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COMPENSATION, JOB SATISFACTION AND EMPLOYEE RETENTION AMONG INSURANCE COMPANIES IN KENYA

GRACE NDETO

ST. PAUL'S UNIVERSITY

A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS AND LEADERSHIP IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF BUSINESS ADMINISTRATION (HUMAN RESOURCE MANAGEMENT) OF ST. PAUL'S UNIVERSITY

NOVEMBER, 2024

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DECLARATION

Declaration by the Student

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Declaration by the Supervisor

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DEDICATION

This dissertation is dedicated to my parents, Pastor Peter Ndeto and Mrs. Margaret Ndeto for laying a strong foundation to my life.

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ACKNOWLEDGEMENTS

Firstly, I would like to thank God the Almighty for giving me the knowledge, strength, and intelligence to complete my studies. The success of my dissertation depends largely on the encouragement and guidelines of many people. First, I wish to express my deep sense of gratitude to my supervisor, Dr. William Sang for his able guidance and useful suggestions, which helped me in completing this dissertation in time, Dr. Timothy Kilonzo for reviewing my work positively and inspiring me through valuable and timely comments. Last, but not least, I would like to express my heartfelt thanks to my beloved Dad and Mum for setting the foundation stone of this by taking me to school, to my family and friends for their prayers and support and, to my school friends and my classmates for their help and wishes for the successful completion of this dissertation.

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OPERATIONAL DEFINATION OF TERMS

Compensation	Employee compensation comprises of both monetary and non-monetary rewards that an employer offers for effort, skill and time availed by an employee in satisfying job-related requirements geared towards attaining the goals of the organization.
Financial compensation	This is an act of offering an individual with monetary related rewards in exchange for their labour they have offered and include bonuses, salaries, incentives and insurance cover.
Non-financial compensation	This is an act of providing an individual with non-monetary related rewards in exchange for their labour and includes: promotion, recognition and training.
Job Satisfaction	This is the sum of entire feelings that workers perceive about their job.
Intrinsic factors	Is performing an activity for its own sake rather than the desire for some external reward or out of some external pressure
Extrinsic factors	Behaviour of individuals to execute tasks and learn new skills because of external rewards.
Employee retention	Employee retention connotes the actions of management and employers to keep employees for an extended period of time.
Commitment	This is the prolonged loyalty of the employee towards an organization in service delivery.
Career development	Refers to progression at work place in terms of job designation for a considerable period of time.
Passion at work	High inspiration levels at work place that keeps employee in an organization for long period of time.

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LIST OF ABBREVIATIONS

ANOVA	-	Analysis of Variance
IRA	-	Insurance Regulatory Authority
MLE	-	Maximum Likelihood Estimator
PLS	-	Partial Least Squares
SEM	-	Structural Equation Model
SHRM	-	Society for Human Resource Management
UK	-	United Kingdom
VIF	-	Variance Inflation Factor

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ABSTRACT

The insurance industry is one of the integral sectors that act as a pillar of Kenyan economy. However, employee retention remains to be a dominant concern for in insurance sector based on high employee turnover rates that has been witnessed over the last decade. Consequently, it is therefore important to probe whether employee retention is influenced by compensation and job satisfaction. The main objective of this study was to determine the influence of compensation and job satisfaction on employee retention among insurance companies in Kenya. The specific objectives were to: examine the influence of financial compensation on employee retention; establish the influence of financial compensation on job satisfaction; assess the influence of job satisfaction on employee retention, investigate the influence of non-financial compensation on employee retention; examine the influence of non-financial compensation on job satisfaction; determine the moderating influence of job satisfaction on the relationship between financial compensation and employee retention and finally to establish the moderating influence of job satisfaction on the relationship between non-financial compensation and employee retention. This study is anchored on Hertzberg's motivation, expectancy and equity theories. The study adopted descriptive cross-sectional survey research design and the population of the study comprised of all 41 insurance firms. Cross-section data set was gathered using a structured questionnaire. The independent variable (compensation) was represented by financial and non-financial indicators; job satisfaction (mediator) was operationalized using intrinsic and extrinsic factors whereas employee retention (dependent variable) was measured by career development, commitment and passion at work. The relationship among the study variables was estimated using partial least squares-structural equation model (PLS-SEM). The findings showed that separately, both financial and non-financial compensation had a significant positive influence on employee retention. Similarly, financial and non-financial compensation were positive significant predictors of job satisfaction separately. Furthermore, job satisfaction positively and significantly influenced employee retention. Finally, job satisfaction mediated the relationship separately between both financial and non-financial compensation and employee retention. On theoretical grounds, the results complemented the key postulations of Hertzberg's motivation, expectancy, equity and social exchange theories. On the policy implication, policy prescriptions were made on coming up with measures and policies to address the employee compensation issues that have bedeviled many organizations so as to retain the talented workforce. On practical perspective, the findings enable the mangers to understand that compensation is a key antecedent of employee retention. Finally, the study made suggestions for areas for further study such as using different metrics to operationalize the study variables; integrating moderators and replicating analogous study in a different context.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The employees remain to be entity's vital resource and the failure or success of any firm centers on the aptitude of the employer to retain, attract and compensate properly competent and talented staff. The willingness amongst the employees to stay on particular profession principally is contingent on nature of the compensation package(s) offered by the organization (Index, 2020). To ensure optimal employee retention, organizations must consider a number of suitable ways to compensate the staff so as to realize the favorite results. Arguably, the level to which staffs are satisfied with their work and their preparedness to remain in an organization is a function of compensation packages (Nguyen, 2020). Therefore, compensation is the main concern for both employees and employers. To retain employees, compensation is paramount in satisfying employees' economic aspirations as well as impacting on their attitudes and behaviors. As noted by Aagh, Aazmi and Irfan (2017), pay dissatisfaction has undesirable effect on various employee outcomes. For instance, dissatisfaction with pay has a potential of decreasing job commitment, enhances theft, and eventually catalyzes employee turnover. Moreover, firm's compensation system is progressively construed as a strategic tool in aligning the interests of employees and management and enhancing employee retention via job satisfaction (Pandita, 2018).

The link between employee compensation, job satisfaction and retention remain to be a key challenge in the corporate. The rate at which staff move from one company to another is increasingly alarming and this is attributed to compensation packages offered by various organizations (Ahmad, Liagat & Nizar, 2017). Specifically,

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employee retention is the key concern with respect to organization's competitive edge since it has significant impact on the firm's productivity, efficiency, and sustainability. Especially, staff retention is a mechanism in which the workers are motivated to stay with a firm for elongated period until desired goals have been accomplished. As suggested by Akhigbe, Felix and Firelady (2014), organizations often differentiate themselves from others via their compensation strategies and this forms the basis of attracting and retaining quality staff.

Due to cut throat rivalry for limited skills, the retention and attraction of talented staff has become the key challenge in personnel management. This has led to monumental turnover in most companies especially in the insurance sector (Arora & Kshatriya, 2017). Substantial skill shortage has been noted particularly in Kenya's insurance industry. The retention of highly skilled staff is the major concern for most of the insurance companies in Kenya. To retain and attract, and be profitable, insurance companies require attractive reward systems that satisfy employees (Baskar & Rajkumar, 2015). One of the greatest challenges in the insurance sector is that vast of the compensation strategy is largely based on commission (Bambacas & Kulik, 2018). This has greatly affected the ability of these firms to retain gifted workforce. In addition, the uptake of insurance products for a considerable period in Kenya and regionally has been very low due to lack of awareness and integrity issues in the industry. This makes the work environment to be so tough for many staff which has led to job dissatisfaction hence contributing to increased employee turnover owing to work related frustrations (Alamelu et al., 2015).

Globally, employee retention is poised to become increasingly complex to corporate executives and managers. In the year 20121, for instance, Gallup reports that 24 % of

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U.S. employees were gradually ready and confident to quit their jobs. In 2020, for instance, Gallup reports that: only 32% of US employees were fully engaged in their jobs; 34% of US employees reported shifting jobs within the last 2 years; 59% of staff suggested that the capacity to do what they do best in their roles is valuable to them; only 11% of workers opined that their organizations did great work at on boarding new staff; and 50% of workers suggest that they will change jobs for ones that give flexible working hours (Index, 2020). In Europe, 52% of U.K. workers suggested that they were aggressively prospecting for new jobs or keenly looking for new opportunities (Nguyen, 2020). The rationale for retention and turnover is progressively persistent issues to executives and managers are because staffs shift and what conventionally made them loyal to organizations may be less effective at the present. In India, employee retention is not a major issue due to high unemployment rate. Many workers are willing to work even under lower wage rates (Vizano & Endri, 2020).

Regionally, for instance in South Africa, the manner in which an organization compensates employees is a critical factor which affects the staff job satisfaction and this affects attraction and retention highly skilled workforce (Mabosa & Dlamini, 2017). The employee retention rate varies with the industries with the manufacturing and insurance sectors recording the lower retention rates in South Africa. The employee turnover rate is at 5% in Nigeria meaning that most employees rarely quit work (Silaban et al., 2018). This is largely attributed to adverse effects of COVID-19 pandemic which resulted into massive employee lay-off. Overall, employee retention in Africa is relatively high owing to lack of adequate industries which can absorb the spiralling qualified and talented workforce (Falola et al., 2018).

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Locally, employee retention among many firms varies with the industrial sectors (Ndungu, 2017). Insurance sector has over the last decade face a myriad of challenges associated with employee retention. Vast of the workforce within the insurance industry comprises of the staffs who sell insurance products and they are largely compensated based on the sales volume (commission based). Owing to the underdeveloped insurance uptake in Kenya, coupled with poor payments with respect to the insurance claims, many households have not embraced the insurance products (Oyoo et al., 2019). As a result, many insurance staff face enormous challenges in selling their products and some even quit at their own volition without being fired since they cannot meet their stipulated targets. This study therefore is motivated by these challenges and aims to empirically investigate the link between compensation, job satisfaction and employee retention among the insurance companies in Kenya.

1.1.1 Employee Compensation

Employee compensation comprises of both monetary and non-monetary rewards that an employer offers for effort, skill and time availed by an employee in satisfying job-related requirements geared towards attaining the goals of the organization (Begum & Mohammed, 2016). Pecuniary compensation is related to bonus, wages, pension plans, paid leaves, profit sharing and discount purchases which the staff gets as the exchange for their contribution to the organization. Nevertheless, non-financial compensation is relational return(s) which lay greater emphasis on making life on the job more pleasant and comprises of employment security, challenging work, recognition and status and learning opportunities (Birt et al., 2014). Both non-financial and financial rewards are characteristically depending on level of personal contributions, efforts, the value of job, and performance. As suggested by Calk and Patrick (2017), compensation is the aggregate of the entire rewards given to workers

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in return for the services rendered. According to Close and Martins (2015) compensation is the type of incentive/pay awarded to a staff for carrying out specific services for an employer.

Compensation is construed from aggregate rewards standpoint as it comprises learning opportunities, psychological rewards and recognition on top of financial rewards in form of incentives and basic pay (Chiekezie & Nwanneka, 2017). Based on the reward practices, organizations with an additional entrepreneurial orientation often tend to peg basic pay rates on market comparisons rather than internally related equity concerns (Falola et al., 2018). The attractive monetary package should be adequate to offer incentives for workforce and motivate them to be loyal to the firm. Usually, staffs are rewarded compensated based on their knowledge, skills, education and experience. A study by Carg and Yajurvedi (2016) suggests that workforce will stay in an organization if they are well compensated and will also leave if they are inadequately compensated.

Employee compensation plays a key role in determining the level of job satisfaction. Compensation remains to be one of the significant parts of job satisfaction because it has a powerful influence in ascertaining job satisfaction (Hee & Rhung, 2019). Thus, the escalating cost of living coupled with growing needs of many households compels the employees to seek more income that can comfortably guarantee their livelihoods and satisfaction (Engsih et al., 2020). Employees who are not well remunerated are emotionally dissatisfied (Imran et al., 2014). These emotional discrepancies over time accumulate and grow thus making employees to be unsatisfied and unhappy while serving an organization leading to increased incidences of staff turnover.

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At the firm level, compensation is vital in retaining, attracting, and motivating the workforce to carry on contributing towards corporate success (Inda & Mishra, 2016). Generally, compensation often encourages staff to stay put in employment for a considerable duration. Generous compensation usually retains staff and eventually contributes to employee commitment, loyalty and satisfaction as well (Iqhal & Hashmi, 2015). Employee compensation is also key factor that influences individuals' preference to work with an entity. Numerous firms not merely utilize the compensation scheme to recognize and reward staffs' contributions and efforts, but equally act as an important tool for motivation to enhance workforces' productivity via preventing the intention to leave, ameliorating job performance and raising career satisfaction (Javed & Balouch, 2014). Traditionally, compensation is equally considered as one cost of undertaking business operations. More specifically, it does not only affect retention and hiring decisions only but it is also an important instrument in aligning staffs' interest with corporate objectives by providing and designing rewards for achieving precise goals assigned to them (Khan & Aleem, 2014). Compensation is also important in injecting the workforce with self-confidence. Providing diverse compensation schemes is one way of appreciating the efforts of the workforce which aids them to realize that they are being valued by the organization (Triana, 2017). Compensation also acts as stress reliever in the sense that when a company is providing varied kinds of insurances to the staff, it will alleviate fears (Eslam, Bangish, Muhammad & Jehan, 2016).

From empirical literature, compensation has been operationalized in diverse ways. According to Jeet and Sayeedduzzafar (2014), compensation can be decomposed into two: financial compensation which comprises of salary, incentive pay, allowances and overtime or non-financial compensation promotion, training and recognition of

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achievements. Jin, McDonald and Park (2016) suggest that staff's compensations largely assume ten forms. These comprises of job bonuses, salary, health insurance for family, pension or holiday allowances, employees involvement in insurance programs, awards received for outstanding staff, recreation program for staff, and tolerable leave periods (Mehta, Kurbetti & Dhankar, 2014). These diverse forms of compensation for workforce are very critical for staffs 'requirements in remaining with the organization (Kossivi et al., 2014). This research adopted financial and non-financial metrics as proxies of employee compensation.

1.1.2 Job Satisfaction

Job satisfaction is the agreeable emotional state which comes from evaluation of personal job as facilitating the attainment of individuals' job values (Kundu & Lata, 2017). Mahmood and Zafar (2016) define job satisfaction it as an emotion of well-being, comfort and pleasure that workforce get when they earn rewards that are commensurate with their contribution. Mita et al. (2014) term job satisfaction as the sum of entire feelings that workers perceive about their job. This implies that positive perceptions toward staffs' job are credited to a high magnitude of job satisfaction whereas negative attitude towards a job indicates job dissatisfaction. As suggested by Nasir and Mahmood (2018), job satisfaction is the degree which the personal desires are attained and the magnitudes which individuals recognize that fulfilment emanate from their aggregate job conditions. Job satisfaction therefore is amalgamation of, physiological, psychological and environmental situation that causes an individual to candidly admit satisfaction with a job (Pandita, 2018).

Apparently, job satisfaction is one of the most significant determinants of firm success. According to Osibanjo (2016), the magnitude of job satisfaction at the work

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place is the key feature that affects absenteeism which may cost staff turnover and its impact sometimes may lead to workforce resigning or quitting their jobs. The workforces that are disgruntled with their work are likely to be absent. Furthermore, job satisfaction is an aspect that employees continuously aspire and it is also an important element of staff retention which is only achieved by making the staff to feel comfortable psychologically and physically (Pack, 2019). Employees who are satisfied with what they are doing will augment their capacity of productivity and creativity it is also directly associated with the client satisfaction (Raj & Brindha, 2017). A key feature of job satisfaction is that when individuals have to make a choice whether they want to work influences their intent to remain with the firm at current position.

The level of job satisfaction is conceptually measured by extrinsic and intrinsic factors, social relations, quality supervision and the level of success and failure (Poonam & Jasleen, 2015). Job satisfaction is an intricate phenomenon with diverse facets and is largely affected by the aspects like compensation, autonomy, communication organizational commitment and working environment (Putra & Rayuda, 2016). The other key metrics for measuring job satisfaction include working conditions and job security. The current study adopted intrinsic and extrinsic factors as the primary measures of job satisfaction.

1.1.3 Employee Retention

Employee retention is an approach undertaken by corporate bodies to keep successful labour force and to meet time operational needs (Rianaa & Wirasedanaa, 2016). Employee retention refers to a mechanism that the workforce is motivated to stay with the firm for a longer timeframe or till the execution of a particular task (Alamelu et

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al., 2015). Staff retention connotes the actions of management and employers to keep employees for an extended service, offering them attractive pay and compensation, training and development, and other benefit that permit staff to remain in the firm (Ruleek & Kee, 2015). Staff retention is concerned with how firms encourage and keep their workforce to stay in a company for an elongated period of time (Salisu, Chinyio & Suresh, 2015). Employee retention is a plan of an organization to push their staff to remain at work for a longer time and its objective is to dissuade staff from exiting the firm (Supriyadi, Sanusi & Manam, 2017).

