EFFECT OF COMPENSATION ON EMPLOYEE PERFORMANCE IN NYERI COUNTY GOVERNMENT, KENYA

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ABSTRACT

The main goal of the research was to find out how compensation affect worker productivity in the Nyeri County Government of Kenya. Theory from Krumboltz bolstered the study's variables. Project administrators used questionnaires to get quantitative data from ward and clerical officers, and interview schedules to gather qualitative data from sub-county administrators. Descriptive statistics such as mean, mode, and median, as well as inferential statistics like regression, correlation, etc., were used to examine the data. Figures, tables, and charts were used to display the results of the research. In addition to notifying appropriate parties and providing advice, the study's results may help us understand compensation methods and employee productivity better. The research in Nyeri County Government, Kenya, indicated that staff performance was positively and significantly affected by compensation. The study showed that the best and brightest minds in any field are attracted to companies that provide competitive salaries and benefits packages. The report suggested that the company to regularly assess its compensation practices to make sure they are equitable and in line with market norms.

***Key Words:** Worker Productivity, Rewards, Employee Benefits*

INTRODUCTION

In today's business environment, how well employees perform is key for organizations to stay ahead of the competition (Khan and Wisner, 2019; Sutduean, Sutduean, and Jermsittiparsert, 2019). The major component that decides how well people perform on the job, according to Kerdpitak and Jermsittiparsert (2020), is improving human resource management practices. Several studies have shown that human resource management gives companies an advantage over their rivals by encouraging greater performance and higher levels of commitment from workers. Included in this category are research such as Mathew (2015), Gould-Williams and Mohamed (2010), Snape and Redman (2010), and many more. Gojny-Zbierowka (2015) argues that HRM practices have a substantial impact on worker output.

De Cieri (2018) states that HRM is the collection of tools used by managers to shape their workers' attitudes, actions, and output. A human resource manager's duties include creating an HR strategy, advertising for candidates, interviewing and hiring, screening them, determining their training needs, paying them, reviewing their performance, and fostering a positive work environment free of hazards and worries about their well-being (Dessler, 2017). The proposed study would employ a variety of HRM practices as indicators, including career development, salary, performance evaluations, and incentives management. Despite almost all of them demonstrating that HRM policies substantially impact employee performance, companies nonetheless have low performance. This theory has some support from scientific research that has revealed this association.

The authors Alsafadi and Altahat (2021) state that HRM techniques in Jordan are thought to influence worker productivity in relation to how they are put into practice. They suggest researching how professional development, compensation, performance assessment, and incentive administration—four aspects of HRM practice—influence the productivity of Kenyan workers.

Wages have a significant impact on a Malaysian company's success, say Qudah, Osman, and Qudah (2014).

Employee performance is becoming a major factor in determining a company's competitive advantage (Khan & Wisner, 2019; Sutduean, Sutduean, & Jermsittiparsert, 2019). This strongly suggests that the output of workers has a substantial impact on the production of businesses. As a result, companies that want to motivate their employees should use HRM techniques. In their study, De Menezes and Escrig identified five elements that influence employee output (2019). Corporate culture, employee agency, ICT, knowledge management, creativity, and innovation are a few of these aspects. According to Bhatti and Razaq (2015), performance management is used by the majority of firms to ensure they are moving in the correct direction. According to the authors, organizations should evaluate employee performance based on how satisfied customers are and how reliable their deliveries are. In general, the research concluded that operationalizing employee performance based on financial, time, flexibility, delivery dependability, security, job satisfaction, customer pleasure, and community performance criteria enhanced enterprise success. Examining the frequency of performance assessments is one way the proposed study would measure employee performance.

One of the variables connected to HRM practice that this study investigated is pay. Salaries are an important part of human resource management, according to Milkovich and Newman (1999) and Lai Wan (2007). According to Naidu and Satyanarayana (2018), workers get paid from their employers for the services they give. Pay in the form of a salary, commission, share of profits, overtime, or even just public recognition may be considered compensation. Workers get compensation from their employers in the form of monetary or non-monetary benefit, according to Geralyn, quoted by Afriyie, Blankson, and Doumbia (2013). Bonuses and incentives are a part of this, in addition to the basic

salary. In their 2019 study, Onuorah, Okeke, and Ikechukwu discovered that wages significantly impacted employee output. There were 47 separate counties that make up Kenya's Nyeri County Government. There was a time when the County served as the provincial capital of the center province. Nairobi, Kenya's capital, is situated 150 kilometers north of Nyeri County. Slightly more than 133,000 square meters constitute its whole area. The government of Nyeri County uses three distinct sorts of workers. A new entity with ties to the county public service board and a split from the federal government selected its employees and awarded them various contracts, according to the Nyeri County Government Report (2019).

