EFFECTS OF PERFORMANCE BASED COMPENSATION ON THE PERFORMANCE
OF HEALTH CARE WORKERS IN PUBLIC HOSPITALS IN NORTH RIFT
COUNTIES IN KENYA

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Abstract

Purpose: Performance in most public hospitals in Africa is very poor and Kenyan public hospitals are not exceptional; there exist laxity in attending patients. There is need to improve performance in Kenyan Public hospitals. The main objective for this study was to determine the effects of performance-based compensation on performance of health care workers in public hospitals in Kenya. The study was guided by Expectancy Theory.

Methodology: The study adopted Explanatory Research design. The study targeted 481 health care workers working in County Referral Hospitals in Kenya and a sample size of 218 health care workers was selected for the study. Questionnaires was used as a method of collecting data. Primary data collected was edited, coded into SPSS V.26 software. The collected data was analysed descriptive (frequencies, percentages and means) and inferential analysis such as linear regression model. Data presentation was done through tables.

Findings: From the findings the Performance-based compensation had negative significant effect on employee performance (β= -.152 and p value >0.05). The study concluded that performance-based compensation had significant relationship with employee performance in the public hospitals.

Unique contribution to theory, practice and policy: The study recommends that the Ministry of Health should come up with an elaborate plan to equip all hospitals. The management of Public healthcare sector should ensure that compensation is paid on time if they are committed to improving employee performance.

Key words: *Performance Based Compensation, Health Care Workers, Public Hospitals.*

Introduction

Employee job performance is a very important element for organizational performance and profitability. According to Atatsi *et al.,* (2019), employee performance is a significant form of work outcome of employees, it is the ultimate return from employees that each organization strives for and aspires to maximize. According to Schreurs *et al.,* (2012) employees engage in two types of performance: in-role and extra-role performance. in-role or task performance is in formally required work behaviors that are directly linked to organizational goal attainment. It requires employees effective functioning directly contributing to organisational objectives. It is determined by individual's ability to fulfil their job requirements.

Job performance of health care indicates an efficient, effective service and competence in doing their job and treating patients. hospitals should be cognizant of performance of the health care workers which is a critical component of achieving high standards of patient care. Compensation is the overall remuneration received by employees for performing their work, and then the company provides it in the form of money, allowances or awards that aims to motivate employees to participate in the growth and development activities of the company and also build employee commitment (Candra *et al.,* 2018). Organisations have to cope with tough competition and new technology (Zhang and Morris, 2014), which force management to seek new ways of organizing work and employment (Guest, 2011).

Strategic Human Resource Management is gaining enormous importance in knowledge-based economies and rapidly changing environments, employees are considered a key source of competitive advantage and therefore organizations must endeavor to invest in (Sun *et al*., 2017). Among the broad concepts of strategic human resources, High Performance Work Practices (HPWP) stand out as reflecting the basic philosophy and practices that shape the attitudes, skills and behaviors of staff by discovering and utilizing knowledge, skills and abilities thereby achieving organizational goals (Chen, 2021).

High performance work practices (HPWP) is referred to as a bundle of HRM practices designed to promote employees' skills, motivation and involvement to enable a firm gain a sustainable competitive advantage (Datta et al., 2015). By breaking the traditional hierarchical management model, HPWP provide staff with wide-ranging training by using flat organizational structures, safe environments, management and competitive compensation, organizational identification and productivity, which lead to sustainable competitive advantages and long-term individual and organizational performance (Pak and Kim 2016).

According to (Chiang *et al.,* 2020), HPWPs are bundles of work practices, including information sharing, training, and empowerment, that promote employees' skills, motivation and participation opportunities and result in improved individual or organisational outcomes such as increased patient satisfaction, efficiency, quality of care and patient safety. Further, Boxall and Purcell

(2013) viewed that high-performance work practices are a combination of key practices such as more rigorous selection and better training systems to enhance ability levels, more comprehensive incentives (i.e. employee bonuses and internal career ladders) to increase motivation and participative structures (self-managing teams and quality circles) that improve opportunity to contribute to the organisation's success.

Hameed *et al.,* (2014), study on the Impact of compensation on employee performance from banking sector of Pakistan showed that Compensation has positive impact on employee performance. Edirisooriya, (2014), examined the impact of rewards on employee performance in a public sector organization in Sri Lanka. The results revealed that there is a positive relationship between extrinsic reward, intrinsic reward and employee performance.

Ibrar & Khan, (2015), investigated the impact of reward on employee performance in Malakand Private School. The study concludes that there is positive relationship between rewards (extrinsic and intrinsic) and employee's job performance. Putra, (2019), investigated the effect of Compensation, and Training on Work Discipline and its impact on Employee Performance of the Regional Research and Development Planning Agency in Dharmasraya Regency. The results of the study showed that Compensation and Training were able to improve the Discipline of employees of in Dharmasraya Regency.