Most of the companies are concerned with keeping the high performing staff, those who vital skills and knowledge have required skills to run the firms and those who cannot be easily replaced. Entities should make endeavors to retain their top talent in spite of challenging times (Tarigan & Ariani, 2015). The well performing staffs differentiate one business from another. Winda, Nayat and Arik (2017) says that if outstanding staffs are not kept, the firm can be adversely be affected from the strategic to operational level and that human capital is still one of the scarce resources that give sustainable competitive edge. Thus, staff should be considered as gold, iron, platinum and lead and firms should put more energy in keeping platinum staff as compared to the lead staff (Calk & Patrick; Close & Martins, 2015; Akhigbe et al., 2014).

The rudimentary objective of employee retention schemes and practices is twofold at corporate level. First, is to ease staff turnover and, second, is to substantially scale down the related expenditures of recruiting and training and orienting new workforce (Arora & Kshatriya, 2017). Organizations are incapable of prohibiting their staff from prospecting for additional lucrative and attractive prospects; instead, the aim of the

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retention schemes is to compel workers to be loyal for the duration they remain in the firm (Birt et al., 2014). Particularly, factors such as autonomy, career aspirations, supportive and appealing working environment are among the key determinants of staff retention. Index (2020) reckons that one of the reasons which contribute to workers leaving an organization could be as a result to the staffs' lack of satisfaction towards the firm. As a result, employee's pay is not as vital as previously thought when it comes to minimizing employee turnover (Close & Martins, 2015).

Retaining employees is not only crucial in minimizing the turnover expenses or the expenditure incurred by an entity to train or recruit but it is also important to protect the brilliant employees from being snatched by the rival firms (Azeez, 2017). There are diverse reasons as to why impeccable workforce should be retained. Falola et al. (2018) suggest that staff is not merely concerned with financial rewards, but could be greatly driven by having their social wishes met at work place. In fact, the entire investments put into a staff will not only vanish if they leave, but may also be shifted into rivals' business (Hee & Rhung, 2019). Thus, firms with great stability as a result of retaining their talented workforce outperform those with low stability. Incidentally, firms with little stability and great turnover are in risk of losing institutional memory (Ingsih et al., 2020).

There are numerous ways of measuring employee retention. Pandita (2018) highlighted eight facets of staff retention. These factors include: autonomy, conducive environment, compensation, social support and development opportunities, management work-life balance and crafted workload. Other widely used proxies for employee retention include career progression, passion at workplace, employee commitment, employee turnover rate, duration of service and costs associated with

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employee turnover. This study utilized commitment, career development and passion at work as measures of employee retention.

1.1.4 Insurance Companies in Kenya

As documented by Insurance Regulatory Authority (IRA) yearly report (2020), the insurance sector locally has shown considerable growth over the last decade. In Kenya, there are 41 insurance firms that are licensed. These firms must follow the risk-based supervision framework initiated by the regulator to augment stability in the industry. To guarantee quality of investments, the insurance industry has invested greatly in government securities, increasing the share from 61.7% of aggregate assets in the year 2019, to 67.6% in 2020. Moreover, there was also investment upsurge in subsidiaries by 13.3%. Property investments, nonetheless, reduced by 1.4%, due to COVID–19 pandemic impact on the construction and real estate sectors. The value of common stock possessed by insurers plummeted by 31.3 % in 2020, demonstrating a decline in share prices as investors got out of the market. Huge investment in state securities guarantees security to the insurance industry but on the contrary brings sovereign risks challenges given high exposure to government.

The year 2021 was eclipsed by global socio-economic shocks mainly attributed to COVID-19 pandemic. As the epidemic continues to extend, economies across the world have been adversely affected. The pandemic has largely impacted the insurance industry largely via declining returns from the capital markets, reduction in gross premiums as well as upsurge in insurance related claims in some classes of insurance business. The adverse effects of COVID-19 pandemic have affected many insurance firms in several ways, for instance, reduced demand for insurance related products therefore; reduced insurance penetration rates alongside escalation in insurance claims

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from hospitalization, demise, cancellation of events and corporate disruption covers, among other eventualities. The mobility restrictions had momentous impact on marine, aviation, and travel insurance businesses. Additionally, COVID-19 has led either in salary reductions and downsizing which has adversely impacted on life assurance and pension businesses.

The nature of employee compensation in the insurance sector is largely commission based (Oyoo et al., 2016). This has led to greater challenges in retaining employees in the industry due to employee dissatisfaction. This is attributed to the fact that the uptake insurance products in developing markets and more specifically Kenya has been painfully slow due to unmet expectations especially when it comes to payment of the related claims. Therefore, selling of insurance products is a daunting task which has made many employees to reluctantly quit their jobs as a result of frustrations which emanates from job dissatisfaction. In fact, the insurance sales persons who constitute nearly 90% of the insurance workforce are increasingly becoming dissatisfied with the commission-based compensation scheme and many often rarely meet the desired targets (Ndungu, 2017). This has led to exacerbated job dissatisfaction amongst the staff hence high turnover rate.

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1.2 Problem Statement

Over the last decade, employee retention remains to be a dominant concern for executives and human resource managers. In the year 2022, for instance, the Society for Human Resource Management (SHRM) suggest that 47.4% of human resource executives construe staff retention as their great concern, up from 24.3% in the year 2019. Nguyen (2020) suggests that replacement of staff who abandon their jobs potentially cost upwards of 220% of yearly pay to hire and bring on board new staff.

Moreover, staff losses can estrange clients by upsetting service delivery and hinder corporate performance since departing employees carry their know-how and talents to rivals, hamper employees' diversity, and dishearten remaining staff by increasing their assignment to solicit the quitters' work and apprentice their replacement. Similarly, a solitary worker resigning can motivate counterparts to resign, spuring a turnover spiral (Pack et al., 2020).

There are key challenges in the insurance industry to retain staff that have multiplied and hindered companies from building capabilities and sustained competitiveness. These challenges are mainly connected with the remuneration packages, infrastructural support, cultures and leadership within organisations (Bambacas & kulik, 2018). Such contests are furthermore complicated since vastly skilled staff tend to switch jobs for improved pecuniary rewards and enhanced working conditions (Supriyadi et al., 2017). Additionally, skilled staffs are frequently snatched by huge firms that can offer them exemplary compensation and other benefits (Salisu et al., 2015).

The link between compensation, job satisfaction and employee retention has been empirically tested but, still there is no convergence in findings. Some studies have reported positive findings, neutral and negative findings (Inda & Mishra, 2016). The mixed findings can be attributed to the choice of the constructs and variables; contextual disparities stemming from differences between developed and developing markets as well sectorial disparities in terms regulatory and cultural settings. Differences in sampling and the choice of the population to be studied also brings about the mixed findings. Finally, misspecification of estimation models is another source of divergence in empirical findings. This study sought to address these gaps by

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answering the research question: what is the linkage between compensation, job satisfaction and employee retention among the insurance firms in Kenya?

1.3 Research Objectives

The overall objective was to determine the influence of employee compensation, job satisfaction and employee retention among insurance companies in Kenya.

1.3.1 Specific Objectives

The specific objectives were to;

(i) Examine the influence of financial compensation on employee retention among the insurance companies in Kenya.

(ii) Establish the influence of financial compensation on job satisfaction among insurance companies in Kenya.

(iii) Investigate the influence of job satisfaction on employee retention among insurance companies in Kenya.

(iv) Determine the influence of non-financial compensation on employee retention among the insurance companies in Kenya.

(v) Examine the influence of non-financial compensation on job satisfaction among insurance companies in Kenya.

(vi) Determine the mediating influence of the job satisfaction on the relationship between financial compensation and employee retention among the insurance companies in Kenya.

(vii) Assess the mediating influence of the job satisfaction on the relationship between non-financial compensation and employee retention among the insurance companies in Kenya.

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1.4 Research Hypotheses

H_{01}: There is no significant influence of financial compensation on employee retention among the insurance companies in Kenya.

H_{02}: There is no significant influence of financial compensation on job satisfaction among insurance companies in Kenya.

H_{03}: There is no significant influence of job satisfaction on employee retention among insurance companies in Kenya.

H_{04}: There is no significant influence of non-financial compensation on employee retention among the insurance companies in Kenya.

H_{05}: There is no significant influence of non-financial compensation on job satisfaction among insurance companies in Kenya.

H_{06}: There is no significant mediating influence of the job satisfaction on the relationship between financial compensation and employee retention among the insurance companies in Kenya.

H_{07}: There is no significant mediating influence of the job satisfaction on the relationship between non-financial compensation and employee retention among the insurance companies in Kenya.

1.5 Significance of the Study

The findings of research provided valuable understandings on employee retention with respect to compensation and job satisfaction among the insurance firm in Kenya. The management of various insurance firms is able to improve financial stability, employee morale, productivity, staff outcomes via implementation of effective staff retention strategies. The retention of employees remains a critical element of growth, stability and revenue. The upshots of this research are vital for insurance management in devising strategies and approaches for retaining valuable staff. The study outcome

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also gives insights to other entities by scaling down recruitment and training expenses, permitting them to plough back these resources into staff recognition. This act is anticipated to grant entities to appropriately steer talent and keep treasured staff, leading into fostering better associations with clienteles. As such, the significance of this study is its probable contributions to business actions and insinuations for social change.

The findings of this research have policy significant implications. The upshots of this study help human resource specialist to institute attractive compensation schemes that enable firms to become the employer of the choice. Through their advice, firms are able to retain their talented and most valuable staff though attractive compensation. This leads to enhancement of job satisfaction hence improved staff retention. The findings of research make significant contribution to theory development. This provides valuable insights on the theoretical linkage between compensation and employee retention. Equally, it demystifies the mediating role of the job satisfaction in explaining the pay-retention relationships. Finally, the findings act as a basis for future and the scholars who are concerned in this sphere of the study.

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1.6 Scope of the Study

The study focused on 41 insurance firms in Kenya. The cross-sectional data set was gathered based on the three variables, namely: employee compensation proxied by financial and non-financial compensation; job satisfaction represented intrinsic and extrinsic factors; and employee retention captured by employee commitment, career development and passion to work. The study data was gathered over duration of four months.

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1.7 Limitations of the Study

Limitations are weaknesses and barriers within a study that originate from beliefs, biases, and lack of knowledge (Singh, 2015). One shortcoming of this study is that the study population is relatively small (41 insurance firms) and this may hinder the generalization of the study findings. This study utilized cross-sectional data and therefore it is not possible to investigate the influence of compensation, job satisfaction and employee retention over a longer period of time. Cross-sectional studies do not capture the temporal effects which are inherent in longitudinal studies. Despite these limitations, the study is elaborate and the inherent shortcomings cannot impair generalization of the study findings.

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CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Chapter two of the research typically encompasses the theoretical review, which involves examining existing theoretical frameworks and concepts relevant to the research topic, providing a foundation for understanding the study's context and objectives. This is followed by a review of empirical literature, focusing on studies that directly address the research objectives, synthesizing key findings and identifying gaps in current knowledge. The chapter concludes with a summary of the identified gaps in empirical literature, highlighting areas where further research is needed to address unanswered questions or contradictions in existing studies. Finally, the conceptual framework is presented, outlining the theoretical underpinnings of the study and illustrating the relationships between key variables or constructs, guiding the development of hypotheses and research questions for subsequent investigation.

2.2 Theoretical Review

This study is anchored in Herzberg's Two-Factor Theory, Expectancy Theory, and Equity Theory, which collectively provide a robust theoretical framework for understanding the relationship between compensation, job satisfaction, and employee retention. Herzberg's theory posits that certain factors, known as hygiene factors, contribute to job dissatisfaction when absent but do not necessarily lead to satisfaction when present, while motivators lead to job satisfaction and higher performance. Expectancy Theory emphasizes the importance of individuals' beliefs about the relationship between effort and performance, and between performance and outcomes, in shaping their motivation and behavior. Equity Theory, on the other hand,

asserts that individuals compare their inputs and outcomes to those of others, and perceive inequity when the ratio is perceived as unfair. These theories inform the selection of variables and specific indicators in the study, guiding the investigation of how various dimensions of compensation influence job satisfaction and ultimately impact employee retention.

2.2.1 Herzberg's Motivation Theory

The initiator of the theory was Herzberg (1959), a behavioural scientist who pioneered two theories; two-factor and motivator-hygiene theories. Herzberg's (1965) suggested that there are some job-related factors that lead to job satisfaction whereas other issues contribute to job dissatisfaction. As a result, Herzberg (1959) proposed twofold factors; to begin with, the hygiene factors which are vital in guaranteeing motivation in an organization set up. Nevertheless, these factors fail to offer long-term positive job satisfaction. Lack of these factors in the work environment leads into job dissatisfaction. The hygiene factors on the other hand signify individual's physiological requirements which are required and anticipated to be attained. Some examples of hygiene factors include work-related compensation, fringe benefits, job security, interpersonal relationships and physical working conditions (Azeez, 2017). The other second factor is the motivational factor. Herzberg (1959) states that the hygiene facets cannot be perceived to act as motivators. The motivators contribute to job satisfaction through increased fulfilment at workplace. Therefore, these key factors are important at work since they motivate workforce to attain impeccable outcomes (Carg & Yajurvedi, 2016). These factors can be termed as satisfiers. Employees often find these factors to be inherently motivating. Motivators embody the psychological needs that are construed as extra benefits. Motivational aspects encompass opportunities for recognition, growth and promotion, responsibility, and

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work meaningfulness (Ahmad et al., 2017). It is therefore the onus of the management to point out the factors that can lead to increased retention of the staff.

Herzberg's Motivation Theory (1959) is the key anchoring theory and plays an important role in explaining the nexus between compensation, job satisfaction and staff retention. Some of the areas which can enhance employee satisfaction comprises of attractive compensation, training the staff to offer them skills that enable them to more valuable to the firm, increasing the productivity as well as being more efficient. To improve attitude and productivity at workplace, management should recognize that the increase in personal satisfaction contributes to job satisfaction and consequent employee retention. Thus, job dissatisfaction arises due to adverse scrutiny of several factors related to work such as administration, firm policies, technical issues, working conditions, interpersonal relationships, and lack of career progression. These factors lead to job dissatisfaction and the intention of workforce to quit their jobs. Thus, this theory explicates how staff retention is influenced by reward and compensation strategies in corporate world.

Despite the popularity and wide application of Hertzberg's motivation theory, scholars have pointed out three criticisms of this theory. The first criticism is that Hertzberg (1959) failed to methodologically bind the research, and the study's findings were inconsistent with prior evidence regarding motivation and satisfaction and finally the empirical inquiry was faulty. Secondly, the theory has been widely criticized on the basis of contradictions and its cultural context in what entails hygienic and motivation factors. Nasir and Mahmood (2018) suggest that one of the challenges of Herzberg's two-factor theory is that firms have to deal with one set of factors for enhancing job satisfaction and completely dissimilar set of factors for

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reducing job dissatisfaction. Thus, the theory is not practical since differentiating between motivator and hygienic factors is not straightforward or rather easy because they are exceedingly related. Thirdly, Raj and Brindha (2017) argue that Herzberg's two-factor theory is deficient for management to elucidate workplace motivation and job satisfaction since financial factors do not necessarily play a significant role in job satisfaction.

2.2.2 Expectancy Theory

The expectancy theory was coined by Vroom (1964) and later confirmed by Armstrong (2009). The expectancy theory is grounded on the individual's perceptions of the results of their endeavours. It suggests that workers only put in extra efforts if they feel that their efforts will translate into a particular effort. For instance, if employees see that if they work harder, they will be promoted or gain other benefits, then they will possibly inject more effort to work. Expectancy theory of motivation connects individual's motivation to efforts and performance. Vroom (1965) proposed three factors commonly referred to as Valence-instrumentality –expectancy (VIE) to explicate the relationship which comprises: expectancy which is an employee belief that more effort at workplace will result into improve performance; instrumentality which is an employee belief existence of a cherished result associated with exemplary performance; and finally, valence which represents the significance that workforce places on the results.

The expectancy theory explains vital techniques and information for motivating staff. It offers appropriate guidance to the corporate entities to inspire the staff by changing the personal efforts to performance expectancy, reward valences and performance reward (Osibanjo, 2016). Expectancy theory is grounded on individual perceptions for

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example what a worker sees as a motivator could be distinct from what an employer sees as a motivator to an employee. This theory clarifies an individual's behaviour in terms of the goals or outcome an individual intends to attain (Teru & John, 2017). An individual then seeks or make choices on alternatives to obtain results. Therefore, the outcomes must be good sufficiently to make households to commence working for it. Expectancy theory usually links, effort performance and outcome (Winda et al., 2017). The staff should belief that extra effort contributes to extra performance and the exceptional performance contributes to extra compensation. The compensation has to attract an individual to inspire them to work for, that is, there must be a noteworthy linkage between personal effort in executing a job and an appropriate result (outcome) for the employee which an individual value (Kundu & Lata, 2017). Expectancy theory also suggest that the more the need for intrinsic or extrinsic compensation, the more resolute the staff to achieve the outcome (Bascar & Rajkumar, 2015). Therefore, staff must attach the emotional value (valence) in form of job satisfaction with the outcome.

