



COMPENSATION AND EMPLOYEE PERFORMANCE IN PUBLIC HEALTH FACILITIES IN THARAKA NITHI COUNTY, KENYA.

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ABSTRACT

The ever changing global business environment calls for innovative ways of stimulating employees to exert full effort in performance in order to acquire the most needed competitive advantage. The objective of the study was to establish the influence of employee compensation on performance in the Public Health Facilities in Tharaka Nithi County. The study was motivated by the increasing rate of industrial unrest in the County's Public Health Facilities and was informed by universalistic perspective theory. Correlation research design was used with a target population of 883 employees in the 92 public health facilities in Tharaka Nithi County. Systematic random sampling was used to select a sample of 275 respondents for the study. A structured questionnaire was used as the research instrument. To establish the validity and reliability of the questionnaire, a pilot study of 43 respondents at Tharaka District Hospital was conducted. The researcher self-administered the research instruments, developed in form of a five point Likert scale for easy data collection. Quantitative data was analyzed using descriptive and inferential statistics with the aid of SPSS to establish the influence of compensation on employee performance. The overall significance of the model was tested using F-test at 95% significance level. The study established that there existed positive statistically significant relationship between employee compensation and employee performance with a P – value of 0.000. Based on the findings, the study recommends that the County Government of Tharaka Nithi should employ effective employee compensation scheme, comprising of both financial and non-financial compensation. The study findings are of benefit to the management and policy makers of the County in formulating policies that will ensure that employee performance in Public Health facilities is highly enhanced.

Keywords: Public Health Facilities, Employee Performance, compensation, remuneration

INTRODUCTION

Human Resource Management (HRM) is a tactical and logical approach concerning handling an organization's employees. Employees who work either independently or in a team while contributing to achieving the organization's set goals are the greatest asset for a particular company (Armstrong, 2009). Redman and Wilkinson (2009) identify various HRM practices through which resources are managed, namely, sustainable employment, effective hiring, independently operated team(s), competitive compensation dependent on organizational performance, in-depth training, reduction of status differentials and sharing information. However, Kidombo (2007) singles out employee training, appraisal, compensation and relations as key in super-performing organization.

Statement of the Problem

Human Resource Management (HRM) practice is one of the vital determinants of the employees' performance in any organization. Studying and documenting the influence of specific aspects of this practice on employee performance is important to different organizations. Many counties fail to emphasize on utilization of this practice to ensure enhanced employee performance in counties. Most counties do not have fully functional Human Resources for Health (HRH) units, which would promote proper administration of Human Resource Management Practices (HRMP) for employees working in public health facilities, thus counties continue to entrust management Human Resources for Health to the line managers who are non-Human Resource Management (HRM) experts. Consequently, there has been widening gap in the performance of employees working in public health facilities and continuous industrial unrests. Focus on HRM practice and employee-performance initiatives would greatly improve operations in the counties. There is thus a knowledge gap

on influence of these specific practices on employee performance which explains the poor effort and motivation in incorporating them. Despite the uptick of researches being carried out in the field of HRMP in Kenya, there has been a knowledge gap on the influence of these practices on employee performance. Most studies only focus on effects of human resource management practices on financial performance in the manufacturing sector, banking sector and public sector. Also, most of these studies just focus on; training, compensation, leadership and working environment, management practices, motivation and equipment and tools. These studies have failed to address the relationship between the practices and employee performance in public Health facilities. This study sought to bridge this gap by examining the influence of human resource management practices on employee performance in public health facilities in Tharaka-Nithi County.

Objective

The general objective of the study was to examine influence of compensation on employee performance in public health facilities in Tharaka Nithi County.

LITERATURE REVIEW

Employee compensation are the rewards including cash, and vacation among others that an employee receives in return for the service they provide to their employer. Employee compensation includes base pay, overtime, bonuses and allowances, profit sharing, stock options, and commissions. Compensation practices focus not only on attracting, retaining, and motivating workers but also on the attainment and sustainability of an organizations' competitive edge. Compensation strategies are key in the enhancement of employee motivation, which in turn improves their performance. Employee needs, education, training, social class, or the environmental setting may affect individual compensation (Kiptis, 2014). Most organizations compensate employees based on performance since it positively affects performance. It is imperative that employers have good faith since the practice greatly influences recruitment, turnover, and productivity; organizations should maintain and establish compensation systems that are efficient to link employee performance with improved overall firm performance (Thacker, 2012).

