PERFORMANCE-BASED COMPENSATION SYSTEMS AND EMPLOYEE PERFORMANCE:AT THE KENYA NATIONAL TREASURY AND ECONOMIC PLANNING

BY

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SEPTEMBER, 2025

DECLARATION

Candidate's declaration

I declare that this thesis is my original work and has not been submitted in any other university or institution for academic credit. All references used have been acknowledged accordingly.

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Supervisor declaration

I hereby certify that, to the best of my knowledge, this work is the candidate's original work and has been done under my supervision.

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DEDICATION

Special appreciation goes to all my friends, family, lecturers and supervisors for their encouragement and support during my years of thesis.

ABSTRACT

Compensation was viewed as an important element that motivated employees to contribute positively to generating innovative ideas that improved the organization's level of productivity. The thesis had several objectives, including evaluating the effects relating Piece rate pay on the performance of employees, investigating the influence that bonuses on employee performance within the Kenya National Treasury, exploring the effects of skill-based renumeration on the performance of employees, and assessing the effects of Merit-based renumeration on relation performance of employees at the Kenya National Treasury. The theories supporting the thesis included the Expectancy, Agency, Ability, Motivation, Opportunity (AMO Postulate) and the Theory of Equity. The thesis had a descriptive research design and was based on a sample of 305 participants. The thesis utilized an interview guide and questionnaire to get data. Findings were presented in various charts, tables and graphs. Qualitative data were thematically analyzed; information was then presented in a narrative thematic format. Findings revealed bonuses had a significant effect on the performance of employees when implemented transparently in a fair manner. Employees who regularly receive bonuses tied to their performance targets reported increased motivation, job satisfaction, and productivity. Skill-based pay was found to positively influence employee performance by promoting continuous learning and versatility. Findings of Merit-based pay also showed a strong link to improved employee performance, especially when performance appraisal systems could be transparent and well-structured. The correlation between different forms of compensation systems and performance at the Kenya National Treasury showed some statistically significant findings. In this case, indicating a slight positive statistically significant correlation between bonuses and employee performance, with a correlation coefficient of $r = .480$ and a p-value less than .001. Similarly, the relationship between skill-based pay and employee performance was statistically significant with a correlation coefficient of $r = .410$ and a p-value less than .01. The thesis also indicated a statistically significant positive relationship between pay based on merit and performance among employees, though weaker ($r = .320$, $p = .002$). Finally, piece-rate pay had a weak but statistically significant positive relationship with the performance of workers, with a correlation coefficient of $r = .210$ and a p-value of .030. Although the relationship was not as strong as when other forms of pay are used, it did show that paying workers based on the quantity of their production could improve performance. It was recommended that organizations should develop and institutionalize transparent, performance-based bonuses that were associated with clear and measurable indicators that ensured fairness and boosted employee motivation. Findings revealed that bonuses significantly impacted employees' performance, with financial provisions serving as motivators that triggered an increase in productivity. Skill-based pay was another avenue that, if implemented, could positively encourage professional development at an individual level. Employees also responded positively when their skills were recognized by management. Merit-based pay was also viewed by respondents as a way that could significantly improve performance if aligned with transparent performance appraisal systems. The thesis found that although piece rate was not used in the mainstream public service, it could be used in increasing productivity in special programs such as Kazi mtaani and the affordable housing programs.

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A special appreciation goes to the almighty God for granting me the ability to complete my studies. I would also like to acknowledge the contributions of the supervisors, Dr. Doreen Njeje and Dr. Elias Mwangi, who guided me academically, showed patience, had encouragement, commitment, understanding and were always ready to assist. A special thanks goes to my dear parents and friends for the moral support throughout the academic program and during this thesis. My gratitude also goes to the Catholic University of Eastern Africa for offering an opportunity to pursue an MBA from the institution.

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LIST OF ABBREVIATIONS AND ACRONYMS

EP : Employee Performance

KNTPD: Kenya National Treasury

MBP: Merit-Based Pay

OC : Organizational culture:

OSCD: Organizational support for career development

PRP : Piece Rate Pay

SBP : Skills-Based Pay:

SRC: Salaries and Remuneration Commission

OPERATIONAL DEFINITION OF TERMS

Bonuses: Refer to payments or rewards provided to employees apart from their salary or wage. Bonuses in the case are at a Ministerial level, where employees are entitled to an equivalent of a maximum of a month's salary for being the best performers in relation to other Ministries.

Employee Performance: This refers to the degree of efficiency with which an employee implements their duties. The Performance is gauged by using a performance management appraisal digital form.

Merit-Based Pay: This is also referred to as merit pay or performance-related pay. In this case, employees with good performance are eligible for promotions or appointments to higher ranks, subject to the availability of vacancies.

Piece Rate Pay: This refers to a method in which employees receive payment according to the output units they deliver. Officers and supervisors set yearly and quarterly targets that need to be achieved.

Skills-Based Pay: Extra income employees may receive for acquiring additional skills or certifications relevant to their job or organization. Promotions and other career advancement opportunities are based on acquiring various skills and qualifications.

CHAPTER ONE

1.0 INTRODUCTION

The chapter presented a statement of the problem, background of the thesis, thesis objectives, the chapter also included the thesis hypothesis. Additionally, the significance of the thesis, the theoretical framework, delimitation of the thesis, conceptual framework and scope, were also covered and an overview of the Kenya National Treasury and employees' performance.

1.1 Background of the Performance based compensation systems and employee performance

Compensation is deemed to be a major factor that is used to motivate individuals to achieve expected or extra outcomes. This motivation drives the generation of innovative ideas, leading to enhanced business operations and improved organizational output. Supervisor or management rewards should be positively associated with the employees' level of task performance, productivity, turnover, satisfaction and organizational behavior. (Compensation, 2025). Compensation refers to the things that are offered to employees for the accomplishment of tasks, including salaries and bonuses. Greater job satisfaction that results from job or work-related rewards ensured that employees focused on their tasks, thereby increasing their level of productivity.

In today's global business setup, the retention of valuable and productive employees is a significant challenge for leaders (Ewool, E.M, 2021). Talented employees with essential experience or competencies crucial for an organisation's survival are often difficult to retain, as they typically prioritize their career paths over loyalty to the

organization, in this case leading to voluntary turnover of employees (Hemakumara, 2020). Employee compensation in this case could assist in attracting prospective talented employees, motivating employees, retaining valuable employees, fostering job satisfaction, and promoting organizational commitment, all while gaining a competitive advantage (Halcomb, E, 2020).

A clear focus on employee compensation enables most organizations to retain their workforce. Employee compensation management is therefore a key strategy as it is used to create a motivated and committed workforce. Recently, organizations have experienced high turnover among younger employees, making it challenging to retain talented staff. Employee performance-related pay is a function of the HR department. Compensation is crucial for organizational members as it affects the ability to attract, retain and motivate employees.

It is seen as a major factor in attracting and retaining talent. It encompasses both intrinsic and extrinsic rewards that individuals receive for carrying out tasks and responsibilities. Intrinsic rewards refer to the non-physical satisfaction employees gain while accomplishing organizational tasks and responsibilities, while extrinsic remuneration involves non-financial rewards for performing organizational tasks.

Compensation is seen as a major factor critical factor of attracting and maintaining talented individuals. It encompasses both intrinsic and extrinsic benefits that individuals receive for tasks and responsibilities done. Intrinsic rewards refer to the non-physical satisfaction employees gain while accomplishing organizational tasks and responsibilities, while extrinsic remuneration involves money and non-financial aspects for performing organizational tasks

1.1.1 Performance of the Employees

This refers to a level of output achieved by individuals or groups, encompassing both the quality and number of tasks completed in an organization. Performance is the outcome of assignments accomplished by employees, influenced by factors such as ability, willingness, experience, and time invested. (Litmos US, 2025). Employee performance comprises both qualitative and quantitative outcomes driven by individuals or teams, reflecting employees' beliefs about their contributions toward organizational goals.

Employee performance, as described by Riatmaja D S (2020), involves working collectively towards organizational objectives for financial gain, guided by principles and evolving regulations. Monetary compensation and other benefits served as motivators for employees, encouraging increased effort and productivity. (A.O., 2022). (Elsahory E, 2022) Underscored the significance of employee performance, suggesting that adaptable employees who responded effectively to market demands greatly enhance organizational success. (James E, 2022) emphasized the aspect of satisfaction and remuneration in determining employee output, with Human Resource Management strategies focusing on promoting cohesion, dedication, adaptability, and quality work.

(Kariuki C W, 2021) Emphasized compensation's motivational role in driving employee innovation and enhancing overall company performance. Understanding employees is crucial for implementing effective motivational strategies, which involve recommending enriching job roles to empower employees and foster peak performance through recognition, skill development, and autonomy.

According to (Suprayitno, 2024), employee performance in various sectors was influenced by factors such as competitive pay, work environment, recognition, job security, and a pleasant working atmosphere. It was revealed that well-motivated organization service providers tended to increase their productivity and creativity. Monetary (direct and indirect) and non-monetary compensation measures were associated with employee organizational output. Managers could measure or observe performance through different mechanisms (Okonkwo, 2022). Factors impacting employee performance included programs relating to training, financial benefits, support from the organization about career progression, and non-monetary benefits. Improved employee performance enhanced organizational profitability.

(Sidabutur E, 2020) Stated that employee performance was linked to job satisfaction and compensation levels. Performance was influenced by factors such as organizational ability, skills, individual traits and the organizational set-up. Companies sought high achievers to help achieve business goals and objectives more efficiently.

Further, A.O. (2022) conducted a thesis on labor turnover and employees' performance in Malaysia, where he observed that Malaysian higher education institutions had been impacted by high labor turnover among academic employees for an extended period, primarily due to low employee morale related to compensation and advancement guidelines. Both compensation and Advisement guidelines had been identified as possible issues in these institutions.

In a thesis conducted in Palembang, Indonesia, Yohanes Susanto (2020) studied the effects of leadership, including compensation, on the performance of employees. They found that leadership significantly influenced employees' work motivation, while compensation did not have an impact on motivation. Additionally, (Prasetyo, 2021)

Looked into effects relating to compensation on employees This research concluded that compensation and discipline in regards to work impacted the performance output of employees of publicly owned companies owned by the region, but not in regards to the health sector.

According to (A K., 2021), performance management in Pakistani organizations was usually focused on evaluating output levels and increasing the performance-related pay system. Effective performance was perceived as the outcome of the interplay between individual capabilities and motivation, harmonizing with the attainment of organizational objectives.

Meanwhile, Yohanes Susanto (2020) theorized the effects of Leadership and Compensation on Employee output in Palembang, Indonesia. Their thesis highlighted that while leadership significantly influenced work motivation, compensation does not.

In a thesis conducted in Africa on remuneration and performance of workers, (MADINGWANE, MAZENDA, NHEDE, & MUNYEKA, 2023) Findings noted that a higher salary level leads to increased employee performance. While Low performers had negative views in regards to government's stagnant salary and early retirement options, the thematic analysis also identified that basic salary, medical insurance, availability of pension and housing allowance were key components of remuneration within the public service. Other notable areas were career development opportunities, improvements in administrative capacity and a positive work environment were deemed to positively improve employee performance and retention.

Like other nations in East Africa, Tanzania's workforce has been identified as being driven by incentives for employees. Organizations should therefore provide rewards to employees who successfully foster a competitive environment to ensure they can deliver

optimally. A good number of employees were driven by extrinsic rewards like promotions, bonuses and pay increases, while intrinsic rewards like admiration, recognition, and praise drive others. However, the findings indicated that it is unclear which rewards, particularly in the private sector, affected individuals and increased organizational output. As a result, several organizations in the nation were still struggling to make better use of their employees due to unusually high levels of employee compensation (Mwinuka, 2025).

A thesis by (Young T, 2022) was conducted on the competence of employees and their performance. The findings noted that a competitive advantage in any organization is based on a competent workforce. Therefore, retention of qualified employees is key to ensuring that employees perform to the required standard. However, some organizations struggle to implement performance pay systems due to poorly defined performance levels and difficulties in evaluating employees objectively and transparently. In this case, management may end up favoring certain employees over others, which will lead to employee dissatisfaction.

Further, (Elprida Sidabutar, 2020) investigated the Impact of compensation and Job Satisfaction on Employee output. The thesis indicated that enhancing compensation, including job satisfaction, could improve employee outputs. Plenty has not yet been achieved, as far as performance in the organizations is dismal due to uncertainty in employees' compensation. It is on these findings that this thesis seeks to address the issue within the Kenya National Treasury Department.

1.1.2 Kenya National Treasury and Economic Planning

Kenya's National Treasury is a government Ministry that is tasked with the formulation of economic and financial policies. It derives its mandate from the Public Finance Management Act 2012, the 2010 Constitution, Article 225, and Executive Order No. 2 of 2013.

The organization structure comprises the Cabinet secretary, who is head of the Ministry, the Principal Secretary and various departmental heads and employees who assist in achieving the organization's mandate as envisioned by the constitution and other relevant rules and regulations. The departments fall within five directorates, namely Portfolio Management, Accounting Services and Quality Assurance, Debt Management, Quality Assurance and Budget, Fiscal and Economic Affairs, and Administration and Support Services.

1.2 Statement of the Problem

Every company globally endeavors to enhance productivity through the recruitment of skilled and competent personnel. Performance-based compensation systems are increasingly favored as a means to elevate employee performance, which has remained dismal, and foster organizational success. The employees' compensation remains a task to deal with in most organizations, including the Kenya National Treasury. In a thesis conducted by (Prasetyo, 2021) looked into effects relating to compensation on employee This research concluded that compensation and discipline in regards to work impacted the performance output of employees of publicly owned companies owned by the region but not in regards to the health sector This thesis, however, left a doubt whether Kenyan employees were receiving similar treatment for the desired performance. A thesis

conducted by Elprida Sidabutar (2020) suggested that compensation can enhance employee performance. This thesis extended their studies to Palembang, Indonesia, where it was noted that leadership had a significant influence on work motivation, whereas compensation did not. In addition, a survey by (Prasetyo, 2021) looked into the effects relating to compensation on employees. However, none of these studies clearly addressed how compensation would influence the performance of workers in the organization. Furthermore, these studies were conducted in foreign Countries and thus may not apply to Kenyan institutional performance barriers. Further, (Sitopu, 2021)observed that motivation, leadership and Compensation had a significant effect on the performance of employees. Factors that affected performance included work discipline, level of compensation and motivation. In this case, it was noted that discipline at work was needed for good performance.

This thesis, however, would remedy the situation in Kenya, which faces challenges in having a motivated workforce that meets or exceeds organizational objectives and targets. The Kenyan job market struggles to maintain performance standards. The current organization faces challenges in employees achieving their goals and objectives. The thesis aims to address these loopholes by looking into performance-based systems in regards to performance of Officers in the Kenya National Treasury.

