

**THE INFLUENCE OF COMPENSATION PACKAGES ON RETENTION OF
EMPLOYEES OF NJUNU TEA FACTORY, MURANG'A KENYA**

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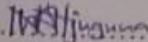
A RESEARCH PROJECT

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DECLARATION

This research project is my original work and has not been presented for award of a degree or for any similar purpose in any other institution apart from Greta University.


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This research project has been presented with my approval as the university supervisor.

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ABBREVIATIONS AND ACRONYMS

KTDA- Kenya Tea Development Agency

NTF- Njunu Tea Factory

FUM- Factory Unit Manager

STDI- Short-term Disability Insurance

LTDI- Long-term Disability Insurance

CBA- Collective Bargaining Agreement

NSSF- National Social Security Fund

EAP's- Employee Assistance Programs

et al- and others

etc- et cetera; and other similar things

OPERATIONAL DEFINITION OF TERMS

Compensation packages- these are the total payment and benefits that an employee receives for doing their job.

Retention- a process in which employees are encouraged to remain with the organization for the maximum period of time or until the completion of the project

Benefits- the additional advantage an employee receives from his/her employer.

Turnover- the measurement of the number of employees who leave an organization during a specified time period

Dysfunctional turnover- this is where the top performers in the organization are leaving it

Talent employees- these are employees who have above-average skills and abilities to do something well.

Policies- the formal rules and guidelines an organization puts in place to hire, train, assess and reward the members of their workforce.

Remuneration- the total compensation received by an employee that includes the base pay, bonuses, commission pay, overtime pay and financial benefits

Incentives- the rewards given to employees in monetary or non-monetary form in order to motivate them to work more efficiently

Empirical study- it is a study that is based on observation and measurement of phenomena as directly experienced by the researcher.

ABSTRACT.

Every company loses a substantial amount of money with every professional and managerial employee that exits the organization, putting into consideration the combined direct and indirect costs associated with the employee and the knowledge the company loses. There is therefore a significant economic impact when an organization loses any of its talent employees. The purpose of the study was to determine the influence compensation packages have on retention of employees in Njunu Tea Factory. The study adopted a descriptive research design seeing that it dealt with examining and collecting evidence from people selected from a selected population and finally reporting the findings on frequency tables. A sample size of 45 respondents was randomly selected from a target population of 150 employees. In order to achieve the research objectives, both primary and secondary data was used. The primary data was collected through questionnaires while the secondary data was obtained through review of documents such as the company's Human Resource manual and the exit interview forms and records. The quantitative and qualitative data was analyzed through descriptive statistics and content analysis respectively. From the findings, the study concludes that there are existing compensation packages at Njunu Tea Factory and that majority of employees do not leave the organization because of dissatisfaction with these packages. The existing benefits include: pension schemes, life insurance, health insurance, transportation benefits, leaves, educational fees, compensation programs and housing facilities for the management and some essential employees. However, there is still room for improvement. The study therefore recommends that the Factory should offer more effective packages such as: housing facilities for all employees at subsidized rent, revision of benefits scale, provision of growth and development opportunities, a good reward scheme and incentives and policies that are competitive and favorable that will motivate the staff and improved working conditions.

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CHAPTER ONE: INTRODUCTION.

This chapter consists of the background of the study, statement of the problem, purpose of the study, conceptual framework, research questions, objectives of the study, hypothesis of the study, the significance of the study and the scope, limitations and assumptions of the study.

1.1 Background of the study.

Employees are the every organization's most important resource and the success or failure of any organizations depend on its ability to attract, reward and retain competent and skilled employees (Armstrong 2003). The most significant role that an organization plays to ensure that the organization attracts and retains the best and talented employees is by attaching attractive compensation packages to every job and task carried out by its employees (Willis 2000).

The management therefore has an uphill task of ensuring that their organization is perceived as a great place to work in, that there is a desire to want to work for them and once the employee is hired, there is a desire to stay and grow with the organization. This is achieved through formulating and implementing attractive and competitive total remuneration packages. According to Armstrong (2006), the turnover of key employees can have an adverse impact on the organization because the people it wishes to retain are the ones that are most likely to leave. Turnover in most case occurs because of the dissatisfaction caused by poor working conditions and environment and inadequate compensation (Hinkim et al 2000). The turnover is a very expensive outcome since the organization uses a considerable amount of time and resources in an attempt to reduce dysfunctional turnover. According to Reed (2001), every employee is five minutes away

from handing in their resignation and a hundred and fifty hours away from walking out of the organization to a better offer. Today, employees are prone to opting to leave their employer for greener pastures and there is no longer such a thing as job for life (Armstrong 2006). Therefore it is up to the organization to design policies that will attract, motivate and retain its employees over extended periods of time. Retention policies of an organization should focus on retaining the high performers and talented employees (Carsen 2005) because it is critical to the long term health and success of the business. This is because it ensures customer satisfaction, consistency in product sales, effective succession planning, harmony in the work place and deeply imbedded organizational knowledge and learning.

Compensation packages refer to the total payment and benefits that an employee receives for doing their job. These includes salaries and wages, bonuses, incentives, health insurance and medical coverage, life and/or insurance, retirement plan, time off, leaves and holidays and miscellaneous compensation. The effectiveness and importance of a compensation package vary to individuals. An older employee will value a pension scheme more than a younger individual, who will value an increase in his or her direct wages. Subsidized company meals may appeal more to some employees than to others who would prefer luncheon vouchers and meal allowances. All employees would probably welcome the opportunity of having a company car (Cole, 2002)..

Njunu Tea Factory is a tea processing company under the management of the Kenya Tea Development Agency (KTDA). It is located in Gatanga Sub-county, Murang'a County. The company commenced its operations in 1979 with the aim of collecting raw green tea from the small scale farmers, processing it and selling the final product both locally and

internationally under the umbrella of KTDA. The farmers are then given a monthly income on their delivered produce and a yearly bonus. The factory has an employee capacity of 200 employees with 20 being in the middle level management and 100 being in the operational sector. The top level management and decision making is done at the KTDA headquarters in Nairobi. The policies decided upon are then implemented by the Factory Unit Manager (FUM). Njunu Tea Factory is therefore suitable for this study given that it is in the growth stage in terms of ensuring that optimum utilization of the available human resource is achieved.

1.2 Statement of the Research Problem.

One of the biggest challenges any organization, whether in the public or private sector, faces is its ability to hire and retain employees (Amos and Weathington 2008). Organizations lose a considerable amount of money with every managerial and professional employee who leaves the organization. It is estimated that the combined direct and indirect costs associated with one employee ranges from a minimum of one year's pay and benefits and a maximum of two years' pay and benefits. Thus there is a significant economic impact when an organization loses any of its talented employees especially the knowledge that is lost with an employee's departure (Fitz-enz, 1997). Many companies are making efforts to control employee turnover through enhanced pay, benefits, incentives systems as well as employee training (Simon & Hinkin, 2001). However, perceived inequity by employees often results in dissatisfaction, higher levels of absenteeism, lower performance and eventually higher turnover rate, the extent of which is unknown. (Carraher et al 2003). Today's workforce is made up of diverse individuals with varying needs and therefore this change in employee requirements

requires a change in employer provisions in order to create employee satisfaction and ensure their retention.

Njunu Tea Factory has put in place various forms of employee benefits which are intended to attract and retain the qualified staff they have. However the turnover rate is still high. This calls for the review of the compensation packages that the company has in place and to formulate new ones that will be provided to the employees so as to ensure that maximum retention is attained.

Various studies have been done in relation to employee benefits and employee retention as follows; Researchers like Arif & Shwaib(2013) and Nyaga(2015) focused on the financial aspect of compensation and left out the non-financial aspect. Nyangi(2011) researched on the effects of employee benefits on the employee retention in state owned corporations such as the Kenya Forest Service. Robles(2018) investigated how employee compensation and benefits influence the job satisfaction of employees working in five star hotels in Nairobi and how this affected their productivity and commitment to their organizations.

