ISSN 2348-3156 (Print)
International Journal of Social Science and Humanities Research ISSN 2348-3164 (online)
Vol. 7, Issue 2, pp: (332-335), Month: April - June 2019, Available at: www.researchpublish.com

INFLUENCE OF EMPLOYEE BENEFITS ON EMPLOYEE PERFORMANCE IN THE STATE CORPORATIONS IN KENYA

[1]Regina Wairimu Kamwenji, [2]Dr. Patrick Karanja Ngugi, PhD,
[3]Dr. Mary Kamaara, PhD, [4]Professor Romanus Odhiambo

[1, 2, 3,4] College of Human Resource Development, Jomo Kenyatta University of Agriculture and Technology, P.O BOX 62000-00200 Nairobi, Kenya

Abstract: **The government through its employees manages and allocates resources to the citizenry through the various public institutions. Hence, the need to have proper and efficient monitoring mechanisms on performance of the public officers and factors contributing to unrealized targets. The main objective of the study was to establish the influence of employee benefits on Employee Performance in the State Corporations in Kenya. The study was guided by three theories which include; Abraham Maslow's, Hertzberg's, Vrooms' expectancy, scientific management, Adams Equity Reinforcement and goal setting theories. The study used descriptive and explanatory research designs and targeted 6 respondents from the 107 sampled state corporations totaling to 642. The probability and non-probability sampling was adopted and the study used stratified sampling and purposive sampling. The questionnaire reliability was checked with the use of Cronbach alpha ratio and SPSS prepared and undertook the procedure of converting data in to information referred to as analysis. This was checked at 95% significance level through application of regression analysis and results were presented and discussed through pie charts, pie charts, graphs, bar charts and tables. In summary, the findings indicated that most state corporations are keen to offer benefits to the employees that include retirement benefits and medical cover. The respondents also pointed out that their organizations had staff welfare scheme that would be able to assist their employees in their social issues. However, it was noted that employees' needs were not met fully by the welfare schemes.**

Keywords: **Reward Management Practices, Employee Benefits, Employee Performance, State Corporations.**

1. INTRODUCTION

Employee Performance has been of great interest to firms in the existing turbulent environment. The workforce is the engine of the firm and compensation is the fuel and no firm can attain its goals without an effective workforce. The people or the human resources are the ones who create value for a firm. The success of a firm hence is dependent on the individual productivity and performance of each employee (Hellen *et al*, 2014).

The various schemes are designed to increase the performance of a firm by ensuring that the financial performance of a firm are in line with employees interests (Chin-Ju, 2010). Danish and Usman (2010) indicated that effective implementation of recognition and rewards within an organization create conducive working environment hence motivating employees to improve their performance. Appreciation and benefits are the main areas that every firms reward systems should concentrate on. According to Galanou *et al*. (2010), rewards play an important role in motivating employees leading to improved job performance.

Ineffective reward management strategies are prevalent in a majority of corporations leading to staff demotivation and subsequent poor performance (The Society for Human Resource Management, 2012). Hence, according to Jilani and Juma (2015), effective reward systems ought to center their focus on the positive reinforcement.

Differences in reward practices that involve monetary allowances exist in the Kenyan job market as indicated by the Kenya Institute for Public Policy Research and Analysis (2013). KIPPRA (2013) asserts that there have been wage differences between the private and the public corporations in Kenya where a wage premium is favored to the public sector. The assertion implies that the Kenyan State Corporations adopt a numerous reward practices that can range from financial incentives, non-financial rewards, employee benefits, and allowances, as well as work life focus benefits. Irrespective, those employed by private entities have a higher wage premium compared to that of the civil servants. It is against this background that the study sought to establish the influence of employee benefits on Employee Performance in the State Corporations in Kenya.

2. STATEMENT OF THE PROBLEM

According to the Public and Benefits Policy (2015), wage compensation and labor cost competitiveness, which influence employee performance, have not been adequately implemented in Kenya's wage determination structures. Lack of a comprehensive reward management system in a majority of Kenyan state corporations has created dissatisfaction among employees leading to decreased staff morale and consequently decreased employee performance. The consequent poor results are evident in the GDP report that contrarily to Vision 2030’s projection of annual GDP growth rates of 10% until 2030; the growth rate has been slow at 4.56% in 2012, 5.69% in 2013 and 5.33% in 2014, 5.65% in 2015 and 5.99% in 2016 (Statista, 2015). The score of global labour standard of percentage available man hours used for productive work in Kenya is 35.4%, while the global standard is at 75% (KIPPRA, 2013). The percentage gap of 39.6% is a reflection of low achievement levels in employee performance which depicts the struggle in attainment of the GDP growth rate. This study therefore sought to establish the influence employee benefits on employee performance in the State Corporations in Kenya.

3. OBJECTIVE OF THE STUDY

The main objective of the study was to establish the influence of employee benefits on employee performance in the state corporations in Kenya.

Research Hypotheses:

H_A: Employee benefits significantly influence Employee Performance in the State Corporations in Kenya.

4. LITERATURE REVIEW

The theories important and vital to this study include Abraham Maslows’ hierarchy, of needs, Vroom’s Expectancy, theory, Goal setting, Theory, Hertzberg’s theory, Reinforcement Theory, Scientific Management Theory and Adams equity theory.

