

Influence of Extrinsic and Intrinsic Rewards on Employee Engagement (Empirical Study in Public Sector of Uganda)

Peter Adoko Obicci

POA-Kittim Consultants, Kampala, Uganda

Received 22 December 2014, Accepted 8 February 2015

ABSTRACT:

Considerable attention has been given to the identification of key forms of reward and its linkage to employee engagement. For this purpose following study aims to uncover the influence of extrinsic and intrinsic rewards on employee engagement in the public sector of Uganda. A sample of 184 public sector employees was randomly selected and taken from Gulu district. A quantitative approach based survey in form of closed ended Five Point Likert-Scale questionnaire was designed and used to implore responses from participants. 184 questionnaires was distributed, 180 were returned, processed and only 176 were found usable. Data collected were then analyzed both descriptively and inferentially using SPSS ver. 17. Findings showed that external reward has a positive significant influence on employee engagement. Additionally, the findings also indicated that intrinsic reward has a positive significant relationship with employee engagement. The study highlighted the importance of using both extrinsic and intrinsic rewards for employee engagement. Further implications and future research are discussed.

Keywords: *Employee engagement, Extrinsic rewards, Intrinsic rewards, Public sector, Uganda*

INTRODUCTION

How do public employees perceive their rewards in relation to their engagement given the changing demands of today's work? What perhaps has remained constant in work is change due to harsh economic conditions, continuous innovations and new technology. The change has brought about serious restructure forcing employees to cope with high demands amidst fewer resources (Fairhurst and O'Connor, 2010). It seems likely that these recent changes demand high level of commitment and involvement of employees towards their organization. Kaye and Jordan-Evans (2003) point out that one of the biggest challenges today is to fully engage employees especially by capturing their minds and hearts at each stage of their work lives. This suggests that reward plays a critical role in

determining the organization's ability to attract high potentials; retain highly energized; and self managing employees. However, building employee engagement is not an easy task because employees desire reward that complements the increasing organizational changes and their psychological needs. As one of the fundamentals for sustenance of employee engagement, it has to be appropriately and consistently provided.

There is a heated debate among Experts over what reward is most appropriate for employee engagement. Some Experts advocate complete concentration on financial rewards. The researcher disagrees. In fact, the researcher believes that the increasing organizational changes with their assigned associated

challenges should be handled by providing financial and non-financial rewards to employees if they are to be fully engaged. After all, employees are implementers of organization programs towards achieving its objectives (Senyucel, 2009). Unfortunately, previous studies and literatures have remained mostly at the conceptual level in discussing the link between reward and employee engagement. Much as this seems to be the trend, many researchers disagree on which form of reward best make employees fully engaged. It seems logical that financial rewards alone do not make employees fully engaged but non-financial as well. But propositions regarding both extrinsic and intrinsic rewards have remained largely uninterested and there is a recognized need for more scientific research in this area. More so, the literature on reward tends to focus on a limited aspect. For example, almost all research examining the impact of rewards on organizations focus on base and/or incentive pay, while ignoring other important elements such as recognition rewards (Özutku, 2012). Additionally, almost no studies look at the joint importance of extrinsic and intrinsic rewards on employee engagement. Finally, almost all research focuses on only financial rewards.

The societal and financial pressures on employees in the public sector may be especially challenging for a country such as Uganda, which in 2007 decided to undertake massive decentralization program. In addition, there are characteristics of these pressures that may reduce opportunities for some of the proposed decentralization policy implementation, for instance engagement of employees at the local level. Specifically, not all the local governments in the country have been performing as expected due to factors causing the disengagement of employee as cited by Oyat and Aleni (2013) and Bakibinga et al. (2012). This study is intended for to achieve the major objective of determining the influence of extrinsic and intrinsic rewards on employee engagement in the public sector of Uganda. The paper is organized as follows: Next section is on previous works on extrinsic and intrinsic rewards and employee engagement and suggests a theoretical framework with hypotheses development. After, it discloses the research methodology sections, major findings and results of testing the hypotheses and

discussion section. Finally, the paper ends with managerial implications and conclusion.

Literature Review

Reward

Reward play a vital role in determining the significant performance of an organization and it is positively associated with employee outcomes like engagement. Reward represents what the individual want to obtain from work or what they perceive from cash payments to working conditions (ur Reham et al., 2010). According to Luthans and Peter (2002), there are two basic types of rewards, *i.e.*, extrinsic and intrinsic. Extrinsic reward (also known as financial or tangible or monetary) is majorly financial in nature. It is called “extrinsic” because it is external to the work itself and others control its size and whether or not it is granted. It comprise such elements as pay, fringe benefits, job security, promotion, social climate, competitive salaries, pay raises, merit bonuses, compensatory time off etc. (Mahoney and Lederer, 2006). Intrinsic reward (also referred to as non-financial) on the other hand, is a psychological reward that employees get from doing meaningful work and performing it well. Intrinsic reward is simply the internal feelings of satisfaction, growth, autonomy and self competence an individual experience during his/her career. According to Allen et al. (2004), it comprises achievement, challenge, autonomy, responsibility, variety, personal and professional growth, status recognition, praise from supervisors and co-workers, personal satisfaction, feeling of self-esteem, self-discernment, creativity, opportunity to use one’s skills and abilities, efficient feedback. Reward is therefore, all the economics and psychological benefits supplied by the organization to the employee.