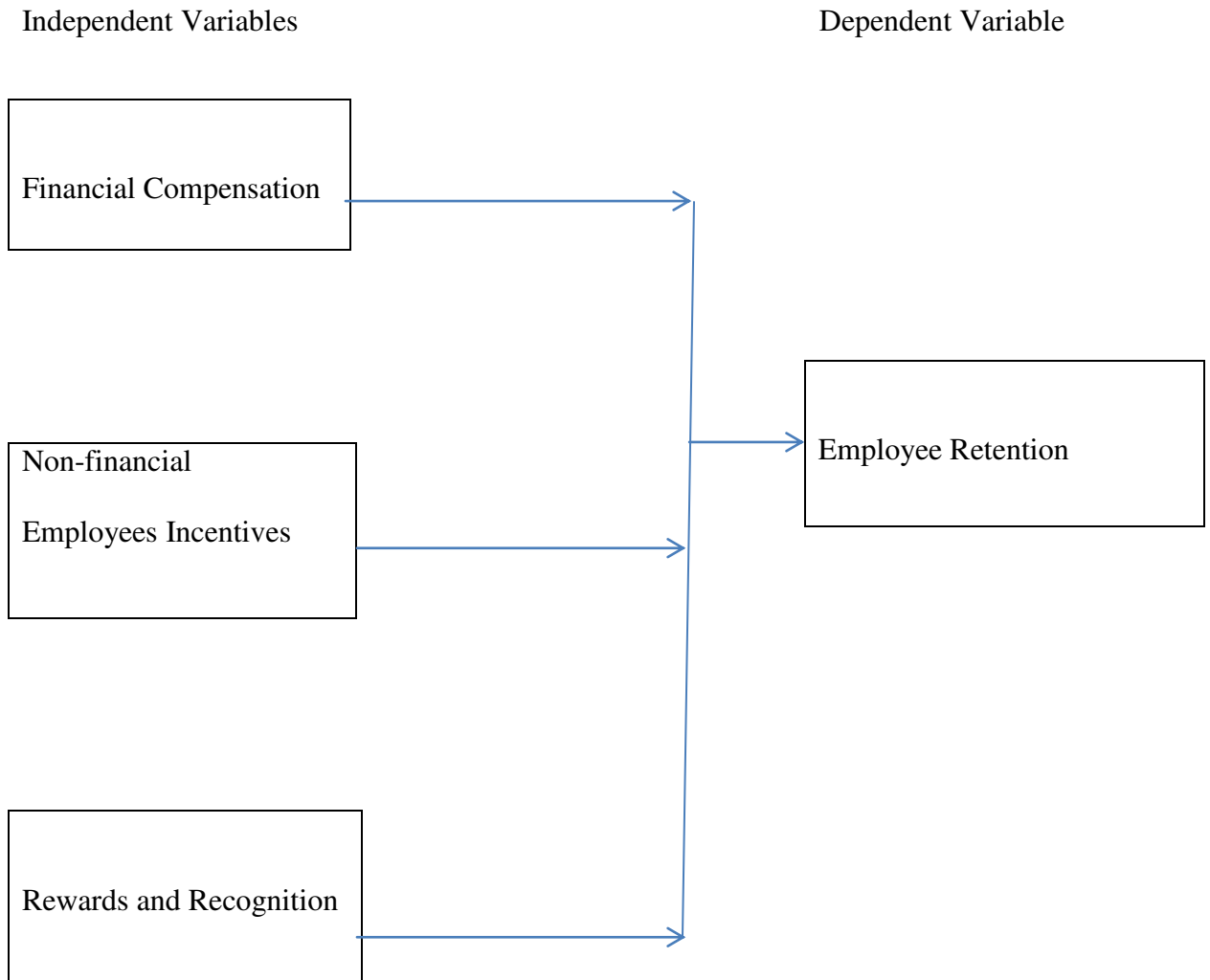
However, no extensive empirical study has been conducted to determine the perceived effects of compensation packages on employee retention in companies that depend on a larger holding corporation for its strategic human resource decisions and policies.

1.3 Purpose of the study.

This study seeks to assess the influence compensation packages of an organization has on its ability to retain its valued employees

1.4 Conceptual Framework

Figure 1. Conceptual Framework



1.5 Research Questions

In order to achieve the stated objectives of this study, the following research questions were developed by the researcher.

1. What are the financial compensation packages offered at Njunu Tea Factory?
2. What are the non-financial employee benefits available in Njunu Tea Factory and how do they influence retention?
3. Is there a reward and recognition system in place and how does it influence retention?

1.6 Objectives of the study

The main objective of the study is to evaluate the influence compensation packages have on the organization's ability to retain its employees.

The other specific objectives are:

1. To identify financial compensation packages offered to employees in Njunu Tea Factory.
2. To evaluate the non-financial employee incentives available in Njunu Tea Factory and their influence on retention
3. To identify and evaluate the rewards and recognition systems in place and how they influence retention of employees.

1.7 Hypothesis of the study

H0: There is no significant relationship between employee compensation packages and employee retention in the organization.

H1: There is a significant relationship between employee compensation packages and employee retention in the organization.

1.8 Significance of the study

This study is important to Njunu Tea Factory because it will enable the organization to be seen as the employer of choice when it is able to retain its existing talent employees through provision of competitive compensation packages which results to formation of motivated and committed employees who are loyal to the organization and its goals and objectives. This will improve the organization's image.

The study is important to the management of Njunu Tea factory because it will help them realize the effects compensation packages have on the retention of employees and they will therefore be able to identify the individual packages that are effective to individual employees. This will go a long way in reducing labor turnover.

The study will be of great interest to the Human Resource Division of the KTDA. This is because it will give insight on how to improve the administration of various forms of compensation packages to their employees countrywide. This is because it will help them link these packages with staff retention and determine which packages work best for which particular factory and geographical area.

The study will be of great importance to me as the researcher and aspiring Human Resource Management practitioner because it will help me have a firsthand knowledge on the influence that the various compensation packages have on the retention of quality and talent employees.

1.9 Scope/ Delimitation of the study

The scope of the research will be limited to the influence of the compensation packages on the turnover rate of employees in Njunu Tea factory in Gatanga. The research will rely on this firm for vital information as well as information from secondary sources.

1.10 Limitations of the study

The researcher is expected to encounter limitations in regards to availability of information. The researcher might not be able to access information that is treated as confidential due to the company's work ethics. The respondents may be wary of the researcher's intentions and may hold back information that is essential to the success of the study. The researcher will therefore provide adequate and honest information that will show the purpose of carrying out the study and reassure them of her discretion.

1.11 Assumption of the study.

The research will assume that all the respondents will be willing to respond to the questions. The researcher will also assume that the respondents will be honest when answering to the questions on the questionnaires.

CHAPTER TWO: LITERATURE REVIEW

2.0 INTRODUCTION

This chapter aims at identifying what other researchers have already done that is related to the influence of compensation packages on retention of employees. The review is meant to enhance the researcher's understanding of what has contributed to the problem. The findings of the review helped the researcher to note the gaps in the knowledge and the approaches that have proved futile in the past so as not to repeat those approaches if they have been found to be unproductive or unreliable. The review therefore helps in discovering the connection, analogies and other relations between different research results by comparing various related studies in the area.

2.1 Compensation packages and systems.

Compensation packages refer to the sum total of all monetary and non-monetary employee benefits and incentives that an organization provides to its employees in exchange for their services and to enhance their willingness to work. These packages are available in different combinations and at different levels of occupations located in different labor markets (O'Rand, 1986). A compensation system is a system that is designed to determine how much an employee is to be paid for their contribution to production (Erasmus et al 2001). These are crucial for keeping and determining the commitment levels of employees within the organization. The employer should know that the compensation packages they offer are compared with those for similar positions in other organizations in the market (Gering and Conner 2002). An organization that offers a higher compensation package is compared to others with a large number of candidates applying for induction and has lower turnover rates. This is because competitive

compensation packages in an organization cultivate a culture of excellence. These packages constitute a major part of most employees' financial and economic security (Rosenbloom 2001). Okumbe (2001), stated that the major principles of an employee compensation program include; satisfying the actual and perceived needs of employees, convince the employees that the organization they work for cares for their needs, provide a tax efficient mechanism in remuneration, meet the legal requirements of the nation, be consistent with both the strategic plans and compensation objective of the organization, the cost of benefits must be calculable and provisions for sound financing should be made.

Flexible compensation packages and schemes can be divided into two parts; basic benefits that all employees are entitled to and a number of optional benefits from which employees can choose from depending on what suits their needs. They allow employees to decide, within certain limits, on the make-up of their packages, by allowing for a choice within benefits or a choice between benefits. This means that an employee is able to shift the balance of their total compensation package between pay and benefits by either adding to their benefits allowance and sacrificing their salary or taking the unspent benefit allowance as cash to add to their salaries. This flexible policy can save employers money on benefits that are neither wanted or needed (Armstrong, 2006).

For an employee compensation policy to be adopted by an organization, it needs to consider several issues such as; the purpose of the policy, the range of packages to be provided, the groups to which the packages should be applied, the estimated costs, the extent to which the policy is influenced by the compensation policies of the competitors and the policy's estimated achievement (Cole, 2002). Creating the awareness of

employees on the existence of these packages is a very important role in Human Resource Management. This is because for these packages to have a major impact on the employees' determination, they ought to be well thought out and the information about them communicated as clearly and as honestly as possible to all employees.

In most organizations, the benefits plans do not permit the employees to choose their preferred range of benefits on a cafeteria basis; that is where an employee chooses the benefits which are most valuable personally to a certain cost limit. The plans offer the benefits on a take it or leave it basis, with the exception of pension schemes whose participation is usually compulsory.