1.3 Research Objectives

Below are research objectives supporting the thesis:

i. To examine how bonuses influenced employee performance at the Kenya National Treasury

ii. To examine how skill-based pay influenced employee performance at the Kenya National Treasury

iii. To determine how merit-based pay influenced employee performance at the Kenya National Treasury

iv. To evaluate how piece rate pays influenced employee performance at the Kenya National Treasury

v. To evaluate how the organizations demographics moderates the relationship between performance-based compensation and employee performance at The Kenya National Treasury

1.4 Thesis Hypothesis

H_{01}: Bonuses had no statistically significant influence on employee performance at the Kenya National Treasury.

H_{02}: Skill-based pay had no statistically significant influence on employee performance in Kenya National Treasury.

H_{03}: Merit-based pay had no statistically significant influence on employee performance at the Kenya National Treasury.

H_{04}: Piece-rate pay had no statistically significant effect on employee performance at the Kenya National Treasury.

H_{05}: Demographics have no statistical significant effect on employee performance at The Kenya National Treasury

1.5 Significance of the study

Outcomes of the thesis are important for government ministries and agencies because they provide supplementary information that helps create policy and legal structures,

particularly regarding labor management procedures, considering total compensation systems and their effects on employee output.

Findings offered valuable insights, thereby assisting the heads of sections of the Kenya National Treasury in evaluating its compensation system. This evaluation aims to cultivate a positive working relationship between employees and management, ultimately enhancing overall employee performance and organizational effectiveness. Moreover, policymakers can utilize the thesis findings to refine HR practices and policies nationwide.

Findings of the thesis would further be significant to governmental bodies like the Salaries and Remuneration Commission, which may use the compensation guidelines to standardize compensation practices across various state agencies and relevant parastatals, thereby optimizing performance. Therefore, it is essential to assess whether the Kenya National Treasury has implemented various guidelines in its compensation and rewards schemes, evaluate their effectiveness in delivering value, and address any challenges.

The thesis results may be significant to workers who understand the organization's compensation schemes and various complications affecting these procedures. The thesis further suggested possible solutions to the problems that derail the retiree benefits compensation.

In addition, the result may be helpful to new thesis and academics whose studies were addressing the knowledge gap relating to compensation and employee performance within the Kenyan organizations.

1.6 Scope and Delimitation of the study

The thesis focused specifically on performance-based remuneration/compensation systems in relation to performance outputs within the Kenya National Treasury. The thesis only focused on the bonuses, skill-related pay, merit-related pay and piece-rate pay. It was limited to the Headquarters, which is in Nairobi.

Time frame: The thesis was conducted over two years from May 2024 to June 2025, during which data collection and analysis took place. The time frame ensured a focused and timely thesis, allowing for an efficient thesis.

Geographical scope: The thesis was based within the National Treasury head office in Nairobi. While this provided a concentrated and practical location for data collection, it limited the findings of other departments or regions within Kenya.

Data Collection Methods: The study will use questionaries and structured interviews to collect data. The questionnaire responses will then be analyzed using SPSS with responses from interviews being analyzed quantitatively

Variables being examined: The thesis is based on performance-based compensation systems, in this case includes bonuses, and rewards that are linked to performance and productivity outputs.

Study Population and Sample: The thesis is based on employees at the Kenya National Treasury Headquarters, the sample being based on both junior and middle management staff

1.7 Theoretical Framework

The thesis had a major basis on the scientific management theory, which is currently being extensively practiced within the Public Service. The agency and expectancy theory have also been addressed extensively under Chapter 2

1.7.1 Scientific Management Theory

It is formulated by (Taylor, 1911), it was based on the idea that an ideal workplace has three aspects, which include specialization, incentives and hierarchical structure, which were part of the heads of sections' style in Government institutions.

The specialization aspect involved breaking down the task into various components. In this case, employees understood their specific roles in accomplishing the main objective. Consequently, this aided in enhancing organizational productivity and efficiency, thereby diminishing or mitigating the necessity for employees to engage in multitasking.

Hierarchical Structure entailed the segmentation of the workplace into three defined layers of management. At the pinnacle were the business owners, board of directors, and other executives who established the overarching objectives of a company or organization. The middle management level was responsible for supervising while establishing departmental goals and objectives to align with the managers' budget. The lowest tier of the hierarchy comprised supervisors, tasked with overseeing the organization's daily operations, addressing employee concerns/needs, and offering training opportunities to employees (Taylor, 1911).

The third aspect involved Incentives, which stated that employees were mainly motivated by financial rewards. Accordingly, the theory stated that employees were motivated by piece rate pay agreement. The workers were inclined to attain predetermined organizational objectives, exert effort, and enhance productivity when provided with incentives tied to their work output. This perspective posits that employers could stimulate their employees through incentives, resulting in heightened production, efficiency, and profitability for the organization (Taylor, 1911).

1.8 Conceptual Framework

A conceptual framework elucidates, either through diagrams or narrative, the primary themes, key factors, variables, and their assumed relationships to be investigated. This thesis utilized the conceptual framework to elucidate the connections among the independent, dependent, and intervening variables.

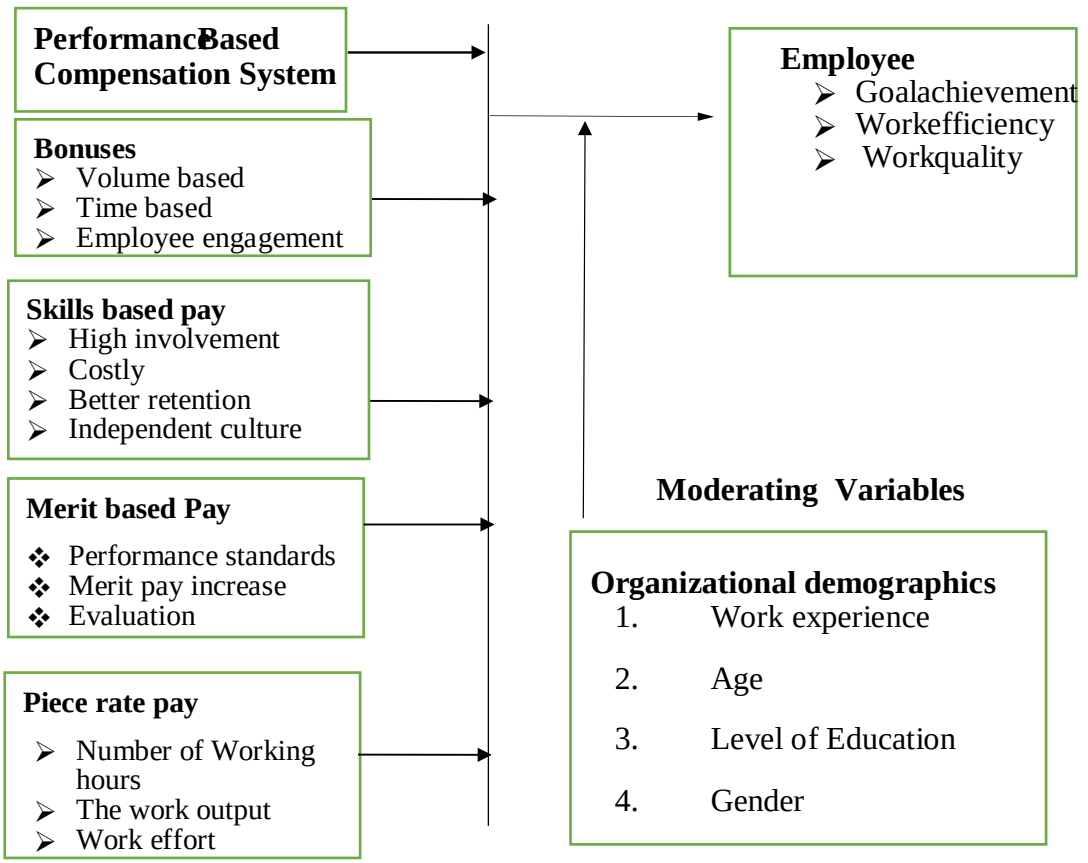


FIGURE 1: CONCEPTUAL FRAMEWORK

Figure 1: Conceptual framework

The intervening variables of work experience, level of education, age and gender influenced the independent variables of skill-based pay, merit-based pay, piece rate pay

and bonuses, which then had a direct influence on the Dependent variable of goal achievement, efficiency and work quality, as illustrated in the figure above.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The chapter critically reviewed theories to support the thesis. It also covered an empirical review on piece rate pay, merit-based pay, skill-based pay, bonus allowances and employee performance. Under the chapter aspects, covering knowledge gap, geographical gap, methodological gap and literature review were covered.

2.1 Theoretical Review

The thesis was based on Agency Theory, the Scientific Management theory, Expectancy theory.

2.1.1 Agency Theory

The theory was proposed by Stephen Ross (1970), which asserted that the heads of sections and the workforce had a stake in the organization, and the compensation that was received by staff members represented agency cost. Barry Mitnick further elucidated the agency theory to describe the agency problems arising from conflicts among employees (agents) and owners of businesses or principals, the roles and obligations of business owners and agents, and ensuring seamless organizational functioning.

In another study by (Adi Mulyono, 2022) It was noted that there was an influence of the work environment, including reinforcement and leadership, on the motivation of health workers at the Regional Public Service Agency of Sumenep District Hospital,

which had an effect of 83.9%. The thesis noted that health workers would be able to be more oriented towards the work itself in terms of the provision of results, their impacts, and benefits derived for the community and other employees in the organization.

2.1.1.1 Criticism of Agency Theory

The theory is a concept that is sometimes viewed as unsuitable. It has an assumption that individuals have self-interests and are indivisible. It also assumes that behavior is motivated only by financial interests and that cooperation involves a contract between parties. However, in some instances the action of the manager, like all social actions, is based on social structures in place and is not entirely determined by economic incentives. Therefore, it seems unjust that the theory adopts a viewpoint in which individuals and organizations are primarily motivated by financial gain. Some behavioral research notes that individuals may also be motivated by other aspects such as status or need for self-fulfillment, The theory had the assumption that behaviors and outcomes are homogeneous and easily controlled, which may not be what is practiced. (Zogning, 2022)

2.1.1.2 Application of Agency Theory

In practice, this theory was relevant as it suggested that individuals exerted greater effort if they believed it would contribute to achieving organizational goals, which in turn could facilitate the attainment of their personal goals. Consequently, organizational goals took precedence over personal goals, resulting in the utilization of incentives and rewards to recognize employee endeavors.

In the context of the thesis objective, this theory was pertinent as it explored how skill-based pay influenced organizational performance and encouraged employees to acquire necessary skills, thus enhancing organizational performance. The aspect of piece-rate

pay as a compensation for employees' performance was also relevant, as it contributed to the employees' work sensitivity to incentivize employees' performance at the Kenya National Treasury. Finally, the use of Expectancy Theory was linked to the merit with which the employees perform their roles regarding their expertise. This further motivated the employees to contribute actively towards the attainment of the organizational outcomes.

2.1.2 Expectancy Theory

(Vroom, 1964) developed the theory, which centered on the idea that employees perceived a direct correlation between the effort they exerted in a task, the outcomes they attained, and the rewards they received. Additionally, (Vroom, 1964) highlighted that an individual's performance was shaped by personal attributes such as skills, experience, personality, knowledge and abilities. Moreover, the thesis indicated that effort, performance, and compensation were interconnected elements of an individual's drive.

The Expectancy theory provided means to enhance compensation among organizational members by modifying an employee’s expectations concerning input to expectations of performance, performance as relating to expectancy of rewards, including the value of rewards.

Another perspective by Vroom, 1964) elucidated that an individual's actions were shaped by the compensation elements linked to anticipated results. This compensation was delineated into three factors: expectancy, valence, and instrumentality. Initially, valence signified an individual's inclination towards specific outcomes, like rewards, which encouraged members of staff to pursue favorable outcomes within their workplace. Secondly, expectancy referred to the probability that a particular action or

effort would yield a specific performance level. Thirdly, instrumentality denoted the likelihood that performance would culminate in the anticipated outcome, thus rewarding employees upon task completion. Consequently, heightened employee performance nurtured allegiance towards organizational objectives. This Theory of Expectancy focuses on the employee's knowledge and skills required for job performance, as referenced by the Kenya National Treasury.

2.1.2.1 Criticism of Expectancy Theory

Despite its merits, the Expectancy theory faced criticism. It overlooked individuals in developed countries, where they tended to be more goal-oriented and believed in their ability to influence their success (Griffine R, 2020). Additionally, the theory assumed that individuals made conscious decisions before exerting effort, although the thesis suggested that decisions were often rationalized retrospectively

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In the context of the thesis objective, this theory was pertinent as it explored how skill-based pay influenced organizational performance and encouraged employees to acquire necessary skills, thus enhancing organizational performance. The aspect of piece-rate pay as a compensation for employees' performance was also relevant, as it contributed to the employees' work sensitivity to incentivize employees' performance at the Kenya National Treasury. Finally, the use of Expectancy Theory was linked to the merit with

which the employees perform their roles regarding their expertise. These further motivated individuals to contribute actively to attainment of the organizational output.

2.1.3 Scientific Management Theory

It is formulated by Taylor (1964). It was based on the idea that an ideal workplace has three aspects: specialization, incentives, and hierarchical structure, which were part of the heads of sections style in Government institutions. The specialization aspect involved breaking down the task into various components (Taylor, 1911). In this case, employees understood their specific roles in accomplishing the main objective. Consequently, this aided in enhancing organizational productivity and efficiency, thereby diminishing or mitigating the necessity for employees to engage in multitasking. Hierarchical Structure entailed the segmentation of the workplace into three defined layers of management. At the pinnacle are the business owners, board of directors, and other executives who established the overarching objectives of a company or organization. The middle management level was responsible for supervising supervisors while establishing departmental goals and objectives to align with the managers' budget. The lowest tier of the hierarchy comprised supervisors, tasked with overseeing the organization's daily operations, addressing employee concerns/needs, and offering training opportunities to employees (Taylor, 1911).

The third aspect involved Incentives, which stated that employees were mainly motivated by financial rewards. According to the theory, employees were motivated regarding their piece rate pay agreement. The theory further addressed the merit rate pay system, where employees' interests were satisfied according to work merit. The workers were inclined to attain predetermined organizational objectives, exert effort, and enhance productivity when provided with incentives that were tied to their work

output. This perspective posits that employers could stimulate their employees through incentives, resulting in heightened production, efficiency, and profitability for the organization (Taylor, 1911).

2.1.3.1 Criticism of Scientific Management Theory

The theory, despite achieving results, had shortcomings in recognizing individual differences and the varying views of employees on the efficiency of work processes. The theory also did not consider that the interests of employees and management were rarely identical. In this case, the processes and training that were used by the theory were usually rejected and sabotaged by employees. (Banerjee, 2022)

2.1.3.2 Application of Scientific Management Theory

The theory related to the thesis in terms of the organization's nature. In this case, task specialization led to employees performing different aspects of the process, ultimately resulting in a single outcome. The organization also had a hierarchical structure involving employees of different cadres who contributed to the organizational goals and objectives. The organization also offered incentives such as training opportunities and competitive salaries that helped in motivating employees.

