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ABSTRACT

This study researched on the effect of compensation practices on employees' performance in the insurance companies in Nairobi City County, Kenya. The study used the descriptive research design. The target population was drawn from a pool of insurance companies operating in Nairobi. The stratified random sampling method was employed in picking the sample size of 162 units from the target population of 270 units. The employees in the human resources, finance and sales departments of the insurance companies in Nairobi constituted the earmarked respondents to this study. This current study employed primary quantitative data which was collected via questionnaires. Several diagnostic tests such as the test for normality, linearity, autocorrelation and multicollinearity were carried out in this study. The study revealed that salaries and wages, professional allowances, individual incentives and fringe benefits had a positive significant effect on employees' performance. The study concluded that offering competitive salaries helps attract top talent in a highly competitive industry. Professional allowances alleviate the financial burden of job-related expenses, leading to higher job satisfaction. Personalized incentives resonate more with employees, as they reflect individual preferences and values leading to higher levels of motivation and engagement, as employees feel their unique contributions are recognized and valued. The study recommended that the companies should conduct regular market surveys to ensure that salary offerings are competitive with industry standards. The companies should implement a structured bonus system tied to individual and team performance metrics. The companies should develop programs that reward employees for achieving specific performance metrics, such as sales targets or customer satisfaction scores. The companies should offer a strong health plans that cover a wide range of medical services, including mental health support.

***Key Words**: Salaries and Wages, Professional Allowances, Individual Incentives, Fringe Benefits*

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INTRODUCTION

One of the fundamental functions of human resource Management (HRM) is the acquisition of qualified workforce in the organizations (Naidu & Satyanarayana, 2020). This is because human resources are crucial capitals in an organization and thus require proper management so that they can perform optimally (Afriyie, Twumasi, & Darko, 2020). Researchers believe that meticulous acquisition and utilization of the right factors of production enables organizations to realize their ultimate goal of shareholders' wealth maximization (Banafa, Kenga, Ifire, & Umulkulthum, 2022). The subtleties at work places calls for embracement of novel approaches of engaging the factors of production and conducting business if they want to report superior performance results (Ezenwakwelu, 2020)

In Europe, Thapa (2023) noted that embracing good compensation practices such as paying employees well, significantly affect their performance. The performance of employees was noted to have a ripple effect on the entire organizational performance (Thapa, 2023). Darma and Supriyanto (2020) studied compensation and employees' performance in Indonesia and concluded that compensation practices affect employee's performance. Darma and Supriyanto reported a 5% increase in overall organizational performance by companies in Indonesia which were practicing good compensation practices.

In the region of Africa, compensation of employees has received a huge attention in the recent past, this is in line with the workers push towards decent rewards on work done (Afriyie, Twumasi, & Darko, 2020). Compensation practices have over time evolved from remunerating people using goods to monetary terms of remuneration (Ezenwakwelu, 2020). It has been noted in the region that the various compensation practiced by companies affect their employees' performance.

In Kenya people and companies are also practicing several avenues of compensating their employees, such as cash rewards and other fringe benefits (Omollo & Oloko, 2019). It has been noted here in Kenya that the various compensation practices used by various companies affect employees' performance (Omuya, 2021).

For instance, Nzyoka, Muli and Obere (2020) reported that compensation practices significantly affect employee's performance. Omuya (2021) reported that Public Universities in Kenya are practicing various compensation practices such as house allowances and car allowances so as to boost the morale of their workforce. Omuya further noted that the public universities in Kenya are practicing good compensation practices so as to retain their teaching employees who maybe poached by the private universities.

In their study on commercial banks in Migori county, Omollo and Oloko (2019) reported that the banking industry is facing stiff completion from other financial institutions such as the Saving and Credit Cooperative Societies (SACCO) have also embraced various compensation. Omollo and Oloko noted an increase in the overall bank performance as a result of having happy employees who are committed to their work due to good remuneration packages.

Compensation practices refer to the various forms and avenues of rewards which employers give their employees in exchange of the services rendered to the company (Afriyie, Twumasi, & Darko, 2020). It constitutes the entire value proposition offered to the employees by their employers (Ezenwakwelu, 2020). Compensation can take any form of rewards such as salaries and wages payments, fringe benefits, as well as allowances (Kidagisa & Mukanzi, 2021). Compensation can as well take the form of direct rewards or indirect rewards (Kidagisa & Mukanzi, 2021). Compensation can be visualized as the driving force behind a dedicated workforce (Naidu & Satyanarayana, 2020). Onuorah, Okeke and Ibekwe (2021) further confirmed that compensation is a fundamental component for any organization wishing to perform better and achieve its predetermined goals. This is in the premise that a well-compensated workforce is a motivated workforce which goes out of its way to deliver on its mandates (Nzyoka, Muli, & Obere, 2020).

Employee performance relates to how effective and efficient workers undertake to execute their assigned tasks, jobs, duties and responsibilities (Candradewi & Manuati, 2022). Employee performance is fundamental in any organization, this is because, it takes the personnels' efforts in working towards achieving the organizational wide goals and objectives (Marewo, Mutongi, Thabani, & Nyoni, 2020). This entails that without a well-motivated and performing workforce, the entity will not reach its desired aspiration (Darma & Supriyanto, 2020).

Employee performance constitute one of the non-monetary performance pointers engaged in measuring the performance of entities as recognized in the balance scorecard (Tayari & Mutinda, 2023). This means that the performance of the employees ought to be monitored closely if the organization wishes to report significance performance results (Atieno & Kyongo, 2020). This is because having all factors of production, but without employees do the job, the organization will end up reporting poor performance results (Marewo, Mutongi, Thabani, & Nyoni, 2020).

Insurance companies are entities which are regulated by the Insurance regulatory Authority (IRA) and mandated to undertake various insurance business (Kiptoo, Kariuki, & Ocharo, 2021). The IRA was formed in 1986 so as to standardize and oversee the insurance trade in Kenya (IRA, 2023). The insurance companies function under the Association of Kenya Insurers which was formed in 1987 to foster sensible business functionalities, construct cognizance amongst civic as well as accelerating development of insurance industry in the country (AKI, 2022).

Insurance companies operate under the policy of indemnity, whereby they promise to restore back their clients to the positions they were in before the occurrence of a given risk (Bogamuwa, Karunathilaka, & Gamage, 2020). The insurance entities insure individuals as well as companies against various risks such as fire, accident, health as well as political violence (IRA, 2023).

