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**THE EFFECT OF EMPLOYEE FINANCIAL COMPENSATION ON JOB PERFORMANCE OF NURSING PROFESSIONALS WORKING IN MERU COUNTY GOVERNMENT HOSPITALS**

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**Abstract**

The continued existence of strikes among nursing professionals working in Meru county government hospitals have presented a likelihood of ultimate low delivery of quality health services as stipulated by the department of health. Therefore, the study addressed this problem by investigating the effect of employee financial compensation on job performance of nursing professionals working in Meru County government hospitals. The study was guided by the following specific objective: To determine the effect of employee financial compensation on job performance of nursing professionals working in Meru County Government hospitals. This study was done in Meru County targeting a population of 275 nurses working in fifteen (15) level four hospitals, whose sample size was 83. Stratified random sampling was used. The study used primary method of data collection where questionnaire and interview schedule were used as tools of collecting data. Secondary method was also used to collect data whose purpose was to enrich the background information. Descriptive and inferential statistics were used for data analysis. The study established that employee financial compensation affected job performance of nursing professionals working in Meru County government level four hospitals. A significant number of respondents as shown by 58.4% disagreed that they were satisfied with the amount of annual increment on their respective salaries and these affected their job performance. The study concluded that annual salary increment for nursing professionals significantly affected their job performance. Based on the research findings, the study recommends the County government with the help of national government to put in place measures that would ensure that timely payment of salaries for nursing professionals is done.

**Keywords:** Meru county government, Nursing Professionals, Strikes and quality health services.

**Background to the Study**

According to Bustaman, Teng and Abdullah (2014) reward system is one of the most significant issues of the Human Resource Management (HRM) and it has been discussed by various theorists and academics as well as practitioners and managers who really emphasize the importance of reward in the workplace. Reward is defined as the process of recognizing employees of their work productivity. It is given in recognition of one's effort or achievement especially in the work place to motivate the person (Torrington, Hall, Taylor and Atkinson, 2009). Armstrong (2014) argues that strategic reward by the organization leads to the design of a reward system, which consists of the interrelated processes and practices of financial and non-

financial rewards that combine into a reward approach to ensure that reward management is carried out to the benefit of the organization and the people who work there.

Further, Armstrong (2014) observed financial rewards consist of job based pay, which provides pay related to the value of the job, and person-based pay, which provides rewards that recognize the individual's contribution. They also include employee benefits and pensions and financial recognition schemes. On the other hand, non-financial rewards are non-monetary rewards that are given by management to employees to satisfy employees' needs to have recognition, achievement, responsibility, autonomy, influence, acceptable working conditions and personal growth at the workplace. In this regard, the study narrowed down to one elements of reward system which is financial compensation.

Financial compensation has been discussed by various scholars to show its effect on job performance. Oyira *et al.*, (2015) indicates that basic pay as a form of financial compensation is the payment that is received as a wage or salary and is paid to an employee for performing their specific job responsibilities. According to Bustaman *et al.*, (2014), employees who are fully satisfied with their pay will result in a higher level of performance. Pink (2013) notes that well performed employees should be incentivized with monetary compensation, which is an easier and the best way to encourage employee so as to perform effectively and efficiently. More importantly, employees prefer to have monetary incentives to their successful job performance (Berger & Berger, 2015). In general, it can be said that financial reward is one of the most important factor and most influential in the rush of the individual's desire and dedication to work (Al-Hawary & Metabis, 2013).

Ahmed (2014) defines job performance as the quantity and quality of work which is expected from an employee. According to Irshad (2016), performance is associated with quantity of output, quality of output, and timelines of output, presence or attendance on the job, efficiency of the work completed and effectiveness of work completed. He continues to observe that performance is about how well a person is performing the task given to him or her. Hence, it can be said that employee performance is the efficient and timely completion of tasks and giving quality output. More importantly, Scotter, Motowidlo and Thomas (2001) argues that organization need highly performing individuals in order to meet their goals, to deliver the products and services they specialize in, and finally to achieve competitive advantage.

### **Statement of the Problem**

In Meru County government, department of health through its staff especially the nursing professionals has an obligation to implement government policy by rendering quality health services to the citizens. However, continued strikes suggested the likelihood of ultimate low delivery of quality health services by the nursing professionals. The extent of such industrial actions by the nurses would definitely compromise the realization of the above mentioned government policy. Even though strikes are seen as a process of liaison between employers and employees, and point towards a democratic economy, it results in economic cost that can be extremely high, depending on the duration of strikes, the number of employees involved and the

industries affected (Jacob and Yu, 2013). Policy makers are keen to find ways to strengthen the so-called pull factors like greater financial rewards to retain and motivate their health workforce to deliver effectively (Goetz *et al.*, 2015). Therefore, this study intended to provide a solution by determining the effect of employee financial compensation on job performance of nursing professionals working in Meru County government hospitals.