2.1.4 Bureaucratic Management Theory

The Theory formulated by Max Weber) had its management principle primarily based on a formalized, structured, and rule-based mechanism in organizational and managerial operations

One of the foundations was the Hierarchy of Authority, which entailed having a transparent command whereby one level controls the level below it. Another aspect was based on the division of labor, where tasks were separated into defined tasks and

responsibilities, and employees specialized in tasks that improve organizational efficiency and expertise. Formal rules and regulations were also emphasized to ensure predictability of operations, consistency and fairness. Decision-making was also impartial, ensuring that decisions reduced biases and favoritism. Employment and promotions were based on merit, skills, and qualifications, which ensured that the process was free from nepotism and favoritism.

2.1.4.1 Criticism of Bureaucratic Management Theory

The theory, although achieving results, was viewed as having rigidity and an Inflexible way of operating by relying on rules and procedures, making the organization slow to adapt to change and innovations (Author, 2024). The theoretical basis of being Impartial was viewed as dehumanizing and tended to emphasize rules and hierarchy over interpersonal aspects of managing tasks. Decision making also tended to take long as all processes and procedures needed to be adhered to (Author, 2024)

2.2 Empirical Review

The thesis objectives guided the review of the available information, focusing on the relation between bonuses and employee performance, skill-based pay and employee performance, merit-based pay and employee performance, including piece-rate pay and employee performance.

2.2.1 Bonus Allowance and Employee Performance

A thesis by (Obiaga J.C, 2021) on the reward system and the relationship towards employee performance in the oil and gas industry in Rivers State. The thesis examined how bonuses had an influence on employees' output. The thesis also analyzed relationships that existed among rewards and employees' output. It also determined how

promotion influenced employees' output levels within the gas and oil industry. Questionnaires were utilized get information from 243 participants. Pearson's correlation analysis and Descriptive statistics was employed as a tool that carried data analysis. The results indicated a significant relationship in bonuses and productivity, promotion and productivity, rewards and productivity in the industry.

A different perspective was deduced by (Kehinde, 2020) based on the thesis on the impact of reward systems on employee performance at KPMG Nigeria. The thesis was based on how pay rewards influenced performance outputs of individuals in the institution. It also wanted to determine the relationship of recognition on the output of employees in the institution. The thesis also the investigated how a good working environment will affect the behavioral outputs of employees in the institution.it also examined how employee development had an impact on employee's performance in the organization. Information was obtained by using questionnaires on a sample of 420 employees. A cross-sectional thesis design was used for the thesis with Regression technique used to analyze data. Empirical results indicated that rewards that were based on pay significantly impacted employee Adaptive performance, a good working environment also significantly impacted employee performance and development, employee recognition also significantly impacted employee counterproductive performance in the institution. The heads of sections also provided the necessary motivation, rewards irrespective of employees' level to improve organizational outputs

A thesis done by (Alkandi, 2023) investigated the effects of incentives and rewards on the performance of employees in the Saudi industrial sectors, and the role of job satisfaction in this relationship. The research had a population consisting of employees within the industrial sectors in Eastern Region in Saudi Arabia, the thesis considered a

sample size of 216 full-time employees. The results demonstrated that there was insignificant direct effect in relation to incentives, rewards and employees' performance. However, on the other hand results indicated a significant direct relationship between incentives, rewards and job satisfaction, it also noted that there was a significant direct effect between mediating variables, job satisfaction, and employee performance. Furthermore, when job satisfaction acts as a mediator,

A study by (Nwokeocha, 2023) explored the working conditions of academic staff in regards to organizational commitment and performance of Nigerian universities. The study noted that there was a general view that there has been a decrease on the level of motivation of the average academic staff in the Nigerian university system that has led to brain drain and declining quality of performance of the universities in the region. A sample size of 248 individuals participated in the study. The thesis findings noted that deficiency-growth factors, intrinsic-extrinsic factors, and equity issues were important elements in dealing with the organizational commitment and performance problems in the Nigerian universities studied.

2.2.2 Skill-Based Pay

Skill-based pay refers to a method in which organizations reward employees based on their skills and knowledge. This method usually encompasses pay for knowledge gained or competencies earned. A method that rewards employees for knowledge or for organizationally relevant learning skills (Chan A.J., 2023). Skill-based pay (SBP) refers to a compensation system that was used to reward employees with additional wages in exchange for the use of skills, their knowledge and competencies. In this case, skill was through performing tasks, while knowledge was through information used in carrying out organizational tasks. On the other hand, competencies were general skills or

competencies that were required to carry out various expected outputs, often in different tasks. In this case, employees received additional remuneration after demonstrating they had the skill, competencies and knowledge that the system rewarded (Chantel, 2022).

A Towers Perrin thesis that considered 600 managers by (A.L, Monetary Incentives and Employee Performance in Anambra State, 2020) based 21 countries had findings suggesting that cases amounting to 27% related to base salary had similar increases in competencies (defined as proficiency in core knowledge or behavior) for executives, similarly there was case relating to 36% of managers and professionals, and cases amounting to 28% o for non-management. Additionally, the increases were related to skills (defined as acquisition of new skills) in about 9% of cases relating to executives, 15% relating to managers and professionals, and 18% relating to non-managers.

A thesis by (Wachyu Hari Haji, 2021) Based on the influence of knowledge management, skill and attitude on employee performance analysis. It noted that knowledge Management had a positive effect on the performance of employees of PT Sun Life Sharia in Jakarta. It showed that if there was knowledge management increase resulted to a similar increase in employee performance, it was also noted that Skills had a positive effect on employee performance. The findings also noted that attitude had a positive effect.

Further, a thesis by (Alase G, 2021) on skill-based pay plans sponsored by the American Compensation Association found that a majority of plans were considered successful on a wide area of outcomes that included increased flexibility, reduced staffing, more productivity, lower turnover and improved quality despite having higher average incomes.

In Tunisia (Mohamed Ali, 2021)The present work aimed to identify the challenges of Competency-based reward system in a project-based organization.

The results showed that reward systems should focus on current and potential competencies rather than rewarding past performance outcomes. Furthermore, the study noted that employees who were not satisfied with their rewards were less willing to make an effort to attain organizational goals efforts to comply with PBO goals.

This study by (Manzoor Faiza, 2021) Was conducted to analyze the impact of intrinsic rewards on the performance of the employee with the mediating mechanism of employee motivation in the SME sector of Rawalpindi and Islamabad, Pakistan. The findings of the study noted that intrinsic rewards had a significant impact on motivation of the employee and, in effect, their performance. Another finding noted that the motivation of employees played a positive and significant mediating role in relation to intrinsic rewards and the performance outcomes of employees. It is noted that as employees are motivated, they tend to perform better. The findings noted that the absence of a good reward management system led to a demotivated workforce. Generally, the findings noted that the SME sector should develop a solid rewards management system for employees to increase organizational morale

2.2.3 Merit-Based Pay

This referred to a system of awarding pay increases and bonuses solely based on individual performance as opposed to their seniority or level within the organization or the length of time they work. This system allowed employees to be rewarded for work done as expected or exceeded, and encouraged them to continue to perform at a high level. The type of pay system assisted in creating a competitive and productive work

environment, as employees would constantly strive to earn higher bonuses and increases. (Indeed Editorial Team, 2025)

A study by (Ebeguki Igbinoba, 2022) on employees' retention strategies and Organizational performance concluded that employee retention strategies impacted the level of business performance. Findings noted that there was a link between employee retention strategies and the level of organizational performance. According to the findings, there were better ways of encouraging staff retention in organizations. As a result, findings noted that organizations that failed to implement adequate retention strategies had challenges in attracting and retaining competent and talented individuals with distinct capabilities

In a study by (Al-Taweel, 2021) Had a thesis based on the impact of high-performance work practices in human resource management of health dispensaries in Qassim Region, Kingdom of Saudi Arabia, towards organizational resilience and productivity. The findings pointed to inefficient practices in uplifting the level of organizational performance levels, such as performance-related compensation. HPWPs contributed to achieving institutions' goals. The thesis also noted that HPWPs led to the improvement in aspects relating to performance, such as improvement in innovation levels and creativity.

In Uganda, a thesis conducted by (Aisa Muhamad, 2024) investigated the performance-based rewards and the performance of teachers in private secondary schools in Kampala District. The thesis relied heavily on data obtained from the use of questionnaires and literature obtained from documentary reviews. A sample of 280 participants was studied, using quantitative and qualitative data collection. Analysis was conducted using descriptive and relational statistics with the Pearson Product Correlation Coefficient and

Regression analysis. Findings indicated that common types of performance-related rewards in the schools were promotion, public recognition, duty allowances, gifts and overtime pay. The findings noted that performance-related rewards influenced the performance outputs of teachers through motivating them and increasing efficiency, including productivity.

In Kenya, (Seraphine Anamanjia, 2022) had a thesis on Strategic Alignment and Performance of Kenya Revenue Authority. The study concluded that structural alignment leads to better levels of decision-making and that relationships existed between the specialization of the labor process and the level of output of labor, which implied that organizational structures had effects on the behavior of employees in the organization. Furthermore, it noted that the organization's performance depended on the organization's leadership

2.2.4 Piece Rate Pay

This is defined as outputs that are paid in reference to the number of units produced as opposed to time spent working (Vaughan-Whitehead, 2022). Over the years, employers have devised numerous strategies to optimize labor and minimize inefficiencies; however, many companies have gone bankrupt due to poor performance. It would be logical to check the relation between the n-piece rate pay and individuals' performance, since this may help unravel the mystery bedeviling organizational growth and sustainability.

In New Zealand, (A.L, Monetary Incentives and Employee Performance of Manufacturing Firms in Anamba State, 2020) was based on the payment system in reference to the productivity of individuals in organizations. The thesis adopted a qualitative and quantitative method, where a mixed thesis design was employed. Eight

(8) managers were purposively sampled from two thesis organizations, and a simple random sampling method was used to select 220 subordinate staff and 130 administrative staff. Structured questionnaires were a data collection method from the staff, while an interview guide was for the heads of sections. The findings revealed that basic pay was a high percentage of remuneration for non-executive employees. The findings acted as a reference point for other financial rewards, e.g. profit sharing, pay.

2.6 Knowledge gap

Since most of the thesis are based in other countries, the situation in Kenya remains unchanged. It was on this backstop that the present thesis intended to solve by evaluating the compensation/rewards system and performance of Officers in the Kenya National Treasury. This thesis considered both questionnaires and Interviews guide for data gathering while SPSS- version 27 aided in analyzing data. A Multiple Regression model aided in testing the relation between the independent variables and dependent variable, whereas qualitative information was analyzed through narrative thematic analysis.

The thesis done currently on the topic has heavily relied on closed-ended questionnaires, thereby limiting the information that one can get from respondents. The thesis in this case included closed and open-ended questions to get more data. one such thesis is by (Al-Taweel, 2021) based on the impact of high-performance work practices in human resource management of health dispensaries in Qassim Region, Kingdom of Saudi Arabia, towards organizational resilience and productivity. The findings pointed to inefficient practices in uplifting the level of organizational performance levels, such as performance-related compensation. HPWPs contributed in achieving institutions' goals the thesis also noted that HPWPs led to the improvement in aspects relating to performance such as improvement in innovation levels and creativity. A different thesis

by (Aryani, 2024) had findings revealing that motivation at work had a significant influence on the performance of teachers, which lead to increased satisfaction with the job and improved levels of productivity. It also noted that Strategic HR planning contributed to exemplary employee performance, while a work environment that was supportive greatly improved the level of work ethic and led to a motivated workforce, although it noted inconsistencies in the levels of job satisfaction. Other findings noted that a fair and performance-based compensation system, coupled with non-financial rewards, was important in maintaining the levels of motivation and improving performance outputs in the organization. Another thesis by (Nthabiseng Rapeane, 2025) examined the impact of financial rewards on the productivity of nurses in Maseru Urban. Data was obtained through the use of self-administered questionnaires from 15 nurses in Maseru Urban. The findings revealed that bonuses played a huge role in improving the level of productivity, motivation and quantity and quality of service of nurses in Maseru Urban. The findings also noted that allowances and overtime pay were perceived as less influential in driving the level of productivity as compared to performance-related rewards.

Literature Gap

There were several similar studies that have been carried out on compensation-based performance. However, most of the studies that have been reviewed are based largely on organizations in the private sector. It also noted that most of the studies are based on manufacturing firms. The thesis aims to focus on an organization in the public sector that is not in the manufacturing sector.

Geographical gap

A lot of studies and thesis papers have been done that are similar to the current thesis, however most have been done outside the country leaving a gap in economic aspects such as income, GDP of the economy which influenced once motivation to work or provision of financial motivators by an organization, for example a thesis by (Obiaga J.C, 2021) on the influence of bonuses on employee productivity in oil and gas industry in Rivers State found that there was a significant relationship between bonuses and productivity, reward and productivity, promotion and productivity in the oil and gas industry in Rivers State. This thesis, however, addressed the Oil and Gas Companies in another country, whereas the current thesis focuses on the National Treasury of Kenya. Another thesis by (Zhalfa Putri Elisa, 2022) was done in Kuala Lampur on the effect of role perception, human resource development, and compensation on employee performance. The findings noted that there was a positive impact on role perception, human resource development, and compensation on the level of employee performance. Another thesis (Febri Aulia Savira, 2025) was based on the influence of compensation and work environment on employee performance, with intervening work motivation of employees in PT JIP. The findings noted that Compensation had a positive impact on the level of work motivation, the working environment also had a positive impact on work motivation; on the other hand, compensation was noted to have an impact on performance.

Methodological gap

The Current thesis researched on have heavily relied on questionnaires as a means of getting information from participants. This information retrieved seemed not to give

participants an opportuning to express their views and professional input on the topic at hand. The current thesis aims to use questionnaires that are both open and closed-ended. Information will also be derived with the use of an interview guide to get views from industry experts. In Uganda, a thesis conducted by (Aisa Muhamad, 2024) investigated the performance-based rewards and the performance of teachers in private secondary schools in Kampala District. The thesis relied heavily on data obtained from the use of questionnaires and literature obtained from documentary reviews. A sample of 280 participants was studied, using quantitative and qualitative data collection. Analysis was conducted using descriptive and relational statistics with the Pearson Product Correlation Coefficient and Regression analysis. Findings indicated that common types of performance-related rewards in the schools were promotion, public recognition, duty allowances, gifts and overtime pay. The findings noted that performance-related rewards influenced the performance outputs of teachers through motivating them and increasing efficiency including productivity. Another study by (Nwokeocha, 2023) explored the working conditions of academic staff in regards to organizational commitment and performance of Nigerian universities. It used questionnaires to collect data, the findings noted that there was a general view that there has been a decrease on the level of motivation of the average academic staff in Nigerian university system that has led to brain drain and declining quality of performance of the universities in the region. A sample size of 248 individuals participated in the study. The thesis findings noted that that deficiency-growth factors, intrinsic-extrinsic factors, and equity issues were an important element in dealing with the organizational commitment and performance problems in the Nigerian universities studied. A thesis by (Obiaga J.C, 2021) on reward system and the relationship towards employee performance in the oil

and gas industry at Rivers State. The thesis examined how bonuses had an influence on employee's output. The thesis also analyzed relationships that existed among rewards and employee's output. It also determined how promotion influenced employee's output levels within the gas and oil industry. Questionnaires were utilized get information from 243 participants. Pearson's correlation analysis and Descriptive statistics was employed as a tool that carried data analysis. The results indicated a significant relationship in bonuses and productivity, promotion and productivity, rewards and productivity in the industry.

