

**EFFECT OF COMPENSATION MANAGEMENT PRACTICES ON EMPLOYEE
PERFORMANCE IN WAJIR COUNTY, KENYA**

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MASTER OF BUSINESS ADMINISTRATION (CORPORATE MANAGEMENT)

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PERFOMANCE IN WAJIR COUNTY, KENYA**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE
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DECLARATION

This Dissertation is my original work and has not been submitted for any other degree at the KCA University or any other learning institution.

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15/03770

I do hereby confirm that i have examined the master's dissertation of

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Dr. Nyaribo Misuko

Dissertation Supervisor

DEDICATION

This work is dedicated to my family their sacrifice, support and encouragement.

ACKNOWLEDGEMENT

I am grateful to God for giving me strength, good health and helping me reach this far.

I am grateful to my supervisor Dr Nyaribo, for his understanding, patience, and availability for consultation; flexibility and constructive guidance that made this work a success.

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LIST OF ABBREVIATIONS AND ACRONYMS

ANOVA	Analysis of variances
SPSS	Statistical Package for Social Sciences
NSSF	National Social Security Fund
NHIF	National Hospital Insurance Fund
HRD	Human Resources Development
KMPDU	Kenya Medical Practioners& Dentist Union

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ABSTRACT

Compensation management are strategies used by different organizations to identify good performers and compensate them well as compared to poor performers. A lot of research in the area of compensation shows that there is a positive relationship between compensation management and employee performance. With the unveiling of the new constitution of Kenya in 2010, County governments were created. The county government took over among other things the staff that were initially managed by local government plus other elected leaders such as governors etc. Since its formation, there have been numerous strikes from the county government employees. one of the possible reasons could be poor compensation management leading to low morale of the county workers. Very few studies have looked into the relationship between compensation management and employee performance and especially in the county governments which are relatively new in Kenya. This study intended to find out the relationship between compensation management practices and employee performance in the county governments in Kenya, a case study of Wajir county. The specific objective of the study were to find out the relationship between direct compensation, indirect compensation, incentives and employee performance. This study was important in pointing out the challenges faced by county governments in implementation of compensation management system that will motivate employees and improve their performance. The study was important to the management of county governments, county government employees, ministry of devolution and the researchers. The findings of this study will be applied to other counties because the structures are similar. The study targets the entire political, technical and civic leadership of Wajir County who will be residing within the county at the time of study. The study will use descriptive research design. Chi square –test was used to test the significance of the coefficient of correlation at 5% level of significance. The study used convenience sampling technique to select respondents from the categories of sub-counties. The study collected data by use of primary sources. Questionnaires will be used to elicit responses from the respondents. Data was analysed using SPSS, and multiple regression analysis. The study concluded that there is a direct relationship between the employee performance and direct compensation and employee incentives .

DEFINITION OF TERMS

Compensation Bernadin (2007) refers to the concept of compensation as all forms of financial returns received by employees as reward for the services rendered. These includes all direct and indirect financial Compensation to employees such as salaries, wages, commissions, overtime pay, bonuses, profit sharing, merit pay, travel allowance ,housing allowance and tips

Employee performance Mathis and Jackson (2009)defines performance as quantity of output, quality of output, timeliness of output, job attendance, efficiency and effectiveness of the work completed.

Direct compensation direct compensation occurs where employees are paid money directly for their services rendered to the organization .According to Dessler (2008) the direct payments include bonuses, commissions, wages and salaries.

Indirect compensation Dessler (2011) asserts that indirect compensation refers to monetary and non-monetary remuneration that an employee gets indirectly from the organization for their continued service with the organization

Incentives Heathfield (2013) define incentives as things that motivate an employee to perform an action.it can be used by the organization to motivate employees to increase productivity or increase their efforts in doing something .Incentives comes in form of monetary and non-monetary rewards. Monetary rewards could include bonuses, overtime payment among others. Non-monetary rewards could include employee recognition, praises, and complimenting employees in company meetings, birthday celebrations

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Employer employee relationship needs to be reciprocal. The employment contracts clearly stipulate the role of employers and role of employees. According to Naukrihub (2009) compensation management forms an integral part of human resources management that is important factor in motivating employees which leads to improvement in organizational effectiveness. One most important area that need to be relooked at is compensation. Compensation management is one of the human resource practices that must be given more attention in the current business environment which has become very competitive. Compensation system of the company affects its employee performance. Employees can be very committed to the work assigned and be seen to be working very hard for the organization. However, if the organization doesn't appreciate their hard work, employees become demoralized and their productivity will reduce considerably (Werner& DeSimone, 2009) Human resource is the most valuable and delicate asset of an organization as believed by many. If you mistreat the employees, the productivity of the business will go down and consequently collapse. If you appreciate their efforts, it will encourage them more improving their productivity thus growth, development, and expansion of the organization (Kwon, Chung, Roh, Chadwik, & Lawler, 2012).

One of the personnel department functions is coming up with appropriate compensation that is fair and adequate to the understanding of employees. This function is one of the difficult tasks to implement. It is important for every organization to have a strategic compensation system for its employees that address employee's compensation and benefits. Compensation has a big impact on the employee recruitment, how well they are motivated, how productive

they can be and how long they stay in the organization. Therefore, the personnel department should take this matter seriously if they are to retain talented employees and avoid dealing with industrial actions like strikes from employees. Employees are the most valuable assets to the organization and therefore they must be managed efficiently to ensure that they are productive (Armstrong&Murlis, 2007)

Compensation management is an area that has not been given much attention in the corporate world, leading to many industrial actions from employees. Organizations that do not manage compensation properly, will not be able to achieve its objectives due to unproductive employees (Holmes, 2010)

Armstrong and Murlis (2007) have stated that employees are important source of competitive advantage for companies. According to Baptiste(2008) compensation management with special emphasis on employee performance has been an area of concern for human resource managers. This has led to the efforts by human resource management theorists to work out on establishing the relationship between managing compensation and employee performance in various sectors in the economy Various scholars have done research in the area of compensation management and employee performance.

Lotta (2013) found out that financial incentives motivate employees. Ojokuku and Salami (2011) found out that financial incentives significantly affect the performance of employees. Wambui and Kwasira (2015) did a study in Nakuru county and found existence of strong relationship between compensation and employee performance in Nakuru county government. Despite the findings of these studies (kida, Mahmud & Nuhu,2015) advises the Human resources managers to be cautious when applying incentives in that employees are motivated differently by the incentives.

Despite several research establishing a strong relationships between compensation management and employee performance in both public and private sectors ,it is a worrying trend that many organizations including county governments have not done much in managing compensation in order to improve the performance of employees particularly those of public service. Consequently employee performance that is very critical in increasing organizational productivity has been absent in the county governments making it difficult for the counties to achieve its set objectives (East African centre for Law and Justice, 2011)

County governments have been faced with a lot of challenges with the management of employee's rewards in order to improve their performance. These has resulted in industrial actions by employees. For example doctor's strike that happened from December 2016 was the longest strike ever to happen in Kenya (Central Organization of Trade Unions Kenya, 2017) .Even though they came into agreement with the government, not all their grievances were addressed. According to Dr Ouma Oluga, head of the union of medical workers (KPMU), said: "The strike may be over but the industrial dispute is not yet". (British Broadcasting Corporation, 2017). This poses a risk of underperformances by the doctors and future industrial actions if the issues remain unresolved. It is with this regard that the study examines the effect of compensation management practices on employee performance, a case study of Wajir County.

1.1.1 Compensation Management

Ezeh (2014) defines compensation management as a section of human resource management that focuses on planning, organizing and controlling the direct and indirect payments to employees in return to the effort they put in the organization. He continues to explain that compensation includes direct and indirect forms. According to him, direct forms of compensation include basic pay, merit pay and incentive pay. Indirect forms include pay for employee vacation, insurance cover, pension plans, and national social security benefits.

According to him, the organization concerns itself in compensation management with the aim of maintaining an efficient work force, equitable pay and compliance with regulatory authorities of the government.

On the other hand, Hewitt (2009) refers to compensation management as the effort the organization puts in place to have a compensation structure which makes it possible for the organization to recognize employees with better performance and pay them accordingly more than the average performing employees. The aim of this strategy is to encourage and motivate top performers to improve their performance and work hard in the organization. The measure is also aimed at building competitive atmosphere in the organization.

Bernadin (2007) refers to the concept of compensation as all forms of financial pay received by employees as payment for the services rendered. These includes all direct and indirect financial Compensation to employees such as salaries, wages, commissions, overtime pay, bonuses, profit sharing, merit pay, travel allowance ,housing allowance and tips .On the other hand Mathis and Jackson (2008) refers to employee benefits as indirect reward that employees get because of their position at the work place. Examples of benefits include; medical cover, car allowance, school fees allowance, employees share ownership plans, retirement benefits plans, paid vacation, social security plans (Bernadin, 2007).Some workers benefits are legally mandated while others are voluntary, given as a job perk by employers to attract and retain talented employees. In Kenya it's compulsory for all employers to contribute to social security kitty for the employees through National Social Security Fund (NSSF) and medical insurance through National Hospital Insurance Fund (NHIF).

1.1.2 Employee Performance

Mathis and Jackson (2009)define performance as quantity of output, quality of output, timeliness of output, job attendance, efficiency and effectiveness of the work completed. In other words, employee performance means the successful completion of tasks by employees

according to the standard set and measured by the direct line manager of the organization to previously set acceptable standards while utilizing available resources efficiently and effectively.

Rehman, (2009) defines employee performance as the level to which the employees may apply the knowledge, skills and attitudes in order to achieve the desired results and meeting the specified objectives. Employee performance can indirectly be measured using employee behaviour at work e.g. speed, courtesy, etiquette, precision, time management, consistency and influence on other employees. (Bohnstedt&Larsen, 2008).In most instances when people talk about performance it is often determined by financial performance. Performance in this study will be measured according to the theory of (Gomes, 2003).Gomes gave eight indicators of performance as follows quantity of work, quality of work, job knowledge, creativeness, cooperation, dependability, initiative and personnel qualities.

1.1.3 Wajir County

Wajir is a Borana word that means coming together, bequeathed to this part of the country because of the different clans and pastoral communities that used to congregate in areas around Wajir town to water their animals from the abundant and dependable shallow wells that characterize the general land geomorphology.