### **Research Hypothesis**

**H<sub>0</sub>:** Employee Financial Compensation has no significant effect on job performance of nursing professionals working in Meru county government of Hospitals.

**H<sub>1</sub>:** Employee Financial Compensation has a significant effect on job performance of nursing professionals working in Meru county government of Hospitals.

### **Empirical Literature Review**

#### **Employee Financial Compensation and Job Performance of Nursing Professionals Working in County Government of Meru Hospitals**

Armstrong (2014) argues that financial reward consists of job-based pay which provides pay related to the value of the job, and person-based pay, which provides rewards that recognize the individual's contribution. They also include employee benefits and pensions and financial recognition schemes. Moreover, monetary rewards are financial inducement that positively leads to high productivity in the organization. Basic pay is the payment that is received as a wage or salary. Basic pay is paid to an employee for performing their specific job responsibilities (Oyira *et al.*, 2015). According to Bustaman *et al.*, (2014), employees who are fully satisfied with their pay will result in a higher level of satisfaction. Pink (2013) notes that well performed employees should be incentivized with monetary compensation, which is an easier and the best way to encourage employee so as to perform effectively and efficiently. More importantly, employees prefer to have monetary incentives to their successful job performance (Berger & Berger, 2015). In general, it can be said that financial reward is one of the most important factor and most influential in the rush of the individual's desire and dedication to work (Al-Hawary & Metabis, 2013).

According to Ahmed (2014), monetary incentives in its various forms encourage employees to be more productive and self-motivating towards the welfare of the organization they belong. However, Buchbinder and Shanks (2017) argues that monetary incentives motivate employees to a certain extent. In his research, "Organizational Reward System and Employees' satisfaction," Munap (2013) concludes that among all other rewards offered to employees at Telekom Malaysia Berhad, salary is the predictor that significantly contributes to employees' job satisfaction. Likewise, Sajuyigbe and Aburgre (2013) propose that salary is one of the most significant variables in explaining job performance. Therefore, compensation as a form of reward, acts as a means of effective recruitment, motivation and retention of employees. Employees' compensation affects their productivity and their tendency to stay with the

organization, and although managers and researchers do not agree about the degree to which compensation affects productivity, it is of great importance.

However, Oyira et al. (2015) observes that inadequate basic pay as a monetary reward gives a great impact to the employee performance such as lateness, absenteeism, low performance, feeling of grievances and others which can bring a major problem to the organization. In the contrary to other studies, Njanja et al. (2013) performed a study on the effect of reward on the performance of employees of Kenya Power and Lighting Company that shows that cash reward has no effect on employee performance. This is due to the fact that those who received and those who did not receive cash bonus all believed that cash rewards had the same effect on performance. In addition, Chepkirui (2014) in a study entitled “The Relationship between Reward Systems and Job Satisfaction: A case Study at Teachers Service Commission-Kenya”, concluded that cash rewards did not have significant effect on employee performance. People who received and those who did not receive had the same impact on their performance. So the study concludes that there is no significant effect of cash reward on performance. Employee financial compensation as an independent variable in this study was indicated by salaries and allowances.

### **Theoretical Perspective**

The current study is hinged on one theory: The Adam’s Equity Theory which was developed in 1963. The theory is premised on the idea that an employee who perceives inequity in his or her rewards seeks to restore equity. Further, the theory emphasizes equity in pay structure of employee’s remuneration (Adams, 1965).

In employing this theory therefore, this study contends that the perceptions of how nursing professionals are being treated in terms of compensation by the employer will be of prime importance to them. In case of any inequity, employee’s job performance would be adversely affected due to decrease in motivation. Adam’s Equity Theory explains that there should be a rational balance between employees contribution within the organization in terms of work performance, their level of skills, passion to succeed, creativeness and good team spirit among others and what managers give in return in terms of remuneration, status, allowances, benefits, and opportunity for and recognition of achievements among others. Most employees tend to compare their outcomes to their inputs while making reference to people in a similar job role, colleagues in the workplace, or even to close competitor’s employees. Therefore, nursing professionals should be rightfully rewarded based on their inputs to enable their motivation to be high, promote job satisfaction, and boost positive relationship between the management and employees.