Employee Engagement

Employee engagement, though a relatively new concept in organizational management, is a key driver of organization success. Saks (2006) define employee engagement as the degree to which an individual is attentive to their work and absorbed in the performance of their roles. It requires positive attitude with the focus being formal role performance rather than purely extra-role and voluntary behavior. When

engaged, an employee has cognitive, physical and emotional experience during role performance. He/she is passionate and committed to the organization by being willing to invest oneself and expand one's discretionary effort to help the employer succeed.

According to Baumruk and Gorman (2006), an engaged employee advocates for the organization to co-workers and refers potential employees and customers. Such an employee has an intense desire to be a member of the organization despite opportunities to work elsewhere. He/she exerts extra time, effort and initiative to contribute to the success of the organization. The engaged employee has a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption (Schaufelli et al., 2002). Vigor is characterized by high levels of energy and mental resilience while working, the willingness to invest efforts in one's work, and the persistence even in the face of difficulties. Dedication refers to being strongly involved in one's work, and experiencing a sense of significance, enthusiasm, inspiration, pride and challenge. Absorption is characterized by being fully concentrated and happily engrossed in one's work, whereby time passes quickly and one has difficulties with detaching oneself from work. Cooper-Hakim and Viswesvaran (2005) contend that engagement is highly dependent on three psychological states: meaningfulness, safety, and availability. The psychological state of *meaningfulness* is a sense of return on investments of self in role performance, whereas *safety* is the sense of being able to show and employ self without fear or negative consequences to self-image, status, or career and finally *availability* is the sense of possessing the physical, emotional, and psychological resources necessary. Hence, employee engagement augur for employees' condition having organizational purpose. This connotes involvement, commitment, passion, enthusiasm, focused efforts, and energy of the employee. It demands positive views of life and work, feeling of energy and absorption, and extra-role behavior.

Extrinsic and Intrinsic Rewards and Employee Engagement

While it is accepted that extrinsic and intrinsic rewards are effective in producing

positive employee outcomes, few studies do exist that directly examines the effects of these forms of rewards on employee engagement. Because of this reason, a look at some of these studies shows that a study by Maslach et al. (2001) is the most convincing one. They suggested that while lack of rewards and recognition can lead to burnout, appropriate reward and recognition is important for engagement. May et al. (2004) found that meaningfulness, safety, and availability were significantly related to employee engagement. They also found that meaningfulness had a strongest relation to different employee outcomes in terms of engagement.

Ram and Prabhakar (2011) investigated the antecedents and consequences of employee engagement in Jordanian industry. They found that a combination of extrinsic rewards to prevent dissatisfaction amongst employees with recognition, appreciation, advancement, growth opportunities, and interesting work result in a committed work force. They also found that perceived organizational support had a strong relation to employee engagement. They further found that intrinsic and extrinsic rewards had a positive relationship with employee engagement. Aktar et al. (2012) examined the impact of rewards on employee performance in commercial banks in Bangladesh. They found that non-monetary rewards represented by recognition, learning opportunities, challenging work and career advancement was highly appreciated due to the opportunity it offers in terms of skill development of the workers which in the long run could be translated into higher monetary rewards. Muchai and Mwanyi (2012) studied the effect of employee rewards and recognition on job performance in Kenya public sector. They found that recognition is one of the leading employee engagement drivers. They also found that engaging employees through total rewards had reduced employee complaints about pay fairness and equity and reduced general employee problems. Sanhari (2014) examined the relationship of health workers' engagement with their work in Tanzania. They study found that health workers perceived support from the immediate supervisors and perceived adequacy of competencies to perform influenced their engagement positively. It was also found that perceived adequacy of inputs (resources) was a

potential factor but was not found to influence engagement.

A study made by Zhijian and Tianshu (2013) showed that challenging work environment, appreciation and recognition, promotion opportunities have significant positive impact on animation employee engagement. Harter, Schmidt and Hayes (2002) found that the work units with the most engaged employees were those where the employees were doing what they do best, with people they liked, and with a strong sense of ownership of the job. Slatten and Mechetoglu (2011) have in their study demonstrated the effect of employee engagement on innovative behavior. The study further revealed that there is an explicate connection between professional visibility, career opportunity, perceived role benefits and employee engagement. Medlin and Green (2009) found significant evidence that suggests employees with high level of optimism tend to perform at a higher level compared to those who are not engaged. Yahya et al. (2012) study indicated that only fringe benefits and non-financial recognition had influenced employee engagement substantially. Previous studies in Uganda had mixed results. Bakibinga et al. (2012) examined factors contributing to job engagement in Uganda nurses and midwives. They found that interpersonal relationship with peers, supervisors and clients as an important factor in nurses and midwives experience of job engagement. They also found that the relationship were either positive, fostering job engagement or negative, serving as barrier to job engagement. Kwandayi et al. (2013) found that lack of autonomy and variety (intrinsic rewards) and low salary (extrinsic reward) were among the first top five de-motivators of employees in Uganda. But according to Richman (2006), when employees are open and without any organizational pressure render their service voluntarily in terms of extra time and put extra effort and energy into their job is called engagement.