British officially established Wajir town in 1912, to serve as their colonial headquarters. This is because of its centrality to all major towns in the region and abundant water resources, shallow wells and high human traffic. Wajir County experiences Maximum temperatures that range between 31oC in July and 36oC in March while minimum temperatures range between 21oC in July and 24oC in April.

The county has aProjected Population of 800,000 as at 2017. WajirCounty comprises of six sub-counties namely Wajir East, Wajir West, Wajir North, Wajir South, Eldas and Tarbaj.

Wajir County also practices agriculture with the main crops grown in the County being sorghum, maize, millet, cowpeas and green grams. The mode of production is majorly rain fed. The production level is still subsistence level but is set to be commercialized through irrigation. Horticulture is practiced in areas where there are shallow wells and major enterprises include tomatoes, onions, capsicums, kales and spinach, pawpaw and water melons. Most population in Wajir are Muslims faith with a smaller percentage being of Christian faith.

1.2 Statement Of The Problem

The inefficiency and low output that characterizes county governments in Kenya have occupied public domain long enough. The possible reason for this could be as a result of poor compensation practices in the county governments. County government have been on media for all wrong reasons. Ranging from employees strikes and delay in payments of salaries. In December 2016, the doctors in all the counties downed their tools and refused to work for about 100 days demanding many things amongst them, better pay, better working conditions, improvement of doctor patient ratio (Aljazeera, 2017). This led to absenteeism from work affecting their performance. Many people who could not afford to go to private hospitals lost their lives (Aljazeera, 2017). The county government has been faced with a lot of challenges in implementation of proper compensation system that can motivate and retain employees (East African centre for Law and Justice, 2011)

Various studies have been done on the relationship between compensation management practices and employee performance.

Sangwan (2015) studied the impact of compensation management practices on employee performance in private sector banks. The study was carried out in India. The findings of the study revealed that there is a positive relationship between pay and benefits with employee performance. This study is different from the current study because it was carried out in the

private banking sector which has a different operating environment from the county governments. The current study will be carried out in the county governments in Kenya. In another study, Premalatha, (2013) studied the impact of compensation system on employee performance in the service sector. The study was carried out in Bangalore. The results of the study revealed that compensation management directly influences employee performance. The study also revealed that in order to retain talents in the long run, monetary payment have to be supported with non-monetary payments. The study focused on banking sector while the current study focuses on county governments.

A number of studies have been done in Africa. Adeniyi (2013) did a study on compensation management and employees performance in public sector in Nigeria. The main objective of the study was to find out different compensation packages that exist in the public sector and to find out which among them motivate employees to the highest degree of performance. The findings of the study revealed that compensation management system has an impact on employee performance. The current study is different from this study in terms of objectives, whereas the study carried out in Nigeria was focusing on finding out what packages are available, the current study seeks to find out on the influence of the current packages in the county government on employee performance. Mbah, Mgbemena, and Ejike, (2015) did a study on effective compensation management and employee performance in Civil service in Nigeria. The study focused on the relationship between employee performance and basic pay, employee recognition, conducive work environment and staff development. The findings of the study revealed that direct pay and some non –financial payments of employee recognition, conducive work environment positively and significantly affect employee performance in Civil service. The study focused on few elements of compensation i.e. pay, employee recognition and conducive work environment. The current study is going to look into the entire compensation packages available in the county government that include direct

compensation, indirect compensation and incentives and how this affects employee performance.

Various studies have been done in Kenya. Njoroge and Kwasira (2015) carried a study on the influence of compensation and reward on performance of employees at Nakuru county government. The study revealed that compensation and reward affects employee performance. However, this study was general and did not look specifically into indirect compensation, indirect compensation and incentives which is the focus of this study. The study recommended that further studies on other non-monetary compensation should be identified. Based on their recommendations, the current study has added non-monetary compensation in its objectives to find out if it has an effect on employee performance in the county governments. In another study Nyaroo and Wekesa (2013), studied the effect of compensation on performance of public secondary school teachers of Eldoret Municipality in Uasin Gishu County. The study found a positive relationship between compensation and performance. The study further notes that the current compensation policy in place does not encourage productivity thus affecting the teacher's performance negatively. The study is different from the current study because it concentrated on secondary schools only while the current study seeks to study the entire county administration. Chebet (2015) carried out a study on the determinants of employee performance in the county governments of Kenya, a case study of Bungoma County. The study looked into the following determinants, compensation, and leadership, training, and working conditions. The study found a positive relationship between compensation and performance. The study did not look into incentives which is part of the focus of the current study. The study is different from the current study which is based on compensation management practices in the county government

The constitution of Kenya 2010 under article 186 describes the functions of the county governments. The county government plays crucial roles in the economy. Amongst the functions according to article 186 of the constitution of Kenya 2010 are legislation of the laws that are crucial for the functioning of the county governments. County assemblies are responsible for receiving and approving plans and policies in the county which affect the management and exploitation of the county resources. Management of agricultural activities in the county which is the backbone of the economy of Kenya is also done at the county level. The county governments are also in charge of county health services and facilities, cultural activities, county transport and county roads .County planning and development activities is also managed by county governments. All these crucial services provided by county government are very important to the growth and sustainability of the Kenyan economy. It is therefore necessary to ensure compensation management is well managed to ensure the employees are productive and help the counties to achieve its set goals and objectives.

From the review of literatures above, it is quite evident that very few research have been carried out in the area of compensation management practices and employee performance in the county governments .Due to the crucial role that the county governments play in the economy and few research done in this area, the current study seeks to fill the identified gaps by investigating the influence of compensation management practices on employee performance in the county governments a case of Wajir county.

1.3 Objectives Of The Study

The general objective of this study is to investigate the effects of compensation management on employee performance

1.3.1 Specific Objectives

- i. To determine the effect of direct compensation on employee performance in Wajir county
- ii. To find out the effect on indirect compensation on employees' performance in Wajir County
- iii. To establish what types of incentives on employees performance in Wajir county

1.3.2 Research Questions

- i. What is the influence of direct compensation on employee performance in Wajir County?
- ii. What is the effect of indirect compensation on employee performance in Wajir County?
- iii. What is the effect of incentives on employee performance in Wajir County?

1.4 Significance of the study

1.4.1 County Governments In Kenya

The policy makers in the county government will find the recommendations that will follow in the study very helpful because it will give enough insight into the issues of tcompensation management and employee performance in the county governments. The county governments will see the need to take the issue of both financial and non-financial reward seriously that will improve employee performance in the county governments.

1.4.2 County Government Employees

The findings of the study will enlighten employees on the issues of compensation management in the county governments so that they are guided properly on what they should expect from their employers to reduce disputes between them and their employers and increase productivity

1.4.3 Researchers & Students

The findings of this study will be important to future researchers and academicians by acting as an empirical source besides suggesting areas for further research. This study will suggest areas for further research where they can extend their knowledge

1.5 Scope of the study

The study will examine compensation management which will include, direct compensation, indirect compensation and incentives and its influence on employee performance in Wajir County. The study targets the entire political, technical and civic leadership of Wajir County who will be residing within the county at the time of study. The study will be carried out in the six sub-counties of Wajir (Wajir East, Wajir, West, Wajir North, Wajir South, Eldas and Tarbaj)

1.6 Assumptions of the study

The study assumes that the respondents are knowledgeable on the matters of compensation systems and employee performance. This will enhance adequate collection of quality research data that will in turn lead to better quality interpretations from the collected research data.

The study assumes that the researcher will receive all necessary cooperation from all respondents of Wajir County and the respondents will be truthful and willing to provide accurate and valid information freely

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter will discuss the literature and compares the literature from the research of other scholars in the same field of study. The areas to be covered under literature review are the theoretical review, conceptual framework and operationalization. The chapter is organized in such a way that it reflects the specific research questions to be able to relate to the research problem. The purpose of the review is to review what other scholars have done in the same field to avoid duplication.

2.2 Theoretical Framework

This section will review theoretical framework that will discuss and explain the effect of compensation management on employee performance. This study is based on Victor Vroom expectancy theory and Adams Equity theory.

2.2.1 Victor Vroom Expectancy Theory Of Motivation

The expectancy theory was proposed by Victor Vroom in 1964 and affirmed by Armstrong(2009).,The theory is based on the people's perceptions of the outcome of their efforts. The theory asserts that employees will put in more efforts if they perceive that their efforts will lead into a certain outcome.If for example they perceive that if they work hard they will get promotions or other benefits, then they put more effort to work.The theory linked person's motivation to efforts, motivation and performance. Vroom used three variables popularly known as Valence-instrumentality –expectancy (VIE) to explain the linkage which includes; expectancy (belief by the employees that increased effort will lead to increased performance), instrumentality (the belief by the employee that there is a valued outcome with good performance) and Valence (the importance that an employee/someone places on the outcome)

The expectancy theory has some important information and techniques of motivating employees. The theory model has offered a good guidance for the organizations to motivate the employees by altering the individual efforts to performance expectancy, performance-reward and reward valences (Greenberg, 2011; Hellriegel & Slocum, 2011; Mcshane & Von Glinow, 2011)

The theory is based on individual perceptions for instance what an employee perceives as a motivator could be different from what an employer perceives as a motivator to an employee. The theory applies in the current employment set up in that it affects the attitudes towards work by an employee e.g. employees will work hard expecting their efforts to be rewarded or there is reward on offer and if they believe that more effort will lead to getting that reward. The theory is about the perceptions people or employees place towards an expected outcomes and the contributions that they feel they can make towards those outcomes.

In companies the expectancy theory has three predictions i.e. that employees believe that if they put in more effort it will yield better job performance. Better job performance will in turn lead to good rewards such as increased salaries, and these predicted rewards are really valued by the employee in question. According to the theory therefore the managers are encouraged to use good systems when rewarding employees as these have direct impact on employee motivation and performance. The company managers are encouraged to ensure that the employee appraisal systems are closely linked to employee performance. They need to be cautious and ensure that only the deserving employees get the rewards and that the recipients of the rewards value it

The theory is applicable in the study in that it has looked into the factors that motivates employees to work hard and improve their performance which is the focus of this study. The theory has a reciprocal relationship in that employee put in their efforts to work in the organization expecting the organization to reciprocate with better pay and rewards.

