied, they are no longer motivators and the individuals “moves up”. Maslow’s Hierarchy of Needs states that we must satisfy each need in turn, starting with the first, which deals with the most obvious needs for survival itself. (Ibid) The levels are as follows,
Figure 2.1: Maslow’s Hierarchy of Needs Theory

**Physiological needs**: These are basic physical comfort or bodily needs: food, drink, and sleep. In the workplace, these needs translate into a safe, economically designed work environment with appropriate base salary compensation.

**Security or safety**: People want to feel safe, secure, and free from fear. They need stability, structure, and order. In the workplace, job security and fringe benefits, along with an environment free of violence, fills these needs.

**Belongingness and love**: This is a need for friends, family, and intimacy for social acceptance and affection from one's peers. In the workplace, this need is satisfied by participation in work groups with good relationships among co-workers and between workers and managers.

**Self-Esteem**: People want the esteem of others and they want to be regarded as useful, competent, and important. People also desire self-esteem and need a good self image. In the workplace, increased responsibility, high status, and recognition for contributions satisfy these needs.

**Self-actualization**: This highest motivation level involves people striving to actualize their full potential, to become more of what they are capable of being. They
seek to attain self-fulfillments. In the workplace, people satisfy this need by being creative, receiving training, or accepting challenging assignments.

**Hertzberg’s Two Factor Hygiene Theory**
Fredrik Hertzberg has identified two sets of human needs. These are the lower level needs are known as hygiene factors that are environmental factor and maintenance factors, whereby work environment or job environment do prevent or reduce job dissatisfaction, these are like administration policies supervision, working conditions, salary or pay, interpersonal relation and security. These factors which motivate employees to be productive with better performance, including making employees creative or interesting with work hence achievement and recognition (Khanka 2004).

**Alderfer ERG Theory**
ERG stands for existence, relatedness and growth needs ERG theory. Existing needs are satisfied by food and water, pay fringe benefit and working conditions. Relatedness needs are satisfied by relationships with co-workers, supervisor’s family and friends. Growth needs, cover the needs to advance and develop. ERG theory assumes that motivated behavior follows a hierarchy but it has two important differences. It suggest that more than one level of needs can cause motivation at the same time; ERG theory has a frustration-regression element that if needs remain unsatisfied at some high level, the individual will become frustrated, regress to a lower level and begin to pursue lower level needs again.

**The Equity Theory**
Focuses on individuals' perceptions of how fairly they are treated in comparison to others. It was developed by J. Stacy Adams, who found that equity exists when people consider their compensation equal to the compensation of others who perform similar work. People judge equity by comparing inputs (such as education, experience, effort, and ability) to outputs (such as pay, recognition, benefits, and promotion). When the ratio is out of balance, inequity occurs. And inequitable pay can create an impossible situation when implementing salary and incentive systems.
According to Daft (1997), individuals will work to reduce perceived inequity by doing the following:

Change Inputs: Examples include increasing or reducing effort. Change Outcomes: Examples include requesting a salary increase or improved working conditions. Distort Perceptions: This occurs when individuals cannot change their inputs or outcomes; one example is artificially increasing the importance of awards. Leave the job: Individuals might do this rather than experience what they perceive to be continued inequity. The theory emphasizes that inequity exists only if an individual so perceives. So objective characteristics of a situation are not as important as individual perception in this theory. The social variable that form the basis of comparison consist of input and outcomes, which are the basis of the social exchange process, the theory explains.

The theory lists various options open to an individual by which such outcomes and inputs can be used to resolve receive inequality Ngirwa (2003). Changing one’s input the increase / reduces production. Changing ones outcomes, seeking more pay / other records. Distorting ones input and outcomes’ cognitively i.e. rearranging one’s thought so as to reduce perceived discrepancies. Leaning the field i.e. asking for a transfer within the same organization, absenting oneself, or even quitting the organization. Influencing other persons i.e. getting than to how their inputs changing the basis of comparison. When administering compensation and incentive programs, managers must be careful to assure that the rewards are equitable; if programs are not perceived as equitable, then they will not contribute to employee motivation.

**Expectancy Theory**

This theory was established by Victor Vroom; developed the expectancy theory, which suggests that individuals' expectations about their ability to accomplish something will affect their success in accomplishing it. Therefore, this theory is based on recognition on thought processes that individual’s use. The expectancy theory is based on an individual's effort and performance, as well as the desirability of outcomes associated with high performance. The value of or preference for a
particular outcome is called valence. To determine valence, people will ask themselves whether or not they can accomplish a goal, how important is the goal to them (in the immediate as well as the long term), and what course of action will provide the greatest reward. An individual's expectation of actually achieving the outcome is crucial to success, and many factors influence this (Daft, 1997; Quick, 1985).

The expectancy theory can be applied through incentive systems that identify desired outcomes and give all workers the same opportunities to achieve rewards, such as stock ownership or other recognition for achievement. Implications of Victor vroom theory of expectancy to practicing Managers expectancy model by Vroom is insistent upon Primary of an employee’s perception of variables and met the objective characteristics of motivational efforts obtained in a work place. What this implies is that managers must be able to confront and manipulate practical difficulties involved in endeavors to totally determine their employee’s expectancy, valence, and instrumentality beliefs, and thereby influencing their intentions to perform well. This calls for a careful assessment of motivation theories careful planning management by objectives (MBO) and clear definition of duties and responsibilities. Other studies which were based on this similar theory are:

A study conducted By Kalimullah (2010) suggested that a motivated employee has his /her goals aligned with those of the organization and directs his/her effort in that direction, these organization are more successful, as their employees continuously look for ways to improve their work. Getting the employees to reach their full potential at work under stressful conditions is a tough challenge, but this can be achieved by motivating then.