CHAPTER THREE

THESIS DESIGN AND METHODOLOGY

3.1. Introduction.

The section delineated the methodology of the thesis utilized to address the questions in the thesis. It elaborated on selected thesis design and methodologies, encompassing the sample selection, target population, sampling methods, thesis philosophy, data collection techniques, instruments of thesis instruments, pilot test, validity and reliability assessments, data analysis approaches, and considerations on ethics.

3.2 Thesis Philosophy

This refers to a set of beliefs that are used to guide and execute a thesis. It represents a worldview that defines to an individual the nature of the situation they find themselves in and their place within it. The thesis will follow a positivist thesis philosophy, referring to the assumption that society should be studied scientifically. In this case, the thesis should be objective and logical. It involved collecting quantitative data using objective thesis methods such as structured interviews, questionnaires and experiments (Chan A.J, 2023)

The thesis applied this principle, as information can be obtained through observation and Measurement, and in this case, assessed how compensation type affected employee performance. Findings can be generalized as the sample will be representative of the organization's stakeholders. Data sources can be accessed numerically and objectively, and they are replicable. The thesis would be systematic, starting with a theory, followed by hypothesis formulation, data collection, and analysis. The thesis was expected to be detached and neutral.

3.3. Thesis Design

According to (University of Southern California, 2025), This referred to the strategy undertaken to combine various aspects of the thesis logically, which was meant to enable the thesis to address the thesis problem. This thesis had a descriptive thesis design, which involved the description of affairs as they are (University of Southern California, 2025). According to (Singh, 2023), descriptive survey was a method used for collecting information to a sample of the subject participants. The aim was to get information on a large population by sampling a sample of it. The descriptive design was chosen based on its efficiency, versatility, and generalizability for this thesis.

This thesis employed a specific design that was used to assess the attitudes and results within a larger sample group, aimed towards conducting a quantitative statistical analysis. Therefore, using qualitative data, the thesis understood outcomes in their natural settings.

3.4 Target Population

This refers to a group of individuals or subjects from which a sample for the thesis is drawn (Willie, 2023). The population for this thesis was considered from Kenya. National Treasury. The thesis targeted non-managerial staff of the National Treasury headquarters, which has a total population of 90 technical officers, 90 assistant officers,90 clerical officers, 30 Principal Officers and five departmental heads. The target for the employees was significant to the thesis in gathering data based on their compensation and job performance. Furthermore, the department managers' consideration was supported by their roles at the head of section level, which involve dealing with junior staff to ensure the organization’s overall performance. Therefore, this gave rich data required for the thesis.

TABLE 1: POPULATION DESCRIPTION

Population type	**Population size**
Principal Officers	90
Technical Officers	30
Technical Assistant Officers	90
Clerical Officers	90
Heads of sections	05
Total	**305**

Source: The National Treasury and Economic Planning (2025)

3.5 Description of Sample and Sampling Procedures

A sample should be sufficiently big to enable an accurate representation of the aspects of the total population. Sampling reflects the traits of which population it is taken from. Purposive sampling was utilized to arrive at five departmental heads, while random sampling was used in sampling staff for the Organization. To determine the appropriate sample size for Officers, the thesis utilized the scientific formula developed by Yamane (1967) with a simple random sampling technique, $n = N / (1 + Ne^2)$

Where:

n = sample size

N = total population (in this case,

300) e = margin of error (at 95%,

e=0.05)

be calculated as follows:

$n = N / (1 + Ne^2)$

n =

300/ (1 + 300× 0.05^2)

n = 300/ (1 + 300× 0.0025)

n = 300/ (1 +0.825)

n = 300/ 1.825

n = 147 Officers

The thesis, therefore used (142 Officers and 5 heads of departments.

TABLE 2: SAMPLING FRAME

Population type	**Population in size**	**Sample frame (%)**	**Sampling technique**
Principal Officers	34	23.1	Random
Technical Officers	30	20.4	random
Technical Assistant Officers	36	24.5	Random
Clerical Officers	42	28.6	Random
Departmental heads	05	3.4	Purposive

TOTAL	**147**	**100**	

Source: Researcher (2025)

3.6 Description of Data Collection Procedures

The student sought permission from the Catholic University of Eastern Africa, stating facts with the intention of carrying out a thesis. This was then followed by getting a thesis permit from NACOSTI. An appointment was then secured with The Kenya National Treasury about the date and time to carry out our data collection. The student then introduced himself to the heads of the sections' office for consent to approach the staff, Quantitative and Qualitative, and was collected separately almost at the same time. The student converted the questionnaire into a Google Form. The form did not require the respondents to indicate personal data on it. The Forms were distributed electronically via WhatsApp, and data was obtained electronically from the student's portal. However, the open-ended responses were obtained physically through face-to-face interactions with the heads of sections.

3.7 Description of Thesis Instruments

Thesis instruments refer to the data collection instruments to be utilized by the thesis. In this thesis, the instruments included the questionnaire and interview guide. A questionnaire refers to a set of questions to be answered by the participants. (Bhat, 2025) The questionnaire formulation was guided by the thesis questions. This instrument was preferred because it is fast and gives information. An interview guide refers to a document that has a set of questions and enables the researcher to structure the way of conducting interviews are conducted. (Howlet, 2025). It indicated what to ask and in

which order. This instrument limited bias, as all the respondents were subjected to the same questions.

3.7.1 Questionnaire for Administrative Staff

As per (Bhat, 2025)a questionnaire represented a suitable, straightforward, and cost-effective method of data collection. In this case, it possessed the capacity to gather a huge amount of information within a relatively short timeframe. According to (Bhat, 2025), questionnaires are advantageous in that they avoid biases from respondents who may be difficult to reach. This thesis utilized both unstructured and structured questions. The structured questions enabled straightforward interpretation and the analysis of gathered data, reducing variability in respondents' responses. Conversely, unstructured questions aimed to elicit information from respondents regarding their experiences related to employee compensation and performance

3.7.2 Interviews Guide for Principal Officers

The interviews enabled the gathering of detailed data that may not be achievable through questionnaires alone. They offered the opportunity to clarify questions and provided flexibility in questioning. Interviews were conducted to obtain information from key respondents, utilizing a structured interview guide to ensure depth of inquiry. This approach was particularly useful as some managers lacked the time to complete a questionnaire. Moreover, the information obtained was sufficient for the thesis objectives. The thesis ensured that individuals participated voluntarily, signed a consent form, which guaranteed the confidentiality of the collected data.

3.8 Pilot test

A thesis was done with a sample of 20 participants (10% of the sample size) from a different Kenya Revenue Authority in Nairobi that did not take part in the actual thesis. The pilot test was used to assess the relevance of thesis objectives. It tested the impact of thesis tools. Before actual data collection, the thesis adjusted the thesis instruments as per the findings of the piloting and the insights. This procedure assisted in modifying the instruments to guarantee their efficacy.

3.9 RELIABILITY AND VALIDITY

3.9.1 Validity of the Thesis Instruments

This is defined as validity, the inquiry into whether a procedure is measuring what it purports to measure (Johnson, 2025). The thesis focused on face and content validity. To enhance face validity of the instruments, the thesis ensured that the questionnaire covered all aspects of the variables and keenly observed if the questionnaires were in alignment with the thesis questions. Further, content validity was ascertained through expert opinions from the department of postgraduate studies and supervisors from CUEA for the appropriateness of the items in relation to the variables of the thesis instruments before administering for pilot testing to determine whether it gives relevant feedback. This helped to clear up any ambiguity of the thesis instruments.

The thesis and the panel interrogated the relevance of each question in measuring the construct under investigation. Moreover, the panel ensured that all dimensions of the construct under the measurements were fully exploited. The opinions of the experts were incorporated into the final questionnaire to be utilized to gather data in the field. For qualitative information instruments, the investigator cross-checked codes by

comparing results that were independently derived. Similar results indicated that the instruments were standard, but dissimilar ones showed that the instruments needed to be investigated further and were adjusted accordingly.

3.9.2 Reliability of Thesis Instruments

The consistency of data or results obtained from a thesis tool across multiple trials was defined as reliability. (Saputra, 2025). A tool was considered reliable if a participant received the same score upon taking the test twice, as determined by the thesis.

According to (Singh, 2023) The test-retest method ensured the reliability of the tools by identifying possible issues, clarifying instruments, and assessing language appropriateness during the main thesis. Pilot testing gauged the relevance of thesis objectives by assessing the comprehensibility of thesis tools. The reliability test was ascertained on how consistently results held up over time.

Before the actual data collection, the thesis instruments were adjusted based on findings of piloting and the response insights. This procedure was assisted in modifying the instruments to guarantee their efficacy. Reliability of the interview guides was ensured through accurate consultation and through analysis by the University thesis experts, the department level and the cross-checking by the supervisors. This helped in tracing errors and humbling the tools before the actual data gathering.

To obtain the Cronbach Alpha reliability coefficient, (Singh, 2023) revealed that a rate of 0.7-1.0 was acceptable, and if otherwise, the instruments were revised and the same process repeated, while the standard minimum value of 0.7 was highly recommended in achieving the Cronbach Alpha reliability coefficient. The thesis employed SPSS Version 27 to compute the two data sets and give the coefficient values.

TABLE 3: INTERNAL CONSISTENCY

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.706	.748	15

The Reliability Statistics table provided relevant insights on the consistency and internal reliability of the measurements for the independent variables in the model. The Cronbach's Alpha is 0.706, indicating the scale had an acceptable level of consistency. Generally, a Cronbach's Alpha value above 0.7 was considered acceptable, suggesting that items used to check the independent variables (bonuses, skill-related pay, merit-related pay, and piece-rate pay are sufficiently reliable and internally consistent.

Furthermore, the Cronbach's Alpha Based on Standardized Items is 0.748, which is slightly higher than the standard Cronbach's Alpha value. This showed that the reliability remained strong even when considering the standardized scores of the items, further affirming the robustness of the measurement. In addition, the N of Items is 15, indicating that there were 15 items in total used to measure the various aspects of stakeholder involvement. The relatively high number of items, combined with the Cronbach's Alpha values, supported the reliability of the scale used in capturing the compensation strategies across the employees' performance. Therefore, the reliability

test confirmed that the measurement instrument used was reliable, and the data collected could be considered consistent and trustworthy for further analysis

3.10 Description of Data Analysis Procedures

Data analysis involved the organization of data to derive valuable insights from it (Karrie A Shogran, 2025). This thesis separately analyzed quantitative and qualitative data. Quantitative data would undergo analysis utilizing measures like frequency distributions, median, mode, mean and standard deviation through SPSS (version 27). The findings were visually tabulated with figures, various tables, graphs, and charts. Narrative thematic analysis was used to note patterns and themes in qualitative data, offering deeper insights into the thesis's objectives. Furthermore, the findings from both datasets were compared to uncover any commonalities or discrepancies. Subsequently, SPSS (version 27) was utilized to compute quantitative statistics like central tendency and dispersion. The analysis data was visualized through figures, tables, and graphs. Correlation analysis and multiple regression analysis were utilized to investigate the connection between Performance-Based Compensation Systems and Employee output within the Kenya National Treasury.

The model equation is as below:

$$\mathbf{Y} = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta X5 + \text{control variables} + \varepsilon$$

Where: Y – Employee performance

X1 – Merit-based Pay

X2 – Skills-based pay

X3– Piece rate pays

X4 – Bonuses

X5 – Size of the Organization

The determination of the moderating effect of the size of the organization in line with the association between the compensation and Employee performance of Kenya National Treasury was perfected.

3.11 Ethical Consideration

Ethical considerations pertain to the moral standards that the thesis must uphold throughout all stages of the thesis design. Special attention was paid to adhering strictly to thesis protocols, especially those involving human subjects. Prior to data collection, the student obtained clearance from the Department of postgraduate Studies of Education, acquired a thesis permit from NACOSTI, and obtained a letter from the Head of Department Postgraduate Studies of CUEA. Only after securing these approvals did the student proceed with the actual fieldwork. During the field work, the respondents had their confidentiality and consent sought; no coercing of participants was practiced. Anonymity, confidentiality and respect were upheld by the student. During writing, appropriate acknowledgement of sources of information was observed, and accurate data was reported.

CHAPTER FOUR

PRESENTATION, DISCUSSION AND INTERPRETATION OF FINDINGS

4.0 Introduction

The section presented findings of primary information, which was obtained using structured questionnaires and interview guide with analysis done using Statistical Package for Social Sciences (SPSS) to analyze quantitative data and which was then presented in frequency distribution pattern. The chapter also, discussed and interpreted the finding under the following areas: bonuses and employee performance, skill related pay and employee performance, merit related pay and employee performance including piece related pay and employee performance. This chapter finally presented findings on the multiple regression for the variable's relationship

4.1 Response Rate

Primary data was obtained from Officers based in the headquarters and the head of departments at the Kenya National Treasury.142 questionnaires were distributed to staff of which only 140 questionnaires were analyzed. This formed a response rate of 98.6%. Further, the thesis's 5 head of sections were considered for the interviews, where 100% turnout was recorded. The rates indicated were above 50% statistical significance, as proposed by (Edwards, 2025). The significance level was affirmed by the percentage, indicating the confidence in the true population whose value lay within the margin of error.

TABLE 4: RESPONSE RATE

Response	Frequency	Percentage
Staff turned up	140	98.6
Unturned up	2	1.4
Total	142	100
Head of departments	5	100

Source: Field Data (2025)

4.2 Demographic Information Officers

Data on the background of Officers was presented. It addressed the areas including their level of education, years in service, age, level of education and Gender. The findings were analyzed in the tables as shown.