2.2.2 Equity Theory Of Motivation

The theory was first developed by John Stacey Adams in 1963 the theory employee motivation depends on whether the employee perceives that what they get from employment in form of employment benefits or rewards is equal to the amount of efforts or inputs they put in their work in the organization. According to Adams, employees will compare their inputs and outputs to those colleagues who are in the same level. In cases where employees perceive that there are inequities, it may lead to an increase in absenteeism and to some extent to resignation (Greenberg, 1999)

the theory explains employees put in their work are classified as inputs which includes the number of hours worked, the work responsibilities of employees, the work duties of employees, the loyalty of employee towards the organization and flexibility amongst others. On the other hand, Adam proposed the outputs to include salaries, bonuses, employee recognition, favourable work appraisals, and annual leave amongst other benefits and rewards from the employment. An employee will perceive inequity when there is imbalance in the ratio between the inputs and outputs as compared to others in the same level (Miner, 1980).

Adams (1964) an employee will perceive that they have been treated well (with equity) if they perceive that their ratio of inputs to their output is fair and is equal to those around them or in the same level. If an employee perceives that their colleagues in the same level are treated better than him/her while they have put in the same efforts, it will lead into job dissatisfaction. The dissatisfaction will lead into demotivation of the employee where he/she feels underappreciated by the organization

Equity theory principles are very helpful in this study because the management will be able to understand and perceive what motivates employees. (Berkowitz, 1965).

The theory is applicable in this study because the employees expect better treatment and rewards in return to the efforts they put to their work in the company. If this is not met, they become demotivated and their performance /productivity will reduce.

2.3 Empirical Review

This section will look at the objectives of the study and will furnish each of the objectives with the information in an effort to answering the research questions. The section will look at the three areas that is covering each of the three objectives that examine the effect of compensation management practices on employee performance.

2.3.1 Direct Compensation and employee performance

Direct compensation occurs where employees are paid money directly for their services rendered to the organization .According to Dessler (2008) the direct payments include bonuses, commissions, wages and salaries. Dessler (2008) define direct compensation as payment to employees that enhance employee's financial position when paid to them. Direct compensation is categorised into base pay and contingent pay. Basic pay can be expressed n form of normal rate which can be weekly, hourly, monthly or annually and allowances which may include overtime, adjustment in cost of living (Amstrong, 2008).

Contingent pay are additional financial rewards in the form of merit pay, commissions, incentives which are given to employees based on their performance in the organization (Amstrong, 2008). Financial payments has been linked to extrinsic motivation (external factors).Extrinsic motivation (financial payment) motivates staff to complete their assigned tasks to be able to receive the payments (Ryan &Deci (2012).Mondy (2008) came up with indicators to measure direct compensation as follows salary, allowances, Official travel expenses, Performance incentives and increase system of basic salary.

Various studies have been done to find out the relationship between direct compensation with performance.

Setyadi and Subekti (2016) carried out a study on the implication of the financial compensation on performance in Indonesia. The findings of the study indicate that financial compensation does not have an effect on employee performance. In the study of Niode (2011), the findings indicated a positive effect on employee performance. Umar (2011) also found a positive relationship between salary and performance. Khan, Farooq and Ullar (2010) in their study found out that there is direct and positive relationship between financial compensation and employee performance. This means that if the employee salary is altered, it will have a direct impact on the work motivation of the employee. When an employee is motivated, their performance will improve.

In an equally similar study, Ali and Akram (2012) wanted to find out the impact of financial payments on employee motivation and satisfaction in pharmaceutical industry in Pakistan. The study found out that the employees of the pharmaceutical industry in Pakistani were well remunerated and were satisfied. The study proved that there was a positive impact of financial payments on employee's motivation and satisfaction. This means that if employees are well remunerated with monetary payments, they will be motivated leading to good productivity and performance.

In another study, Mbah, Mgbemena and Ejike (2015) sought to find out the relationship between effective salary management and employee performance in civil service in Nigeria. The study looked at both the financial and non-financial payments. The findings of the study revealed that there is a positive and significant relationship between pay and some non-financial form of payments such as employee recognition, conducive working environment,

and staff development with employee performance. According to Lotta (2012) financial incentives are very effective in motivating employee's. Ojokuku and Sajuyigbe (2009) in their study found out those financial incentives positively and significantly affect employee's performance. Although there have been various study showing significant relationship between monetary form of payments and employee performance, the debate is still going on as to whether money motivates employees (Ejumudo,2014)

2.3.2 Indirect Compensation and Employee Performance

Dessler (2011) asserts that indirect compensation refers to monetary and non-monetary remuneration that an employee gets indirectly from the organization for their continued service with the organization. Dessler (2008) classifies compensation into, fringe benefits such as staff housing, car grants, mileage allowance, supplemental pay benefits, insurance benefit, retirement benefits e.g. pension and social security, personal benefits such as staff meals and day care centre.

Byars and Rue (2008) gives the following as indirect benefits which include; Social security, workers compensation, paid holidays, paid vacations and retirement plans amongst others.

Danish and Usman (2010) in their study found out that if indirect benefits like allowances, fringe benefits and other compensations are given to employees on periodic basis it will improve their morale thus boosting employee performance. Odunlami and Asabi (2014) did a study on compensation management and employees performance in manufacturing sector, in Nigeria. The study found out that there was a significant and positive relationship between good welfare service and employee performance. The study recommended that organizations to ensure that it provides good welfare packages to its employees as these goes a long way to encourage and improve employee performance. Indirect benefits to employees in form of staff vehicles, staff housing, free medical care, staff retreats, staff canteens, spacious office

amongst others fosters higher employee performance and good working relationship ,(Addissamad,2013)

There has been a continued debate on whether non-financial compensation affects employee performance. Scott 2013 is of the opinion that non-financial compensation can have more substantial impact on employee performance and motivation as compared to financial compensation. While on the other hand, other scholars are of the opinion financial compensation have greater impact as compared to non-financial compensation. As to whether money is a motivator, the debate is still on (Ejumudo, 2014) In another study, Emerole (2015) sought to find out the effect of non-monetary compensation on productivity of employees among the selected government parastatals in Nigeria. The study found out that with effective exploitation of human resources by use of non-monetary compensation leads to higher employee productivity and efficiency. The study recommends that the organizations should seek to exploit human resources potential by having non-monetary compensation in their human resource strategy. From the above review of literature from various scholars it is evident that there is a strong relationship between indirect compensation and employee performance.

2.3.4 Incentives and Employee Performance

Heathfield(2013) define incentives as things that motivate an employee to perform an action. It can be used by the organization to motivate employees to increase productivity or increase their efforts in doing something .He continue to explain that incentives comes in form of monetary and non-monetary payments. Monetary incentives could include lump sum bonuses, overtime payment, and pay rise amongst others. Non-monetary incentives could include employee recognition, praises, and complimenting employees in company meetings, birthday celebrations, staff training and pleasant working environment amongst others. There

is agreement among various scholars that employees will only be loyal to an organization if their needs and demands are adequately addressed.

Saleem (2011) asserts that financial incentives increase employee loyalty in the organization. It is therefore recommended that the organizations should seek to maintain good relationship with their employees by offering good incentives in form of financial and non-financial compensation. Firms should come up with good strategies that include incentives to the employees in form of profit sharing, bonus, and promotion, employee stock ownership amongst others(Milkovich & Newman, 2008). In doing this, the employees will feel appreciated and the organizations will be able to achieve its goals while maintaining good relationship with their employees. A number of studies have been done to find out the relationship between incentives and employee performance as discussed below

Karim and Reddy (2013) in their study on the impact of incentives schemes on employee performance, found out incentives were key in improving employee performance apart from the income and other benefits given to them.in another study conducted by Hameed et al (2013) on the impact of incentive motivators on employee's performance revealed a positive and significant influence of incentive motivators on employee performance.

Gichuru (2015) that studied the relationship between motivational incentives and employee performance found out that motivational incentives had positive effect on employee performance in the organization in different ways which included improved participation, improved employee relations, improved employee morale and increased output. Mamdani and Minhaj (2016) did a study on the effects of motivational incentives on employee performance with a focus on 15 banks of Karachi in Pakistan. The study's main objective was

to find out the level motivational incentives and to analyse the impact of those incentives on the employee performance. The study results revealed that motivational incentives had impact on employee performance.

In another study by Ahiabor (2013) on the impact of incentives on the productivity of firms in Ghana, the findings revealed positive relationship between incentives and productivity, monetary incentives included. In addition the study found out that non-monetary incentives like health and equipment use amongst other factors were valued by employees more than monetary payments. The study recommended that organizations should establish a unit to look into the issues of incentives that in turn will enhance productivity.

Saleem (2011) in his study investigated the impact of financial compensation on employee commitment. The study involved a total of 100 employees from banks in private sector, public sector, Islamic banks and microfinance banks. The findings of the study revealed positive and significant relationship between financial compensation and employee commitment.

2.4 Knowledge gap

Various studies have been done on the relationship between compensation management practices and employee performance. Sangwan (2015) studied the impact of compensation management practices on employee performance in private sector banks. The study was carried out in India. The findings of the study revealed that there is a positive relationship between pay and benefits with employee performance. This study is different from the current study because it was carried out in the private banking sector which have a different operating environment from the county governments. The current study will be carried out in the county governments in Kenya. In another study, Premalatha, (2013) studied the impact of

compensation system on employee performance in the service sector. The study was carried out in Bangalore. The results of the study revealed that compensation management directly influences employee performance. The study also revealed that in order to retain talents in the long run, monetary payment have to be supported with non-monetary payments. The study focused on banking sector while the current study focuses on county governments.

A number of studies have been done in Africa. Adeniyi (2013) did a study on compensation management and employees performance in public sector in Nigeria. The main objective of the study was to find out different compensation packages that exist in the public sector and to find out which among them motivate employees to the highest degree of performance. The findings of the study revealed that compensation management system has an impact on employee performance. The current study is different from this study in terms of objectives, whereas the study carried out in Nigeria was focusing on finding out what packages are available, the current study seeks to find out on the influence of the current packages in the county government on employee performance. Mbah, Mgbemena, and Ejike, (2015) did a study on effective compensation management and employee performance in Civil service in Nigeria. The study focused on the relationship between employee performance and basic pay, employee recognition, conducive work environment and staff development. The findings of the study revealed that direct pay and some non –financial payments of employee recognition, conducive work environment positively and significantly affect employee performance in civil service. The study focused on few elements of compensation i.e. pay, employee recognition and conducive work environment. The current study is going to look into the entire compensation packages available in the county government that include direct compensation, indirect compensation and incentives and how this affects employee performance.