In another study by Odongo, (1999) which based on motivation profile productivity in public enterprises conclude that it has been universally accepted that people can work diligently and efficiently if there is a motive behind such work. People highly motivated assume their responsibilities completely and it’s true that where
individuals are demotivated they cannot work effectively and effectively thereby affecting the performance of the organization.

**Theory X and Y**

According to McGregor, a traditional organization, which has a centralized decision making process and a hierarchical pyramid, is based on several assumptions about human nature and motivation. These assumptions are called theory X by McGregor and consider that most people want to be directed, they do not want to assume responsibility and value safety above all. This philosophy assumes that people are motivated by financial means and by the threat of punishment. Manager who embrace this theory are likely to supervise and control their employees, as they feel that external control is needed when dealing with irresponsible people.

On the other hand theory Y practices focus creating a pleasant work environment and aligning the individual goals with the organization goals. In these organizations, the productivity levels are high and people come to work gladly, as the works satisfy their superior needs. This theory considers that people are not lazy and unreliable. On the contrary, it assumes that people can be self-directed and very creative, if they are motivated properly. On the main tasks and challenges for management is to exploit the full potential of each employee. Motivated people will achieve their own goals by focusing on attaining organization goal.

Nevertheless we cannot draw conclusion that theory X is bad and theory Y is good. On the contrary ,these theories are attitude towards employees, although generally speaking a manager should base on his/her assumptions on theory Y,there are cases in which a directive and controlling behavior is required as to help some people develop, until they become creative and self-directed. One employee may be motivated in his work with higher commissions whereas other employees may interestin a better working environment (Tietjen&Myers1998).
**Relationship between motivation and reward**

There was a positive association among work outcomes, public employees’ motivation and performance-related pay designs (Paarsch & Shearer, 2000) whereas Wright (2007) implied the positive relationship between the availability of extrinsic rewards and organizational performance. According to Hafiza et al. (2011) there was a positive relationship between extrinsic rewards and employee motivation. In contrast, there was insignificant relationship between extrinsic rewards and employee motivation (Tippet & Kluvers, 2009). This is also supported by Deci, Koestner and Ryan (1999) the extrinsic rewards had a significant negative effect on intrinsic motivation.

A survey also shows that the employees were satisfied with extrinsic factors, such as working environment, their co-workers and the professional work climate, benefits, job securities and flexible or normal work hours (Pawlowski, Suzanne, Datta, Pratim & Houston, 2005). Another study performed by Baer, Oldham and Cummings (2003), showed that extrinsic rewards were positive for employees occupying simple jobs and negative for employees having jobs that were difficult and challenging.

Intrinsic rewards refer to the intangible benefits that arise from the content of the job itself and have consequences for the psychological development of the employee (Williamson, Burnett & Bartol, 2009). It includes motivational characteristics of the job such as autonomy, feedback and participation in decision-making (Hackman & Oldham, 1976). Intrinsic rewards stem from Maslow’s higher level needs (Roberts, 2005). It proposes that people can give themselves rewards in the form of self-esteem as well as in feelings of achievement and growth. Individuals can literally reward themselves for certain kinds of behavior because they feel they have accomplished something of worth, achieved a personal goal, learnt a new skill, or experienced excitement or intellectual stimulation. It would appear that the greatest amount of motivation is present when people perform tasks that are both intrinsically and extrinsically rewarding (Lawler, 2003).
Concerning the intrinsic rewards of motivation, Rainey and Steinbauer (1999) suggested that the effectiveness and performance of public agencies may be enhanced by three interrelated levels of rewards, namely task, mission and public service. Wright (2007) emphasized on public ethos, while Frank and Lewis (2004) have stressed the importance of public employees in such work characteristics as meaningful service and job security. As stated by Tippet and Kluvers (2009), there is a significant and positive relationship between intrinsic rewards and employee motivation.

2.4.1 Effects of Motivation
Motivation has both positive and negative effects to the performance of the organization. The positive impact is to reduce the number of labor turnover and absenteeism, directs the employees actions in the desired direction to accomplish the organizational goals, to increase efficient at work place when used as an instrument to individual willingness, boosts morale and discipline of employees and then to make optimum utilization of resources to ensure best use of different factors of production in the organization.

If motivation in any organization not effectively then there will be decrease of performance and management operation due to get competent employees and this will result to poor utilization of resources, increase of employees’ turnover and absentees, poor morale of workers to perform and lack of commitment.

2.5 Empirical Literature Review
Petro(2004); observes that, rewards which influence employees commitment are good management, promotions and confirmation together with salary. He further concludes that, a reward is important part of organization performance which initiates commitment.

Khan (2006) in his article titled achieving excellence through total commitment; concludes by saying that, commitment of employees plays a key role in helping organizations achieving excellence. On the other hand, on-committed and disloyal
employees can ruin grand plans and hamper strategies achieving excellence. It is thus extremely important that companies give more attention to fostering commitment in their employees. By removing roadblocks which retard employee’s commitment and incorporating conditions and adopting positive strategies for instilling commitment companies can achieve great results.

Odongo, C (1999) who based on motivation profile productivity in public enterprises concluded that it has been universally accepted that people can work diligently and efficiently if there is a motive behind such work. People highly motivated assume their responsibilities heartily and true that where individuals are not motivated they cannot work effectively thereby affecting the performance of the organization

Akerele1991) observed that poor remuneration is related to profits made by organization. Wage differential between high and low income earners was related to the low morale, lack of commitment and low productivity,

According to these case-studies, the introduction of a form of collective reward, combined with a organizational structure in which employees can effectively influence the companies’ performance will result in an overall increase of employee motivation and firm profitability, through the optimal mobilization of the innovative and creative ideas of employees (Massoud, Daily, & Bishop, 2008; Thierry, 2011; Wren, 2009)

Rosenstiel (1975) argues that organizations are essentially defined as a system of rewards and incentives, and that every single component and characteristic of the company has the potential to become an incentive to its employees. Rewards can be for work and achievements of the employees, such as a fixed base salary, variable income components, and employee stock ownership plans. Incentives can be any organizational attribute, such as an organization’s culture, communication systems, interpersonal relationships, and the attractiveness of the location or the company’s image. With these definitions of rewards and incentives, it becomes clear that reward and incentive systems exist from the inception of a company.
Rewards and incentives are also partly responsible for employee motivation, including the motivation to join the company, to stay with the company, and to perform for the company (March and Simon (1966); Rosenstiel (1975); Weinert (1998)). Human capital theory suggests that companies also must consider the exchange relationship between employer and employee. The decision to join an organization, to stay with it, and to perform in it, is based on the nature of exchange relationships (Balkin and Richebé(2004)).