In Kenya there are a total of 5 reinsurance companies as well as 56 insurance companies which are regulated by the Insurance regulatory Authority (IRA, 2023). However, this study will narrow down to conduct its investigation on 18 selected insurance companies operating in Nairobi as shown in appendix iii. These companies will therefore constitute the basis for the construction of the population of study of this current proposal.

Statement of the Problem

The general performance of the insurance industry in Kenya has been sub-optimal in the recent past, for instance, the general insurance business underwriting results declined from KES 62, 454,000 in 2020 to a loss of -1,585,989,000 in the second quarter of 2023 (IRA, 2023). Absenteeism levels absconding duties by employees escalated from 1% to 3% in period between 2018 and 2023 (IRA, 2023). Lack of proactiveness and decline in employee's efficiency in terms of task accomplishment also witnessed a decline by 4% during the same period. The poor performance in the sector has been one of the reasons behind collapse of some of the insurance companies (IRA, 2023). In 2015, the Insurance Regulatory Authority (IRA) reported increase in fraud cases in the insurance industry, for instances, fraud cases amplified from 88 cases involving KES 102M to 93 cases involving KES 324M (IRA, 2023). Out of these cases reported, six cases worthy 14.5M involved employees and 21 cases worthy 17.8M involved agents of the insurance companies (IRA, 2023). The main reason for the insurance companies' employees' engagement in fraud could be attributed to inferior remuneration packages given to them emanating from poor compensation practices (Kiptoo, Kariuki, & Ocharo, 2021). Again, the engagement in fraud cases by the employees in the insurance companies, showcase that employees in this sector are not performing optimally.

Reviewed studies around the globe such as the studies by Naidu and Satyanarayana (2020) in India, Afriyie, Twumasi and Darko (2020) in Ghana as well as Kidagisa and Mukanzi (2021) in Kenya advocate for good compensation practices as an avenue of subverting poor employees' performance and ultimately achieve superior organizational performance. Notwithstanding the momentous impact of compensation practices on employees' output, limited deliberations have been conferred to this concept in the insurance companies in Kenya, which is the intention of this present research. The reviewed studies staged the methodological, contextual and the conceptual gaps which this present research intends to fill.

The poor employees' as well as the organizational performance recorded by the insurance companies in the recent past together with the gaps stemming from the read studies motivated this present research. This research therefore was geared towards endeavoring to unravel the effect of compensation practices on employees' performance in the insurance companies in Nairobi City County, Kenya.

Objectives of the Study

This study investigated the effect of compensation practices on employees' performance in the Insurance Companies in Nairobi City County, Kenya. The specific objectives of the study were;

- To determine the effect of Salaries and wages on employees' performance in the insurance companies in Nairobi City County, Kenya.
- To determine the effect of professional allowances on employees' performance in the insurance companies in Nairobi City County, Kenya.
- To investigate the effect of individual incentives on employees' performance in the insurance companies in Nairobi City County, Kenya.
- To determine the effect of fringe benefits on employees' performance in the insurance companies in Nairobi City County, Kenya.

LITERATURE REVIEW

Theoretical Literature Review

The Equity Theory

The Equity theory which is a social psychological theory was first propagated by Adams in the 1960s (Nzyoka, Muli, & Obere, 2020). This theory focuses on fairness and equity in social exchanges (Yeti, 2020). This theory postulates that employees always compare their compensation with the compensation of other employees within the organization, industry or even some relatives (Afriyie, Twumasi, & Darko, 2020). Candradewi and Manuati (2022) noted that the presence of some inequality in compensation among individuals has a far-reaching effect on the motivation levels of employees which ultimately affects their performance at work. This theory therefore advocates for fairness in compensating employees so that they may all exhibit some zeal and enthusiasm in their work and eventual propel the organization towards better performance levels (Onuorah, Okeke, & Ibekwe, 2021). Siddiqi and Tangem (2020) further noted that presence of inequality in compensating employees not only demotivates them from working hard but also pushes them towards some kind of industrial actions which might paralyze the operation of the organization. This theory supported both the independent and the dependent variables, because all employees expect to be treated equitable in terms of their salaries and wages, professional allowance, individual incentives as well as in terms of fringe benefits. When the employees have been treated equitable, the resultant effect will be positive employees' performance.

According to the equity theory therefore, managers should always strive to be fair when dealing with their employees' as far as compensation is concerned (Nzyoka, Muli, & Obere, 2020). When employees are compensated in a fair and equitable manner, they tend to be happy and always focus on performing better and this has a ripple consequence on the bottom line of the firm's performance (Thapa, 2023). The equity theory is therefore relevant in this present study. The equity theory's relevance in this present study prompted its close study so as to underpin the study variables. Precisely, the theory will support the salaries and wages as well as the professional allowance independent variables used in this current research study.

The Expectancy Theory

The expectancy theory is also known as the Valence Instrumentality Expectancy (VIE) theory and it was first put forward by Victor Vroom in the 1960s (Tayari & Mutinda, 2023). The expectancy theory is a psychological theory of motivation which postulates that individuals are motivated to work based on their belief on what they anticipate to receive at the end of the work done (Afriyie, Twumasi, & Darko, 2020). Kimani, Ngui and Arasa (2020) added that the expectation that employees have on a given task tends to mold their behavior towards accomplishing that task. Employees who have low expectation with reference to the reward from a given task will tend to have low morale towards work as compared to their counterparts who have high expectations (Lloyd & Mertens, 2020).

The expectancy theory shapes the performance of employees at the workplace, this is because those employees who have high expectations on their work tends to work hard and perform better which eventually results into positive organizational performance (Kanyanjua & Bonareri, 2022). Kidagisa and Mukanzi (2021) proposed that employee's expectation at the workplace must be monitored and managed effectively, because high expectations when not met tend to demoralize the employees in their subsequent endeavors with the organization. This theory is therefore relevant in this current study which focuses on establishing the consequences of compensation practices on employee's outcomes. The theory's relevancy therefore stimulated its study so as to underpin the studies' variables. The expectancy theory supported the independent variables which will be used in this study. The variables supported by the expectancy theory in this current research study included the salaries and wages, the individual incentives as well as the fringe benefits variables.