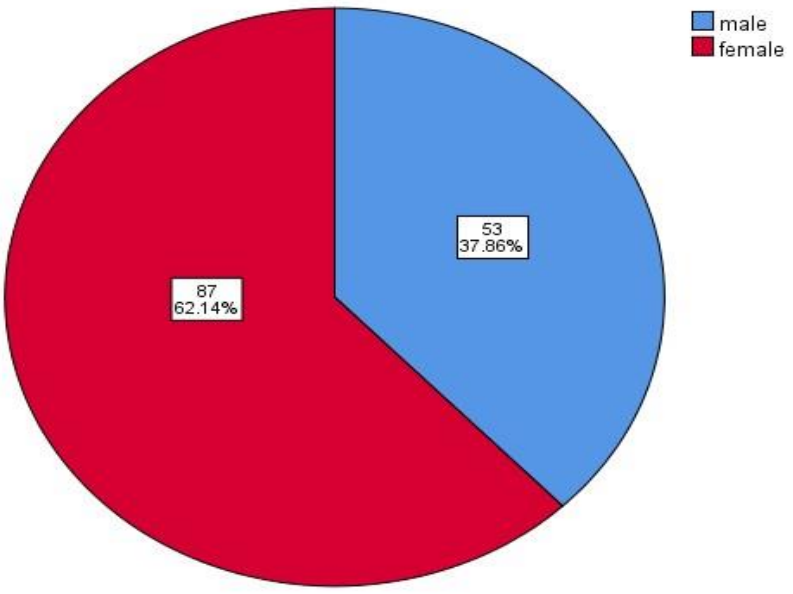


FIGURE 2: GENDER OF THE OFFICERS

The pie chart 4.2 presented the gender composition of Officers at the Kenya National. Treasury, highlighting a notable difference between male and female representation. Out of a total of 140 staff members, 87 are female, accounting for 62.14%, while 53 are male, representing 37.86%. This indicated a significant female majority among the Officers. Such a distribution pointed to a shift towards gender inclusivity in public sector employment. It may also reflect successful efforts to empower women in the workforce, possibly through targeted recruitment or affirmative action initiatives. This gender imbalance in favor of females needs further exploration to enable one to understand the underlying factors that contributed to this trend and to assess its impact on institutional performance and gender equalization objectives.

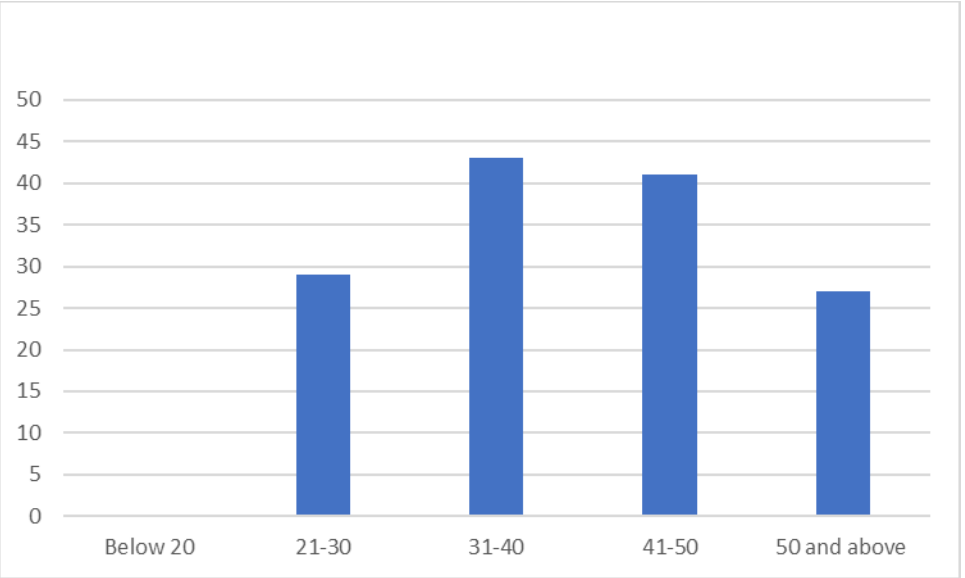


FIGURE 3: FIGURE 4.2. AGE CATEGORY

Figure 4.2 illustrates the distribution of ages of Officers at the Kenya National Treasury; it indicates a broad representation across various age groups. The largest proportion of staff fell in the "31-40 years" category, comprising 43 (30.71%), followed closely by

the "41-50 years" group with 41 (29.28%). The "21–30 years" age group also showed a significant representation with 29 (20.71%), suggesting that a good segment of the staff are mid-career professionals. Notably, younger employees under 40 years represented the highest percentage, which may indicate the presence of entry-level or early-career recruitment programs. Further, the "50 years and above" category had the lowest representation with 27 (19.28%), possibly due to retirements or transitions to senior roles. The data reflected a youthful and balanced workforce with a notable concentration of staff in both early and mid-career stages. This demographic spread may benefit the institution by fostering intergenerational collaboration and ensuring both continuity and innovation within administrative operations.

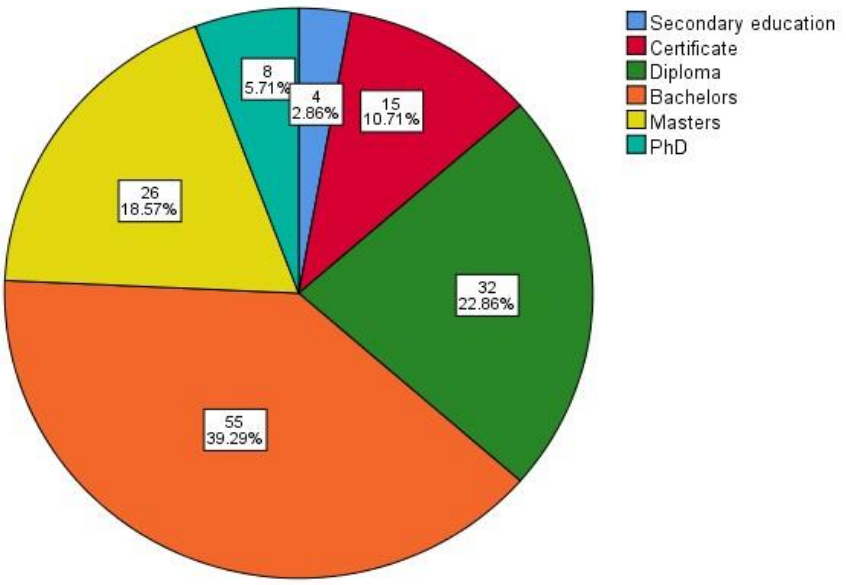


FIGURE 4: LEVEL OF EDUCATION

Analysis of the education level of Officers at the Kenya National Treasury showed that most employees are well-educated. Out of the 140 valid responses, the bulk of staff held a bachelor's degree at 55 (39.3%), diploma holders at 32 (22.9%), with master's degree

holders at 26 (18.6%). A smaller number had certificates, 15 (10.7%), while only 4 (2.9%) had secondary education. Additionally, 8 (5.7%) of the staff reported having PhD qualifications. These findings indicated that most staff had attained higher education, with 132 (94.3%) having at least a diploma. This suggests that the National Treasury places strong value on academic qualifications, which is important for supporting competent service delivery and effective administrative operations.

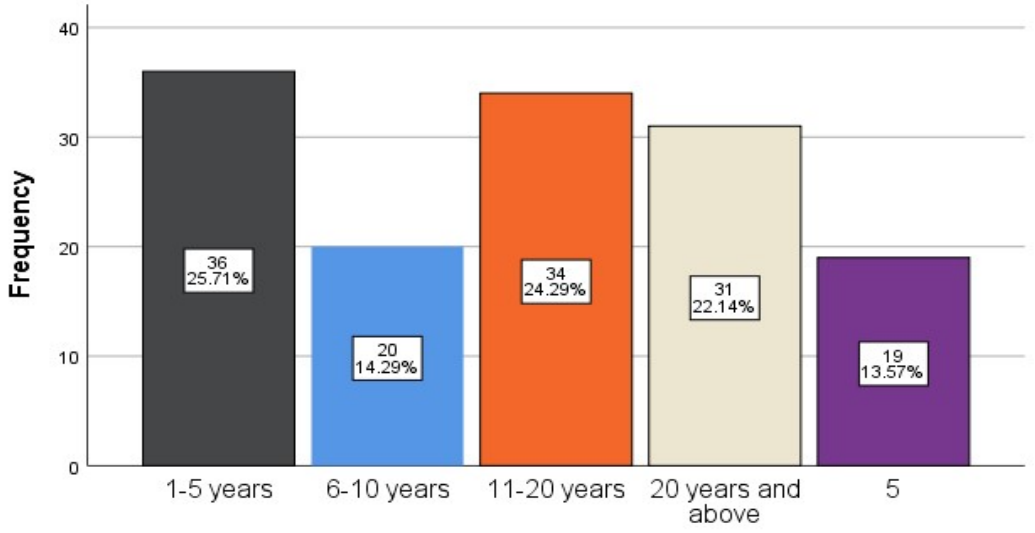


FIGURE 5: WORK EXPERIENCE

The analysis of work experience at the Kenya National Treasury revealed a well-distributed range of professional experience. The highest group had between 1–5 years of experience, totaling 36 (25.7%). This was followed by individuals with 11–20 years of experience at 34 (24.3%), and those with over 20 years of experience at 31 (22.1%). Staff with 6–10 years of experience numbered 20 (14.3%), while a smaller group of 5 (13.6%) had unspecified but likely unique experience durations. These findings suggested a diverse workforce in terms of experience, with a significant number of

employees having extensive service in the public sector. This mix of early career, mid-career, and veteran employees contributed to a balance of innovation and institutional knowledge within the organization, supporting both continuity and adaptation in the organizational functions.

4.2 Bonuses and employee performance

The thesis aimed to evaluate how bonuses influenced the performance of employees at the Kenya National Treasury. Findings of the thesis were presented in Table 4.2.

TABLE 5: BONUSES AND EMPLOYEE PERFORMANCE

Statement	***f(SD) %***	***f(D) %***	***f(N) %***	***f(A)%***	***f(SA) %***	***Mean***	***Std. Dev.***
Bonuses can help connect employee interests with company goals by incentivizing them to contribute to the department's success.	30 (21.4%)	26 (18.6%)	30 (21.4%)	26 (18.6%)	28 (20.0%)	2.97	1.429
Bonuses can boost employee morale and job satisfaction, resulting in higher engagement and productivity.	14 (10.0%)	10 (7.1%)	11 (7.9%)	53 (37.9%)	52 (37.1%)	3.85	1.275

Bonuses are viewed as unjust or arbitrary, particularly if the rules for giving them are ambiguous or subjective.	12 (8.6%)	17 (12.1%)	13 (9.3%)	59 (42.1%)	39 (27.9%)	3.69	1.241
Bonuses are powerful motivators for employees, motivating them to work more and produce greater outcomes.	22 (15.7%)	30 (21.4%)	19 (13.6%)	31 (22.1%)	38 (27.1%)	3.24	1.452
Average						**3.33**	**1.36**

The findings in Table 5 highlighted the perceptions on the role of bonuses in affecting the performance of employees at the Kenya National Treasury.

Regarding the statement that bonuses could boost employee morale and job satisfaction, leading to higher engagement and productivity, 10.0% of respondents disagreed strongly, 7.1% disagreed, 7.9% were neutral, 37.9% agreed, with 37.1% strongly agreeing. This item had the highest mean score of 3.85 and a standard deviation of 1.275, indicating high agreement and relatively low variability. This suggested that most officers viewed bonuses as effective tools for enhancing morale and job satisfaction.

For the perception that bonuses are unjust or arbitrary, particularly when the rules for giving them are ambiguous or subjective, 8.6% strongly disagreed, 12.1% disagreed,

9.3% were neutral, 42.1% agreed, with 27.9% strongly agreeing. The mean of 3.69 and the standard deviation of 1.241 reflected considerable concern about fairness and transparency in bonus distribution among staff.

When asked if bonuses could help align employee interests with organizational goals by incentivizing contributions to departmental success, 21.4% strongly disagreed, 18.6% disagreed, 21.4% were neutral, 18.6% agreed, with 20.0% strongly agreeing. The mean score of 2.97 and standard deviation of 1.429 showed moderate agreement with significant variability, indicating some uncertainty or mixed feelings about the strategic role of bonuses.

Finally, the statement that bonuses were powerful motivators to work harder and produce better outcomes received responses of 15.7% strongly disagreeing, 21.4% disagreeing, 13.6% neutral, 22.1% agreeing, and 27.1% strongly agreeing. The mean score of 3.24 and standard deviation of 1.452 suggested moderate support for the motivational role of bonuses, but also highlight some skepticism.

The average mean score across all statements was 3.33, with an average standard deviation of 1.36, indicating a moderate level of agreement with some variation in perceptions. These results implied that while bonuses are generally valued for their ability to boost morale and motivate employees, concerns about fairness, cost, and alignment with organizational goals persisted. A similar result recorded with (Obiaga J.C., 2021), who indicated that there was a significant relationship between bonuses and productivity, reward and productivity, promotion and productivity in the oil and gas industry in Rivers State.

The findings on qualitative data indicated that the heads of sections viewed that bonuses could be a strategic, flexible tool to reward short-term performance, particularly during

periods of peak demand, such as budget planning and audits. Bonuses were also seen as a valuable non-permanent compensation that would enhance morale, demonstrate appreciation, and boost employee satisfaction and loyalty. While fiscal restraint pressures could result in an attitude of caution, merit-based bonuses could be prioritized where resources allowed, aligning employee efforts with national goals. In addition, bonuses could be used to underpin departmental performance by rewarding teams that meet or exceed their KPIs, thereby promoting a results-oriented culture.

4.3 Skill-based pay and employee performance

Under this, the thesis aimed at seeking explanations for employees' performance as influenced by the skill-based pay in the organization. Results were displayed in Table 4.3.

TABLE 6: SKILL-BASED PAY AND EMPLOYEE PERFORMANCE

Statement	***f(SD) %***	***f(D) %***	***f(N) %***	***f(A)%***	***f(SA) %***	***Mean***	***Std. Dev.***
Skill-based remuneration can drive employees to improve their abilities and performance because they see a direct link between their efforts and rewards	30 (21.4%)	26 (18.6%)	30 (21.4%)	26 (18.6%)	28 (20.0%)	4.33	3.647

Implementing skill-based pay is hard and time-consuming, necessitating the creation of defined criteria and evaluation mechanisms.	14 (10.0%)	10 (7.1%)	11 (7.9%)	53 (37.9%)	52 (37.1%)	3.76	1.187
Employees may become more involved in their work if they see their efforts and skills acknowledged and rewarded.	12 (8.6%)	17 (12.1%)	13 (9.3%)	59 (42.1%)	39 (27.9%)	3.61	1.279
There is a risk of discrimination if the standards for skill-based remuneration are not explicit or if certain groups are given preference over others in the organization.	22 (15.7%)	30 (21.4%)	19 (13.6%)	31 (22.1%)	38 (27.1%)	2.98	1.412
Average						**3.59**	**1.796**

The data in Table 6 presents Officers' perceptions on the influence of skill-based pay on employee performance at the Kenya National Treasury. The analysis combined frequency distributions with descriptive statistics, including means and standard deviations.