The administration of Nyeri County was leading in labor-related measures, such as internship programs, in an effort to reduce young unemployment. Participating in these programs provides new grads without jobs in the county or elsewhere with an opportunity to get work experience while also enhancing their employability. Approximately 200 resident interns from different parts of the nation were initially chosen for the program. Following the completion of the first cohort of interns, the county administration made the decision to hire around 27 individuals, providing them with employment options inside the county. Following the 2019 success of the first group, a second group was selected via a battery of interviews and exams. There has been a recent uptick in efforts by both state and federal agencies to mimic Nyeri County's internship program (Nyeri County Government Report, 2019).

Statement of the Problem

The typical influx of workers from other branches of government and municipal governments is making it more difficult for county administrations to accomplish their goals. The boards have concluded that this is because workers are resistant to change and have not adjusted to the new procedures and systems put in place. To satisfy this requirement,

studies on the impact of diversity on productivity in Kenyan county administrations are required (COG, 2018).

County governments face numerous challenges, as highlighted in the COG Statutory Annual Report (2018). These include an inadequate framework for performance management, which results in subjective evaluations of performance, unattainable goals, a gender policy that falls short in both coverage and effectiveness, an undeveloped and unimplemented disability policy, and a lack of training and capacity building for individuals with disabilities. According to the Auditor General Report (2018), County worker empowerment initiatives have not increased productivity, even though the Kenyan government has invested a lot of money into them. County government officials' incompetence and lack of results have recently come to light (Aljazeera, 2017). The COG Report (2017) states that the establishment of County Governments does not eliminate the possibility of volatile labor markets due to labor unrest. Because of this, worker output drops. The County Public Service Board Report (CPSB) states that there was health-related labor unrest between county governments and workers in the previous fiscal year, which put individuals in need of medical care at a disadvantage (CPSB Report, 2018). Staff productivity dropped due to succession planning issues, including as underrepresentation of women and other marginalized groups in county leadership roles (Nyeri County Annual Progress Report, 2018).

The foundation of this study is the extensive body of prior research that has attempted to address this issue. Singh and Kassa found out how HR and management activities affected operational competence (2016). Higher education institutions' overall performance was shown to be connected with human resource techniques such as performance management, staff training, and personnel selection and recruitment. A study conducted by Nancy Quansah (2013) examined the impact of HRM legislation on commercial banks in Ghana. The study found that HR procedures were

not well-planned or supervised by professionals. Furthermore, the study's findings demonstrated that commercial banks squandered some opportunities presented by efficient HRM. Most of these research were conducted in countries other than Kenya. Hence, the purpose of this study was to examine the relationship between compensation and employee performance within the Kenyan Nyeri County Government.

Objective of the Study

This study's goal was to establish the effect of compensation on employee performance in Nyeri County Government, Kenya. The following question was addressed in this study:

- What is the effect of remuneration on employee performance in Nyeri County Government, Kenya?

LITERATURE REVIEW

Theoretical Review

Krumboltz's Theory

Krumboltz first put forward an analytical viewpoint on professional advancement in 1979, grounded on social learning theory. Concepts from more contemporary theories of self-efficacy (Bandura, 1977) and cognitive-behavioral (Beck, 1976; Ellis, 1970) are also included. The idea considers a variety of factors that impact an individual's career choice. A person's genetic composition may either increase or decrease their access to certain opportunities. A person's gender, racial background, and developmental disability status are all potential causes of a genetic advantage. Individuals have little say over the external processes and conservational circumstances that influence their professional choices, such as money and norms. Thirdly, there is the matter of individual learning, which may occur either instrumentally or associatively. An essential aspect of education is the cultivation (or absence thereof) of work habits and problem-solving abilities.

What Krumboltz refers to as self-observation generalizations are explained in this section. at the point when people assess their own competence and value by comparing themselves to a predetermined standard. These insights are used to design answers for future scenarios. Their credibility as workforces can be severely damaged if the inferences made are not only incorrect but also very unrealistic. Think of a scenario where a woman rejects a career in agriculture because she is bad at math.

Building on the work of Bandura (1969, 1977), Mitchell and Krumboltz (1996) developed a model that takes into consideration the interplay between a person's cognitive capacities, the results of their actions, and the presence or absence of positive or negative reinforcement. Associative learning occurs when a highly charged event or reward is linked to an emotionally neutral one. Krumboltz developed testable theories in these domains, and it was possible to identify which equalized key depends on the opposing affects of each.

