

**EFFECT OF COMPENSATION ON EMPLOYEE JOB SATISFACTION IN PRIVATE  
HOSPITALS IN NAIROBI CITY COUNTY, KENYA**

**BY**

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**MASTER OF BUSINESS ADMINISTRATION (HUMAN RESOURCES OPTION)**

**KCA UNIVERSITY**

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## DECLARATION

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for the award of a degree of Master of Business Administration (Human Resources Option)

I also declare that this dissertation contains no written material or published by other people except where due reference is made and author duly acknowledged.

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## ABSTRACT

The issue of healthcare workers striking has been the order of the day for many years in Kenya. Employees in private hospitals have raised complaints on financial and non-financial compensation. Interestingly, compensation demanded by healthcare workers are not only financial, but also non-financial incentives, such as on the job training to boost their efficiency and productivity. Despite the demands raised by employees in private hospitals, the same has not been effectively articulated. Thus, this study was designed to establish the effect of compensation practices on job satisfaction in private hospitals in Nairobi County. The specific objectives of the study were to: ascertain the effect of direct compensation, find out the effect of indirect compensation on employee's job satisfaction, establish the effect of non-financial compensation on employee's job satisfaction, and investigate the effect of competency-based pay compensation on employee's job satisfaction. The study applied the theory of behavioral reinforcement, equity theory and agency theory to draw theoretical constructs that underlined the variables of the study. A descriptive survey research design was applied in this study. The target population comprised 566 private hospitals in Nairobi City County, where one Human Resource Officer from each hospital was targeted, which totaled 566 Human resource personnel as the target of population. The sample selection was done through Krejcie and Morgan table which yielded a sample size of 226 respondents. Purposive sampling was adopted to select the sample size. Structured questionnaires were applied in data collection since the study solicited quantitative data. Descriptive (mean, frequency and standard deviation) and inferential (correlation and linear regression) statistics were generated using SPSS version 24. Analysis of the collected revealed that all the predictor variables (competence-based pay, direct compensation, non-financial compensation, indirect compensation) were positively and significantly associated with employee job satisfaction in private hospitals ( $p < .05$ ). This study recommends the need for organizations to offer competitive salaries and remuneration that is consistent with the qualifications of the employees. The study recommends the need for organizations to meet the financial needs of their employees in timely manner offer trainings and educational opportunities to the employees as way to upscale their job satisfaction.

**Key Words:** Compensation, Employee Job Satisfaction, Direct Compensation, Indirect Compensation, Non-Financial Compensation, Competency-Based Pay, Private Hospitals

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## **LIST OF ACRONYMS AND ABBREVIATIONS**

<b>ANOVA</b>	Analysis of Variance
<b>GDP</b>	Gross Domestic Product
<b>GDP</b>	Gross Domestic Product
<b>ILO</b>	International Labor Organization
<b>OECD</b>	Organization for Economic Co-operation and Development
<b>RBV</b>	Resource-based View
<b>SPSS</b>	Statistical Packages for Social Science

## OPERATIONAL DEFINITION OF TERMS

- Direct Compensation:** Refers to all compensation (base salary and/or incentive pay) that is paid directly to an employee (Sudiardhita et al., 2018).
- Indirect Compensation:** Entails compensation that is not paid directly to an employee and is calculated in addition to base salary and incentive pay (Darma & Supriyanto, 2017).
- Non-financial Compensation:** Refers the types of rewards that are not a part of an employee's monetary pay, such as team leadership opportunities, personal days, prizes, paid training, gift cards (Eklund, 2019).
- Competency-Based Pay:** Refers to a pay structure that compensates employees based on their skill set, knowledge, and experience rather than their job title or position (Ptri & Gustomo, 2018).
- Job Satisfaction:** Refers to a measure of employees' contentedness with their job, whether they like the job or individual aspects or facets of jobs, such as nature of work or supervision (Amin, 2021).

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Organizational success was dependent on administrative processes that rely on effective people's management. A well-managed business organization view employees as primary providers and promoters of productivity gains (Atia et al., 2017). The organizations prioritize employees than capital as critical in achieving company objectives. According to Lu and Barri (2010), achieving company goals required a human resource environment of commitment and cooperation from employees through regulations and policies that propagate employee satisfaction. Satisfied employees have loyalty and commitment towards an organization leading to increased productivity and low turnover rates. According to Darma and Supriyanto (2017), job satisfaction involves harmonization of people's needs and other physical and non-physical needs, making it a significant variable of organizational behaviors.

Provision of quality health has become a major challenge for both public and private institutions (Javed et al., 2019). The solution included enhancing job satisfaction of healthcare workers to enhance productivity and quality patient care (Horner, 2017). Satisfaction of healthcare workers has a major implication on patient care, satisfaction and enhanced patient outcome, which encompass the overall healthcare delivery (Asif et al., 2019). Studies on job satisfaction of health workers have focused on their remuneration and payment packages. According to Fuchs et al. (2016), every organization desired the best human resource to attain its objectives and enjoy competitive advantage. However, this was possible when the workforce was satisfied, as they put in more effort working hard to attain organizational objectives.

In the health industry, employees represented the most valuable assets for companies, with their service performance used as an intangible element towards customers' enjoyment of service quality in any organization (Al-Refaie, 2015). A major antecedent of employee performance included job satisfaction, when employees were unhappy with their jobs, they would not put in more efforts to achieve their roles serving best interests of customers. Amin et al. (2017) defines employee satisfaction as a positive emotional condition resulting from work perception, conception and work environment assessment. Other factors included work experience and comprehension of all elements at the workplace. Robinson et al. (2015) defined employee satisfaction as the level upon which people liked their job, while Ooi et al. (2016) defined the concept as an attitude an employee has towards their job emerging from the net sum of an individual's positive or negative attitudes experienced at work. It could also be defined as a pleasant feeling of an individual when work expectations were fulfilled.

In an expansive reflection, Joseph (2017) asserts that employee satisfaction includes a notion of satisfaction with one's job details and variables, among them duties, working conditions, remuneration, other facets such as leadership, employee relationships, autonomy, reward and promotion systems, internal and external communications, work-life balance and viewing an organization as an institution. The purpose includes enhancing employees' economic security and advancing the chances of retaining the best workforce in an organization (Macey, 2011). Societies and government in general globally, depended on the healthcare sector to deliver service first and then other industries. Technology and medical science has offered healthcare professionals' high levels of efficacy to understand the medical challenges the sector faced (Riegel et al., 2017).

Just like any other organization, the health sector faced many challenges, among them enhancing productivity, cost-effectiveness emerging from an effective and capable Human

Resource capacity (Kimuli, 2021). This was only possible by managing the professional expertise using education research, training and enhanced satisfaction ensuring availability of facilities, better remuneration and compensation packages, legal and organizational support and a healthy environment to boost relationships between clients.

In Kenya, the private health sector has continued to flourish with a double-digit growth rate, which is expected to rise in the future (Omar, 2020). This has continued to raise major concerns, especially in an era, where the country was grappling with poor comprehensive infrastructure and poorly defined services, leading to customer dissatisfaction (Mackintosh et al., 2018). For the country to meet the set global standards and offer cost-effective health solutions there was need for a proactive participation of the government and private sector. The solution included private hospitals implementing best HR practices such as training, satisfaction and retaining healthcare professions (Mmbusa, 2019). The healthcare workers were the backbone of the private institutions' operations, thus the focus on the present study to examine the role of compensation and remuneration benefits on enhancing healthcare professionals' job satisfaction, including recommendations to ensure they are not only satisfied, but motivated and committed to the organizations.

## **1.2 Employee Compensation**

According to Pinzone et al. (2019), the satisfaction of workers in every healthcare sector was influenced by various factors including the competitive pay, having a pleasant working environment, recognition and job security. One study discovered that when healthcare providers are motivated, they tend to be more productive and creative (Rozman, Treven, & Cancer, 2017). The job satisfaction of healthcare workers was also associated with the satisfaction of patients (De Simone, Planta, & Cicotto, 2018). Private healthcare organizations were operating in environment

that was highly competitive and dynamic (Kuznetsova et al., 2017). According to research, compensation was one of the approaches that private hospitals employed to attract and retain their employees. As discovered by Ahmed et al. (2015), there were other approaches that could be used to compensate the employees that did not solely depend on the financial compensation.

Ahmed et al. (2015) among others also argued that both financial (direct and indirect) and non-financial compensation tend to be positively associated with the high performance of the workers. Satisfaction of workers was also found to result in the increase of the employees, and productivity of the workers (Al-dalahmeh, Khalaf, & Obeidat, 2018). In addition, provision of competency-base pay compensation to the workers in terms of salaries and allowances tended to control their behavior patterns and work, hence resulted to increased satisfaction towards achieving their goals of improving quality care delivery (Chaudhry et al., 2017). Aslam et al. (2015) studied the effects of reward system and compensation on the organization performance. The researchers discovered that the performance of healthcare workers tend to increase with the increase of compensation benefits in addition to increasing the level of production and team cohesion.

Compensation was vital when it came to motivating employees and improving their job satisfaction (Vorina, Simonic, & Vlasova, 2017). The act of compensating employees has a positive impact on their overall job satisfaction as it was the main predictor (Supriyanto, Ekowati, & Maghfuroh, 2020). Furthermore, compensation was very important because it was associated with the increase of overall morale (Pang & Lu, 2018). This meant that when the employees were well compensated, such as being given incremental bonuses, they tended to become more productive. Compensation was one way that the management used to motivate its employees and raised their work performance. It reflected the level or amount of work that was carried out by the employee.

### **1.3 Employee Job Satisfaction**

The past body of academic literature was repleted with information on the centrality of job satisfaction in the healthcare sector since both the patient and the healthcare professionals achieved the optimum satisfaction levels for hospitals to realize the desired performance outcomes (Adeniji et al., 2019; Platis, Reklitis, & Zimeras, 2015). Realization of job satisfaction in the healthcare sector was closely tied with compensation practices, where indirect and direct practices of compensation were sine qua non for effective organizations (Al-dalahmeh, Khalaf, & Obeidat, 2018). Job satisfaction referred to the way in which employees perceived how well the job offered important things for their well-being (Judge et al., 2017). This suggested that the extent to which a given job met the needs of the employees determined the level of job satisfaction. Far from this reality, many patients continued to complain about the quality of services received from health facilities particularly in the public healthcare facilities, where several studies had indicated that low remuneration and poor working conditions as some of the predictors of low job satisfaction (Merga, & Fufa, 2019; Top, Akdere, & Tarcan, 2015).

While the predictors of job satisfaction had been established in the public healthcare facilities, the same could not be said about private hospitals. Thus, this study was designed to offer an accentuated understanding on the effect of compensation practices on job satisfaction in private healthcare facilities since there was dearth of literature in the area. Job satisfaction related to the extent to which employees were attached to the jobs in addition to the attitudes of the employees to exceed the expected outcomes (Larkin, 2015). Though the concept of job satisfaction continued to attract remarkable scholarly attention at the global level, there was still low attention by researchers on the interplay between compensation and job satisfaction in the local context.

Given the huge effect of compensation on the level of job satisfaction of employees, there was need for an academically rigorous study in this area since studies on the private hospitals were very few and where they had been conducted, they appeared to use different constructs that could deter generalizations. For instance, Ramli (2019) and Munir and Rahman (2016) focused on the interplay between working environment and job satisfaction in private healthcare facilities. Towards that end, it was evident that though studies had been done in the healthcare systems, their focus seemed to be on public hospitals, while studies done on private hospitals used different set of constructs and/or had been conducted in different geographical locations, thus inability to draw generalizations.

#### **1.4 Health Sector in Kenya**

The healthcare system in Kenya was comprised of three subsystems including the public sector, commercial private sector and the faith-based organizations. The largest among these subsystems was the public sector, which lead in terms of the number of health facilities and was closely followed by the commercial private sector and the faith-based organizations (Mmbusa, 2019). Over the past, the total health expenditure increased by more than 33% to reach KES 234 billion, which was equivalent to \$2,743 million (Aslam et al., 2015). The financing system in health was mixed and got reimbursement from taxation, the National Health Insurance Fund (NHIF), the private health insurances, and employment schemes.

The total expenditure on healthcare was nearly 6% of the GDP, which was low compared to other countries within the region (Aslam et al., 2015). In 2013, there was a major shift in the public health services, which were moved from the national government and the Ministry of Health

to the County Governments (Mokaya et al., 2013). Moreover, the 2017 elections meant that the 5-year period would lend a new wave of public and private partnerships in the healthcare sector.