The Agency Theory

This theory was explicitly propounded by Stephen Ross and Barry Mitnick in 1973, however much propounding's works on the agency theory was advanced by Micheal Jensen and William Meckling in 1976 (Afriyie, Twumasi, & Darko, 2020). In their paper Ross identified the agency problem as generic in the society and just a mere problem in the theory of the firm (Darma & Supriyanto, 2020). The theory elaborates on the rapport between company owners and their managers (Kiptoo, Kariuki, & Ocharo, 2021). Here, the owners engage agents to work on their behalf (Marewo, Mutongi, Thabani, & Nyoni, 2020). Exponents of this theory, assume employee to behave in a way to fulfill their own aspirations and not the aspirations of the company owners, thus resulting to the agency problem (Dzingai & Fakoye, 2021). In this theory, the agents may yield to egotism and unprincipled demeanor, hence falling short of the owners' pursuits. To help curb this problem, researchers proposed that companies should compensate their employees well so that they not at any time think of pursuing their own interests but the interest of the company (Lloyd & Mertens, 2020). This is in premise that well compensated employees will tend to be loyal and post good performance results which ultimately contribute to the general performance of the company (Permana, Aima, & Ariyanto, 2021)

This theory has been used in recent research studies on compensation Afriyie, Twumasi and Darko (2020), Darma and Supriyanto (2020) as well as Kimani, Ngui and Arasa (2020). The usage of this theory recent studies around the concept of compensation pinpointed the theory's relevance, thus its application in this present study so as to support the study variables. specifically, this theory supported the salaries and wages, professional allowance, individual incentives as well as the fringe benefits variables. The agency theory also supported the employee's performance variable because when there is a cordial rapport amid the principals and the agents of the company, then the employees who are the agents, will work to their level best thus boost their performance levels.

The Balanced Scorecard Theory

This concept was propounded by Kaplan and Norton in the 1992, the theory postulates that company's performance should be wholistic, encompassing both financial and financial parameters(Rafiq, Maqbool, & Rui, 2021). This approach ensures that the overall performance index of the company reflects a true and fair view of the company under consideration (Kadir, AlHosani, & Sehan, 2023).The theory was a progression of the Lewis' General Electric corporate analysis strategy of 1952, supports the use of monetary and non-monetary factors in establishing the performance of companies (Hristov, Antonio, & Andrea, 2023). This method paves way a wholistic evaluation of a company.

The suggestions forwarded by Kaplan such as the learning and growth, financial, customer and internal process perspectives ensures that the performance of entities is monitored at all levels (Rafiq, Maqbool, & Rui, 2021). The theory therefore warrants successful monitoring of employees' performance and the outcomes of the entire entity. The balanced scorecard theory is pertinent in this study, and it was precisely be used in supporting the employee's performance dependent variable.

Empirical Literature Review

Salaries and wages refer to the compensation given to workers for undertaking a given task (Afriyie, Twumasi, & Darko, 2020). Monthly salaries, daily wages, timely payment of salaries and wages as well as the amount of salary and wages constituted the proxies for the salaries and wages variable in this study. Thapa (2023) considered salaries and wages in his study on the impact of compensation towards the performance of employees performance. The researcher employed motivation as moderating variable in his study. The study by Thapa was conducted in the banking industry and it employed a causal-comparative research design. The researcher used questionnaires in data analysis. The researcher analyzed his data via the Partial Least Square (PLS) method and concluded that salaries and wages affect employee's performance. This present study was conducted in Kenya, specifically in the insurance sector as opposed to the research by Thapa which was conducted in Nepal, thus addressing the contextual gap. This present research espoused the descriptive design and the multiple linear regression model, contrary to the study by Thapa which used the PLS, thus addressing the methodological research gap. This current research study also intended to conceptualize its study variables in a different manner from Thapa, who used a moderating variable, thus addressing the conceptual gap.

Kimani, Ngui and Arasa (2020) researched compensation and employee performance at the Mombasa Cement Limited. The study by Kimani, Ngui and Arasa was conducted in the mining industry and it was supported by the Herzberg two factor theory as well as the total reward model. Kimani, Ngui and Arasa used the survey design and the data collected was quantitative in nature. Kimani, Ngui and Arasa analyzed their data via the regression model enshrined in the statistical package for sciences and concluded that salaries and wages significantly affect employee's performance. In addressing the methodological, conceptual and contextual research gaps from the study by Kimani, Ngui and Arasa, this present study was supported by the expectancy theory and it employed the descriptive design. The present research also used quantitative data.

Professional allowances refer to the benefits given to employees to help them meet some of their expenses such as house allowance, car allowance or hardship allowance (Mudhofar, 2021). In their study Kidagisa and Mukanzi (2021) considered compensation and employees. The researchers espoused the descriptive design as well as the simple random sampling technique in their sample size determination. Kidagisa and Mukanzi collected their data collection via questionnaires. Kidagisa and Mukanzi used the simple linear regression model in the SPSS package in their data analysis and concluded that professional allowances affect employees' performance. In addressing the methodological, conceptual and contextual research gaps from the study by Kidagisa and Mukanzi, this present research study was done in the insurance industry, and it employed the stratified random sampling method. This present research also employed the multiple linear regression model in its data analysis.

Mudhofar (2021) researched on compensation practices and employee performance in Lumanjag city in Indonesia. The researcher used the Structural Equation Modeling (SEM) enshrined in the Analysis of Moments Structures (AMOS) software package. The researchers used quantitative data in his study which was collected using questionnaires. The researcher used hypothesis and concluded that professional allowances affect employees' performance. In addressing the methodological, conceptual and contextual research gaps from the study by Mudhofar, this current study used the regression model in SPSS in its data analysis and it was done in the insurance industry in Kenya.

Individual incentives refer to what employers do so as to motivate their employees in terms of pay rise, bonuses, vacation allowances and paid leaves (Afriyie, Twumasi, & Darko, 2020). In their study, Nzyoka, Muli and Obere (2020) researched on compensation practices and employees' performance. The researchers employed the descriptive design in their study whereas the data was amassed via semi-structured inquiry form. The researchers used hypothesis and data analysis was via the multiple linear regression method. After data analysis, the researcher resolved that individual incentives affect employees' performance. In addressing the methodological, conceptual and contextual research gaps from the study by Nzyoka, Muli and Obere, this present study employed the descriptive design and structured questions in data collection. The present research also used hypothesis and analyze data via the regression method in SPSS.