Evaluative self-observation generalization based on educational familiarities relevant to specific profession assignment goals revealing the fulfillment of these likings is one of the components that defines likings with an instructional or work-related component. Things to think about that affect competency in making professional choices, and suggestions for making this skill more clear. Concepts related to instructional sequencers, findings in the field of learning research, and the actual admissions processes into the workforce are all factors that impact participation in educational or vocational programs (Mitchell and Krumboltz, 1996).

It is critical to recognize oversimplifications, as pointed out by Krumboltz. To rephrase, when we compare our unique combination of skills, knowledge, and experiences to an ideal, we often end up inflated about our own value and ability. According to Krumboltz (Musa, 2018), the factors influencing generalizability include justifications for these preferences and cultural competences that are applicable to any given job task.

Empirical Review

Several scholars in the past have attempted to define compensation. According to Maicibi (2005), "remuneration" may mean many different things depending on the context. It might include a basic income, earnings, allowances, health insurance, and pension plans. The Human Resource Management Society (SHRM, 2012) argues that workers should be financially and otherwise compensated for the contributions they make to the achievement of organizational goals. According to Jumaslini (2011), employees are unable to provide their utmost when their pay is not proportional to the amount of effort they put in. The importance of salary cannot be overstated, since it is directly related to employee performance (Fitria et al. 2014).

Using an ethnographic study technique in Indonesia, Ismail (2019) sought to examine the impact of compensation on employee performance at Trunojoyo University. Using a combination of an interview schedule and an observation checklist, the study collected data from seventeen library personnel. An interactive examination was used to analyze the qualitative data. The study shows that compensation has a substantial influence in improving employee performance. The research did not discover any statistically significant relationship between salary and output, nevertheless. Also, it is possible that the 17 people that took part were not a representative enough sample to make any definitive results. Finally, because the study was conducted in a library, the findings could not be applicable to a county administration, particularly in Kenya. The present research used questionnaires to collect quantitative data from a statistically valid sample of people. The Kenyan government of Nyeri County could benefit from the results. Private institutions in Uganda were studied by Azabo, Gaite, Anumaka, and Wunti (2020) to determine the nature of the link between disciplinary procedures and compensation practices. A total of 385 students from 7 different schools participated in the study, and the data was analyzed using descriptive statistics and Pearson correlation. According to the study's findings, compensation has an effect on disciplinary actions taken by private institutions in Uganda. Focusing on workplace discipline rather than productivity was the main goal of the study. The study was conducted at public institutions, which vary greatly from county administrations.

The study by Mitalo, Muindi, K'Obonyo, and Pokhriyal (2018) indicated that wage levels did affect workplace productivity, although to a minor but statistically significant degree. Furthermore, the study found that both monetary and non-monetary rewards somewhat increased worker productivity. Data triangulation cannot be used in this study since qualitative data was not collected. Furthermore, the poll's subjects were university employees, and county government employees may not have the same background. The proposed study will gather quantitative and qualitative data to triangulate findings and provide a clearer picture of how salary affects employee performance in the Nyeri County Government.

Using a descriptive research approach, Maina (2011) performed a comparable study to determine the impact of various compensation parameters on employee performance at colleges located in the East and West districts of Nyeri. Out of 1,130 employees, only 250 were chosen to take part in the poll. Wage, pay scales, performance reviews, pay secrecy, union involvement, and employee participation were all elements that were taken into account in the study as they attempted to develop a sound compensation plan. The study effort used structured questionnaires and an interview schedule to acquire data. Workers were unaware of their institutions' pay scales, and even if they were, it would not encourage them to work more, according to the study's findings. Plus, the research was conducted at institutions, which can have a different working environment than the county government, thus the results might not be applicable to their situation.
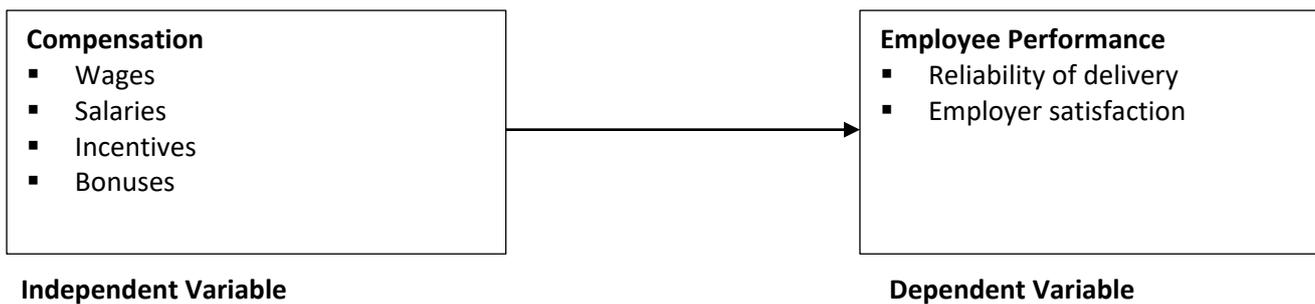
Conceptual Framework