Various studies have been done in Kenya. Njoroge and Kwasira (2015) carried a study on the influence of compensation and reward on performance of employees at Nakuru county government. The study revealed that compensation and reward affects employee performance. However, this study was general and did not look specifically into direct compensation, indirect compensation and incentives which is the focus of this study. The study recommended that further studies on other non-monetary compensation should be identified. Based on their recommendations, the current study has added non-monetary compensation in its objectives to find out if it has an effect on employee performance in the county governments. In another study Nyaroo and Wekesa (2013), studied the effect of compensation on performance of public secondary school teachers of Eldoret Municipality in Uasin Gishu County. The study found a positive relationship between compensation and performance. The study further notes that the current compensation policy in place does not encourage productivity thus affecting the teacher's performance negatively. The study is different from the current study because in concentrated on secondary schools only while the current study seeks to study the entire county administration. Chebet (2015) carried out a study on the determinants of employee performance in the county governments of Kenya, a case study of Bungoma County. The study looked into the following determinants, compensation, and leadership, training, and working conditions. The study found a positive relationship between compensation and performance. The study did not look into incentives which are part of the focus of the current study. The study is different from the current study which is based on compensation management practices in the county government.

From the review of literatures above, it is quite evident that very few research have been carried out in the area of compensation management practices and employee performance in the county governments .Due to the crucial role that the county governments play in the economy and few research done in this area, the current study seeks to fill the identified gaps

by investigating the influence of compensation management practices on employee performance in the county governments a case of Wajir county

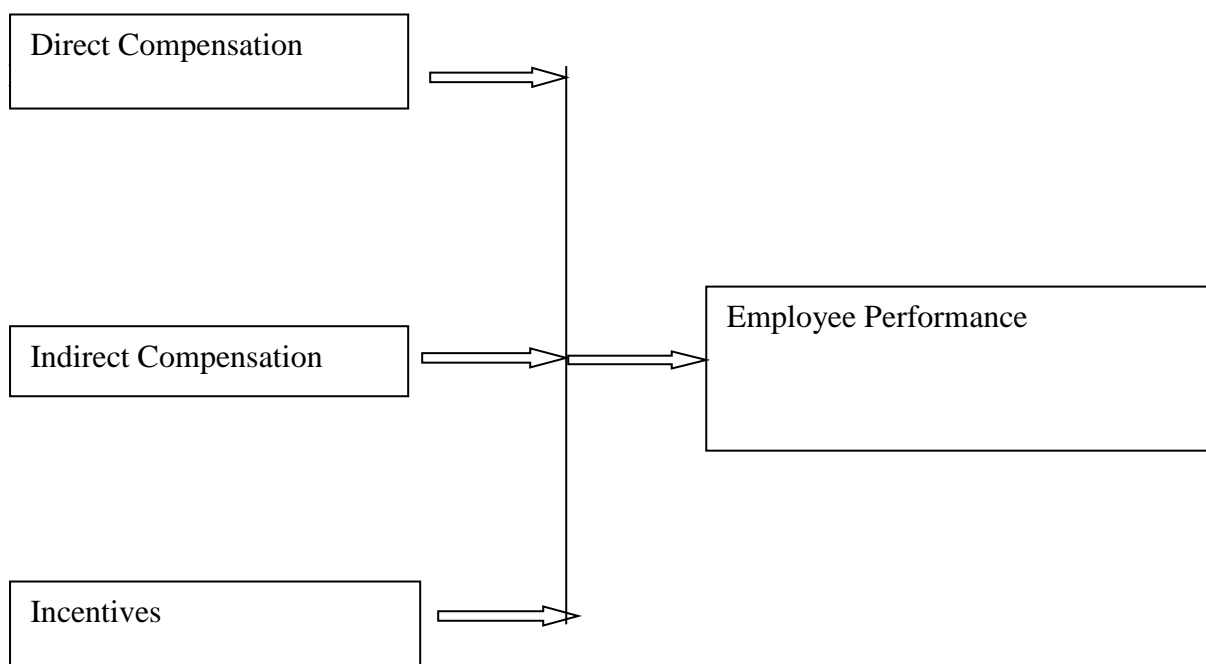
2.5 Conceptual framework

Young (2009) defines conceptual framework as a diagrammatical representation that shows the relationship between dependent and independent variables

This study's conceptual framework will seek to demonstrate the relationship between compensation management and employee performance

Independent Variable

Dependent Variable



2.6 Operationalization of the Variables

Table 2.1 Displays the operationalization of the study variables and identifies the measurement scale of each of the variables.

Table 2. 1: Operationalization of the Study Variables

Objective	Variable	Indicators	Measurement scale
Employee performance	Dependent variable Employee performance	Quantity of work Quality of work Job knowledge Timeliness Creativeness Initiative Dependability	Interval
To determine the effect direct compensation on employee performance	Independent Direct Compensation	Wages Salaries Official travel expenses	Interval
To determine the effect of indirect compensation on employee performance	Independent variable Indirect Compensation	Staff housing Pension scheme Insurance cover Car loans Car grant Staff meals Paid leave	Interval
To determine the effect of incentives on employee performance	Independent variable Incentives	Lump sum bonuses Overtime payment Employee recognition Performance feedback	Interval

2.7: Research Hypothesis

H₀₁: Direct compensation has no significant influence on employee performance of Wajir County

- H₀₂: Indirect compensation have no significant effect on employee performance of Wajir County
- H₀₃: Incentives have no significant effect on employee performance of Wajir County

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discussed the methodology that were used in carrying out the study. This chapter covered the research design and research methodology used to test the theories and variables. The items discussed includes research design, the population, data collection methods, sampling frame, sampling methods, instrumentation, procedure of data collection, the pilot test, validity and reliability and the data analysis and presentation and ethical issues

3.2 Research design

Yin (2013)) described research design as a detailed outline of how the research was carried out. This included the way data was collected, the instruments to be employed, the way the instrument were used and the means of analysing the collected data. This study employed the use of descriptive research design to investigate the influence of total compensation on employee performance in county governments. According to Jacobs (2009) the descriptive research seeks to answer research questions such as who, what, where, when and how. According to Sekaran and Bougie (2011) descriptive study, is able to ascertain while describing the characteristics of the variables of interest in any situation.

The descriptive research design was appropriate for this study because it help in determining the influence of total compensation on employee performance in county governments.

3.3 Population

Population is a large collection of individuals /objects which has similar characteristics and is the main focus of the study (Castillo, 2009)

3.4 Target Population

Gall and Borg (2007) defines target population as the entire set of units of the survey that the findings are meant to generalize. This study will target 2000 employees of Wajir County who

belong to middle level and top management level (Employee records June, 2017). These categories of employees will be selected because it is believed that they have knowledge on matters of total compensation and employee performance.

3.5 Sample size and sampling technique

Zikmund, Babin, Carr and Griffin (2010), define sampling frame as a process in which a subset of individuals are selected from the entire population for the purposes of making predictions which is based on statistical inference. It is required that the sample taken should be a true representation of the entire population under study.

The study will use Yamane Taro (1967) formula of sample size estimation.

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

n= sample size to be determined, N = the target population, and e = Margin of error (MoE), e = 0.05 based on the research condition.

Substituting the formula

$$n = 2000 / (1 + 2000 * 0.05^2)$$

$$n = 333$$

Therefore the sample of the study is 333 senior employees of the county government of Wajir. The researcher will use convenience sampling technique to select the sampling units from the target population. The technique allowed, the researcher to send questionnaires to employees in the sample category who can easily be accessed and located conveniently. This method was preferred to simple random sampling because county workers will not always be in office at the same time. It is difficult to trace all of them at once.

3.6 Instrumentation and Data collection procedure

The study used questionnaires to collect information on influence of compensation management on employee performance. The questionnaire chosen as an instrument of data

collection because it's possible for the respondents to be objective and more precise when responding to the research questions. The questionnaire was designed in a simple way to make it easy for the respondents to respond to the research questions. The questions were made up of structured and unstructured questions. A five-point Likert scale that ranges from "very great extent" to very low extent" (5 = 'very strong extent', 4 = 'great extent', 3 = 'moderate extent', 2 = "low extent' and 1 = 'very low extent') were be used to reflect the strength of agreement or disagreement of the respondents. Zikmund (2010) asserts that Likert scales have widely been used in most research in business and other related courses in social science literature. The researcher was make the nature and purpose of the research known to the respondents and had assured them of their confidentiality to elicit the responses from them.

The questionnaire was divided into four sections. Section one gathered the general information and the information on the dependent variable. Section two gather information on direct compensation, Section three on indirect compensation, Section four on incentives,

3.7 Validity and Reliability

A pilot test was carried out to test the validity and reliability of the data collection instrument. Cooper and Schildler (2011) asserts that a pilot test needs to constitute at least 10% of the sample. Sigmund, Babin, Carr and Griffin (2010) asserts that A pilot study is a research project on a small scale that collects data from respondents like those that will be used in the main study. It is important to pre-test the questionnaire before conducting the main study (Zikmund (2010)). The importance of the Pilot study is that it enables the researcher to test the effectiveness of the questionnaire by the feedback that is obtained before carrying out the full study. The pilot study in this research will comprise of 20 employees from a different county government. The 20 employees participating in the pilot study will not participate in the final study.

Reliability is a test carried out to find out how much one can rely on the data source. The aim of reliability test is to ensure that repeat observations can give similar/consistent results. This is because consistency is the primary measure of reliability. Reliability can only be estimated but cannot be measured. Reliability should not be confused with validity, the fact that a scale is consistent does not mean that it is measuring what is required to measure.

The researcher use Cronbach's alpha to measure internal consistency. The recommended value of 0.7 will be used as a cut-off of reliabilities. Cronbach's alpha this study was 0.924 which was greater than 0.7 meaning that data was reliable and consistency to use in analysis. Variables that do not correlate strongly (<0.25) with the sum of the remaining variables or that correlate negatively with one another will be removed from the measuring instrument (DeVellis, 1991). Scales in the questionnaire above 0.7, the value commonly required for descriptive research, will indicate satisfactory reliability (Nunnally & Bernstein, 1994).

