

Table 5: Coefficients of the relationship between customer satisfaction and time for the five Local Government Authorities studied

Local Government Authority	Slope	Intercept	R ²
Thika	8.59	41.35	0.9967
Kisumu	19.8	2.00	0.9483
Eldoret	15.00	3.33	0.9643
Kangundo	10.5	24.833	0.7856
Bungoma†	-0.9	99	1

† There was limited data for Bungoma and therefore the fitted curve cannot be relied upon.

Table 6: Chi square (χ²) test of customer satisfaction for the five Local Government Authorities studied

Council	Customer Satisfaction Level over time				χ ²	df	p-value
	2006/2007	2007/2008	2008/2009	2009/2010			
Bungoma	-	-	72.00	63.00	4.02	1	0.05

Eldoret	-	35.00	45.00	65.00	43.96	2	0.001
Kangundo	-	49.00	50.00	70.00	17.69	2	0.001
Kisumu	20.00	40.00	70.00	76.00	377.25	3	0.001
Thika	50.00	58.00	68.00	75.30	41.12	3	0.001

Table 7: Chi square (χ²) test of employee satisfaction for the five Local Government Authorities studied

Council	Employee Satisfaction over time				χ ²	df	p-value
	2006/2007	2007/2008	2008/2009	2009/2010			
Eldoret	-	-	45	54	3.27	2	> 0.05
Kangundo	-	57	87	91	83.88	2	0.001
Kisumu	60	-	60	63	0.36	3	> 0.05
Thika	50	50	61	40	8.84	3	0.01