The Concept of Employee Performance

World Health Organization (2013) contended that employee performance is a combination of staff (retained and present) and staff being competent, productive, and responsive. According to the report, when staff members are available, their performance is determined by productivity, responsiveness, and competence. These elements result from factors, including absenteeism, employees' goodwill, motivation, and job satisfaction. To achieve employee performance, organizations would require putting in place strategies to improve productivity, responsiveness, and competencies at all levels in an organization. In their definitions, both WHO and Khtions agree that several factors determine employee performance. In their descriptions, they singled out employee's capacity, employee's goodwill, job satisfaction, and employee competencies, which must spread at all levels of the organization as determinants of employee performance. They agree that employee performance is vital for organizations' survival (Beach, 2010).

Productiveness among employees is expected when they work in a positive and supportive environment. Top leaders should create a pleasant, family-oriented environment in which all employees focus on effective service delivery. According to Delery (2006), employee positive recognition impacts employee performance either individually or as a team with financial recompenses. Acknowledging the employees' efforts for attaining their set goals is crucial in maintaining an enjoyable work environment. Celebrating success is very important in motivating the team-members to work toward achievements. Employees will get motivated by feeling that their energy is reciprocated, valued and that management trusts their capabilities (Khan 2006).

Employee performance is a central concept which is complex and dynamic within work and organizational psychology. It involves the performance of employees in a particular organization and the efficiency at which the employees fulfill their duties. It has to do with all the job activities expected of an employee and how well those activities are carried out (Kavoo, 2013). Employee performance is also measured in regard to outcomes and behavior (Armstrong, 2011). Effectiveness is the ability of employees to achieve the set targets (Coole, 2012). Employees might experience low performance and failure to achieve the set goals hence perceiving the failure as dissatisfaction or individual failure. Top performers are easily promoted within an organization and are prone to career advancement unlike those who fail to hit the deliverables (Falola, 2009). A research by (Balochi *et al.*, 2007) assessed the effect of three HRM Practices, which were reward and compensation practices, training practices, and performance appraisal practice on perceived employee performance. The results of the correlation indicated a strong connection between these practices and employee performance.

Universalistic Perspective Theoretical Review

This theory was postulated by Delery and Doty in 2006. Researchers in the universalistic approach posit that some set of human resource management practices (HRMP) are always superior to others and firms ought to embrace these practices to improve their performance. Such practices include, appraisal, compensation, relations, training, safety and security which directly revolve around the employee. Best practices are appropriate for all organizations regardless of size, industry, or business strategy (Delery & Doty, 2006). Researchers stress that internal fit and alignment of human resource practices helps to produce a considerable improvement of an organization's performance. The proponents of the universalistic model such as Pfeffer (1978) and Huselid (2005) have highlighted a number of best practices that comprise the best practice bundles that go along with performance. Delery and Doty

(2006) recognized seven ‘best practices’ which include career development opportunities, official training structures, evaluation procedures, proceeds distribution, employment security, right to be heard means, and occupation description. The human management practices are assumed to help a firm develop its human resources cost benefits, encourage operating efficiency, boost innovation and enhance organizational performance. The universalistic theory was relevant to the current study in that it implied that there were some best HRM practices, which contribute to enhanced performance of an employee. Although many scholars agree with this assumption of Best HRMP, there has been little concurrence as to what constitutes the ‘best practice’, which seems to undermine this approach in some way. Certain inconsistencies have arisen from the universalistic model such as researcher’s use of different practices when examining best practices.