Employee benefits refers to any other form of pay accorded by an organization apart from the wages and salaries that is payable in part or in full by a firm of which the benefits can be mandatory such as pension schemes or non- mandatory such as tuition refunds (Amah & Ahiauzu, 2013). Employee benefits also known as fringe benefits include various types of non financial benefits paid to employee on top of their normal salaries and wages. Employee benefits may include group insurance for health, life etc, retirement or pension benefits, daycare, sick leave, tuition reimbursement, or staff welfare.

The decision rationale of rewarding employees in any other form apart from the monetary payment in part or whole demonstrates the roles that the various elements of the reward play in motivating retaining and recruiting employees in an organization. There can also be tax advantages associated with certain benefits for example child care provision and relocation expenses. The rewards not only improve the performance of individual workers but also the entire organization and subsequent employee retention (Shields *et al*, 2015).

A study by Kamau (2013) indicates that the issuance of benefits such as the retirement benefits are string influencers of worker’s behavior since it gives the younger employee a compelling reason to continue working. Presently, especially in the western world, benefits provided to the employees plays an important role in motivating employees being a part of the organizational expenses and total compensation of a firm. According to DeCenzo & Robbins (2010), 40% of the total compensation package constitutes employee benefits.

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Kamau (2013), noted that the issuance of benefits such as the retirement benefits contribute significantly to worker's behavior. Obiageli, Uzochukwu, & Ngozi (2013), note that work life benefits such as issuance of employee leave and vacations has positive effects on employee productivity and motivates them to deliver services more effectively. This study aims to bring out the contribution of the variables under study and their correlation to employee performance.

5. RESEARCH METHODOLOGY

The study used both the descriptive and explanatory designs as they encompass the quantitative and qualitative research designs. According to Dane (2011), the mixed methods methodology, which will be used in this study, entails determining the frequency with which phenomenon occurs or the relationship between variables.

The primary benefit of using the mixed method research design is that it helps the researcher to gain an in depth of understanding and corroboration between the variables. The study was carried out in the 178 state corporations in Kenya (ROK, 2012) with 642 respondents being sampled. The state corporations are categorized as commercial, regulatory, tertiary, research and service. The unit of analysis was the 2 top managers reporting to the Chief Executive Officer, 2 officers or assistant managers and 2 assistant officers.

In addition of primary data secondary data was also included to aid achievement of the objectives. Questionnaires are used to capture data or information from respondents and data considered secondary is taken from internet, libraries and other publications of the organization.

Data analysis took place at two levels – descriptive statistics level and inferential statistics level. Descriptive analysis aims at summarizing distributions and describing a set of data on variables of the study. This analysis was used to profile respondents. It was carried out by producing percentages, means and standard deviation and results were displayed in tables. Simple and multiple linear regressions were used to test the hypothesis. The Pearson correlation coefficient was used to determine the strength or degree of a relationship between the independent variable and the dependent variable (Sekaran, 2013). All the statistical tests were conducted at 95 percent confidence level. P-value was used to ascertain the significance of each construct in the regression model. The variables were taken to be statistically significant if the p-value ≤ 0.05.

6. RESEARCH FINDINGS AND DISCUSSIONS

The study tested the effect of employee benefits on employee performance through hypothesis that H_A: *Employee benefits significantly influence Employee Performance in the State Corporations in Kenya.* The average indexes for all the dimensions for both employee benefits on employee performance were determined and a regression analysis carried out.

Table 1: Effect of Employee Benefits on Employee Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.480[a]	.230	.228	.64923

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	62.820	1	62.820	149.040	.000[b]
	Residual	210.328	499	.421		
	Total	273.149	500			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.080	.153		13.555	.000
	Employee Benefits	.502	.041	.480	12.208	.000

The results in the model summary show that R=.480 suggesting that there exists a moderate relationship between the constructs of employee benefits and employee performance. Coefficient of determination R^2=.230 implies that employee benefits constructs influence employee performance by 23.0%. This is significant since p-value<0.05 at 95% confidence level. The results shows that the overall model is significant (F=149.040, p<0.05). Further the coefficient shows a significant influence of employee benefits on employee performance (β=.502, t=12.208, p<0.05). This implies therefore that employee benefits significantly influence employee performance and thus the hypothesis that employee benefits significantly influence Employee Performance in the State Corporations in Kenya is supported.

7. CONCLUSIONS

The study also concluded that despite state corporations being aware of the benefits of employee allowances, they had not managed to offer all the various allowances needed by employees in order to facilitate better employee performance. The study concluded that most of the state corporations in Kenya offered learning opportunities to employees.

The findings further concluded that these organizations offered employment security to employees, opportunities for promotion to employees who excel in their performance as well as positive recognition to employees for job well done. The study therefore concludes that most state corporations are aware of the benefits of employee benefits in boosting their performance and they have put in systems to cater for such.

The study recommends that state corporations needs to initiate several measures that are likely to make them able to make employees get involved in making decisions so that those in management can know what they want and what they hate so that they can be looked in to enhance performance. The study concluded that most state corporations in Kenya recognized employee benefits such as insurance and retirement benefits.

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