Regarding the statement that skill-based pay could help connect employee interests with company goals by incentivizing contributions to departmental success, 21.4% of respondents strongly disagreed, 18.6% disagreed, 21.4% were neutral, 18.6% agreed, and 20.0% strongly agreed. This item recorded the highest mean score of 4.33 but also an unusually high standard deviation of 3.647, indicating that while there is strong agreement overall, responses varied widely, suggesting differing opinions on how effectively skill-based pay aligned with the interests of organizational goals.

For the assertion that skill-based pay could be costly to the organization, especially if not linked to measurable performance improvements, 25.0% strongly disagreed, 14.3% disagreed, 25.7% were neutral, 17.1% agreed, and 17.9% strongly agreed. The mean score was 3.26 with a standard deviation equal to 1.457, reflecting moderate agreement with some variability, indicating concerns among staff about the financial implications of skill-based pay when it lacked a clear performance linkage.

When asked if skill-based pay could boost employee morale and job satisfaction, resulting in higher engagement and productivity, 10.0% strongly disagreed, 7.1% disagreed, 7.9% were neutral, 37.9% agreed, and 37.1% strongly agreed. This statement received a relatively high mean score of 3.76 and a lower standard deviation of 1.187, showing that many staff recognized the positive effects of skill-based pay on morale and productivity with relatively consistent views.

The statement that skill-based pay was viewed as unjust or arbitrary, especially when the rules for awarding it were ambiguous or subjective, elicited 8.6% strongly disagreeing, 12.1% disagreeing, 9.3% neutral, 42.1% agreeing, and 27.9% strongly agreeing. The mean score of 3.61 and standard deviation of 1.279 indicated a significant concern regarding fairness and transparency in the distribution of skill-based pay.

Lastly, on whether skill-based pay acted as a motivator, encouraging employees to work more efficiently and produce greater outcomes, 15.7% strongly disagreed, 21.4% disagreed, 13.6% were neutral, 22.1% agreed, and 27.1% strongly agreed. With a mean of 2.98 and a standard deviation of 1.412, opinions were somewhat mixed, showing moderate support but also notable skepticism about the motivational power of skill-based pay.

Therefore, the average mean score of 3.59 combined with a higher average standard deviation of 1.796 suggests while skill-based pay is generally seen as beneficial for employee morale and performance, staff opinions vary considerably. Key concerns revolved around the fairness of the pay system and its financial cost, underscoring the need for clear, transparent criteria and performance linkage to maximize the benefits of skill-based pay at the Kenya National Treasury.

Regarding the qualitative information, analysis on how offering skill-based pay had affected the organization in terms of work efficiency received varied arguments as presented by the Departmental Heads.

The interviews revealed that the implementation of skill-based pay would significantly enhance task specialization, foster continuous professional growth, and enhance overall productivity. In this case, it would be expected to help create a meritocracy culture and accountability, where employees were motivated to acquire skills that were relevant for

better compensation, leading to improved standards of performance and decreased reliance on outside consultants.

4.4 Merit-based Pay and Employee Performance

Results of respondents on the influence of merit-related pay and employee performance were analyzed in this section. The thesis result was presented in Table 4.4.

TABLE 7: MERIT-BASED PAY AND EMPLOYEE PERFORMANCE

Statement	***f(SD) %***	***f(D) %***	***f(N) %***	***f(A)%***	***f(SA) %***	***Mean***	***Std. Dev.***
Merit-based compensation encourages employees to work more and perform better to earn more money, resulting in enhanced production and efficiency.	25 (17.9%)	32 (22.9%)	21 (15.0%)	31 (22.1%)	31 (22.1%)	3.08	1.447
Merit-based pay in the organization can be subjective and prone to prejudice, as performance evaluations may be influenced by personal relationships or other non-performance variables.	21 (15.0%)	32 (22.9%)	27 (19.3%)	33 (23.6%)	27 (19.3%)	3.09	1.373

Merit-based pay encourages employees to be more expert and improve their performance to grow in their professions and earn greater compensation.	26 (18.6%)	24 (17.1%)	24 (17.1%)	30 (21.4%)	36 (25.7%)	3.18	1.482
Merit-based pay can result in a more equitable and transparent system for recognizing and paying employees based on their performance, rather than seniority or bias.	18 (12.9%)	13 (9.3%)	18 (12.9%)	40 (28.6%)	51 (36.4%)	3.67	1.380
Merit-based compensation can foster a competitive or even hostile work atmosphere in which individuals are more concerned with surpassing their coworkers than collaborating and working toward common goals.	18 (12.9%)	11 (7.9%)	3 (2.1%)	50 (35.7%)	58 (41.4%)	3.84	1.304

Average	**3.37**	**1.40**

The findings in Table 7 explored how Officers at the Kenya National Treasury perceived influence of merit-based pay on employee performance. In relation to whether merit-based compensation encouraged employees to work harder and be more efficient to earn higher pay, 17.9% strongly disagreed, 22.9% disagreed, 15.0% were neutral, while 22.1% agreed, and another 22.1% strongly agreed. The resulting mean score was 3.08 with a standard deviation of 1.447, indicating a moderately positive perception with a wide spread of opinions, suggesting mixed views on the motivational value of merit-based pay.

Concerning the potential for subjectivity and bias in merit-based pay due to non-performance-related influences such as personal relationships, 15.0% strongly disagreed, 22.9% disagreed, 19.3% were neutral, 23.6% agreed, while 19.3% strongly agreed. The mean score of 3.09 and standard deviation equating to 1.373 points to a relatively balanced distribution of perspectives, with many staff expressing caution over the fairness and objectivity of such compensation schemes.

On whether merit-based pay incentivized employees to improve their expertise and performance for career advancement and increased compensation, 18.6% strongly disagreed, 17.1% disagreed, and 17.1% were neutral. 21.4% agreed and 25.7% strongly agreed. The mean score here was 3.18 with a standard deviation of 1.482, reflecting a moderate agreement and notable variability, indicating that a portion of the staff recognized the professional development benefits of merit-based pay.

The statement that merit-based pay resulted in a more equitable and transparent system of reward received more substantial support. Only 12.9% strongly disagreed, 9.3%

disagreed, and 12.9% were neutral. In contrast, 28.6% agreed and 36.4% strongly agreed. This resulted in a higher mean of 3.67 and a standard deviation of 1.380, suggesting that many staff believe merit-based pay promoted fairness over systems based on seniority or favoritism.

Finally, the concern that merit-based compensation might create a competitive or hostile work environment where individual achievement overshadowed teamwork drew significant agreement. While 12.9% strongly disagreed, 7.9% disagreed, and 2.1% were neutral, a notable 35.7% agreed and 41.4% strongly agreed. This yielded the highest mean score of 3.84 and a standard deviation of 1.304, indicating a strong perception that merit-based pay could undermine collaboration.

On average, the mean score across all statements was 3.37, with an average standard deviation of 1.40. The findings suggested that while administrative staff at the Kenya National Treasury generally see merit-based pay as having potential to drive performance and fairness, they also voiced substantial concerns about subjectivity, competitiveness, and its effects on team dynamics.

4.5 Piece-rate Pay and Employee Performance

This section gave an analysis of the relationships between the piece-rate pay and the performance of employees. Findings were as shown in Table 4.5.

TABLE 8: PIECE-RATE PAY AND EMPLOYEE PERFORMANCE

Statement	f(SD) %	f(D) %	f(N) %	f(A)%	f(SA) %	Mean	Std. Dev.

The piece-rate compensation system's success is significantly influenced by our organizational values of teamwork and innovation.	9 (6.4%)	12 (8.6%)	8 (5.7%)	64 (45.7%)	47 (33.6%)	3.91	1.120
The heads of sections recognize the piece-rate compensation to employees, leading to high performance among the employees.	25 (17.9%)	22 (15.7%)	28 (20.0%)	36 (25.7%)	29 (20.7%)	3.15	1.370
Most of the time, the organization fosters a good method of a piece-rate pay system that motivates employees to strive for excellence and receive performance bonuses.	26 (18.6%)	24 (17.1%)	20 (14.3%)	33 (23.6%)	37 (26.4%)	3.22	1.453
The lack of flexibility in the organizational	16 (11.4%)	5 (3.6%)	11 (7.9%)	59 (42.1%)	49 (35.0%)	3.85	1.230

compensation system affects piece-rate pay to employees, thus limiting individual creativity and innovation, which are essential for maximizing the benefits of performance.							
Open communication and transparency within the organization hinders piece-rate compensation, thus low morale among the employees.	9 (6.4%)	7 (5.0%)	12 (8.6%)	62 (44.3%)	50 (35.7%)	3.97	1.135
Average						3.62	1.26

The findings in Table 8 present the officers' perspectives on how piece-rate pay influenced employee performance at the Kenya National Treasury. A significant proportion of officers agreed that the piece-rate compensation system was closely aligned with the organization's values of teamwork and innovation. Specifically, 45.7% agreed and 33.6% strongly agreed, 6.4% strongly disagreed, 8.6% disagreed, and 5.7% were neutral. The mean score for this item was 3.91, with a standard deviation of 1.120, indicating a high level of agreement with relatively low variability of opinions. This

suggested that staff recognized a strong link between organizational culture and the effectiveness of piece-rate pay systems.

Regarding whether management recognized and appropriately applied piece-rate compensation to drive employee performance, 25.7% agreed 20.7% strongly agreed. However, 17.9% strongly disagreed, 15.7% disagreed, while 20.0% were neutral.

The mean score stood at 3.15, with a standard deviation of 1.370, pointing to a moderate level of agreement, tempered by a broad spread in responses. This implied that while some employees felt acknowledged and motivated by this system, others were uncertain or dissatisfied with its implementation.

On whether the organization generally fostered an effective piece-rate pay system that motivated staff to excel, opinions were varied. 23.6% agreed, 26.4% strongly agreed, a sizable 18.6% strongly disagreed,17.1% disagreed, with 14.3% remaining neutral. The mean score of 3.22, with a standard deviation of 1.453, indicates a moderate endorsement but also a relatively high variability, suggesting that the system's perceived consistency and fairness may need strengthening.

A large portion of respondents agreed that inflexibility in the compensation system limited the effectiveness of piece-rate pay by stifling creativity and innovation. Specifically, 42.1% agreed and 35.0% strongly agreed, whereas only 11.4% strongly disagreed, 3.6% disagreed, and 7.9% were neutral. This item recorded a high mean of 3.85 and a standard deviation of 1.230, indicating strong agreement with this concern. This suggested a perception that rigidity in pay structures may hinder individual initiative and optimal performance outcomes.

Finally, when asked whether open communication and transparency within the organization hindered piece-rate compensation and reduced morale, 44.3% agreed and

35.7% strongly agreed, while a small percentage of 6.4% strongly disagreed, 5.0% disagreed, and 8.6% were neutral, holding opposing views, the resulting mean of 3.97 and standard deviation of 1.135 reflected the highest average agreement across all items, signaling strong concern that existing communication practices negatively affected how compensation systems were perceived and their impact on morale.

The average mean score across the five statements was 3.62, with an average standard deviation of 1.26. These findings indicated a generally positive perception of piece-rate pay's potential to boost performance when aligned with organizational values and flexibility. However, notable concerns persisted regarding system recognition, perceived fairness, and the impact of communication and structural rigidity. Addressing these areas could enhance the effectiveness of piece-rate compensation at the Kenya National Treasury.

The findings from interviews indicated that while piece rate payment was not very common in public places, its potential use, especially in project-based and task-specific work, could allow faster execution of tasks, higher levels of responsibility, and a stronger focus on output than on time taken. In other sectors, it has proved especially effective in areas such as data entry, digitization, and document processing, where both quantity and accuracy are essential. The model would also encourage healthy competition and productivity through performance-based remuneration, supported by mechanisms for maintaining quality.

4.7 Employees' Performance

The section analyzed data regarding the general performance of employees at the Kenya National Treasury. Results are tabulated in Table 4.7.

TABLE 9: EMPLOYEES' PERFORMANCE

Statement	*f(SD) %*	*f(D) %*	*f(N) %*	*f(A)%*	*f(SA) %*	*Mean*	*Std. Dev.*
The Kenya National Treasury's workers constantly display professionalism and efficiency in work administration.	7 (5.0%)	4 (2.9%)	9 (6.4%)	71 (50.7%)	49 (35.0%)	4.07	1.047
The organization continually meets its objectives.	9 (6.4%)	9 (6.4%)	7 (5.0%)	61 (43.6%)	54 (38.6%)	4.02	1.127
Some staff in the organization may lack the requisite training or knowledge to carry out their day-to-day tasks.	7 (5.0%)	9 (6.4%)	8 (5.7%)	57 (40.7%)	59 (42.1%)	4.08	1.144
The organization employs professional and knowledgeable workers who efficiently manage the workflow and processes.	13 (9.3%)	8 (5.7%)	7 (5.0%)	65 (46.4%)	47 (33.6%)	3.89	1.248
Average						**4.02**	**1.14**

The findings from Table 9 reflected Officers' perceptions regarding organizational efficiency, staff competence, and performance standards at the Kenya National Treasury. The analysis combined frequency distributions with descriptive statistics, namely mean scores and standard deviations, to interpret the staff's responses.

A substantial majority of respondents affirmed that the organization's employees consistently demonstrated professionalism and efficiency in work. Specifically, 50.7% agreed and 35.0% strongly agreed with this statement, while only a small fraction—5.0% strongly disagreed and 2.9% disagreed. The mean score for this item was 4.07 with a standard deviation of 1.047, indicating a high level of agreement and a relatively low dispersion in views.

Likewise, the statement that the organization continually meets its objectives garnered a substantial level of agreement. A total of 43.6% agreed and 38.6% strongly agreed, whereas only 6.4% each strongly disagreed. The corresponding mean score of 4.02 and standard deviation of 1.127 highlighted a consensus on the organization's goal attainment effectiveness.

The perception that some staff may lack the necessary training or knowledge to execute their tasks effectively received the highest mean score at 4.08, with 42.1% strongly agreeing and 40.7% agreeing. This suggested a notable concern among respondents about gaps in staff preparedness, even though a minority expressed disagreement (5.0% strongly disagreed, 6.4% disagreed). The standard deviation of 1.144 reflected a moderate variation in responses.

Regarding the employment of professional and knowledgeable Officers who efficiently managed the workflow and processes, 46.4% agreed and 33.6% strongly agreed with the statement. However, a higher proportion than other items, 9.3% strongly disagreed

and 5.7% disagreed, expressed dissent, possibly reflecting isolated experiences of inefficiency or unprofessional conduct. The item recorded a mean of 3.89 and a relatively higher standard deviation of 1.248, indicating more variability in perception compared to the other statements.

On average, the mean score across the four items stood at 4.02 with a standard deviation of 1.14, signifying overall positive perceptions regarding professionalism, efficiency, and organizational effectiveness, albeit with some concerns over staff training and individual competence. These findings suggested that while the Kenya National Treasury is generally seen as a professional and goal-oriented institution, attention to staff development remains an important area for improvement.