Sidabutar *et al.,* (2020) analysed the Impact of Compensation, Motivation, and Job Satisfaction on Employee Performance. The results of this research are indicating if compensation, motivation, and job satisfaction can improve employee performance. Susanto *et al.,* (2020), examined the Effect of Leadership and Compensation on Employee Performance in Palembang, Indonesia. The findings revealed that leadership significantly affect work motivation. Compensation does not affect work motivation. Dwianto *et al.,* (2019), researched on the Effect of Compensation on Employee Performance at PT. Sango Indonesia. The results of the study showed that Compensation has a contribution of influence of 50.83% on the performance of employees. The compensation is needed to help strengthen the organization's key values and facilitate the achievement of organizational goals.

Regionally, Nigeria as developing country that is in constant struggle with the supply of basic health care services for its ever-growing population, which is estimated at over 170 million (Ndujihe, 2013). Some of the problems ailing the sector include, insufficient infrastructure, inadequate recruitment, management of inadequate compensation, inspiration, lack of fair and sustainable medical care finance, imbalance financial and political relations (Obansa, 2013). Okeke and Ikechukwu, (2019), examined the effects of Compensation Management and Employee Performance in Nigeria. The study concludes that compensation management has significant effect on employee performance in Nigeria organization.

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Locally, Omuya, (2018) sought to evaluate the influence of compensation and reward on employees' performance in public universities in Kenya. The findings established that most respondents strongly agreed or agreed that good compensation and reward have contributed to employee performance. Njoroge, & Kwasira, (2015) analysed the influence of Compensation and Reward on performance of employees at Nakuru County Government. The findings indicated that there was a strong relationship between compensation and reward on employee performance in the county government of Nakuru.

The government of Kenya is committed to achieving universal health coverage (UHC) by 2022. UHC is a situation where all people receive services when needed without being exposed to financial hardship (the constitution of Kenya 2010). For Kenya to make progress through UHC, a health system needs to have skilled human resources, minimum inputs such as drugs, commodities and infrastructure, financing, leadership and governance and health information system (Republic of Kenya, 2014). With the implementation of the Act, (2012), in Kenya, the health sector was to improve service delivery substantially by the HR systems that leverage human capital by acquiring, developing and motivating the best talent, employee competencies, commitment and productivity. HPWP synergistically enhance and reward the competencies.

Statement of the problem

The health sector globally has had a number of challenges with regard to human/employee management by virtue of the role they play. Kenya is among the countries identified as HRH (Human Resource for Health) crisis countries since it does not have sufficient number of health workers needed to adequately cover the population with health services (Dalton, 2014). In Kenya, even before the devolution, there has been major challenges that have resulted to industrial strikes due to a number of reasons. The new constitution ushered in the devolution of health which has not been taken well by the health care workers. A number of factors are attributed to the mode of training and development, the need for performance appraisal, and majorly the issue of reward and compensation.

Ministers of health during the fifty-second session of the WHO Regional Committee for Africa (WHO 2013) observed that service delivery in most public hospitals in Africa is very poor. A number of strategies have been put in place by the government but they seem to bear minimum results. One of the strategies has been the application of the HRM practices at all levels of administration also known as Human Resource for Health (HRH) which is argued to be a critical component of a health system that is also large consumer of health resources, but the frequent strikes and boycotts in the health sector fraternity could be an indication that the Human Resource for Health practices have not been successful in the management of health care workers. Previous studies have focused on the effect of reward and compensation on the performance of various organizations and the performance based compensation on the performance of health care workers in public hospitals in Kenya have not been established. Therefore, this study sought to bridge the

existing gap by focusing on the effect of performance based compensation on performance of health care workers in public hospitals in Kenya.

Literature Review

High performance work practices

High performance work practices (HPWP) also known as high involvement work system, best human resource management practices and high commitment work systems. Being a new concept, its definition has not yet reached a consensus among scholars. The dimensions of HPWP include: selective training, employment security decentralization of decision making, information sharing and fair payment (Pfeffer 1998). Employee voice is also considered an integral component of HPWP (Budd *et al.,* 2010). Employees are considered the key carrier of HPWP (Zhu and Chen 2014).