### **Research Methodology**

This research study was guided by descriptive survey research design to investigate the relationship between employee financial compensation and job performance of nursing professionals working in County Government of Meru hospitals. Descriptive survey research

design made it possible for the gathering of qualitative as well as quantitative data on the correlation between employee financial compensation and job performance of nursing professionals working in the study locale. The association between study variables and the study problem under research was also established through survey research design. This was made feasible by the intrinsic features of survey design which grants researchers an opportunity to interrogate on final subjects’ appreciations, perspectives and values with respect to the problem being investigated. This study made use of a sample size of 83 respondents consisting of nurses in all level four hospitals. Stratified sampling was employed to categorize the nurses under study and Simple random sampling technique was used to select final study subjects from the sample. Questionnaires were self-administered to nurses with face to face interview conducted for nursing officers who form the management. Primary data collected was edited, evaluated on grounds of integrity and finally coded. Descriptive statistics was used to analyze quantitative data making use of Statistical Package for Social Sciences (SPSS) version 21.0 and the results presented using frequency and percentages tables to arrive at a valid inference. Content analysis was then employed to analyze qualitative data which entailed the categorization of data into themes, patterns and sub-topics modeled on the objectives under investigation. A multivariate regression model was adopted to test the hypothesis between employee financial compensation and job performance of nursing professionals.

**Findings and Interpretation**

The study sought to establish the effect of employee financial compensation on job performance of nursing professionals working in Meru County Government hospitals.

**Reports on Financial compensation and job performance of nurses in level four hospitals**

The study’s respondents were requested to indicate their levels of agreement with the following statements on financial compensation and job performance of nurses in level four hospitals under County government of Meru. Results are presented in Table 1.

**Table 1: Financial compensation and Job Performance of Nurses in Level Four Hospitals**

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std Deviation
The salary I get helps me cater for my daily needs.	1.6%	4.7%	7.9%	51.8%	34.0%	4.12	0.86
An increase in salary would enhance my job performance.	2.6%	6.3%	14.7%	29.8%	46.6%	2.05	0.97

I am satisfied with the current salary structure for the nurses	53.9%	31.9%	11.0%	3.2%	0%	4.15	0.73
Salaries are paid in good time which motivates me to perform better.	50.8%	12.0%	3.7%	30.9%	2.6%	4.04	0.90
I am satisfied with the current allowances for the nurses	7.9%	45.5%	14.1%	29.3%	3.1%	4.02	1.20
I am usually paid overtime allowances	26.0%	48.3%	10.4%	11.7%	3.6%	2.04	0.95
There is annual increment of salary for all the employees	51.4%	33.6%	6.2%	4.7%	4.1%	3.01	1.24
I am satisfied with the amount of annual increment on my salary.	58.4%	14.6%	3.5%	14.8%	8.7%	3.93	0.83
<b>Average Mean</b>						<b>3.42</b>	<b>0.96</b>

Results obtained on effect of financial compensation on job performance of nurses in level four hospitals under county government of Meru, showed that a vast majority of the respondents as shown by 58.4% (Mean= 3.93), disagreed that they were satisfied with the amount of annual increment on their respective salaries. 53.9% (Mean= 4.15) of study respondents disagreed that they were satisfied with the current nurses salary structure, 51.8% (Mean=4.12) agreed that their respective salaries help them in catering for their daily needs, 51.4% (Mean=3.01) disagreed that there existed an annual increment of salary for all the employees, 50.8% (Mean= 4.04) of the study respondents were of the opinion that salaries are not paid in good time which makes them not to perform to their best, 48.3% (Mean= 2.04) disagreed that they are usually paid overtime allowances, 46.6% (Mean= 2.05) of the study's final sampled subjects were of the opinion that an increase in their respective salaries would enhance their job performance and 45.5% (Mean=4.02) of respondents felt that the current nurses allowances were not adequate. From these study findings, it was deduced that a vast majority of study respondents 58.4% were of the view that nurses working for level four hospitals under county government of Meru did not receive a sufficient annual increment in their respective salaries. One could deduce that this could be a major contributor to their occasional strikes. A significant number 53.9% of study respondents were also of the view that the current salary structure for nurses was not good. Similarly one could infer this could be the reason why public hospital nurses complain of their salaries being insufficient as compared to those of their colleagues in private hospitals. A substantial number 51.8% of study respondents felt that their respective salaries were only sufficient to meet their daily needs. This could be because most felt that the salary structure was

not good and that their annual increment was not adequate. Most 51.4% of the study respondents were of the opinion that there existed an annual salary increment for all employees. This could be because some of the cadre of nurses enjoyed increment in their respective salaries while others especially those in lower cadres did not. A sizeable number 50.8% number of respondents also linked failure to pay their salaries in good time to their low job performance. Some of the study's respondents 48.3% were of the view that their overtime at their respective work stations was not appreciated with corresponding remuneration in terms of allowances. A minimal number 46.6% of study respondents linked improved job performance to an increase in salaries. One could deduce that remuneration is closely related to enhanced job performance and a small degree of respondents 45.5% were of the view that nurses working for level four hospitals under county government of Meru were not paid sufficient allowances for their work. Additionally, a substantive number of respondents were of the opinion that non-financial rewards such as; being appreciated in public and being provided with tea and snacks would motivate nurses hence improve their job performance.