The human resources for health had been identified as the cornerstone of the health sector in terms of production, delivery, and management of the healthcare services (Saw et al, 2019). According to the World Health Organization (2020), the health workforce included all the people engaged in actions whose primary intent was enhancement of health. Kenya had been listed as one of the countries that had inadequate crucial health staff including the doctors, nurses, and diagnostic scientists. Moreover, there are regional disparities in terms of distribution of the existing workforce (Mokaya et al., 2013). The World Health Organization (WHO) recommendations showed that there should be 23 doctors, nurses, and midwives for each 10,000 people. On its part, Kenya was reported as having 12 nurses and midwives per 10,000 people as of 2018.

Healthcare workers salary increases might not be effective in improving employee performance. In Kenya, higher pay and better working conditions affected healthcare workers performance. According to Mmbusa (2019), majority of hospitals in Kenya lacked effective health tools and manpower, which affected job satisfaction of healthcare professionals and eventually inhibited quality services. Public institutions suffered from poor HR functions that could address current HR challenges in provision of quality healthcare. Private institutions suffered from issues around using performance-based and salary-based payment systems. According to Mmbusa (2019), majority of studies concentrated on effect of performance-based pay on health service delivery outcomes, ignoring the outcome on healthcare workers. A major impetus behind performance-based pay included enhancing health workforce performance among them absenteeism, productivity, and quality care critical in improving service delivery such as immunization rates, skilled birth attendance, and imminently better healthcare outcomes.

The healthcare industry was known for high levels of employee turnover attributed to employee dissatisfaction. Mokaya et al. (2013) affirmed that recent organizational trends in employment conditions had reduced job satisfaction levels, affecting the physical and mental health of employees. The health sector was undergoing major employee-related challenges including high absenteeism rates, low morale and high employee turnover, caused by low employee satisfaction in the industry (Mmbusa, 2019). Albattat and Som (2013) stated that employees were not satisfied, hence the decision to look for the satisfaction elsewhere, not only by getting a new employer, but ways to escape their duties. The results included inability to perform optimally, absenteeism, and engaging in other personal businesses during work time.

Improving healthcare was pegged on employees offering high quality service to clients, thus the need to ensure they were motivated. This called for the adoption of effective HRM strategies by both private and public hospitals to enhance competitive advantage. Quality delivery of healthcare service was dependent on ability by workers to attain their goals, hence the need for top leadership to prioritize employee satisfaction. Job satisfaction was directly related to work performance and quality service in any work environment. According to Evans (2015), this called for change in HRM approach for effectiveness and efficiency.

### **1.5 Statement of the Problem**

The issue of healthcare workers striking continues to be the order of the day for many years in Kenya, where workers complain of poor working conditions. Notably, healthcare workers had raised concerns on compensation in relation to financial and non-financial compensation practices (Jaleta, Kero, & Kumera, 2019). Interestingly, compensation demanded by healthcare workers were not only financial, but also non-financial incentives, such as paid leaves and holidays (Kitur,

2021). From the foregoing, it appears that the concerns of the healthcare workers were not only based on working conditions but also included indirect and non-financial compensation. Despite the many challenges faced by private hospitals, management of these private health facilities had created compensation management strategies and methods for effective implementation. The same private hospitals cite the lack of adequate implementation capacity to the extent that private hospitals faced the challenge of low education or expertise/training in addition to low standard of living occasioned by low salaries and other benefits aimed at increasing job satisfaction which was sine qua non for low employee turnover and more productivity.

Job satisfaction in the health sector continued to attract great discourse in Kenya given that health workers had constantly threatened to abscond duty through industrial action in relation to poor pay and working conditions in addition to low allowances (Goetz et al., 2015; Kuria, Namusonge, & Iravo, 2016). Given that human resources were central to provision of health services, job satisfaction among health workers had morphed into a topic of discussion on what needed to be done to ameliorate the current state of affairs. Though most complaints appeared to emanate from public health facilities, in the recent past, complaints had been reported in private hospitals (Ganu & Kogutu, 2014). For instance, patients had reported poor quality services, suggesting that low job satisfaction among health workers in private hospitals in to blame for the poor services. Towards the end, the study was designed to establish the extent to which compensation practices applied by private hospitals had led to higher levels of job satisfaction, which had inadvertently affected quality of healthcare in private hospitals. The study was informed by the fact that there were limited studies that had been conducted on job satisfaction among healthcare workers from the perspective of compensation.

This study was informed by existing gaps in the present body of literature, where studies on healthcare workers' job satisfaction had been done in the public hospitals (see, for example, Semachew et al., 2017; Wang et al., 2020), thus negating the private healthcare sector. Most of the studies done on compensation practices and job satisfaction in the private healthcare sector emanated from different geographical locations; for instance, Shah et al. (2018) concentrated on determinants of job satisfaction among nurses in South Asian, while Umrani et al. (2019) focused on job satisfaction among Pakistan hospital physicians, whereas Akbari et al. (2020) concentrated on Iranian nurses' job satisfaction. Towards this end, it appeared that most of these studies could not be applied to generalize the state of affairs in Kenya's private healthcare workers. Thus, this research intended to examine the effects of performance-based pay on satisfaction of healthcare workers, which pushed them to deliver better healthcare services. It would also encompass other important elements that included effective recruitment, training, compensation, career and performance management, which was critical to service delivery. To this end, this study was designed to establish the effect of compensation practices on job satisfaction in private hospitals in Nairobi County.

## **1.6 Objectives of the study**

### ***1.6.1 General Objective***

The main aim of this study was to establish the effect of compensation practices on job satisfaction in private hospitals in Nairobi County.

### ***1.6.2 Specific Objectives***

The study was guided by the following specific objectives:

- i. To ascertain the effect of direct compensation on employee's job satisfaction in private hospitals in Nairobi City County.

- ii. To find out the effect of indirect compensation on employee's job satisfaction in private hospitals in Nairobi City County.
- iii. To establish the effect of non-financial compensation on employee's job satisfaction in private hospitals in Nairobi City County.
- iv. To investigate the effect of competency-based pay compensation on employee's job satisfaction in private hospitals in Nairobi City County.

### **1.7 Research Questions**

This study was guided by the following questions:

- i. What is the effect of direct compensation on employee's job satisfaction in private hospitals in Nairobi City County?
- ii. What is the effect of indirect compensation on employee's job satisfaction in private hospitals in Nairobi City County?
- iii. What is the effect of non-financial compensation on employee's job satisfaction in private hospitals in Nairobi City County?
- iv. What is the effect of competency-based pay compensation on employee's job satisfaction in private hospitals in Nairobi City County?

### **1.8 Significance of the Study**

Study findings for this research remain of significance to many stakeholders among them the academicians that are interested in conducting future research in the area of job satisfaction. Academicians have a chance to expound on the identified research objectives, based on the gaps of the current study. The government's healthcare sector has been facing crisis after crisis, in both private and public institutions, making it hard to offer quality healthcare services, but current

research could act as a guide to the healthcare ministry on way to handle their healthcare employees to ensure that they are satisfied and motivated to offer better services to patients in Kenya, regardless of the position or type of institution. Policy makers especially in the Human Resource field have a chance to use the findings and recommendations to develop and approve critical policies that favor the employee, which in turn transforms into value for the organizations.

### **1.9 Scope of the Study**

The study focused on private hospitals in Nairobi City County, denoting that public hospitals would be negated from the study. The scope of compensation practices covered only four variables: direct financial compensation, indirect financial compensation, non-financial compensation, and competency-based pay compensation practices. Furthermore, the study solicited data from personnel who are authorized to respond for and on behalf of their organizations. The study took three months from March 2021 to October 2021.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This captured the review of related literature based on compensation and job satisfaction among employees under the private health sector. Most of the literature available was on compensation and job satisfaction of employees who worked in private hospitals in Nairobi County. The chapter also presented information on the theoretical and conceptual framework relevant to the dependent and independent variables of the study.

#### **2.2 Theoretical Review**

The study drew relevance from theories of job satisfaction: Behavioral Reinforcement Theory, Agency theory, and Equity Theory. According to Chapman (2016) these theories were referred to as personality and workplace theories. Theories on job satisfaction were important and might be useful thus could be utilized to improve and increase job satisfaction.

##### ***2.2.1 Behavioral Reinforcement Theory***

The theory of behavioral reinforcement was proposed by BF Skinner, where there was controlling of behavior through extinction, punishment and reinforcement (Skinner, 1988). The theory has been used in the study of human resource management to underscore how the behaviors of the employees were changed using an array of measures, such as punishment and reinforcement. In the context of job satisfaction, the behavioral reinforcement theory described how organizations improved the satisfaction levels of the employees using various reinforcement mechanisms, such as compensation (Ali & Anwar, 2021). Though the key tenets of the theory as proposed by BF

Skinner center on reinforcement, extinction and punishment, this study dwells on the tenet of shaping behavior through reinforcement. The process theory of reinforcing behavior proposed by Skinner (1938) has been widely used by many researchers among others, Critchfield and Miller (2017) who have attempted to demarcate reinforcement into positive and negative reinforcement.

The reinforcement theory had undergone further developments in the use of positive and negative reinforcement to shape employee behavior since the behavior and attitudes of the employees were shaped by the consequences (Troussas, Krouska, & Virvou, 2017). From the perspective of positive reinforcement, the theory had been applied in the management of teams to underline how organizations control behavior of the employees in a positive manner through the use of direct and indirect compensation practices (Saeed et al., 2019). For instance, improved performance by employees was positively motivated by the management teams using bonuses and non-monetary incentives among other approaches to encouraging performance in the organization. On the other hand, organizations applied negative reinforcements to have work done, where certain organizational behaviors were discouraged by inspiring employees to work hard to avoid duty relegation (Khalid & Nawab, 2018). The choice of negative or positive reinforcement was dependent on the organizational circumstances and the type of goals to be achieved (Schieltz et al., 2020).

The theory of behavioral reinforcement was relevant to the current study since it provided a framework upon which organizations leverage to regulate behavior. Use of both negative and positive reinforcement approaches, organizations were able to use compensation and remuneration approaches to discourage or inspire behavior and attitudes. This suggested that employees who reached certain milestones were awarded while those that were unable to achieve the desired outcomes were not awarded. Depending on the organizational circumstances, this award structure

could be seen as a positive to negative reinforcement. Thus, the behavioral reinforcement theory offered critical theoretical insights to describe job satisfaction from a broad-minded perspective on how positive and negative reinforcements could be leveraged to augment job satisfaction among employees.

### ***2.2.2 Agency theory***

The agency theory was expounded by Barry Mitnick to describe the agency problems as a consequence of conflicts between the employees (agents) and the business owners or principals (Mitnick, 1975). The agency theory has been applied in organizational and human resource studies to indicate the roles and responsibilities of both the business owners and the agents in order to ensure the organization functions in a seamless way. The concepts of organizational citizenship behavior and psychology had been applied to study the extent to which business firms go to meet the expectations and/or needs of the employees since the satisfaction of the employees predicts organizational success. Thus, the agency theory underscores the need to define the roles and the functions of the employees and those of the business owners so that agency problems are reduced or eliminated.

The agency theory was further developed by among others Hailekiros and Koskei (2019) who suggested that compensation system in any organization is critical since it guards against agency problems, suggesting that employees should be adequately compensated so that they can feel as part of the organization. Through increased organizational citizenship behavior, Sindiga, Paul and Mbura (2019) argue that employees would show positive attitudes, which was central to job satisfaction. Other researchers have proposed the need for organizations (principals) to

demarcate salaries from bonuses or individual employee outputs, where employees should be compensated based on the earned value they bring to the organization.

The agency theory was relevant to the current study since it provides a reasoned understanding on the differences between salaries and bonuses. Whereas fixed compensation should match the skills and competencies of the employees, output-based compensation is central to job satisfaction since it inspires employees to go beyond their job description to realize organizational goals. Thus, organizations should have clear remuneration policies that differentiates fixed compensation from bonuses. Importantly, the theory underlines the need for top management teams to use compensation tools as a model of work relationships since the extent of employee remuneration predicts organizational performance. The agency theory underscores the need for organizations to develop a compensation practice that is in line with the organizational culture in addition to the goals that needs to be achieved.

### ***2.2.3 Equity Theory***

Among the many theories of employee job satisfaction and satisfaction, the equity theory has emerged as one of the important theories that offers critical constructs that help explain satisfaction and fairness help to enhance performance levels of the employees. Bateman and Snell (2016) explain that outcomes and inputs are two important factors that define employee happiness and the lack thereof which predicts the general job satisfaction levels of the employees. According to Chapman (2016), there was need for employees to receive similar treatment, suggesting that the reward-to-effort ratio should appear rational and equitable. Thus, employees should not feel that their colleagues are receiving higher preferential treatment than them.