HPWP can formulate and exchange relationship in the organisation on the basis of social exchange literature. through fair rewards, extensive training and development, knowledge sharing employees can feel the support of their organization and a strong sense of identity and in return reciprocate by doing their job beyond and above formal role requirements that are not specified in the job description. Zhu *et al*., (2018) in their study of the relationship between HPWP and corporate performance through the moderating role of entrepreneurial orientation, gathered data by surveying high level executives from the firms in the manufacturing or service industries. They found out that HPWP can improve corporate performance through entrepreneurial orientation. They also found out that when an organization has a high level of learning capability, employees will acquire, utilize, and share knowledge more actively. in this way, HPWP can be more effectively implemented. In contrast, a lower level of organisational learning will weaken the effects of HPWP on corporate performance. This study explored the effects of HPWP on corporate performance at the organizational level. However, past researchers have found that HPWP can as well influence individual performance such as employee satisfaction, turnover rate, employee creativity etc. The study suggested that future studies may add employee performance as individual-level variables.

Shin & Konrad, (2016) investigated the causality between High-Performance Work Systems and organizational performance. They used the systems theory to suggest a very complex relationship where performance provides feedback on HPWP in the form of information and resources. The Statistics Canada administered the Workplace and Employee Survey (WES) to a stratified sample of Canadian businesses. Measures for the study were taken from the workplace survey with the respondents being senior managers at each establishment. The HPWP used in the study were: training and development, incentive compensation, employee involvement or empowerment and participative work design. To test causality between HPWS and performance, the researchers tested a cross-lagged panel model, with structural equation modeling (using AMOS). The study

found out that there is positive feedback between HPWP and organizational performance and an increase in one results in an increase in generating a virtuous performance cycle.

Alrifae, Wahab and Alsheikh (2021), in their conceptual review on Jordanian hospitals found out that HPWP had an effect on employees' behavioural factors. This included task performance and contextual performance. Their review improved on the AMO which claims that the HPWP is a combination of key practices, such as continuous training and development to improve ability levels, performance-based compensation, result oriented performance appraisal to improve motivation, and empowerment based employee relations that improve opportunities to contribute. Their study had job stress as the moderating role in the relationship between HPWS and employee performance.

Empirical Review

Hameed *et al.,* (2014), asserted the Impact of compensation on employee performance from banking sector of Pakistan. A questionnaire was designed to collect the data on the factors related to compensation like salary, rewards, Indirect Compensation and employee performance. The data was collected from different banks of Pakistan. The results showed that Compensation has positive impact on employee performance. It is proved from correlation analysis that all the independent variables have weak or moderate positive relationship to each other. Regression analysis shows that all the independent variables have insignificant and positive impact on employee performance. Descriptive analysis also reveals that compensation had positive impact on employee performance. ANOVA results reveal that education have not same impact on employee performance.

Edirisooriya, (2014), examined the impact of rewards on employee performance in a public sector organization in Sri Lanka. Hence, this study has examined the relationship between extrinsic reward, intrinsic reward and employee performance in Electric Co. 100 employees were taken as the sample by means of stratified random sampling method and self-designed questionnaire was used as the primary data collection method. The data was analyzed using descriptive statistics and inferential statistics. Hypotheses were developed and tested based on the conceptual frame work. The results revealed that there is a positive relationship between extrinsic reward, intrinsic reward and employee performance. Further the findings showed that among all independent variables pay and recognition were most important and more influential variables on employee performance.

Ibrar and Khan, (2015), investigated the impact of reward on employee performance in Malakand Private School. 100 questionnaires were used to check the respondent's opinion. Descriptive analysis, correlation and multiple regression tests were applied for data analysis were performed. The study concludes that there is positive relationship between rewards (extrinsic and intrinsic) and employee's job performance. Most of the organizations implement rewards system to increase the job performance and job satisfaction.

Aktar *et al.,* (2012) researched on the impact of rewards on employee performance as well as to identify the relationship between extrinsic and intrinsic rewards in commercial banks of Bangladesh. A total of 200 questionnaires were distributed to employees of the commercial bank and a total of 180 employees completed the questionnaire properly. The result indicated that there is a statistical significant relationship between all of the independent variables with dependent variables employee work performance and all the independent variables have a positive influence on employee work performance.

Sidabutar *et al.,* (2020) analysed the Impact of Compensation, Motivation, and Job Satisfaction on Employee Performance. Data were collected by online survey of 150 employees. The collected data were analyzed using SPSS and Structural Equation Modelling (SEM). The results of this research are indicating if compensation, motivation, and job satisfaction can improve employee performance. Therefore, this research has several important conclusions for company management, if with compensation, motivation and job satisfaction; the employee's performance will increase.

Susanto *et al.,* (2020), examined the Effect of Leadership and Compensation on Employee Performance. This research aims to evaluate the effects of leadership and compensation toward employee performance, and the role of motivation in Savings and Loans Co-operatives in Palembang, Indonesia. The study took 100 respondents from a population of 130 co-operatives' managers. The researchers applied validity and reliability testing towards 30 pilot testing respondents. The descriptive analysis used SPSS and inferential analysis used Lisrel 8.8. with Structural Equation Model (SEM). The findings revealed that leadership significantly affect work motivation. Compensation does not affect work motivation.