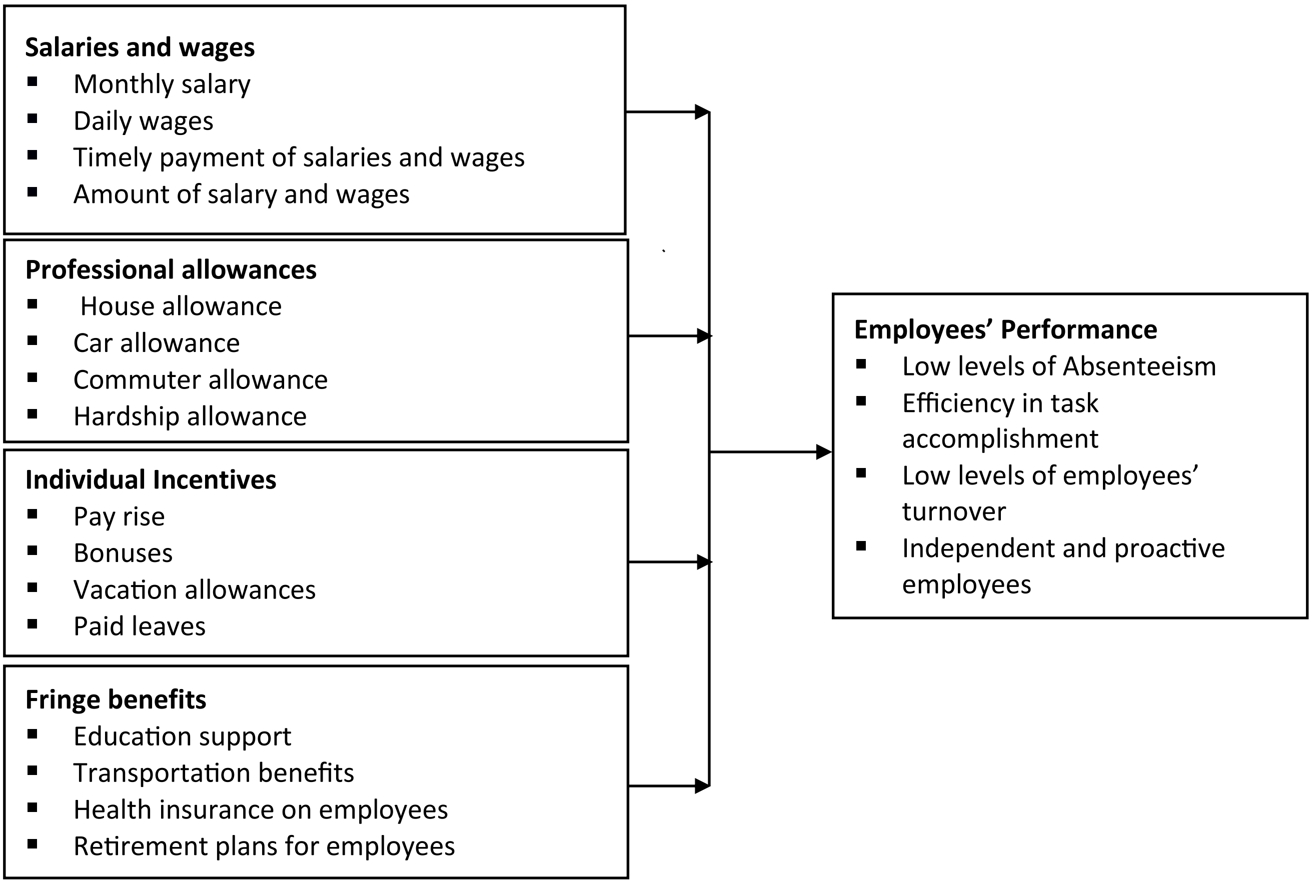
Afriyie, Twumasi and Darko (2020) studied compensation and employees' performance in Ghana and concluded that individual incentives affect performance of employees. Afriyie, Twumasi and Darko was carried out at the Technical University of Ghana. The researchers espoused the descriptive research design whereas sample size determination was via the simple random sampling technique. The study by Afriyie, Twumasi and Darko used research questions. In addressing the methodological, conceptual and contextual research gaps from the study by Afriyie, Twumasi and Darko, this present research study was done in Kenya, and it employed the stratified random sampling technique and hypothesis instead of research questions.

Fringe benefits refer to the over and above salary compensation given to employees by their employers in form education support, transport benefits, health insurance and retirement plans (Darma & Supriyanto, 2020). Onuorah, Okeke and Ibekwe (2021) researched on compensation management and employees' performance in Nigeria and concluded that fringe benefits affect employee performance. The study by Onuorah, Okeke and Ibekwe revolved around the human capital theory and the research design adopted was the descriptive one. The study conducted a census on the entire population. The researchers employed both research questions and hypothesis in their study. In addressing the methodological, conceptual and contextual research gaps from the study by Onuorah, Okeke and Ibekwe, this research was done in Kenya and it employed research hypothesis in its investigation.

In another study on compensation and employees' performance, Darma and Supriyanto (2020) concluded that fringe benefits affect employee's performance. The study by Darma and Supriyanto was carried out in telecommunication industry in Indonesia. The researchers used questionnaires in collecting data and analysis of data was via the Smart PLS software. The researchers also employed the explanatory research design in their study, whereas sample size determination was through the saturation sampling techniques. In addressing the methodological, conceptual and contextual research gaps from the study by Darma and Supriyanto, this present study was done in the insurance industry in Kenya and it employed the stratified random sampling and the multiple linear regression model.

Conceptual Framework

A conceptual framework is a diagrammatic representation of the relationship between the dependent and the independent variables under inquiry (Cooper & Schindler, 2019). The changes in the dependent variables are normally instigated by the changes in the intendent variables (Dannels, 2018). The conceptual framework guiding this current research study was developed as shown in figure 1.



Independent Variables **Dependent Variable**

Figure 1: Conceptual Framework

METHODOLOGY

This research study employed the descriptive research design. This study's target population constituted fifteen (15) employees from each of the eighteen (18) selected insurance companies in Nairobi, thus making a total target population of 270 units. The employees who took part in this study comprised of seven (7) employees from the human resources department, four (4) employees from the finance department and four (4) employees from the sales department of each of the eighteen (18) selected insurance companies in Nairobi. The Taro Yamane 1967 formular was employed in the sample size determination. The

162 samples were selected proportionately out of each strata forming the target population. Proportionate random stratified sampling technique was used in this study in arriving at the ultimate sample size so as to avoid issues of under or over representation from any given strata (Saunders, Lewis, & Thornhill, 2019).