Compensation	Employee Performance
▪ Wages ▪ Salaries ▪ Incentives ▪ Bonuses	▪ Reliability of delivery ▪ Employer satisfaction

Independent Variable   Dependent Variable

Figure 1: Conceptual Framework

METHODOLOGY

This study adopted descriptive research strategy. The study's target population included 387 Nyeri County Government respondents. One numerical sampling approach is stratified random sampling. The sample size for the study was 197 respondents. The study effort used questionnaires to collect quantitative data from ward managers and clerical personnel. The researcher ran a pilot study before collecting any data. To evaluate the truthfulness and accuracy of any conclusions drawn from data, validity is based on the idea that the subject of research can be measured or collected. This is why the suggested study made use of content and face validity. The researcher used Cronbach's alpha to prove internal consistency, which statistically guaranteed the questionnaire's dependability. When evaluating the reliability of a questionnaire, a Cronbach's alpha score of 0.7 is seen to be adequate. The researcher was granted clearance for the study by the Dean of the Graduate School at Kenyatta University. The Social Sciences Statistical Package (SPSS) version 21.0 was used for quantitative data analysis and recording, which required coding.

FINDINGS AND DISCUSSIONS

Response Rate

The questionnaires were distributed to 197 respondents who include; directors, clerical officers, sub-county administrators and ward administrators. Questionnaires returned by respondents were 185 out of 197 which accounted for 93.9% while 12 out of 197 questionnaires were not returned accounting for 6.1%. According to Baruch and Holtom (2014), a response rate of 80% or higher is sufficient for data analysis. As a result, a study response rate of 93.9% was deemed appropriate for data analysis.

Descriptive Statistics Results

Descriptive statistics were used in the analysis of quantitative data in terms of mean and standard deviation as per specific objectives of the study which were generated using SPSS. The findings were presented as follows:

Compensation

The respondents were given a list of statements that were describing how compensation affects the employee performance in Nyeri County Government, Kenya to indicate their level of agreement. The following Table 1 represents the descriptive results obtained.

Table 1: Compensation

Statement	M	SD
The compensation package offered by my employer is fair and competitive.	4.53	0.470
My compensation adequately reflects my job responsibilities and performance.	3.81	1.186
Adequate compensation motivates me to perform better in my role.	4.57	0.428
Fair compensation positively influences employee performance.	4.08	0.817
The compensation I receive contributes to my job satisfaction and overall performance.	4.55	0.449
I perceive that there is pay equity within the organization (equal pay for equal work).	3.61	1.385
Employees who perform well are recognized and rewarded appropriately through compensation.	4.27	0.728
The compensation system encourages fair treatment and equal opportunities for all employees.	4.59	0.409
Aggregate score	**4.25**	**0.734**

Source: Research Data (2024)

With a mean score of 4.25 and a standard deviation of 0.734, the respondents in Nyeri County Government, Kenya agreed with statements characterizing the impact of remuneration on employee performance, according to Table 4.6's data. Many scholars have previously attempted to define compensation. According to Maicibi (2005), "remuneration" may mean many different things depending on the context. It might include a basic income, earnings, allowances, health insurance, and pension plans. The Human Resource Management Society (SHRM, 2012) argues that workers should be financially and otherwise compensated for the contributions they make to the achievement of organizational goals.

The majority of respondents (M=4.59, SD=0.409) felt that fair treatment and equal chances for all workers are promoted by the pay system. Additionally, respondents firmly agreed that suitable remuneration inspires them to perform better in their position. According to the data, my salary has a positive impact on my work satisfaction and overall performance (M=4.55, SD=0.449), and my company offers a fair and competitive pay package (M=4.53, SD=0.470). Using an ethnographic study technique in Indonesia, Ismail (2019) sought to examine the impact of compensation on employee performance at Trunojoyo University. Using a combination of an interview schedule and

an observation checklist, the study collected data from seventeen library personnel. Using an interactive examination, the qualitative data was assessed. As the study has shown, there is a strong correlation between compensation and improved employee performance.