Dwianto *et al.,* (2019), researched on the Effect of Compensation on Employee Performance at PT. Sango Indonesia. The results of the study showed that Compensation has a contribution of influence of 50.83% on the performance of employees of PT. While the remaining 49.17% is influenced by other factors. From the results of the study it can be concluded that compensation is needed to help strengthen the organization's key values and facilitate the achievement of organizational goals.

Yulianti *et al.,* (2019), researched on the Effect of Compensation and Competence on Employee Performance. This research was conducted with the number of respondents as many as 30 employees. The sampling technique used was simple random sampling technique. Hypothesis was tested by multiple linear regression tests through the SPSS 21 program for Windows. The results showed partially that compensation had a significant effect on employee performance Simultaneously compensation and competence have a significant effect on employee performance (a case study of PT Serbuk Jaya Abadi employees in KebonArang Village), with a coefficient of determination (R Square) obtained value of 0.911 which shows that 91.1% performance can be

explained by compensation and competence while the remaining 8.9 performance is influenced by other variables not examined in this study.

Putra, (2019), investigated the effect of Compensation, and Training on Work Discipline and its impact on Employee Performance of the Regional Research and Development Planning Agency in Dharmasraya Regency. The study used descriptive quantitative methods. The study population consisted of 22 people from employees. The data analysis technique used was linear regression analysis and path analysis using the SPSS program, with $\alpha = 0.05$. The results of the study showed that Compensation and Training were able to improve the Discipline of employees of in Dharmasraya Regency. The empirical findings indicate that to improve the performance of employees of in Dharmasraya District, it is necessary to pay attention and focus more on improving Compensation, Training and Work Discipline.

Okeke and Ikechukwu, (2019), examined the effects of Compensation Management and Employee Performance in Nigeria. The study aimed at investigating the influence of performance based compensation, competency-based-compensation and equity based-compensation on employee performance. The population of the study comprises 257 public secondary schools in Anambra State. The study concludes that compensation management has significance effect on employee performance in Nigeria organization. The study recommends that every organization should make equity-based compensation as compulsory policy since equity-based compensation are used more extensively in firms for ensuring maximum performance. Based Compensation, Competency-Based-Compensation, Equity Based Compensation and Employee Performance.

Omuya, (2018) sought to evaluate the influence of compensation and reward on employees' performance in public universities in Kenya. The target population included all the HR workers in selected public universities with a sample of 125 HR employees. Structured questionnaire was used as the main primary data collection instrument while secondary data was obtained from literature developed by scholars. The findings established that most respondents agreed that good compensation and reward have contributed to employee performance. The study recommends that public universities should adhere all the guidelines stipulated in the HRM Practices to enhance employee performance and productivity.

Njoroge, and Kwasira, (2015) analysed the influence of Compensation and Reward on performance of employees at Nakuru County Government. A survey was carried out within the 11 sub-counties in Nakuru County Government with the study adapting a descriptive research design. Stratified random sampling technique was employed on a target population of 6,400 respondents from the same geographical area of study. Simple random sampling was used to select the respondents that formed a sample size of 98 respondents. Primary data was collected using questionnaires and interview schedules with a combination of open and closed questions. The findings indicated that there was a strong relationship compensation and reward on employee

performance in the county government of Nakuru. The researcher therefore recommended training needs and other nonmonetary rewards practices in order to enhance employee performance.

Theoretical Framework

Expectancy theory was proposed by Victor Vroom, (1964), it assumes that motivation to apply effort is conscious choice process. According to this theory people choose to put their effort into activities that they believe they can perform and that will produce desired outcomes. It argues that decision about which activities to engage in are based on combination of three set beliefs, expectancy, instrumentality and valence. Expectancy beliefs represent the individual's judgment about whether applying (or increasing) effort to a task will result in its successful accomplishments.

Employees (health care workers) with high expectancy believe that their effort, no matter how great, will affect their performance. All things equal, the study is anticipating that employee should engage in tasks like coaching, appraisal and rewards which they have expectancy beliefs. The theory implies that employees always have certain expectations of their jobs and this is always attached to certain outcomes. Employees should be recognized for their hard work and be rewarded as per the job grades and scales they have been placed. This theory through management development can also offer a way to diagnose performance problems and then suggest how these problems can be overcome. In line with the HRM practices, Expectancy perspective ensures that employees make their jobs interesting and enjoyable for rewards of desirable performance outcomes (Cole, 2002). The relevance of this theory to the study is that Public hospitals have initiated rewards and compensation that are supposed to be attractive so as to achieve a desired outcome among the health care workers. Thus employees have to exert effort in their work that will lead to a certain level of performance desirable by management, which will then result to a reward.