This research used primary quantitative data and it was gathered using questionnaires rated in accordance with the Likert 5-point scale. The questionnaire which was used in this study was adopted from Afriyie, Twumasi and Darko (2020) and modified so as to fit the current research. This study used questionnaires incorporating the 5-point Likert scale in data collection. Data collected via questionnaires ensures a relaxed mode to respondents when responding to the questionnaires, since they can fill them at their place of comfort as well as at their own free time (Bell, Bryman, & Harley, 2019). Dannels (2018) added that data collected via the 5-point Likert scale is easy to code and analyze.

Data was cleaned and loaded into SPSS so as to generate descriptive, correlational and the regression statistics. Several diagnostic tests such as the test for normality, linearity, autocorrelation and multicollinearity were carried out in this study in order to ascertain fitness of the model. The F-test in ANOVA as well as the coefficient of determination test was conducted and interpreted before ultimately running the model. The p-values from the regression model were used in testing the significance of the association amid the variables under investigation. The multiple linear regression model was developed as shown.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:

Y Represent Employee Performance

X_1 Represent Salaries and wages

X_2 Represent professional allowances

X_3 Represent Individual incentives

X_4 Represent fringe benefits

β_0, β_1, β_2, β_3 and β_4 Represent the beta coefficients

ε Epsilon term (error term)

RESULTS

Response Rate

The questionnaires were administered to a sample of 162 respondents obtained from 3 departments namely; human resources department, finance department and sales department.

Descriptive Statistics Results

Descriptive statistics included Mean (M) and Standard Deviation (SD) generated using Statistical Package for Social Sciences (SPSS) were used to present the results of the quantitative data the results are presented in the section that follows;

Salaries and Wages

The following are descriptive statistics obtained for each statement that were used in explaining how salaries and wages influences employees' performance in the insurance companies in Nairobi City County, Kenya presented in Table 1.

Table 1: Salaries and Wages

Statements	M	SD
This insurance company pay salaries commensurate to the employees' work	4.56	0.44
The company has a clear policy on salaries	3.51	1.49
Daily wages are paid every day to the concerned workers	4.55	0.45
The day wages paid are proportionate to the work performed	4.50	0.50
This insurance company pays salaries and wages on time	3.23	1.77
Timely payment of salaries and wages act as motivation to the employees	3.94	1.06
This company pays heft salaries and wages	4.72	0.28
The salaries and wages paid have reduced cases of absenteeism	4.05	0.95
Aggregate score	**4.13**	**0.868**

Source: Research Data (2024)

According to the results in Table 1, the high mean scores indicate that respondents view the insurance company as a fair employer, essential for a positive work environment. The belief that compensation reflects employees' efforts (M=4.56, SD=0.44) suggests recognition and rewards, supporting Herzberg's Two-Factor Theory, which links equitable pay to job satisfaction. Fair compensation fosters employee engagement and commitment. Additionally, the daily disbursement of wages (M=4.55, SD=0.45) demonstrates a commitment to timely payments, enhancing employee morale and financial stability. Regular payments reduce financial stress, allowing employees to focus on their work. The perception of substantial salaries (M=4.72, SD=0.28) indicates the company's investment in its workforce, crucial for attracting and retaining talent in competitive industries. Furthermore, the agreement that daily wages align with work completed (M=4.50, SD=0.50) reinforces the connection between performance and compensation, motivating employees to maintain productivity and quality. These findings are consistent with Afriyie, Twumasi and Darko (2020) research that highlights the importance of fair compensation in enhancing employee satisfaction and motivation.

A mean score of 3.51 (SD=1.49) reflects moderate agreement on the organization's commitment to salary transparency. Additionally, a high mean score of 3.94 (SD=1.06) for prompt salary disbursement underscores its role as a motivational factor, linking timely payment to financial stability and job satisfaction. Finally, a mean score of 4.05 (SD=0.95) indicates that competitive pay has reduced absenteeism, as adequately compensated employees are more engaged and present at work. Overall, these results suggest that the organization's focus on salary transparency, timely payments, and competitive remuneration aligns with theoretical frameworks and best practices in human resource management, enhancing employee well-being and organizational effectiveness. These findings align with Thapa (2023) research indicates that transparent salary policies foster trust and fairness, leading to higher morale and productivity.

Participants showed a neutral view on the timely payment of salaries by the insurance company, with a mean score of 3.23 indicating mixed perceptions. The standard deviation of 1.77 reflects variability in responses, suggesting some felt positively or negatively, but overall sentiment remained neutral. This finding aligns with Kimani, Ngui and Arasa (2020) research indicating similar mixed perceptions among employees regarding salary reliability in the industry.

The study also found that the respondents agreed on all the statements that were used in explaining how salaries and wages influences employees' performance in the insurance companies in Nairobi City County, Kenya as evidenced by a mean score of 4.13, which suggests that they generally agree with the statements presented to them about the positive impact of compensation on performance. Furthermore, the standard deviation of 0.87 indicates that there is a relatively low level of variability in the responses, implying that most participants shared similar views on this matter. The finding agree with Candradewi and Manuati (2022), research observation that competitive salaries and wages serve as a motivating factor for employees, leading to increased productivity, job satisfaction, and overall performance.

Professional Allowances

The following are descriptive statistics obtained for each statement that were used in explaining how professional allowances influences employees' performance in the insurance companies in Nairobi City County, Kenya presented in Table 2.

Table 2: Professional Allowances

Statements	M	SD
This insurance company gives house allowances to its employees	3.96	1.04
The house allowances given have boosted employee's performance	4.29	0.71
This insurance company gives car allowances to its employees	4.58	1.48
The car allowance given has contributed to employee's efficiency	3.99	1.01
This insurance company gives commuter allowances to its employees	4.06	0.94
The commuter allowances given has boosted employee's motivation levels	3.85	1.15
This insurance company gives hardship allowances to its employees	4.61	0.39
The hardship allowances have reduced cases of employee turn over	4.13	0.87
Aggregate score	**4.18**	**0.95**

Source: Research Data (2024)

Table 2 shows that respondents strongly agree that the insurance company provides car allowances (M=4.58, SD=1.48) and hardship allowances (M=4.61, SD=0.39) to employees. These high mean scores indicate strong employee satisfaction with the financial support offered, although the higher standard deviation for the car allowance suggests some variability in individual perceptions. The strong agreement indicates that these allowances are valued components of the compensation package, positively impacting employee morale and loyalty. These findings align with Kidagisa and Mukanzi (2021) research emphasizing the importance of such allowances in enhancing employee satisfaction and retention, particularly in competitive industries like insurance.