From the heads of sections' overall view, the general performance of employees in terms of the organization's compensation system was generally viewed as satisfactory, particularly when performance-based compensation elements were integrated. Respondents also viewed that basic pay structure ensured stability; however, it did little to reward exceptional performance.

Management acknowledged that timely reviews and integration of flexible compensation structures would improve staff performance. Furthermore, the question inquired about how the head of departments would mitigate the deficiency in the compensation scheme to ensure timely and efficient work. The heads of sections advocated for the adoption of hybrid compensation models that would combine basic salary with performance-based bonuses, ensuring alignment of employee efforts with departmental goals

4.8 Regression Analysis

This section analyzed data on the influence of the independent variable on the dependent variable. It looked at the coefficient, collinearity model summary, and normality.

TABLE 10: MODEL SUMMARY

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics R Square Change	F Change	df1	df2	Sig. F Change
1	.947[a]	.897	.814	0.046	.814	10.87	4	5	.011

a. Predictors: (Constant), Piece Pay, Merit Pay, Bonuses, Skill Pay

b. Dependent Variable: Organization Performance

The dataset contained 10 observations. In this case, employee Performance had scores ranging between 3.8 and 4.1 on a 5-point scale. On the other hand, Compensation-related factors relating to Bonuses, Piece Rate, Merit Pay and Skill Pay also had value ranges between about 3.0 and 4.3. The findings noted a significant proportion of variance of performance, with R^2 being equal to 0.897 and the adjusted R^2 being equal to 0.814. The data also indicated that bonuses had a positive and significant effect with a value of p being equal to 0.033, Merit Pay had a negative but not significant effect of p being equal to 0.091,Piece Rate on the other hand also had a positive effect, which was marginal with a p value being equal to 0.098, while Skill Pay had a weak positive effect although non being significant with a p value being equal to 0.282. The data in this case indicated that: Bonuses seemed to be the most influential and significant

predictor of Employee Performance, while other aspects had weaker or non-significant contributions.

TABLE 11: COEFFICIENTS

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	2.845	.412		6.905	.000		
	Bonuses	.112	.045	.161	2.489	.014	.978	1.023
	Skill Pay	.094	.041	.168	2.293	.024	.975	1.026
	Merit Pay	.087	.043	.144	2.023	.045	.993	1.007
	Piece Pay	.139	.054	.176	2.574	.011	.988	1.012

a. Dependent Variable: Organization Performance

The coefficients in Table 4.9 demonstrate that all pay strategies, Bonuses, Skill Pay, Merit Pay, and Piece Pay, had a positive and statistically significant influence on organizational performance. The unstandardized coefficients (B) indicated that the expected increase in organizational performance for each unit increased in the respective pay component. Notably, Piece Pay (B = 0.139, p = .011) had the most potent positive effect, followed closely by Bonuses (B = 0.112, p = .014), Skill Pay (B = 0.094, p = .024), and Merit Pay (B = 0.087, p = .045). These values suggested that improvements in these compensation models were likely to enhance performance outcomes within the organization.

Furthermore, the standardized Beta coefficients reinforced these findings, with all variables showing moderate positive contributions, ranging from 0.144 to 0.176.

These standardized values allowed for comparison across the variables and indicated that Piece Pay exerted the most significant relative influence on performance, followed by Skill Pay, Bonuses, and Merit Pay. Collinearity statistics also supported the reliability of these results. All tolerance values

are near one, and the VIF values ranged from 1.007 to 1.026, indicating that

multicollinearity was not a concern in the model. This ensured that each variable's effect is independently measured, and the regression coefficients are stable. Therefore, the analysis provided strong evidence that the four pay strategies contributed positively and significantly to enhancing organizational performance, with Piece Pay being the most impactful among them.

TABLE 12: COLLINEARITY DIAGNOSTICS

Collinearity Diagnostics

Model	Dimension	Eigenvalue	Condition Index	Variance Portions (Constant)	Bonuses	Skill Pay	Merit Pay	Piece Pay
1	1	4.812	1.000	0.00	.00	.00	.00	.00
	2	0.075	8.015	0.02	.00	.82	.15	.01
	3	0.058	9.090	0.01	.74	.07	.20	.02
	4	0.035	11.694	0.03	.03	.07	.40	.47
	5	0.020	15.488	0.94	.22	.04	.26	.49

a. Dependent Variable: Organization Performance

The collinearity diagnostics indicated that there were no significant multicollinearity concerns among the independent variables: Bonuses, Skill Pay, Merit Pay, and Piece Pay in predicting organizational performance. The highest condition index recorded is 15.488 in Dimension 5, which is below the threshold of 30 commonly used to signal serious multicollinearity. This suggested that the predictors did not exhibit excessively high intercorrelations that would undermine the regression model.

In Dimension 5, although the variance proportions for the predictors were relatively high, ranging from 0.74 to 0.82 for Merit Pay, Bonuses, Skill Pay, and Piece Pay, these proportions were not accompanied by a critical condition index, meaning that the shared variance did not pose a statistical threat to the model's reliability. In other dimensions (1 through 4), both the condition indices and the variance proportions were well within acceptable ranges, further reinforcing the model's robustness.

Based on these diagnostics, the independent variables contributed uniquely to the model, and the analysis results could be interpreted with confidence. No evidence of multicollinearity would distort coefficient estimates or reduce the explanatory power of the regression. This confirmed that the pay strategies could be independently analyzed for their effect on organizational performance.

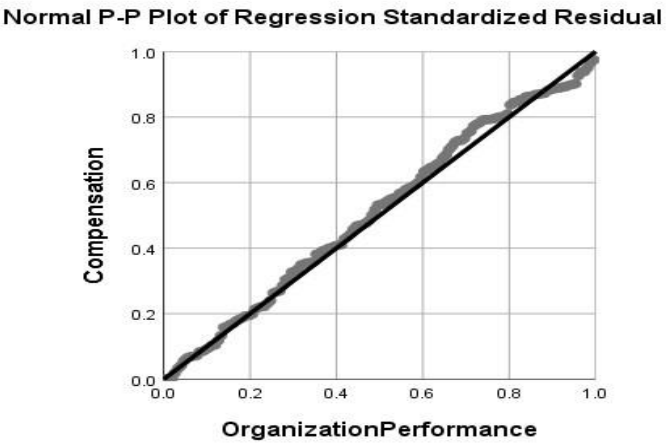


FIGURE 6: NORMALITY TEST

The Normal P–P Plot of the regression standardized residuals (Figure 4.5) was used to assess whether the residuals were normally distributed, a key assumption when conducting linear regression analysis. On the graph, the observed cumulative probabilities of the standardized residuals run close to the expected regular distribution line (the 45-degree diagonal), indicating the residuals were approximately normally distributed. The points were primarily massed on the line, though slightly deviating from both ends, which was acceptable. The line of best fit was also the same as the expected pattern, confirming the normality of the residuals. The assumption of normality was therefore fulfilled, meaning the outcome of the regression was statistically sound and reliable for interpretation

4.9 Hypothesis Testing

This section analyzed data on a Pearson Correlation test, guided by the following H_0: Bonuses had no statistically significant influence on employee performance, Skill based pay had no statistically significant impact on employee performance, Merit-based pay had no statistically significant influence on employee performance at the Kenya

National Treasury and Piece-rate pay had no statistically significant effect on employee performance at the Kenya National Treasury.

TABLE 13: CORRELATIONS OF COMPENSATION SYSTEM AND EMPLOYEES' PERFORMANCE

Correlations

		Bonuses	Skill-based Pay	Merit-based Pay	Piece-rate Pay
Bonuses	Pearson Correlation	1	.480**	.320**	.210*
Skill-based Pay	Pearson Correlation	.480**	1	.410**	.250**
Merit-based Pay	Pearson Correlation	.320**	.410**	1	.290**
Piece-rate Pay	Pearson Correlation	.210*	.250**	.290**	1
Sig. (2-tailed)			.000	.002	.030

The thesis on the correlation between different forms of compensation systems and performance at the Kenya National Treasury showed some statistically significant findings. In this case, indicating a slight positive statistically significant correlation between bonuses and employee performance, with a correlation coefficient of r = .480 and a p-value less than .001. This indicated that employee performance increased with an increase in bonuses. Thus, based on this evidence, the hypothesis that bonuses statistically did not impact employee performance was rejected. The findings showed

that bonuses were a strong motivational factor and statistically had a significant influence on increasing productivity among employees.

Similarly, the relationship between skill-based pay and employee performance was statistically significant with a correlation coefficient of r = .410 and a p-value less than .01. This positive moderate association implied that remunerating employees based on their skill levels was associated with increased performance. The null hypothesis that skill-based pay had no significant effect on the performance of employees was therefore rejected. This confirmed the notion that skill-based pay encouraged employees to enhance their competencies and utilize them optimally in their work.

The thesis also indicated a statistically significant positive relationship between pay based on merit and performance among employees, though weaker (r = .320, p = .002). This finding illustrates that employees who are paid for their performance or level of achievement perform better. The hypothesis that pays based on merit had no statistically significant impact on employee performance was rejected, corroborating the application of merit systems to generate high performance.

Finally, piece-rate pay had a weak but statistically significant positive relationship with the performance of workers, with a correlation coefficient of r = .210 and a p-value of .030. Although the relationship was not as strong as when other forms of pay are used, it did show that paying workers based on the quantity of their production could improve performance. Therefore, the hypothesis that piece-rate pay had no statistically significant effect on the employees' performance was also rejected.

TABLE 14: CORRELATION OF THE INTERVENING EFFECT OF PERFORMANCE OUTPUTS

PERFORMANCE OUTPUT		Thoroughness and adherence to standards of work quality	Work experience	Time spent in completing tasks	Bonuses	Skill Pay	Merit Pay	Piece Pay	Employee Performance
Level of education	1	.157	.053	-.121	-.145	-.064	-.158	.084	-.049
Ages	.157	1	-.029	-.025	-.064	.022	-.065	.112	.014
Work experience	.053	-.029	1	-.060	.129	-.126	.164	.014	.181*
Gender	-.121	-.025	-.060	1	.231**	.060	-.200*	.024	-.009
Bonuses	-.145	-.064	.129	.231**	1	.140	.001	-.066	.026
Skill Pay	-.064	.022	-.126	.060	.140	1	-.041	.070	-.074
Merit Pay	-.158	-.065	.164	-.200*	.001	-.041	1	-.032	-.102

Piece Pay	.084	.112	.014	.024	-.066	.070	-.032	1	.186*
Employee Performance	-.049	.014	.181*	-.009	.026	-.074	-.102	.186*	1

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Table 4.11 presents a correlation matrix analysis, providing insights into the relationship between the intervening variables and the Officers' performance, as well as the impact of various compensation approaches on these variables. Of the four intervening variables — work experience, age, level of education, and gender — only "work experience" correlated positively and significantly with employee performance ($r = .181$, $p < 0.05$). This suggests that when employees work to meet or exceed performance goals, overall job performance improves. This finding emphasized the importance of goal setting and employee motivation in maximizing workplace performance.

On the other hand, "Level of education " and "age" exhibited weak and non-significant relationships with worker performance ($r = -0.049$ and $r = 0.014$, respectively). While these were critical qualities for ensuring quality and compliance, they did not appear to influence worker performance directly as measured by this thesis. Similarly, "Gender" showed a tiny and non-significant negative correlation with employee performance ($r = -0.009$), implying that gender alone did not have a significant impact on the overall performance unless it was responsible for more tangible or quantifiable effects.

Subtler tendencies were apparent in the interaction between independent variables (Bonuses, Skill Pay, Merit Pay, and Piece Rate Pay) and intervening variables. Bonuses were positively and significantly related to "gender" ($r = .231$, $p < 0.01$), in the sense

that employees given bonuses may take longer to complete tasks, possibly hoping to improve quality or meet expectations. Bonuses correlated weakly negatively with accuracy and completeness, which suggested a potential trade-off where bonuses rewarded time taken rather than attention to detail or consistency.

Merit pay was negatively associated with "gender" ($r = -0.200$, $p < 0.05$), indicating that merit workers may be more concerned with achieving tasks quickly and effectively than with dedicating long hours to them. Interestingly, merit pay was also moderately, though not significantly, associated with work experience ($r = .164$), which was the very reason for providing rewards to high performers.

Piece-rate pay, which pays employees based on the quantity produced, correlated weakly with "level of education" ($r = .084$) and "age" ($r = .112$), but not significantly. More notably, piece-rate pay was strongly positively correlated with employee performance ($r = .186$, $p < 0.05$), suggesting that employees paid by the output unit were not only more productive but possibly quality-oriented as well.

Skill-related pay, which rewarded workers for qualifications or skills, correlated generally low and non-significantly with all intervening variables. This suggests that without direct links to performance outputs or task expectations, skill-based pay may not significantly influence work actions such as attention to detail, accuracy, or goal achievement.

Therefore, the thesis demonstrated that among the intervening variables, work experience was the strongest predictor of worker performance. Additionally, pay-for-performance or piece-rate payment systems exercised more influence over task-specific behaviors such as gender, as do skill or merit pay systems. The findings highlighted the

value of linking reward systems to unambiguous performance goals and the motivational effectiveness of task-based compensation.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The section had a summary of findings about compensation strategies vis-à-vis employees' performance. It further had sections on recommendations, conclusions, recommendations, and suggestions for future studies.

5.2 Summary of Findings

In terms of the bonuses and employee Performance, findings revealed that bonuses could have a huge impact on employee performance. Findings had a strong positive correlation between bonus provision and employee output, motivation, and commitment. Employees who regularly received bonuses based on performance targets exhibited improved attendance, efficiency, and productivity. Additionally, the thesis found that monetary bonuses also served as short-term motivators that could trigger increases in task completion rates and goal orientation. The departmental heads further revealed that bonuses were perceived as tokens of appreciation that reinforced employees' efforts. Respondents expressed satisfaction when bonuses were distributed fairly and promptly. The potential use of bonuses as a means of reward was viewed positively by the heads of sections. In this case, the opinion is that if used within the organization’s financial capabilities, it would help encourage employees to achieve their goals and objectives.

On skill-related pay and employee performance, findings indicated that skill-based pay could positively affect employee performance by encouraging professional development and multi-skilling of Officers. Employees receiving compensation tied to their acquired competencies were more likely to pursue additional training, adapt to organizational changes, and take on varied roles. The data reflected improved job flexibility and increased efficiency among employees under a skill-based pay structure. The heads of sections of the departments emphasized that employees felt empowered and valued when their unique skill sets were recognized and rewarded. This type of pay system encouraged the implementation of continuous learning and innovation, which translated into improved quality of work and greater contribution to team success. However, some respondents noted challenges in the practical implementation of skill-based pay, such as inconsistent assessment of skills and limited training opportunities.

