Global Scientific JOURNALS

GSJ: Volume 12, Issue 10, October 2024, Online: ISSN 2320-9186

www.globalscientificjournal.com

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

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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 study adopted descriptive cross-sectional survey research design and the population of the study comprised of all 41 insurance firms. 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 findings showed that separately, both financial and non-financial compensation had a significant positive influence on employee retention.

Key words: *Employee Compensation, Job Satisfaction, Employee retention*

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. 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).

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 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).

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 turnover rate is at 5% in Nigeria meaning that most employees rarely quit work (Silaban et al., 2018).

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.

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). 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.

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

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 al., 2015). 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). 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).

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). 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 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).

Insurance Companies in Kenya

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 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.

Problem Statement

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.

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.

Research Objectives

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

LITERATURE REVIEW

Theoretical Review

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. 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).

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.

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.

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 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).

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.

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.

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 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.

2.3 Empirical Literature

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.

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 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.

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 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.

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 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.

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.

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.

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 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.

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 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.

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.

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.

Financial Compensation, Job Satisfaction and Employee Retention

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 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.

Non-financial Compensation, Job Satisfaction and Employee Retention

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.

Conceptual Framework

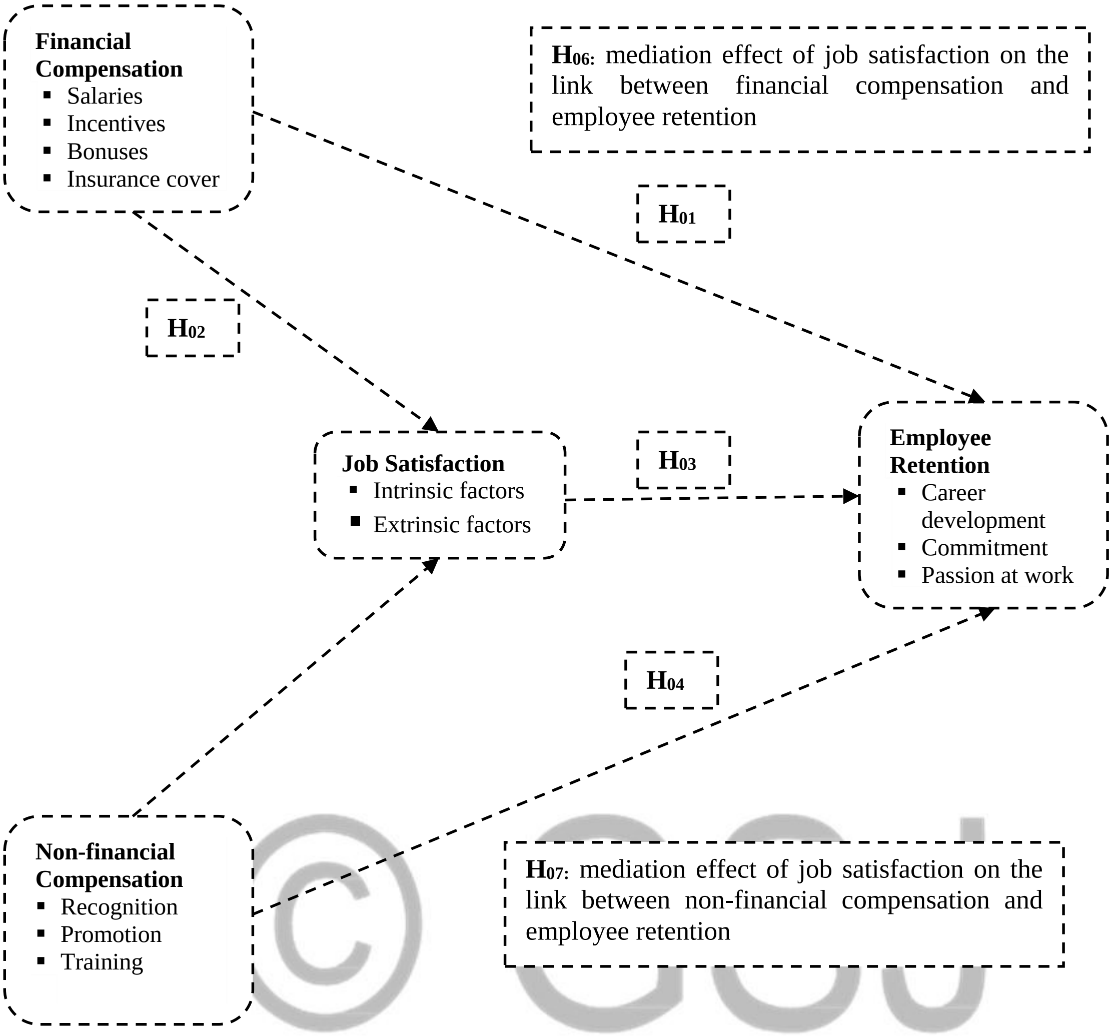


Figure 2.1 Conceptual Model

RESEARCH METHODOLOGY

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. 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.

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.

Data Collection

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. 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 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.

Financial Compensation and Employee Retention

To examine the influence of financial compensation on employee retention among insurance firms in Kenya.

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

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

Financial Compensation and Job Satisfaction

To examine the influence of financial compensation on employee job satisfaction among insurance firms in Kenya.

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

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

Job Satisfaction and Employee Retention

To investigate the influence of job satisfaction on employee retention among insurance firms in Kenya.

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

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

Non-financial Compensation and Employee Retention

To establish the influence of non-financial compensation on employee retention among insurance firms in Kenya.

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

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

Non-financial Compensation and Job Satisfaction

To probe the influence of non-financial compensation on job satisfaction among insurance firms in Kenya.