Participants in the study agreed that the insurance company provides housing allowances, with a mean score of 3.96 and a standard deviation of 1.04, indicating strong consensus on the benefit's significance. These allowances positively impact employee performance, reflected in a mean score of 4.29 and a lower standard deviation of 0.71, suggesting improved living conditions and productivity. The company also offers a car allowance, rated with a mean score of 3.99 (SD=1.01), indicating general agreement on its positive effects, though with some variability. This allowance is seen as a valuable resource that enhances daily efficiency. Commuter allowances received a mean score of 4.06 (SD=0.94), highlighting their importance for daily travel. Employees also rated their impact on motivation at 3.85 (SD=1.15), suggesting these allowances alleviate transportation costs and boost morale. Lastly, hardship allowances were noted for reducing turnover rates, with a mean score of 4.13 (SD=0.87). The finding aligns with Mudhofar (2021) research who observe that the insurance company's comprehensive approach to employee allowances encompassing housing, car, commuter, and hardship allowances plays a crucial role in creating a supportive work environment that ultimately benefits both employees and the organization as a whole.

The overall mean score of 4.18, accompanied by a standard deviation of 0.95, suggests that the respondents concurred with the statements utilized to elucidate the impact of professional allowances on employee performance within insurance companies in Nairobi City County, Kenya. This finding is consistent with previous research that highlights the positive correlation between financial incentives and employee motivation. The findings resonate with Omuya (2021) research which observes the positive role of adequate compensation and benefits in retaining talent and enhancing overall organizational performance.

Individual Incentives

The following are descriptive statistics obtained for each statement that were used in explaining how individual incentives influences employees' performance in the insurance companies in Nairobi City County, Kenya presented in Table 3.

Table 3: Individual Incentives

Statements	M	SD
This insurance company give pay rise to its employees	4.09	0.91
Pay rise has reduced employee turnover levels	4.50	0.50
This insurance company gives bonuses to its employees	4.54	0.46
Bonuses given have contributed to improved employees' performance	4.33	0.67
This insurance company gives vacation allowances to its employees	4.17	0.83
Vacation allowances have boosted employees' motivation levels	4.55	0.45
This insurance company gives paid leaves to its employees	4.39	0.61
Paid leaves have contributed to reduced employee turnover levels	4.52	0.48
Aggregate score	**4.39**	**0.61**

Source: Research Data (2024)

Table 3 reveals strong agreement of respondents on the following statements; Participants indicated that salary increases are crucial for reducing turnover, with a mean score of 4.50 and a standard deviation of 0.50, emphasizing the role of financial compensation in job satisfaction. Bonuses were also highly rated, with a mean score of 4.54 and a standard deviation of 0.46, indicating they motivate loyalty and commitment. Vacation allowances scored a mean of 4.55 (SD = 0.45), highlighting their role in enhancing motivation and work-life balance, while paid leave also emerged as important, with a mean score of 4.52 (SD = 0.48), suggesting it provides security and support. The finding of these results align with Afriyie, Twumasi, & Darko, 2020) research which established that organizations that prioritize competitive compensation packages and supportive policies are more likely to foster a stable and committed workforce.

The mean score of 4.09 (SD=0.91) indicates a strong agreement among participants regarding the insurance company's commitment to providing salary increases, suggesting that employees feel valued and recognized for their contributions. Furthermore, the positive impact of bonuses on employee performance is well-documented. The mean score of 4.33 (SD=0.67) reflects a consensus that bonuses not only serve as financial incentives but also foster a culture of excellence and achievement within the organization. The company's provision of vacation allowances, with a mean score of 4.17 (SD=0.83), underscores the importance of work-life balance in employee well-being. Lastly, the high mean score of 4.39 (SD=0.61) regarding paid leave reflects a strong agreement on the company's policies that prioritize employee welfare. Studies have shown that access to paid leave can significantly enhance employee morale and loyalty, as it allows individuals to manage personal and family responsibilities without the added stress of financial loss (Smith & Jones, 2020: Davis & Lee, 2022).

The relatively high aggregate mean score of 4.39 suggests that respondents generally agree on the effectiveness of individual incentives in driving performance, while the low aggregate standard deviation of 0.61 indicates that there is little variation in the responses, further reinforcing the notion of a shared understanding among the participants. This finding is consistent with Naidu and Satyanarayana (2020) research that found the positive correlation between incentive structures and employee motivation.

Fringe Benefits

The following are descriptive statistics obtained for each statement that were used in explaining how fringe benefits influences employees' performance in the insurance companies in Nairobi City County, Kenya presented in Table 4.

Table 4: Fringe Benefits

Statements	M	SD
This insurance company gives education support to its employees	3.68	1.32
Education support has contributed to efficiency at work	3.75	1.25
There are transport benefits to the employees of this insurance company	4.52	0.48
Transport allowances have contributed to improved employee’s performance levels	4.00	1.00
There are health insurance benefits to the employees of this insurance company	4.58	0.42
Health insurance has contributed to improved employee’s performance levels	3.78	1.22
There are retirement benefits plan to the employees of this insurance company	4.63	0.37
Retirement benefits have contributed reduced employee turnover rates	4.56	0.44
Aggregate score	**4.19**	**0.81**

Source: Research Data (2024)

Table 4 shows strong consensus among respondents regarding employee benefits at the insurance company, with high mean scores indicating satisfaction. Transport benefits received a mean score of 4.52 (SD = 0.48), highlighting their value and uniform appreciation among employees. Health insurance benefits scored even higher at 4.58 (SD = 0.42), reflecting their importance in the compensation package and shared sentiment among employees. Retirement benefits were rated highest at 4.63 (SD = 0.37), indicating their significance for job satisfaction and effective retirement planning. Additionally, retirement benefits positively impact employee retention, with a mean score of 4.56 (SD = 0.44) suggesting they help reduce turnover rates. These findings align with Darma & Supriyanto, 2020) research that emphasizes the importance of comprehensive employee benefits in enhancing job satisfaction and retention.