Theoretical Framework

From the studies cited above, the researcher considered employee engagement as a process supported by a range of factors including non-financial and not just tangible rewards. Arising

from this, though, rewards can have a positive impact on employee outcomes much as researches are still uncertain about the influence of extrinsic and intrinsic rewards on employee engagement *per se*. According to Saks (2006), a stronger theoretical rationale for explaining employee engagement can be found in the Social Exchange Theory because it explains the differential level of employee engagement found in work places and organizations. When employees receive rewards from their organizations, they will feel obliged to exercise fair exchange by responding to higher levels of engagement. The theory further argues that obligations are generated through a series of interactions between parties who are in a state of reciprocal interdependence (Kumar and Swetha, 2011). The basic principle of the theory is that relationship evolve over time into trusting, loyal, and mutual commitments as long as the parties abide by certain 'rules' of exchange. Such rules tends to involve reciprocity or repayment rules, so that the action of one party lead to a response or action by the other party. For example, when individuals receive economics and socio-economic resources from their organizations, they feel obliged to respond in kind and repay the organization. This is consistent with Robbinson et al. (2004) description of employee engagement as a two-way relationship between the employer and the employee.

This study, therefore, has a theoretical basis on Social Exchange Theory because the involvement and commitment of the employees to the organization depend on the rewards they receive and their weightage. If the organization does not provide these rewards appropriately, it is highly likely that the employees withdraw and disengage themselves from their roles. As indicated by Kumar and Swetha (2011) the amount of cognitive, emotional and physical resources that an individual is prepared to devote the performance of their work roles may be contingent on the economic and socio-economic resources received from the organization. The researcher believed that a reward has an effect on employee engagement. Thus the underpinning research model (figure 1) is derived from previous studies and upgraded by adding the antecedents of rewards as suggested in the Social Exchange Theory.

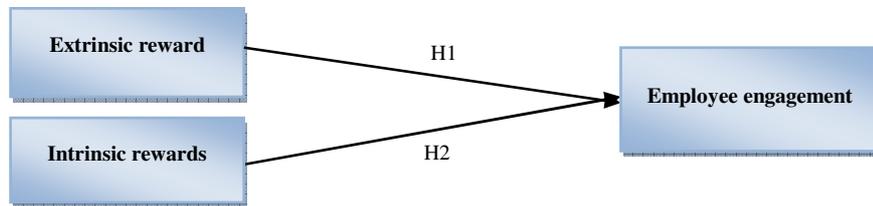


Figure 1: Research Model

Hypotheses

The main objective of this study is to uncover the influence of extrinsic and intrinsic rewards on employee engagement in the public sector of Uganda. After the review of the existing literature, the researcher concluded that while researches have uncovered the positive impact of reward on some employee outcomes, and others have provided negative impacts, no one has yet conducted a careful scientific examination of the influence of extrinsic and intrinsic rewards (individually and collectively) on employee engagement more so in a developing country like Uganda. It is commonly believed that if diverse rewards are used effectively, they can make employees fully engaged.

Extrinsic rewards are typically directly related to pay or such other tangible issues in an organization. They may enhance productivity by improving the involvement and commitment of the employees. The use of extrinsic rewards is tightly linked to the economic quests of the employees. By providing them such rewards, employees believe that the organization bestows value to them and then they present responsibility towards the organization. Gratton (2004) and Omolayo and Owalobi (2007) found that monetary recognition overtly play an important role in determining employee engagement. As such, it is postulated that, *H1: extrinsic reward has a significant effect on employee engagement.*

Intrinsic reward has an increasingly competitive difference in ultimately ensuring that the employees are attracted, motivated and retained in the organization. But many organizations have limited time and effort to spend on considering intrinsic reward as a source of employee engagement. Anyhow, not all is

lost. Bevan (2003) demonstrated that many employers currently shift to non-financial recognition scheme to attract and retain employees. When organizations provide employees with intrinsic rewards, the employee may perceive the organization as supportive and caring. This is especially when the rewards given have the psychological benefits an employee can obtain from the work. From the premises, it was hypothesized that *H2: intrinsic reward positively influences employee engagement.*

Both H1 and H2 are transposed graphically as in figure 1. These research framework hypotheses were presumed to be positively related to employee engagement according to research studies.

RESEARCH METHOD

Research Design

A correlational research design was employed because it provides the opportunity to explore and understand the meaning individuals or groups bring to a human problem. To this, the researcher used an actor based perspective in which the whole is understood by the characteristics of its parts. The focus was then on the individual employees as their in-depth understanding of their worldview provided insight to the overall research question. This perspective is supported by Albrecht (2010), who suggests that future research on engagement needs to be focused on the individual level, as the conditions that influence engagement are associated with individual perceptions.