2.6 Research Gap
Managing reward is largely about managing expectations what employees expect from their employers in return for their contribution and what employers expect from their employees in return for their pay and the opportunity to work and develop their skills. Expectations are built into the employment relationship, the starting point of which, from the rewards point of view, is an undertaking by an employee to provide effort and skill to the employer, in return for which the employer provides the employee with a salary or a wage. The level of rewards and motivation has significant relationship among the private sector employees and the monetary rewards have a significant effect on employee motivation than the nonmonetary rewards.
CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction
This chapter includes the research design, targeted population, sampling techniques, types of data collection method, and data analysis.

3.1 Research Design
The researcher decided to use the case study research design because the research activity was conducted at Tanzania Revenue Authority and it allows easy collection of data, getting to understand the organization more and an access to more information on the topic investigated by the researcher. There are many designs but the researcher decided to use case study design; the design was used because of the following reasons:
(i.) It is less expensive as compared to other methods and it is appropriate for the specified time allocated for data collection, analysis and presentation of findings,
(ii.) Data are collected in natural settings
(iii.) It is intensive in nature aims at studying few units rather than something about several units
(iv.) Data collection is usually flexible because the researcher is free to approach the problem from any angle he/she desires.

3.2 Area of Study
The study was conducted at Tanzania Revenue Authority at Kinondoni Dar es Salaam. The researcher chose TRA as the area of study because it’s a big organization and it serves a lot of people so it will be easy for the researcher to collect the data.
3.3 **Targeted Population**
The researcher used staff at TRA in department of domestic revenue where there is head of department, Motor vehicle staffs, VAT staffs, human resource department. The most of appropriate data pertaining to the study was obtained from TRA. In obtaining these data; the researcher used the following method/techniques.

3.4 **Methods of Data Collection**
The researcher used different methods in gathering primary data, among them; the following are three major techniques that were used:

3.4.1 **Interview**
Interview helped the researcher to know the feeling of respondents when expressing themselves and furthermore the researcher got a lot what is known by respondent which could be useful for research.

Interview was conducted to the selected staffs from the department; unstructured interview was conducted to obtain a large number of data. The interview questions are attached at appendix I.

3.4.2 **Questionnaire**
Questionnaire that were created based on various sources; these questions were distributed to the respondents basing on position held in the organization like the staffs that were in the department of domestic revenue, human resource management, audit section, account department and VAT section.

The questionnaires were categorized for staff from different quota in the department that’s VAT and motor vehicle, human resource and audit section. Questionnaires are attached at appendix II.

3.4.3 **Observation**
Observation is way of watching down what you see and occurring in nature relating to the study. Through observing the occurrence events, events were recorded by the
researcher. The researcher was involved in various assignments; she was in a position of observing and recording a number of events.

3.5 Sample and Sampling Techniques

In most cases, it is difficult to manage and its time consuming to deal with the whole population as a result, sampling techniques were used.

3.5.4 Sample Size

The sample size was (50) forty which included staff in the domestic revenue VAT, human resource, accounts and audit department. The sample obtained from the study was 50 (100%) respondents; these included 12 (24%) domestic revenue department, 10 (20%) VAT departments, 8 (16%) Audit department, 9 (18%) Human resource department, 11 (22%) Accounts department. The heads of department were included in the study because every department set its objective and goals to meet the mission and vision of the organization. So, this aimed to assist a researcher to know what is planned for every unit to motivate their staff. Employees of lower cadres were also included in the sample so that to make it easy for the researcher to know the factors which make employees motivated in their organization. The sample size which used is shown in Table 3.1

<table>
<thead>
<tr>
<th>Category/department</th>
<th>No. of employees</th>
<th>Sample selected</th>
<th>Percent of sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic revenue</td>
<td>15</td>
<td>12</td>
<td>24%</td>
</tr>
<tr>
<td>VAT</td>
<td>15</td>
<td>10</td>
<td>20%</td>
</tr>
<tr>
<td>Audit</td>
<td>13</td>
<td>8</td>
<td>16%</td>
</tr>
<tr>
<td>Human resource</td>
<td>9</td>
<td>9</td>
<td>18%</td>
</tr>
<tr>
<td>Accounts</td>
<td>18</td>
<td>11</td>
<td>22%</td>
</tr>
<tr>
<td>Totals</td>
<td>70</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

3.5.2 Sampling Techniques

In selecting the sample, the researcher used both probability and non-probability sampling. Probability sampling is a type of sampling where every member of the population has an equal chance of being selected. This was done by using simple
random sampling whereby all employees at TRA had the same attributes and there was no bias in selecting employees to be interviewed and 40 employees were randomly selected as a sample. In non probability sampling, purposive or judgmental sampling employed. By this method the researcher selected 5 respondents. These were experts in their field and there was a guarantee that they could give out relevant information basing on their profession and working experience. These included heads of departments who were from selected 5 units at TRA. Table 3.2 summarizes the information

Table 3.2: Sampling Techniques and sample size

<table>
<thead>
<tr>
<th>S/N</th>
<th>Sampling Techniques</th>
<th>Sample size</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Random sampling</td>
<td>35</td>
<td>70.0</td>
</tr>
<tr>
<td>2</td>
<td>Purposive sampling</td>
<td>15</td>
<td>30.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>50</td>
<td>100</td>
</tr>
</tbody>
</table>