Empirical Review of Employee Compensation and Employee Performance

Tessema and Soeters (2006) and Frye (2004) studied the connection between compensation and firm performance and found a positive relationship between the two. Frye (2004) further explained that compensation plays a crucial role in attracting and retaining highly skilled employees for capital-intensive human institutions. Public health facilities are composed of human capital thus proper compensation practices can help retain highly skilled and competent employees. Based on the preceding discussion, it is clear there is a direct relationship between compensation practices and employees’ performance. Nevertheless, there was a need to test and establish the relationship between compensation practices and employee performance. Millea (2012) reported observational proof around the bi-directional connection in employee’s benefits and productivity. Particularly, well-compensated employees are motivated towards working efficiently and surpassing the set targets so that they can receive rewards and bonuses. The experimental proof of this paper and that of a more detailed study for Germany (Millea, 2012) studies explain the importance of reimbursement, i.e. clarifying competence as resulting from specific stipend levels.

Nzyoka et.al (2016) researched the direct relationships between the different compensation factors and employee performance. Nzyoka explained that where employees perceive compensation factors as valuable and sufficient, they get motivated and positively improves their performance on a balanced scorecard. Expectancy, instrumentality, and valence determine the motivation of total compensation in the relationship with performance. The study proves that employees will be more motivated and willing to give their best contribution when they feel that they are involved in the process and the environment presents a challenge that would benefit them.

A study conducted by Mwangi (2010) revealed that compensation influences employee performance. It helps increase the energy level and enhance employee proficiency, capability, and knowledge base to spur organizational objectives. Employee motivation is among the essential HRM practices which make the employee improve their performance. Employee motivation may come in the form of employee compensation for their outstanding performance, promotions to higher ranks, and paid holidays, among others. Yaseen (2013) explains that physician satisfaction can be improved by providing a good compensation system such as payment, recognition, promotional opportunities, and meaningful employment. Salary, recognition, promotion opportunities, and meaningful employment are factors of compensation management to affect directly job satisfaction of physicians. But the main reason for the not satisfied physicians is they do not get the proper service structure and no meaningful work.

Conceptual Framework

Figure 1 presents the relationship between the variables under study where employee performance is the dependent variable while human resource management practices are the independent variable.

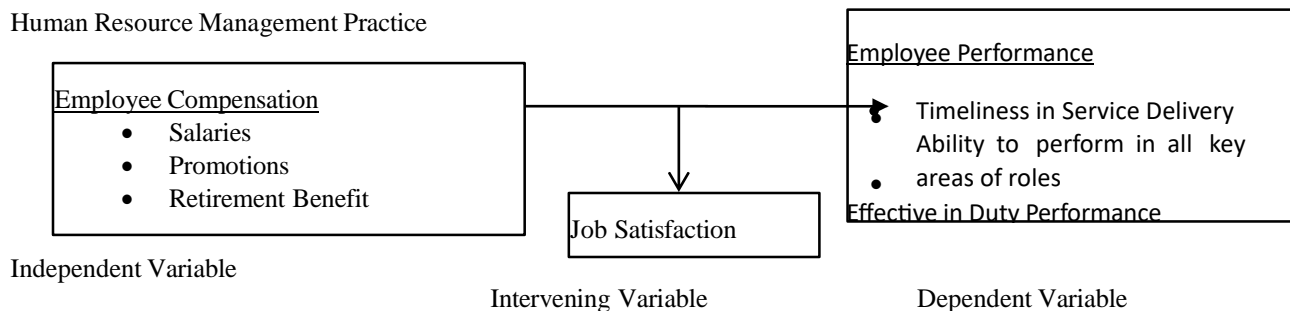


Figure 1: Conceptual Framework

RESEARCH METHODOLOGY

The study was carried out in Tharaka Nithi County of Kenya. It has six sub counties: Mwimbi, Muthambi, Chuka, Igamba-ng'o'mbe, Tharaka North, and Tharaka South. The county falls in the former eastern province. It has a surface area of 2639 km². The area borders Embu County to the South and South West, Meru County to the North and North East, Kirinyanga and Nyeri Counties to the West and Kitui County to the East and South East (Ministry of Planning, 2013). The study focused on the Public health facilities of the County where information was collected from the health care workers working in the public health facilities in the county. The selection of the location had been informed by frequent industrial unrests in the County touching the public health facilities and also familiarity of the researcher with the study area. In addition, it is a typical example of the counties experiencing frequent industrial unrests among public health staff.