The equity theory portends those existing organizational conditions should be uniform for all employees, where the relationship between inputs and outcomes should appear equal. Thus, the level of contribution that an employee enables an organization to achieve should reflect the effort that they put in terms of inputs and the results generated in terms of outcomes. Employees, in their individual respects, attach meaning to the contribution they make to the organization and assess this based on the treatment they get from the same organization. According to Daft and Noël (2016), the perception of how an employee is treated determines their job satisfaction, where this is comparable to how fairly they are treated relative to others.

The equity theory was applicable to the current study since it underscored the centrality of fair treatment to all employees, where fairness and equity should be the guiding principles of employee treatment for eventual job satisfaction. In addition, the equity theory underscored the necessity of top management teams or human resource departments to ensure that all the workforce receive fair treatment, where the input of all employees should be in tandem with the expected results. Furthermore, organizations should not appear to offer perceived preferential treatment to a group of employees; Rather, all the organizational processes, such as remuneration and compensation should be fair to all.

### **2.3 Empirical Review**

This section reviewed empirical studies that had been conducted in the area of employee compensation. The studies would be reviewed in line of the specific objectives of the study, where the empirical review points out possible gaps that inform the basis of the current study.

### ***2.3.1 Direct Compensation and Job Satisfaction***

According to Bateman and Snell (2019), various forces determine employee wages, where direct financial compensation was the kind of compensation which was provided at regular consistent intervals. This kind of compensation includes wages, salaries, bonuses and commissions. Ali and Wajidi (2018) suggested that job satisfaction remained a daunting task in the healthcare sector. On the other hand, Barton (2012) contended that employee retention and satisfaction was a function of financial rewards, suggesting that organizational workforce should be properly remunerated. Yaseen (2018) stressed the centrality of leveraging extrinsic factors, such as recognition as an approach to increase satisfaction since poor remuneration was a precursor of employee dissatisfaction. Khamlub et al. (2016) argued that many factors enhance satisfaction of employees in private hospitals, ranging from suitable working conditions to competitive pay. Other reasons for employee job satisfaction included reasonable workload, recognition, positive interrelationships among workers, supervision and professional growth.

Nawab and Bhatti (2017) suggested that among the many variables that predict job satisfaction in organization is the amount and quality of labor offered as measured by the experience of the employees, where compensation should be acceptable, prompt, balanced, adequate, and secure to the employees. Chirdan et al. (2019) conducted a study on private health workers in Nigeria which indicated that most workers were dissatisfied with the salary they were paid. Mahar, Mazhar and Majeed (2017) indicated similar results in that most nurses were dissatisfied with their salaries. In their study conducted on health workers in Lao People's Democratic Republic, Khamlub et al. (2016) were of the opinion that dissatisfaction with one's salary seemed to be a prevalent and common trend. In their study in Ethiopia, Yami, Hamza, Hassen, Jira and Sudhakar (2017) founded that hospital workers felt that they would be more

satisfied with increased salaries, allowances and bonuses. Compensation has been known to influence outcomes like job satisfaction, attraction, retention, performance, turnover intent of employees, skill acquisition, co-operation and satisfaction. In their study in Uganda, Hagopian et al., (2019) found that most health employees were dissatisfied with the pay they received. Kebriyai and Moteghedhi (2019) conducted a study on private health workers in Zahedan district in the Islamic Republic of Iran. The study showed that majority of the health workers was greatly dissatisfied with their salaries.

Arokiasamy, Tat and Abdullah (2018) elaborate further that wages played an important role in the job satisfaction among employees in general. Ngovi (2020) carried out a study among pre-school teachers in Garbatula district which showed that poor pay was among the key contributors of job dissatisfaction. Nderitu (2018) also conducted a study on private health organizations in Kenya which indicated high levels of satisfaction with salary increments and promotions. A study conducted by Kangi (2012) on private hospitals in Kenya also showed that poor pay was among the leading causes of dissatisfaction among civil servants however the studies did not determine the influence of indirect financial compensation extrinsic and intrinsic non-financial compensation.

### ***2.3.2 Indirect Compensation and Job Satisfaction***

According to Bateman and Snell (2019), there are three basic required benefits for an employee. Indirect financial compensation encompasses things like social security, leaves, retirement plans and work injury compensation plans. They included workers compensation, social security and unemployment insurance. They further go on to elaborate that workers compensation is intended to offer employee support during difficult time, such as when taken ill or injured.

Kumar et al. (2018) were of the opinion that the quality of work or the general output of the employees was predicated on the level of job satisfaction. In addition, job satisfaction determined organizational performance and other predictors of employee performance, such as turnover and productivity. How was job satisfaction achieved? Several studies have proposed that promotional policies, support by the management and career development are key to enhancing the satisfaction levels of employees. Over and above, it is proposed that employee job satisfaction among health workers is determined by among others the working environment and the remuneration levels. Stress among employees has also been cited as one of the impediments of employee job satisfaction among health workers.

Byars and Rue (2018) states that indirect compensation was critical for job satisfaction among health care workers. Some of the indirect financial compensation proposed by the authors include but not limited to employee social security, where the employee and the employer contribute a given amount to a central government insurance system. The social security fund was critical since they cushioned employees from illness or job-related injuries, where the administration of the fund covers employees' medical funds, disability payments, in the event of death, loss of income and rehabilitation. Other social security funds in the developed Global North also cover for paid vacations depending on the length of employee service. Thus, indirect financial compensation includes holiday and vacation policies, such as paid vacations during Christmas and Labor days among others.

Byars and Rue (2018) underscored the centrality of extrinsic rewards that were critical in enhancing the recognition of employees. Some of the extrinsic rewards included fringe and pay benefits in addition to workplace conditions, social aspects and advancement opportunities in business firms. Arimi (2019) suggested that teachers in Meru Central District were satisfied with

social security services and vacations accorded to them. Studies reviewed in this section focused on health institutions using different variables and settings, which denotes the need for a study on private healthcare facilities in Nairobi City County.

### ***2.3.3 Non-Financial Compensation and Job Satisfaction***

Tausif (2019) suggested that non-financial compensation denotes to matters like career growth and spreading chances, good working environment and conditions as well as opportunities for acceptance, self-reliance, Task Significance, Task Contribution, Prospects to Learn New Things and Recognition. Task autonomy was defined as the degree to which workers had a great say in organizing their work and deciding on ways to be followed. According to Bateman and Snell (2019), autonomy referred to the independence and discretion in making decision making. Chelladurai (2016) defined autonomy as the degree to which the job provided fundamental freedom. Myung and Lee (2019) conducted a study on private sector employees in 18 countries in Europe, Canada and Africa which indicated that autonomy was a significant tradition of job satisfaction, but the more independence the workers had on deciding the times one would start and finish work was positively associated with job satisfaction. In their study done in South Korea, Park, Lee and Cho (2019) found that independence was a major factor that determined job satisfaction among the newly graduate nurses.

Hayes, Bonner and Pryor (2016) conducted a study on nurses' job satisfaction in a private hospital in Australia whose findings indicated that job autonomy played a major part in the feeling of job satisfaction amongst nurses. Peters, Chakraborty Mahapatra and Steinhardt (2016) in their study in two states in India found that health workers viewed autonomy as a very important ingredient of job satisfaction. Another important aspect for job satisfaction among employees in

private hospitals is the opportunities to advance and learn new things. Lather and Jain (2017) viewed this as providing opportunities for skill enhancement and development. Employees needed to be acknowledged and appreciated hence enhancing job satisfaction. This showed how appreciation was given to employees and the way an organization should motivate its employees.

According to Karim and Roger (2018) acknowledgement was related to employee's satisfaction in that acknowledgement increased the satisfaction level of employees. Tausif (2019) also emphasized that rewards and recognition enhance the loyalty and commitment of all employees. In a study conducted by Sarwar and Abugre (2018) indicated that employees rated recognition within the organization highly.

Parvin and Kabir (2017) gave the opinion that recognition was important for the overall job satisfaction among employees in private organizations. Feedback was another aspect of external non-financial compensation that highly affect the employee's job satisfaction. According to Morris and Venkatesh (2016) feedback from managers on how well an employee is doing his/her job is very important for the employee to know areas that he/she has been performing well and those areas that need improvement. According to a study carried out by Bari, Arif and Shoaib (2018) on business institutes in Pakistan, it was that positive feedback influences organizational performance since employee feel more attached. They further suggested that focusing on the factors that positively impacts employee attitude and performance would enhance the performance of employees and create a conducive working environment which will also help grow the Institute and its productivity.

Tausif, (2019) explored the relationship between the non-financial rewards and job satisfaction among employees in the education sector in Pakistan. The study showed that there was a relationship between promotion and job satisfaction. Availability of opportunities for promotion

was another aspect of extrinsic non-financial compensation. Lack of promotion in an organization may lead to employees being inefficient and dissatisfied with their job. In their study, Van der Doef, Mbazzi and Verhoeven (2017) found that job dissatisfaction among East African nurses was caused by factors such as scarcity of resources and opportunity for advancement which are forms of extrinsic non-financial compensation. A study conducted by Kangi (2019) on health workers indicated that dissatisfaction was mainly brought by poor remuneration and working conditions, lack of promotion, lack of professional growth and advancement opportunities. Ngovi (2017) carried out a study among pre-school teachers in Garbatula district which showed that lack of autonomy and supervision played a major role in their job dissatisfaction. Task importance is the degree to which the job has an either a positive or negative impact on the lives or work of other people within or outside the organization. Making important role to the organization thus employees value work. In their study Kumar and Singh's (2017) findings revealed that the measure task significance of job characteristics shared its variance with the measure supervision of job satisfaction. These findings are similar to those reported by Chen (2018) who investigated achievement satisfaction and job characteristics on job satisfaction among the people who worked in information system sectors in China which showed that job characteristics are effective upon the satisfaction of the personnel; moreover, job characteristics and job satisfaction were undoubtedly related to each other.

A study conducted by Ercikti, Vito, Walsh and Higgins (2017) on police officers in the USA indicated that task significance played a part in the job satisfaction of the officers. Task involvement was also another aspect of job satisfaction and it was defined as the process of empowering workers to participate in organization decision-making and improvement activities appropriate to their levels in the organization. According to Parvin and kabir (2017) employee

involvement was one of the major aspects of job satisfaction among employees. Hacket, Lapierre, and Hausdorf (2017) are of the opinion that job participation has important relationship with satisfaction of the employees. According to Morris and Venkatesh (2016) Skill variety was defined as the extent at which a job required utilization of different talents and skills. People who are given greater variety in their job feel both less stressed and more satisfied.

Similarly, Zawiah (2016) shared the same idea that Skill variety was the extent to which a job necessitates used of dissimilar services in conducting work, which encompasses the use of different services and aptitude of the employees. Task identity was defined as the extent to which a job involves completing a whole detectable outcome or classifiable piece of work (Morris & Venkatesh 2010). Zawiah (2016) similarly defines Task identity as the degree to which a job required completion of a “whole” and perceptible piece of work, that is, doing work from the start to the end with a fruitful outcome. Task identity, speak specifically of the nature of the work and the routine responsibilities that employees do as part of their agreed job. In their study on telecommunication firm employees in the USA, Morris and Venkatesh (2016) found that task identity had positive effects on job satisfaction whereas those effects were not moderated.

#### ***2.3.4 Competency-Based Pay Compensation and Job Satisfaction***

Nahla and Bouchetara (2019) analyzed “the remuneration strategy of companies in the context of the new management. The case study was conducted in an Algerian drinks company, setting up a remuneration system. The study focused on the steps taken in the process of adopting this new remuneration system, the factors driving this change and the objectives of this new strategy. The analysis considered two approaches: The approach of contingency and social regulation. It showed that the change conducted by the company was the result of transformations of the unstable

exogenous environment. The latter has encouraged the company to opt for a change to ensure its sustainability and competitiveness. This has impacted its internal environment and induces the change of its salary system through the mobilization of all the actors of the company.”

Berlian (2018) conducted a study on “competency analysis of job satisfaction and organizational commitment to lecturers who teach at private universities in the area of Southern Sumatra. The study was conducted on lecturers who taught at private universities in Palembang as many as 254 respondents from undergraduate and postgraduate education who had five years of experience as lecturers. There was a positive influence between competency on job satisfaction and organizational commitment, meaning that to create job satisfaction and organizational commitment in an organization, competencies are needed in accordance with the field of work. Therefore, the suggestion in this study was to improve the competence of lecturers who teach, either through additional education or further education which can create job satisfaction and organizational commitment both in the short and long term. the managerial implication is that the university must be able to provide a budget to improve job satisfaction and organizational commitment through efforts to improve the competence of teaching lecturers.”