The expectancy theory is applicable in explaining the nexus between compensation, job satisfaction and employee retention. Usually, the work environment often affects employees' attitudes towards work, for instance staff will work extra tirelessly with anticipation that their hard work will be compensated or rather there is compensation on offer and if they perceive that extra effort will contribute to being compensated. Expectancy theory is grounded on the acuity's employees put towards projected outcomes and the outputs they feel they can give towards those upshots. In the corporate environment, the expectancy theory makes threefold forecast. First, the staff belief that if they put in additional effort, it will lead to better job performance as a result of improved job satisfaction. Secondly, improved job performance will in turn

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contribute to attractive rewards/compensation such as attractive wages or salaries, and these anticipated rewards (compensations) are actually treasured by the workforce. Therefore, management is required to employ decent systems when compensating staff since it has direct effect on employee satisfaction/motivation and performance as well as employee retention.

2.2.3 Equity Theory

Equity theory was first advanced by Adams (1963) who suggested that staff motivation is contingent on whether the staff construe what they derive from employment in form of work-related rewards or benefits is equivalent to the level of inputs or efforts they put in their work at the organizational level. Furthermore, workforces often equate their inputs and outputs to their counterparts at the same level (Adewale, 2014). In circumstances where staffs observe inequalities, it may result to an upsurge in absenteeism and in extreme cases resignation. This theory suggests what staff offer at their workplace are categorized as vital inputs which comprises the work responsibilities of the staff, the number of hours worked, the work duties of the staff, the loyalty of workforce towards the firm and flexibility among others (Mabosa & Dlamini, 2017). Conversely, Triana (2017) postulated that the outputs entail; bonuses, salaries, favourable work appraisals, employee recognition, and annual leave among other rewards and benefits emanating from the employment. Therefore, staff will see inequity when there is no balance in the ratio between the inputs and outputs as compared to others in the same level (Chiekezie & Nwanneka, 2017).

Generally, there is threefold consequence when staffs equate their input/output ratio with others that may affect their overall performance (Javed & Balouch, 2014). In circumstances where the outputs or outcomes are perceived to surpass inputs, the

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employee is construed to over-compensate. In contrast, if inputs are perceived to surpass the outputs, the employee is seen to be under-compensated (Jin et al., 2016). The optimum situation is where inputs is equivalent to outputs and the compensation is considered to be equitable. When there is disequilibrium in input-output ratio, employees often undergo distress in form of job dissatisfaction due to guiltiness of being over-compensated or the feelings of antipathy from being under-compensated, and these feelings will serve as a motivational factor resulting into the equity restoration (Triana, 2017). The staffs who have a feeling that they are under-compensated will try to restore equity by decreasing inputs such as reporting to work late, increasing absenteeism, decreasing productivity, opting for longer breaks, and or by quitting, all of which are very costly to an employer (Mehta et al., 2014).

Equity theory with respect to organizational justice is relevant in theoretically explaining compensation, job satisfaction and employee retention relationships. Therefore, \staff who feels under-compensated will make efforts to reinstate equity by scaling down inputs such as decreasing productivity, coming late to work, increasing absenteeism and taking longer breaks, and all of which have serious cost implications on the employers. For employers, some mediations that may reinstate equity for those who feel that they are being under-compensated is by increasing outcomes such as benefits and pay, job security, better working conditions and promotional opportunities. Since many staff have restricted or no influence on the outcomes, they may simply resign from their jobs after attempting and failing to restore equity.

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2.3 Empirical Literature

Each empirical study reviewed highlights the objective of the study, the measurement of respective variables, the estimation method, the findings, and the research gaps.

2.3.1 Financial Compensation and Employee Retention

A study by Syhreza et al. (2017) examined the relationship between compensation and employee retention using differential semantic scales. Compensation was measured using wages, travelling and house allowance while employee retention was represented by staff loyalty. A total of 201 staff from 6 hotels in Medan City was utilized as a sample. The study was performed in the hospitality industry in Medan City, North Sumatra, Indonesia. Data was accomplished using PLS-SEM. The upshots indicate that compensation has a noteworthy positive effect on staff retention. However, this study employed only two variables; independent and the dependent variable. Normally, the association between compensation and employee staff is not direct, but it is influenced by other external factors such as work environment, satisfaction among others.

The study by Asekun (2015) explored the link between pay satisfaction and staff turnover. Data were gathered from employees of numerous establishments who were students of a part time educational programme in Lagos, Nigeria. Out of the 141 questionnaires administered to the survey respondents, only 97 questionnaires returned were dully filled. The survey utilized Pay satisfaction Scale (PSS) and Turnover Intention Questionnaire (TIQ) as measures of pay and retention respectively. Gathered dataset was estimated using correlations and regression models and findings displayed in form of tables and graphs. The outcomes showed that the link between pay satisfaction and employee turnover intention was positive. However,

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the study failed to incorporate various control variables in the research process which influences the association between employee compensation and retention.

A study by Yamamoto (2018) investigated the nexus between benefit management and employee retention using cross-sectional dataset obtained 1,228 employees. Benefit management was measured by medical cover, housing allowance and welfare fund while employee retention was operationalized by resignation behaviour and organizational tenure. Using structural equation model as the estimation method, the study established a positive substantial linkage between benefits and employee retention. However, the study was limited to full time employees and this inhibits the generalization of the study findings.

While carrying out a qualitative phenomenological study within the hospitality sector, Vaquez (2014) researched on employee retention and economic stabilization. To successfully carry out the study, a sample of 12 hotel employees in South Florida was utilized while applying purposive sampling technique to gather and analyze data from the participants. The data was analyzed using line by line method. The codification approach was utilized to organize the thematic areas. The findings suggest that creating a conducive workplace complete with management support, incentive and reward programs often result into staff retention. However, the study relied upon a small sample size of 12 firms and the study upshots might not be suitable for generalization purposes.

A study by Omar (2019) looked at compensation and benefits as key reasons for employee retention in manufacturing sector in Indonesia. The study sourced data from the firms through gathering data with the aid of a questionnaire. Employee compensation was measured using promotion recognition and training while

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employee retention was measured by employee intent to stay with the organization. To analyse data, inferential statistics were employed as the main tool for estimation. Before data was analysed, reliability, validity, normality, linearity and multicollinearity tests were carried out. Nevertheless, the study took place in an industrialized market setting hence the outcome cannot be extended to a developing market like Kenya.

2.3.2 Financial Compensation and Job Satisfaction

A study by Rosalia et al. (2020) surveyed the impact of compensation, motivation and job satisfaction staff on employee performance of Indonesian firms. The study adopted explanatory research using a sample of 25 staff. Using PLS-SEM technique, the results revealed that staff compensation had a noteworthy inverse effect on job satisfaction, employee motivation had a notable positive influence on job satisfaction; staff compensation had trivial effect on staff performance and finally employee motivation did not influence employee performance. Compensation was measured by wages and salaries; allowances, provisional benefits; incentives and vacation. Employee motivation was surrogated by physiological needs; security needs, award needs and self-actualization needs. Job satisfaction was proxied by rewards; work itself; promotional opportunities; supervision; co-workers; conditions of work and job security. However, the study utilized a small sample size hence impairing the generalization of the study findings.

Using PLS-SEM empirical strategy, Yamoha (2020) investigated the nexus between compensation and staff job satisfaction. The study used cross-sectional data obtained from selected Ghanaian firms. Employee compensation was proxied using both financial and non-financial rewards while job satisfaction was measured by both

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intrinsic and extrinsic factors. The findings confirmed insignificant association between compensation and employee job satisfaction. Nevertheless, dimensions of compensation such as job security and career growth and were key contributing antecedents of staff job satisfaction. However, the study was bivariate in nature focusing only on the dependent and independent variable hence simply signifying correlation and not causation.

An intricate study by Fusch and Watkins (2022) probed the nexus between staff rate of financial compensation and staff job satisfaction of 128 workers of Fortune 500 firms in US. Financial compensation was measured by salary, allowance and medical cover whereas job satisfaction was measured by employee work environment and cohesiveness amongst the employees. The study analyzed data using univariate analysis as well as regression analysis. The results indicated a positive association between staff rate of financial compensation and employee job satisfaction. Nevertheless, the study solely relied on monetary aspects of employee compensation and ignored non-monetary dimension of employee compensation.

2.3.3 Job Satisfaction and Employee Retention

A study by Steil and Bello (2022) investigated the link between job satisfaction and employee retention in public and private organizations. Cross-sectional dataset was gathered from 252 professionals in the information technology sector in Brazil. Job satisfaction was measured leadership, salary, colleagues, nature of work and promotion while employee retention was proxied by employee turnover rate. Using ordinary least squares method as the estimation method, the findings affirmed insignificant nexus between job satisfaction and employee retention. However, the

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research took place in Brazil which is unique in every sense in terms of regulatory, political and cultural setting which is dissimilar with a developing market like Kenya.

An empirical study evaluating the link between job satisfaction and staff retention in petroleum sector was performed by Chaturvedi and Sangwan (2016). Job satisfaction was delineated by work environment, relationship with supervisors and colleagues whereas employee retention was measured by career progression and reward system. The results validated a positive influence of job satisfaction on employee retention based on regression analysis estimation technique. The findings confirmed a positive significant relationship between job satisfaction and employee retention. Nevertheless, the investigation exclusively looked at a single industry (petroleum) hence outcomes cannot be generalized to other sectors.

While employing regression analysis estimation strategy, Htun and Bhaumik (2020) tested the nexus between employee job satisfaction and employee retention at workplace among staff of sugar manufacturing firms in Myanmar. The cross-sectional data adopted was sourced from 1114 firms using random sampling method. Employee satisfaction was captured by compensation, job content, supervision, promotion and supportive environment while employee retention was measured by career advancement, salary increment and recognition. The results demonstrated a positive influence of job satisfaction on employee retention. However, the outcome of the study is drawn from one sector (sugar industry) and therefore the findings may not apply to other industries.

A bivariate study by Federiksen (2016) probed the link between job satisfaction and employee turnover, at firm level perspective. The cross-sectional data was obtained from personnel records and employee surveys. Job satisfaction was measured by

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intrinsic and extrinsic features while employee retention was operationalized by career advancement and passion at work. The findings based on ordinary least squares established that job satisfaction positively influenced employee retention. Nonetheless, the study employed a small sample size and therefore findings cannot be used for generalization purposes.

Using a sample of 101 staff from various organizations in Baguio city in Philippines, Biason (2020) assessed the nexus between job satisfaction and staff retention. Job satisfaction was represented by job content, compensation, promotion, supervisor and colleagues' cooperation while employee retention was surrogated by staff turnover rate. Using regression analysis, the study affirmed a positive association between job satisfaction and employee retention. However, the study was executed in Asian context which has peculiar regulatory and cultural environment compared to Kenya which is a developing market.

The nexus between job satisfaction and employee turnover in Pakistani health sector was probed by Khan and Aleen (2014) while employing data sourced from 201 employees. Job satisfaction was measured by extrinsic and intrinsic attributes while employee retention was proxied by career growth and passion at work. The inquiry based on SEM established a positive link between job satisfaction and staff retention. Nevertheless, the study solely looked at health sector and the findings cannot be generalized into other sectors.

2.3.4 Non-financial Compensation and Employee Retention

A research by Venkata and Screneva (2020) explored the impact of compensation on staff retention in organized retail sector in Bangalore region. The study sample was sourced from 72 workers of Bangalore City. Cross-sectional data was gathered using

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questionnaires and the gathered data was analyzed using PLS-SEM and correlation analysis. The research hypotheses were formulated to test the relationships between the compensation and the employee retention. The upshots showed that there is a momentous positive linkage between compensation (measured by recognition and status) and employee retention (measured by staff turnover). This implies that the more the staff is compensated or rewarded, the longer they will remain in an organization. However, the data was collected over a short period of time and this might adversely affect the findings hence generalization of the study findings.

Using regression and correlation analysis, Jean, Ngui and Arasa, 2017 established the influence of compensation schemes on staff retention of Mombasa Cement ltd. Compensation was measured by recognition whereas employee retention was captured by intention to stay. The study employed survey research technique where the cross-sectional data gathered, was analysed, interpreted and presented using descriptive and inferential statistics. The population of the study entailed 153 staff of Mombasa Cement Limited situated at the headquarters. The stratified sampling method was employed in choosing the participants. This study utilized questionnaires to gather data from the chosen respondents. The study established that recognition via certification or verbal promoting enhanced employee retention. However, this study was based only on a case study of a single manufacturing firm and the findings may not apply to other sectors of the economy.

A study by Vizano and Endri (2020) examined the influence of compensation and career progression on turnover intent with evidence from Indonesia. Compensation was measured using recognition and status; career was measured by the job designation while turnover intention was measured by employee loyalty. To

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successfully carry the study, a total of 216 questionnaires were used to collect data from the managers of the concerned firms. Data was estimated using PLS-SEM and correlation analysis. The findings suggested that compensation and career progression had a positive effect on turnover intent. However, this study focused only on non-financial aspects of the compensation and ignored financial aspects of the compensation.

2.3.5 Non-financial Compensation and Job Satisfaction

An empirical investigation by Muguongo et al. (2015) established the influence of compensation on job satisfaction among high school teachers in Tharaka Nithi. The research examined the influence of both non-financial and financial compensation on job satisfaction. Using stratified random sampling technique, a total of 215 teachers out of a population of 475 were selected. Employee compensation was represented by both financial and non-financial metrics whereas job satisfaction was captured by both intrinsic and extrinsic factors. The study upshots based on ordinary least squares estimation method indicated that work environment, allowances and pay positively affects teachers' job satisfaction. Nevertheless, this study focused on a single county with focus being on teachers alone and findings cannot be relied for generalization purposes.

A research by Darma and Supriyanto (2018) investigated the impact of compensation on workers satisfaction among the employees of Telekomunikasi Indonesia. The cross-sectional data was gathered by questionnaires and analyzed using PLS-SEM technique. Compensation was measured by monetary and non-monetary rewards while job satisfaction was operationalized using intrinsic and extrinsic features. The outcome revealed that compensation positively influenced employee satisfaction.

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However, the study solely focused on a single industry (telecommunication) and therefore findings cannot be extrapolated to other sectors of economy.

A study by González et al (2021) examined the influence of numerous aggregate compensation aspects on job satisfaction. This confirmatory and cross-sectional study gathered data from a sample of 247 staff, comprising of lower-level employees, middle managers and technicians in manufacturing firms in Spain. The estimation process entailed validity and reliability assessment of psychometric scales and hypotheses testing utilizing PLS-SEM. The findings revealed that supervisory support, career progression, and work-life balance positively and strongly associated with job satisfaction as measured by intrinsic and extrinsic attributes. However, this study took place in a developed market context with exceptional institutional and economic environment hence the outcomes may not be applicable in a developing market like Kenya.

2.3.6 Financial Compensation, Job Satisfaction and Employee Retention

An empirical inquiry was undertaken by Fogarty, et al. (2014) to investigate the mediating role of job satisfaction on staff compensation and retention of health care givers in Malawi and Afghanistan. Using cross-sectional design, the study utilized a questionnaire in data collection process. To analyse data, the study employed univariate analyses, correlation analyses, bivariate and multiple linear regression analyses as the main estimation approaches. Exploratory factor analyses were carried out to measure compensation, job satisfaction and staff retention using varimax rotation to probe the structures of the questionnaire responses and ascertain whether distinctive configurations of items could be pointed. The findings revealed that pay significantly and inversely related with the employee retention while job satisfaction

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mediated the predicted linkage between pay and staff retention. Nevertheless, the study showed some shortcomings. First, the sample design failed the test of national representative samples. Secondly, the studies were minor elements of larger investigations and failed to collect comprehensive data on entire diverse organizational, households, and contextual factors.

Using SEM with the help of partial least squares tools (PLS), Ramli (2017) investigated the nexus between compensation, job satisfaction and the employees' retention of private hospitals in Jakarta, Indonesia. The compensation was measured using financial and nonfinancial rewards; job satisfaction was operationalized by motivation at work place while retention was represented by staff turnover rate. The empirical investigation was quantitative in nature. The cross-sectional data was drawn from 82 staff of Jakarta in Indonesia with the aid of the questionnaires. The upshots showed that the compensation had a positive effect on staff retention while job satisfaction mediated the relationship between compensation and staff retention. Nonetheless, the present study took place in private hospitals and the outcome may not apply to other industries.

A study by Khan and Aleem (2014) to assess the impact of compensation on staff turnover while using job satisfaction as a mediator. The study principally focused on ten Autonomous Medical Institutions of Pakistan. The cross-sectional data was collected from 201 accounts & finance staff, doctors and nurses. The pay and promotion were used to represent compensation; job fulfillment at workplace was used to measure satisfaction while employee retention was captured by the staff turnover rate. Convenient sampling was used to gather the primary data from the target population. Regression and correlation analysis were used as the main

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techniques for analyzing the data. Data was presented in form of charts and tables. The results confirmed that job satisfaction mediated the relationship between compensation and employee turnover. However, the study employed a small sample size focusing only on private medical institutions and the findings may not be ideal for generalizing.