Sample and Procedure of Data Collection

The empirical context of the study will be within the public sector of Uganda. Gulu district was purposely chosen for the study because it is

one of the least developed but for the last three years had been the best performing district in the country. To investigate employee engagement in the public sector organization, and in this case, Gulu district, a random sampling strategy will be used for data collection process. A total of 184 public employees were randomly selected for the study. The sample size is calculated from the table given by Krejcie and Morgan 1970 (Amin, 2004). The respondents were divided into three categories: lower, middle and upper level employees with different levels of responsibilities. The total sample consisted of full time and permanent employees representing different levels of responsibilities. A self-administered questionnaire was given to each participant to complete within a precise time period of three weeks. A total of 180 questionnaires were returned to the researcher after three weeks period. After excluding the questionnaires that had missing data and outliers, a total of 176 useable questionnaires were finally obtained for research yielding an overall response rate of 97.7 per cent.

Instrument and Measurement of Scale

A questionnaire comprising-questions relating to participants' biographical information and rewards variables were developed. The biographical information section (gender, age, qualification, experience, and level) were collected using nominal scale with pre-coded options. The rewards variable included-items which were measured using 5-point Likert scale ranging from 1=strongly disagree to 5=strongly agree. To measure the independent variables of the study, *i.e.*, extrinsic and intrinsic rewards, the participants were required to evaluate their perception based on the 5-point Likert scale. By following prior studies mentioned above, the external reward include pay, fringe benefits, job security, promotion, incentives, merit bonuses, compensatory time off, social climate, and competing salaries. Intrinsic reward has 15 items of job enriching definitions, autonomy, creativity, innovation, feedback, self-esteem, self-discernment, interpersonal harmony, leading resources, professional growth, status, praise, skills, challenge, and tutoring performance improvement. The survey instrument was pre-tested with five public employees who have worked in the public sector for over 15 years

before it was send to the field. This was to get a feedback to refine the content and the structure of the survey questionnaire, and also enhance the internal validity of the instrument.

RESULTS AND DISCUSSION

Data Analysis

The data collected for this study were coded and analyzed using SPSS ver. 17. Descriptive analysis was used to interpret the data on biographical information by providing percentages of each values obtained. The mean and standard deviation were used to determine the practical level of extrinsic and intrinsic rewards in the public sector of Uganda. The hypotheses (H1 and H2) were tested using cross-sectional qualitative data collected via questionnaires with the use of correlation and regression analyses. These determined strength of the relationship between the variables with 0.01 per cent significant level. The premise for the calculation for the validity and consistency of the analysis is the calculation of the p-value. The p=value is the probability that a sample drawn from a population is tested given that the assumption proposed by the study is true. The hypotheses were tested at 0.05 per cent level of significance.

RESULTS

The results of the study are presented to highlight the major findings. At first, the researcher established that participants initially rated the rewards items in the questionnaires as interesting, meeting the test requirements of the Social Exchange Theory. Next, the researcher shows that positive influence of extrinsic and intrinsic rewards tied to employee engagement measurement on a 5-point Likert scale. Finally, the researcher outlines additional results to test the hypotheses (H1 and H2) postulated. However, the statistical methods used to present the findings include the mean, standard deviation, product moment correlation coefficients, and regression analysis.

Demography of Respondents

The study sample comprised of employees in the public sector in Gulu district. Majority of the respondents were males with a percentage of 71 per cent and the rest were females with a percentage of 29 per cent. The highest number of

respondents came from 30-39 years old group comprising of 45.5 per cent. This is followed by those in 40-49 age groups who were 70 a percentage of 39.8 per cent, then those in the age group of 18-29 who were 22 with a percentage of 12.5 per cent. The lowest number of respondents came from the 50+ years and above age group, recording a percentage of 2.2 per cent. Additionally, bachelor degree holders also recorded the highest number of respondents at 39.8 per cent, followed by diploma holders who were 65 with a percentage of 36.9 per cent, and certificate holders were 25 a percentage of 14.2 per cent. The lowest number of respondents had post graduate qualification a percentage of 9.1 per cent. Majority of the respondents have a work experience of 1 to 4 years (36.9 per cent) while the minorities have work experience of less than 1 year (5.7 per cent). Others had worked for 5-10 years were 60 a percentage of 43.1 per cent and those who had worked for more than 10 years were 41 a percentage of 23.3 per cent. The highest numbers of respondents are lower cadres with a percentage of 51.1 per cent while the least number of respondents are top level cadres with a percentage of 14.8 per cent.

Descriptive Statistics for the Dimensions of Extrinsic and Intrinsic Rewards

The study aimed at establishing how extrinsic and intrinsic rewards influence employee engagement in the public sector of Uganda. The findings as provided by the respondents are presented in table 1. Table 1 shows the reliability results, mean and standard deviation of the variables. The results exhibit the reliability results were greater than 0.7 indicating reliable value for all the dimensions of the instruments. Generally, the results also exhibited mean values 3.39 and 3.59 for the dimensions that were measured. Besides that, the reliability results indicated the overall Cronbach's alpha values for extrinsic and intrinsic rewards were 0.881 and 0.912 respectively. This demonstrates that the variables under study have good reliability coefficient values, which are above the lower limit of acceptability of 0.7.