Praveen and Karuppasamy (2017) conducted a study on “competency-based compensation system as a strategic HR technique in Coimbatore, India. The study found that competency management is an important strategic area of organizations and it will have an impact on employer’s ability to attract applicants, retain employees, and ensure optimal levels of performance from employees in meeting the organization’s strategic objectives. Organizations must reward employees because they are in turn looking for certain kinds of behaviour, they need competent employees who agree to work with high level of performance, loyalty and commitment. Individual employees expect in return for their contribution to the organization, rewards in the

form of a good compensation which satisfies them. A good compensation system thus helps an organization to achieve its objectives and satisfy its employees and motivate to them to excel in their roles. A good compensation system must be based on pay for the person, which can be based on actual performance levels exhibited by the employees.”

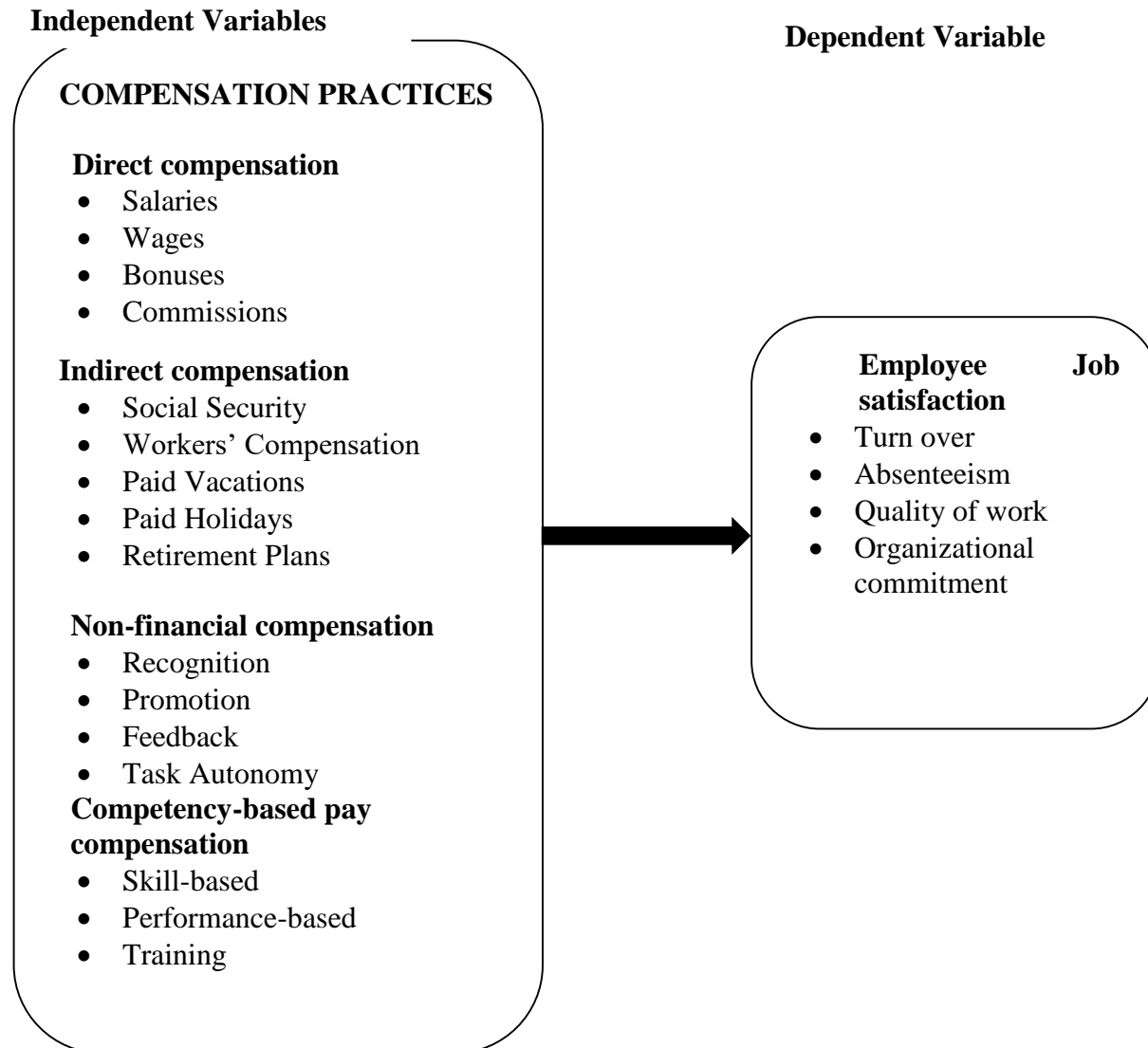
Ptri and Gustomo (2018) aimed to “find the root cause of Kursus Indonesia’s compensation problem, design a strategic compensation system and compare the new compensation proposed salary with benchmark salary. This study used qualitative research method and the data used are primary data (interview and observation) and secondary data (literature study). To process the data gained, this study used descriptive analysis with business situation analysis and current reality tree root cause analysis, job analysis and point method job evaluation. This study found that the root cause of Kursus Indonesia’s compensation problem is no alignment between the current compensation strategy with company’s business strategy; Design a Competency Based Pay system is a suitable approach to solve Kursus Indonesia’s compensation problem; This solution proposes improving in Kursus Indonesia’s employee salary by using Lead Pay Policy that pay above benchmark salary.”

Njeri (2017) assessed the “use of competency-based pay system in enhancing employee productivity in state corporations in Nakuru town. This is against the backdrop of a cry from members of the public regarding underperformance and wastage of tax in the county governments. In spite of exorbitant taxes that are being levied on Kenyans by their respective county governments, there is a deeply-seated feeling that the services rendered to them are below their expectations. The independent variables for the study were skill-based pay, performance-based pay and the level of employees training on employees’ productivity which is the dependent variable. It was guided by three theories which include resource-based theory, agency theory,

reinforcement theory. The study was conducted on 17 state corporations within Nakuru town. The study employed descriptive research design. The target population comprised of the 91 employees attached to human resource department and other heads of other departments of state corporations in Nakuru town. A structured questionnaire was used to collect primary data from the respondents. A pilot test was used to assess both reliability and validity of the research instrument. The collected data was analyzed by use of descriptive and inferential statistics, and with the aid of the statistical package for social sciences (SPSS) software. The study established that skill-based pay, performance-based pay and training all has significant influence on employee productivity.”

## 2.4 Conceptual Framework

**FIGURE 1**  
**Conceptual Framework**



Source: Researcher (2020)

## 2.5 Operationalization of the Variables

**TABLE 1**  
**Operationalization of the Study Variables**

<b>Objective</b>	<b>Variable</b>	<b>Indicators</b>	<b>Measure ment scale</b>
To ascertain the effect of direct financial compensation on employee's job satisfaction in private hospitals in Nairobi City County.	<b>Independent</b> Direct Compensation	<ul style="list-style-type: none"> <li>• Salaries</li> <li>• Wages</li> <li>• Bonuses</li> <li>• Commissions</li> </ul>	Ordinal
To find out the effect of indirect financial compensation on employee's job satisfaction in private hospitals in Nairobi City County.	<b>Independent</b> Indirect Compensation	<ul style="list-style-type: none"> <li>• Social Security</li> <li>• Workers' Compensation</li> <li>• Paid Vacations</li> <li>• Paid Holidays</li> <li>• Retirement Plans</li> </ul>	Ordinal
To establish the effect of non-financial compensation on employee's job satisfaction in private hospitals in Nairobi City County.	<b>Independent</b> Non-Financial Compensation	<ul style="list-style-type: none"> <li>• Recognition</li> <li>• Promotion</li> <li>• Feedback</li> <li>• Task Autonomy</li> <li>• Opportunities to learn new things</li> <li>• Involvement</li> <li>• Significance</li> </ul>	Ordinal

To investigate the effect of competency-based pay compensation on employee's job satisfaction in private hospitals in Nairobi City County.	<b>Independent</b> competency-based pay compensation	<ul style="list-style-type: none"> <li>• Skill-based</li> <li>• Performance-based</li> <li>• Training</li> </ul>	Ordinal
Job Satisfaction	<b>Dependent</b> Employee's Job Satisfaction	<ul style="list-style-type: none"> <li>• Turn over</li> <li>• Absenteeism</li> <li>• Quality of work</li> <li>• Organizational commitment</li> </ul>	Ordinal

## **2.6 Knowledge Gap**

The debate on the interplay between compensation practices and employee job satisfaction has been a topic of interest in the mainstream human resource and organizational management literature. While the debate has morphed into the academic literature, there is no single consensus on the effect of various compensation practices on the level of job satisfaction. In addition, there are no known studies that have been undertaken in the private sector hospitals, particularly on the effect of compensation practices and employee job satisfaction in private hospitals. Private health care workers in the Nairobi County were not being paid extraneous allowances like the other public health workers in the county (National Assembly of Kenya, 2012). A petition to seek payment of the extraneous allowances of the staff recruited by private hospitals was brought to the floor of the house since these health care workers were the backbone of the vital healthcare provision in dispensaries and health centers across the country.

In Nairobi County, no extensive studies have been conducted for the influence of compensation on job gratification among the private hospitals' employees care workers hence the need for this study. Furthermore, like all other health care workers, private hospitals' employees in Nairobi are faced with non-financial compensation challenges that may be a source of concern among them especially when it comes to some of the indicators mentioned such as autonomy, promotions and opportunities to learn new things. Thus, this study endeavors to shed light on the influence that non-financial compensation has on private health workers job satisfaction. No study has been conducted on the causes of non-financial compensation among private hospitals employees in Nairobi County and hence the need for this study.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

Research methodology outlined the underlying approaches to data collection and analysis approaches that were critical in the assessment of phenomenon that the researcher seeks to unearth. Thus, the selection of an appropriate methodology would support resolving of a phenomenon of interest in the most effective and efficient manner. Research methodologies were described as qualitative or quantitative in nature, while methodological triangulation, that is, the combination of both approaches yields mixed methods, where qualitative data reinforces quantitative/numerical data. In the current study, the study employed quantitative approaches since the data would be in numeric form. Before a research design was selected, attention must be drawn on the nature of the study, resource availability and skill set of the researcher and the mechanisms of data accessibility.

#### **3.2 Research Design**

A research design offered a roadmap that enabled the researcher to collect and analyze data using the most cost effective and efficient ways. Given that the study was quantitative in nature and solicited data from private hospitals in Nairobi City County, survey approach was utilized in light of the time and resources allocated for the study (Kothari, 2017). A descriptive survey research design was applied in this study. According to Creswell and Creswell (2017), survey research designs were applied to establish trends and patterns of attitudes of the respondents. It was instructive to note that in survey research design, variables under investigation/analysis should not be manipulated or influenced.

### **3.3 Target Population**

Population parameters were essential in the description of the population size and other characteristics/parameters that were relevant to any study. According to Cooper and Schindler (2006), population referred to the group that the researchers were interested to study, which loosely translated into the unit of study that contained individual participants that measurements were undertaken from. The target population comprised 566 private hospitals in Nairobi City County, (Nairobi City County Integrated Development Plan, 2018-2022). This study targeted one Human Resource Officer from each hospital which totaled 566 Human resource personnel as the target of population. Human resource personnel were considered because they had a better understanding of the objectives under study

### **3.4 Sample and Sampling Procedure**

Sampling design offered a roadmap/blueprint that would define the rules and procedures for the population to be selected for subsequent data collection. According to Etikan, Musa, and Alkassim (2016) sampling design provided the inclusion criteria by which a small population was derived from the population from which data was collected. Kalton (2020) underlines the need for sampling since it was one of the ways that enhanced statistical inference and offers knowledge on the characteristics of the population. On the other hand, the sampling plan detailed the appropriate sample size, procedures of sampling, sampling frame, and unit of sampling. The sample selection was done through Krejcie and Morgan table which yielded a sample size of 226 respondents. Purposive sampling was adopted to select the sample size.