Sample Size and Sampling Procedure

A sample is defined as part of a population which is a representative of the larger population (Orodho, 2001). Sampling is a process of selecting a number of individuals or objects from a population such that the selected group contains elements representative of characteristics found in the entire group. The study used systematic random sampling to select respondents. Sampling procedure is the method a study applies to determine the members or items of the target population to be included in the study (Mugenda & Mugenda, 2003).

The study adopted a formula by Israel (2009) to obtain the sample size. The formula was applied as follows:

$$n = \frac{N}{1 + N(e)^2}$$

Where; n – is the sample size

N – is the population size

e – is the error term of 0.05

The determination of sample size is made using $N = 883$ and $e = 0.05$ in the formula to obtain a sample size (n) of 275 respondents from various health facilities. Table 3 presents the sample structure.

The study used systematic random sampling method to select elements of the study sample. With a proportionate random sampling, the study divided the population of 883 with the sample size of 275 to get an interval of 3. Then, using the list of 883 health care workers in various public health facilities as provided by County Human Resource Office, the respondents were selected at an interval of 3 from the list. This gave all the health care workers in all categories of public health facilities an equal opportunity to participate in the study.

Ethical Consideration

The researcher observed all ethical considerations throughout the study. The study was carried out justly and in a way that does not harm the respondents in any way. Ethical issues considered included; informed consent, fairness, voluntariness of participation and confidentiality. The study sought consent from the Head of Human Resource of Tharaka Nithi County to participate in the study. Further, the study promised to keep the information obtained confidential to maintain the privacy of the respondents. Information from other sources was cited appropriately to avoid plagiarism. Final document was subjected to anti-plagiarism to ascertain the level of originality. Obtained data was reported honestly and accurately.

RESULTS AND DISCUSSION

Response Rate

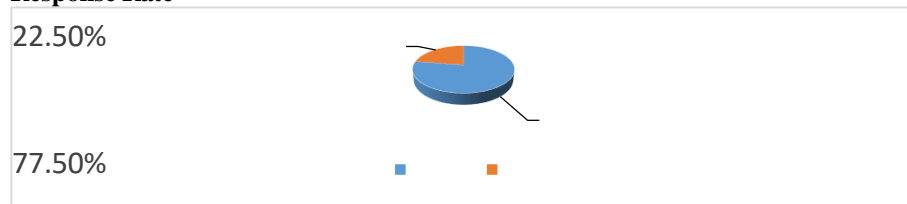


Figure 17: Response Rate

The pie chart above shows that out of 275 questionnaires administered, 213 questionnaires were completely filled and returned to the researchers. This represented 77.5% response rate. Only 62 questionnaires were not returned which represented 22.5% response rate. This response rate was sufficient and representative and conforms to Mugenda and Mugenda (2003) stipulation that a response rate of 50% is adequate for analysis and reporting, a rate of 60% is good while a response rate of 70% and over is excellent. In this case a majority of the respondents (77.5%) accepted to answer and returned the questionnaire denoted by Yes which falls under excellent category.

Frequency of Employee Compensation Methods

The responses on the employee compensation methods enjoyed by the respondents are presented in Table below.

Frequency of Employee Compensation Methods

Employee Compensation Methods	YES		NO	
	Freq	%	Freq	%
Salaries	213	100.0	0	0
Commission	48	22.5	165	77.5
Transport Benefits	213	100.0	0	0
Housing Benefits	204	95.8	9	4.2
Promotion	201	94.4	12	5.6
Retirement Benefits	192	90.1	21	9.9
Medical Cover	198	93.0	15	7.0

Source: Survey Data 2020

The Table above presents a mean score of confirmation of enjoying in various listed employee compensation methods. The study found that almost all the respondents enjoyed salaries benefits, with a representation of 95.8%. Nevertheless, only 22.5% of the respondents confirmed to have enjoyed commission as method of employee compensation respectively. In general, it was noted that the respondents enjoyed most employee compensation methods in the organization.