3.6 Analysis of Data

Data analysis is defined as the computation of certain measures along with searching for patterns of relationship that exist among data groups (Kothari, 2004). In analyzing the data collection, both quantitative and qualitative techniques was employed. Quantitative analysis involved computation of some mathematical measures such as total and percentages. Qualitative data analysis on the other hand involved factual and logical interpretation, comparison and explanation of the study findings. Therefore data from questionnaires and interview will be inspected for its accuracy immediately and verified to make sure that they will be filled correctly and completed before proceeding to the next day of the program. Data will be organized and analyzed by using both qualitative and quantitative methods in order to come up with logical results. The researcher ended by winding up and recommendations obtained from findings of research.
CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction
This chapter presents the findings of the research resulting from field data collected. The findings are from interviews, observation and documentary reviews. The chapter presents data, its analysis and makes discussion on the findings by comparing them with the prescribed. Theory of an effective reward system. Further, the researcher looks on the effects of none Compliance with the prescribed theory of an effective reward system, on employees Commitment to the objectives in this study the researcher was trying to find answers to the questions that were asked to the respondent. The discussion and analysis of the findings were guided by selected questions from questionnaires.

4.1 Demographic Composition of the Study Population
This section presents the social demographic characteristics of respondents basing on whether the respondents are a member of the organization or not. Years that he or she has stayed/work experience in the organization gender and years of working experience. This section aimed at exploring information from the respondents because every individual had a role to play in giving out information concerning employee retention strategies. So the demographic were as follows below:-

4.1.1 Gender of Respondents
A total of 50 (100%) respondents were involved in the study. Out of 50 respondents 27 (67.5%) were males, while 23 (57.5%) were females. The study involved both males and females in the study because both sexes had to be considered in the area of employee motivation basing on gender balance as best strategy for reward system. For instance, in the case of recruitment and selection as well as career development. This is illustrated in Table 4.1 below.
Table 4.1: Gender of Respondents

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>27</td>
<td>67.5</td>
</tr>
<tr>
<td>Female</td>
<td>23</td>
<td>57.5</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Research Findings, 2014

4.2.2 Years of Services/ Work Experience of Respondents

Work Experience was measured by asking employees how many years they have provided service at TRA. This was done with the assumption that it would help a researcher to know and get answers on the reward system of the organization and assess its effectiveness. The research found that 9 (18%) were less than a year as employee, 18 (36%) were between 1 and three years, 13 (26%) were between 3 and 6 years, 7 (14.0%) were between 6 and 9 years, and lastly 3 (16%) were above ten years. The years of service are illustrated in the Table 4.2.

Table 4.2: Represents Responses to the Question Concerning Years of Services of the Employees at TRA

<table>
<thead>
<tr>
<th>Years of Services</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>9</td>
<td>18.0</td>
</tr>
<tr>
<td>1 - 3 years</td>
<td>18</td>
<td>36.0</td>
</tr>
<tr>
<td>3 - 6 years</td>
<td>13</td>
<td>26.0</td>
</tr>
<tr>
<td>6 - 9 years</td>
<td>7</td>
<td>14.0</td>
</tr>
<tr>
<td>10 above</td>
<td>3</td>
<td>6.0</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Research Findings, 2014

4.3.1 Respondents’ Awareness of Employees on the Reward System at TRA

There are various ways one can use to determine awareness of the strategies used by the organization to reward its employees. Respondents were asked questions about their understanding of the reward system at the organization because there are always tendencies that whenever a particular program is not providing the expected goals, people tend to claim that the awareness was not created. The question was directed to
all respondents included in the study. A total of 50 (100%) respondents were asked whether they were aware of reward system, 36 (72%) respondents were aware about the reward system, while 14 (28%) respondents were not aware of the reward system at TRA. The findings revealed that a large number of respondents were aware of reward system. This is illustrated in table 4.3.

Table 4.3.1: The Awareness of Employees on Reward System at TRA

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>36</td>
<td>72.0</td>
</tr>
<tr>
<td>No</td>
<td>14</td>
<td>28.0</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Research Findings, 2014

4.4 Reward System that TRA use to Motivate Its Employees

The respondents were asked to identify reward that are provided by the organization also through documentary reviews and observation the researcher found out that employees at the organization are provided with both compensation and non-compensation rewards as in compensation rewards there are direct compensation and indirect compensation which the organization provides, the direct compensation are

4.4.1 Salary or Wages

This is the money that the employees are paid every month and its important because of the things it can buy and it symbolizes employee’s value. And at TRA employees are being paid well actually they have the best salaries compared to other public organizations and they are getting paid well than other public organization so as to reduce the rate of corruption at TRA.

Human resource officer said that, the employees are paid on time and they are well paid compared to other public organization so as to reduce corruption in the organization and the respondents when asked if they are satisfied with their salaries most of the employees said they are motivated and satisfied with the salaries.
4.4.2 Over Time
This is the earning the employees get after working beyond the required time. And most of the employees at TRA normally work after working hours. And the Human resource said they are paid for the overtime and they are paid 10,000 for the overtime.

But when the respondents were asked about the over time they said that at first when they introduced that as a way to motivate them but nowadays its not practical because they are not paid for the overtimes and so they only work for extra hours for their own benefits but not because they are being paid or motivated.

4.4.3 Performance Bonuses
Compensation for work performed above and beyond normal or expected duties. Performance bonuses are often used as incentives for increased productivity of an individual or team in a corporate environment. A predetermined performance bonus for meeting a specific goal or target. Occasionally, performance bonuses are awarded in recognition of exceptional work even when the employer has no contractual obligation to do pay a bonus.