### **3.5 Research Instrument**

Structured questionnaires were applied in data collection since the study solicited quantitative data. The questionnaires were used to obtain crucial data on how the various indicators of compensation practices manifest. The structure of the questionnaire was in form of a Likert scale of 1 to 5, consisting of four sections. Section A contained the organizational demographics together with those of the respondents, section B, C, D and E capture the first, second, third and fourth objectives of the study. Section E detailed structured questions on the outcome variable of the study. The basis for selection of questionnaires was based on confidentiality of the respondents since filling of the questionnaires will not require respondents to indicate their names unless specified so. Besides anonymity of the respondents, questionnaires save on time and they are easy to administer through drop and pick method. The respondents were the top and middle level HR management team since this cluster of respondents is deemed to possess adequate organizational information, particularly on various compensation practices applied by private hospitals.

### **3.6 Validity and Reliability of the instrument**

Pilot test was conducted to establish the suitability of the data collection instruments. This suggested that pre-testing enabled the researcher to discover things in advance which could lead to their research failing or giving inappropriate results. It also provided a platform for the researcher to learn if their data collection instruments were suitable or too complex for the study. Through a pilot test, one could understand any potential practical problems they may encounter during the data collection process (Rahi, 2017). Pre-test study was done by administering questionnaire to 23 respondents (10% of the respondents).

### 3.6.1 Reliability Tests

Reliability was conducted to measure the stability of instruments over time and to ensure that the collected data could be dependable and was consistent. Pilot study assisted in measuring the accuracy of instruments. The pilot study established the reliability and constancy of the instruments. Reliability analysis was conducted using the Alpha coefficient for questionnaires (Cronbach, 1951). Researchers applied the Cronbach's alpha to establish the dependability of the data collection instrument, that is, the internal consistency of the instrumentation such as questionnaires. The coefficients applied to calculate internal consistency range from 0 to 1, where they are applied to offer a description of the factors from scaled and dichotomous questions. Notably, the higher the alpha coefficients, the more reliable an instrument of data collection was (Sekaran, 2013). Scholars have provided various thresholds that are considered reliable. Nunnally (1978) stated that coefficients of 0.7 and above are considered acceptable. Table 2 presents results of the reliability analysis.

**TABLE 2**  
**Reliability Statistics**

<b>Determinant</b>	<b>No of items</b>	<b>Cronbach's</b>
Direct compensation	2	.770
Indirect compensation	2	.893
Non-financial compensation	2	.857
Competency-based	5	.889
Job satisfaction	5	.913

From the analysis in table 2, it is evident that all the coefficients were above 0.7, suggesting that all the variables in the study were above the acceptable width. Thus, the questionnaire was reliable in collecting the data.

### **3.6.2 Validity Tests**

Validity refers to the extent to which the results acquired from data analysis are an actual depiction of the phenomena being examined (Mendenhall et al., 2017). It is related to how well the variables of the study are represented by data collected. The study applied both constructs and content validity to establish the credibility of the instrument. Content validity extracts a conclusion from test scores to a large area of items identical to those on the test. The validity of a research's content is interrelated to the representation by the population of the sample. To ensure that the content is valid, the questionnaire was handed out to specialists in the Human Resource area to provide their opinions and suggestions that could contribute to improving it. Construct validity was enhanced by the analysis of empirical and theoretical literature to help one understand the relevant concepts through the construction of items based on previous studies.

### **3.7 Data Collection Procedure**

Before commencement of data collection, effort was made to ensure that collected data meets the statistical threshold of consistence. Thus, the survey questionnaire was piloted as indicated in section 3.6 to ensure that data to be collected is accurate and consistent. Approval for data collection was sought from NACOSTI and KCA University. NACOSTI is a governmental organization that grants permission to organizations and students to legally undertake their research. A formal request letter was delivered to the County Commissioner to seek permission to carry out the research in the County. The drop and pick method in addition to online survey tools were used in data collection. Three research assistants distributed questionnaires to the respondents. The research assistants were taken through training to help them have a good knowledge of the research instrument, the objective of study and the ethics of research. This

training was important for the research assistants. Where applicable, Survey monkey platform was be used in data collection, where various private hospitals were emailed the link to the survey questionnaire to fill.

### **3.8 Data Processing and Analysis**

The study adopted a quantitative approach in data analysis, where descriptive and inferential statistics were computed. Descriptive statistics encompass calculation of frequencies, percentage, mean, and standard deviation. Descriptive statistics were computed to draw patterns and trends of data for easy visualization and presentation. On the other hand, inferential statistics included correlation analysis and linear regression analysis. Inferential statistics established whether significant relationship existed among the variables. The study applied the regression model:

$$Y = a + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + e$$

Where:

**Y**= Dependent variable job satisfaction as measured by the composite Index

**X<sub>1</sub>**= Direct financial compensation

**X<sub>2</sub>**= Indirect financial compensation,

**X<sub>3</sub>**= non-financial compensation

**X<sub>4</sub>**= Competency-based pay compensation

**B<sub>1</sub>, B<sub>2</sub>, B<sub>3</sub>, B<sub>4</sub>**= Regression coefficients, **a** = is a Constant, **e**=Error term.

### **3.9 Diagnostic Tests**

The study conducts key preliminary statistical tests before running regressions.

### ***3.9.1 Multicollinearity***

In statistics, particularly in linear regression, multicollinearity is also undertaken to establish whether the predictor variables are linearly correlated. This procedure uses several approaches, where Pearson correlation can be applied to see whether the predictor variables have a correlation coefficient of +1 or -1, which will violate the assumption of linear regression. This study applies Pearson correlation coefficients and variance inflation factor (VIFs). A cut-off of 0.8 has been suggested as the demarcation for severe multicollinearity as cited in Vatcheva, Lee, McCormick, and Rahbar (2016). It is instructive to note that negating the aspect of linearity among predictor variables leads to large and/or infinite standard errors which affect the preciseness of data to undertake estimations or hypothesis testing. In undertaking multicollinearity diagnostic, the problem of linearity among predictor variable always exists, but severity as indicated by correlation of  $>0.8$  will affect the results. Oguntunji and Makram (2019) underscores the need to compare the result of the diagnostic with a VIF of 10 and correlation of 0.8 to establish that the rule of multicollinearity is not violated.

### ***3.9.2 Normality Test***

In normality test, researchers try to establish whether data sets are normally distributed in a bell curve. This signifies that data sets ought to coalesce around the mean and should not have stubborn outliers, which refers to the data sets that are far off the line of best fit (Mishra et al., 2019). Thus, through scatter plots and line of best fit, researchers could easily know whether the collected data sets meet the linear regression criteria. The study tested normality by testing null hypothesis which states that data is normally distributed, where  $p < 0.05$  rejects null hypothesis that data is normally distributed.

### ***3.9.3 Autocorrelation Test***

Durbin Watson's autocorrelation is applied to establish whether data is serially correlated. In other words, autocorrelation test is conducted to establish whether the predictor variables have any correlation among them, where if they have, then the assumption of linear regression will be judged as violated. Violation of autocorrelation assumption leads to idiosyncratic error term, thus blurring measuring of estimates (Gencay & Signori, 2015). The Durbin - Watson test was used to test for autocorrelation in this study to establish autocorrelation among the predictor variables.

### ***3.9.4 Heteroscedasticity Test***

The assumption of heteroscedasticity is based on the Classical Linear Regression Model (CLRM), which assumes constant variance on the error term, suggesting that absence of constant variance indicates heteroscedasticity (Cattaneo, Jansson, & Newey, 2018). Presence of heteroscedasticity in regression model leads to invalid standard errors even though the parameter estimates will be unbiased. Breusch Pagan test was conducted to ascertain whether the error term had constant variation or not. The Breusch Pagan test was conducted by testing the null hypothesis for presence of homoscedasticity or the alternative hypothesis for presence of heteroskedasticity, where  $p > 0.05$  failed to reject the null hypothesis and concluded that data were homoscedastic.

## **CHAPTER FOUR**

### **DATA PRESENTATION AND INTERPRETATION OF FINDINGS**

#### **4.1 Introduction**

This chapter presents analysis and interpretation of data on the effect of compensation on employee job satisfaction in private hospitals in Nairobi City County, Kenya. The presentation of findings followed the specific objectives of the study. First, the presentation of findings comprised descriptive statistics, such as frequency, percentages, mean and standard deviation. Secondly, the inferential statistics were applied to test hypothesis by establishing associations between predictor and response variables. Inferential statistics applied in the study included multiple linear regression and Pearson correlation analysis. Demographic attributes of the respondents were computed to observe the representativeness of the respondents to their larger populations. Use of inferential statistics requires that data meets the assumption of linear regression analysis. Thus, diagnostic tests, such as multicollinearity, normality, heteroskedasticity and autocorrelation are established before undertaking linear regression analysis. The Statistical Package for Social Sciences (SPSS version 24.0) was used in the analysis of data. Tables were used in the presentation of data.

#### **4.2 Response Rate**

The target population comprised 566 private hospitals in Nairobi City County, (Nairobi City County Integrated Development Plan, 2018-2022). The sample size of this study was 226 respondents, which was calculated using the Krejcie and Morgan table. Data were successfully collected from 196 respondents, which represented a response rate of 86.7%. On the other hand, 30 respondents did not return questionnaires, representing a non-response rate of 13.3%. A response rate of 86.7% is adequate for data analysis, where this is supported in the literature by

among others, Baruch and Holtom (2008) who stated that response rates above 70% are adequate for data analysis. Thus, a response rate of 86.7% is sufficient for data analysis and eventual conclusions and generalizations of the findings to the larger population. Table 2 presents findings on the response rate for the study.

**TABLE 3**  
**Response Rate**

<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
Response	196	87.7
Non-Response	30	13.3
<b>Total</b>	<b>226</b>	<b>100.0</b>

### **Organizational Demographics**

The organizational demographics used for the study focused on the position held by the respondent in their respective HR departments, number of years worked in the organization, level of education, years of operation in Kenya, ownership structure, and scope of operation. Demographic data were collected to better understand the background information of the respondents and how various socio-demographic information manifest across the respondents in relation to the employee job satisfaction. Furthermore, demographic data were collected to develop a holistic and wholistic understanding of the background information of the respondents and how this background data related to predictors of employee job satisfaction in private hospitals. Analysis of data covered a response rate of 196 respondents who filled and returned questionnaires. Table 3 contains computation of the demographic attributes of the respondents as self-reported in the questionnaires.

**TABLE 4**  
**Demographics**

<b>Variable</b>	<b>Category</b>	<b>Frequency (N)</b>	<b>Percentage (%)</b>
<b>Position</b>	Top management	124	63.3
	Middle management	47	24.0
	Support staff	25	12.8
<b>Years worked with the organization</b>	Less than 1 year	9	4.6
	1-5 years	39	19.9
	6-10 years	71	36.2
	11-15 years	77	39.3
<b>Education level</b>	College/Diploma	12	6.1
	Bachelors' degree	93	47.4
	Post graduate	91	46.4
<b>Years operated</b>	Up to 10 years	27	13.8
	11-20 years	50	25.5
	21-30 years	36	18.4
	31-40 years	62	31.6
	Above 40 years	21	10.7
<b>Ownership structure</b>	Local	174	88.8
	Local and foreign	14	7.1
	Foreign only	8	4.1
<b>Scope of Operation</b>	National	144	73.5
	Regional	33	16.8
	International	19	9.7

#### **4.3.1 Respondent's Position**

The study sought to establish the position held by respondents in their respective private hospitals in Nairobi City County. Analysis of the collected data revealed that majority (63.3%) of the respondents were top human resource managers, whereas 24.0% and 12.8% of the respondents were in the middle management and support staff. This finding reveals that many of the

respondents had the capability to self-report questionnaire items since they understood the day-to-day human resource operations in their departments.

#### ***4.3.2 Years worked with the Organization***

The study sought information on the respondents' work experience in their respective organizations. Analysis of the collected data indicated that majority (39.3%) of the respondents had worked in their organizations for a period exceeding 11 years, whereas 36.2% has worked for a period of 6-10 years. On the other hand, 19.9% and 4.6% of the respondents had worked in their respective private hospitals for a period of 1-5 years and less than 1 year respectively. This finding reveals that respondents had the information on their human resource practices and its possible effect on the job satisfaction among employees.

#### ***4.3.3 Education Level***

The survey sought information on the education level of the respondents since this is central to understanding the human resource policies and the best compensation practices for enhanced employee job satisfaction. Analysis of the collected data revealed that majority (47.4%) of the respondents had bachelor's degree, whereas 46.4% and 6.1% of the human resource officers considered in the study had post graduate qualification and college/diploma certification. This evidence indicates that all respondents were informed on compensation practices and how they related to the job satisfaction among employees in health facilities.