Further, when table 1 is reviewed, it is

understood that respondents agreed all the 9 items of extrinsic rewards, *i.e.*, pay (mean = 3.11), fringe benefits (mean = 3.16), job security (mean = 3.54), promotion (mean = 3.58), achievement (mean = 3.37), merit bonuses (mean = 3.32), compensatory time off (mean = 3.51), social climate (mean = 3.58) and competing salaries (mean = 3.39) are leading employee engagement drivers. An approximate mean of 3.39 constitute an average level of acceptance of these items. It therefore appears that employees in the sample are relatively agreed with the items included in the questionnaire and see them as means to make them fully engaged to their organizations.

In terms of intrinsic rewards, however, it is seen that respondents agreed the items of autonomy (mean = 3.04), innovation (mean = 3.81), feedback (mean = 4.02), self-esteem (mean = 4.16), self-discernment (mean = 3.58), interpersonal harmony (mean = 4.18), leading resources (mean = 4.21), professional growth (mean = 3.72), status (mean = 3.14), skills (mean = 3.84) challenge (mean = 3.53) and tutorial for performance improvement (mean = 3.51) are very crucial for employee engagement. Other intrinsic rewards items creativity (mean = 2.98) and praise (mean = 2.8) are agreed by the respondents to have influence on their engagement but at a lower level. It is further indicated in the Table that the arithmetic mean scores for intrinsic rewards have an overall scores of 3.53. As a mean score this would constitute an acceptable level of the importance of intrinsic reward on employee engagement. It may be concluded that employees in the sample demonstrate high level of engagement whenever provided with adequate intrinsic reward with a high standard of standard deviation (1.156) it shows that the scores are distributed very closely to the mean.

The combined scores of extrinsic reward (mean = 3.39) and intrinsic reward (mean = 3.53) is 3.46 with a combined standard deviation (extrinsic reward = 1.254 and intrinsic reward = 1.156) of 1.205. Meanwhile the overall reliability for the predictor variables in the model is 0.896.

Table 1: Dimensions of extrinsic and intrinsic rewards on employee engagement

Variable	M	SD	α
Extrinsic rewards			
1. Pay	3.11	1.249	-
2. Fringe benefits	3.16	1.293	-
3. Job security	3.54	1.255	-
4. Promotion	3.58	1.322	-
5. Achievement	3.37	1.205	-
6. Merit bonuses	3.32	1.256	-
7. Compensatory time off	3.51	1.277	-
8. Social climate	3.58	1.204	-
9. Competing salaries	3.39	1.278	-
	3.39	1.254	0.881
Intrinsic rewards			
10. Job enriching definitions	2.44	1.195	-
11. Autonomy	3.04	1.253	-
12. Creativity	2.98	1.253	-
13. Innovative	3.81	1.217	-
14. Feed back	4.02	1.217	-
15. Self-esteem	4.16	0.960	-
16. Self-discernment	3.58	1.322	-
17. Interpersonal harmony	4.18	1.088	-
18. Leading resources	4.21	1.031	-
19. Professional growth	3.72	0.921	-
20. Status	3.14	1.302	-
21. Praise	2.8	1.203	-
22. Skills	3.84	1.28	-
23. Challenge	3.53	1.020	-
24. Tutorial on performance improvement	3.51	1.088	-
	3.53	1.156	0.912

n=176; **p>0.01; M=mean; SD=standard deviation; α =alpha

Table 2: Correlation between extrinsic and intrinsic rewards and employee engagement

	Variables	Employee engagement	Significance
Pearson correlation	Extrinsic rewards	0.641**	0.000
	Intrinsic rewards	0.698**	0.000
	Employee engagement	0.669**	0.000

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

Inferential Statistics

Correlation Coefficient (*r*) is computed for the purposes of determining the relationship of how much pair of variables is related with each other. The closer the *r* coefficient approaching to + or – 1, regardless of the direction, the stronger is the existing association indicating a more linear relationship between the two variables. A positive correlation coefficient indicates that an increase in the first variable would correspond to the second variable, thus implying that a direct relationship between the variables. A negative correlation coefficient indicates an inverse relationship whereas one variable increases the second variable decreases. In this study, the *r* was measured between extrinsic and intrinsic rewards and employee engagement. The results of the analysis are shown in table 2.

Results from table 2 reveals that there are positive relationships between extrinsic and intrinsic rewards and employee engagement. The results indicated support for the first hypothesis as the items of extrinsic rewards are significantly related with employee engagement at 0.01 level. There was a strong positive relationship between extrinsic rewards and employee engagement (*r*=0.641, *p*<0.01). Similarly, a positive relationship was found between intrinsic rewards and employee engagement (*r*=0.698, *p*<0.01) for the sample. This would seem to imply that if the provision of intrinsic reward was to change, then employee engagement would change accordingly. This supported the second hypothesis postulated. Extrinsic and intrinsic

rewards have a positive significant relationship with employee engagement (*r*=0.669; *p*>0.01).