Yin (2013) asserts that validity of an instrument refers to the extent to which the instrument claims to measure what it is supposed to measure. There are three types of validity which includes construct validity which measures the degree to which the tool correlates to other theoretical propositions, content validity which measures the coverage of topic under study and finally criterion validity measuring relevance and freedom from bias. The questionnaires will be subjected to a pilot study to measure its validity and reliability. The results of the Pilot study will be discussed with my supervisor to get his expertise opinion on the validity of the instrument. Any errors will be corrected before the questionnaire is administered in the final research.

3.8 Data Analysis

Saunders, Lewis and Thornbill (2009) defines data analysis as the practice of ordering and organizing raw data to be able to extract useful information from it. All the primary data that

were obtained from the questionnaires were have to be checked for any omissions and consistency before coding and analysis is done. The information was organized, coded and analyzed using the SPSS (Statistical Package for the Social Sciences) software. The quantitative report was generated from the software (SPSS).The quantitative data findings will be presented by use of charts, tables and pie charts, while qualitative data findings will be presented thematically.

3.9 Multiple Regression Analysis

Multiple regression used to analyse the relationship between dependent and independent variable. This is because it is a flexible method of data analysis appropriate whenever a quantitative variable or the dependent or criterion .Employee Performance was regressed against threevariables of direct compensation, indirect compensation and incentives

Diagnostic testing was performed as follow, testing normality of data, heteroscedasticity, multicollinearity and autocorrelation of residuals

Reduced model

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon_i$$

Full model

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon_i$$

Where

- | | | |
|-------------------------|---|---|
| β_0 | = | Intercept coefficient |
| $\beta_1 \dots \beta_3$ | = | Regression Coefficient of three variables |
| X_1 | = | direct compensation |
| X_2 | = | indirect compensation |
| X_3 | = | incentives |
| ϵ_i | = | Error Term |

Analysis of variance (ANOVA) were used to test the significance of the overall model at 95% level of significance. ANOVA is a technique that provides a statistical test of whether or not the means of several groups are all equal and therefore generalizes t-test to more than two groups (Bailey, 2008). ANOVAs are useful in comparing two, three, or more means. According to Trochim (2006) T-test assesses whether the means of two groups are statistically different from each other. This analysis is appropriate whenever you want to compare the means of two groups.

ANOVA is preferred because it utilizes F-test in terms of sums of squares residual (Mugenda 2008). Richard (2007) defines F-test as a test designed to test if two population variances are equal. It does this by comparing the ratio of two variances. So, if the variances are equal, the ratio of the variances will be 1.

Shapiro –wiro test were used to test for normality of the data. The goodness of fit test of the model will be tested by the use of F-tests and the p-value while the tests for causality between total compensation and employee performance will be done by the use of adjusted R^2 .

3.10 Ethical issues

The institute of Global Ethics (2017) defines research ethics as requirements by the researchers to apply moral rules and professional codes of conduct when collecting, analysing, reporting and publishing the information about research subjects. In particular, the researcher should protect the rights to privacy of the respondents, confidentiality and informed consent.

The researcher wrote a formal request in form of a letter to the management of the company to seek permission to carry out the study. The letter was sought to explain the reasons for carrying out the intended study. Confidentiality of individuals who will participate in the study during and after the data collection process guaranteed by the researcher. The respondents and the management were assured that the findings of the study will be used for academic purposes only.

The ethical standards will be considered throughout when interacting with the respondents. The researcher will clearly stipulate and explain to the respondents that their participation in the study will be voluntary but very important. Confidentiality of the responses received will be very paramount. The only persons who will have access to the filled in questionnaires will

be the researcher and the statistician who will transfer the data to SPSS software in the computer. The questionnaires will be destroyed after the report is fully analyzed and complete

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

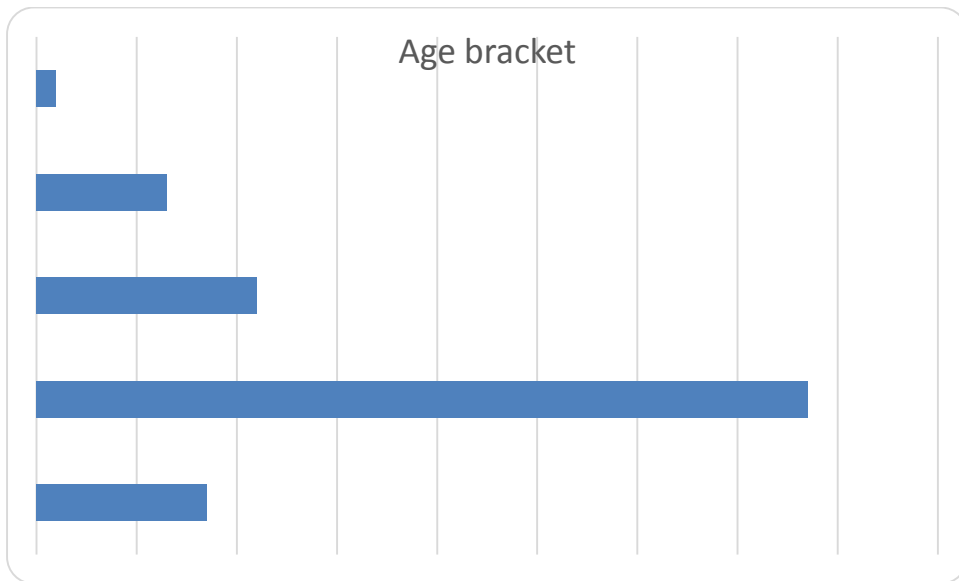
4.1 Introduction

This chapter presents the research findings and interpretation of study data. The study investigated the effect of compensation management practice on employee performance in wajir county, Kenya. The study targeted 200 respondents and questionnaires were distributed out of which only 131 were reimbursed fully completed. This constitutes a response rate of 65.5 percent which is good for the study. According to Mugenda and Mugenda (2003) this response rate was fair and representative since it surpasses the 50% threshold for analysis and reporting, a response rate of 70 percent is good while 77 percent and over is very good. The good turn up can be attributed to the data collection procedures, where the researcher notified potential participants in advance and utilized self-administered questionnaires in which respondents completed and the same was picked shortly. In addition follow up was made when some respondents delayed in handing over the questionnaires. Data analysis and the report of the findings were done using descriptive statistics in the form of tables, figures, frequencies and percentages.

4.2 Demographic Characteristics

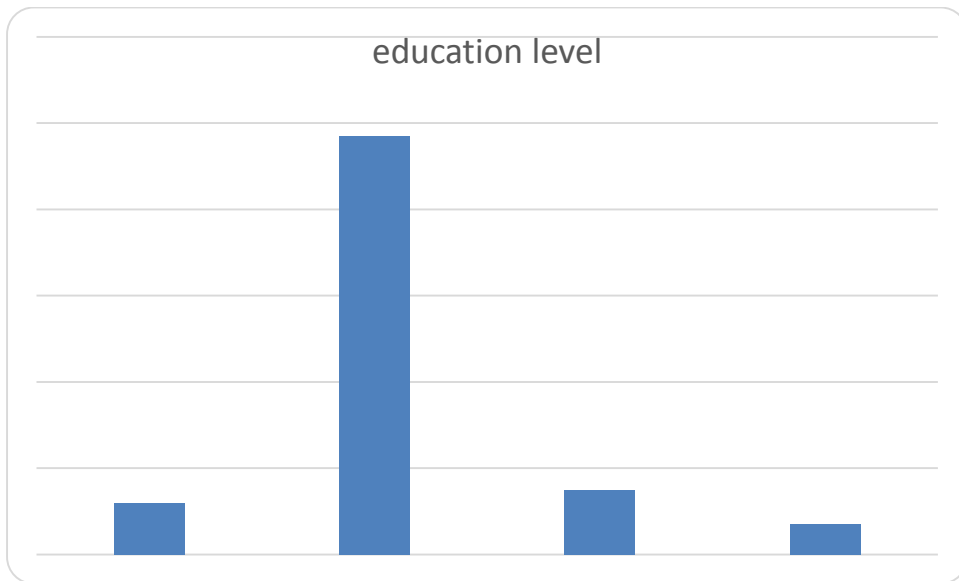
This segment consists of evidence that defines basic physiognomies such as gender, age, level of education and years worked in current position of the respondents. In respect of age inof respondents have employee the study show that majority of respondents they were 26-35 years with 58.8% ,followed by 36-45 years with 16.8 % with least of over 55 years as shown in figure 4 .1

Figure 4.1: Agebracket



Highest level of education was one of the parameters of the questionnaire. As shown in figure 4.2, 74% dominated the scene with diploma level of education, 11% degree level of education tertiary and 9.2% had secondary qualification. The study outcome means that, the respondents have knowledge of the questions and know how to fill the questionnaire and gave effective answer since they understood the organizations as shown by their education level. The employees are well educated meaning that the government takes care of the education of its staff. The recruitment is also based on the best staff, meaning qualified people are recruited

Figure 4.2 Education level



The study also establish the position in which the respondent where working in county and results indicate that majority of respondent were working middle level management as 50.4% ,top level level management with 38.9% as shown in figure 4.3