Conceptual Framework

The conceptual framework depicts the relationship between independent and dependent variables. The independent variable was performance based compensation and the dependent variable is employee performance.

Independent Variable

Performance based Compensation
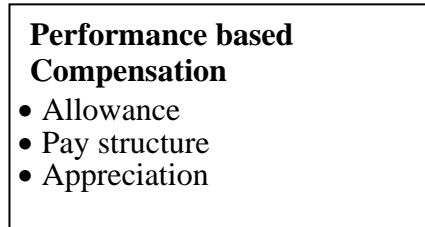
Dependent Variable

Employee performance

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┌─────────────────────────┐          ┌─────────────────────────┐
│ Performance based       │          │ Employee Performance    │
│ Compensation            │  ───────▶ │ • Self-efficacy         │
│ • Allowance             │          │ • Creativity            │
│ • Pay structure         │          │ • Efficiency/effectiveness│
│ • Appreciation          │          │                         │
└─────────────────────────┘          └─────────────────────────┘
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Figure 1: Conceptual Framework

Research Methodology

The research methodology refers to the system of techniques or systems utilized as a part of sampling and collecting information needed for specific research. Explanatory research was used in this study. This design endeavors to determine the relationship between variables it goes for recognizing how one variable influences the other; it looks to give an experimental clarification to the causality and circumstances and end results connection between at least one factors, (Cooper & Schindler 2014). They are likewise utilized when the reason for the study is to answer "why" in a given setting. According to Cooper and Schindler, (2014) explanatory research focuses on why questions.

The target population is the entire aggregation of respondents that meet the designated set of criteria. The target population of the study was the health care workers working within NOREB region. The target population in this study comprised of 481 health care workers comprising of 8 Medical Officers of Health (MOH), 19 medical doctors, 65 clinical officers, 67 pharmacists and 322 nurses, drawn from eight counties.

Sampling frame is the list of elements from which the sample is actually drawn (Cooper & Schindler, 2014). A sample of the health workers from NOREB counties was obtained for the purpose of drawing conclusions about population targeted. Stratified sampling technique was used to categorize health staff into medical doctors, clinical officers, pharmacists and nurses forming a stratum. The study used purposive sampling to select 8 Medical Officers of Health. The study used simple random sampling to select 8 medical doctors, 30 pharmacists, 29 clinical officers, and 143 nurses.

Sample size measures the number of individual samples measured or observations used in a survey experiment. From the target population of 481, Yamane Taro (1973) sample size formula was used to select a sample size of 218 respondents shown below;

n = $\dfrac{N}{1 + N(e)^2}$

Where; n = the sample size, **N** = the population size; **e** = the acceptance sampling error

Thus, sample size was as follows:

$481/(1+481(0.05)^2) = 218$

The researcher used questionnaires instruments for primary data collection. The questionnaires consisted of closed ended questions. Before the actual data collection exercise took place, the researcher undertook preliminary survey within the private hospitals in Eldoret town in order to test the instruments and also make appointments with the concerned authorities.

Cooper and Schindler (2014) noted that, for most student questionnaires, the minimum number for pilots is 10 responses, while between 100 and 200 responses are typical for broad surveys. Simon (2011) argued that the sample of 10-20 percent of the sample size for the actual study is be a fair number of participants to consider enrolling in the pilot. The study pre-tested the data collection instruments and detected a few issues with the questionnaire which the researcher corrected with the help of the supervisor.

Reliability refers to extent to which a measurement instrument is able to yield consistent results each time it is applied under similar conditions. In this study, since the questionnaire items were adopted from previous studies but tailored to hospital context, it was prudent to conduct a pilot test to refine the instrument. As a result, a pilot study was carried out in order to test and remove confusing words and improve the clarity of the questions items and strengthen its reliability. Again, statistically, the Cronbach's alpha was used to assess the reliability of an instrument. A reliability values of 0.70 and above are considered by many researchers as acceptable (Cooper & Schindler, 2014).

Validity refers to the extent to which the instrument measures what it intends to measure (Heale, & Twycross, 2015). Face validity was established by pilot study. Construct validity measures how statistically meaningful the items are in measuring a construct. This form of validity was established through the statistical measurements in this research. Content validity of an instrument is improved through expert judgment. The feedback obtained was used to revise the questionnaire before administering it to the study respondents, for construct validity exploratory factor analysis of the constructs was carried out, this helped in identifying usable items for each study construct.

After all data have been collected, the data was coded and entered in the computer for analysis using the Statistical Package for Social Sciences (SPSS v26). Quantitative techniques such as descriptive statistics and inferential statistics were used to understand relationships between different variables. The descriptive statistical analysis used included mean, percentages, standard

deviation and frequencies. Inferential statistics were used to analyze relationship between variables. This was done using correlation and linear regression analysis.