The researcher also determined the percentage of variation among the variables using regression analysis. The results are indicated in table 3.

Results in table 3 indicate the coefficients of determination, (*r*²) obtained of 0.411 and .490 for extrinsic and intrinsic rewards respectively. There is a statistically significant linear relationship (*r*²=0.411, adjusted R square=0.401, *p*<0.05) which exists between extrinsic rewards and employee engagement. This means 41.1 per cent in the employee engagement is explained by extrinsic reward. Hypothesis *H1: Extrinsic reward has a significant influence on employee engagement* is proved and accepted. Also there is a statistically significant linear relationship between intrinsic rewards and employee engagement (*r*²=0.490, adjusted R square=0.481; *p*<0.05). This implies that 49 per cent of the variation in employee engagement is explained by intrinsic rewards. The remaining 51 per cent of the variation in employee engagement is explained by other factors. The results confirm the second hypothesis *H2: Intrinsic reward positively influences employee engagement*. The combined results for the two forms of rewards (i.e., *r*²=0.411 and *r*²=0.490) illustrates that they are significant predictors of employee engagement (*r*²=0.450) which means 45 per cent of the variation in employee engagement is accounted for by the model.

Table 3: Regression analysis of extrinsic and intrinsic rewards with employee engagement

Model	R	R square	Adjusted R square	Std. Error of the estimate
1	0.641**	0.411	0.401	0.45610
2	0.698**	0.490	0.481	0.42281

Dependent variable: Employee engagement; *p*<0.05 (2-tailed)

DISCUSSION

The study was intended to establish the effects of extrinsic and intrinsic rewards on employee engagement in the public sector of Uganda. The contribution of extrinsic and intrinsic rewards to employee engagement in Gulu district has the average mean of 3.46 with a standard deviation of 1.205. The reliability of the instruments for the measurement of the variables was 0.896. This is in line with Job Demand-Resource Model developed by Demerouti et al. (2001). They used the model to illustrate factors that influence employee engagement which has been confirmed by this study as well. These factors studied and confirmed by other scholars/researchers include autonomy, supervision, performance feedback, self-efficacy (Shimazu and Schaufelli, 2009), social support from colleagues, skill variety (Bakker et al., 2011), learning and growth opportunities (Tims et al., 2013), interpersonal relation (Rich et al., 2010), and work place climate (Schuck et al., 2011). These studies confirmed items of extrinsic and intrinsic rewards studied here as antecedents of employee engagement because employees perceive them to be connected to their jobs.

The correlation results indicated a strong positive relationship between extrinsic and intrinsic rewards and employee engagement explained with a variation of 45 per cent between the variables. And the postulated hypotheses were tested at 0.05 significant levels and proved to be true, i.e, *H1: Extrinsic reward has a significant influence on employee engagement* and *H2: Intrinsic reward positively influences employee engagement*. These pointed to the fact that employees in Gulu district felt if such rewards were provided to them they would be highly engaged to their work. Extrinsic and intrinsic reward has the strongest relationship with employee engagement. This indicates that employees placed great value on intrinsic reward. If they are provided with more intrinsic reward, they are more likely to be fully engaged. The result was consistent to empirical evidence in the literature (e.g., Silverman, 2004; Ozütüku, 2012) which reported that most employees highly value intrinsic reward because they feel the organization cares for them. Importantly, intrinsic reward improves and commits employees to be more engaged to the

organization. Meanwhile, Owalobi (2007) indicated that financial recognition as the most important source of compensation package to enhance and promote employee engagement. This study found exactly that as well. This may plausibly indicate that the self-need of the respective employees can be fulfilled in terms of financial recognition. Thus, this could be the reason why employees do relate financial recognition and the need to be engaged. Generally, in most instances, the financial and non-financial recognition are seen as an important factor in predicting various employees' behavioral outcomes including engagement.

Furthermore, this study agreed with findings of earlier researchers and has shown that if an employee is fully "engaged", there is likelihood for performance of the organization to improve significantly (Wellins et al., 2007). This is because recognition of the need to reward employees enormously is the most common and powerful tool that is being used in organizations to drive employee engagement. According to Sun (2013), providing employees with appropriate rewards drives them to be fully involved and committed to the organization. The essence of this is well captured by Markova and Ford (2011) who mentioned that the real success of an organization originated from employees willingness to use their creativity, abilities and know-how in favor of the organization. They suggest that it is the organization's task to encourage and nourish these positive employees' inputs by putting effective rewards practices in place.

CONCLUSION

Since the issue of extrinsic and intrinsic rewards has been shown to be a problem of the public sector of Uganda, this study successfully answered the objective. The purpose of the study was to examine the influence of extrinsic and intrinsic rewards on employee engagement. From the descriptive statistics, correlation and regression results, it was found out that extrinsic and intrinsic rewards had a strong predicting role in determining employee engagement in the public sector of Uganda. In conclusion, the study has given an important role to the public sector organizations to provide rewards in relation to their employee engagement. Increase in rewards

provision will enhance employee engagement and furtherance decrease in the problems of employee disengagement. Appropriately higher rewards will increase employee engagement and also increase public sector organizations' capacity to deliver services to the beneficiaries. This study has provided a better understanding of the relationship of rewards variables in order to enhance and improve employee involvement and commitment to the organization to achieve their fuller engagement.