A study by Singh and Loncar (2020) scrutinized the effect of rewards on job satisfaction and staff retention among nurses in Toronto, Ontario, Canada. The aim of the study was to establish the effect of rewards on staff retention, to determine whether there was a nexus between rewards and job satisfaction, to examine the link between job satisfaction and employee retention. The study applied a sample of 180 nurses who were chosen randomly as the respondents were used to provide the cross-sectional dataset. The reward was measured using wages and promotion; job satisfaction was measured using intrinsic and extrinsic factors while retention was measured using turnover intent. The empirical data was estimated using OLS method. The study showed that staff rewards lead to employee retention but nonetheless, it does not lead into job satisfaction. Jointly, rewards and job satisfaction led into employee retention. Nevertheless, this study was carried out in a developed market hence the findings might not apply in a developing market like Kenya.

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2.3.7 Non-financial Compensation, Job Satisfaction and Employee Retention

An empirically inquiry by Khan and Aleen (2014) structurally examined the impact of compensation scheme and staff motivation on job satisfaction using cross-sectional dataset collected from 250 participants drawn from insurance sector in Nigeria. To attain this objective, a quantitative method was applied, deriving acumens from the doctrines of observational and non-experimental approaches. These methods were

integrated since the researchers did not give primacy for manipulation of the exogenous variables. The observational method permitted the investigators to subject the variables to SEM and CFA. To measure the constructs (variables), compensation scheme was captured by financial and non-financial rewards; motivation was operationalized by intrinsic and extrinsic attributes whereas job satisfaction was captured by job autonomy and career development. The results indicated a considerable affiliation between compensation and staff motivation. Furthermore, the study established that compensation scheme exerts e direct influence on staffs' job satisfaction than the indirect tie via motivation. Nonetheless, the study focused on one sector, insurance industry and the findings therefore cannot be extended to other industries.

A study by Tirta and Enrika (2020) using the cross-sectional data gathered from millennials in Indonesia was intended to scrutinize the influence of recognition, reward, and work life balance on staff retention using the job satisfaction as a mediator. This study was expected to give insights to firms on how to institute policies or programs to keep their prevailing set of the employees, which consisted of Millenials. The statistical technique applied was PLS-SEM tool, with hypotheses testing using $p < 0.05$. To evaluate reliability and validity of the research instrument, composite reliability (CR) and average variance extracted (AVE) and were used to ascertain whether the instruments that were used were reliable and valid. The findings suggest that reward and recognition, work life balance and job satisfaction had significant positive influence on the employee retention. Job satisfaction was found to mediate the relationship between reward & recognition and employee retention and not the relationship between work life balance and employee retention. However, the

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study focused only on millenials and the outcome of this study may not translate to other groups of households.

A study by Iqbal et al. (2017) examined the mediating role of job satisfaction on the relationship between organizational culture, benefits, salary and employee retention among the Chinese firms. Data was analyzed using regression and correlation analysis from the data gathered from 50 employees. The sampling technique employed was random sampling and data was collected via questionnaires. The upshots showed paltry nexus between organization culture, pay benefits and employee retention. There was also no mediating role of job satisfaction on the relationship between pay, benefits and staff retention. The study took place in developed markets which are different institutionally, economically and culturally and the findings may not apply locally.

A study by Sarmad and Malik (2016) investigated the impact of compensation and motivation as the antecedents of staff retention with evidence from oil and dealing firms. Compensation was measured by recognition and promotion; motivation was measured by intrinsic and extrinsic factors while employee retention was represented by the intent to stay. The empirical findings suggest that the effect of compensation and motivation on staff retention was positive and significant. Empirical data was gathered using questionnaires from 113 staff. The data was analyzed using multiple regression and correlation analysis and presented later in form of graphs and tables. The findings suggest that substantive improvement in levels of motivation and practical management of compensation produces likewise enhancement in staff retention. Nonetheless, the study was restricted to one sector of the economy and the results might not apply in other sectors.

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2.4 Conceptual Framework

The framework gives a visual/graphical depiction of the relationships amongst three study variables namely; compensation (financial and non-financial), job satisfaction and employee retention representing independent, mediating and dependent variables respectively. The manner in which the staff are compensated influence their decision whether to stay with the firm or not. Both financial and non-financial forms of compensation are very critical in curtailing and reducing the rate of employee turnover. However, the link between compensation and employee retention is not direct, but it is mediated by job satisfaction. Usually, attractive compensation leads into employee satisfaction via increased motivation. In turn, the satisfied employee will be committed and passionate about the organization and therefore will not leave the organization very soon.

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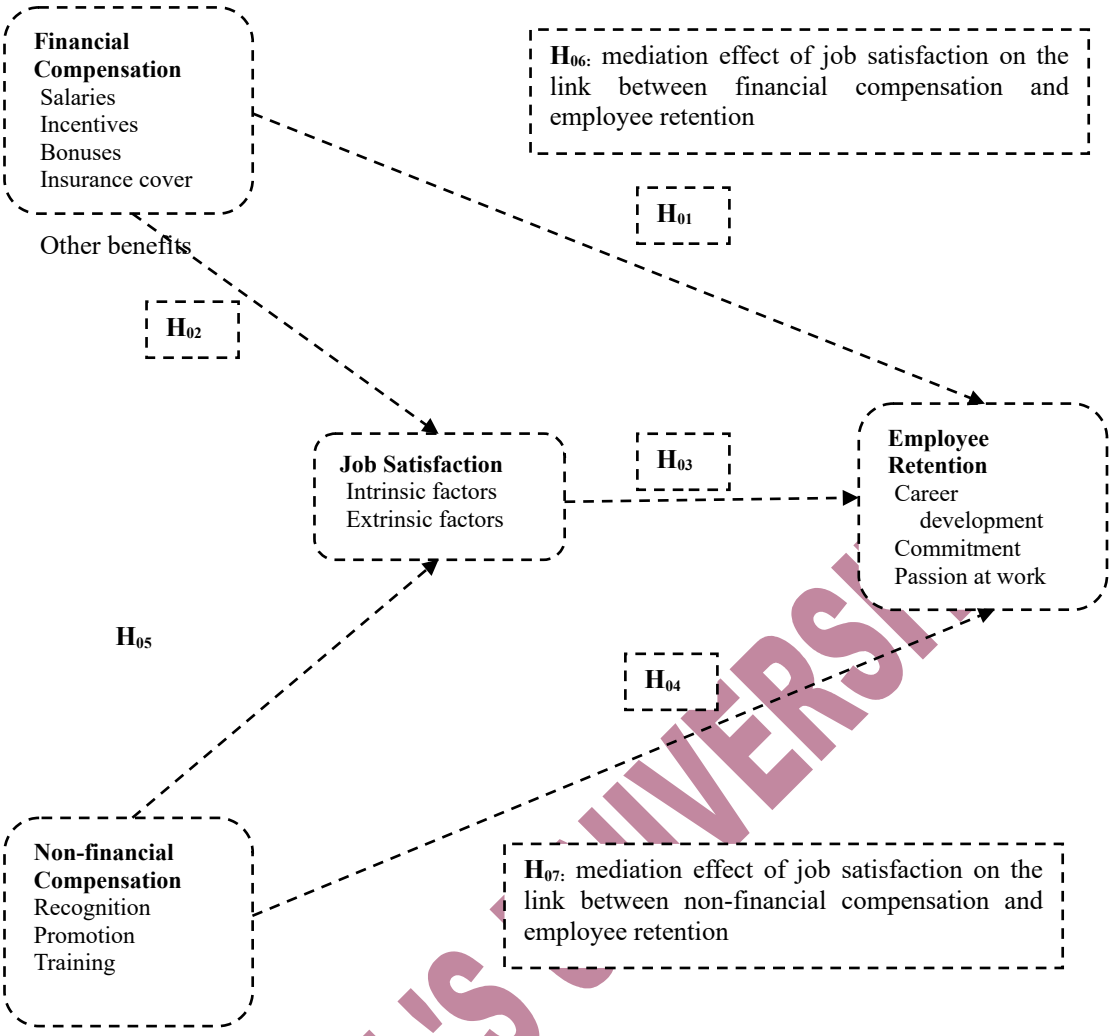


Figure 2.1 Conceptual Model

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CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section entails research design, target population, data collection, reliability and validity of research instruments, diagnostic tests, operationalization and measurement of study variables as well as data analysis and presentation.

3.2 Research Design

Research design is a precise plan of how the researcher intends to carry out an empirical investigation (Rahi, 2017). Kothari (2018) describes research design as the organization and strategy of investigation envisaged in getting responses to research questions. Normally, the choice of the research design largely depends on what the researchers aspire to probe, as well as the kind of the approach that the researcher deems suitable for the research. As outlined by Saunders, Lewis and Thornhill (2016), vast of empirical studies can be classified into exploratory, descriptive or explanatory. An exploratory research design is suitable when the research topic largely remains unexplored and aims at clarifying the genesis of the problem at hand. There are threefold key approaches of undertaking an exploratory study, which is interviewing experts with respect to a certain area; searching literature and carrying out focus groups. These natures of studies are undertaken to explore and is mostly employed qualitative investigations.

The descriptive research studies are taken to be extension and occasionally even an ingredient of exploratory research designs. The descriptive research design is applied when the aim of the investigation is to depict particular phenomena. Lastly, explanatory research designs aim at probing the nexus between the study variables.

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Porta (2014) further suggests explanatory studies not only probe the link amongst variables but equally look at them separately so as to gauge if, and how the predictor variables influence the outcome variable(s). This kind of research design is frequently applied in quantitative studies, and that it is important that there has been adequate prior researches and knowledge about the subject under investigation.

Since the primary objective of this study was to describe the relationship among employee compensation, job satisfaction and staff retention, where the influence of distinct predictor variables on the outcome variable would be operationalized, descriptive cross-sectional survey redesign was employed. The study utilized cross-sectional approach, which habitually comprises of surveys for the gathering of empirical data of the diverse variables that require to be operationalized for research purposes. This technique entails gathering data at a single point in time, which makes the gathering of the data convenient and equally makes it probable to generalize the findings, since the cross-sectional design permits for a huge population to be researched on. Moreover, cross-sectional design is suitable for assessing the linkage between two or more variables of interest so as to analyze how they influence one other and observe the potential patterns between the variables.

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3.3 Target Population

Target population is the aggregate or accumulation of entire participants, subjects or items, which adhere to a given set of specifications. As suggested by Zikmund (2013), population is the total set of objects, individuals or events having shared characteristics that fit in to a specified depiction. The study targeted the human resource manager of each insurance company. The study chose the human resource

managers since they are well conversant with personnel issues pertaining to compensation, job satisfaction and employee retention as well.

All the registered insurance companies in Kenya formed the unit of analysis. Insurance companies face a myriad of challenges in retaining employees since their mode of compensation is largely oriented to commission and a small proportion of retainer in their payment schemes. As at 31st December 2021, IRA had licensed 41 insurance firms to carry out business in Kenya. This study wholly focused on all the 41 insurance companies that transact both short term (general) and long term (life) insurance business as shown in appendix II. A census survey was undertaken since the population of the population of the study was considerably small hence no sampling was required.

3.4 Data Collection Instrument

Data collection is the mechanism of gathering as well as measuring information on various study variables of concern, in a well-known organized manner that enable individuals to respond to the stated research questions, test diverse hypotheses, and evaluate the findings (Kothari, 2018). The data was collected mainly from the primary sources. A structured questionnaire on five-point Likert scale comprising of closed ended questions was employed in gathering the data. The Likert scale was preferred owing to its ease, where numerical values are ascribed to the participants' opinions (Oladipo et al., 2015). The closed ended questions were used so to reduce response disparities; need less transcription line and coding; results into superior response rate and are greatly responsive to diverse statistical manipulation (Noble & Smith, 2015).

The questionnaire was divided into three parts, namely: employee compensation focusing on financial compensation proxied by salaries, bonuses, incentives and

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medical cover (section A); non-financial compensation surrogated by recognition, promotion and training (section B), job satisfaction which was operationalized by intrinsic and extrinsic factors (section C); and finally, employee retention which was represented by commitment, career development and passion at work (section D). The questions used in this study were adopted from the previous empirical works.

3.5 Data Collection Procedure

The starting point of the data collection procedure was submission of the dissertation to Institutional Scientific and Ethical Review Committee (ISERC) of St. Paul's university. Subsequently, the investigator sought research permit from the National Commission for Science, Technology and Innovation (NACOSTI) which authorizes the investigator to gather relevant data. An introductory letter was solicited from St. Paul's university enabled the investigator to gather data from the selected respondents. The administration of the research instrument was carried out with the help of two research assistants. The questionnaires were administered electronically via WhatsApp and email to the human resource managers of the targeted insurance companies in Kenya.

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3.6 Reliability and Validity of Research Instrument

The questionnaire was used to gather data on all variables used in this study was subjected to both reliability and validity tests so as to obtain the relevant data to support further statistical analyses. The consistency, dependability and accuracy of the research instrument are essential components of any empirical investigation.

3.6.1 Reliability of the Research instrument

Reliability denotes the extent to which the research instrument is free from material errors (without bias) and therefore presence of constant measurement across various

items in the research instrument (Mohajan, 2018). Thus, reliability is a sign of the consistency and stability with which the research instrument operationalizes the concept and aids in evaluating the "goodness" of measure. It is concerned with whether the outcomes of an empirical inquiry are replicable.

Although Cronbach's alpha has been applied broadly to measure internal consistency, many researchers are shifting to other reliability coefficient measures such as composite reliability due to poor scores associated with Cronbach's alpha. It is advisable to use composite reliability owing to its assumption on indicator loadings being unequal in line with PLS-SEM algorithm of not having an indicator loading in favour on the account of model estimation of specific reliabilities. Usually, Cronbach's alpha is not stable owing to numerous items that underestimate construct reliabilities. Therefore, the current study adopted composite reliability as a measure of reliability. A construct composite reliability co-efficient of 0.7 and above, for the entire constructs, was considered to be sufficient for this study.

3.6.2 Validity of the Research Instrument

Validity is the meaningfulness and accuracy of inferences drawn on the basis on the research findings (Saunders et al., 2016). Validity tests ascertain whether the research instrument precisely measures what it purports to measure. There are three conventional approaches of establishing validity, namely: face, content and construct validity. Face validity is a subjective way of validity where the researcher ascertains whether a measure seems to quantify what it envisages to evaluate. Face validity was addressed by soliciting the opinions of the subject experts so as to assist in reviewing the research instrument. Content validity is a method employed in drawing inferences via objective and systematic identification of particular features of a phenomenon.

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Indeed, it is the extent to which the item content sufficiently covers the universe of the entire items under the study. Content validity was achieved by discussing the research instrument with experts, supervisors who are well versed with the area under study.

Construct validity denotes the extent to which the research adheres to theoretical anticipations. There are usually two types of construct validity, namely: convergent and discriminant validity. Convergent validity is the extent to which individual items agree in representing the constructs they measure. Average variance extracted (AVE) was used to measure convergent validity and the threshold is that AVE > 0.5. On the other hand, discriminant validity ascertains the construct distinctiveness. It shows that the study constructs possess their own identity and do not correlate highly with other constructs. The discriminant analysis was measured by Fornell and Lacker Criterion (given by the square root of AVE) which should be greater than its correlation with all other constructs. Furthermore, discriminant validity was measured by Heterotrait-Monotrait ratio which should be less than 0.9.

3.7 Diagnostic Tests

Vast of statistical tests depend upon specific assumptions concerning the variables employed in the analysis. In a situation in which these basic assumptions violated, the findings become untrustworthy, leading to emergence of Type I or Type II error, or under or over estimation of effect size(s) or significance. Although there are numerous diagnostic tests for evaluating the assumptions of linear regression analysis, the most relevant test for cross-sectional datasets is the multicollinearity tests. This study employed PLS-SEM estimation technique which doesn't require normality test due to its bootstrapping technique that puts fewer restrictions on sample distributions by resampling techniques.

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Multicollinearity test was performed in this study. This concern emerges when the explanatory variables correlate highly. Multicollinearity normally causes serious challenges especially when attempting to draw inferences regarding the diagnostic's comparative influence on each explanatory variable to the success of the model. To test multicollinearity, Variance Inflation Factor (VIF) and tolerance value (TV) were employed and their thresholds should be < 10 and > 10 respectively.

3.8 Operationalization and Measurement of Variables

An operationalization is a process of translating of concepts into tangible indicators of their existence (Noble & Smith, 2016). Operationalization is also a process of assigning symbols to numerous variables so as to permit measurability (Kothari, 2018). In this study, the dependent variable is employee retention; mediating variable is job satisfaction and the independent variable is employee.