At TRA the performance bonuses are being provided when they collect the revenue beyond the target and its being provided at the end of every month. When the respondents were asked most of the employees said that the performance benefit is in practical and these bonuses motivates them a lot and so most of them work at their best so as to get the bonus every month.

4.4.4 Promotion
A promotion refers to the advancement of an employee's rank or position in a hierarchical structure. At TRA employees normally get promoted each year according to their work performance and hardworking, this is practical there because employees at every end of the year and the Human resource said that this has motivated a lot the employees because they promote a lot of the employees each
year and when the respondents said that this is the most practical reward system at TRA and motivates a lot the employees and makes them work more harder.

The organization has no compensation rewards as well which includes all aspects of work environment that serve to enhance workers sense of commitment including physical, mental, social and healthy perception of self-growth.

Human resources officer said that, best worker award provided annually to employees selected to be best workers from each department of the organization and to the overall best workers she further provided that, the best workers of each department are obtained through election which is conducted in the annually meeting of each department at the end of the year and the overall best worker is chosen by the management from among the department best workers.

When asked about their feelings on the methods of getting the best workers, one of the respondents said, this means that, the employees somehow not satisfied with method used because it is a lot of biasness and favoritism.

When asked the benefit obtained by providing this reward she says that, it makes employees commit their efforts to accomplish their assigned work, though employees perceive best worker negatively because of the election methods which is used to get the best worker. When interviewed employees seem not to be satisfied with election method because it is accompanied by a lot of favoritism.

4.4.5 Retirement Benefits

The human Resource Officer said that, retirement benefit is a reward provided to the employees to make them committed to TRA. Retirement benefits are provided to the staffs, depending on the number of years one has worked with the Ministry. It can be concluded that, retirement benefits consider the offered by the employee worked with the organization. Employees are required to fill retirement form three months before the time of retirement to allow the final approval of their retirement and to allow the finance office to process this benefit for them. Employees are provided
with this award soon after they have left the organization. The researcher found out that, retirements benefits are provided in consideration of the employees are provided with this award soon after they have left the organization.

The researcher found out that, retirement benefits is provided in consideration of the employee’s salary at the time of retirement impliedly there is no fixed amount attached to it, the benefit varies depending on the number of year one worked with the organization.

In summary it can be concluded that, retirement benefits have an influence on employee’s committed to the organization. The researcher observed that, some employees stayed with organization until the age of retirement. Also the researcher observed some employees give retirement seminar, meaning they were about to retire. Impliedly among other factors, retirement benefit might be one of the factors influenced their study.

4.4.6 Best Worker Award
This was also mentioned by the heads of departments as reward provided to the employees so as to make them committed to the organization objectives. Best worker award is provided in recognizing individual exemplary performance.

The Human Resources Officer said that, best worker is provided annually to employees selected to be best worker from, each department of the organization, and to the overall best worker. She further provided that, the best workers of each department are obtained through election which is conducted in the annual meeting of each department at the end of the year; and the overall best worker is chosen by the management among the department’s best workers.

When asked about their feeling on the method of getting the best worker, one of the respondents said; this means that, the employees are somehow not satisfied with the method used because it is with a lot of biasness and favoritism.
When asked the benefits obtained by providing this reward she says that, it makes employees commit their efforts to accomplish their assigned work. Through employees perceive best work. When interviewed employees seem not to be satisfied with election method because it is accompanied by a lot of favoritism.

4.4.7 Leave Allowance
The researcher found out that, employees are provided with leaves allowances while they are going to annual leave. Employees are provided with cash as leave allowance each year while they go to annual leave as travel assistance. Human resources officer say that, employees are required to fill leaves forms three weeks before their leave time to make it easy to process this award for the employees. When asked about their views about the amount, employees said that, the amount is somehow helpful and it assist to some extent though sometimes they might not be provided on time that means before employees leaves before getting their leaves allowances; this is due to delaying processes and rigid administration. The researcher observed this when some of the employees left for their annual leave. Some had to go to bursar and have their money either on time or after the leave.

4.4.8 Salary Package
The head of departments mentioned salary package as rewards provided to employees. The researcher found out that, employees receives their salary in accordance’s to their job titles.

The Human resource Officer says that, an employee receives their salary monthly term and it is the responsibility of the organization to have those salaries of employees in their respective bank account before 25th of each month. Also staffs at TRA are allowed to ask for loans which they will be deducted on staff’s salary at the end of the month. When asked on how they will see the process of salary provision for them the process is well done because they get their salary on time and also ask for the loans.
TRA salary package can be concluded it’s not equal, because from the research findings, salary package is provided according to their job titles which are not reviewed after every year, which is quietly normal in different organizations in Tanzania.

4.4.9 Training
The researcher found out that employees at TRA are often given trainings so as to make them more aware of the taxes and the organization as well. They are given trainings more often when they are about to close the year they normally call it the financial year.

The human resource said that they conduct trainings to their employees especially to the departments that deal a lot with customers. And most of their trainings are been held at the end of the year because they are sure with the budget that will enable them conduct different trainings to the employees.

4.4 Motivation to Employees of TRA
The researcher decided to investigate if the TRA reward system motivates its employees. There are various ways one can use to determine awareness of the strategies used by the organization to retain its employees. Respondents were asked questions about if the reward system of TRA motivates its employees. The question was directed to all respondents included in the study. A total of 40 (100%) respondents were asked whether they were motivated with the reward system, 10(35%) respondents said they are motivated with the reward system, while 30(75%) respondents were not motivated with the reward system. The findings revealed that a large number of respondents were not satisfied with the reward system at TRA. This is illustrated in table 4.4.
Table 4.4: The Result of the Reward System that Motivates Its Employees

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>15</td>
<td>30.0</td>
</tr>
<tr>
<td>No</td>
<td>35</td>
<td>70.0</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Research Findings, 2014

The results of the study were found to be in accordance with the theory of the total reward system. However, according to the respondents the rewards that they receive to the greatest is training, which is found to be the least motivating because they are only given trainings at the end of the year. Hence, there is a significant difference between the rewards that the employees perceive most motivating and what they in fact do receive. The researcher believes that this could partly be explained with Maslow's hierarchy of needs. When the basic needs such as a fixed income, safety at the workplace and social interaction with others are fulfilled, the employees start to strive for the more sophisticated needs such as personal worth, self-respect and self-actualization.