The main practical implication of this study mainly relate to employee engagement or prevention of a high rate of employee disengagement in public sector organizations. To succeed in its mission, every public sector organization must be able to have fully engaged employees. If the organization does not reward its employees enormously, it will not only lead to too much constraint in service delivery but also undermines employees' perception of self-authenticity and self-efficacy. Rewards can help the organization to attract and retain employees. Apart from that, the organization should provide competitive rewards package to enhance employee engagement.

However, the findings could not be generalized on a larger scale because it was done in only one district in Uganda and only a few people participated. But the model has shown some interesting findings which could be applied for utilization in research on a bigger scale to include the whole of Uganda and beyond to appreciate the need for maximally reward employees for their fuller engagement.

REFERENCES

- Albrecht, S. L. (2010). Employee Engagement: 10 Key Questions for Research and Practice. In Alberch, S. L. (ed.). *Handbook of Employee Engagement. Perspective Issues Research and Practice*. Cheltenham: Edward Elgar Publishing Limited.
- Allen, R. S., Takeda, M. B., White, C. S. and Hemis, M. M. (2004). Rewards and Organizational Performance in Japan and United States: A Comparison. *Compensation and Benefits Review*, 36 (1), pp. 7-14.
- Amin, M. E. (2005). *Social Science Research Conception Methodology and Analysis*, Kampala: Makerere University Printery.
- Atkar, S., Sachu, M. M. and Ali, M. E. (2012). The Impact of Rewards on Employee Performance in Commercial Banks in Bangladesh: An Empirical Study. *Journal of Business and Management*, 6 (2), pp. 9-15.
- Bakibinga, P., Vinje, H. F. and Mittlemark, M. (2012). Factors Contributing to Job Engagement in Uganda Nurses and Midwives. *International Scholarly Research Notices*, 2012 (2012), pp. 1-9.
- Bakker, A. B., Albrecht, S. L. and Leiter, M. P. (2011). Key Questions Regarding Work Engagement. *European Journal of Work and Organizational Psychology*, 20 (1), pp. 4-28.
- Baumruk, R. and Gorman, D. (2006). *Why Managers Are Crucial to Increasing Engagement*, London: Melcum Publishing.
- Bevan, S. (2003). Non-Pay Reward and Recognition, Paper Presented at the Work Foundation Conference, London.
- Cooper-Hakim, A. and Viswesvaran, C. (2005). The Construct of Work Commitment: Testing an Integrative Framework. *Psychological Bulletin*, 131 (2), pp. 241-259.
- Demerouti, E., Bakker, A. B., Nachreiner, F. and Schaufelli, W. B. (2001). The Job Demands-Resource Model of Burnout. *Journal of Applied Psychology*, 86 (3), pp. 499-512.
- Fairhurst, D. and O'Connor, J. (2010). *Employee Well-Being: Taking Engagement and Performance to the Next Level*, London: Towers Watson.
- Harter, J. K., Schmidt, F. L. and Hayes, T. L. (2002). Business-Unit-Level Relationship between Employee Satisfaction, Employee Engagement, and Business Outcomes: A Meta-Analysis. *Journal of Applied Psychology*, 87 (2), pp. 268-279.
- Kayes, B. and Jordan-Evans, S. (2003). Energy Talent. *Executive Excellence*, 20 (8), p. 11.
- Kumar, P. and Swetha, G. (2011). A Prognostic Examination of Employee Engagement from Its Historical Roots. *International Journal of Trade, Economics and Finance*, 2 (3), pp. 232-241.
- Kwadayi, E., Jagers, J. and Matata, J. (2013). De-Motivators of Employees in the Public Sector in Arua District, Uganda. *Business and Management Horizon*, 1 (2), pp. 84-93.
- Luthans, F. and Peterson, S. J. (2002). Recognition: A Powerful but Often Overlooked, Leadership Tool to Improve Performance. *The Journal of Leadership Studies*, 7 (1), pp. 31-39.
- Mahoney, R. C. and Lederer, A. L. (2006). The Effect of Intrinsic and Extrinsic Rewards for Developing an Information Systems Project Success. *Project Management Journal*, 37 (4), pp. 42-45.
- Maslach, C., Schaufelli, W.B. and Leiter, M. P. (2001). Job Burnout. *Annual Review of Psychology*, 52 (1), pp. 397-422.
- Markovia, G. and Ford, C. (2011). Is Money the Panacea? Rewards for Knowledge Workers. *International Journal of Productivity and Performance Management*, 60 (8), pp. 813-823.