Figure :4.3 level of management

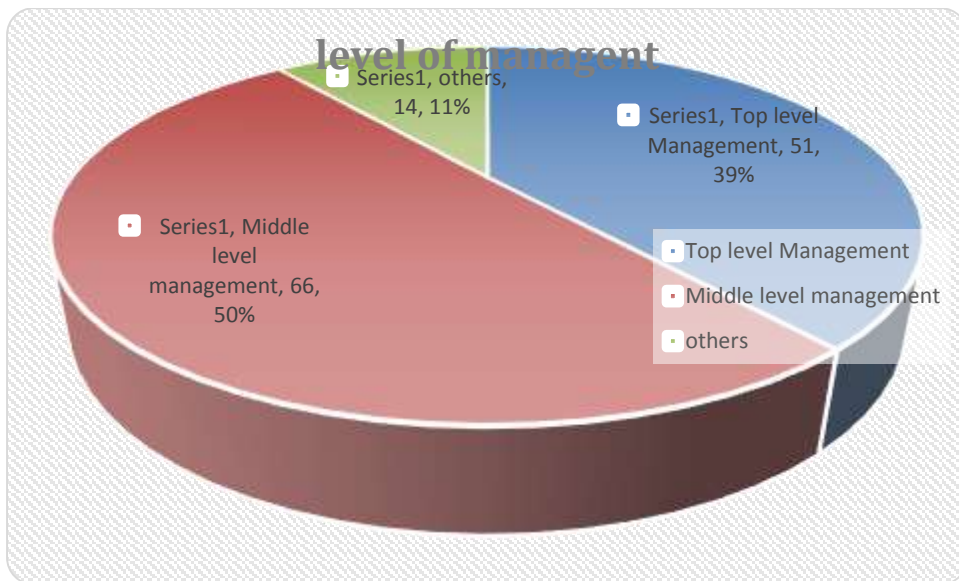


Table 4.1: Demographic table

age	Frequency	Percent
18-25 years	17	13.0
26 to 35 years	77	58.8
36 - 45 years	22	16.8
46 to 55 years	13	9.9
Over 55 years	2	1.5
level of your education		
Secondary Level of Education	12	9.2
Diploma Level of Education	97	74.0
Degree Level of Education	15	11.5
Post Graduate Level of Education	7	5.3
What level of management do you belong to in this organization		
Top level Management	51	38.9
Middle level management	66	50.4
others	14	10.7
Number of years you have worked in the county		
Under 5 years	73	55.7
5- 10 years	50	38.2
10 -20 years	7	5.3
20 – 30 years	1	.8
Total	131	100.0

4.3 Descriptive Statistics

This division represents the descriptive outcomes on employee performance, directcompensation, indirectcompensation and influence of incentive,

The use of compensation was undertaken to determine the extent to which it affects the performance of employee wajir county in a five point Likert scale. The range was ‘strongly agree (1)’ to ‘strongly disagree’ (5). The scores of agree have been taken to represent a variable which had a mean score of less than 2.5 on the continuous Likert scale. The scores of ‘undecided’ have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale while the score of both agree and stronglydisagree have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous Likert scale. A

standard deviation of > 0.9 implies a significant difference on the impact of the variable among respondents

4.3.1 Direct Compensation

The influence of the direct compensation was the first objective of the study employee on performance of wajir county state owned. The respondents responded to statements on direct compensation risk. Rated on a five Likert scale, the responses were as obtainable in Table 4.2. The respondents agreed that If my basic pay is increased I will perform better t a mean score of 1.4656. The low standard deviation 0.5007 indicates that the variation among the respondents was low. The respondents were further in agreement The basic pay is balanced for people in the same level in this organization (mean=1.8855); The commissions paid to me motivates me to work hard and achieve more targets (mean=1.9771; My basic pay is balanced to the work I do (mean=1.9924; I receive merit pay for job well done (mean=2.00; I am paid commissions if I meet my job targets(mean=2.17). The high standard deviation of 1.04131 indicates that there was high variation among the respondents

Table 4.2: Direct compensation

	N	Mean	Std. Deviation
If my basic pay is increased I will perform better	131	1.4656	0.50073
The basic pay is balanced for people in the same level in this organization	131	1.8855	0.94169
The commissions paid to me motivates me to work hard and achieve more targets	131	1.9771	1.06313
My basic pay is balanced to the work I do	131	1.9924	1.33299
I receive merit pay for job well done	131	2	1.03775
I am paid commissions if I meet my job targets	131	2.1756	1.04131
Valid N (list wise)	131		

4.3.2 Indirect Compensation

The influence of the indirect compensation was the second of the study employee on performance of wajir county state owned. The respondents responded to statements on indirect compensation . Rated on a five Likert scale, the responses were as obtainable in Table 4.4. The respondents agreed When I receive many benefits I will improve my performance mean score of 1.4198. The low standard deviation 0.49543 indicates that the variation among the respondents was low. The respondents were further in agreement I prefer to receive more benefits instead of salary increment(mean=1.6031); I prefer to receive more benefits instead of salary increment(mean=1.6031), Staff medical cover, (mean=1.6718)The benefits in the organization does not discriminate against employees in the same level in the organization. (mean=1.8397), The benefits I receive motivates me to work hard(mean=1.916), Staff retirement plans(mean=2.1985), Paid Leave(mean=2.1985), andStaff car loans (mean=3.4733) The high standard deviation of 1.43626 indicates that there was high variation among the respondents

Table 4.3: Indirect compensation

	N	Mean	Std. Deviation
When I receive many benefits I will improve my performance	131	1.4198	0.49543
I prefer to receive more benefits instead of salary increment	131	1.6031	0.71982
Staff medical cover	131	1.6718	1.11247
The benefits in the organization does not discriminate against employees in the same level in the organization	131	1.8397	0.91833
The benefits I receive motivates me to work hard	131	1.916	1.28325
Staff retirement plans	131	2.1985	0.90656
Paid Leave	131	2.687	1.43626
Hardship allowance	131	2.8015	1.28554
I am still working for this organization because of the benefits that I receive	131	3.0611	1.27554
Child care centre	131	3.1374	0.98264
Staff housing	131	3.2748	0.97707
Staff meals canteen	131	3.3664	0.9463
staff car grant	131	3.4504	0.74641
Staff car loans	131	3.4733	0.71606
Valid N (list wise)	131		

4.3.3 Incentives

The effect of the incentive was the third objective of the study employee on performance of wajircounty. The respondents responded to statements on effect of incentive. Rated on a five Likert scale, the responses were as obtainable in Table 4.4. The respondents agreed that If get praise for the work well done I will be motivated to exceed my targets mean score of 1.1603. The low standard deviation 0.47744 indicates that the variation among the respondents was low. The respondents were further in If my performance is recognized I will be motivated to work hard(mean=1.3359),Long service recognition motivates me to work hard(mean=1.5344),The overtime paid to me motivates me to work hard mean=(mean=1.5496),The employees who have worked longer in the organization are recognized and receives presents (mean=1.7939), There are systems in place in this organization that

recognize good performance by employees (mean =4.56490),The high standard deviation of 0.99305 indicates that there was high variation among the respondent

Table 4.4: Incentives

	N	Mean	Std. Deviation
If get praise for the work well done I will I be motivated to exceed my targets.	131	1.1603	0.47744
If my performance is recognized I will be motivated to work hard	131	1.3359	0.47411
Long service recognition motivates me to work hard	131	1.5344	0.78738
The overtime paid to me motivates me to work hard	131	1.5496	0.94636
The employees who have worked longer in the organization are recognized and receives presents	131	1.7939	0.75159
I am praised for job well done by my superiors	131	1.9313	0.69272
I receive overtime payment if I work extra hours in the organization	131	2.4122	0.99127
There are systems in place in this organization that recognize good performance by employees	131	4.5649	0.99305
Valid N (list wise)	131		

4.4 Inferential Statistics

Correlation results were generated by inferential analysis, model of fitness, and analysis of the regression coefficients and variance.

4.4.1: Correlation Analysis

The relationship between the dependent and the independent variable indicators were examined using correlation analysis using Pearson correlation coefficient (r) and p-value analysis, correlation was perceived significant when the probability value was below 0.05 (p-value ≤ 0.05). Correlation values (r) close to zero meant a weak relationship and r close to one meant a strong correlation existed

Table 4.5 below represents the results of the correlation analysis. The results revealed that direct compensation and employee performance are positively and significant related ($r=0.684$, $p=0.00$). The table further indicated that indirect compensation and employee performance are positively and significantly related ($r=0.4444$, $p=0.000$). It was also established that incentive and employee performance were positively and significantly related ($r=0.660$, $p=0.042$).

This implies that an increase in any unit of the variables leads to an improvement in performance.

Table 4.6: Correlations

		employee performance	direct compensation	indirect compensation	incentives
employee performance	Pearson Correlation Sig. (2-tailed)	1			
direct compensation	Pearson Correlation Sig. (2-tailed)	.684**	1		
indirect compensation	Pearson Correlation Sig. (2-tailed)	.444**	.629**	1	
incentives	Pearson Correlation Sig. (2-tailed)	.660**	.736**	.440**	1
		0	0	0	

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

4.4.2 Test of Research Hypotheses Using Regression Analysis

The study sought to establish the effect of compensation management practices on employee performance on wajir county. To do this, regression analysis was adopted in testing the

research hypotheses. Assuming a linear relationship between compensation management and employee performance, the study used the Ordinary Least Square (OLS) method of estimation. Using OLS, a regression line of best fit was sought. Regression analysis was used to model the relationship compensation and employee performance. It was important in determining the magnitude of the resulting relationship and it was used to make prediction based on resulting model.

Before the regression analysis, the data was subjected to assumptions of regression analysis. First the data set was tested for normality. The three key variable; direct compensation, indirect compensation and incentive were subjected to a normality test using stem and leaf graphical display and a normal distribution curve as shown in Appendix 1. The resulting stem and leaf display confirmed that the data set was normally distributed. Second, the data was tested for existence of multicollinearity. The independent variables were correlated as shown in, resulting in a significant relationship. According to Sosa-Eacudero (2009) if $VIF = 1$, there is no correlation, if VIF is more than 5 but less than 10, there is moderate correlation and if VIF is greater than 10, there is high correlation. The common rule of thumb is that VIF should be less than 3 (Kutner, Nachtsheim & Neter, 2004). In Appendix 11 the VIF for one variable was below VIF of 3 the rest were above the variables in this study hence an indication that only one the variables were within the threshold for multiple regression analysis and that there appears to be no excessive multicollinearity amongst the biases. Third the data was tested for linearity. The test for linearity using scatter plot revealed that the independent variables had linear relationship with the dependent variable as show in appendix 11.1. The fourth assumption tested was that of equal variance (homoscedasticity). The residual plots showed that the error term (ϵ_i) was normally and identically independently distributed with mean zero and constant variance. appendix IV. This meant the error variance in performance was constant along service improvement strategy. Hence the data did not

suffer from heteroscedasticity and instead was homoscedastic. The study proceeded with regression analysis.