2.1.1 Financial compensation

Financial compensation is the basic tool that an organization uses to attract and retain employees. Money brings the valuable talented employees into the organization and enhances the organization's ability to retain these employees (Smith, 2001). Performance pay is considered to be a key factor in meeting an organization's objective of retaining these employees (Brannick 1999). Performance pay refers to a compensation strategy that is tied to an employee's contribution to the organization and uses salaries, bonuses and other financial benefits to directly incentivize employee performance. Fair salaries and wages are the foundation of the implied contractual bond between an employee and the organization and it is still the primary incentive that causes employee to do better work. Other than salaries and wages, financial compensation packages include the financial benefits such as stock options, special pay, bonuses, monetary allowances, insurance packages and medical coverage, paid leave and pensions. Financial benefits are a variety of benefits, indirect or direct, which is either money or has a monetary value (Smith,

2009, p153). The basic philosophy of these benefits is that the benefits should make a contribution to the organization at least in equal amount to its cost (Okumbe, 2001). The guide must be a comparison of their cost with the possible tangible and intangible returns to the company

A major component of the benefits package is payment for time not worked such as during annual leave, which is a legal entitlement to an employee. The length of the leave vary from one employer to another, but ranges on average between four working weeks and seven working weeks. The employees are entitled to full compensation during their annual leave, with some organizations paying a leave allowance as an added benefit that meets specific needs if the employee decides to go for a paid vacation. In addition to annual leave, employees are entitled to paid leave on public holidays such as the Easter weekend and National days (Okumbe, 2001). While paid vacations, leave and/or sick days are common benefits, the amount and schedule of accruals greatly vary from employer to employer. Some compensation plans pay an employee for unused vacation, which can be subject to state laws, while others do not. Family leave, which includes maternity, paternity and adoption leave provides an employee with paid time off from work after the birth or adoption of a child. The duration and payments of all these leaves are based upon an agreement between the employer and the employees, either through a CBA or a company policy (Doyle, 2011). The employee must schedule the use of his or her leave days in advance and gain approval from his/her immediate supervisor or the human resources manager (Willman, 2007).

Many organizations offer some basic coverage paid for by the employer with options to supplement coverage for life and/or accident coverage (Bortulus, 1998). Life insurance

helps to protect an employee from losses due to death, accident and ill health. This type of insurance plan helps one's family or spouse in case of his/her accidental death. Employers grant employees life insurance policies if the organization sponsors a group plan. These company-sponsored life insurance are preferable to private policies because they tend to be less costly. If an employee has a company-sponsored insurance policy, the company hands over the insurance benefits to his/her family immediately. Usually, these policies are for full-time workers in medium and large companies (Sullivan, 2010).

Employers offer a coverage package that not only covers the medical insurance but also include coverage for disability. This is further divided into long and short term disability coverage. Short-term Disability (STD) coverage is a wage-replacement program that can last to one year for those who are unable to work because of a short-term medical condition. An employee needs to work for a certain period of time to be considered eligible and the allotment of these benefits vary from policy to policy , from a percentage of one's wage to a specific amount. If the employee is still unable after they have exhausted their STDC, the Long-term Disability coverage takes over. It provides up to 50 or 60% of the employee's salary for two to five years or until they turn 65 years. If an employee's after-tax wages are able to pay for their LTD, then any payment they receive would be tax free and if the employer pays for the plan, then the employee would be required to pay taxes on the benefits (Voight, 2010). Disability insurance provides a one-time compensation in the case of death and a range of benefits when employees disabilities cannot allow them to perform their occupational duties as expected.

Due to the high cost of hospitalization, surgical and maternity care, it has been found necessary to cushion employees against these costs by putting in place a Health Insurance

Plan. This is an important benefit that greatly helps the organization to retain its employees. The services offered under the medical cover include; general medical care, dental care, optical care, drug abuse, alcoholism and mental illness. The Health Maintenance Organization (HMO) is a healthcare organization that assures employees of the delivery of medical services. In the HMO programs, employees voluntarily enroll in the scheme and the employers prepay for the services. Its basic principle is to maintain the healthcare costs at a low level by keeping workers out of hospitals. Having a health insurance plan ensures that employees are protected against high and uncertain medical expenses, they receive appropriate and timely healthcare, improved health outcomes and reduced mortality. This goes a long way in making the recipients of this plan more productive. (Eisenberg et al, 2004)

Pension plans are the most common form of benefits offered by most organizations to their employees. It is a security benefit supported by the employer to an extent of between 6% and 10% of the employee's salary. A pension is a sum of money paid at regular intervals to an employee, or to his/her dependents, who has retired from an organization and is eligible to receive such benefit. The funds are managed by trustees or insurance companies within a stipulated legal framework to make sure that they are not mismanaged. In Kenya, the NSSF is a prime example (Okumbe, 2001). It must be paid by the employer in addition to the amounts deducted from employees' pay to help meet the employees' retirement needs, and the employer must also pay for unemployment insurance to compensate workers in the event that their tenure is terminated.

Relocation benefits are meant to not only lessen the financial burden on the employee but also ease the moving process itself. It includes picking up part or all the cost of moving

possessions, looking for a new house, closing costs on the house and interim living expenses. Companies seeking to recruit talent employees must be willing to offer relocation packages (Spinelli, 2007). It is extended on new employees to attract them to the organization. The relocation assistance offered to existing employees that are being transferred, which include transportation of household goods and temporary living and travelling expenses, allow employees to meet their relocations costs during the transfer.

2.1.2 Non-financial Employee benefits

Non-financial employees benefits are benefits that are not part of an employee's pay and do not directly put money to an employee's bank account but are essential for the development of corporate industrial relations. They are also known as service benefits. These are benefits that employees are entitled to by virtue of their membership to the organization and not because of merit.

Organizations could put in place recreation and health programs such as sports and clubs to encourage the participation of employees. They are especially important in assuring employees that their extra work needs are met by the employers. They also help safeguard employees from burnouts and occupational stress. The sports and clubs recreational facilities include soccer, golf, tennis, bowling, members club among others. It has also become increasingly compelling for organizations to offer health programs such as fitness and wellness center, medical camps and provision of nutritious meals to their employees. These allow employees to replenish energy expended at work in order to enhance productivity.

In many organizations, employee personal lives are viewed solely as a distraction from work. This is especially the case for employees who have families. However, a company

culture that promotes reasonable work-life balance and acknowledges the daily struggles, challenges, triumphs, responsibilities and concerns of each individual will reap the rewards of employee loyalty, which is the key component of ensuring that the organization retains the talent employees it needs to operate smoothly (Leopold, 2010). Taking into account that child rearing can take a great proportion of an employee's work time and reduce productivity, the organization should have a child care program by putting up well-equipped and well-staffed centers within their premises. On the other hand, the employer can offer childcare vouchers that greatly assist the staff through locating suitable childcare facilities and providing funding to cover the costs. (Paterson, 2011)

Flexible work plans allow employees to adjust their working conditions within the constraints set by the organizations. They include options such as flex-time, compressed work weeks, job sharing and home-based work. Flex time involves adjusting an employee's work schedule. It can be as simple as allowing a worker to come in an hour early and leave an hour early and vice versa.

An organization can set up Employee Assistance Programs (EAPs) aimed at providing needs assessment, help, counseling and referrals for employees and their family members when faced with mental health and emotional issues. EAPs play an important role in an employer's overall emphasis on employee wellness in the work place seeing that they assist the employee when he/she needs help dealing with life events, workplace issues and other personal problems and challenges. (Heathfield, 2000).

Educational fee benefit programs enables employees gain additional knowledge, skills and expertise for their personal benefits as well as the enhanced organizational

productivity without them incurring any costs. Some organizations also pay educational fees for the tuition of their employees up to a certain academic level and age. Employees are also entitled to sabbatical leave not exceeding a period of one year. This enables an employee to be involved in research and publications of activities which enhance their knowledge that is directly contributed to the organization. In addition, this type of leave reduce stress and monotony of work among employees (Okumbe, 2001).

Other benefits include the purchase discount benefit and the transport benefits. The purchase discount benefit allows the employees to purchase their organization's in-house products or services at a discounted rate. This helps boost the employees' morale and motivates them to identify with their products. Other companies may offer discounts for products and services offered by a network of other companies that the organization has a relationship with. A transport benefit enables employees to access their work places fairly comfortably. This could be through providing them with a company car or offering van pooling. Van pooling is where an organization purchases vans which are used to take the staff to and from work. A company car however is the most valued transport benefits because of its emotive impact, seeing that a car is visible and prestigious. The method of transport chosen by the organization should depend on its financial ability and the intended impact on employee motivation and turnover (Okumbe, 2001).

2.2 Rewards and Recognition.

Recognition is a tool that the organization can choose to enhance job satisfaction in their talent employees because it plays an important role in motivating employees to perform and stay with the organization (Allen & Helms, 2011). In his popular book '1001 ways to reward employees', Bob Nelson as cited by Giancola (2011), concluded that rewards

have positive impact on job satisfaction and that the most desired form of reward by employees was verbal appreciation and praise by their immediate bosses. Appreciation and praises could be for good performance or for good behavior that supports organizational values, therefore making this reward a reminder of what is important to the company (Aguinis, 2012). Although praise costs no money and requires a few moments of one's time, many workers feel that they do not receive enough praise. Managers therefore have a good opportunity to boost the employees' allegiance to the organization by the simple act of praising good deeds. Recognition could also be done through giving employees certificates of recognition, being named as the employee of the month and awards given on the division and nationwide levels (Steers & Porter, 2011).

Through performance management and appraisals, the organization is able to determine and enhance an employee's chances for promotion and career advancement within the organization. This is because through performance management, the organization ensures that their talent employees are well developed and equipped with the necessary skills, competencies and attitudes to fill various positions as and when the opportunity occurs. The promise of growth within the organization goes a long way in ensuring that employees will want to stay with the company because they will still be able to achieve all the personal and career goals and objectives they have set for themselves within this same organization.