In relation to merit-related pay and employee performance, findings showed that merit-based pay could significantly improve performance when aligned with transparent performance appraisal systems. Furthermore, findings showed that employees who received pay increases based on merit demonstrated higher levels of accountability, goal commitment, and task completion. Merit pays encouraged competition and drove individual excellence. Qualitative reports supported these findings, with employees expressing that they could work harder when efforts were acknowledged through merit increases. However, concerns were raised about favoritism and a lack of clear performance metrics.

In terms of Piece-rate pay and the performance of employees. Findings indicated that piece-rate pay, where employees could be compensated based on the quantity of work completed, had mixed effects on employee performance. The findings indicated that

piece-rate systems could lead to short-term spikes in productivity, particularly in roles with repetitive, measurable outputs. However, this pays model sometimes led to quality compromises as employees rushed to increase their output. Further, it emerged from the departmental heads that while piece-rate pay incentivized speed and output, it could lead to stress, fatigue, and job dissatisfaction. Some respondents also noted that the system was not suitable for all roles, especially those that require creativity, teamwork, or complex decision-making. Furthermore, employees expressed concerns over unrealistic targets and inequitable workloads.

The heads of sections noted that although piece rate pay was not an option in the mainstream civil service, it could be used in special programs such as Kazi Mani and other community-based initiatives to increase productivity.

The heads of sections viewed organizational performance as satisfactory. It was also noted that, in their opinion, performance-related rewards could further increase organizational performance. Basic pay, despite being a stable source of income, was viewed as not adequately rewarding exceptional performance. The heads of sections also advocated for a possible mixed use of compensation models that would combine basic salary with performance-based rewards, ensuring alignment of employee efforts with departmental goals.

5.3 Conclusions

Conclusion based on the four research objectives are as follows: -

To examine how bonuses influenced employee performance at The Kenya National Treasury: the thesis concluded that bonuses could significantly enhance employee performance when implemented transparently and fairly within organizations. It was

also noted that employees who could regularly receive bonuses tied to their performance targets reported increased motivation, job satisfaction, and productivity. The sense of being appreciated through monetary rewards encouraged them to commit more fully to their tasks and responsibilities.

To examine how skill-based pay influenced employee performance at The Kenya National Treasury: Skill-based pay was also found to positively impact employee performance by promoting continuous learning and versatility. In this regard, employees who were rewarded based on the acquisition and application of new skills demonstrated greater adaptability, innovation, and willingness to take on complex responsibilities. This approach fostered a performance-driven culture focused on growth and personal development.

To determine how merit-based pay influenced employee performance at The Kenya National Treasury: Merit-based pay also showed a strong link to improved employee performance, particularly when performance appraisal systems were transparent and well-structured. In instances when employees believed that their salary increases reflected their efforts and achievements, they exhibited higher levels of accountability, goal commitment, and work excellence. However, the effectiveness of this pay system depended heavily on the perceived fairness of the evaluation process.

To evaluate how piece rate pays influenced employee performance at The Kenya National Treasury: The piece-rate pay system ideally could yield to mixed results. While this can lead to increased output in roles with some level of measurable tasks, it was noted that it could compromise work quality and employee well-being. The focus on quantity over quality could also lead some employees to experience pressure, fatigue,

and dissatisfaction, especially when performance targets were perceived as unrealistic or inequitable.

Conclusions on intervening variables were as follows:

Gender: The Organization highlighted a notable difference between male and female representation with 62.14%, being female while males representing 37.86%. This points to a shift towards gender inclusivity in public sector employment. It may also reflect successful efforts to empower women in the workforce, possibly through targeted recruitment or affirmative action initiatives.

Ages. The largest proportion of staff fell in the "31-40 years" category, comprising 30.71% followed closely by the "41-50 years" group with 29.28% The "21–30 years" age group also showed a significant representation with 20.71% suggesting that a good segment of the staff are mid-career professionals. Notably, younger employees under 40 years represented the highest percentage, which may indicate the presence of entry-level or early-career recruitment programs. Further, the "50 years and above" category had the lowest representation with 19.28% possibly due to retirements or transitions to senior roles.

Education level: The bulk of staff hold a bachelor's degree at 39.3%, diploma holders at 22.9% with master's degree holders at 18.6%. A smaller number had certificates at 10.7% while 2.9% had secondary education. Additionally, 5.7% of the staff reported having PhD qualifications. These findings indicated that most staff had attained higher education, with 94.3% having at least a diploma.

Work experience: The findings revealed a well-distributed range of professional experience. The highest group had between 1–5 years of experience, totaling 25.7%. This was followed by individuals with 11–20 years of experience at 24.3% and those

with over 20 years of experience at 22.1% Staff with 6–10 years of experience were 14.3% while a smaller group of 13.6% had unspecified but likely unique experience durations.

5.4 Recommendations

The thesis recommended the following:

Organizations should develop and institutionalize transparent, performance-based bonus systems tied to clear and measurable performance indicators to ensure fairness and boost employee motivation.

Skill-based pay structures could be implemented with a standardized criterion for assessing skills, alongside accessible training and development programs, to promote professional growth and enhance overall performance.

Performance appraisal systems that support merit-based pay could be objective, consistent, and participatory, ensuring that employees were aware of how their efforts influenced their compensation and career progression.

Piece-rate pay could be applied selectively to appropriate roles with quantifiable outputs. It could be accompanied by quality controls and safeguards to protect employee well-being and ensure sustainable productivity.

The National Treasury could implement various policy directions based on the main theory of Scientific Management theory, that includes: -

Including non-monetary incentives that will encourage individuals to perform as expected e.g. providing training opportunities to performing Officers and recognition at departmental levels.

Ensuring that there is a transparent manner in which rewards and sanctions are implemented. In this case officers are aware of what is expected, how to get the results and what the seek to gain from the outcome

There should be a preterminal structured way of recruitment and selecting Officers for training opportunities. In this case the organization will get individuals with relevant and required skills, while continuous training will ensure that individuals are able to perform at the required standards

5.5 Suggestions for Further Studies

Future thesis could also explore the comparative long-term effects of various pay in return for performance strategies (bonuses, merit-related pay, skill-related pay, and piece-rate pay) on employee retention and organizational commitment across different industries.

Another thesis could investigate the psychological and emotional impact that relates to performance- based compensation systems and their impact on employee stress levels and motivation

sustainability, organizational culture, especially in high-pressure environments.

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APPENDICES

APPENDIX I: INTRODUCTION LETTER

Dear respondent,

RE: DATA COLLECTION

I, William Owino Nyamunga, am a postgraduate student at the Catholic University of Eastern Africa, is carrying out a thesis on 'PERFORMANCE BASED COMPENSATION SYSTEMS AND EMPLOYEE PERFORMANCE, A CASE OF THE KENYA NATIONAL TREASURY hereby requests you to take a few minutes to respond to the questionnaire attached herewith. Information obtained will be treated with utmost confidentiality and will only be used for academic purposes. Please note that you are not obligated to indicate your name.

Kind regards.

William Owino Nyamunga

1028178

APPENDIX II: QUESTIONNAIRES FOR STAFFS AT THE KENYA NATIONAL TREASURY

This questionnaire is developed to gather information on the performance-based compensation systems and employee performance, a case of the Kenya National Treasury'.

Confidentiality clauses:

The response provided will be used for academic purposes and will be strictly confidential.

Section A: Demographic Data

What is your gender?

Male [] Female []

Kindly specify your age category.

Below 20 years [] 21-30 years [] 31-40 years [] 41-50 years [] 50 years and above []

Kindly state your highest education level

Secondary education [] Certificate [] Diploma [] Bachelors [] Masters [] PhD []

What is your work experience at the Kenya National Treasury?

1-5 years [] 6-10 years [] 11-20 years [] 20 years and above []

Section B: Bonuses and employee performance

5. To what extent do you agree or disagree with the statements regarding how bonuses influence employee performance at the Kenya National Treasury? Kindly tick (√) Once per the question in the box provided below, taking a Likert scale of 1-5, where 1 = Strongly Disagree, 2= Disagree, 3= Neutral, 4=Agree, 5= Strongly Agree.

Statement	**1**	**2**	**3**	**4**	**5**
Bonuses can help connect employee interests with company goals by incentivizing them to contribute to the department's success.					
Bonuses can boost employee morale and job satisfaction, resulting in higher engagement and productivity.					
Bonuses are viewed as unjust or arbitrary, particularly if the rules for giving them are ambiguous or subjective.					
Bonuses are powerful motivators for employees, motivating them to work more and produce greater outcomes.					

Section C: Skill-based pay and employee performance

6. Indicate the degree to which you attach the respective statement on the influence of skill-based pay on employees' performance. Kindly tick the appropriate box guided by the Likert scale, where: (**1 = Strongly Disagree, 2= Disagree, 3= Neutral, 4=Agree, 5= Strongly Agree**).

Statement	**1**	**2**	**3**	**4**	**5**
Skill-based remuneration can drive employees to improve their abilities and performance because they see a direct link between their efforts and rewards.					
Implementing skill-based pay is hard and time-consuming, necessitating the creation of defined criteria and evaluation mechanisms.					
Employees may become more involved in their work if they see their efforts and skills acknowledged and rewarded.					

There is a risk of discrimination if the standards for skill-based remuneration are not explicit or if certain groups are given preference over others in the organization.					

Section D: Merit-based pay and employee performance

7. Indicate the extent to which you agree or disagree with the statements on merit-based and employees' performance. Please tick the appropriate box as directed by the Likert scale, where: (1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, and 5 = Strongly Agree).

Statement	**1**	**2**	**3**	**4**	**5**
Merit-based compensation encourages employees to work more and perform better to earn more money, resulting in enhanced production and efficiency.					
Merit-based pay in the organization can be subjective and prone to prejudice, as performance evaluations may be influenced by personal					

relationships or other non-performance variables.					
Merit-based pay encourages employees to be more expert and improve their performance to grow in their professions and earn greater compensation.					
Merit-based pay can result in a more equitable and transparent system for recognizing and paying employees based on their performance, rather than seniority or bias.					
Merit-based compensation can foster a competitive or even hostile work atmosphere in which individuals are more concerned with surpassing their coworkers than collaborating and working toward common goals.					

Section E: Piece-rate pay and Employee Performance

8. Indicate your level of agreement with the statement on piece-rate pay and employees' performance. Kindly tick (√) once per the statement in the box provided below, guided by the Likert scale where: 1 = Strongly Disagree, 2= Disagree, 3= Neutral, 4=Agree, 5= Strongly Agree.

Statement	**1**	**2**	**3**	**4**	**5**
The piece-rate compensation system's success is significantly influenced by our organizational values of teamwork and innovation.					
The heads of sections recognize the piece-rate compensation to employees, leading to high performance among the employees.					
Most of the time, the organization fosters a good method of a piece-rate pay system that motivates employees to strive for excellence and receive performance bonuses.					

The lack of flexibility in the organizational compensation system affects piece-rate pay to employees, thus limiting individual creativity and innovation, which are essential for maximizing the benefits of performance.					
The open communication and transparency within the organization hinder piece-rate compensation, thus low morale among the employees.					

Section G: Employee Performance

10. Show the extent to which you agree or disagree with the statements on the employees' performance. Please tick the appropriate box as directed by the Likert scale, where: (1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, and 5 = Strongly Agree).

Statement	**1**	**2**	**3**	**4**	**5**
The Kenya National Treasury's workers constantly display professionalism and efficiency in					

work administration					
The Organization continually meet its objectives.					
Some staff in the organization may lack the requisite training or knowledge to carry out their day-to-day tasks.					
The Organization employs professional and knowledgeable workers who efficiently manage the workflow and processes.					

11. In your opinion, suggest ways through which compensation at The Kenya National Treasury should be improved to ascertain the performance of the employees.

……

……

……

……..

APPENDIX III: INTERVIEW GUIDE FOR HEADS OF DEPARTMENTS

How has offering skill-based pay affected the organization in terms of work efficiency?

How do the heads of sections view bonuses as a means of compensation to employees?

State ways in which piece rate pay impacts the performance of employees in your organization.

What is the overall view of the heads of sections on the general performance of the employees, regarding the compensation system of the organization?

As a sectional head, how would you mitigate the deficiency in the compensation scheme to ensure timely and efficient work?

APPENDIX IV: DATA COLLECTION PERMIT - CUEA

THE CATHOLIC UNIVERSITY OF EASTERN AFRICA
A.M.E.C.E.A

SCHOOL OF BUSINESS & ECONOMICS
Department of Graduate Business Studies

P.O. BOX 62157 00200 Nairobi – KEN
Tel: 020-2525811-5, 8890023-4,
Email: gbs@cuea.edu or hodgbs@cuea.edu
Website: www.cuea.edu

Our Ref: CUEA/SoBE/GBS/JM/mba.rec/369/2025

27th March 2025

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

RE: WILLIAM OWINO NYAMUNGA – REG NO: 1028178

The above named is a student at The Catholic University of Eastern Africa, Nairobi—Kenya, in the School of Business & Economics, Department of Graduate Business Studies. He is pursuing Master of Business Administration degree (Human Resource Management Option).

As part of the MBA degree requirements, the University expects the student to write a research thesis. William requires your assistance in carrying out his research study by providing him with a research permit and/or the necessary information. His thesis is entitled ***"Performance-based Compensation Systems and Employee Performance: A Case of Kenya National Treasury".***

Any assistance accorded to William will be highly appreciated. All the information provided will be used purely for academic purposes and will be treated with utmost confidentiality.

Thank you.

THE CATHOLIC UNIVERSITY OF EASTERN AFRICA
H.O.D.
27 MAR 2025
GRADUATE BUSINESS SCHOOL
P. O. BOX 62157 - 00200, NAIROBI

Yours faithfully,

Dr. Joseph Macheru, PhD., CPA-K
HEAD OF DEPARTMENT – GRADUATE BUSINESS STUDIES

.....Page 1 of 1

APPENDIXV:THESIS_PERMIT_NACOSTI-

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR
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Ref No: **700639**

Date of Issue: **10/May/2025**

RESEARCH LICENSE



This is to Certify that Mr.. William Owino Nyamunga of Catholic University of Eastern Africa, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: Performance based compensation systems and Employee Performance. A case study of Kenya National Treasury for the period ending : 10/May/2026.

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APPENDIX VI: PLAGIARISM CERTIFICATE

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I HEREBY CONFIRM THAT **WILLIAM OWINO NYAMUNGA** REG NO: **1028178**, SUBMITTED A CHECK OF ANTIPLAGIARISM ON CRITICAL EVALUATION OF **PERFORMANCE BASED COMPENSATION SYSTEMS AND EMPLOYEE PERFORMANCE: THE KENYA NATIONAL TREASURY. A RESEARCH THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF MASTER'S DEGREE OF BUSINESS ADMINISTRATION (MBA) IN HUMAN RESOURCES MANAGEMENT AT THE CATHOLIC UNIVERSITY OF EASTERN AFRICA.**

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