4.4.3 Effect of direct compensation on employee performance wajir county

Assuming a linear relationship between direct compensation and employee performance of wajir county, the study examined the predicted model relating direct compensation on employee performance of wajir county as modelled in equation (1) below.

$$EP = \alpha_1 + \beta_1 DC + \varepsilon_1 \text{ equation (1)}$$

The estimators in equation (1) were defined as; α_1 was the estimate of the intercept and ε_1 was the error term related with this regression equation, β_1 was the beta coefficient of direct compensation (DC) and EP represented employee wajir county. The effect of direct performance and employee performance of Wajir county was examined by testing the first research hypothesis (H_{01}) which stated that:

H1. Direct compensation has no significant influence on employee performance of Wajir County

Following a simple linear regression analysis, an ANOVA output presented in Table 4.7, shows model one was significant (p-value = 0.000) at 0.05 level in explaining the linear relationship between The effect of direct compensation and employee performance of wajir county.

Table 4.7 Anova for direct compensation

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	20.188	1	20.188	113.429	.000 ^b
1 Residual	22.959	129	0.178		
Total	43.147	130			

a. Dependent Variable: employee performance
b. Predictors: (Constant), direct compensation

In Table 4.8, model one had coefficient of determination (R^2) = 0.468, indicating that 46.8% of the variation in direct compensation was explained by the model leaving 53.2% of the variations unexplained. This meant that model one provided a moderately fit.

Table 4.8: Model summary for Direct compensation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.684 ^a	0.468	0.464	0.42187

a. Predictors: (Constant), direct compensation
b. Dependent Variable: employee performance

Table 4.9 presents the coefficients of direct compensation. In reference to model one, direct compensation had a p-value of 0.000. The study therefore rejected the research hypotheses H_{01} at 5% level and observed that direct compensation does not significant on employee performance of wajir county .

Table 4.9 coefficients of direct compensation

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.683	0.105		6.531	0
	direct compensation	0.535	0.05	0.684	10.65	0

a. Dependent Variable: employee performance

4.4.4 Effect of indirect compensation on employee performance wajir county

Assuming a linear relationship between indirect compensation and employee performance of wajir county, the study examined the predicted model relating indirect compensation on employee performance of wajir county as modelled in equation (2) below.

$$EP = \alpha_1 + \beta_2 IDC + \varepsilon_1 \quad \text{equation (2)}$$

The estimators in equation (1) were defined as; α_1 was the estimate of the intercept and ε_1 was the error term related with this regression equation, β_1 was the beta coefficient of indirect compensation (IDC) and EP represented employee wajir county. The effect of indirect performance and employee performance of Wajir county was examined by testing the second research hypothesis (H_{02}) which stated that

H_{02} : *Indirect compensation have no significant effect on employee performance of Wajir County*

Following a simple linear regression analysis, an ANOVA output presented in Table 4.10, shows model one was significant (p-value = 0.000) at 0.05 level in explaining the linear

relationship between The effect of indirect compensation and employee performance of wajir county

Table 4.10 Anova for indirect compensation

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	8.503	1	8.503	31.661	.000 ^b
1	Residual	34.644	129	0.269		
	Total	43.147	130			

a. Dependent Variable: employee performance
b. Predictors: (Constant), indirect compensation

In Table 4.11 model two had coefficient of determination (R^2) = 0.197, indicating that 19.7% of the variation in indirect compensation was explained by the model leaving 80.3% of the variations unexplained. This meant that model one provided a moderately weak fit

Table 4.11 model summary for indirect compensation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.444 ^a	0.197	0.191	0.51823

a. Predictors: (Constant), indirect compensation
b. Dependent Variable: employee performance

Table 4.12 presents the coefficients of indirect compensation. In reference to model one, indirect compensation had a p-value of 0.000. The study therefore rejected the research hypotheses H_{02} at 5% level and observed that indirect compensation does not significant on employee performance of wajir county .

Table 4.12: coefficients of indirect compensation

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	0.735	0.182		4.049	0
1	indirect compensation	0.386	0.069	0.444	5.627	0

a. Dependent Variable: employee performance

4.4.5 Effect of incentives on employee performance wajir county

Assuming a linear relationship between incentive and employee performance of wajir county, the study examined the predicted model relating indirect compensation on employee performance of wajir county as modelled in equation (3) below.

$$EP = \alpha_1 + \beta_2 I + \epsilon_1 \quad \text{equation (3)}$$

The estimators in equation (3) were defined as; α_1 was the estimate of the intercept and ϵ_1 was the error term related with this regression equation, β_2 was the beta coefficient of incentive (I) and EP represented employee wajir county. The effect of incentive direct and employee performance of Wajir county was examined by testing the third research hypothesis (H_{03}) which stated that

H_{03} : *incentive have no significant effect on employee performance of Wajir County*

Following a simple linear regression analysis, an ANOVA output presented in Table 4.13, shows model one was significant (p-value = 0.000) at 0.05 level in explaining the linear relationship between the effect of incentive and employee performance of wajir county

Table 4.13: Anova for incentives

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.794	1	18.794	99.552	.000 ^b
	Residual	24.353	129	0.189		

Total 43.147 130

- a. Dependent Variable: employee performance
- b. Predictors: (Constant), incentives

In Table 4.14, model three had coefficient of determination (R^2) = 0.436, indicating that 43.6% of the variation in incentive was explained by the model leaving 56.4% of the variations unexplained. This meant that model one provided a moderately fit.

Table 4.14 model summary for incentives

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.660 ^a	0.436	0.431	0.43449

- a. Predictors: (Constant), incentives
- b. Dependent Variable: employee performance

Table 4.15 presents the coefficients of incentive. About model three, incentive had a p-value of 0.000. The study therefore rejected the research hypotheses H_{03} at 5% level and observed that incentive does not significant on employee performance of wajir county

Table 4.15: Coefficient of incentive

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0.281	0.205		1.371	0.173
	incentives	0.985	0.099	0.66	9.978	0

- a. Dependent Variable: employee performance

4.5 Regression Analysis

The results in table 4.16 represent the fitness of model used of the model regression in elucidating the study phenomena. Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (employee performance)

that is explained by all the three independent variables (direct compensation, indirect compensation, Incentive). The three independent variables studied explain only 52% of employee performance wajir. This therefore means that other factors not studied in this research contribute 48% of the employee performance

Table 4.16 model summary employee performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.723 ^a	0.522	0.511	0.40295

a. Predictors: (Constant), incentives, indirect compensation, direct compensation

4.5.1 Analysis of Variance

In statistics significance testing the p-value indicates the level of relation of the independent variable to the dependent variable. If the significance number found is less than the critical value also known as the probability value (p) which is statistically set at 0.05, then the conclusion would be that the model is significant in explaining the relationship; else the model would be regarded as non-significant.

Table 4.17 provides the results on the analysis of the variance (ANOVA). The results indicate that the overall model was statistically significant. Further, the results imply that the independent variables are good predictors of employee performance in wajir county, This was supported by an F statistic of 46.245 and the reported p value (0.000) which was less than the conventional probability of 0.05significance level.

Table 4.17 Anova For Employee Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	22.526	3	7.509	46.245	.000 ^b
	Residual	20.621	127	0.162		
	Total	43.147	130			

a. Dependent Variable: employee performance
a. Predictors: (Constant), incentives, indirect compensation, direct compensation

4.5.1 Regression Coefficients

Regression of coefficients results in table 4.17. As regards, direct compensation, the results show that; $T=3.899$ and $p\text{-value}=0.00$ since $p<0.05$ at the $\alpha=0.05$ level of significant there exist enough evidence to conclude that the direct compensation is less than 0.005, hence, that appreciating the study conclusion that direct compensation is useful as a predictor of performance.

As regards, indirect compensation, the results show that; $T=0.452$ and $p\text{-value}=0.652$ since $p>0.05$ at 0.05 level of significant there exist enough evidence to conclude that the indirect compensation is great than 0.005, hence, that appreciating the study conclude that indirect compensation is not useful as a predictor of performance .

Finally, effect of incentive was equally tested from these result $T=3.784$ $p\text{-value}=0.000$ then at 0.05 level of significant; there exist enough evidence to conclude that the incentive is not zero and hence, that effect of is useful incentive is a predictor of employee performance.

The multiple linear regression models are as shown below.

Table 4.17: coefficients of employee performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0.021	0.228		-0.091	0.928
	direct compensation	0.32	0.082	0.409	3.899	0
	indirect compensation	0.031	0.069	0.036	0.452	0.652
	incentives	0.513	0.135	0.343	3.784	0

a. Dependent Variable: employee performance

This mean that a unit increase in direct compensation employeeperformance increases the performance with 0.320 unit and a unit increase in incentive will increase the performance by 0.513. The results obtained in table indicted that when all the variables are zero, that is direct compensation =0, and incentive then the performance will decrease by unit.0.021In conclusion, the inferential statistic showed that employee performance was explained by independent variable; direct compensation and incentive , therefore appreciating that direct compensation and employee incentive were the predictor of employee performance

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSION, CONCLUSION AND RECOMMENDATION

5.1 Introduction

The chapter presents the summary of findings and discussions based on the general objective. Conclusion and recommendations are made from the summary of findings based on the general objective of the study which was to investigate the effects of compensation management on employee performance. Limitations of the study as well as areas of further studies are also discussed.

5.2 Summary of the Study

The general objective of this study is to investigate the effects of compensation management on employee performance. Specifically the study sort to determine the effect of direct compensation on employee performance in Wajir county, To find out how indirect compensation affect employees' performance in Wajir County and to establish the effect of incentives on employees performance in Wajir county. We discuss each objective as outlined in the following sections.

Descriptive statistics and correlation analysis was undertaken for each variable in the study. The results showed that direct compensation and employee performance are positively and significant related ($r=0.684$, $p=0.00$). We also observe that indirect compensation and employee performance are positively and significantly related ($r=0.4444$, $p=0.000$). It was also established that incentive and employee performance were positively and significantly related ($r=0.660$, $p=0.042$).

This implies that an increase in any unit of the variables leads to an improvement in performance.

Regression analysis was also carried out for the model and the ANOVA output showed that the model was significant in explaining the linear relationship between the three variables,

direct compensation, indirect compensation and incentive and employee performance. From the model summary we observe that 52.2% of employees performance is explained by the three variables.