2.3 Employee retention

Retaining good employees is critical to a firm's success and it can be achieved by developing an effective employee retention program that seeks to reduce the turnover rates and the losses that come with it. It takes time, efforts and resources but the end

result proves to be valuable. One of the major drivers of an organization's need to invest in a good retention program is the expenses that go into recruiting and training valuable employees (Abraham 2007). The management plays a key role in the process of ensuring that the valuable and talented employees stay with the organization. This is achieved through treating the employees well (Hodgetts and Hegar, 2008), compensating the high performing ones and ensuring that the working conditions are satisfactory. It is said that employees come on board because they want to join the organization but when they quit they do so in order to leave a manager. It is therefore in the best interest of the organization for managers to ensure employee satisfaction with how they treat them because that greatly reduces the likelihood of employees leaving the organization.

Generally, there are two categories of forces that are in action in employee retention; engagement and coercion. Engagement occurs when an employee connects emotionally with his/her work while coercion occurs when forces outside the employee encourage attachment to the employer. Good management help employees to stay engaged while bad management pushes them towards disengagement (Glen, 2007). Job dissatisfaction is the leading cause of labor turnover. Labor turnover is especially high in organizations with undesirable jobs, pay inequities, poor working conditions, and limited opportunities for advancements (Nzuve, 1997).

As the business grows, it becomes increasingly important to attract and retain good employees. This is because the quality of an organization's human resources is a critical factor for its success. The main HRM challenge is how to attract, retain, motivate and develop individual talents with external factors such as the impact of the turbulent business environment, difficulty in managing a diverse and ever changing legal climate

and government regulations add to it (Carrell, 1995). Employee retention mainly depends on talent management. This is an integrated set of activities to ensure that an organization attracts, retains, motivates and develops the talented people it needs now and in future. It is mainly concerned with the highfliers in the organization because it aims at improving the availability and flexible utilization of the exceptionally capable performers who have the ability to greatly impact the business' performance (Armstrong, 2006). This is because retention rates focuses on and measures what is wanted rather than what is undesirable to the organization.

It is essential for every organization to create an effective retention program. This is done through understanding what motivates a person to look for another position in a different organization. As important as it is to formulate attractive compensation packages, it is also critical to create a caring workplace where all employees feel valued. The rewards and recognition are crucial to the success of the retention programs because they reassure the employees that their efforts are meaningful and are appreciated. When an employee is leaving the organization, exit interviews are conducted to help managers realize how the employees feel about the company's pay structure, growth potential, benefits plan and culture, etc. the manager is then able to identify the current industry practices, trends and challenges affecting the workforce, facilitate the development of company feedback systems and form committees and other forums designed to solicit information from employees (Abraham, 2007).

2.4 Effects of employee compensation packages on employee retention.

Employee compensation and benefits packages are essential in increasing employee morale and improving job performance. For example, an organization that offers their employees opportunities to learn and further their education while working is able to keep and retain knowledgeable employees (Jeffery, 1994).

The main objective of employee compensation policies and practices of any organization is to provide an attractive and competitive total remuneration package which both attracts and retain high quality employees. While the direct impact made by these packages on the organization is not seen or felt immediately, they go a long way in helping to create a more positive and favorable attitude towards the business which then improves commitment and loyalty to the organization in the long-run. The well planned packages also provide for the needs of employees and a tax-efficient method of remuneration (Armstrong, 2006).

When people like working for their organization, they are unlikely to leave merely because another company offered them more money. This is because they are happy and satisfied with their work, the perks are good, the jobs are challenging and opportunities for growth and advancement are available and they like the management and their coworkers. This is because their organization is effectively using perks and incentives to reward their employees' commitment to the organization as opposed to other companies using perks to attract new applicants (Hodgetts & Hegar, 2008)

Benefits and services are strategically important to firms in that they attract and retain employees and can also be designed to support the company's strategies. However, benefits are more visible than pay and cause dissatisfaction if administered unfairly. It is

therefore the management's duty to often evaluate and review these packages to ensure that there is no perceived inequity (Cole, 2002). Work-life balance benefits such as childcare services, elderly care services and domestic partner benefits offered to employees improve their morale, increase productivity and retain the talent (Jackson et al 2009).

Occupational pension plans helps attract and retain high quality talents by helping to maintain competitive levels of total remuneration and to also demonstrate that the organization is a good employer and indicate that the organization is concerned with the long-term interests of its employees' future (Armstrong, 2006). It is therefore safe to say that employee benefits packages are important and when managed efficiently they have the potential to deliver invaluable returns in the form of employee retention (Leopold, 2010). Generally, compensation packages add operational value to the organization by maintaining workforce in competition with other organizations, maintaining high levels of employee morale, reducing human resource and administration costs and maintaining labor management peace in collective bargaining arrangements. They encourage workers to work towards the achievement of organizational goals (Okumbe, 2001).

Sabbatical leaves help retain talent employees by giving them an opportunity to refresh and recharge (Knudson, 2006). This in turn has a positive influence on employee productivity, morale and attendance once they are back to work. Life insurance and retirement benefits encourage employees to stay with the same organization because they do not wish to cash in their life insurance or retirement plans. This tends to make employees more loyal to their company because their future is invested with the

company. It also gives the employee a feeling of power by having some control over planning for their future (Jeffery, 1994).

Employers believe that providing some benefits will indirectly result to improved productivity, e.g employee assistance programs and work life balance programs may improve productivity by reducing absenteeism. Benefits and services that encourage employees to stay healthy may translate to more effective and efficient employees because of the reduced stress and burn outs.

Compensation and benefits should be viewed as an investment in the part of the employer. Soft returns delivered by effective compensation programs include reputation, a sense of meeting obligations and goodwill. Hard returns, which are more measurable, include attraction, retention and productivity (Leopold, 2010). Many of the benefits in these packages have proved effective in greatly reducing voluntary turnover. Offering more flexible work arrangements has proved helpful in retaining the best female employees while leaves have proved useful in retaining all employees. The employees are allowed time off to rejuvenate and the employer saves money not having to replace employees who burn out and quit. (Knudson, 2006).

2.5 Theoretical Framework:

Theories of compensation

There are a few theories that focus on the effect of compensation (reward) on employee behavior in and commitment to their work place and eventually their willingness to stay with the organization. In this review we will briefly focus on Maslow's hierarchy of needs and Vroom's expectancy theory.

2.5.1 Maslow's Hierarchy of Needs.

According to Maslow's hierarchy theory (1948), the employee compensation programs could be classified into four types of welfare demands; physical demands, security demand, social demands and self-actualization demand. The benefits in physical demand benefits includes loans, dividends, bonuses, saving subsidies, emergency subsidies, paid leaves and allowance benefits such as housing and transport. The security benefits demand includes daycare services, group dependent insurance (life and medical), pension, occupational disease compensation among others. The social demand benefits includes entertainment facilities and activities, educational opportunities and activities, foreign travel subsidies, maternity, counseling measures among others. Finally, the benefits that fall under self-actualization demand include opportunity and subsidies to further the employee's education and skills and flexible working time.

2.5.2 Vroom's Expectancy Theory.

Vroom maintained that everyone works in expectation of some reward and welfare is one of them. That is, the degree of reward influences the quality and quantity of work and productivity. The implication of this theory is that employees change their level of effort according to the value they place on the bonuses they receive from the process and on their perception of the strength of the link between effort and outcome. So it is important to explore how to give the welfare in order to promote work motivation and productivity (Vroom, 1964). In order to increase employee retention through application of this theory, the organization should use compensation systems that tie rewards closely to performance and ensure that these rewards are deserved and wanted by the recipients.

CHAPTER THREE: METHODOLOGY.

This chapter identifies the specific strategies and procedures the researcher used in data collection, analysis and presentation. The chapter focuses on research design, study area, target population, sample size, sampling techniques and description, the proposed research instrument, data collection procedures and the data analysis criteria.

3.1 Research Design

According to Mugenda & Mugenda (1999), a research design is a conceptual structure within which research is conducted. The study employed a research design which helped investigate the influence of compensation packages on retention of employees of Njunu Tea Factory. It adopted a descriptive survey design because it involves examining and collecting evidence from a small number of people selected from the population, measuring, classifying, analyzing, interpreting and reporting the findings just the way they are (Kothari, 2008). A case study research design was chosen because it is easier to collect accurate objective information from a selected area

3.2 Study area.

The study was based on the Njunu Tea Factory in Gatanga, Murang'a target population. The population of this study totalled up to 150 employees in the middle management and the production level of the company.

3.3 Target Population.

Population refers to all elements in a research area of interest. The study targeted employees in the middle level management and supervisory roles as well as the

permanent and non-permanent employees in the production level of the organization. The target population was 150 employees within the organization.

3.4 Sample size and sampling techniques

The target population was 150 employees consisting of middle level managers and supervisors, production level workers such as drivers, tea clerks, production plant workers, technicians and agricultural specialists and casual workers. The sample size was 30% of the total population which equals 45 employees.

The Simple Random Sampling technique was used because it ensured that each respondent had an equal chance of being considered in the study.

CATEGORY	POPULATION SIZE	SAMPLE SIZE
Middle level managers	10	4
Supervisors	50	16
Operational level workers	90	25
TOTAL	150	45

Table 1. Sample Size

3.5 Data collection

This sets out to study how data was collected. Primary data collection procedure was used in this study as it will give raw data to which statistical methods will be applied for the purpose of analysis and interpretation. The primary data was obtained first-hand by the researcher.