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Table 3.1: Summary of Operationalization and Measurement of Variables

Variable	Indicator	Operational Definition	Supporting Literature	Questionnaire
Compensation ***(Independent Variable)***	Financial compensation	Is pecuniary benefits accorded to staff in form of salary, incentives, insurance cover and bonuses	Asekun (2015); Syhreza et al. (2017)	Section (A)
	Non-financial Compensation	Is non-pecuniary benefits given to employees in form of recognition, promotion, and training.	Jean et al. (2017); Vizano and Endri (2020)	Section (A)
Job Satisfaction ***(Intervening Variable)***	Intrinsic Factors	Is performing an activity for its own sake rather than the desire for some external reward or out of some external pressure	Ramli (2017)	Section (B)
	Extrinsic factors	Behavior of individuals to execute tasks and learn new skills because of external rewards	Fogarty et al. (2014)	Section (B)
Employee Retention ***(Dependent Variable)***	Commitment	This is the loyalty of the employee towards an organization	Iqbal et al. (2017)	Section (C)
	Career Development	Refers to progression at work place in terms of job designation	Sarmad and Malik (2016)	Section (C)
	Passion at work	High inspiration levels at work place that keeps employee in an organization for long	Singh and Loncar (2020)	Section (C)

Source: Researcher (2023)

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3.9 Data Analysis and Presentation

Data analysis is the process of examining, modelling and transforming empirical data to establish the practicality of information that aids decision-making process. The utilization of descriptive and inferential statistical procedures supplements the comprehension of the consistency of the collected data (Zikmund et al., 2013). To visualize the gathered data make meaningful presentations, the study generated descriptive statistics for individual variables. These comprised of the mean, standard deviation, as well as skewness and

kurtosis. The descriptive statistics are vital in pointing any unfamiliar information that needs explicit treatment of the data prior to execution of the inferential statistic for robust estimations. The data analysed was presented in form of tables and figures.

Correlation analysis was carried out to ascertain the extent of the association between the study variables. This study applied Pearson product-moment correlation coefficient for evaluating correlation. To estimate the inferential statistics, the, maximum likelihood estimation (MLE) technique with the help of structural equation model (SEM). The maximum likelihood estimation technique is a common statistical framework that is employed in estimating the parameters in a probabilistic data generating model. This approach is conceptually simple and provides estimates of parameters that have attractive statistical properties. SEM technique is analogous to multiple regressions but owing to its concurrent treatment of the empirical data, it is a more robust tool as it takes into consideration interaction models, measurement and correlated errors, correlations, and both multiple latent predictor and outcome variables. Additionally, SEM has numerous advantages such as flexible statistical assumptions, capacity to test models in comparison to testing individual associations, the ability to cope up with complex data, and vital utilization of confirmatory factor analysis (CFA).

Specifically, the current study used Partial Least Squares- Structural Equation Modelling (PLS-SEM) with the help of Smart PLS. The benefits of applying PLS-SEM technique are that they maintain the basic functions using small sample sizes as a basis of its approach of not estimating simultaneously the parameters of the overall model. This approach also is adequate for analysing data that is not normally distributed due to its bootstrapping approach that puts fewer restrictions on

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sample distribution by resampling methods. Furthermore, PLS-SEM is also capable of exploring linkages between latent and manifest variables in both reflective and formative ways.

3.9.1 Financial Compensation and Employee Retention

The first objective was to examine the influence of financial compensation on employee retention among insurance firms in Kenya. PLS-SEM was applied as the principal estimation technique. Financial compensation indicators comprised of salaries, incentives, bonuses and insurance cover while employee retention was represented by career development, commitment and passion to work. To enhance the precision of the statistical analysis, the hypothesized relationship between financial compensation and employee retention is stated as specified in Equations 3.1.

$$\mathbf{ER = \beta_0 + \beta_1 FC + \varepsilon_i} \quad \textbf{(3.1)}$$

Where: ER = employee retention; β_0 = is the constant; β_1 = is the coefficient, FC = financial compensation; εi = error term.

3.9.2 Financial Compensation and Job Satisfaction

The second objective was to examine the influence of financial compensation on employee job satisfaction among insurance firms in Kenya. PLS-SEM was utilized as the principal estimation method. Financial compensation indicators encompassed promotion, promotion, recognition and training while job satisfaction was surrogated by intrinsic and extrinsic factors. To enrich the precision of the statistical analysis, the hypothesized relationship between financial compensation and job satisfaction is stated as specified in Equations 3.2.

$$\mathbf{JS = \beta_0 + \beta_1 FC + \varepsilon_i} \quad \textbf{(3.2)}$$

Where: JS = job satisfaction; β_0 = is the constant; β_1 = is the coefficient, FC = financial compensation; εi = error term.

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3.9.3 Job Satisfaction and Employee Retention

The third objective was to investigate the influence of job satisfaction on employee retention among insurance firms in Kenya. PLS-SEM was employed as the main estimation technique. Job satisfaction metrics utilized involves promotion intrinsic and extrinsic factors whereas employee retention was surrogated by career development, commitment and passion to work. To enrich the precision of the statistical analysis, the hypothesized relationship between job satisfaction and employee retention is stated as specified in Equations 3.3.

$$\mathbf{ER = \beta_0 + \beta_1 JS + \varepsilon_i} \quad \textbf{(3.3)}$$

Where: ER = employee retention; β_0 = is the constant; β_1 = is the coefficient, JS = job satisfaction; Ɛi = error term.

3.9.4 Non-financial Compensation and Employee Retention

The fourth objective was to establish the influence of non-financial compensation on employee retention among insurance firms in Kenya. PLS-SEM was applied as the primary estimation technique. Non-financial compensation metrics included promotion, recognition and training while employee retention was captured by career development, commitment and passion to work. To enrich the precision of the statistical analysis, the proposed relationship between non-financial compensation and employee retention is stated as specified in equation 3.4.

$$\mathbf{ER = \beta_0 + \beta_1 NFC + \varepsilon_i} \quad \textbf{(3.4)}$$

Where: ER = employee retention; β_0 = is the constant; β_1 = is the coefficient, NFC = non-financial compensation; Ɛi = error term.

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3.9.5 Non-financial Compensation and Job Satisfaction

The fifth objective was to probe the influence of non-financial compensation on job satisfaction among insurance firms in Kenya. PLS-SEM was used as the main estimation method. Non-financial compensation measures entailed promotion, recognition and training while job satisfaction was represented by intrinsic and extrinsic factors. To enrich the precision of the statistical analysis, the hypothesized nexus between non-financial compensation and job satisfaction is stated as specified in equation 3.5.

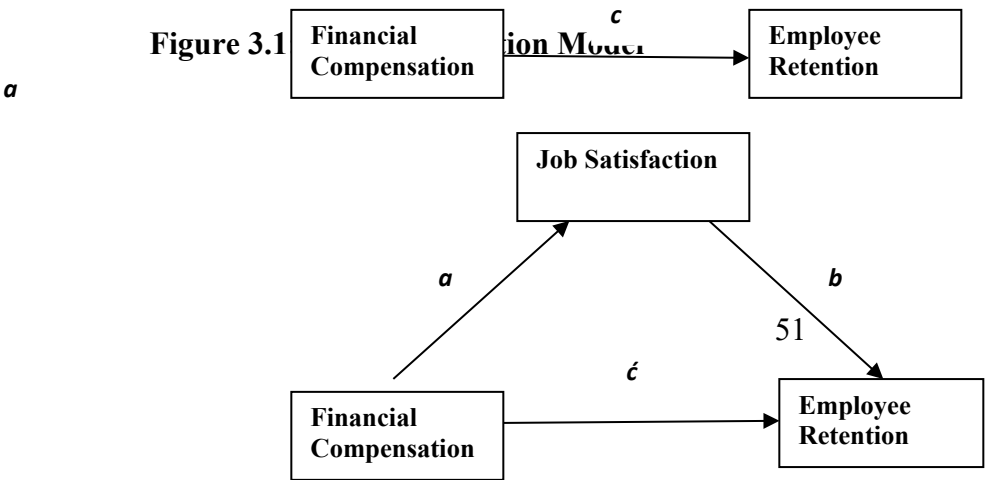
$$JS = \beta_0 + \beta_1 NFC + \varepsilon_i \quad \text{(3.5)}$$

Where: JS = Job Satisfaction; β_0 = is the constant; β_1 = coefficient, NFC = Non - Financial Compensation; Ɛi = is the error term.

3.9.6 The Mediating influence of Job Satisfaction on the Relationship between Financial Compensation and Employee Retention

The second sixth objective was to determine the mediating influence of job satisfaction on the nexus between financial compensation and employee retention. The study modeled job satisfaction as a mediator, a 3rd variable that conveys the effects of the financial compensation (independent variable) to employee retention (outcome variable). The study guided by path analysis applied PLS-SEM to test the mediating effect of job satisfaction on the nexus between financial compensation and employee retention. The mediation was tested by assessing the significance of the indirect paths (***ab***) as shown in Figure 3.1.

Figure 3.1 **ion Model**



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Total effect **(c)** = *Influence of financial compensation on employee retention in absence of job satisfaction*
Direct effect **(ć)** = *Influence of financial compensation on employee retention in presence of job satisfaction*
Indirect effect **(ab)** = *Influence of financial compensation on employee retention via job satisfaction*

The path coefficients were generated using PLS-SEM and were decomposed into total, direct and indirect effects.

The **total effects** represented by path coefficient (***c***) are a pathway showing from financial compensation to employee retention in absence of job satisfaction. To estimate the total effect, a linear model employed is stated below;

$ER = \beta_0 + cFC + \varepsilon_i$ ……...……...……..…… (3.5)

Where: ER = employee retention; β_0 = constant; *c* = path coefficients; FC = financial compensation; Ɛi = error term.

The **direct effects** (path coefficient-*ć*) are the pathway from the financial compensation to employee retention in presence of job satisfaction. To estimate the direct effects, a linear model applied is stated below;

$ER = \beta_0 + ć\ FC + bJS + \varepsilon_i$……...……..…… ….. (3.3)

Where: ER = employee retention; β_0 = constant; *ć* = path coefficient; FC = financial compensation; *b* = path coefficient; JS = job satisfaction; Ɛi = error term.

The **indirect effects** (path coefficients-***ab***) show the pathway from financial compensation to employee retention via job satisfaction. Specifically, path coefficient ***a*** shows the pathway from

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financial compensation to job satisfaction whereas path coefficient ***b*** shows the pathway from job satisfaction to employee retention. To estimate these indirect effects (*ab*), two linear models employed were as stated in equations 3.3 and 3.4;

$JS = \beta_0 + aFC + \varepsilon_i$…….……..…….…….……. ….. (3.4)

Where: JS = job satisfaction; β_0 = constant; *a* = path coefficient, FC = financial compensation; Ɛi = error term.

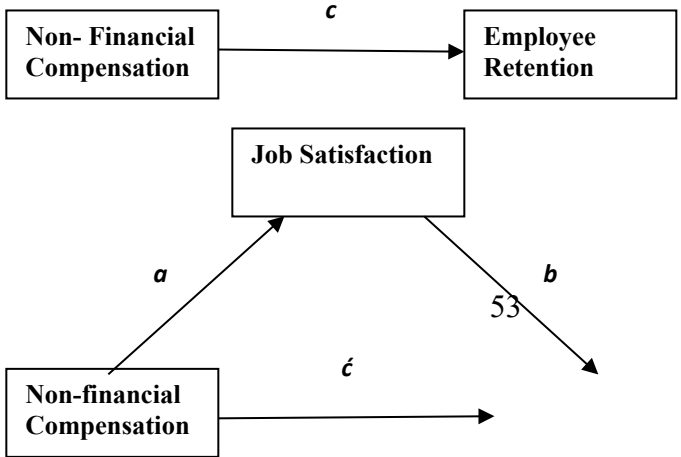
3.9.7 The Mediating influence of Job Satisfaction on the Relationship between Non-financial Compensation and Employee Retention

The second seventh objective was to establish the mediating influence of job satisfaction on the relationship between non-financial compensation and employee retention. The study conceptualized job satisfaction as a mediator, that is, a 3rd variable that conveys the influence of the financial compensation (independent variable) to employee retention (response variable).

The study guided by path analysis embraced PLS-SEM to test the mediating influence of job satisfaction on the relationship between non-financial compensation and employee retention. The mediation was tested by evaluating the significance of the indirect paths (ab) as displayed in Figure 3.2.

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Figure 3.2: Simple Mediation Model



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Employee Retention

Total effect **(c)** = *Influence of non-financial compensation on employee retention in absence of job satisfaction*
Direct effect **(ć)** = *Influence of non- financial compensation on employee retention in presence of job satisfaction*
Indirect effect **(ab)** = *Influence of non- financial compensation on employee retention via job satisfaction*

The path coefficients were generated using PLS-SEM and were decomposed into total, direct and indirect effects.

The **total effects** represented by path coefficient (***c***) is a pathway showing from non-financial compensation to employee retention in absence of job satisfaction. To estimate the total effect, a linear model employed is stated below;

$ER = \beta_0 + cNFC + \varepsilon_i$ …… (3.5)

Where: ER = employee retention; β_0 = constant; *c* = path coefficients; NFC = nonfinancial compensation; Ɛi = error term.

The **direct effects** (path coefficient-*ć*) are the pathway from the non-financial compensation to employee retention in presence of job satisfaction. To estimate the direct effects, a linear model applied is stated below;

$ER = \beta_0 + ć\ NFC + bJS + \varepsilon_i$…… ….. (3.3)

Where: ER = employee retention; β_0 = constant; *ć* = path coefficient; NFC = non-financial compensation; *b* = path coefficient; JS = job satisfaction; Ɛi = error term.

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The **indirect effects** (path coefficients-***ab***) show the pathway from non-financial compensation to employee retention via job satisfaction. Specifically, path coefficient ***a*** show the pathway from non-financial compensation to job satisfaction whereas path coefficient ***b*** shows the pathway from job satisfaction to employee retention. To estimate these indirect effects (*ab*), two linear models employed were as stated in equations 3.3 and 3.4;

$$\mathbf{JS = \beta_0 + aFC + \varepsilon_i} \quad \textbf{(3.4)}$$

Where: JS = job satisfaction; β_0 = constant; *a* = path coefficient, FC = non-financial compensation; Ɛi = error term.

The criteria for evaluating whether there was no mediation, partial mediation and full mediation is summarized in Table 3.2.

Table 3.2: Criteria for Mediation Analysis

Mediation Criteria		
Direct Effects	**Indirect Effects**	**Mediation**
Significant ($p < 0.05$)	Insignificant ($p > 0.05$)	No mediation
Significant ($p < 0.05$)	Significant ($p < 0.05$)	Partial mediation
Insignificant ($p > 0.05$)	Significant ($p < 0.05$)	Full mediation

Source: Baron and Kenny (1986)

3.10 Ethical Considerations

The researcher observed essential clauses in social research ethics. Necessary approval letters from National Council for Science, Technology and Innovation (NACOSTI) was obtained from the appropriate state agency. Confidentiality and anonymity in the research process were guaranteed for all participants both in writing and verbally and they were advised not to put their names in the research instrument administered. The research was virtuously used for scholarly purposes only. The nature of the empirical investigation was clarified to the respondents and any questions on anonymity and confidentiality was addressed accordingly. At completion of the study, the results

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were shared with all the stakeholders via feedback sessions and via publications in journals for wider academic sharing.

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CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This section focuses on the questionnaire response rate, descriptive statistics and estimation of the measurement model as well as the structural equation model using Smart PLS.

4.2 Questionnaire Response Rate

A total of forty-one Kenyan insurance firms were targeted out of which forty firms appropriately completed analysable questionnaires, leading into a questionnaire response rate of 98%. High questionnaire response rate was obtained by making deliberate follow ups through WhatsApp, direct calls and emails to the targeted participants. The questionnaire response rate auger well with the recommendations made by Kothari (2018) who suggested that a questionnaire response rate exceeding 60% is perfect for estimation purposes. The results are displayed Table 4.1.

Table 4.1: Questionnaire Response Rate

Response Rate	Frequency	Percentage
Response	40	98
Non-Response	1	2
Total	**41**	**100**

Source: Study Data (2023)

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4.3 Descriptive Statistics

Descriptive statistics were employed to aid in organizing, simplifying and summarizing data for the study variables so as to be used in inferential statistics. The measure of central tendency computed was mean; the measure of dispersion computed were the minimum values, maximum values, standard deviation, skewness and kurtosis.

4.3.1 Financial Compensation

Financial compensation was modelled as an independent variable. This variable was obtained by computing composite scores of the four indicators, namely: bonuses, incentives, insurance cover and salaries. The participants were asked to specify the level to which on a scale of 1-5, they agreed with the features of each indicator through set of statements and the results were as displayed in Table 4.2.