- May, D. R., Gilson, R. L. and Harter, L. M. (2004). The Psychological Condition of Meaningfulness, Safety and Availability and the Engagement of the Human Spirit at Work. *Journal of Occupational and Organizational Psychology*, 77 (1), pp. 11-37.
- Medlin, B. and Green, Jr. K.W. (2009). Enhancing Performance through Goal Setting, Engagement and Optimism. *Journal of Industrial Management and Data Systems*, 109 (7), pp. 943-956.
- Muchai, M. M. and Mwangi, B. (2012). Effect of Employee Rewards and Recognition on Job Performance in Kenya's Public Sector: A Case Study of Nakuru Water and Sanitation Ltd. *International Journal of Science and Research*, 3 (9), pp. 2151-2156.
- Omolayo, B. and Owolabi, A. B. (2007). Monetary Rewards: A Predictor of Employee Commitment to Medium Scale Organizations in Nigeria. *Bangladesh e-Journal of Sociology*, 4 (1), pp. 42-48.
- Oyat, C. and Aleni, F. G. (2013). Work Environment and Labor Turnover in Public Universities in Uganda: The Case of Gulu University. *Prime Journal of Business Administration and Management*, 3 (6), pp. 1070-1075.
- Owolabi, K. A. (2007). Internet Access and Usage by the Students of Akanu Ibiam Federal Polytechnic. *Nigerian Library Link*, 5 (1), pp. 38-47.
- Ozütüku, H. (2012). The Influence of Intrinsic and Extrinsic Rewards on Employee Results: An Empirical Analysis in Turkish Manufacturing Industry. *Business and Economic Research Journal*, 3 (3), pp. 29-48.
- Ram, P. and Prabhakar, G. (2011). The Role of Employee Engagement in Work-Related Outcomes. *Interdisciplinary Journal of Research in Business*, 1 (3), pp. 47-61.
- Richman, A. (2006). Everyone Wants an Engaged Workforce How Can You Create It? *Work plan*, 49, pp. 36-39.
- Rich, B. L., Lepine, J. A. and Crawford, E. R. (2010). Job Engagement: Antecedents and Effects on Job Performance. *Academy of Management Journal*, 53 (3), pp. 617-635.
- Robbinson, D., Perryman, S. P. and Hayday, S. (2004). *The Drivers of Employee Engagement*, IES Report 408, Institute of Employment Studies, UK.
- Saks, A. M. (2006). Antecedents and Consequences of Employee Engagement. *Journal of Managerial Psychology*, 21 (7), pp. 600-619.
- Sanhari, M. S. (2014). Relationship between Employee Engagement and Performance: A Case Study of Health Workers in Tanzania. *International Journal of Engineering and Management Science*, 5 (3), pp. 215-219.
- Schaufelli, W. B., Salanova, M., Gonzalíz-Roma, V. and Bakker, A. B. (2002). The Measurement of Engagement and Burnout: A Two Sample Confirmatory Factor Analytic Approach. *Journal of Happiness Studies*, 3 (1), pp. 71-92.
- Senyucel, Z. (2009). Non-Cash Rewards Boost Sales Competition Plans. *Work plan*, 45 (8), pp. 24-27.
- Shimazu, A. and Schaufelli, W. B. (2009). Work and Wellbeing: Toward a Positive Approach in Occupational Health. *Japanese Journal of Stress Science*, 24 (3), pp. 181-187.
- Shuck, B., Rocco, T.S. and Albornoz, C. A. (2011). Exploring Employee Engagement from the Employee Perspective: Implications for HRD. *Journal of European Industrial Training*, 35 (4), pp. 300-325.
- Silverman, M. (2004). Non-Financial Recognition: the Most Effective of Rewards, Institute of Employment Studies, UK.
- Slatten, T. and Mehmetoglu, R. (2011). Antecedents and Effect of Engaged Frontline Employees: A Study from the Hospitality Industry. *Managing Service Quality: An International Journal*, 21 (1), pp. 88-107.
- Sun, J. (2013). Employee Engagement: How to Use Recognition on Workers' Productivity: A Case of Selected Oil and Gas Industry in Nigeria. *African Journal of Business Management*, 4, pp. 299-307.
- Tims, M., Bakker, A. B. and Derks, D. (2013). The Impact of Job Crafting on Job Demands, Job Resources, and Well-Being. *Journal of Occupational Health Psychology*, 18 (2), pp. 230-240.
- Ur Reham, M. Z., Riaz, M., Zinauddin, K. M. and Lashari, J. S. (2010). Effects of Job Rewards on Job Satisfaction: Moderating Role of Age Differences: An Empirical Evidence from Pakistan. *African Journal of Business and Management*, 4 (6), pp. 1131-1139.
- Wellins, R. S., Bernthal, P. and Phelps, M. (2007) *Employee Engagement: The Key to Realizing Competitive Advantage*, London: Development Deniva International Inc.
- Yahya, K. K., Isa, S. N. and Johari, J. (2012). Employees' Perception on Engagement and Its Relationship to HRM Practices, Paper Presented at 3rd International Conference on Business and Economic Research, Bandung, Indonesia.
- Zhijian, H. and Tianshu, N. (2013). Impact of Total Rewards on Animation Employees' Engagement. *Studies in Sociology of Science*, 4 (3), pp. 58-64.