3.6 Research Instruments.

The main research instrument was a questionnaire with closed-ended questions that was handed to the respondents selected by the researcher and picked at a later date. The researcher also conducted a few phone interviews in an attempt to obtain reliable and valid information in the form of verbal responses.

3.6.1 Validity of the research instruments

Validity indicates the degree to which the instrument measures what it is supposed to measure and its ability to be used for the collection of data and to obtain the required data from the field. The researcher consulted the expert knowledge of the university supervisor for the content validity. This ensured that any mistakes noted were rectified and that appropriate language was used to avoid ambiguity.

3.6.2 Reliability of the research instrument.

Reliability is the degree to which research instrument yield consistent results or data after repeated trials. (Nsubuga 2010). The reliability of the instrument was tested using the Test-Retest method.

3.7 Data analysis and presentation.

The data collected was checked and edited for clarity, legibility, relevance and adequacy. The data was then cleaned, tabulated and thereafter weighted averages, means and percentages were used to analyze the data. The results of the analysis were presented in frequency tables.

3.8 Logistical and Ethical considerations

The study had a research work plan to ensure that the research work was done within the stipulated period. The researcher had a stipulated budget to ensure that all the costs that were incurred were budgeted for. The researcher gave an introductory letter to the respondents to notify them of the reasons for conducting the research. Respondents were not coerced into participating in the study. Any participation was voluntary. The researcher respected the values and ethics of the organization and those of the respondents and also got the necessary permission to conduct the research.

CHAPTER 4: FINDINGS AND DISCUSSION

4.1 INTRODUCTION

This chapter discusses the results of the data analyzed from the questionnaires received back from the respondents. The data was analyzed based on the research objectives and the questionnaire items using statistical tools to generate frequency distribution tables, means and charts. This chapter is subdivided into various sections such as the introduction, the overview of the findings, results for the impact of financial compensation on employee retention, findings on the effect of non-financial benefits and incentives on the employee retention at Njunu Tea Factory and the perceived impact of rewards and recognition on employee retention.

4.2 Overview of the Findings.

4.2.1 Response Rate

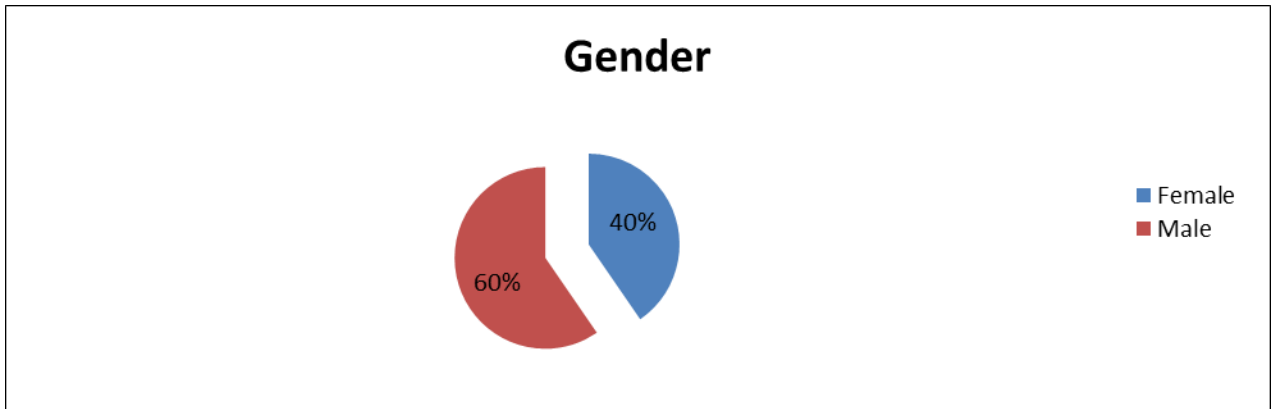
The study targeted a total number of 45 employees from Njunu Tea Factory where 45 questionnaires were given out and 40 were received back. This gave the study a response rate of 88.9%. All the questionnaires were carefully scrutinized to ensure that all questions were appropriately filled. The response rate refers to the number of people who completed the survey divided by the number of people who made the total sample group, including those who refused to participate and those who were unavailable (Koltlen, 1997). The response rate was excellent and commendable.

4.2.2 Gender

The respondents were asked to indicate their gender and the results are shown below in figure 4.1. In the results that were obtained, 60% of the respondents were male while

40% were female. Thereby indicating that the number of male employees in Njunu Tea Factory is higher compared to that of female employees.

Figure 2. Gender of respondents



4.2.3 Age of Respondents

The respondents were asked to indicate the age group they belonged to and the results were as shown in Figure 4.2 below. 30% of the respondents were between 21-30 years, 35% were between 31-40 years, 20% were between 41-50 years and 15% were 51 years and above. This shows that majority of the respondents and employees in Njunu are aged between 31 and 40 years.

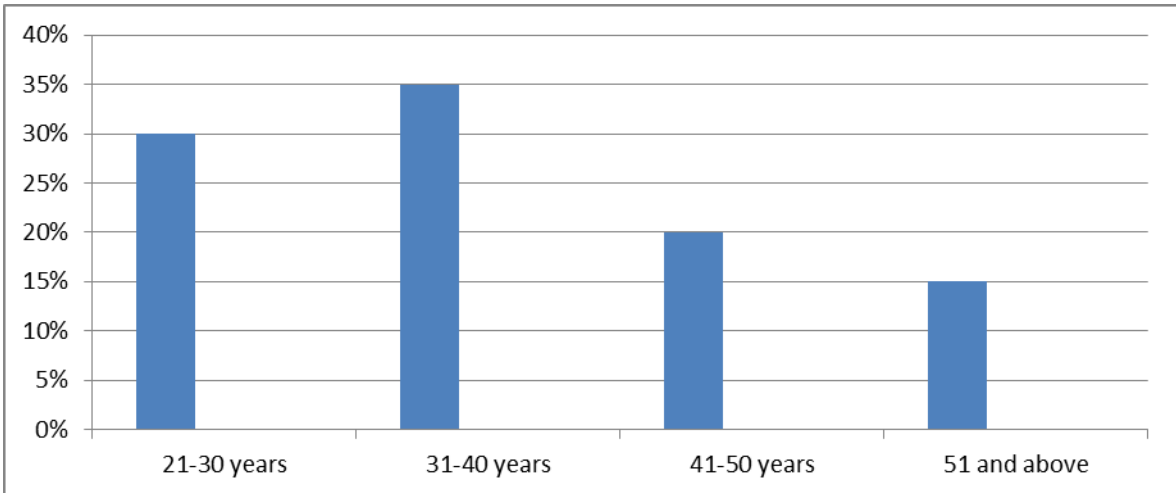


Figure 3. Age Group of Respondents

4.2.4 Department and position held

The respondents were asked to indicate the positions they hold and the department they fall under and the results were as indicated in Figure 4.3 below. 10% held managerial positions, 35% are in supervisory positions and 55% work in the production level. The results showed that majority of the respondents were in the production level.

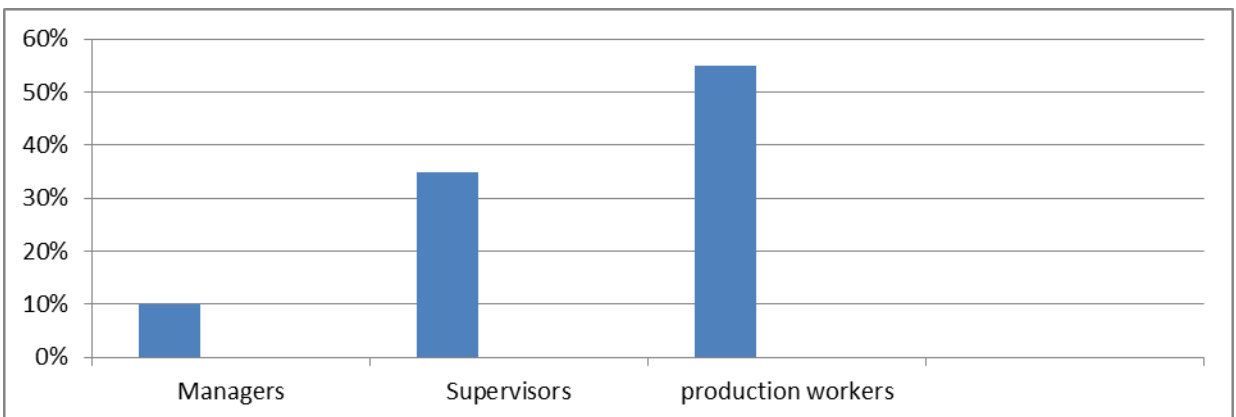


Figure 4.Positions Held

4.2.5 Tenure

The respondents were asked to indicate the number of years they had worked in the organization and the results were as shown below. 35% of the respondents indicated that they have worked with the organization for 3-5 years, 40% have worked for 6-10 years while 25% have worked for over 10 years. This shows that the majority have worked for 6-10 years.

Tenure	Frequency	Percentage (%)
3-5 years	14	35
6-10 years	16	40
Above 10 years	10	25
Total	40	100

Table 2.Tenure

4.2.6 Highest Level of Education

The researcher also sought to establish the respondents' highest level of education with the options on the questionnaire being secondary level, college, undergraduate and others. From the data tabulated below, 87.5% of the respondents had tertiary/college/university education while 12.5% had secondary level education as their highest education level. This shows that the majority have met the minimum education level entry requirements for the jobs they currently hold as most positions require tertiary training.