Linear regression analysis was used to test the Hypotheses and model was as follows:

$Y = \beta_0 + \beta_1 X_1 + \varepsilon$ …………………………………………….Equation 1

Where;

Y = employee performance; β_0 = the constant, X_1 = performance based Compensation

ε = error term

β_1, = coefficient of predictors

Results

Descriptive Analysis

The respondent was asked to show to what degree they agree or disagree on effects of high-performance work practices on the performance of health care workers in public hospitals in Kenya. The study used a 5-likert scale to accomplish the these, where 1= Strongly Disagree (SD), 2= Disagree (D), 3= Neutral (N), 4= Agree (A), 5= Strongly Agree (A), 5= Strongly Agree (SA). The researcher used the frequency, percentage, mean and standard deviation to present the descriptive findings. The respondent was asked to indicate to what extent they agreed with various aspects of employee performance in public hospitals using a 5-likert scale. A total of eight items were used to explore the respondent's views on the employee performance in public hospitals in Kenya and findings are presented in Table 1.

Majority of the respondents 156(79.6%) agreed that they love their job and always go beyond what is assigned to, with 26(13.3%) disagreed and 14(7.2%) were undecided (*M=4.13; SD=1.03*). Most of the respondents 190(96.9%) agreed that they understand their job well and do it with minimal time and effort and 6(3.1%) disagreed (*M=4.56; SD=0.66*). Majority of the respondents 178(90.8%) agreed that they frequently encounter and solve new challenges in their job, 12(6.2%) disagreed and 6(3.1%) were undecided (*M=4.31; SD=0.91*). Majority of the respondents 188(95.9%) agreed that they manage to plan their work and adequately complete assigned duties and 8(4.1%) disagreed and (*M=4.38; SD=0.82*).

Majority of the respondents 160(81.6%) agreed that they dependable in handling patients service problems, with 24(12.2%) disagreed and 12(6.1%) were undecided (*M=3.99; SD=1.21*). Most of the respondents 178(90.8%) agreed that they kept patients informed about when services were performed and 8(4.1%) disagreed (*M=4.28; SD=0.89*). Majority of the respondents 164(83.7%) agreed that they able to inspire trust and confidence among patients, 18(9.2%) disagreed and 14(7.1%) were undecided (*M=4.19; SD=1.05*). Most of the respondents 160(81.6%) agreed that

the equipment and other physical facilities are modern and appealing to patients, 12(6.1%) disagreed and 24 (12.2%) were undecided and (*M=4.08; SD=0.90*).

Table 1: Employee Performance in public hospitals in Kenya

	SD		D		UD		A		SA		Mean	Std Dev
	F	%	F	%	F	%	F	%	F	%		
I love my job and always go beyond what is assigned to me	8	4.1	6	3.1	26	13.3	68	34.7	88	44.9	4.13	1.03
I understand my job well and do it with minimal time and effort			6	3.1			68	34.7	122	62.2	4.56	0.66
I frequently encounter and solve new challenges in my job.	6	3.1	6	3.1	6	3.1	82	41.8	96	49.0	4.31	0.91
I manage to plan my work so that I adequately complete assigned duties	6	3.1	2	1.0			92	46.9	96	49.0	4.38	0.82
I am dependable in handling patients service problems	20	10.2	4	2.0	12	6.1	82	41.8	78	39.8	3.99	1.21
I keep patients informed about when services were performed	8	4.1			10	5.1	90	45.9	88	44.9	4.28	0.89
I am able to inspire trust and confidence among patients	8	4.1	10	5.1	14	7.1	68	34.7	96	49.0	4.19	1.05
The equipment and other physical facilities are modern and appealing to patients	4	2.0	8	4.1	24	12.2	92	46.9	68	34.7	4.08	0.90
Overall mean											**4.24**	**0.61**

A total of eight items were used to explore the respondent's opinion on the employee performance. The overall mean response score among the respondents with regard to employee performance

was 4.24 and standard deviation of 0.61. This mean lies in the interval which implies that respondents agreed on the statements used to measure employee performance in public hospitals in Kenya.

The employee performance in public hospitals in Kenya the study found out that the employees love their job and always go beyond what is assigned to and they understand their job well and do it with minimal time and effort. The employees frequently encounter and solve new challenges in their job, manage, plan their work and adequately complete assigned duties. Majority of the employees were dependable in handling patients service problems and kept patients informed about when services will be performed. The employees were able to inspire trust and confidence among patients and ensure that the equipment and other physical facilities are modern and appealing to patients.