Descriptive Statistics on Employee Compensation

The respondents had been asked to rate the items relating to employee compensation and their results are presented in Table below

Descriptive Statistics on Compensation

Employee Compensation Methods	N	Mean	Std. Error
Salaries	213	4.51	0.036
Commission	213	1.66	0.088
Transport Benefits	213	4.46	0.038
Housing Benefits	213	4.23	0.061
Promotion	213	4.00	0.069
Retirement Benefits	213	3.77	0.078
Medical Cover	213	4.04	0.073
Mean Score	213	3.60	0.068

Source: Survey Data 2020

The information in Table 16 gives the mean score on the most and least motivation received Employee Compensation methods. The study found that the majority of the respondents acknowledged that they were motivated by salaries they received as a form of compensation (mean of 4.51, SE 0.036). On the other hand, the respondents indicated that they were least motivated by commission as form of compensation (Mean of 1.66 and SE 0.088). This implies that almost all employees felt that salaries paid to them are the main compensation they get for their work they do.

Regression of Employee Performance on Compensation

To assess influence of employee compensation on performance appraisal, the study had set the following hypothesis. *H₀: There is no statistically significant influence of compensation on employee performance in the public health facilities at Tharaka Nithi County.*

The simple regression results in Table below show the goodness of fit of model, overall significance of the model and individual significance.

Regression of Employee Performance on Compensation

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	3.625	0.172		21.080	0.000
Employee Compensation	0.198	0.0047	0.277	4.195	0.000

R-squared: 0.077, Adjusted R-squared: 0.073
 F-statistic: 17.594 on 1 and 212 DF, p-value: 0.000

Source: Survey Data 2020

The information contained in table above indicates that the results had a coefficient of determination value of 0.077 on employee compensation. This implies that 7.7% of variation in employee performance is explained by employee compensation in the model. The F – Statistic was used to assess overall robustness and significance of simple regression model. F – Statistic value is 17.594 with a P-value of 0.000. This implies that the simple regression model is statistically significant at 5% significance level, thus rejecting the hypothesis that there is no statistically significant influence of compensation on employee performance in the public health facilities at Tharaka Nithi County. In addition, the regression coefficient of employee compensation is 0.198. The impression is one-unit increase in compensation account for an increase in employee performance by a factor of 0.198. The relationship between compensation and employee performance was statistically significant at 5% (P-value = 0.000 < 0.05)

The predictive model can be stated as follows: $Y = 3.625 + 0.198X_3 + \epsilon_k$

Where:

- 3.625 is the expected value of employee performance when x is zero
- Y is employee performance
- 0.198 is the expected change in employee performance when compensation is increased by one unit.
- X₃ is the Employee Compensation
- ε_k is the error term (k)

The study revealed that employee compensation enhances employee performance in public health facilities in Tharaka Nithi County. The findings indicated that proper employee compensation is critical in improving employee performance in Tharaka Nithi County. These results are in harmony with a study by Millea (2012) who reported observational proof around the bi-directional connection amid employee’s benefits and productivity. Similarly, the results are in agreement with a study by Wilson (2014) which states that effective compensation procedure would affect totally on behavior of specialists in an organization in that it gives them intrinsic drive towards performing their duties. These results show the objectives of the study which was to examine the influence of compensation on employee performance were met. The results rejected null and therefore the data fulfilled the objective of the study by stating that there is significant dependence between compensations and employee performance.

SUMMARY OF THE FINDINGS

There was a statistically significant influence of compensation on employee performance in the public health facilities at Tharaka Nithi County. This is because F – Statistic value obtained was 17.594 with a P-value of 0.000 which is less than 0.05 hence significant. In addition, the regression coefficient of employee compensation is 0.198 which implies that for one-unit increase in compensation account for an increase in employee performance by a factor of 0.198. The study found that job satisfaction had significant intervening effect on employee compensation and employee performance. This is because from the study findings it was clear that employees in the health facilities were satisfied with the compensation measures put in place by the study organization which in turn encouraged them to perform better in the areas of appointments.

CONCLUSIONS OF THE STUDY

The study findings revealed that Employee Compensation has positive influence on employee performance. It is therefore concluded that continuous compensation of the employees motivates them to work even more thereby improving their performance. Salaries being the highly rated employee compensation measure should be enhanced and paid in a regular and timely manner.

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