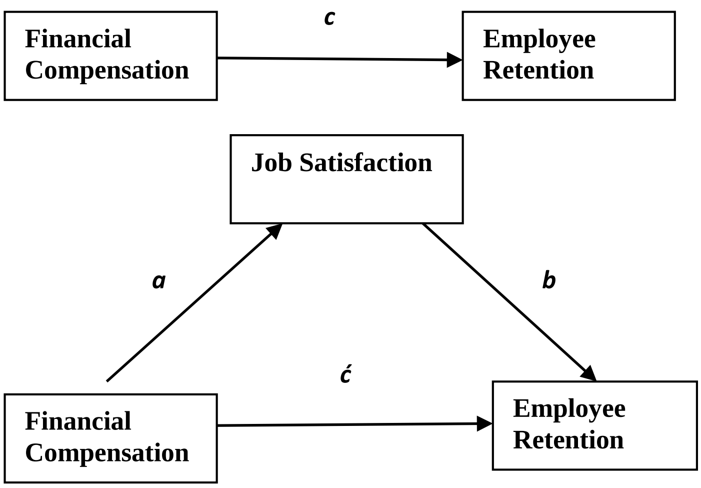
$$JS = \beta_0 + \beta_1 NFC + \varepsilon_i \ldots\ldots\ldots\ldots\ldots\ldots \quad (3.5)$$

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

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

To determine the mediating influence of job satisfaction on the nexus between financial compensation and employee retention.

Figure 3.1: Simple Mediation Model

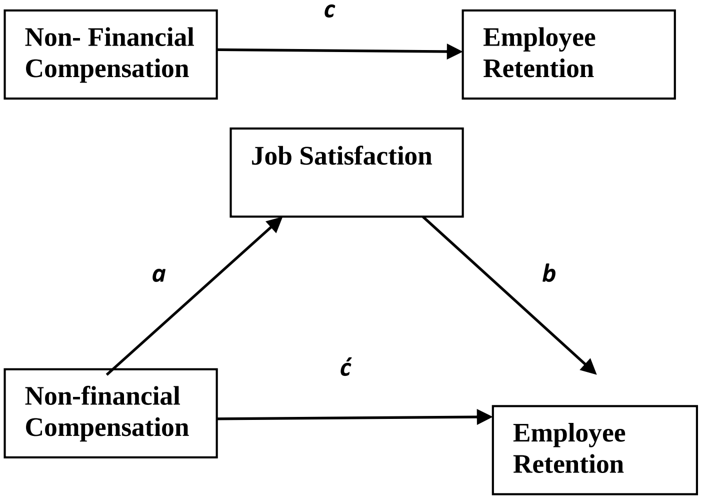


Total effect **(c) =** *Influence of financial compensation on employee retention in absence of job satisfaction*
Direct effect **(ć) =** *Influence of financial compensation on employee retention in presence of job satisfaction*
Indirect effect **(ab) =** *Influence of financial compensation on employee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

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

To establish the mediating influence of job satisfaction on the relationship between non-financial compensation and employee retention.

Figure 3.2: Simple Mediation Model



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*

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.

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.

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.

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.

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.

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.

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**

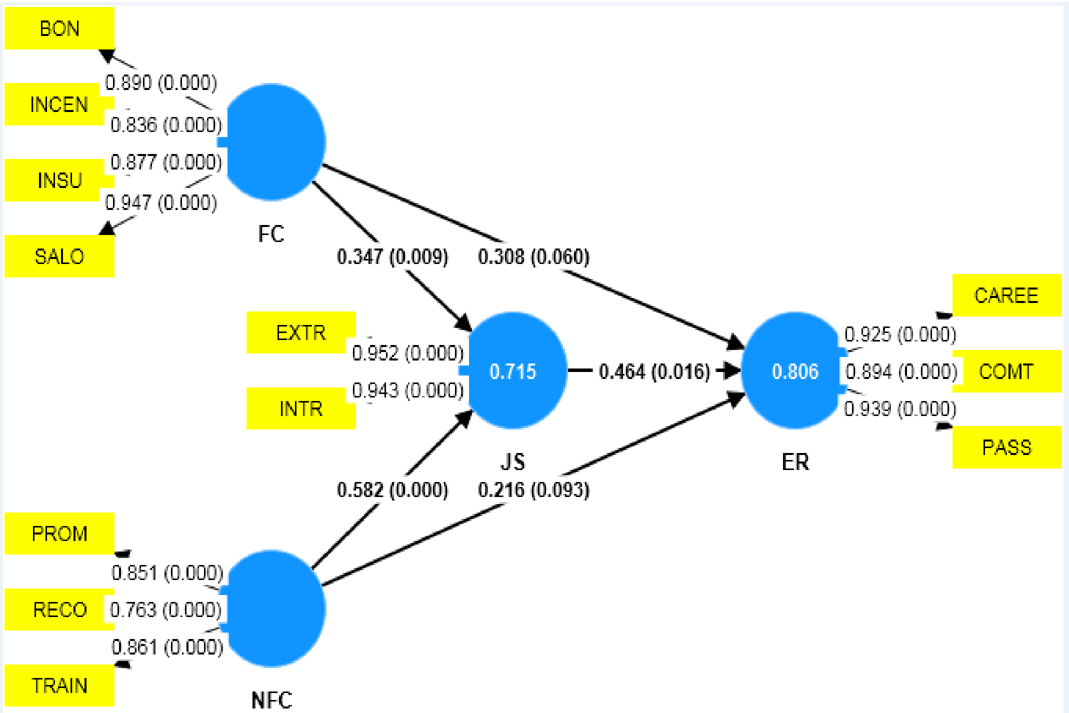
Source: Study Data (2023)

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.

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.



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 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.

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.

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.

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. 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.

Areas for Further Research

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.

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.

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.

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