Compensation practices

A total of nine statements were used to establish how compensation practices influence employee performance in public hospitals in Kenya and responses were elicited on a 5-point likert scale are presented in Table 2. Majority of the respondents 132(67.4%) agreed that hospital pay structure was fair and just, with 20(10.2%) disagreed and 44(22.4%) were undecided (*M=3.89; SD=1.03*). Most of the respondents 148(75.5%) agreed that the hospital provides allowances (risk, transport, housing), with 26(13.3%) undecided and 22(11.3%) disagreed (*M=4.00; SD=1.06*).

Majority of the respondents 98(50%) agreed that employer respects an appreciates them whenever they do beyond expectations, 70(35.7%) disagreed and 28(14.3%) were undecided (*M=3.26; SD=1.37*). Most of the respondents 112(57.3%) agreed that they work in a very good working environment, with 62(31.6%) undecided and 38(19.4%) disagreed and (*M=3.48; SD=1.12*). Majority of the respondents 102(52%) agreed that health policy does allow switching from a department even after promotion, 54(27.5%) disagreed and 40(20.4%) were undecided (*M=3.33; SD=1.17*).

Table 2: Compensation practices in public hospitals

	SD		D		UD		A		SA		Mean	Std Dev
	F	%	F	%	F	%	F	%	F	%		
The hospital pay structure is fair and just	4	2.0	16	8.2	44	22.4	66	33.7	66	33.7	3.89	1.03
The hospital provides allowances (risk, transport, housing)	6	3.1	16	8.2	26	13.3	72	36.7	76	38.8	4.00	1.06
The hospital provides additional pay for good work	34	17.3	56	28.6	36	18.4	38	19.4	32	16.3	2.89	1.35
My employer respects an appreciates me whenever I do beyond expectations	24	12.2	46	23.5	28	14.3	52	26.5	46	23.5	3.26	1.37
I work in a very good working environment	8	4.1	30	15.3	62	31.6	52	26.5	44	22.4	3.48	1.12
Our health policy does allow switching from a department even after promotion.	14	7.1	40	20.4	40	20.4	72	36.7	30	15.3	3.33	1.17
I always get overtime and uniform allowances	26	13.3	46	23.5	48	24.5	60	30.6	16	8.2	2.97	1.18
There exist a team that deals with employee rewards.	18	9.2	38	19.4	66	33.7	54	27.6	20	10.2	3.10	1.11
There exists a system in the county of compensating employees	22	11.2	40	20.4	58	29.6	48	24.5	28	14.3	3.10	1.21

if they achieve their targets		
Overall mean	**3.33**	**0.78**

A total of nine items were used to explore the respondent's opinion on the compensation practices in public hospitals. The overall mean response score among the respondents with regard to employee performance was 3.33 and standard deviation of 0.78. This mean lies in the interval which implies that respondents were not sure on the statements used to measure compensation practices in public hospitals in Kenya.

The descriptive results indicated that hospital pay structure was fair and just and the hospital provides allowances (risk, transport, housing). The employer respects an appreciates them whenever they do beyond expectations, employees work in a very good working environment and the health policy does allow switching from a department even after promotion.

Factor Analysis for Employee Performance

Factor analysis was employed to help in identifying the actual number of factors that actually measured each construct as perceived by the respondents. The validity of the instrument was measured through Kaiser-Meyer-Olkin measures of sampling adequacy and Bartlett's Test of Sphericity. Kaiser- Meyer- Olkin was used as a measure of sampling adequacy and a value of 0.5 was acceptable. Bartlett's test of sphericity was used to test the adequacy of the correlation matrix and should be significant.

Table 3: Rotated Component Matrix^a for Employee Performance

	Component		
	1	2	3
I am able to inspire trust and confidence among patients	.893		
I keep patients informed about when services were performed	.885		
I am dependable in handling patients service problems	.865		
The equipment and other physical facilities are modern and appealing to patients	.645		
I love my job and always go beyond what is assigned to me		.885	
I manage to plan my work so that I adequately complete assigned duties		.858	
I understand my job well and do it with minimal time and effort			.845
I frequently encounter and solve new challenges in my job.			.802
Kaiser-Meyer-Olkin Measure	.725		
Bartlett's Test of Sphericity			
Approx. Chi-Square	779.506		
df	28		
Sig.	.000		
Total Variance Explained (78.55)	35.311	22.365	20.876
% of Variance			
Total Eigenvalues	2.825	1.789	1.670

 Extraction Method: Principal Component Analysis.

 Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

Eight indicators were proposed to measure employee performance. The KMO value of employee performance was 0.725 indicating that sampling was adequate. The significant chi-square value for Bartlett's test of sphericity ($\chi^2 = 779.51$, p<0.05) confirmed that data collected for employee performance was adequate (Table 3). None of the indicators were deleted and all the indictors were retained, computed and renamed performance for further analysis. The indicators extracted loaded highly on three-dimension factors.