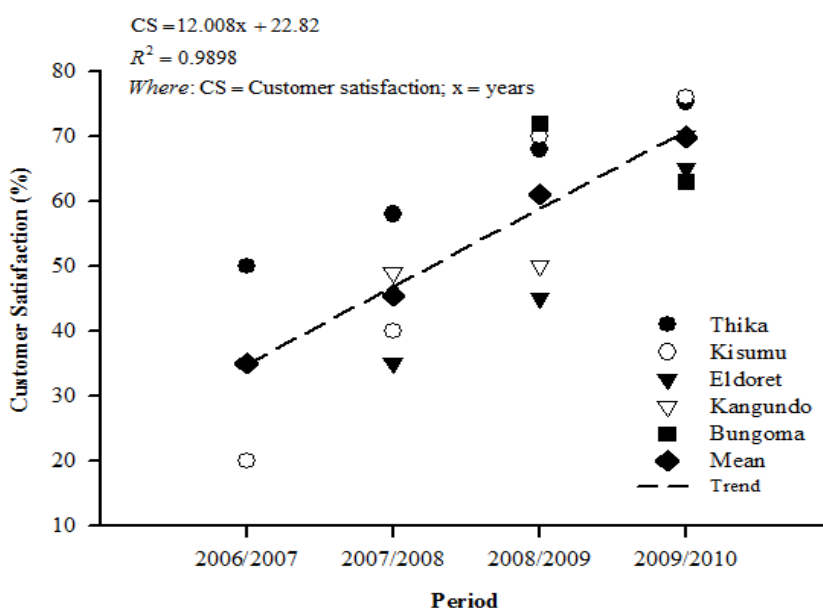


Figure 3: Level of customer satisfaction for the five local Authorities

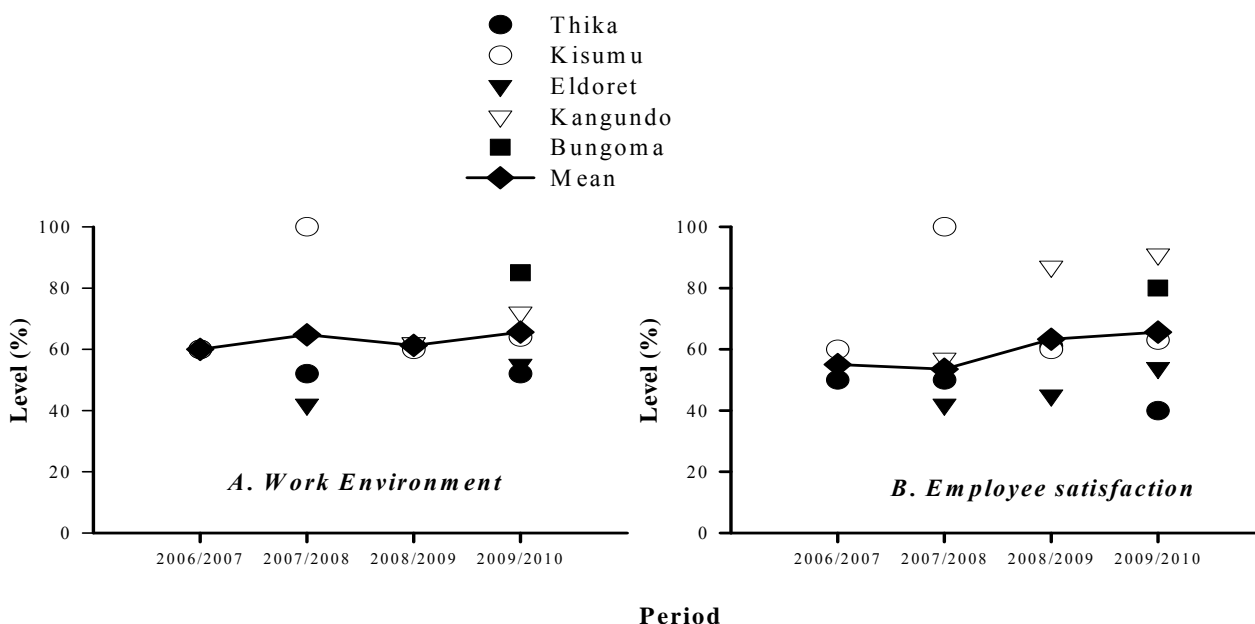


Figure 4: Trend of work environment (A) and employee satisfaction (B) in local authorities.

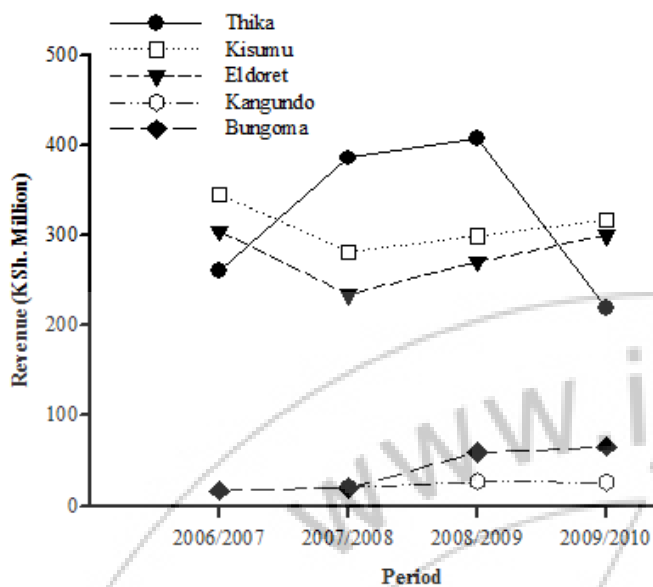


Figure 5: Revenue generation in local authorities between 2006/2007 and 2009/2010

5. Discussion

Attitude is a mental habit that filters how people perceive their environment and also the actions and behaviors they take in response. The study established that local authorities' employees did not think that performance contracting was a waste of time. This is because of the results witnessed from set targets. They further supported the use of performance contracting in measuring performance of their local authorities. Therefore, this shows that employees of local authorities have a positive attitude towards performance contracting. [14] found that building a satisfying workplace with adequate resources will help keep valuable employees and attract new talents. They further argued that direct work conditions have a larger impact on employee experience and attitudes. For local authorities to embrace performance contracting employees need to have a positive attitude for support. Many workers around the world according to [13] support continued use of performance contracts in their work places. This was supported by [15] that majority of Kenyans had heard about performance contracting and they thought that it was working well.

The study further established that customer satisfaction was growing in local authorities. This is according to the customer satisfaction surveys conducted in local authorities annually. This agrees with the customer satisfaction national survey which established that the customer satisfaction index was 63.5% which is comparable to that of New Zealand 68% in 2007 and Canada 67% in 2005 [10]. The customer satisfaction survey is about the degree of satisfaction or dissatisfaction with service delivery. It is about the individual value and personal satisfaction with that value. According to Chi-square test the average customer satisfaction increased significantly over the years. This shows that performance contracting has improved customer satisfaction with service delivery in local authorities. [11] found that the extension of performance contracts to local authorities has ensured inclusion of grass root level communities in ensuring achievement of Kenya's Vision

2030. The initiative has turned out to be a powerful tool in restoring and building trusts in a Government that the public almost lost hope in. Customers want to be treated fairly for them to be satisfied. According to [25] either all customers are treated the same way or if differently treated they were treated equitably and fairly according to their unique needs.