Level of Education	Frequency	Percentage (%)
---------------------------	------------------	-----------------------

Secondary	5	12.5
College	10	25
Undergraduate	24	60
Others	1	2.5
Total	40	100

Table 3.Highest Level of Education

4.2.7 Marital Status

The respondents were asked to state their marital status, whether single, married or others. ‘Others’ was used to describe respondents that were divorced, separated from their spouses or widowed. The results were as shown below in figure 4.4, where majority of respondents married at 60%, 30% were single and 10% fell under the ‘others’ category. This could be an indication that the marital status of the respondents could have an effect on their willingness to be retained.

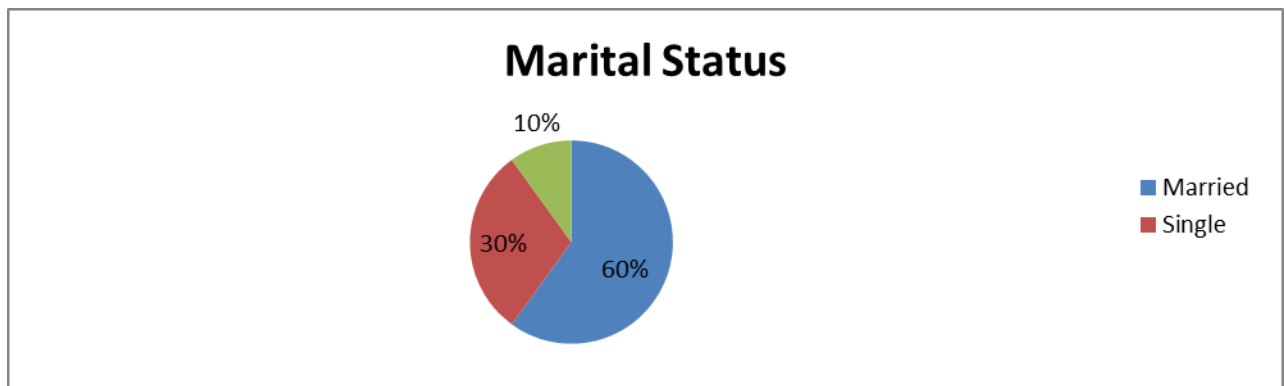


Figure 5.Marital Status

4.3 Compensation packages systems at Njunu Tea Factory.

The researcher wanted to establish whether there was a compensation packages policy in place at Njunu Tea Factory. The employees were to indicate either “yes” to mean that

there actually is a policy in the work place and “no” to mean that there none. According to the finding in figure 4.5 below, majority of the respondents (80%) said that there was a compensation policy while 20% of the respondents differed with this. This means that NTF has a compensation packages policy in place hence justifying the need for the researcher to study the research topic.

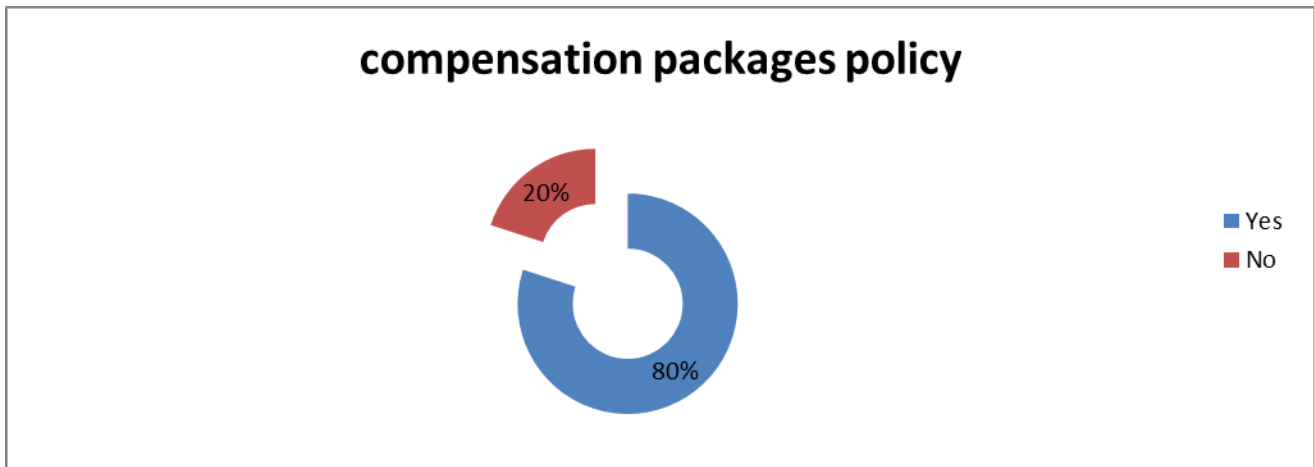


Figure 6. Whether there is a compensation packages policy at NTF

4.4 Effects of Financial Compensation on Employee Retention

This section sought to determine the perceived effect of financial compensation on employee retention at Njunu Tea Factory. The respondents were asked to rate their perception of the effectiveness of their salaries and financial benefits using the scale “SD= Strongly Disagree, D= Disagree, A= Agree and SA=Strongly Agree”.

4.4.1 Salary rates

The respondents were asked to indicate whether their salaries were satisfactory and if they thought their salaries were fair as compared to their peers in the organization and their counterparts in other organizations. Table 4.3 below showed that 7.5% strongly disagreed, 15% disagreed, 45% agreed and 22.5% strongly agreed. This suggests that

majority of employees at Njunu are relatively satisfied with their pay rates and the financial benefits they receive from the organization since they are able to cater for their immediate financial needs.

Scale	Frequency	Percentage
Strongly Disagree	3	7.5
Disagree	6	15
Agree	22	45
Strongly Agree	9	22.5
Total	40	100

Table 4.salaries

However, the respondents expressed an interesting view when they were asked to indicate whether they were willing to exit the company in favor of another company that was offering higher salaries. 7.5% strongly disagreed, 7.5% disagreed, 70% agreed while the other 15% strongly agreed. This shows that as much as the employees are alright with their current pay, the majority would gladly take any opportunity that offers higher monetary rewards to them.

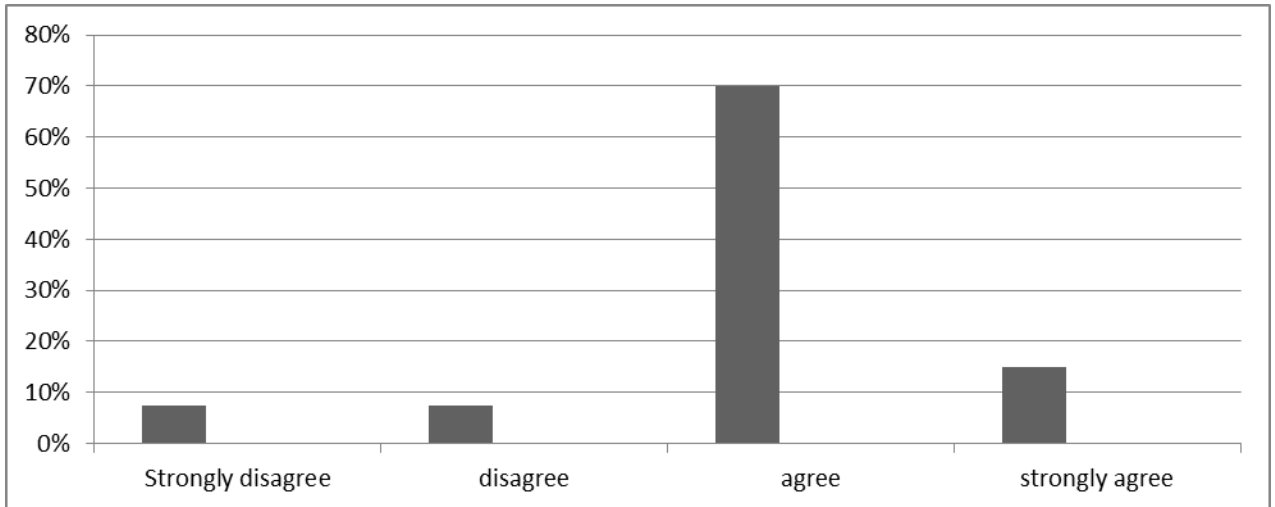


Figure 7. Employees willingness to exit the organization

4.4.2 Financial Benefits

The respondents were asked whether they were satisfied with the financial benefits offered by their organization. 10% strongly disagreed, 20% disagreed, 50% agreed and another 20% strongly agreed as shown in table 4.4 below. The researcher took this to mean that the financial benefits at Njunu Tea Factory are effective for most of the respondents.

Scale	Frequency	Percentage
Strongly Disagree	4	10
Disagree	8	20
Agree	20	50
Strongly Agree	8	20
Total	40	100

Table 5. Financial Benefits

4.4.3 Fixed Pay versus Variable Pay.

The respondents were asked to indicate whether they preferred the variable pay over fixed pay. Fixed pay refers to the amount of salary that an employee gets at the end of the month. Variable pay in this case refers to the monetary incentive paid to the employee based on their performance for the month. The results were as indicated in table 4.5 below. 7.5% strongly disagreed, 12.5% disagreed, 65% agreed and 15% strongly agreed. This shows that majority of the respondents are high performing individuals who prefer the variable pay because they feel well compensated and rewarded for their efforts and therefore they are more motivated.