The mean score of 3.68 (SD=1.32) indicates a strong agreement among participants regarding the value of educational support provided by the insurance company. Furthermore, the assertion that educational support has enhanced workplace efficiency, with a mean score of 3.75 (SD=1.25), aligns with studies that suggest that employees who receive training and development opportunities are more likely to perform at higher levels. This correlation highlights the significance of ongoing professional development as a key driver of organizational success. The positive impact of transportation allowances on employee performance levels, reflected in a mean score of 4.00 (SD=1.00), underscores the role of logistical support in facilitating employee engagement and productivity. Additionally, the contribution of health insurance to enhanced employee performance, with a mean score of 3.78 (SD=1.22), suggesting that comprehensive health benefits lead to lower absenteeism rates and higher morale among employees. The finding agree with Onuorah, Okeke and Ibekwe (2021) research that found that organizations that invest in educational support not only foster a culture of continuous learning but also empower their employees to develop new skills and competencies, which can lead to increased efficiency and innovation within the workplace.

The overall mean score of 4.19 indicates a high level of agreement among the respondents, suggesting that they collectively perceive fringe benefits as a significant factor contributing to their performance at work. Moreover, the standard deviation score of 0.81 reflects a relatively low level of variability in the responses, which further reinforces the idea that there is a shared understanding and uniformity in the opinions of the respondents regarding this issue. Such a low standard deviation implies that most respondents' views were closely clustered around the mean, indicating a strong collective belief in the positive impact of fringe benefits. The finding agree with Kadir, AlHosani and Sehan (2023) research which found that when employees feel valued and supported through comprehensive fringe benefits, such as health insurance, retirement plans, and other perks, their motivation and productivity tend to increase.

Employee Performance

The following are descriptive statistics obtained for each statement that were used in explaining the employees' performance in the insurance companies in Nairobi City County, Kenya presented in Table 5.

Table 5: Employee Performance

Statements	M	SD
Low level of absenteeism is experienced in this insurance company	2.96	2.04
The low level of absenteeism has contributed to improved employee's performance levels	3.12	1.88
Employees of this insurance company accomplish their task efficiently	2.27	2.73
Efficiency at work has contributed to improved employee's performance levels	2.78	2.22
Low level of employees' turnover is experienced in this insurance company	3.04	1.96
The low level of employee's turnover has contributed to improved employee's performance levels	3.18	1.82
The employees of this insurance company are independent and proactive	3.25	1.75
The independency of the employees has contributed to improved employee's performance levels	3.03	1.97
Aggregate score	**2.95**	**2.05**

Source: Research Data (2024)

The respondents indicated neutral on the following statements; low level of absenteeism is experienced in this insurance company (M=2.96, SD=2.04), the low level of absenteeism has contributed to improved employee's performance levels (M=3.12, SD=1.88), employees of this insurance company accomplish their task efficiently (M=2.27, SD=2.73), efficiency at work has contributed to improved employee's performance levels (M=2.78, SD=2.22), low level of employees' turnover is experienced in this insurance company (M=3.04, SD=1.96), the low level of employee's turnover has contributed to improved employee's performance levels (M=3.18, SD=1.82), the employees of this insurance company are independent and proactive (M=3.25, SD=1.75) and the independency of the employees has contributed to improved employee's performance levels (M=3.03, SD=1.97). These findings highlight the need for further investigation into the factors influencing employee perceptions of absenteeism, task completion, and workplace efficiency. Understanding these dynamics could provide valuable insights for management and organizational development, ultimately leading to improved employee performance and satisfaction.

The respondents showed a neutral view on employee performance, with a mean score of 2.95 and a standard deviation of 2.05. This contrasts with Ezenwakwelu (2020) research in other urban areas, where employees often expressed strong opinions, typically with mean scores above 3.5. The low mean score suggests a lack of engagement or clarity regarding performance metrics, while the high standard deviation indicates varied employee sentiments. This divergence may stem from differences in management practices or organizational culture.

Regression Analysis Results

The results of regression analysis that sought to establish the extent which independent variables influenced the dependent are presented as follows;

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.899	0.808	0.618	0.0021

Source: Research Data (2024)

Table 6 shows a strong positive correlation (R = 0.899) between salaries, wages, allowances, incentives, and benefits and employee performance in Nairobi's insurance companies. The R square value of 0.808 indicates that about 80.8% of the variance in employee performance is explained by these factors, highlighting their relevance in predicting performance outcomes. The adjusted R square value of 0.618 (61.8%) which accounts for the number of predictors, still reflects significant explanatory power. Therefore, other variables not studied account for 38.2% of employee performance. Additionally, a low standard error of 0.0021 suggests that the model's predictions are reliable and closely aligned with actual performance values. Overall, these findings emphasize the importance of compensation in enhancing employee performance in the insurance sector.

Table 7: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	305.415	4	76.354	98.0238	0.003
	Residual	112.945	145	0.7789		
	Total	418.36	149			

Source: Research Data (2024)

The ANOVA Table results reveal key factors affecting employee performance in Nairobi's insurance companies. The mean square value of 76.354 indicates the average variation linked to factors like salaries, allowances, incentives, and benefits, highlighting their contribution to performance. The F value of 98.0238 suggests a strong relationship between these factors and employee performance, as it reflects the variance explained by the model. Additionally, the significance level of 0.003, well below the 0.05 threshold, confirms the statistical significance of the results, indicating a less than 0.3% chance that the observed effects are random.

Table 8: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	0.593	0.315		1.883	0.003
	Salaries and wages	0.785	0.229	0.0564	3.428	0.002
	Professional allowances	0.771	0.214	0.0142	3.603	0.003
	Individual incentives	0.784	0.304	0.0226	2.577	0.001
	Fringe benefits	0.792	0.211	0.0119	3.754	0.001

Source: Research Data (2024)

The findings in Table 8 revealed that holding independent variables (salaries and wages, professional allowances, individual incentives and fringe benefits) constant, the employees' performance in the insurance companies in Nairobi City County, Kenya would be 0.593. The regression coefficients indicate that when salaries and wages, professional allowances, individual incentives and fringe benefits are improved would cause an improvement of the employees' performance in the insurance companies in Nairobi City County, Kenya by 0.785, 0785, 0.771, 0.784 and 0.792 respectively.