Hence, if the basic needs would not be fulfilled and the organization would not arrange training as he most way to reward the employees, the employees would perhaps perceive these rewards more motivating. The respondents suggested on other rewards that would motivate them because there is lack of individual rewards in TRA. Many respondents proposed that the organization should implement personal rewards in the form of thank-you cards, t-shirts, gift baskets or other “small” presents. The researcher observed that TRA is currently focusing too much on how to make the reward system to work, and hence forgetting that sometimes even the smallest things can have a big effect on motivation. By rewarding an employee with a rose or thank-you card the employer shows that he or she has put effort in the reward and hence it feels more personal and might motivate more than bonus on the bank account or cash.
4.5 The Effects of Reward System Implementation to Its Employees at TRA

Through observation and interview which were conducted by the researcher, she came with effects of TRA rewards system implementation to its employees. The effects are both positive and negative as analyzed in the table below:

Table 4.5: Responses of Respondents on the Effects of Reward System Implementation to Its Employees

<table>
<thead>
<tr>
<th>Factor</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effects of reward system implementation on its employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>35</td>
<td>70%</td>
</tr>
<tr>
<td>No</td>
<td>15</td>
<td>30%</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Research Findings, 2014

From the above table 70.0% of employees said yes due to the following reasons;

Security to stay with the organization until the age of retirement, the research found that the organization benefits from how the reward system is implemented to employees influences them to stay with the organization until the age of retirement.

Provisional of employee’s seminars, employees are given retirement seminars meaning they were about to retire, so shows how reward system is being implemented and how it influences employees to be committed to their jobs and organization. Affective commitment refers to the feeling of attachment to and identification with organization. (Meyer and Allen, 1991)

Small rate of absenteeism, the researcher observed that employees are coming early to work and the rate of absenteeism is small. It implies that employees are committed to their work. So it implies how the reward system is implemented might have contributed something to low absenteeism and coming early to work. Effectively implemented reward system rise positive attitude which will be the reason for employee’s commitment (Steers 1982).
And 30.0% of the employees said no due to the following reasons, it’s been so hard to give rewards to all employees who deserve the reward from work of their hand because other employees are not given rewards due to poor recognition.

Rate ranges, as there are employees who are rewarded less than what they deserve for instance for best workers who deserve to be rewarded do not get their rewards and the employees have no voice to complain for their right and whatever they complain they get it late.

There is less competition on rewarding best workers awards of the year in the organization because sometimes there not given, the rewards they are promised to be given by the office to have influence on the performance of the workers.

Lastly the allowances are not issued on time, this refers to bonuses, and vacation and sick leave are not issued on time they take a long procedure till to get to the employees.

### 4.6 Reward System and Efficiency of Workers

The respondents were asked if their efficiency and hardworking is improved by the reward system of TRA and 37 (74%) of the responded said that their efficiency and hardworking is not improved by the reward system at TRA but it’s because they want to learn more, get promoted and grow career wise but 13(26%) of the respondent said their efficiency and hardworking is improved by the reward system of TRA.

#### Table 4.6: The Result of Efficiency and Hardworking of TRA Employees Improved by the Reward System.

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>13</td>
<td>26.0</td>
</tr>
<tr>
<td>No</td>
<td>37</td>
<td>74.0</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100.0</td>
</tr>
</tbody>
</table>

**Source:** Research Findings, 2014
4.7 The Positive Impacts of Reward System as a Motivator of Employees at TRA

Respondents were asked to identify positive impacts of reward system as a motivator of employees at TRA; this question was directed to, heads of departments as well as other employees of lower cadre. The following were identified;

4.7.1 Performance Improvement

About 40.0% respondents mentioned that there is performance improvement when employees get rewarded for their work because they feel recognized. Through these areas the researcher discovered that when employees are rewarded, then performance of individuals as well as employees improves. This was also observed through performance appraisal reports of TRA where by the graph of performance has been improved and this show that the reward system has played a great role in organization as well as employees performance.

4.7.2 Job Satisfaction

Moreover, job satisfaction was mentioned as another positive impact of reward system as a motivator of employees at TRA. The finding showed that about 20.0% they are satisfied with their job. This is because there is nothing any organization can do to maintain its employees without making sure that employee are satisfied. But again through observation the organization ensures good working environment to their employees for example through recognitions and other working facilities which make employees to enjoy their job. So it was observed that employees are satisfied with their jobs and that is why some of them remain in the organization for a long period of time.

4.7.3 Improvement in Customer Satisfaction

When employees get rewarded for their work, then the performance improves due to learning and work experience. The above factor was pointed out by various respondents that through reward system customers are satisfied with services provided. This was 16.0% of respondents. Some of heads of departments said that
they provide employees with tools, resources, direction and support they need to perform so that to provide the standards services to customers.

4.7.4 Effective Career Planning and Development
It is a known fact that most of professionals leave an organization due to lack of career growth. So the active career plan and development at TRA has been played a great impact. About 20.0% of respondents pointed out that reward system results to effective career planning and development. Through effective career planning and development the organization has managed to keep employee motivated engaged to their job. This was also observed through documentary review that when employees remain with their organization for a long period of time managers get time to plan for their career and development. This is clearly shown in Table 4.7.