#### ***4.3.4 Years Operated***

Information on the years operated by the health facilities was sought as a means to understanding the extent to which private hospitals understood the institutional and policy framework on

healthcare professional conduct. Analysis of the collected data revealed that majority (31.6%) of the health facilities had operated in Kenya for a period between 31-40 years, whereas 25.5% of the private hospitals had operated for a period of 11-20 years. On the other hand, 18.4% of the hospitals had operated for 21-30 years, while 13.8% and 10.7% of the private hospitals had operated in Kenya for a period not exceeding 10 years and a period exceeding 40 years respectively. This finding reveals that most of the private hospitals had operated in Kenya long enough to understand labor laws on minimum wages, particularly for employees in the health facilities.

#### ***4.3.5 Ownership Structure***

The study sought to collect information on the ownership structure of the private hospitals in Nairobi City County. Analysis of the collected data indicated that a resounding majority (88.8%) of the hospitals were locally owned, whereas 7.1% and 4.1% of the hospitals were local and foreign owned and foreign only owned respectively. This finding reveals that local ownership structure means that local owners understood the dynamics of compensation practices and how this is reflected on the employee job satisfaction.

#### ***4.3.6 Scope of Operation***

Data on the scope of operation for the private hospitals in Nairobi City County was sought to understand whether private hospitals operated in other jurisdictions and how this compared with Kenya. Analysis of the collected data indicated that majority (73.5%) of the hospitals operated nationally, while 16.8% and 9.7% operated regionally and internationally. This finding reveals that many of the hospitals had information either from other counties in Kenya or in the region and how this compared with the operating experience in Nairobi City County.

#### **4.4 Descriptive Statistics**

This section presents analysis of data under the descriptive statistics, where trends and patterns of data will be visualized using tables. Descriptive statistics applied in this section include measures of central tendencies: percentage and mean, while the standard deviation shall be applied as a measure of dispersion. The goal of the study is to examine the effect of compensation on employee job satisfaction in private hospitals in Nairobi. Data were collected based on a 5-point Likert scale, where: 1- “Not at all, 2-small extent, 3-moderate extent, 4-large extent, and 5-very great extent.” The subsequent sections present data according to the specific objectives of the study.

##### ***4.4.1 Direct Compensation***

The study sought to determine the effect of direct compensation by private hospitals in Nairobi Kenya on employee job satisfaction. To establish this effect, respondents were presented with statements on a 5-point Likert scale, where: 1- “Not at all, 2-small extent, 3-moderate extent, 4-large extent, and 5-very great extent.”. Analysis of the collected data was analyzed in Table 5.

**TABLE 5**  
**Direct Compensation**

	Not at all	Small Extent	Moderate Extent	Large Extent	Very Large Extent	Mean	Std dev.
The organization offers competitive salaries	0.0%	10.2%	16.3%	38.8%	34.7%	4.0	.96
The facility compensates employees on extra hours worked	5.1%	3.6%	14.3%	19.4%	57.7%	4.2	1.14
There is remuneration for exemplary performance at work	0.0%	15.8%	29.6%	20.9%	33.7%	3.7	1.09
The organization strives to promote employees	2.0%	19.4%	29.6%	13.3%	35.7%	3.6	1.21
There is payment of commission to the employees for given tasks	2.0%	41.8%	26.5%	17.3%	12.2%	3.0	1.08
Bonuses are offered by the hospitals when the set goals are achieved	4.6%	21.4%	20.4%	27.6%	26.0%	3.5	1.21
Remuneration of employees follows personnel qualifications	13.3%	43.4%	18.4%	12.8%	12.2%	2.7	1.22
There are constant job evaluations to determine appropriate salaries and other benefits	4.1%	7.7%	32.1%	31.6%	24.5%	3.6	1.06
Salaries payable are consistent with the those of the public hospitals	2.0%	33.7%	21.4%	16.3%	26.5%	3.3	1.25

Table 5 illustrates the findings on the effect of direct compensation on job satisfaction among employees in private hospitals in Nairobi City County. Analysis of the collected data revealed that private hospitals offer competitive salaries to their workforce as evidenced by majority (38.8%) of the respondents who agreed to a large extent (mean=4.0; SD=.96). Furthermore, the study found that private hospitals compensate employees on extra hours worked as indicated by the highest

response of 57.7% of respondents who agreed to a very large extent (mean=4.2; SD=1.14). Notably, the study found that there is remuneration for exemplary performance at work as evidenced by a mean of 3.7 and standard deviation of 1.09 in addition to the response of 33.7% of respondents who agreed to the state to a very large extent.

Furthermore, the study established that private hospitals in Nairobi strives to promote employees as indicated by a response of 35.7% of the respondents who agreed to a very large extent (mean=3.6; SD=1.21). The study found that there is no payment of commission to the employees for given tasks since majority (41.8%) of the respondents stated this had a small effect on job satisfaction (mean=3.0; SD=1.08). The study established that bonuses are offered by the hospitals to large extent when the set goals are achieved as evidenced by 27.6% of the respondents (mean=3.5; SD=1.21). It was established from the analysis of data that remuneration of employees follows personnel qualifications to small extent as indicated by 43.4% of the respondents, mean of 2.7 and standard deviation of 1.22. Analysis of data found that constant job evaluations to determine appropriate salaries and other benefits are moderately done as indicated by a mean of 3.6 and standard deviation of 1.06. The study found that salaries payable are consistent with those of the public hospitals to a small extent as evidenced by 22.7% of the respondents, mean of 3.3 and standard deviation of 1.25.

#### ***4.4.2 Indirect Compensation***

The study sought to determine the effect of indirect compensation by private hospitals in Nairobi Kenya on employee job satisfaction. To establish this effect, respondents were presented with statements on a 5-point Likert scale, where: 1- “Not at all, 2-small extent, 3-moderate extent, 4-large extent, and 5-very great extent.”. Analysis of the collected data was analyzed in Table 6.

**TABLE 6**  
**Indirect Compensation**

	Not at all	Small Extent	Moderate Extent	Large Extent	Very Large Extent	Mean	Std dev.
The organization offers insurance cover to the employees	4.6%	7.1%	9.7%	12.8%	65.8%	4.3	1.18
Compensation of employees is consistent from month-to-month	7.1%	9.7%	0.0%	16.3%	66.8%	4.3	1.28
The hospital offers work leaves	0.0%	47.4%	0.0%	13.8%	38.8%	3.4	1.41
Off-duty hours are paid	0.0%	0.0%	7.1%	2.0%	90.8%	4.8	.53
The organization strives to meet financial needs of the staff in time	7.1%	0.0%	10.2%	24.0%	58.7%	4.3	1.12
The organization has a retirement plan for the employees	4.6%	13.3%	7.1%	16.8%	58.2%	4.1	1.26
There are paid vacations and holidays in the organization	0.0%	24.0%	16.3%	10.2%	49.5%	3.9	1.27
The organization covers the bills for the employees' sick spouse and children	27.0%	27.6%	7.1%	1.0%	37.2%	3.0	1.69
There are education benefits for the employees	2.0%	45.9%	14.3%	9.2%	28.6%	3.2	1.33

Table 6 illustrates the relationship between indirect compensation and job satisfaction among employees in commercial banks. Analysis of the collected data revealed to a very large extent that offers insurance cover to the employees as evidenced by 65.8% of the respondents, mean of 4.3 and standard deviation of 1.18. Furthermore, the study found that compensation of employees is consistent from month-to-month to a very large extent (66.8%) with a mean of 4.3 and standard deviation of 1.28. Furthermore, the study findings revealed that hospitals offer work leaves to a small extent (47.4%) where this was because of the nature of the work and shortage of healthcare employees. Almost all (90.8%) respondents agreed that off-duty hours are paid with a mean of 4.8 and standard deviation of .53. Notably, the study found that private hospitals in Nairobi strive

to meet financial needs of the staff in time to a large extent (58.7%) as indicated with a mean of 4.3 and standard deviation of 1.12.

In addition to the above, the study established that private hospitals have a retirement plan for the employees as supported by more than half (58.2%) of the respondents and a mean of 4.1 and standard deviation of 1.26. The study findings revealed that private hospitals in Nairobi have paid holidays, where half (49.5%) of the respondents agreed with this statement (mean=3.9; standard deviation=1.27). Moreover, the study found that private hospitals in Nairobi cover the bills for the employees' sick spouse and children to a very large extent as indicated by the highest response of 37.2% of the respondents (mean=3.0; standard deviation=1.69). The study established that education benefits for the employees were to a small extent as evidenced by 45.9% of respondents who indicated small extent, mean of 3.2 and standard deviation of 1.33.

#### **4.4.3 Non-Financial Compensation**

The study sought to determine the effect of non-financial compensation by private hospitals in Nairobi Kenya on employee job satisfaction. To establish this effect, respondents were presented with statements on a 5-point Likert scale, where: 1- "Not at all, 2-small extent, 3-moderate extent, 4-large extent, and 5-very great extent.". Analysis of the collected data was analyzed in Table 7.

**TABLE 7**  
**Non-Financial Compensation**

	Not at all	Small Extent	Moderate Extent	Large Extent	Very Large Extent	Mean	Std dev.
The hospital recognizes the effort of the employees through compensation	0.0%	16.3%	14.3%	18.4%	51.0%	4.0	1.16
Employees are regularly promoted based on a given scheme	27.0%	23.5%	7.1%	0.5%	41.8%	3.1	1.73
The management has good feedback mechanisms that keep employees on new and current developments	4.6%	56.6%	4.6%	4.6%	29.6%	3.0	1.41
Employees have the autonomy to undertake their duties without interference	9.2%	19.4%	24.0%	33.2%	14.3%	3.2	1.19
The hospital has an ideal environment that supports a learning culture	19.4%	39.8%	16.8%	0.5%	23.5%	2.7	1.43
Employees are adequately involved in decision-making	19.4%	17.3%	7.1%	4.6%	51.5%	3.5	1.67
The role performed by employees is considered significant to the organization	3.6%	26.5%	14.3%	5.1%	50.5%	3.7	1.40
The organization is supportive to the needs of the employees in terms of equipping them with new skills	6.6%	40.8%	7.1%	7.7%	37.8%	3.3	1.48

Table 7 presents results on the effect of non-financial compensation on job satisfaction among employees in Nairobi's private hospitals. Focusing on actual results, the study established that to a very large extent (51.0%) private hospitals recognize the effort of the employees through compensation (mean=4.0; SD=1.16). In addition, the study established that to a very large extent (41.8%), employees are regularly promoted based on a given scheme (mean=3.1; SD=1.73). The study established to a small extent (56.6%) that the management has good feedback mechanisms that keep employees on new and current developments (mean=3.0; SD=1.41). Furthermore, the

study found that employees have the autonomy to undertake their duties without interference to a large extent as evidenced by a response of 33.2%, mean of 3.2 and standard deviation of 1.19.

Analysis of the collected data revealed that private hospitals have an ideal environment that supports a learning culture to a small extent as indicated by a response of 39.8%, mean of 2.7 and standard deviation of 1.43. Furthermore, the study found that employees are adequately involved in decision-making to a very large extent as indicated by a response of 51.5%, mean of 3.5 and standard deviation 1.67. To a very large extent, the study found that the role performed by employees is considered significant to the organization (mean=3.7; standard deviation=1.40). The study found that private hospitals are supportive to the needs of the employees in terms of equipping them with new skills to a small extent as indicated by a response of 40.8%, mean of 3.3 and standard deviation of 1.48.

#### ***4.4.4 Competency-Based Pay Compensation***

The study sought to determine the effect of competency-based pay compensation by private hospitals in Nairobi Kenya on employee job satisfaction. To establish this effect, respondents were presented with statements on a 5-point Likert scale, where: 1- “Not at all, 2-small extent, 3-moderate extent, 4-large extent, and 5-very great extent.”. Analysis of the collected data was analyzed in Table 8.