Scale	Frequency	Percentage
Strongly Disagree	3	7.5
Disagree	5	12.5
Agree	26	65
Strongly Agree	6	15
Total	40	100

Table 6. Fixed pay versus Variable pay.

4.5 Effects of Non-financial Employee Benefits and incentives on employee retention.

This section sought to determine how non-financial/ non-cash benefits affected the employee retention in NTF. The respondents were to rate the effectiveness of these benefits using the scale ‘SD=Strongly Disagree, D= Disagree, A=Agree and

SA=Strongly Agree'. The researcher then analyzed and presented the findings using tables and charts.

4.5.1 Effectiveness of the Non-financial benefits.

The respondents were asked to indicate whether the non-financial benefits offered to them by the organization were effective in motivating their retention and whether they thought that the benefits made up for where the salary scales are inadequate. From the findings shown on table 4.6 below, 12.5% strongly disagreed, 15% disagreed, 50% agreed while 22.5% strongly agree. This shows that the majority of residents agree that the available non-financial benefits are helpful in increasing retention and have meeting needs that financial compensation cannot meet.

Scale	Frequency	Percentage
Strongly Disagree	5	12.5
Disagree	6	15
Agree	20	50
Strongly Agree	9	22.5
Total	40	100

Table 7.Non-financial Benefits

4.5.2 Dissatisfaction with the current non-financial benefits.

The respondents had a different view when they were asked to indicate whether they were willing to exit the organization for another organization that had a better policy in place and was offering better non-financial benefits. According to the findings shown on figure 4.7 below, majority of the responded indicated that they were willing to leave for

better opportunities with only 5% strongly disagreeing, 7.5% disagreeing, 70% agreeing and 17.5% strongly agreeing. This is a strong indicator that as much as the non-financial benefits are sufficiently meeting the current needs, the employees desire more benefits as they grow and develop individually and career-wise and therefore they are willing to seek out better policies.

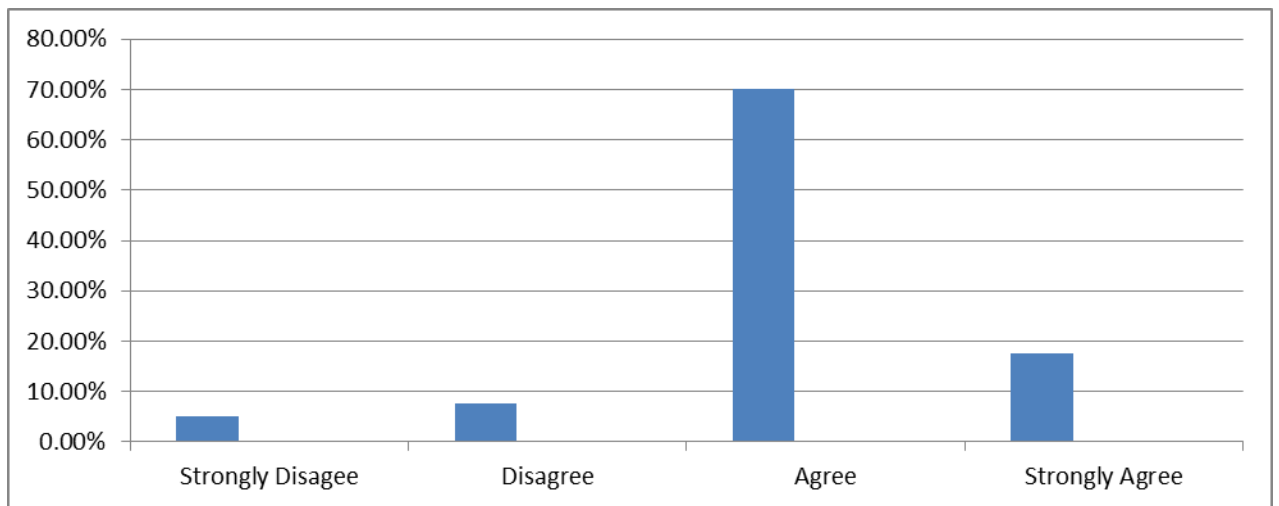


Figure 8. Whether respondents are willing to exit organization for better benefits

4.6 Perceived effects of rewards and recognition on employee retention.

The study also sought to find out how performance management in NTF affected the retention of its employees. Here, the respondents were once again asked to rate the effectiveness using the scale. The questionnaire items on rewards and recognition were promotion opportunities, career development opportunities and recognition and praises.

4.6.1 Promotion opportunities.

The respondents were asked to indicate if they were interested in their current positions because of the strong promotion opportunities within the organization. 7.5% strongly

disagreed, 12.5% disagreed, 60% agreed and 20% strongly agreed as showed in the findings in table 4.7 below. This showed that majority of the respondents agreed that strong promotion opportunities were effective in retaining employees in the organization.

Scale	Frequency	Percentage
Strongly Disagree	3	7.5
Disagree	5	12.5
Agree	24	60
Strongly Agree	8	20
Total	40	100.00

Table 8.Promotion opportunities.

4.6.2 Career and personal development

The respondents were asked to indicate if career and personal development opportunities within the organization were effective in increasing their loyalty to the organization and their willingness to continue working for NTF. 5% strongly disagreed, 12.5% disagreed, 75% agreed and 7.5% strongly agreed as showed in table 4.8 below. This showed that majority of the respondents were with the organization because they felt like they were in a position to achieve and work towards the career and personal goals they have set for themselves.

Scale	Frequency	Percentage
Strongly Disagree	2	5
Disagree	5	12.5
Agree	30	75

Strongly Agree	3	7.5
Total	40	100.00

Table 9.Career and Personal Development

4.6.3 Recognition and praises.

The respondents were asked to indicate if they felt like the management recognized their individual and group contribution to the organization and if they were adequately praised for it. 20% of the respondents strongly disagreed, 45% disagreed, 30% agreed and 5% strongly agreed as shown by the findings in table 4.9 below. This showed that the majority of respondents were dissatisfied with the organization's recognition scheme and the unavailability of praises and approval by the management.

Scale	Frequency	Percentage
Strongly Disagree	8	20
Disagree	18	45
Agree	12	30
Strongly Agree	2	5
Total	40	100.00

Table 10.Recognition and Praise

4.7 The influence of compensation packages on employee retention.

The researcher sought to establish there was any significant relationship between compensation packages offered in NTF and the retention of the employees currently working in the factory. A series of tests were conducted to determine the significance of the relationship.

A correlation test was conducted on the findings to determine the significance of the independent variables (financial compensation, non-financial benefits and performance management) and their impact on the dependent variable (employee retention). The results were as shown in table 4.10 below.

Correlations

		Employee retention	financial compensatio n	non-cash benefits	Rewards and recognition
	Employee retention	1.000	.780	.673	.649
Pearson Correlation	financial compensation	.780	1.000	.705	.737
	non-cash benefits	.673	.705	1.000	.662
	Rewards and recognition	.649	.737	.662	1.000
Sig. (1-tailed)	Employee retention	.	.000	.000	.000
	financial compensation	.000	.	.000	.000
	non-cash benefits	.000	.000	.	.000
	Rewards and recognition	.000	.000	.000	.
N	Employee retention	40	40	40	40

financial compensation	40	40	40	40
non-cash benefits	40	40	40	40
Rewards and recognition	40	40	40	40

Table 11. Relationship between the compensation packages and employee retention

The table above shows that the relationship between employee retention and financial compensation was significant at $P=0.780$. The relationship between non-cash benefits and employee retention is significant at $P=0.673$ and the relationship between performance management and employee retention is significant at $P=0.679$.

Descriptive Statistics

	Mean	Std. Deviation	N
Employee retention	2.93	.797	40
financial compensation	2.80	.883	40
non-cash benefits	2.83	.931	40
Rewards and recognition	2.85	.622	40

Table 12. Contribution of the dependent variables to employee retention

From the findings in Table 4.11 above, majority of the respondents were in agreement that financial compensation plays an important role in increasing employee morale and

loyalty towards the organization .High pay, salaries, wages, the high rate of financial benefits and their flexibility increases the employees' desire to be retained by the organization induces and motivates employee retention at a mean score of 2.80. This goes to show that there is a general consensus in money being the most effective motivator of all times. Money increases employee satisfaction, loyalty, competitiveness and productivity, which eventually turn to retention because the employees feel like their capabilities are acknowledged, appreciated and well rewarded. According to the findings above, majority of the respondents were in agreement that retention is also highly dependent on non-financial benefits because of how they enhance employee wellness. The organization's reputation and the working conditions within the factory influenced a majority of employees' decision to remain with the organization. Work-life balance, EAP's and health and recreation programs influenced retention by increasing concentration at work leading to increased productivity and satisfaction in the quality of work. These findings depicts that there is a significant relationship between non-financial benefits and employee retention in NTF as shown by an average mean score of 2.83. The respondents were asked to give their perception on how effective performance management practices are on retention and the findings were as shown above. The respondents unanimously agreed that recognition and praises were powerful driving forces for retention and that strong and fair opportunities for career development influenced decision to continue working for the organization, while training and development promoted retention by improving productivity and job satisfaction as shown by mean scores of 2.85. According to the above findings, it is safe to conclude that

performance management plays an important role in motivation, productivity, job satisfaction and ultimately employee retention.