Therefore, the regression analysis model equation presented as follows;

$\gamma=\alpha+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+\varepsilon$ resulted to the following expression;

Employee performance = 0.593 + 0.785 (salaries and wages) + 0.771 (professional allowances) + 0.784 (individual incentives) + 0.792 (fringe benefits).

The study reveals a strong link between salaries and employee performance in Nairobi's insurance sector, with a beta value of 0.0564 indicating a positive correlation. The significance value of 0.002, below the 0.05 threshold, confirms the relationship is statistically significant, suggesting that higher salaries lead to better performance. These findings imply that insurance organizations should prioritize competitive salaries to enhance employee motivation and productivity. The finding agree with Kimani, Ngui and Arasa (2020) who researched compensation and employee performance at the Mombasa Cement Limited and found a positive significant relationship between the two variables.

The study reveals a positive correlation between professional allowances and employee performance in Nairobi's insurance companies, with a beta value of 0.0142 and a significance value of 0.003, indicating statistical significance. This suggests that increasing professional allowances could enhance employee motivation and productivity, benefiting both employee satisfaction and overall organizational performance. The finding agree with Mudhofar (2021) who researched on compensation practices and employee performance in Lumanjag city in Indonesia and established that compensation practices had a positive significant influence on employee performance.

The study reveals that individual incentives significantly influence employee performance in Nairobi's insurance firms, with a beta value of 0.0226 indicating a positive relationship. This suggests that a unit increase in incentives leads to a 0.0226 unit increase in performance. The significance value of 0.001 confirms that this relationship is statistically reliable, highlighting the importance of incentives in motivating employees. The finding is consistent with Nzyoka, Muli and Obere (2020) who researched on compensation practices and employees' performance and revealed that compensation practices significantly affected the employees' performance.

A beta value of 0.0119 indicates a positive relationship, suggesting that increased fringe benefits lead to improved employee performance. The significance value of 0.001 confirms that this relationship is statistically significant, emphasizing the need for organizations to prioritize comprehensive fringe benefit programs. The finding is in line with Kadir, AlHosani and Sehan (2023) who researched on compensation and employee performance. The study found that fringe benefits had a positive significant effect on employee performance.

CONCLUSIONS AND RECOMMENDATIONS

The study concluded that offering competitive salaries helps attract top talent in a highly competitive industry. Skilled professionals are more likely to join and stay with firms that recognize their worth. A well-structured remuneration package can reduce employee turnover, saving costs associated with recruitment and training new employees. Implementing performance-based bonuses and commissions can motivate employees to exceed their targets, leading to increased productivity and better service delivery. Linking compensation to organizational goals ensures that employees are aligned with the company's objectives, driving collective performance towards achieving strategic targets.

The study concludes that professional allowances alleviate the financial burden of job-related expenses, leading to higher job satisfaction. Employees who feel supported are more likely to be engaged and motivated in their roles. Competitive professional allowances attract top talent to the organization, as potential employees often consider these benefits when evaluating job offers. Professional allowances empower employees to take charge of their professional development and career paths, leading to greater engagement and ownership of their work. Allowances for team-building activities or collaborative projects can foster a sense of community and teamwork, enhancing overall performance.

The study concludes that personalized incentives resonate more with employees, as they reflect individual preferences and values leading to higher levels of motivation and engagement, as employees feel their unique contributions are recognized and valued. Personalized incentives acknowledge the specific strengths and achievements of employees, which can enhance job satisfaction. Employees who feel appreciated are more likely to remain committed to their roles. Employees who receive personalized incentives are more likely to feel a sense of loyalty to the organization, reducing turnover rates. This is particularly important in the insurance industry, where retaining experienced staff can be crucial for maintaining client relationships and institutional knowledge.

The study concludes that fringe benefits such as health insurance and wellness programs contribute to employees' physical and mental well-being. When employees feel cared for, their job satisfaction increases, leading to higher morale and motivation. Fringe benefits foster a sense of belonging and loyalty among employees. When employees feel that their employer invests in their well-being, they are more likely to engage with the company's mission and values. Benefits that promote team activities, such as company retreats or wellness challenges, can enhance team cohesion and collaboration, leading to improved performance in group tasks and projects.

The study recommended that the companies should conduct regular market surveys to ensure that salary offerings are competitive with industry standards. This helps attract and retain top talent. Compare salaries with similar roles in other insurance companies to identify gaps and adjust compensation accordingly. Implement performance-based bonuses that reward employees for meeting or exceeding specific targets, such as sales goals or customer satisfaction metrics. Schedule annual or bi-annual salary reviews to assess employee performance and adjust salaries based on merit, contributions, and market conditions. Maintain transparency about how salaries are determined, including the criteria for raises and bonuses. This builds trust and encourages employees to strive for performance improvements.

The study recommends that the companies should implement a structured bonus system tied to individual and team performance metrics. This could include sales targets, customer satisfaction scores, or claims processing efficiency. Invest in continuous education and professional development programs that enhance employees' skills and knowledge, making them more effective in their roles. Regularly recognize outstanding performance through awards or public acknowledgment, which can boost morale and motivation. Allow employees to work from home or have flexible hours, which can lead to increased job satisfaction and productivity.

The study recommends that the companies should develop programs that reward employees for achieving specific performance metrics, such as sales targets or customer satisfaction scores. Offer workshops, seminars, and courses that help employees develop new skills relevant to their roles. Implement options for remote work, flexible hours, or compressed workweeks to help employees balance their personal and professional lives. Allow employees to make decisions related to their work, fostering a sense of ownership and accountability.

The study recommends that the companies should offer a strong health plans that cover a wide range of medical services, including mental health support. Offer financial support for employees to pursue relevant certifications or attend industry conferences. Offer competitive matching contributions to retirement plans to encourage long-term financial planning. Implement performance-based bonuses or profit-sharing plans that reward employees for their contributions to the company's success. Invest in ergonomic furniture and equipment to enhance comfort and reduce workplace injuries. Offer generous maternity and paternity leave to support employees during significant life events.

Recommendations for Further Study

The study suggests that further research should be done that focus on other compensation practices that have not been studied so as to address that a conceptual gap of 38.2% that was found in the regression results to account for other variables not studied. The study recommends that similar study could be done that focus on other organization apart from insurance companies in order to address a contextual gap.

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