**TABLE 8**  
**Competency-Based Pay Compensation**

	Not at all	Small Extent	Moderate Extent	Large Extent	Very Large Extent	Mean	Std dev.
Employees are compensated based on their skills	4.1%	39.3%	16.3%	7.7%	32.7%	3.3	1.37
Employees with superior skills are offered compensation packages that are consistent with the skills	12.8%	26.5%	25.0%	8.2%	27.6%	3.1	1.40
Skilled employees have enabled the organization to realize higher patient satisfaction	27.0%	27.6%	15.8%	13.3%	16.3%	2.6	1.42
Superior employee performance is recognized by the management of the hospital	4.1%	40.8%	20.9%	14.3%	19.9%	3.1	1.23
The hospital has improved its performance owing to the competency of the employees	21.9%	28.6%	28.6%	10.2%	10.7%	2.6	1.24
Employees undergo constant training to boost their competency	20.4%	31.6%	16.8%	7.1%	24.0%	2.8	1.46
Training has improved the performance of the healthcare workers	10.2%	29.1%	21.4%	16.3%	23.0%	3.1	1.33
Skilled employees are actively involved in training lower cadre employees for better organizational outcomes	8.7%	38.3%	8.7%	14.8%	29.6%	3.2	1.43

Table 8 illustrates the findings on the effect of competence-based pay on the employee satisfaction in private hospitals in Nairobi. Analysis of the collected data revealed that the employee compensation based on their skills was to a small extent as indicated by response of 39.3%, mean of 3.3 and standard deviation of 1.37. Furthermore, the study found that employees with superior skills are offered compensation packages that are consistent with the skills was to very large extent

as indicated by 27.6% response, mean of 3.1 and standard deviation of 1.40. In addition, the study reveals that to a small extent (27.06%), skilled employees have enabled the organization to realize higher patient satisfaction as evidenced by a mean of 2.6 and standard deviation of 1.42. The study results revealed that superior employee performance is recognized by the management of the hospital to small extent as supported by 40.8%, mean of 3.1 and standard deviation of 1.23.

Furthermore, analysis of the collected data revealed that private hospitals have improved performance owing to the competency of the employees to a moderate extent as evidenced by 28.6% response rate, mean of 2.6 and standard deviation of 1.24. To a small extent, the study established that employees undergo constant training to boost their competency as indicated by a response of 31.6%, mean of 2.8 and standard deviation of 1.46. Notably, the study established that training had improved the performance of the healthcare workers (mean=3.1; standard deviation=1.33). The study established that skilled employees are actively involved in training lower cadre employees for better organizational outcomes to a small extent as supported by a response of 38.3% (mean=3.2; standard deviation=1.43).

#### ***4.4.5 Employee Job Satisfaction***

The study sought to determine employee Job Satisfaction by private hospitals in Nairobi Kenya. To establish this effect, respondents were presented with statements on a 5-point Likert scale, where: 1- “Not at all, 2-small extent, 3-moderate extent, 4-large extent, and 5-very great extent.”. Analysis of the collected data was analyzed in Table 9.

**TABLE 9**  
**Employee Job Satisfaction**

	Not at all	Small Extent	Moderate Extent	Large Extent	Very Large Extent	Mean	Std dev.
I am satisfied doing my work	14.3%	18.9%	13.8%	34.2%	18.9%	3.2	1.34
I achieve the set targets	6.6%	18.9%	19.9%	17.3%	37.2%	3.6	1.33
My career is progressing in the right direction	4.1%	18.4%	23.5%	15.3%	38.8%	3.7	1.27
We work in teams	13.8%	14.3%	20.4%	30.6%	20.9%	3.3	1.32
I have been efficient in time management in the recent past	31.6%	4.6%	8.2%	23.5%	32.1%	3.2	1.68
We have a good working relationship with management	9.2%	26.5%	8.2%	14.8%	41.3%	3.5	1.47
Our customers are happy with quality of our services	16.8%	29.6%	4.6%	10.7%	38.3%	3.2	1.60
There are low cases of employee absenteeism	11.7%	9.7%	5.6%	20.9%	52.0%	3.9	1.42

Table 9 presents findings on the dependent variable (job satisfaction). Analysis of the collected data revealed that most personnel in the private hospitals in Nairobi were satisfied doing their work to a large extent as supported by 34.2% of the respondents (mean=3.2; standard deviation=1.34). Furthermore, the results of the study revealed that most personnel achieve the set targets to a very large extent as indicated by a response of 37.2%, mean of 3.6 and standard deviation of 1.33. Moreover, majority (38.8%) of the respondents affirmed that their careers were progressing in the right direction to a very large extent as supported by a mean of 3.7 and standard deviation of 1.27. The findings of the study indicated that respondents worked in teams to a large extent as supported by majority (30.6%) of the respondents (mean=3.3; standard deviation=1.32).

Furthermore, the study found that majority (32.1%) of the respondents were efficient in managing their time as indicated by a mean of 3.2 and standard deviation of 1.68. Notably, the study established that employee in private hospitals had a good working relationship with management to a very large extent as supported by majority (41.3%) of the respondents (mean=3.5; standard deviation=1.47). The study established that customers or patients were satisfied with the services they received in private hospitals as supported by majority (38.3%) of the respondents who indicated very large extent (mean=3.2; standard deviation=1.60). The results of the study revealed that there were low cases of employee absenteeism as supported by majority (52.0%) of the respondents who indicated very large extent (mean=3.9; standard deviation=1.42).

## **4.5 Diagnostic Tests**

### ***4.5.1 Multicollinearity Tests***

Multicollinearity test establishes if the independent variables are correlated (Friday & Emenonye, 2012). Multicollinearity affect regression model and its lack, thereof, is a key assumption for regression. Multicollinearity increases standard errors of the regression coefficient decreasing the reliability of the results. The study used formal detection-tolerance or the variance inflation factor (VIF) for multicollinearity to establish if there was a correlation between the independent variables. For the tolerance part, value less than 0.1 infer multicollinearity whereas values of variance inflation factor were more than 10 are often regarded as indicating multicollinearity.

**TABLE 10**  
**Collinearity Statistics**

<b>Independent Variables</b>	<b>Tolerance</b>	<b>VIF</b>
Direct compensation	.575	1.738
Indirect compensation	.187	5.335
Non-financial compensation	.199	5.019
Competence-based pay	.299	3.344

Based on the above table on multicollinearity, the tolerance values were more than 0.1 and those of variance inflation factor were less than 10. This indicates lack of multicollinearity between the variables and thus, the independent variables of the study were not correlated.

#### ***4.5.2 Tests for Normality***

Parametric tests, such as linear regression, require normality to be checked because the validity of this statistical method depends on it (Bilon, 2021). Shapiro-Wilk test was used to check for normality of the data. If the p-value of the Shapiro-Wilk Test is greater than 0.05, the data is normal. If it is below 0.05, the data significantly deviate from a normal distribution. Table 11 presents the findings under this subsection.

**TABLE 11**  
**Test of Normality**

<b>Variable</b>	<b>Statistic</b>	<b>Sig.</b>
Direct compensation	.962	.587
Indirect compensation	.926	.130
Non-financial compensation	.946	.316
Competence-based pay	.965	.837

Based on Table 11 that illustrates Shapiro-Wilk Test of normality, data on all the variables were normally distributed. All these variables exhibited p-value greater than 0.05, suggesting that the data did not deviate significantly from a normal distribution and thus, a sharp pointer to the normality of the data.

#### **4.5.3 Autocorrelation**

Violation of autocorrelation assumption leads to idiosyncratic error term, thus blurring measuring of estimates (Gencay & Signori, 2015). The Durbin - Watson test was used to test for autocorrelation in this study to establish autocorrelation among the predictor variables.

**TABLE 12**

**Durbin-Watson test for Autocorrelation**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.915 <sup>a</sup>	.837	.833	.44592	1.549

Durbin-Watson test was conducted to establish autocorrelation among the predictor variables, where the Durbin-Watson statistic was 1.549, meaning that data was not auto correlated (serial correlation).

#### **4.5.4 Heteroscedasticity Tests**

Heteroscedasticity is a condition that violates the assumption in linear regression, where variance in errors does not yield the actual results. The study applied Breusch-Pagan Test was used to establish presence of Heteroscedasticity in the dataset by testing the presence of error variance (Heteroscedasticity) as the alternative hypothesis, while the null hypothesis (constant error terms in the data set) was tested to establish homoscedasticity in the data. Table 13 indicates the results of the Breusch-Pagan Test for heteroscedasticity.

**TABLE 13****Heteroscedasticity test**

Variables: fitted values of employee job satisfaction	
chi2(1) = 1.86	Prob > chi2 = 0.1534
Ho: Constant variance	

Based on table, the probability value of chi-squared was found to be greater than the alpha level of significance, that is;  $0.1534 > 0.05$ , we fail to reject the null hypothesis of homoscedasticity. Thus, the conclusion is that the model was homoscedastic. Hence, there was absence of Heteroscedasticity in the model.

**4.6 Inferential Statistics**

This section contains inferential statistics that were used in the testing of associations to establish whether the relationship between variables was statistically significant or not. Pearson correlation analysis and multiple linear regression analysis were used in establishing associations and eventual test of hypothesis.

**4.6.1 Correlation Analysis****TABLE 14  
Correlations**

		1	2	3	4
Direct compensation (1)	Pearson Correlation	1	.402**	.316**	.622**
	Sig. (2-tailed)		.000	.000	.000
	N	196	196	196	196
Indirect compensation (2)	Pearson Correlation	.402**	1	.886**	.745**
	Sig. (2-tailed)	.000		.000	.000
	N	196	196	196	196

Non-financial compensation (3)	Pearson Correlation	.316**	.886**	1	.712**
	Sig. (2-tailed)	.000	.000		.000
	N	196	196	196	196
Competence-based pay (4)	Pearson Correlation	.622**	.745**	.712**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	196	196	196	196
Job satisfaction	Pearson Correlation	.686**	.819**	.750**	.803**
	Sig. (2-tailed)	.000	.000	.000	.000
	N	196	196	196	196

Based on table 14, direct compensation is strongly correlated with job satisfaction of employee,  $r(196) = .686, p < .000$ . Furthermore, indirect compensation is strongly correlated with job satisfaction of employees,  $r(196) = .819, p < .000$ . Notably, non-financial compensation is strongly correlated with job satisfaction among employees in private hospitals in Nairobi City County,  $r(196) = .750, p < .000$ . Competence-based pay is strongly correlated with job satisfaction among employees in private hospitals in Nairobi City County as evidenced by  $r(196) = .803, p < .000$ . All the variables had significance values greater than 0.05, suggesting all the predictor variables (competence-based pay, direct compensation, non-financial compensation, indirect compensation) are significantly correlated with the response variable (job satisfaction).

#### 4.6.2 Multiple Linear Regression

**TABLE 15**  
**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.915 <sup>a</sup>	.837	.833	.44592	1.549

a. Dependent Variable: Job satisfaction

b. Predictors: (Constant), Competence-based pay, Direct compensation, non-financial compensation, Indirect compensation

From the multiple linear regression model summary, it is evident that the coefficient of determination explains the 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 (job satisfaction among employees in private hospitals in Nairobi) that is explained by all the 4 predictor variables (competence-based pay, direct compensation, non-financial compensation, indirect compensation). The four predictor variables that were studied, explain 83.7% of variance in job satisfaction among employees as represented by the  $R^2$ . This therefore means that other factors not studied in this research contribute 16.3% of variance in the response variable.

**TABLE 16**  
**ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	194.828	4	48.707	244.955	.000 <sup>b</sup>
	Residual	37.979	191	.199		
	Total	232.807	195			

a. Dependent Variable: Job satisfaction

b. Predictors: (Constant), Competence-based pay, Direct compensation, non-financial compensation, Indirect compensation

As illustrated in table 16, the F critical at 5% level of significance was 2.419 for degree of freedom of 4 and 191. Since F calculated was greater than the F critical (value = 244.955), this shows that the overall model was significant in predicting the relationship between compensation and job satisfaction among employees in private hospitals in Nairobi city county. The P value was 0.000 which was less than 0.05, thus showing a correlation between the predictor's variables (competence-based pay, direct compensation, non-financial compensation, indirect compensation)

and response variable (job satisfaction among employees). If the significance value of F was larger than 0.05 then the independent variables would not explain the variation in the dependent variable.