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.904	3	5.301	21.514	.000 ^b
	Residual	8.871	36	.246		
	Total	24.775	39			

a. Dependent Variable: Employee retention

b. Predictors: (Constant), performance management, non-cash benefits , financial compensation

Table 4.1

The researcher also conducted a regression analysis. From the finding, the p-value was 0.000. Since the p-value is less than the significance level of 0.05, the researcher chose to reject the null hypothesis that says there is no relationship between compensation packages and employee retention and concluded that there is a significant relationship between compensation packages in an organization and the retention of its employees.

4.8 Ways NTF may provide compensation packages to improve employee retention.

The respondents were asked to give suggestions on ways in which NTF could effectively ensure that the compensation packages they offer increase the retention rate and what packages they would prefer to receive from the organization for it to ensure that they are retained. Their suggestions ranged from increased medical and disability packages,

provision of housing facilities for free or at subsidized rent rates, revision of the benefits scale, increased salaries, wages and overtime rates to formulation of a good and fair reward scheme. The respondents also suggested staff participation in decision making, transparency in matters relating to compensation, establishment of loyalty clubs/ team building, improved recognition programs for both individuals and groups and formulation of a compensation policy that is more flexible and competitive compared to other organizations as other ways of increasing their chances of remaining with the company.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.

5.1 INTRODUCTION

This chapter gives the summary of the study, the conclusions derived from the findings, recommendations for policy/practice and recommendations for further research.

5.2 Summary

The objective of the study was to establish the perceived influence compensation packages have on employee retention at Njunu Tea Factory. The study established that majority of the respondents were aged between 31 and 40 years. This could be attributed to the physical nature of the work carried out in the factory seeing that it's a processing plant. This could also be the reason as to why the factory has more male than female employees. Most of the employees have tertiary education because most of the job groups available require them to have specific skills in order to be able to carry them out. A large number of the respondents were married mainly because of the age groups they are in and majority of the respondents came from the production/operational level which is the heart of this type of an organization.

The study found that there is a compensation packages policy at NTF and that it is relatively effective in influencing the employee's decision to remain with the organization. The existence of salaries and wage rates and ranges and the existence of financial compensation such as allowances, bonuses, medical coverage, disability insurance and compensation programs protects the employees and their dependents from income loss resulting from unexpected expenses, job-related illnesses and injuries, medical expenses and disabilities. The study also deduced that pension schemes and

retirement benefits give employees a feeling of power by having some semblance of control over planning for retirement and reduces worry about their families' and dependents' security therefore increasing their loyalty to the organization.

The study established that sabbatical, annual, family and vacation leaves help to reduce monotony of work, reduce work-related stress and pressure, rejuvenate employees and create time for the to enhance their knowledge and conduct research. Flexible work plans and work-life balance also ensures employee satisfaction and wellbeing thus increasing their willingness to be retained by the organization. NTF offers flexible working plans through job sharing, flexible shifts and flexible hours. Employee assistance programs enables employees to stay longer with the organization because they provide and enhance the employees' overall wellness thus stimulating productivity and job satisfaction.

The study also found out that availability of strong and fair opportunities for career and individual growth and promotions helped cement the employees' future with the organization. This is because employees are able to realize all their individual and career goals in one place. Recognition, rewards and praises also go a long way in convincing the employees to stay with the organization. This is because they feel valued and appreciated by their company.

However, the employees also expressed their dissatisfaction with the recognition and praises they receive and expressed desire for better recognition schemes. They also hinted that as much as the compensation packages in place are sufficient in meeting their current needs, they would exit the company in favor of another one offering better compensation and opportunities.

5.3 Conclusions

From the findings, the study concludes that there is an existing compensation and benefits policy at Njunu Tea Factory and employees who exit the company do not necessarily leave because of the dissatisfaction with the compensation. The available packages include; salaries and wages, overtime payment, pension schemes. Life insurance, health and medical coverage, disability coverage, allowances such as housing, transport and relocation, paid and unpaid leaves, flexible work plans, educational fees and employee assistance programs. There are also available programs for training and development, performance appraisal, motivation and career development.

The policy has been useful in positively influencing retention of employees although a lot more needs to be done for the organization to be able to realize optimum retention of its employees.

5.4 Recommendations for Policy/Practice

The study recommends that in order to increase employee retention, Njunu Tea Factory should review the salary and wages ranges and grades to ensure that they are satisfactory and competitive. The organization should also come up with a compensation policy that will also allow it to offer both financial and non-financial benefits on a cafeteria basis. This will allow individual employees to choose packages that will work best for them depending on their needs and preferences. The organization can also decide to increase programs aimed at developing the employees and enabling them to attain their personal and career goals and objectives. Lastly, the management should come up with a good recognition and reward scheme while putting conscious effort to praise and acknowledge positive performance, achievements and behavioral changes.

5.5 Recommendation for Further Studies

The study has investigated the influence of compensation packages on employee retention in NTF. Seeing that this is a production company, the study recommends that further research should be done on the influence of compensation packages on retention in service-delivery organizations. This is because the two sectors have different strategic approaches and workforce needs thus allowing for comparison. Other studies could be done on the other tea factories to allow for generalization on the influence of compensation packages on employee retention in tea processing factories in Kenya.

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APPENDICES

APPENDIX 1: RESEARCH QUESTIONNAIRE

This questionnaire is for research purposes only. It aims to collect data to investigate the influence of financial and non-financial compensation on employee retention at Njunu Tea Factory. Your responses will be highly appreciated.

PART A: Biographical Information.

This section includes five (5) questions. Please tick (✓) the correct answer.

1. Gender

- a) Male b) Female

2. Marital status

- a) Single b) Married c) others

3. Age range

- a) 21-30 b) 31-40 c) 41-50 d) 51 and above

4. Education Qualification

- a) Secondary b) College c) undergraduate d) others

5. How long have you worked for your organization?

- a) 3-5 years b) 5-10 years c) over 10 years

6. Department and position (indicate below)

PART B: perception of respondents on compensation systems

i. Answer with ‘Yes’ or ‘No’

Is there a compensation packages policy in place in the organization?

ii. Scale: 1- Strongly Disagree (SD) 2-Disagree (D) 3-Agree (A) 4-Strongly

Agree (SA): Tick where necessary.

NO.	ASSERTIONS ON COMPENSATION SYSTEMS	SD	D	A	SA
Financial Compensation					
1	My salary satisfies my basic needs	1	2	3	4
2	I am satisfied with the financial benefits provided by my organization	1	2	3	4
3	My salary is fair compared to my counterparts in similar jobs in other organizations.	1	2	3	4
4	My salary is fair compared to my peers in the organization	1	2	3	4
5	I would exit this organization in favor of a higher pay and benefits offered by another organization.	1	2	3	4
6	I prefer the fixed pay over the variable pay	1	2	3	4
Non-financial compensation					
7	I am interested in the job because there are strong promotion opportunities.	1	2	3	4
8	I am satisfied with the working conditions at my work place.	1	2	3	4
9	I am provided with career development opportunities.	1	2	3	4

10	There is job security in my organization.	1	2	3	4
11	I am recognized for the work I do for the organization	1	2	3	4
12	My organization provides me with non-financial benefits and incentives	1	2	3	4

PART C: Perception of employees on Employee Retention.

Scale: 1. Strongly Disagree (SD) 2. Disagree (D) 3. Agree (A) 4. Strongly Agree (SA)

NO	ASSERTIONS	SD	D	A	SA
13	Is your retention in the organization influenced by the higher pay offered?	1	2	3	4
14	Is your retention in the organization motivated by the flexible financial benefits?	1	2	3	4
15	Has the financial compensation affected your morale and loyalty towards the organization?	1	2	3	4
16	Is your retention in the organization due to the large amount of non-cash benefits given to compensate the low salaries?	1	2	3	4
17	Has the work life balance contributed to your retention in the organization?	1	2	3	4
18	Has the health, recreation and employee assistance programs offered by the organization been beneficial to you and has they induced retention?	1	2	3	4
19	Does the organization's reputation and working conditions motivate you to continue working in it?	1	2	3	4

20	Do strong and fair opportunities for career growth and development influence your decision to continue working for the organization?	1	2	3	4
21	Has recognition and praises been a major motivator for you to continue working in the organization?	1	2	3	4

PART D: Employees Suggestions.

In your opinion, how can your organization provide compensation package while increasing employee retention?

What other benefits can the organization offer you to ensure that you are retained?

- a) _____
- b) _____
- c) _____

THANK YOU FOR YOUR CONTRIBUTION.

APPENDIX 2: LETTER OF INTRODUCTION

Dear Respondent,

I am a student at Gretsia University, Thika pursuing a Bachelor's degree in commerce, Human Resource option. As a partial fulfillment of the undergraduate degree, I am conducting a study on the influence of compensation packages on employee retention, a case study of Njunu Tea Factory, Murang'a County.

Please take a few moments to look at and answer the attached questionnaire. Your contributions and answers will be treated with utmost confidentiality and no names of staff members will be published in the final research document.

Your assistance and cooperation will be highly appreciated

Yours Sincerely,

Miriam W. Njuguna.