**Inferential Statistics and Regression Results**

The data presented on Employee Financial Compensation on job performance of nursing professionals working in Meru County Government hospitals was computed. Correlation analysis was then conducted at 95% confidence interval and 5% confidence level 2-tailed to establish the relationship. The research used statistical package for social sciences (SPSS V 21.0) to code, enter and compute the measurements of the Pearson's Product Moment Correlation.

**Pearson's Product Moment Correlation**

A Pearson's Product Moment Correlation was conducted to establish the strength of the relationship between the variables under study. The findings are presented in Table 2.

**Table 2: Correlations Table**

	Job performance of nursing professionals working in County Government of Meru hospitals
Job performance of nursing professionals working in County Government of Meru hospitals	Pearson Correlation 1 Sig. (2-tailed)
Employee Financial Compensation	Pearson Correlation .879 Sig. (2-tailed) .047

Based on result in Table 2, the study established that there was a very strong, positive and significant correlation between Employee Financial Compensation and job performance of nursing professionals working in County Government of Meru hospitals ( $r=0.879$ ,  $p$  value= $0.047$ ). This result indicates that the variable under investigation had a positive and significant correlation with job performance of nursing professionals working in Meru county government hospitals.

**Multivariate Regression Analysis Results**

The current study used a regression model to test the hypothesis between effect of financial compensation and job performance of nursing professionals working in County Government of Meru hospitals. Results are as presented in Table 3.

**Table 3: Summary of the Regression Model Output**

Model	R	R Square	Adjusted Square	RStd. Error of the Estimate
1	0.899	0.808	0.794	2.561
Predicator: (constant)	Employee Financial Compensation			
Dependent: Variable.	Job performance of nursing professionals working in County Government of Meru hospitals			

The current research study made use of the Adjusted R squared as the coefficient of determination to provide information on changes in the dependent variable emanating from variations in the independent variable. According to study results on Table:3 the value of adjusted R squared was 0.794 indicating that there was variation of 79.4 percent on job performance of nursing professionals working in County Government of Meru hospitals emanating from employee financial compensation at 95 percent confidence interval. Based on these findings it was deduced that Employee Financial Compensation accounted for 79.4 % of the variations in job performance of nursing professionals working in County Government of Meru hospitals.

The study also applied Regression coefficients to determine correlations between the independent variable (Employee Financial Compensation) and job performance of nursing professionals working in County Government of Meru hospitals. Findings are as shown in Table 4.

**Table 4: Regression coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	0.674	0.123		5.480	.000
Operational Frameworks	0.853	0.156	0.786	5.468	.000

Based on the data in Table 4, the established regression equation was:

$$Y = 0.674 + (0.853)$$

Based on the regression equation above, it was established that taking employee financial compensation into account constant at zero, job performance of nursing professionals working in County Government of Meru hospitals was 0.674. The study also found that a unit increase in the scores for employee financial compensation would lead to a 0.853 increase in the scores of job performance of nursing professionals working in level four hospitals in the study locale. The variable under study was at a significance value of 0.000 which is  $< 0.05$  which meant employee financial performance to an appreciable degree influenced the job performance of nursing professionals working in level four hospitals in Meru County. From this finding, the Null hypothesis that employee financial compensation does not have a significant relationship with job performance of nursing professionals working in County government of Meru hospitals is rejected and the Alternative hypothesis; employee financial compensation has a significant relationship with job performance of nursing professionals working in County government of Meru hospitals is accepted.

### **Conclusions**

The study concluded that employee financial compensation had a pivotal role in job performance of nursing professionals working in Meru County government hospitals. This is because findings of the study showed that annual salary increment for nursing professionals significantly affects their job performance. Salaries play a key role in the motivation of nurses as it helps them to not only meet their daily needs but also undertake investments. The salary structure of nursing professionals and untimely payment of their salaries also determined their performance as these also affected their financial condition.

### **Research Study Recommendations**

Based on the present findings and analysis, the study recommends both county and national governments to put in place a policy that would ensure that timely payment of salaries for the nursing professionals is done.

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