Table 4.7: The Positive Impacts of Reward System as a Motivator of Employees at TRA

<table>
<thead>
<tr>
<th>Positive Impacts of Employee Retention at IHI</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance improvement</td>
<td>22</td>
<td>44.0</td>
</tr>
<tr>
<td>Job satisfaction</td>
<td>10</td>
<td>20.0</td>
</tr>
<tr>
<td>Improvement in customer satisfaction</td>
<td>8</td>
<td>16.0</td>
</tr>
<tr>
<td>Effective career planning and development</td>
<td>10</td>
<td>20.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Source:** Research Findings, 2014

4.8 The Negative Impacts of Reward as a Motivator of Employees at TRA
This was also included by using various questionnaires so that to understand the negative impacts the TRA faces on employee reward system. Respondents were asked to mention the negative impacts of employee retention. The results obtained were as follows;

4.8.1 Decrease in Quality of Services
Most 26.0% of the respondents when interviewed felt that the quality of service was at high level, but later some of the problems in relation to quality of services were
identified such as loosing qualified and experienced employees to provide services in a required standard. So the number of available employees who are experienced and talented when they are not rewarded and maintained it results to poor services for the customers.

4.8.2 Poor Performance
This was another negative impact of reward system at TRA whereby poor performance is caused when employees are not well motivated. This was also identified through various documents whereby poor performance of employees is always increasing when the employees are not motivated so they decide to do work own their own way without caring. About 30.0% of respondents pointed out poor performance as the negative impact of reward at TRA.

4.8.3 Increase of Corruption
Increase of corruption is due to poor reward system in the organization. This was also identified for example those employees who deals a lot with the customers when attended the customers they normally get tempted and take corruption in order to help the customer solve the problems that they have. To prove this 44.0% of respondents stated that increase of corruption is the negative results of poor reward system in the organization. Table 4.8 summarizes the information above

Table 4.8: Summary of Negative Impacts of Reward System as a Motivator of Employees

<table>
<thead>
<tr>
<th>Negative impact of Employee Retention at IHI</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease in quality of services</td>
<td>13</td>
<td>26.0</td>
</tr>
<tr>
<td>Poor performance</td>
<td>15</td>
<td>30.0</td>
</tr>
<tr>
<td>Increase of corruption</td>
<td>22</td>
<td>44.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Research Findings, 2014

This part discusses the findings (or results) as a means of improving reward system in public organization in Tanzania particularly Tanzania Revenue Authority. The
discussion is based on the five objectives that the researcher intended to accomplish. These were to explore the status of reward system at Tanzania Revenue Authority, to find out the reward system used to motivate employees at Tanzania Revenue Authority, to examine the rewards used to motivate employees, to find out the effects of reward system implementation at Tanzania revenue Authority, and find out if the employees are motivated by the reward system at Tanzania Revenue Authority.

Concerning the status of reward system at TRA the results show that people are aware about of the reward system. Taking the consideration that about (72.0%) of respondents out of (100%) answered that they are aware of reward system at TRA. So this shows that employees are aware. However, being aware of the reward system the organization still face challenges on retention like absent seem and poor morale to some of the employees. So, the organization has to be flexible in changing motivation policies and understanding exactly what their employee needs. But again they should make sure that every employee is aware about the reward system so that to make the employees more motivated with their work.

On the side of strategies used to reward employees, the study indicates that at TRA there are various ways of rewarding employees employed and this include salary packages, retirement benefits, leave allowances, best worker award and training and career development. However, some of the employees still they seem to be not satisfied with the reward system because they are not motivated with the system so the organizations needs to research on the best ways to motivate their potential employees.

On the impacts the research findings show that reward system at TRA has got positive and negative impacts the following positive impacts were observed; performance improvement, job satisfaction, improvement in customer satisfaction and effective career planning and development.
Despite the positive impacts of reward system; the results also show the negative impacts as respondents pointed out the following negative impacts as follows; absent seem, low morale, poor performance and increase of corruption and decrease in quality of services. Those factors mentioned were also obtained as the negative impacts of reward system at TRA.

Finally, respondents think that in order to improve the reward system at TRA, measures such as, reward policies and leaders assessment as well as exit interview has to be employed so that to know what exactly things that motivate the employees organization. However, this varies to different environment so the organization will need to make an investigation on what exactly will make them motivated and also to meet the desired goals of the organization.
CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.0 Introduction
This chapter presents a summary on the objectives, the field work undertaken and the findings pertaining to the examination of how reward system at ministry based on results, the researchers presents, the researcher presents; conclusions and recommendation, and suggests area for further research.

5.1 Conclusion
In this study, the researcher intended to assess the effectiveness of reward system as a motivation to employees at TRA. The rewards used to motivate employees, the study indicates that at TRA include retirement benefits, work salary package, leave allowance and benefits training and career development. However, some of the employees still they seem to be not satisfied with some of reward system so the organization need to do research on how to reward their employees so as to motivate them.

Also, the research findings show that reward system as a motivator of employees at TRA has got positive and negative impacts the following positive impacts were observed; performance improvement, job satisfaction, improvement in customer satisfaction, effective career planning and development.

The research findings shows that TRA provides rewards to its employees. Such rewards includes; leave package, retirement benefits, best worker award, salary package and with the aim making employees committed to the organization.

Also TRA has a reward system which is both compensation and non-compensation reward system from TRA manuals whereas the compensation includes direct and indirect compensation and non-compensation reward includes all aspects of work environment that serve to enhance workers sense of commitment.
Employee motivation is one of the most essential parts in organization’s development and success. It is hence vital for an employer or organization to understand what motivates the employees and how to maximize their overall job performance. Based on the results of this study and the many theories that I have discussed, I have come to the conclusion that there are two major factors that have a profound effect on work motivation in TRA.

One is intrinsic motivation which comes from inside the employee and is related to his or her feelings. Examples on this are personal growth, the feeling of achieving something, responsibility and freedom to act. The other factor is extrinsic motivation where outside factors such as salary, rewards and criticism motivate the employee's.