We then use the coefficients table to study the effect of each compensation management practices on employee performance. This is outlined in the sections below.

5.2.1 Findings on the effect of direct compensation on employee performance in Wajir County

The effect of direct performance and employee performance of Wajir county was examined by testing the first research hypothesis (H_{01}) which stated that:

H₀₁. Direct compensation has no significant influence on employee performance of Wajir County

The research established direct compensation significantly affect employee performance of Wajir county (p -value=0.652, $\beta_1=0.31$). On the seven questions regarding to the direct compensation significantly affect employee performance of Wajir county we observe that the respondents on average agreed to the statements that relate to direct compensation. We therefore reject the null hypothesis that direct compensation has no significant influence on employee performance of Wajir County. Our conclusion is that employee performance is significantly affected by direct compensation. A unit increase in direct compensation leads to an increase in employee performance by 3.2 units. The study agrees with findings of Khan, Farooq and Ullar (2010) who found out that there is direct and positive relationship between financial compensation and employee performance. However it does not support Setyadi and Subekti (2016) whose research established that financial compensation does not have an effect on employee performance.

5.2.2 Findings on the effect of indirect compensation on employee performance in Wajir County

We examine the effect of indirect compensation on employee performance of Wajir county by testing the hypothesis that:

H₀₂: Indirect compensation have no significant effect on employee performance of Wajir County

The results indicate that indirect compensation was not significant on the performance of employees of Wajir county (p-value=0.000, $\beta_1=3.200$). We therefore fail to reject the null hypothesis that indirect compensation has no significant influence on employee performance of Wajir County. We therefore conclude that indirect compensation does not affect employee performance. The findings supports Byars and Rue (2008) who found out that indirect compensation do not have a significant impact on the performance of employees. The study however does not agree with Danish and Usman (2010) who found out that if indirect benefits like allowances, fringe benefits and other compensations are given to employees on periodic basis it will improve their morale thus boosting employee performance. It also disagrees with the findings of Odunlami and Asabi (2014) who did a study on compensation management and employees performance in manufacturing sector in Nigeria. The study found out that there was a significant and positive relationship between good welfare service and employee performance.

5.2.3 Findings on the effect of incentives on employee performance in Wajir County

To determine the effect of incentives on employee performance of Wajir county we test the hypothesis that:

H₀₃: Incentives have no significant effect on employee performance of Wajir County

From the results obtained from the coefficient table, we observe that incentives have a significant effect on employee performance of Wajir County (p-value=0.000, $\beta_1=0.513$). Since the p-value is less than the significance level 5%, we reject the null hypothesis and conclude that incentives have a significant effect on employee performance of Wajir County.

A unit increase in the incentives will increase the employee performance by 0.513 units.

These study findings agree with Saleem (2011) who asserts that financial incentives increase employee loyalty in the organization. It also agrees with Milkovich & Newman (2008) who found out that firms should come up with good strategies that include incentives to the employees in form of profit sharing, bonus, and promotion, employee stock ownership amongst others which will have a significant effect on employees performance. Karim and Reddy (2013) in their study on the impact of incentives schemes on employee performance, found out incentives were key in improving employee performance apart from the income and other benefits given to them.

5.3 Conclusion

The study findings therefore establish that both direct compensation and incentives have a positive and significant effect on employee performance of Wajir County.

In regard to direct compensation, the respondent agree that the company's efforts to improve employees direct compensation has affected the employee performance. The research concludes that there was a positive effect of direct compensation on employee performance of Wajir county.

On the effect of indirect compensation on the employees performance of Wajir county the respondent disagreed with the proposition that indirect compensations such as staff medical

cover, staff retirement plans, paid Leave, hardship allowance, staff housing, staff meals among others do not affect their performance. The research concludes that indirect compensation have no significant effect on employee performance of Wajir County.

On the effect of incentives on employee performance, the respondents indicated the company's efforts to ensure incentives are in place affects their performance. The inferential statistics indicate a positive and significant effect of incentives on employee performance. The research concludes that there incentives have a positive and significant effect on employee performance of Wajir County.

5.4 Recommendations

As established that direct compensation has a positive effect on the employee performance, we recommend the counties work on improving their salaries, commissions and other direct compensations. Reviews, implementation and monitoring of the direct compensation plans in water service providers needs to be effected.

The county should invest in putting adequate measures in place to reduce water wastages, improve staff productivity levels to meet the sector benchmark and make supply of water to The Customers To Be Reliable Has Affected Their Performance.

They should also work to improve the revenue collection efficiency, manage the personnel cost within the acceptable standard and make water tariffs affordable to customers

Equivalently, they should ensure the company values stakeholder participation, implements risk management strategies, hold the board members accountable for risk management strategies, ensure management abides to its fiduciary duties and the board provides leadership and direction.

5.5 Recommendations for Further Research

The study addressed the effect of compensation management practices on employee performance. We recommend further research in other counties in Kenya. We also observe the research specifically addressed three key areas of compensation. Further research can be employed to study the effect of the comprehensive employee compensation on performance of employees in an institution.

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APPENDIX 1: QUESTIONNAIRE

Letter of Introduction

Date.....

The Governor,
Wajir County
P.O Box 9-70200

Wajir.

Dear Sir/Madam,

RE: ACADEMIC RESEARCH PROJECT

I am a Masters Student at the Kenya College of Accountancy (KCA) university. I wish to conduct a research entitled — *effects of compensation management on employee performance in county governments a case study of Wajir County*”. I intend to use a questionnaire to gather relevant information to address the research objectives. I am writing to you to kindly request you to grant me permission to administer the research questionnaires to the sampled management staff of your county. Kindly note that the study will be conducted for academic purposes only and all the information provided will be treated as confidential and strictly used for academic purposes only. I will observe ethical standards that guides research to ensure there is confidentiality and the identities and responses of your staff who will participate in the study is protected. Your assistance and acceptance will highly be appreciated.

Yours Faithfully,

Warsame Keynan

SEC A: Background Information

The purpose of this questionnaire is to collect information from management employees of Wajir County. The questionnaire will collect information on the relationship between direct compensation and employee performance, indirect compensation and employee performance and incentives and employee performance in the county government. Be assured that every information you give will remain private and confidential.

General organizational information section

Please provide information about you and your company. (All responses are confidential)

1) Please indicate your age

18 to 25 years 26 to 35 years 36 - 45 years 46 to 55 years Over 55 years

2) Please indicate the level of your education

Secondary Level of Education Diploma Level of Education
 Degree Level of Education Post Graduate Level of Education

3) What level of management do you belong to in this organization?

Top level Management
 Middle level management
 Other, (specify) _____

4) Please indicate the Number of years you have worked in the county

Under 5 years 5- 10 years
 10 -20 years 20 – 30 years
 over 30 years

Information on dependent variable: Employee performance

1. Below are statements on how performance is measured in your organization. Kindly tick the statement as appropriate in your opinion on each statement: Strongly Disagree (SD), Disagree (D), Undecided (U), Agree (A), strongly Agree, (SA)

Statement	SA	A	U	D	SD
My job attendance is regular					

I work efficiently					
The quality of my job output is good					
I have positive attitude towards my work					
I produce results of my work within the stipulated timelines					

SEC B: The influence of direct compensation on employee performance

2. Below are statements to the extend direct compensation affect employee performance at the county government. Kindly tick the statement as appropriate on your opinion on each statement: Strongly Disagree (SD), Disagree (D), Undecided (U), Agree (A), strongly Agree, (SA)

Statement	SA	A	U	D	SD
I am paid commissions if I meet my job targets					
The commissions paid to me motivates me to work hard and achieve more targets					
I receive merit pay for job well done					
The merit pay that I receive motivates me to work hard					
My basic pay is balanced to the work I do					
If my basic pay is increased I will perform better					
The basic pay is balanced for people in the same level in this organization					

3. **SEC C:** The influence of indirect compensation on employee performance

Please state the degree to which you agree with the statement as it applies to your organization. Strongly Disagree (SD), Disagree (D), Undecided (U), Agree (A), strongly Agree, (SA)

Statement	SA	A	U	D	SD
The following benefits are available in this organization. a). Staff medical cover b) Staff retirement plans c) Paid Leave d) Staff car loans e) staff car grant f)Staff meals canteen g)Staff housing h) Child care centre i)Hardship allowance					
I am still working for this organization because of the benefits that I receive					
The benefits I receive motivates me to work hard					
When I receive many benefits I will improve my performance					
The benefits in the organization does not discriminate against employees in the same level in the organization.					
I prefer to receive more benefits instead of salary increment					

4. **SEC D: The influence of incentives on employee performance**

Please state the degree to which you agree with the incentives that are applicable to your organization. Strongly Disagree (SD), Disagree (D), Undecided (U), Agree (A), strongly Agree, (SA)

Statement	SA	A	U	D	SD
There are systems in place in this organization that recognize good performance by employees					
If my performance is recognized I will be motivated to work hard					
I receive overtime payment if I work extra hours in the organization					
The overtime paid to me motivates me to work hard					
I am praised for job well done by my superiors					
If get praise for the work well done I will I be motivated to exceed my targets.					
The employees who have worked longer in the organization are recognized and receives presents					
Long service recognition motivates me to work hard					

Thank you for your cooperation

Appendix 1

Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
incentives	.330	131	.000	.798	131	.000
directcompensation	.312	131	.000	.755	131	.000
indirectcompensati on	.219	131	.000	.920	131	.000

a. Lilliefors Significance Correction

* directcompensation	Groups	Linearity	20.188	1	20.188	283.293	.000
		Deviation from Linearity	14.622	12	1.218	17.099	.000
	Within Groups		8.338	117	.071		
	Total		43.147	130			

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
employeeperformance *	Between Groups	(Combined)	28.299	26	1.088	7.624	.000
		Linearity	8.503	1	8.503	59.556	.000
	Deviation from Linearity		19.796	25	.792	5.546	.000
	Within Groups		14.848	104	.143		
Total		43.147	130				

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
employeeperformance * incentives	Between Groups	(Combined)	27.836	12	2.320	17.877	.000
		Linearity	18.794	1	18.794	144.839	.000
	Deviation from Linearity		9.042	11	.822	6.335	.000
	Within Groups		15.311	118	.130		
Total		43.147	130				

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: employeeperformance