The study also established revenue growth in collection in local authorities in Kenya not being steady. In some local authorities revenue growth was experienced, for example Town council of Kangundo while some had a growth and drop the following year. This findings are consistent with what Mboga (2009) found that revenue of local authorities have been increasing upwards from 2002/2003 (Ksh.9.1m to 2006/2007 (Ksh. 59.6m). This also followed a nationwide trend where on average gross domestic product (GDP) grew steadily between 2001 to 2007, from 0.3 in 2001 to 7.0% in 2007. Due to post election violence the growth reduced to 2% in 2008. In spite of the violence that interrupted the trend performance contract reforms are yielding fruits [11]. [15] reported that financial outcome of the first wave of performance contracting in state corporations was stunning in that, cumulative losses of Ksh.800 million in a year turned into profits of Ksh. 2 billion. The study carried out by [1] found evidence of improvement in income over expenditure as well as service delivery in the State Corporations and Government Ministries in Kenya. From the results of 2005/2006 financial, majority of state corporations posted excesses of revenue over expenditure [8]. This finding is consistent with [12] that performance contracting improves budgeting, promotes better reporting, modernizes public management, enhances resource efficiency and effectiveness and service delivery.

The study finding established tendency of work environment and employee satisfaction to increase with time. This is because performance contracting allows employees autonomy to achieve targets once they are set. This leads to intrinsic motivation and employee satisfaction. Chi-square test does not give clear indication for employee satisfaction for the local authorities. This is because of some employees not being satisfied with inadequate resources. According to [15] using performance contracting has provided important discipline through target setting and reporting requirements. It has also shifted focus towards goals and results. These findings are echoed by [11] that there has been tremendous and measurable performance arising out of performance contracting reforms initiatives which resulted to international recognition. In 2007, Kenya was awarded by the United Nations a Public Service Award in the category of improved areas. These are transparency, accountability and responsiveness in the public sector. Local authorities also devised new ways of generating revenue such as collection of revenue from parking of vehicles for those that were not charging. According to [5] performance contracting has added value by introducing target setting prompting officers to device new ways of revenue generation. Local authorities also have customer care desks to improve customer service. Citizen Service Charters were also developed to affirm commitments for service delivery. This agrees with [1] who reported that most state corporations and government ministries have functional customer care and public relations offices due to performance contracting.

6. Conclusion and Recommendations

From the study findings it is concluded that council employees generally have a positive attitude towards performance contracting and that they believe that it contributes to enhanced service delivery. Performance contracting has enhanced performance of local authorities in the areas of customer satisfaction, employee satisfaction and revenue generation. There is also enhanced working environment as seen from provision of vital resources and overall employee satisfaction.

The study therefore recommends that performance contracting should be retained in local government authorities as a tool for improving performance. Performance evaluation should consider and meet the needs of the users not just indicators predetermined by the government. The assessment criteria should consider process indicators such as how transparent the local authority is to its customers or proper urban planning that promotes economic growth of the public. After evaluation, there should be freedom of information. The public as users of local authorities' services should be allowed to access performance contract evaluation results details through websites. This will allow the customers to know the efficiency and effectiveness of their local authorities and enhance transparency. The performance contracting cycle should be aligned to Government short and longer term planning and budgeting framework. Since the study looked at fewer local government authorities, future studies may look at more local government authorities.

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Authors Profiles

Simiyu Alice Nanjala Received BSc. Degree from Egerton University, Kenya, Postgraduate Diploma in Guidance & Counselling, Kenyatta, Kenya, MSc. and PhD.in Human Resource Management both from Jomo Kenyatta University of Agriculture and Technology. She is now a Lecturer at Karatina University, Kenya

Elegwa Mukulu Received B.A. University of Nairobi, Kenya, M.A. from Michigan State, PhD. from Illinois. He is now an Associate Professor in the College for Human Resource Development at Jomo Kenyatta University of Agriculture and Technology. He is also the Principal of the College.

Sakwa Maurice received B.Ed. from Kenyatta University, Kenya, MSc. from East Angalia, PhD. from Nijmegen. He is now a Senior Lecturer in the College for Human Resource Development at Jomo Kenyatta University of Agriculture and Technology. He is also the Chairman of Department.