Based on the questionnaire and interviews that the researcher conducted it is evident that employees at TRA are not satisfied with the reward system that is provided to them. Intrinsic motivation, which was paid out as immaterial rewards was considered almost as important as extrinsic motivation and should therefore be used frequently to increase employee motivation. For improving the reward system and work motivation at TRA, the researcher suggested that the employees should be seriously be rewarded according to their performance so as to increase their morale and recognitions to the employees. In order to keep the employees satisfied and interested with their work tasks the researcher suggested multitasking and job-rotation as well as constant development and training.

This thesis was conducted in order to help TRA analyze the attitudes of their employees towards the reward systems of the company. More specifically it helped the company to investigate which of the reward stems is most preferred and what other rewards motivate the employees. As a conclusion it can be seen that the general factors that affect work motivation and it can be concluded that TRA reward system is not to a large extent motivating, satisfactory and equal, so still efforts are required by the organization make its reward system active to all employees in the organization.
5.2 **Recommendation**

In the view of these findings it is hereby recommended as follows, various measures to be taken in reviewing the organization reward system implementation. This is to make sure that, reward system meets entire requirement for equitability, influence and satisfaction to the extent that employees acknowledge to the extent it brings the desired result to the organizations.

5.2.1 **Effective Reward System needs to be instituted to Change in Performance**

It should be flexible in terms of the amount given. Influence in reward system is important in that some rewards diminish in importance when used overtime. The researcher recommends that, in order to make reward influence in the organization, the organization needs to review its reward system from time to time because she observed that the system was not effective because the reward system has not changed since the organization started.

5.2.2 **Increase Satisfaction of Rewards to Employees**

There is less competition due to employees reward is not satisfactory, employer may fail to get the desired motivational effect from employees. The researcher recommends that, to increase satisfaction of reward, the organization must publicize bonus and openly communicate to everyone the compensation. Things like retirement benefits and leave package should be openly explained to employees and the objectives of their provision should be made clear.

5.2.3 **Competitive Compensation and Benefit Package**

Most employee attraction strategies consist of creating a competitive compensation and benefits package, or instituting an employee appreciation and recognition program me. So for TRA and public organization in Tanzania should consider the above factor so that to avoid challenges facing them in rewarding their employees.
5.2.4 Reward Policy Implication

The researcher recommends that, the organization should make effort to lay down policy for rewarding its employees that will take into consideration all employees, regardless of their status in the organization.

Allowances should be issued on time so that the employees should be motivated to their works and jobs and also it would increase competition among employees.

5.2.5 Training and Development should be improved

All departments were very active in the area of skills training and professional development after data collection. Training appears to be an effective reward factor because it is a visible investment that the organization makes in the employees, and it provides new skills that are intrinsically rewarding. It is combined with some communication about how employee’s efforts at developing skills will lead him or her to more challenging and meaningful positions within the organization, training encourage employees to make longer term commitments to their workplace, it permits them to see a future with the company. So as a reward measure, training should enthusiastically embrace the employers because it is the major factor of maintaining and motivating employees in the organization.

Research has shown that motivation is an essential tool that managers use to attain not only higher performance, but also a form of inspiration to retain high performers in order to achieve greater productivity. Bessel et al assert that ‘managers use motivation in the workplace to inspire people to work, both individually and in groups, to produce the best results for business in the most efficient and effective manner’(2002:1).

Reward management is one of the functions human resource management (HRM)and it is therefore, suggested that, other should be carried out to cover the other functions e.g. planning, recruitment training and development performance evaluation, and safety, to mention but few. All these function are implanted in organization and affect human resources place.
REFERENCES


APPENDICES

Appendix 1: Interview questions
1. Does TRA reward system motivate employees?
2. What are the types of rewards offered by TRA?
3. What ways does TRA use to offer rewards to its employees?
4. Does TRA have some effects on reward system implementation on employees?
5. Are you satisfied with the ways used for rewarding employees?
Appendix 2: Research Questions

Dear Respondent,

I am doing a research on “The effectiveness of Tax Investigation to enhancing Tax Compliance” in Tanzania Revenue Authority Dar es Salaam. Kindly assist by responding to the following questions. Your response will remain confidential and for the purpose of this research.

Gender: Male / Female
Department / Section.................................................................
Designation / position...............................................................  

1. Does TRA reward system motivate employees?
   (i.) Yes ( )
   (ii.) No ( )

   If no why?
   ____________________________________________________________
   ____________________________________________________________

2. How many years have you been working at TRA?
   (i.) Less than 1 year ( )
   (ii.) 1 to 3 years ( )
   (iii.) 3 to 6 years ( )
   (iv.) 6 to 9 years ( )
   (v.) 10 and above years

3. Are you aware about reward system at TRA?
   (i.) Yes ( )
   (ii.) No ( )
4. What are the types of rewards offered by TRA?

______________________________________________________________
______________________________________________________________
______________________________________________________________

5. What ways does TRA use to offer rewards to its employees?

______________________________________________________________
______________________________________________________________
______________________________________________________________

6. What motivates the employees of TRA?

______________________________________________________________

7. Is there any problem(s) that TRA reward system face?
   (i.) Yes ( )
   (ii.) No ( )

   If yes what are the problem(s)

   ____________________________________________________________
   ____________________________________________________________

8. Does TRA have some effects on reward system implementation on employees?
   (i.) Yes ( )
   (ii.) No ( )

   If yes, how?

   ____________________________________________________________
   ____________________________________________________________
   ____________________________________________________________
9. What are the indicators of fulfillment of TRA reward system on motivating its employees?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

10. Does the efficiency and hardworking of TRA employees improved by TRA reward system?
    (i.) Yes (   )
    (ii.) No (   )

    If no, Why?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

11. What is your opinion on TRA reward system?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

Thank You, For Your Assistance
Appendix 3: Tanzania Revenue Authority Organization Structure

Source: Tanzania Revenue Authority