Table 4.2: Financial Compensation

Indicator	N	Min	Max	M	SD	SK	KU
Bonuses	40	2	5	4.240	0.704	-0.888	0.790
Incentives	40	2	5	4.084	0.780	-1.340	1.952
Insurance cover	40	2	5	4.096	0.907	-1.101	0.339
Salaries	40	1	5	4.116	0.811	-1.552	3.367
Average Score	**40**	**2**	**5**	**4.134**	**0.801**	**-1.220**	**1.612**

Source: Study Data (2023)

The outcome revealed that the mean score for the indicators utilized to describe financial compensations was (M = 4.134, Min = 2, Max = 5, S.D = 0.801, SK = -1.220, KU = 1.612) inferring that that majority of the respondents agreed that financial compensation was a critical component of employees' compensation system in their organizations. The average score for the statements delineating bonuses was (M = 4.240, Min = 2, Max = 5, S.D = 0.704, SK = -0.888, KU = 0.790) implying that a greater number of participants agreed that their organizations offered bonuses to their employees as part of financial compensation. The mean score for the attributes depicting incentives was (M = 4.084, Min = 2, Max = 5, S.D = 0.780, SK = -1.340, KU = 1.952) suggesting that vast of the respondents agreed that their organization offer incentives as part of financial compensation.

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The average score for the statements denoting insurance cover was (M = 4.096, Min = 2, Max = 5, S.D = 0.907, SK = -1.101, KU = 0.339) implying that most of the respondents agreed that insurance cover formed an integral part of financial compensation in their organizations. Finally, the mean score for statements utilized to represent salaries was (M = 4.116, Min = 1, Max = 5, S.D = 0.811, SK = -1.552, KU = 3.367) indicating that majority of the participants agreed salaries was the core component of their financial compensation in their organizations.

4.3.2 Non-Financial Compensation

Non-financial compensation was conceptualized as an independent variable. This variable was obtained by calculating composite scores of the three indicators, namely: promotion, recognition and training. The respondents were requested to specify the level to which on a scale of 1-5, they agreed with the attributes of each indicator via number of statements and the findings are outlined in Table 4.3.

Table 4.3 Non-Financial Compensation

Indicator	N	Min	Max	M	SD	SK	KU
Promotion	40	3	5	4.139	0.526	-1.131	2.302
Recognition	40	2	5	3.667	0.686	-0.312	-0.027
Training	40	3	5	4.496	0.428	-1.202	1.974
Average Score	**40**	**3**	**5**	**4.101**	**0.547**	**-0.882**	**1.416**

Source: Study Data (2023)

The results indicated that the average score for the indicators adopted to depict non-financial compensations was (M = 4.101, Min = 3, Max = 5, S.D = 0.547, SK = -0.882, KU = 1.416) signifying that that majority of the participants agreed that non-financial compensation was a key part of employee compensation system in their organizations. The mean score for the statements outlining promotion was (M = 4.139, Min = 2, Max = 5, S.D = 0.526, SK = -1.131, KU = 2.302) suggesting that a vast of participants agreed that promotion was an important part of non-financial compensation in their firms.

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The average score for the features representing recognition was (M = 3.667, Min = 2, Max = 5, S.D = 0.686, SK = -0.312, KU = -0.027) implying that vast of the participants agreed that recognition was an essential part of non-financial compensation in their organizations. Finally, the mean score for the statements symbolising training was (M = 4.496, Min = 3, Max = 5, S.D = 0.428, SK = -1.202, KU = 1.974) suggesting that most of the participants agreed training was an integral part of non-financial compensation in their organizations.

4.3.3 Job Satisfaction

Job Satisfaction was modelled as a mediating variable. This variable was generated by computing composite scores of the two indicators, namely: intrinsic and extrinsic factors. The participants were requested to specify the level to which on a scale of 1-5, they agreed with the features of each indicator though a continuum of statements and the results are depicted in Table 4.4.

Table 4.4 Job Satisfaction

Indicator	N	Min	Max	M	SD	SK	KU
Intrinsic factors	40	3	5	4.293	0.514	-0.547	-0.183
Extrinsic factors	40	3	5	4.290	0.515	-0.881	1.038
Average Score	**40**	**3**	**5**	**4.292**	**0.515**	**-0.714**	**0.428**

Source: Study Data (2023)

The outcome in Table 4.4 suggests that the mean score for the indicators utilized to describe job satisfaction was (M = 4.292, Min = 3, Max = 5, S.D = 0.515, SK = -0.714, KU = 0.428) implying that majority of the respondents agreed that employees in their organizations were satisfied with their jobs. The average score for the items delineating intrinsic factors was (M = 4.293, Min = 3, Max = 5, S.D = 0.514, SK = -0.547, KU = -0.183) indicating that a majority of respondents agreed intrinsic factors was a key aspect of job satisfaction. The mean score for the attributes signifying extrinsic factors was (M = 4.290, Min = 3, Max = 5, S.D = 0.515, SK = -0.881, KU = 1.038) implying that a greater number of the participants agreed that extrinsic factors was an essential component of job satisfaction.

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4.3.4 Employee Retention

Employee retention was conceptualized as the response variable. This variable was obtained by computing composite scores of the three indicators, namely: career development, commitment and passion at work. The participants were requested to stipulate the level to which on a scale of 1-5, they agreed with the features of each indicator through a set of statements and the results are displayed in Table 4.5.

Table 4.5 Employee Retention

Indicator	N	Min	Max	M	SD	SK	KU
Career development	40	3	5	4.270	0.552	-0.462	-0.320
Commitment	40	3	5	4.270	0.455	-0.454	0.914
Passion at work	40	2	5	4.119	0.581	-0.776	1.005
Average Score	**40**	**3**	**5**	**4.119**	**0.581**	**-0.776**	**1.005**

Source: Study Data (2023)

The findings suggest that the average score for the indicators employed to explicate employee retention was (M = 4.119, Min = 3, Max = 5, S.D = 0.581, SK = -0.776, KU = 1.005) revealing that majority of the participants agreed that their organizations were keen in retaining their employees. The mean score for the statements defining career development was (M = 4.270, Min = 3, Max = 5, S.D = 0.552, SK = -0.462, KU = -0.320) indicating that majority of the participants agreed that career development was a key determinant of employee retention in their organizations. The mean score for the features representing employee commitment was (M = 4.270, Min = 3, Max = 5, SD = 0.455, SK = -0.454, KU = 0.914) suggesting that majority of the respondents were in agreed that employee commitment was a key aspect of employee retention in their firms. The average score for the features representing passion at work was (M = 4.119, Min = 2, Max = 5, SD = 0.581, SK = -0.776, KU = 1.005) implying that majority of the respondents agreed that passion at work was an essential component of employee retention in their organizations.

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4.4 Estimation Results

The estimation process is decomposed into two major parts; the estimation results of the measurement (outer) model and the structural (inner) model. The measurement model entails the measurement of the indicators used in the study by evaluating their reliability and validity. These indicators are reflective in nature. On the other hand, structural model estimates the nexus among the latent variables. The analysis comprises of the coefficient of determination (R^2), effect size (f^2), predictive relevance (Q^2), direct effects, indirect effects (mediation) and total effects.

4.5 Measurement Model Evaluation

In this study, PLS-SEM was employed to evaluate both the measurement and the structural model so as to ascertain the linkage among the latent constructs and the predictive power of the conceptual model. Smart PLS 4 evaluates the psychometric attributes of the outer model (measurement model) and estimates the parameters of the structural model (inner model). The reliability and validity of the outer model (measurement model) was assessed by evaluating indicator reliability; internal consistency reliability; convergent validity and finally discriminant validity. The latent constructs in this study were operationalized using multiple items as shown in Table 4.6.

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Table 4.6: Study Latent Variables

Latent Construct	Type of Construct	Number of observed variables
Financial compensation	Reflective	4 items
Non-financial compensation	Reflective	3 items
Job satisfaction	Reflective	2 items
Employee Retention	Reflective	3 items

Source: Study Data (2023)

In the reflective measurement scale illustrated in Table 4.5, the indicators are interchangeable and correlate highly and their validity and reliability should be examined thoroughly. The latent variable financial compensation comprises of 4 observed indicators with each being a mean of numerous items. The latent variable non-financial compensation encompasses 3 observed indicators

with each being an average of several items. The latent variable job satisfaction is made up of 2 observed indicators with each being a mean of various items. Finally, the latent variable employee retention entails 3 observed indicators with each being an average of numerous items.

4.5.1 Indicator Reliability

The indicator reliability of the outer model (measurement model) was computed by examining the outer item loadings. The results of the item loadings are presented in Table 4.7.

Table 4.7: Study Latent Variables

Latent Variable	Indicators	Loadings	p
Financial Compensation	Bonuses	0.890	0.000
	Incentives	0.836	0.000
	Insurance cover	0.877	0.000
	Salaries	0.947	0.000
Non-financial compensation	Promotion	0.851	0.000
	Recognition	0.763	0.000
	Training	0.861	0.000
Job Satisfaction	Intrinsic factors	0.952	0.000
	Extrinsic factors	0.943	0.000
Employee Retention	Career development	0.925	0.000
	Commitment	0.894	0.000
	Passion at work	0.939	0.000

Source: Study Data (2023)

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The outer model is confirmed to have satisfactory indicator reliability when the estimate of each items loading score is greater than 0.7 and sometimes, an item loading of > 0.5 is acceptable (Hair et al., 2014). The findings indicate that the entire items in the measurement model exhibited loadings exceeding 0.5 ranging from a lower value of 0.763 to a higher value of 0.952. Furthermore, all the items were significant at 95% confidence interval.

4.5.2 Internal Consistency Reliability

According to Wong (2016), Internal Consistency Reliability is the magnitude to which a measuring instrument is stable and consistent. The essence of reliability is consistency. Internal consistency reliability was evaluated using composite reliability (CR) and Cronbach's alpha coefficient.

Generally, a measurement model is said to statistically have internal consistency when the CR and Cronbach's alpha coefficients exceed the threshold of 0.7.

Table 4.8: Composite Reliability and Cronbach's Alpha

Latent Variable	Composite Reliability	Cronbach's Alpha
Employee retention	0.943	0.905
Financial compensation	0.937	0.910
Job satisfaction	0.946	0.866
Non-financial compensation	0.866	0.767

Source: Study Data (2023)

Table 4.8 indicates that composite reliability of each latent construct ranged from 0.866 to 0.946. Furthermore, the Cronbach's alpha coefficient of each latent construct ranged from 0.767 to 0.910. Overall, the results indicated that the items used to represent the constructs possessed satisfactory internal consistency.

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4.5.3 Construct Validity

Using PLS-SEM estimation technique, construct validity is verified when there is convergent and discriminant validity.

4.5.3.1 Convergent Validity

Convergent validity is the extent to which multiple efforts to measure analogous concept agree. The rationale is that the two or more measures of the same thing should covary highly if they are valid measures of the concept (Henseler & Ringle, 2013). An AVE value > 0.5 suggests that items converge to measure the underlying estimates and therefore convergent validity is ratified (Wong, 2016). AVE results are presented in Table 4.9.

Table 4.9: Average Variance Extracted (AVE) Results

Latent Variable	Average Variance Extracted (AVE)
Employee retention	0.845
Financial compensation	0.789
Job satisfaction	0.897
Non-financial compensation	0.683

Source: Study Data (2023)

The convergent validity outcome based on the AVE shows that the values ranged from 0.683 to 0.897. Since the AVE values for all the latent variables were greater than 0.5, convergent validity was confirmed.

4.5.3.2 Discriminant Validity

Discriminant validity is the degree to which measures of different concepts are diverse. The reasoning is that if two or more concepts are unique, then valid measures of each should not correlate too highly (Avkiran, 2018).

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4.5.3.2.1 Fornell - Larcker Criterion

Discriminant validity is affirmed when the sequence root of AVE for a latent variable is greater than its correlation with all other latent variables in the same column. The findings are displayed in Table 4.10.

Table 4.10: Fornell-Larcer Criterion Measure for Assessing Discriminant Validity

Latent Variable	Employee retention	Financial compensation	Job satisfaction	Non-financial compensation
Employee retention	**0.919**			
Financial compensation	0.777	**0.888**		
Job satisfaction	0.858	0.716	**0.947**	
Non-financial compensation	0.783	0.634	0.802	**0.826**

Source: Study Data (2023)

The √AVE for the construct employee retention (0.919) is greater than its correlation with other latent variables in the column of employee retention (0.777, 0.858 and 0.783). The √AVE for financial compensation (0.888) is larger than its correlation with other constructs in the column of financial compensation (0.716 and 0.634). The √AVE for job satisfaction (0.947) is higher than its correlation with the other variables in the column of job satisfaction (0.802). Analogous findings are reported with respect to non-financial compensation. Overall, the findings support the establishment of discriminant validity.

4.5.3.2.2 Heterotrait - Monotrait Ratio (HTMT)

The correlation between the constructs forms the basis for estimating HTMT ratio. The discriminant validity was further verified using HTMT ratio. The criteria for establishing HTMT adopted in this study is that of Fauzi (2022 who recommended values less than 0.9. The HTMT values presented in Table 4.11 for all the paired latent variables are < 0.9 hence supporting discriminant validity.

Table 4.11: Heterotrait - Monotrait Ratio (HTMT) Results

Latent Variable	HTMT Ratio
Financial compensation <-> Employee retention	0.852
Job satisfaction <-> Employee retention	0.854
Job satisfaction <-> Financial compensation	0.790
Non-financial compensation <-> Employee retention	0.836
Non-financial compensation <-> Financial compensation	0.757
Non-financial compensation <-> Job satisfaction	0.868

Source: Study Data (2023)

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4.5.4 Indicator Multicollinearity

Multicollinearity emerges when the indicators in the measurement model are highly correlated. VIF was utilized to check for the indicator multicollinearity. Hair et al. (2015) sets a threshold of VIF < 10 to signify absence of multicollinearity. The findings displayed in Table 4.12 reveals that VIF values for all indicators were less than the stipulated threshold (VIF < 10).

Table 4.12: Indicator Multicollinearity Results

Indicator	VIF
Bonuses	3.103
Career development	3.600
Commitment	2.412
Extrinsic factors	2.719
Incentives	2.674
Insurance cover	2.575
Intrinsic factors	2.719
Passion at work	3.998
Promotion	1.785
Recognition	1.379
Salaries	5.467
Training	1.735

Source: Study Data (2023)

4.5.5 Goodness of Fit (Model's Predictive Capabilities)

To evaluate the goodness of fit, SRMR, coefficient of determination, (R^2), effect size (f2) and predictive relevance (Q^2) were applied.

Table 4.13: Standardized Root Mean Square Residual (SRMR) Results

Measure	Estimated Model
SRMR	0.079

Source: Study Data (2023)

SRMR permits evaluation of the average of the disparity between observed and the expected correlation as a measure of the model fit. SRMR was employed as a goodness of fit measure. Henseler et al. (2014) suggest that SRMR value of less than 0.1 or 0.08 is considered to be a good fit. The results displayed in Table 4.13 shows a SRMR value of 0.079 which implies that the estimation model had a good fit.

Table 4.14: Coefficient of Determination (R^2) Results

Endogenous Variable	R-square	Adjusted R-square
Employee Retention	0.806	0.794
Job Satisfaction	0.715	0.703

Source: Study Data (2023)

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According to Hair et al. (2014), the values of 0.25, 0.50 and 0.75 are described as weak, moderate and substantial respectively. The findings in Table 4.14 when employee retention was employed as an endogenous variable, the adjusted R^2 were 0.794. This implies that there was substantial disparity; that is, 79.4% of variance in employee retention is attributed to financial compensation, non-financial compensation and job satisfaction while the other 21.6% is ascribed to parameters ignored in PLS-SEM. Furthermore, when job satisfaction was applied as an endogenous variable, the adjusted R^2 was 0.703. This suggest that there was moderate variation, that is, 70.3% of disparity in job satisfaction is attributed to financial compensation and non-financial compensation whereas the other 29.7% is due to other parameters excluded in PLS-SEM.

Table 4.15: Effect Size (f^2) for Independent Variables

Hypothesized Path Relationship	β	t	p	f^2
Financial compensation -> Employee retention	0.469	3.125	0.002	0.234
Financial compensation -> Job satisfaction	0.347	2.626	0.009	0.253
Job satisfaction -> Employee retention	0.464	2.420	0.016	0.316
Non-financial compensation -> Employee retention	0.486	3.408	0.001	0.084
Non-financial compensation -> Job satisfaction	0.582	4.599	0.000	0.713

Source: Study Data (2023)

Effect size is a statistical technique employed to measure the importance of exogenous variable on any endogenous variable by recalculating of coefficient of determination-R^2 (Avkiran, 2018). Usually, exogenous variable is omitted one at a time in recalculation of the (R^2). The f^2 is vital in detecting weak linkages. The effect size (f^2) statistic specifies if the removal of an independent variable can have a significant effect on the outcome variable. Cohen (1988) gave criteria for effect size (f^2) by suggesting that the values 0.02, 0.15 and 0.35 indicate small, medium and large effect sizes respectively.