The following statements were agreed upon by the respondents: that employees who do a good job are properly compensated (M=4.27, SD=0.728), that their pay is fair and commensurate with their duties and performance (M=3.81, SD=1.186), and that they believe there is pay equity in the company. With a mean of 3.61 and a standard deviation of 1.38. These results are in line with those of Azabo, Gaite, Anumaka, and Wunti (2020), who studied the disciplinary procedures and compensation practices of private institutions in Uganda. According to the study's findings, compensation has an effect on disciplinary actions taken by private institutions in Uganda. The study's major focus was on workplace discipline rather than production. There is a world of difference between county governments and public institutions, where the study was conducted.

Employee Performance

The respondents were given a list of statements that were describing the employee performance in Nyeri County Government, Kenya to indicate their level of agreement. The following Table 2 represents the descriptive results obtained.

Table 2: Employee Performance

Statement	M	SD
Employees complete their work within the stipulated timeframe	4.53	0.470
Employees make best possible use of county government resources	3.52	1.476
Employees at Nyeri county government always meet work deadlines	4.56	0.437
Employees work towards meeting the set objectives	4.54	0.455
Employees at Nyeri county government carry out error free task	4.66	0.340
Employees respond to customers on time when asked to do so	4.09	0.909
The county government gives employees a clear sense of what they should be aiming for	4.57	0.427
Employees complete their work within the stipulated timeframe	4.38	0.617
Aggregate Score	**4.36**	**0.641**

Source: Research Data (2024)

With a mean score of 4.36 and a standard deviation of 641, the respondents in Nyeri County Government, Kenya agreed with statements defining employee performance, according to Table 4.9. Adler, Campion, Colquit, Grubb, Murphy, Ollander-Krane and Pulakos (2016), Gopinath (2020), and Howard, Gagne, Morin and Van Den Broeck (2016) all agree that worker productivity is defined as activities relevant to operational improvements. Human resource management, as these writers see it, is on measuring and improving employee performance.

Employees at Nyeri County Government consistently meet their work deadlines (M=4.56, SD=0.437), work towards meeting the set objectives (M=4.54, SD=0.455), and complete their work within the stipulated timeframe (M=4.53, SD=0.470). The respondents strongly agreed that the county government gives employees a clear sense of what they should be aiming for (M=4.57, SD=0.427). As a result, companies that want to motivate their employees should use HRM techniques. In their study, De Menezes and Escrig identified five elements that influence employee output (2019). Corporate culture, employee agency, ICT, knowledge management, creativity, and innovation are a few of these aspects. The majority of respondents (M=4.38, SD=0.617) agreed that workers accomplish tasks within the allotted time, while a majority (M=4.09, SD=0.909) agreed that employees react promptly to customer inquiries, and a majority (M=3.52, SD=1.476) agreed that employees effectively use county government resources. When evaluating employee performance, organizations should put an emphasis on how satisfied customers are and how reliable their deliveries are (Bhatti and Razaq, 2015). In general, the research concluded that operationalizing employee performance based on financial, time, flexibility, delivery dependability, security, job satisfaction, customer pleasure, and community performance criteria enhanced enterprise success.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The study intended to find out how much of an impact pay has on productivity in the Kenyan government agency known as Nyeri County was the focus of the second study aim. Employee performance at the Nyeri County Government in Kenya was positively and significantly impacted by pay, according to the research. Adequate remuneration inspires me to perform better in their function, the money they get adds to my job happiness and overall performance, and the compensation system fosters fair treatment and equal opportunity for all employees. My employer provides a competitive and fair wage plan. Appropriate remuneration is given to employees in recognition of their good performance.

The study concluded that a strong wage and benefits package attracts top people in every field, according to the survey. Being in high demand

means that high-performance prospects may pick and choose which companies to work for. Employees feel valued and supported by the firm when they have access to benefits like health and wellness programs, flexible work arrangements, and chances for professional development. A motivated staff, ready to give their all for the company, is fostered by this. Happier and more invested workers usually get more done. When they commit to a task, they are more likely to give it their all and see it through to completion.

The report suggests that the company should check its compensation policy on a regular basis to make sure they are reasonable and in line with market norms. Consistently doing market studies is critical for ensuring accurate employee compensation. This allows businesses to see how much other firms are paying for comparable positions and whether they are paying their workers fairly. Through research into current market conditions and other sources, the HR department may design a compensation plan that is both competitive and fair. Different degrees of responsibility within an organization should be reflected in the pay rates assigned to various designations and responsibilities.

Suggestions for Further Studies

The paper recommends more research into the effects of different HRM strategies on employee productivity in the Nyeri County Government of Kenya in order to fill the knowledge vacuum that the regression model revealed. The report goes on to say that other county administrations in Kenya, not only Nyeri County, might be the subject of future research.

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