Factor Analysis for compensation practices

Nine indicators were proposed to measure compensation practices. The KMO value of employee voice was 0.796 indicating that sampling was adequate. The significant chi-square value for Bartlett's test of sphericity ($\chi^2 = 663.32$, p<0.05) confirmed that data collected for compensation practices was adequate (Table 4). None of the indicators were deleted and all the indictors were retained, computed and renamed compensation for further analysis. The indicators extracted loaded highly on two-dimension factors.

Table 4: Rotated Component Matrix^a for compensation practices

	Component	
	1	2
There exist a team that deals with employee rewards.	.818	
There exists a system in the county of compensating employees if they achieve their targets	.792	
My employer respects an appreciates me whenever I do beyond expectations	.749	
The hospital provides additional pay for good work	.609	
Our health policy does allow switching from a department after promotion.	.529	
I always get overtime and uniform allowances		
The hospital pay structure is fair and just		.854
The hospital provides allowances (risk, transport, housing)		.844
I work in a very good working environment		.710
Kaiser-Meyer-Olkin Measure	.796	
Bartlett's Test of Sphericity		
Approx. Chi-Square	663.322	
df	36	
Sig.	.000	
Total Variance Explained (58.88)	32.967	25.914
% of Variance		
Total Eigenvalues	2.967	2.332

Extraction Method: Principal Component Analysis.

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 Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

Regression analysis

A linear regression model explored the effect of performance-based compensation on employee performance. The R^2 represented the measure of variability in employee performance that performance-based compensation accounted for. From the model, $R^2 = 0.038$ shows that training and development accounted for 3.8% variation in employee performance. The performance-based compensation predictor used in the model captured the variation in the employee performance as shown in Table 5.

Table 5 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.194[a]	.038	.033	.60300

a. Predictors: (Constant), Compensation

Analysis of Variance on performance-based compensation and Employee performance

The study used Analysis of variance to check whether the model could forecast the result better than the mean, as seen in Table 6. The regression model that used performance-based compensation as a predictor was important (F=7.57, p value =0.000), indicating that performance-based compensation has a substantial impact on employee performance.

Table 6 Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.753	1	2.753	7.570	.006[b]
	Residual	70.540	194	.364		
	Total	73.292	195			

a. Dependent Variable: Performance

b. Predictors: (Constant), Compensation

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Performance based compensation and Employee performance Coefficients

Table 7: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.747	.189		25.090	.000
	Compensation	-.152	.055	-.194	-2.751	.006

a. Dependent Variable: Performance

The study had hypothesized that there is no significant relationship between performance-based compensation on employee performance. From the findings performance-based compensation had negative significant effect on employee performance (β= -.152 and p value >0.05). Therefore, a decrease in performance-based compensation led to decrease in employee performance. The study therefore rejects the null hypothesis (**Ho**).

The findings agree with Okeke & Ikechukwu, (2019), that compensation management has significance effect on employee performance in Nigeria organization. Therefore, every organization should make equity-based compensation as compulsory policy since equity-based compensation are used more extensively in firms for ensuring maximum performance. The findings concur with Omuya, (2018) that most respondents strongly agreed or agreed that good compensation and reward have contributed to employee performance. Edirisooriya, (2014), that there is a positive relationship between extrinsic reward, intrinsic reward and employee performance. The pay and recognition were most important and more influential variables on employee performance. The findings contrast Hameed *et al.,* (2014), that compensation has positive impact on employee performance. It is proved from correlation analysis that all the independent variables have weak or moderate positive relationship to each other.

Conclusions and Recommendation

The study concluded that performance-based compensation had negative significant effect on employee performance in public hospitals. The hospital pay structure was fair and just and the hospital provides allowances (risk, transport, housing). With improvement in compensation and practices employee performance in Public Healthcare sector will significantly improve.

The study found that compensation and empowerment practices significantly influence employee performance in Public Healthcare Sector in Kenya. Therefore, Public healthcare Sector should

come up with policy guidelines that will lead to design compensations practices that can cultivate commitment among employees in all levels.

The Public Healthcare Sector in Kenya needs to carry out a comprehensive compensation survey to enable understanding of which practices would be more appropriate in their situations and develop appropriate compensation policies. The Public healthcare sector should ensure that compensation is paid on time if they are committed to improving employee performance. This study therefore recommends to the management to ensure consistencies and uniformity in compensation practices.

Future studies should be conducted in private hospitals in order to make comparisons. Future studies should also determine whether employee relations practices adopted in different hospitals explain the differences in performance among public healthcare facilities.

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