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The findings in Table 4.15 suggests that if non-financial compensation is removed in the model, the variance explained in employee retention will be small (0.084). The omission of financial compensation in the model has a medium effect (0.234) on employee retention. Similarly, removal of financial compensation in the model has a Medium effect (0.253) on job satisfaction. Furthermore, omission of job satisfaction in the model has a Medium effect (0.316) on employee retention. In contrast, removal of non-financial compensation in the empirical model will have a large effect (0.713) on job satisfaction.

Table 4.16: Predictive Relevance (Q^2)

Latent Variable	Q^2
Employee Retention	0.677
Job satisfaction	0.668

Source: Study Data (2023)

The predictive relevance using Stone-Geisser's (Q^2) of an estimation model was assessed using blindfolding procedure. Q^2 tests whether the model has predictive relevance or not for endogenous constructs and $Q^2 > 0$ indicates predictive relevance. According to Hair et al. (2014), Q^2 for reflective endogenous variables having 0.35, 0.15 and 0.02 represent strong, medium and weak predictive relevance. From the findings in Table 4.16, employee retention ($Q^2 = 0.667$) and job satisfaction ($Q^2 = 0.668$) had strong predictive relevance.

4.6 Structural Equation Model

The structural equation model (inner model) was used asses relationship between exogenous and endogenous latent variables by testing numerous hypotheses. The SEM with indicator loadings, path coefficients and their corresponding p values are presented in Figure 4.1.

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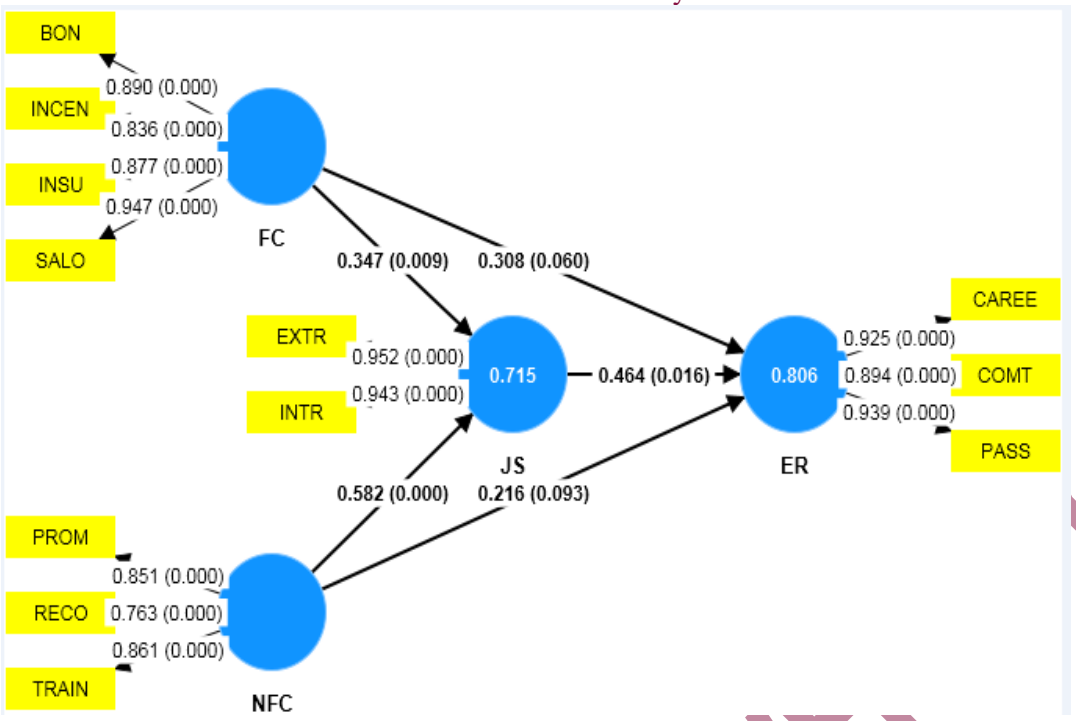


Figure 4.1 Structural Equation Model

4.6.1 Total Effects

The estimation results of null hypotheses (H_{01}-H_{05}) are represented by total effects (Table 4.17). In this case, variables were strictly modeled as independent and dependent variables only. Notably, job satisfaction is modeled as an independent or dependent variable based on the hypothesized relationship and not as a mediator.

Table 4.17: Total effects Results

Hypothesized Path Relationship	β	t	p
Financial compensation -> Employee retention	0.469	3.125	0.002
Financial compensation -> Job satisfaction	0.347	2.626	0.009
Job satisfaction -> Employee retention	0.464	2.420	0.016
Non-financial compensation -> Employee retention	0.486	3.408	0.001
Non-financial compensation -> Job satisfaction	0.582	4.599	0.000

Source: Study Data (2023)

H_{01}: There is no significant influence of financial compensation on employee retention among insurance companies in Kenya.

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H_{01} evaluates whether financial compensation has no significant influence on employee retention. The findings revealed a positive significant effect of financial compensation on employee retention ($\beta = 0.469$, $t = 3.125$, $p < 0.05$) leading to rejection of H_{01}.

The outcome of this study reflects those of Yamamoto (2018) who while investigating the nexus between benefit management and employee retention using cross-sectional dataset obtained from 1,228 employees established a positive significant linkage between benefits and employee retention. Similar findings are documented by Vaquez (2014) who claimed that creating a conducive workplace complete with management support, incentive and reward programs often result into staff retention. The findings of Omar (2019) who established that compensation was the key reason for employee retention corroborate the findings of the current study.

H_{02}: There is no significant influence of financial compensation on job satisfaction among insurance companies in Kenya.

H_{02} probes whether financial compensation has no significant influence on job satisfaction. The results indicated a positive significant association between financial compensation and job satisfaction ($\beta = 0.347$, $t = 2.626$, $p < 0.05$) leading to rejection of H_{02}.

The findings of the current study are consistent with those of Rosalia et al. (2020) who revealed that staff compensation had a noteworthy effect on job satisfaction whereas employee motivation had a notable positive influence on job satisfaction. Equivalent findings are corroborated by Fusch and Watkins (2022) who reported a positive relationship between employee rate of financial compensation and employee job satisfaction. However, contrasting findings are documented by Yamoha (2020) whose study confirmed insignificant association between compensation and employee job satisfaction.

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H_{03}: There is no significant influence of job satisfaction on employee retention among insurance companies in Kenya.

H_{03} investigates whether job satisfaction has no significant influence on employee retention. The outcome suggests a positive significant linkage between job satisfaction and employee retention ($\beta = 0.464$, $t = 2.420$, $p < 0.05$) leading to rejection of H_{03}.

The outcome of the current study validates those of Chaturvedi and Sangwan (2016) who affirmed a positive influence of job satisfaction on employee retention. Similar results are corroborated by Htun and Bhaumik (2020) who documented positive link between job satisfaction and employee retention. Furthermore, analogous upshots are reported by Federiksen (2016) who suggested that job satisfaction positively influenced employee retention. Nevertheless, the current results are contrary to those of Steil and Bello (2022) who established an insignificant relationship between job satisfaction and employee retention among Brazilian IT firms.

H_{04}: There is no significant influence of non-financial compensation on employee retention among insurance companies in Kenya.

H_{04} assesses whether non-financial compensation has no significant influence on employee retention. The estimation results show a positive significant relationship non-financial compensation and employee retention ($\beta = 0.486$, $t = 3.408$, $p < 0.05$) leading to rejection of H_{04}.

The findings of the current research mirror those of Venkata and Screneva (2020) who reckoned that there was significant positive relationship compensation and employee retention. Analogous findings are reported by Jean et. al. (2017) who established that recognition via certification or verbal promoting enhanced employee retention. Likewise, the same findings are corroborated by

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Vizano and Endri (2020) who reckoned that compensation and career advanced had a positive effect on turnover intention.

H_{05}: There is no significant influence of non-financial compensation on job satisfaction among insurance companies in Kenya.

H_{05} probes whether non-financial compensation has no significant influence on job satisfaction. The findings confirmed a positive significant linkage between non-financial compensation and job satisfaction ($\beta = 0.582$, $t = 4.599$, $p < 0.05$) leading to rejection of H_{05}.

The results of this study reflect those of Muguongo et al. (2015) who suggested that indicated that work environment, allowances and basic pay positively affects teachers' job satisfaction. Analogous findings are documented by Darma and Supriyanto (2018) who indicated that non-financial compensation positively influenced employee satisfaction. Similar upshots are corroborated by Gonzalez et al. (2021) whose findings revealed that supervisory support, career progression, and work-life balance positively and strongly associated with job satisfaction.

4.6.2 Mediation Analysis

The mediation analysis was evaluated using the product of coefficients approach where the significance of the indirect effects was checked. The findings of the mediation analysis are presented in Table 4.18.

Table 4.18: Mediation Results

Total Effect FC->ER[a] Total Effect NFC->ER[b]			Direct Effect FC->ER[a] Direct Effect NFC->ER[b]			Indirect Effect of FC on ER[a] Indirect Effect of NFC on ER[b]			
β	**t**	**p**	**β**	**t**	**p**		**β**	**t**	**p**
0.469[a]	3.125[a]	0.002[a]	0.308[a]	1.882[a]	0.060[a]	H_{06}: FC ->JS -> ER[a]	0.270[a]	1.992[a]	0.047[a]
0.486[b]	3.408[b]	0.001[b]	0.216[b]	1.685[b]	0.093[b]	H_{07}: NFC ->JS -> ER[b]	0.161[b]	2.225[b]	0.027[b]

Source: Study Data (2023)

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H_{06}: There is no significant mediating influence of job satisfaction on the relationship between financial compensation and employee retention among insurance companies in Kenya.

The mediation process was undertaken to assess the mediating influence of job satisfaction. The findings in Table 4.16 shows that the indirect effect of financial compensation on employee retention was significant ($\beta = 0.270$, $t = 1.992$, $p < 0.05$) hence affirming mediation. The total effect of financial compensation on employee retention was significant ($\beta = 0.469$, $t = 3.125$, $p < 0.05$). With the inclusion of the mediator (job satisfaction), the direct effect of financial compensation on employee retention became insignificant ($\beta = 0.308$, $t = 1.882$, $p > 0.05$). Since direct effect path coefficient was insignificant while the indirect effects path coefficient was significant, full mediation was established leading to rejection of H_{06}.

Consistent findings are reported by Fogarty et al. (2014) who revealed that pay was significantly and negatively related with the employee retention while job satisfaction mediated the predicted linkage between pay and staff retention. Similar outcomes are documented by Ramli (2017) who established that compensation had a positive effect on staff retention while job satisfaction moderated the relationship between compensation and staff retention. Furthermore, the current results significantly diverge with those of Singh and Loncar (2020) who suggested that staff rewards lead to employee retention but nonetheless, it does not lead into job satisfaction.

H_{07}: There is no significant mediating influence of job satisfaction on the relationship between non-financial compensation and employee retention among insurance companies in Kenya.

The mediation analysis was performed to evaluate the mediating influence of job satisfaction. The findings in Table 4.16 revealed that the indirect effect of non-financial compensation on employee retention was significant ($\beta = 0.1.610$, $t = 2.225$, $p < 0.05$) hence validating mediation. The total effect of non-financial compensation on employee retention was significant ($\beta = 0.486$, $t = 3.408$, p

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< 0.05). With the inclusion of the mediator (job satisfaction), the direct effect of financial compensation on employee retention became insignificant ($\beta = 0.216$, $t = 1.685$, $p > 0.05$). Since direct effect path coefficient was insignificant while the indirect effects path coefficient was significant, full mediation was established leading to rejection of H_{07}.

The current findings reflect those of Tirta and Enrika (2020) whose findings suggest that reward and recognition, work life balance and job satisfaction had significant positive influence on the employee retention. Furthermore, job satisfaction mediated the relationship between reward, recognition and employee retention. Similar outcomes are documented by Sarmad and Malik (2016) who suggested that substantive improvement in levels of motivation and practical management of compensation produces enhancement in staff retention. However, contrasting results are reported by Iqbal et al. (2017) who established there was also no mediating role of job satisfaction on the relationship between pay, benefits and employee retention.

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CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This section documents the summary of study upshots, makes inferences on the account of study outcomes, highlights the contribution of the study and finally identifies areas for further research.

5.2 Summary of the Key Findings

The first specific objective of the study examined the influence of financial compensation on employee retention among the insurance companies in Kenya. The upshots revealed that financial compensation significantly and positively influences employee retention. The second specific objective established the influence of financial compensation on job satisfaction among insurance companies in Kenya. The estimation results showed that job satisfaction was positively and significantly predicted by financial compensation. The third objective of the study investigated the influence of job satisfaction on employee retention among insurance companies in Kenya. The outcome confirmed a significant positive linkage between job satisfaction and employee retention. The fourth specific objective determined the influence of non-financial compensation on employee retention among the insurance companies in Kenya. The results indicated non-financial compensation was a positive significant predictor of employee retention.

The fifth specific objective probed the influence of non-financial compensation on job satisfaction among insurance companies in Kenya. The empirical findings supported a positive and significant relationship between non-financial compensation and job satisfaction. The sixth specific objective evaluated the mediating influence of the job satisfaction on the relationship between financial compensation and employee retention among the insurance companies in Kenya. The upshots affirmed that job satisfaction mediated the linkage between financial compensation and employee

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retention. The seventh specific objective investigated the mediating influence of the job satisfaction on the relationship between non-financial compensation and employee retention among the insurance companies in Kenya. The results verified that job satisfaction mediated the nexus between non-financial compensation and employee retention.

5.3 Conclusion

Compensation plays a pivotal role in influencing employee retention by enhancing job satisfaction. Offering competitive compensation packages, which include both financial and non-financial rewards, is a fundamental strategy for attracting and retaining exceptional talent in organizations. While financial rewards such as salaries, wages, commissions, and bonuses are important, they may not be sufficient on their own. Therefore, incorporating additional benefits such as promotions, recognition, and training within the compensation system can significantly enhance employee satisfaction and loyalty. When employees feel that their contributions are valued and rewarded, they are more likely to go the extra mile and perform at their best.

Human resource managers must understand the intricacies of attracting and retaining a skilled workforce through effective compensation strategies. Employees tend to stay with organizations where their efforts are appreciated and adequately compensated. Conversely, when employees perceive a mismatch between their compensation and productivity, they may seek opportunities elsewhere. Hence, recognizing and rewarding employees through a well-structured compensation system is crucial for maintaining high retention rates and ensuring organizational success.

Employee compensation is a crucial determinant of job satisfaction, directly influencing workers' engagement, productivity, and overall commitment to their responsibilities. Satisfied employees are more likely to be concerned and engaged, often going above and beyond their ordinary duties. This heightened job satisfaction translates into enhanced productivity, reduced long-term costs, and

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minimal voluntary turnover, all of which are beneficial for organizational performance. Conversely, job dissatisfaction can lead to higher absenteeism, increased work-related accidents, and a general lack of dependability. Dissatisfied employees often lose interest in their work, leading to recklessness and other issues that can negatively impact the organization.

To achieve success, organizations must invest in building strong relationships with their workforce by ensuring competitive compensation, creating an excellent working environment, and fostering overall worker satisfaction. When employees feel valued and adequately compensated, they are more likely to perform exceptionally and contribute positively to corporate performance and the efficient use of manpower. Furthermore, satisfied employees tend to have better relationships with their colleagues, which motivate them to work harder and remain loyal to the organization. By combining competitive compensation with a supportive work environment and a focus on employee satisfaction, organizations can make it difficult for their employees to consider opportunities elsewhere, thereby reducing turnover and enhancing organizational stability.

Job satisfaction is a crucial precursor to employee retention, which is essential for firms seeking to maintain a competitive edge. Employees are invaluable assets, and high retention rates are indicative of worker satisfaction and the effectiveness of an organization's management, recruitment, and training processes. By retaining employees, organizations can significantly reduce hiring and onboarding costs, as well as mitigate productivity-related expenses associated with frequent staff turnover. Moreover, high retention rates save valuable time that would otherwise be spent on recruiting and training new employees, allowing organizations to focus more on their core functions.

Excellent employee retention also brings about positive indirect effects. For instance, retaining staff for extended periods allows them to build stronger relationships within the workplace, fostering a

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cohesive corporate culture. Additionally, long-term retention enhances an organization's ability to execute its primary functions efficiently and effectively. It also makes the organization more attractive to potential employees during recruitment, as a stable workforce and positive workplace culture are highly appealing. Thus, by prioritizing job satisfaction and retention, organizations can improve both their internal operations and their external reputation, leading to sustained success and growth.

5.4 Implications of the Study

The findings of the study have valuable theoretical, policy, managerial, and methodological implications. Theoretically, the current findings contribute to the existing body of knowledge regarding employee retention and its relationship with compensation and job satisfaction. The study's outcomes significantly clarify the nexus between employee compensation and retention through the lens of job satisfaction. Contrary to the widely held belief that there is a direct connection between employee compensation and retention, the empirical findings suggest that the linkage is indirect. Specifically, both financial and non-financial rewards contribute to job satisfaction in the workplace. This job satisfaction, in turn, encourages employees to remain with an organization for an extended period.