**TABLE 17**  
**Coefficients of Multiple Linear Regression**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
	(Constant)	-1.519	.199		-7.617	.000
1	Direct compensation	.585	.059	.379	9.844	.000
	Indirect compensation	.511	.080	.431	6.380	.000
	Non-financial compensation	.147	.064	.149	2.282	.024
	Competence-based pay	.149	.057	.139	2.605	.010

a. Dependent Variable: Job satisfaction

b. Predictors: (Constant), Competence-based pay, Direct compensation, non-financial compensation, Indirect compensation

From the regression findings, the multiple linear equation is populated as:

$$Y = -1.519 + 0.585X_1 + 0.511X_2 + 0.147X_3 + 0.149X_4$$

Where Y is the outcome variable (job satisfaction), X<sub>1</sub> is direct compensation, X<sub>2</sub> is Indirect compensation, X<sub>3</sub> is non-financial compensation and X<sub>4</sub> is competence-based pay. As detailed in the linear equation, taking all factors; (competence-based pay, direct compensation, non-financial compensation, indirect compensation) constant at zero, job satisfaction will be 1.519. The data findings also indicate that a unit increase in direct compensation variable would lead to a 0.585 (58.5%) increase in job satisfaction among employees in private hospitals. A unit increase in indirect compensation would lead to a 0.511 (51.1%) increase in job satisfaction, while a unit

increase in non-financial compensation would lead to a 0.147 (14.7%) increase in job satisfaction among employees. Furthermore, a unit increase in competence-based pay compensation would lead to a 0.149 (14.9%) increase in job satisfaction among employees in private hospitals in Nairobi city county. This means that the order of significance on effects of compensation practices was direct compensation, indirect compensation, non-financial compensation, and competence-based pay respectively.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This study examined the effect of compensation on job satisfaction among employees in private hospitals in Nairobi City County. This section details summary of the findings in light of the variables adopted. In addition, the chapter details discussion of findings and conclusions that are derived coupled with policy recommendations and suggestion for further research.

#### **5.2 Summary of Findings**

This section presents a summary of the findings according to the specific objectives of the study. Results emanating from both descriptive and inferential statistics are presented. The goal of the summary of findings was to answer the research questions.

##### **5.2.1 Effect of Direct Compensation**

Analysis of the collected data under the first objectives of the study, which sought data on the effect of direct compensation by private hospitals in Nairobi Kenya on employee job satisfaction found that private hospitals offer competitive salaries and compensates employees on extra hours worked. In addition, the study found that the organization strives to promote employees coupled with constant job evaluations to determine appropriate salaries and other benefits. The study's multiple linear regression results showed a coefficient of 0.585 for direct compensation with a p value of 0.000, which signifies that direct compensation as a compensation practice has a positive and significant effect on employee job satisfaction in private hospitals.

### **5.2.2 Effect of Indirect Compensation**

Analysis of the collected data under the second objectives of the study, which sought data on the effect of indirect compensation by private hospitals in Nairobi Kenya on employee job satisfaction found that private hospitals offer indirect compensation, such as insurance cover for their employees, consistent payment of salaries, and payment of off-duty hours. Moreover, the study established that private hospitals strive to meet financial needs of their staff in time in addition to the provision of paid holidays and covering bills of the employees' sick children and spouse. The study's multiple linear regression results showed a coefficient of 0.511 for indirect compensation with a p value of 0.000, which signifies that indirect compensation as a compensation practice has a positive and significant effect on employee job satisfaction in private hospitals.

### **5.2.3 Effect of Non-financial Compensation**

Analysis of the collected data under the third objectives of the study, which sought data on the effect of non-financial compensation by private hospitals in Nairobi Kenya on employee job satisfaction established that private hospitals recognize the effort of the employees through compensation. Notably, the study found that employees in private hospitals in Nairobi are regularly promoted based on a given scheme. However, the study found that the feedback mechanisms between the management and employees was poor. The study noted that employees had the autonomy to undertake their duties. Notably, the study established that private hospitals were supportive to the needs of the employees in terms of equipping them with new skills. The study's multiple linear regression results showed a coefficient of 0.147 for non-financial compensation with a p value of 0.024, which signifies that non-financial compensation as a compensation practice has a positive and significant effect on employee job satisfaction in private hospitals.

#### **5.2.4 Effect of Competence-based Pay Compensation**

Analysis of the collected data under the fourth objectives of the study, which sought data on the effect of competency-based pay compensation by private hospitals in Nairobi Kenya on employee job satisfaction revealed that employees are compensated based on their skills, experience and expertise. Furthermore, the study established to a small extent that private hospitals have improved their performance owing to the competency of the employees in addition to training improving the performance of the healthcare workers. The study's multiple linear regression results showed a coefficient of 0.149 for competence-based pay compensation with a p value of 0.010, which signifies that competence-based pay compensation as a compensation practice has a positive and significant effect on employee job satisfaction in private hospitals.

#### **5.3 Conclusion**

From the study findings under the first objective of the study, the study concludes that there exist a positive and significant association between direct compensation and employee job satisfaction in private hospitals ( $p < .05$ ). From the study findings under the second objective of the study, the study concludes that there exist a significant and positive relationship between indirect compensation and employee job satisfaction in private hospitals ( $p < .05$ ). Based on the study findings under the third objective of the study, the study concludes that there exist a significant and positive relationship between non-financial compensation and employee job satisfaction in private hospitals ( $p < .05$ ). Based on the study findings under the fourth objective of the study, the study concludes that there exist a significant and positive relationship between competence-based pay compensation and employee job satisfaction in private hospitals ( $p < .05$ ).

## **5.4 Recommendations**

The following are policy recommendations and recommendations for further studies that are established upon critical evaluation of the study findings.

### ***5.4.1 Policy Recommendations***

The study found that direct compensation is critical in enhancing the satisfaction among employees in private healthcare facilities. This study recommends the need for organizations to offer competitive salaries and remuneration that is consistent with the qualifications of the employees. Furthermore, there is need for organizations to offer bonuses for various milestones achieved by the organizations.

The study found that indirect compensation is essential in augmenting job satisfaction among employees in private healthcare facilities. The study recommends the need for organizations to meet the financial needs of the employees in timely manner. Furthermore, there is need to offer trainings and educational opportunities to the employees as way to upscale their job satisfaction.

The study found that non-financial compensation is indispensable in supplementing job satisfaction among employees in private hospitals. Thus, the study recommends that organizations should regularly promote their employees and offer an ideal work setting for employees to perform their duties. In addition, there is need for feedback mechanisms so that the management can respond to the needs of the employees, thus increase organizational citizenship.

The study established that competence-based pay compensation is requisite in complementing job satisfaction among employees in private hospitals. The current study recommends that talent should be placed where it is best suited and compensated based on the skills and expertise of the employees. Moreover, there is need for training of employees as a way of increasing their job satisfaction levels.

#### **5.4.2 Recommendations for Further Studies**

The study focused on four predictor variables that affect job satisfaction among employees in private hospitals, that is, direct compensation, indirect compensation, non-financial compensation, competence-based pay compensation. Based on the variables assessed by the study, the study recommends for further research involving other variables not captured in the current study to ascertain their influence on employee job satisfaction. Furthermore, the study was conducted private hospitals, signifying the need to undertake a study in public-sector hospitals to determine the extent to which the current findings will be comparable to those in private hospitals.

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## APPENDICES

### Appendix I: Letter of Introduction

Dear Respondent,

I NDIRANGU ANGELINE MUMBI, I am grateful to introduce myself as a student of KCA University who is conducting a study on *Effect of Compensation Practices on Employee Job Satisfaction in Private Hospitals in Nairobi City County, Kenya*. All information you will provide will be used in class work only. This data is not used for any other purposes not to be exposed to any other party. The researcher and University will exercise strict confidentiality. This research is purely for academic purposes and will not be used in any other forum apart from policy recommendations in the area of ethics and governance. Anonymity and Confidentiality will be observed. Please answer the questions as truthfully as possible to the research assistants administering the questionnaire. The data I require is quite simple and easy to provide as such, the questionnaire will not take too long to complete. I therefore kindly request you to fill in the questionnaire as honestly as possible.

Thanks in advance.

Yours faithfully

NDIRANGU ANGELINE MUMBI

## Appendix II: Questionnaire

### Section A: Organizational Demographic

1. What is your position?

Top Management

Middle management

Support staff

2. Indicate the number of years you have worked for this organization (**Tick one as appropriate**)

Less than 1 year

1-5 years

6-10 years

11-15 years

Over 16 years

3. What is your level of education?

College/Diploma

Bachelors' degree

Post graduate

4. Years of operation in Kenya (Tick one as appropriate)

Up to 10 years

11-20years

21-30years

31-40 years

Above 40 years

5. Ownership structure (Tick one as appropriate)

Local

Local and Foreign

Foreign only

6. Scope of operation (Tick one as appropriate)

National

Regional

International

**SECTION B: DIRECT COMPENSATION**

In a scale of 1-5, please indicate to what extent you agree with the following statements concerning the effect of direct compensation on employee’s job satisfaction in private hospitals in Nairobi City County. (Where 1 is “Not at all”, 2 is “To a small extent”, 3 is “To a moderate extent”, 4 is “To a large extent”, 5 is “To a very large extent”). Tick one as appropriate.

<b>Direct Compensation</b>	1	2	3	4	5
7. The organization offers competitive salaries					
8. The facility compensates employees on extra hours worked					
9. There is remuneration for exemplary performance at work					
10. The organization strives to promote employees					
11. There is payment of commission to the employees for given tasks					
12. Bonuses are offered by the hospitals when the set goals are achieved					
13. Remuneration of employees follows personnel qualifications					
14. There are constant job evaluations to determine appropriate salaries and other benefits					

15. Salaries payable are consistent with the those of the public hospitals					
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**SECTION C: INDIRECT COMPENSATION**

In a scale of 1-5, please indicate to what extent you agree with the following statements concerning the effect of indirect compensation on employee’s job satisfaction in private hospitals in Nairobi City County. (Where 1 is “Not at all”, 2 is “To a small extent”, 3 is “To a moderate extent”, 4 is “To a large extent”, 5 is “To a very large extent”). Tick one as appropriate.

<b>Indirect Compensation</b>	1	2	3	4	5
16. The organization offers insurance cover to the employees					
17. Compensation of employees is consistent from month-to-month					
18. The hospital offers work leaves					
19. Off-duty hours are paid					
20. The organization strives to meet financial needs of the staff in time					
21. The organization has a retirement plan for the employees					
22. There are paid vacations and holidays in the organization					
23. The organization covers the bills for the employees’ sick spouse and children					
24. There are education benefits for the employees					

**SECTION D: NON-FINANCIAL COMPENSATION**

In a scale of 1-5, please indicate to what extent you agree with the following statements concerning the effect of non-financial compensation on employee’s job satisfaction in

private hospitals in Nairobi City County. (Where 1 is “Not at all”, 2 is “To a small extent”, 3 is “To a moderate extent”, 4 is “To a large extent”, 5 is “To a very large extent”). Tick one as appropriate.

<b>Non-Financial Compensation</b>	1	2	3	4	5
25. The hospital recognizes the effort of the employees through compensation					
26. Employees are regularly promoted based on a given scheme					
27. The management has good feedback mechanisms that keep employees on new and current developments					
28. Employees have the autonomy to undertake their duties without interference					
29. The hospital has an ideal environment that supports a learning culture					
30. Employees are adequately involved in decision-making					
31. The role performed by employees is considered significant to the organization					
32. The organization is supportive to the needs of the employees in terms of equipping them with new skills					

#### **SECTION D: COMPETENCY-BASED PAY COMPENSATION**

In a scale of 1-5, please indicate to what extent you agree with the following statements concerning the effect of competency-based pay compensation on employee’s job satisfaction in private hospitals in Nairobi City County. (Where 1 is “Not at all”, 2 is “To a small extent”, 3 is “To a moderate extent”, 4 is “To a large extent”, 5 is “To a very large extent”). Tick one as appropriate.

<b>competency-based pay compensation</b>	1	2	3	4	5
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33. Employees are compensated based on their skills					
34. Employees with superior skills are offered compensation packages that are consistent with the skills					
35. Skilled employees have enabled the organization to realize higher patient satisfaction					
36. Superior employee performance is recognized by the management of the hospital					
37. The hospital has improved its performance owing to the competency of the employees					
38. Employees undergo constant training to boost their competency					
39. Training has improved the performance of the healthcare workers					
40. Skilled employees are actively involved in training lower cadre employees for better organizational outcomes					

### SECTION E: EMPLOYEE JOB SATISFACTION

In a scale of 1-5, please indicate to what extent you agree with the following statements concerning employee job satisfaction in private hospitals in the County of Nairobi. (**Where 1 is “Not at all”, 2 is “To a small extent”, 3 is “To a moderate extent”, 4 is “To a large extent”, 5 is “To a very large extent”**). Tick one as appropriate.

<b>Employee job satisfaction</b>	1	2	3	4	5
41. I am satisfied doing my work					

42. I achieve the set targets					
43. My career is progressing in the right direction					
44. We work in teams					
45. I have been efficient in time management in the recent past					
46. We have a good working relationship with management					
47. Our customers are happy with quality of our services					
48. There are low cases of employee absenteeism					

**End**  
**Thank you**

### Appendix III: Krejcie and Morgan Table

<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	100000	384

Note.—*N* is population size. *S* is sample size.

Source: Krejcie & Morgan, 1970