The findings of the current study reinforce the postulations of Herzberg's motivation theory. The results support the notion that the hygiene factors outlined in Herzberg's theory such as employee compensation, fringe benefits, interpersonal relationships, physical working conditions, and job security contribute to job satisfaction, which in turn influences employee retention. Additionally, the study's findings align with the principles of expectancy theory, suggesting that extra effort leads to better performance and increased job satisfaction, stemming from a competitive compensation strategy. Moreover, the study bolsters expectancy theory by demonstrating that the effort employees put in at the workplace is directly proportional to the compensation they receive. This

relationship significantly impacts their satisfaction levels and their decision to stay with or leave an organization. Overall, the study highlights the importance of both Herzberg's hygiene factors and the principles of expectancy theory in understanding the dynamics of job satisfaction and employee retention.

From a practical perspective, the findings of the current study highlight the importance of employee retention for many firms, as high turnover rates can significantly harm an organization's productivity and overall success. The results emphasize that in today's competitive job market, retaining a talented workforce is vital for maintaining consistent productivity and ensuring that employees understand and fulfill their roles in alignment with the organization's vision. Management will recognize that employees are more likely to remain with an organization when they feel valued, particularly through a competitive compensation scheme that enhances their job satisfaction. Moreover, the study underscores that both financial and non-financial rewards are crucial in boosting job satisfaction, which in turn reduces employee turnover. By understanding these dynamics, management can better appreciate the need for a comprehensive compensation strategy that addresses various aspects of employee satisfaction, thereby fostering a stable and committed workforce.

On policy grounds, the current study aids the state, policymakers, and HRM practitioners in understanding the numerous antecedents of employee retention. The findings empower them to develop effective strategies focused on competitive compensation, job satisfaction, and employee retention. Policymakers and HRM practitioners will be able to devise measures and policies to address prevalent employee compensation issues such as insufficient compensation packages, pay disparities, challenges with performance-based remuneration, and unclear compensation practices. Effective compensation procedures and policies can address these challenges by establishing clear pay guidelines, conducting regular compensation audits, and training managers and HR

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practitioners on pay equity practices. By instituting competitive and fair compensation schemes that consider both organizational and employee goals and requirements, firms will be better positioned to hire and retain talented staff, avoid pay-related inequalities, and appropriately align employee behavior with organizational objectives.

The current study provides methodological insights into the relationship between compensation, job satisfaction, and employee retention. By utilizing Partial Least Squares Structural Equation Modeling (PLS-SEM), the study demonstrates the capability of this method to estimate complex models involving multiple constructs, variables, and causal relationships. PLS-SEM is particularly valuable in situations where the individual influence of specific constructs needs to be evaluated simultaneously. Furthermore, the study contributes by decomposing employee compensation into its financial and non-financial components, allowing for separate estimation and analysis of their effects. This approach provides a more nuanced understanding of how different aspects of compensation influence job satisfaction and ultimately impact employee retention.

5.5 Areas for Further Research

Future studies should consider replicating similar research in different industries to determine if comparable conclusions and findings can be confirmed. While the current study focused on the insurance sector, which is known for its high level of regulation, conducting similar research in other industries such as manufacturing, oil, and service sectors would provide valuable insights. Contextual differences inherent in diverse industries often lead to varied findings, and exploring these differences can enrich our understanding of the relationship between compensation, job satisfaction, and employee retention across different organizational contexts. By examining how these dynamics play out in industries with distinct regulatory environments, operational processes, and workforce compositions, future studies can offer more comprehensive and generalizable insights into effective strategies for enhancing employee retention and organizational performance.

Future studies should explore alternative mediating variables, such as employee motivation, and incorporate additional mediators like the work environment, to further investigate the relationship between employee compensation and retention. The connection between compensation and employee retention is often not straightforward and is influenced by a variety of intervening and moderating variables. By examining factors such as employee motivation and the work environment, researchers can gain a deeper understanding of the mechanisms through which compensation impacts retention. For example, exploring how motivational factors interact with compensation to influence job satisfaction and retention can provide valuable insights into the nuanced dynamics at play in employee-employer relationships. Similarly, considering the influence of the work environment on employee perceptions of compensation and their decision to stay with an organization can shed light on the broader organizational factors that contribute to retention. By incorporating these additional variables into future studies, researchers can develop more comprehensive models of the relationship between compensation and retention, enhancing our understanding of this critical aspect of organizational management.

In future empirical endeavors, it would be beneficial to utilize diverse constructs for measuring compensation, job satisfaction, and employee retention. These variables possess multidimensional characteristics, warranting a range of metrics for their proxy. For instance, operationalizing employee retention could involve metrics like employee turnover ratio or retention duration, offering insights into different facets of employee stability within an organization. Similarly, breaking down compensation into specific dimensions such as salary, bonuses, benefits, and incentives can provide a more comprehensive understanding of the rewards employees receive. Moreover, measuring job satisfaction through qualitative attributes like job engagement, work-life balance, and career development opportunities can delve deeper into the factors influencing employees' overall satisfaction with their roles. By employing varied constructs, future empirical

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studies can capture the complexity of these variables more effectively, leading to richer and more nuanced insights into the intricate dynamics shaping employee-organization relationships.

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APPENDICES

Appendix I: Introduction Letter

Grace Ndeto

Dear Participant,

RE: DATA COLLECTION

I am a student at St Paul's University pursuing a Master of Business Administration and currently writing my Research Proposal. This study seeks to determine the ***effect of compensation and job satisfaction on employee retention among insurance companies in Kenya*****.** This is to request you to assist me in responding to the questions in the attached questionnaire.

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Your contribution and comments will be treated in utmost confidentiality and no names or staff members will be published in the final research document. Your assistance and cooperation will be highly appreciated.

Yours Sincerely,

Grace Ndeto

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Appendix II: Questionnaire

Instructions

This questionnaire is designed to collect data that will help in better understanding the relationship between compensation and job satisfaction on employee retention among insurance companies in Kenya. The data provided by this questionnaire will be treated in utmost confidentiality.

Section A: Employee Compensation

To what extent do you agree with the following statement related to employee compensation that your company is currently using the scale: **5= Strongly Agree 4 = Agree; 3 = Neutral; 2 = Disagree; 1= Strongly Disagree**

	Statements	**1**	**2**	**3**	**4**	**5**
(i)	**Financial Compensation**					
1	My salary is equivalent to the work I do					
2	My salary is above the average employee in a similar company					
3	My salary is suitable for my job					
4	I receive other income that is separate from salary					
5	My salary is competitive, reasonable and has been reviewed					
6	The company pays enough salary to motivate employees					
7	I receive yearly incentives					
8	The incentive rate offered by the organization is comparable to other firms					
9	I always receive merit pay for attaining certain specific goals set by the organization					
10	I always receive group related incentives when we achieve goals as					

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	a team					
11	Our firm shares a proportion of its earnings with the employees					
12	I receive a reward for extra achievement of my targets					
13	I receive reasonable house allowances					
14	I usually get reasonable travelling allowances					
15	My leave allowance corresponds to the work that I do					
16	My organization caters for my club membership fee					
17	I receive individual bonuses for achieving the specific goals set by the company					
18	I also receive group bonus based on groups achievements					
19	I always get bonuses for being dedicated to the organization					
20	Our firm offers competitive bonuses in comparison to other firms					
21	My medical cover is well taken by my organization					
22	My organization has aligned my insurance benefits with my basic pay					
23	My organization provides me with dental cover annually					
24	The outpatient cover provided by the organization is enough to take care of my family very well on annual basis					
25	The inpatient cover provided by the organization is enough to take care of my family very well on annual basis					
(ii)	**Non-Financial Compensation**					
26	I get recognized for work well done					
27	I receive diverse accolades for exemplary performance at workplace					

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27	There are good opportunities for promotion at workplace					
29	The promotion is pegged on employee performance at workplace					
30	The promotion is based on academic qualifications					
31	I am treated fairly by our supervisors					
32	My supervisors encourage me to set high goals/targets					
33	I am comfortable discussing my challenges with my supervisor					
34	My supervisor treats me with utter respect					
35	I receive positive feedback from my supervisor					
36	Our organization provide extra trainings to the employees					
37	Our organization provides us with an opportunity to learn new skills					
38	Employees utilizes their skills very well at workplace					
39	Job orientation aids new staff to adapt faster in their new roles					
40	Job rotation help staff to gain new skills					
41	My company permits job rotation					

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Section B: Job Satisfaction

To what extent do you agree with the following statement related to job satisfaction that your company is currently using the scale: **5= Strongly Agree 4 = Agree; 3 = Neutral; 2 = Disagree; 1= Strongly Disagree**

	Statements	**1**	**2**	**3**	**4**	**5**
42	I have an opportunity to be responsible for determining and planning my work					

43	I am satisfied and I have been given right set of duties based on my capability					
44	I am satisfied and I am able to maintain healthy balance between work and family life					
45	I am satisfied with the job location					
46	I am satisfied with the work environment					
47	Discharging my duties gives me a sense of satisfaction at workplace					
48	I am satisfied with the company policy and its application to employees					
49	I am satisfied with the number of hours i work every month					
50	My job security is guaranteed					
51	I am satisfied because there is adequate opportunity for periodic changes in duties					
52	I am satisfied because there is degree of independence associated with my work roles					
53	I am satisfied with the present appraisal policy used by the organization					
54	I am satisfied with my leaders at workplace					
55	I am satisfied with the right given to give my own opinion at workplace					
56	I am satisfied with work relationships with people around me at workplace					
57	I am comfortable in discharging my responsibilities at workplace					

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Section C: Employee Retention

To what extent do you agree with the following statements related to employee compensation that your company is currently using the scale: **5= Strongly Agree 4 = Agree; 3 = Neutral; 2 = Disagree; 1= Strongly Disagree**

	Statements	**1**	**2**	**3**	**4**	**5**
58	I have no intention of quitting my Job					
59	In intend to remain with the organization for a long period of time					
60	There are good work relationships that enhances employee commitment					
61	I feel I am part of the family of my organization					
62	I share the same vision with my organization					
63	Our organization deserves complete loyalty from me					
64	I want to stay with the organization because there is career advancement for me					
65	I have gained valuable experience during my period of stay with my organization					
66	I have grown career wise since I joined the organization					
67	There are fair career progression policies in the organization					
68	The organization structure permits continuous career development					
69	I am passionate in discharging my responsibilities					
70	I feel valued at my workplace and this makes me to passionate about what I am doing					

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71	I am passionate about achieving specific targets at workplace					
72	I am passionate to be part of overall success in my organization					

Appendix III: List of Insurance Companies in Kenya

No	**Company Name**
1	AAR Insurance Company Ltd
2	ABSA insurance ltd
3	Africa Merchant Assurance Ltd
4	AIG Kenya Insurance Company Ltd
5	Allianz insurance company Ltd
6	APA Insurance Company Ltd
7	Britam General Insurance
8	Jubilee Insurance Ltd
9	Takaful Insurance company Ltd
10	Capex Life Assurance Company Ltd
11	CIC Group Insurance Company Ltd
12	Corporate Insurance Company Ltd
13	Directline Assurance Company Ltd
14	Sanlam Insurance company Ltd
15	GA Insurance Company Ltd
16	Saham Insurance Company Ltd
17	Geminia Insurance Company Ltd
18	Kenya Orient Insurance ltd
19	Heritage Insurance Company Ltd

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20	Kenya Alliance insurance company Ltd
21	KUSCCO Mutual Assurance Ltd
22	KENINDIA Insurance Company Ltd
23	Liberty insurance company Ltd
24	Fidelity insurance Ltd
25	INVESCO Assurance Company Ltd
26	Madison insurance company Ltd
27	Mayfair insurance company Ltd
28	Metropolitan insurance company Ltd
29	The Monarch insurance company Ltd
30	MUA insurance company Ltd
31	Occidental Insurance company Ltd
32	Pacis Insurance company Ltd
33	First Assurance Company Ltd
34	Pioneer Insurance company Ltd
35	Prudential Insurance company Ltd
36	Resolution Insurance company Ltd
37	ICEA Lion Group
38	Tausi Assurance Company Ltd
39	Old Mutual Insurance company Ltd
40	Xplico Insurance company Ltd
41	Trident Insurance company Ltd

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St. Paul's University Repository

Appendix IV: Budget for the Study

Code	Items	Quantity	Cost	Total
1	Pencils	5	60	300
2	Erasers	3	30	40
3	Ball pens	3	30	90
4	Printing paper	3 Rims	800	2,400
5	Type and print proposal	6	1000	6,000
6	Transport		20,000	20,000
7	Typesetting	6	1500	9,000
8	Typesetting, Printing, photocopying of questionnaires	150	50	7,500
9	Data collection	150	100	15,000
10	Data analysis	1	5,000	10,000
11	Review and Publishing	1	10,000	10,000
		Total		**75,150**

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Appendix V: Work Plan

Work Plan for A Research Project on influence of competitive strategies on organizational performance of insurance companies in Kenya												
Activities	**Timeline (3 Months)**											
Topic Identification and objectives												
Close checking whether both independent and dependent variables will fill the research gap												
Preparation of tools & pre-testing												
Acquire relevant permissions												
Visiting NSE and CMA offices to request for the handbooks												
Collect the needed information for compiling and analysis												
Data collection												
Proof read the proposal before submission												

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Appendix VI: NACOSTI LICENSE

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: 132289

Date of Issue: 02/August/2023

RESEARCH LICENSE



This is to Certify that Miss.. Grace Mumbua Ndeto of St. Paul's University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: Compensation, Job Satisfaction and Employee Retention among Insurance Companies in Kenya for the period ending : 02/August/2024.

License No: NACOSTI/P/23/28129

132289

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

See overleaf for conditions

Appendix VII7: Letter from Postgraduate Office

ST. PAUL'S UNIVERSITY

Private Bag 00217 LIMURU, KENYA
Email: office@spu.ac.ke
Website: www.spu.ac.ke

Tel Office: +254 (0) 20-2020505/10
Mobile: +254 (0) 728 - 669000
(0) 736 - 424440

BOARD OF POSTGRADUATE STUDIES

19th July, 2023

National Commission for Science and Technology,
P.O. BOX 30623-00100,
Nairobi.

Dear Sir/Madam,

RE: RECOMMENDATION FOR GRACE NDETO MBAMKS531620 –TO CONDUCT RESEARCH

This letter confirms the above-named person is a student in the Master of Business Administration Program at St. Paul's University.

The second year consists of a major research work leading to a Thesis. The student's selected topic is:

" Compensation, Job Satisfaction and Employee Retention Among Insurance Companies in Kenya."

Kindly grant this student the required permit.

Yours Faithfully,

DIRECTOR POSTGRADUATE STUDIES ST. PAUL'S UNIVERSITY 19 JUL 2023

Dr. John Muhoho
Director, Board of Postgraduate Studies

Appendix VIII: Letter from ISREC

ST. PAUL'S UNIVERSITY

Private Bag 00217 Limuru,
Kenya
Email: office@spu.ac.ke
Website: www.spu.ac.ke

Tel Office: +254 (0) 20- 2020505/10
Mobile: +254 (0) 728-669000
(0) 736-424440

ST. PAUL'S UNIVERSITY

REF: SPU/31/2023 **Date: 11th July 2023**

TO: Grace Ndeto
St. Paul's University Dear

Grace,

RE: Compensation, Job Satisfaction and Employee Retention Among Insurance Companies in Kenya

Greetings,

This is to inform you that SPU- Institutional Scientific Ethics Review Committee has reviewed the above-named research proposal. **Your ERB approval number is 40, for the period between 11th July 2023 – 11th August, 2024**.

This approval is subject to compliance with the following requirements;

i. Only approved documents including (informed consents, study instruments) will be used.
ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SPU- Institutional Scientific Ethics Review Committee.
iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SPU- Institutional Scientific Ethics Review Committee within 72 hours of notification
iv. Any changes, anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to *SPU- Institutional Scientific Ethics Review Committee* within 72 hours

v. Clearance for export of biological specimens must be obtained from relevant institutions.

vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal.

vii. Submission of an executive summary report within 90 days upon completion of the study to SPU- Institutional Scientific Ethics Review Committee.

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) https://research-portal.nacosti.go.ke and also obtain other clearances needed.

Yours sincerely,

Dr. Daniel Nzengya,
PhD Chairperson
SPU- Institutional Scientific & Ethics Review Committee

ST. PAUL'S UNIVERSITY
(ISERC)
APPROVAL WITH
CONTIGENCIES
RESEARCH
DIRECTORATE
INSTITUTIONAL SCIENTIFIC ETHICS REVIEW COMMITTEE

Appendix IX: Plagiarism Report

Ouriginal by Turnitin

Document Information

Analyzed document	GRACE NDETO.doc (D165206609)
Submitted	2023-04-27 09:08:00
Submitted by	SOPHIA MWENDIA NYAGA
Submitter email	postgraduatestudies@spu.ac.ke
Similarity	9%
Analysis address	postgraduatestudies.unistp@analysis.urkund.com