

## **DIFFERENTIAL REWARD SCHEME AND EMPLOYEE SATISFACTION IN NAKURU COUNTY, KENYA**

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## **ABSTRACT**

Within the county government, there has been an element of discontent amongst various cadres of employees over differential compensation structures. These different groups of staff have different working terms and reward structures despite working for the same employer and sometimes in jobs requiring equivalent qualifications. The existing studies have not examined employee satisfaction within the county government system in a devolved government structure. The influence of the differential reward system on the employee satisfaction in county government structure has not been examined. The objectives of the study were the examination of the role of recognition, allowances, training and promotion on employee satisfaction in county government of Nakuru. The study was based on the Herzberg's Two Factor Theory, McGregor's Theory X and Theory Y, and the Maslow's hierarchy of needs Theory. Descriptive research design was used in this study. The target population of this study was 5,100 staff working for the county government of Nakuru. A sample size of 371 respondents was utilized. This study used a questionnaire for the purposes of data collection. The pilot study was undertaken in Nakuru county using 10% of the respondents that is 37 respondents. The validity of the data collection instrument was examined during the pilot study using a set of experts in the area of reward management and employee satisfaction as well as the supervisors. The reliability of the data collection was examined through the use of the Cronbach alpha coefficient of a threshold of 0.7 and above. In respect to the

recognition metrics, the study concluded that there are diverse practices used in recognition practices across the county government of Nakuru. The study concluded that there were no harmonized practices in relations to allowances issued at the County Government of Nakuru. The study concluded that there are very low satisfaction levels with the training opportunities within the County Government of Nakuru. The study concluded that the county government of Nakuru employees was not satisfied with the promotional aspects in the county government. The logistics regression analysis was carried out with a view of determining the influence of recognition, allowances, training and promotion on the employee satisfaction levels. The results indicated that the unit increases (individually) in recognition, allowances, training and promotion while keeping the other three independent variables constant would lead to a negative influence on the employee satisfaction levels. This is due to regression coefficient (B) values of -0.079, -0.132, -1.498, and -0.647 for recognition, allowances, training, and promotion respectively. These results suggest that the four independent variables don't have the capacity to positively and individually influence employee satisfaction without the input of the other variables. Therefore the following model was used; 
$$\text{Employee Satisfaction} = 6.045 - 0.079(\text{Recognition}) - 0.132(\text{Allowances}) - 1.498(\text{Training}) - 0.647(\text{Promotion}).$$

**Key Words:** *differential reward scheme, employee satisfaction, Nakuru County, Kenya*

## **INTRODUCTION**

The concept of employee satisfaction is of critical importance across diverse organizations around the world. In Pakistan, Hassan, Hassan, Farooq, Khan, & Iqbal, (2013) study on employee satisfaction in public sector conceptualize employee satisfaction as the feeling of the employee in relations to their job or set of attitudes related to numerous aspects of the job. The study noted that amongst the factors affecting employee satisfaction in Pakistan public sector include employee performance appraisal system and reward management aspects. Hoshi (2014) in a study of employee satisfaction in North Cyprus noted that job satisfaction includes a pleasant and positive emotional state resulting from the appraisal of career or employee's experience. The study noted that diverse factors influenced employee satisfaction including demographic factors (age, gender etc) and environmental factors (compensation factors, work environment and management aspects etc).

In Bangladesh, Parvin & Karbin (2011) undertook a study on factors affecting employee satisfaction in the pharmaceutical industry. The study noted that employee satisfaction related to how the how content an individual is with his or her job. Amongst the aspects that were indicated to impact on employee satisfaction in the country included pay and benefits, perceived fairness of the promotion system, working conditions' quality, leadership and social relationships, and the job aspects. In Poland, Blonski & Jefmanski (2013) examined the determinants of Satisfaction of the Employee of Local Government Units. The study conceptualized employee satisfaction as a pleasurable or positive emotional state resulting from the perception by the individual of his/her job as implementing or giving the opportunity to realize significant values available in the work, provided that these values are consistent with his/her needs. Amongst the challenges that the study identified ad impacting on employee satisfaction included chances of professional development, management aspects, and working conditions.

In Africa, challenges of employee satisfaction exist in different countries. In Somaliland, the employee satisfaction was seen to be critical to the institution. In this context, according to Ali, Edwin, & Tirimba (2015) in a study on Analysis of Extrinsic Rewards and Employee Satisfaction: Case of Somtel Company in Somaliland noted importance of employee satisfaction in Somaliland. The study noted that employee satisfaction is key to the company through an increase in productivity, responsiveness, quality, and customer service in an organization.

In South Africa, Mafini & Pooe (2013) in a study on employee satisfaction in South African government department conceptualized employee satisfaction as the effective orientation that an employee has towards his or her work. The study also notes that employee satisfaction may be defined as the individual employee's perception and evaluation of the overall work environment. The study noted that diverse factors influence the employee satisfaction including recognition at work, communication aspects, fringe benefits, working environment, nature of work and organization, compensation aspects, supervision factors and compensation aspects amongst other

aspects. The study further indicated that employees who are involved in decision making were more satisfied with their jobs.

In Kenya, Waithaka (2013) examined employee satisfaction amongst employees of government departments of Isiolo County. The study noted that amongst the aspects influencing the job satisfaction levels included promotion aspects, training and development aspects, and financial compensation. On the other hand, Muindi (2014) examined Influence of Governance Practices on Employee Job Satisfaction at Teachers Service Commission Headquarters Nairobi, Kenya. The study noted that amongst the factors that influenced satisfaction amongst the TSC officials included remuneration and involvement in decision making. In respect to remuneration, the study found that 39 % of the respondents indicated that remuneration influence job satisfaction at TSC to a very great extent, 28.3% indicated that remuneration influence job satisfaction at TSC to a great extent, 19.7 % indicated that remuneration influence job satisfaction at TSC to a moderate extent, while 13 % indicated that remuneration influence job satisfaction at TSC to a low extent.

### **Differential Reward Scheme**

According to Bange (2013), the reward scheme in an organization refers to all of the monetary, non-monetary, and psychological payments that an organization provides for its employees. The differential reward scheme refers to differences in monetary, non-monetary and psychological payments offered to employees performing similar work functionalities or work demanding similar qualifications within an organization. The differential reward schemes are prevalent in different forms across the world. In South Korea, Yoon (2013) examines the pay differentials in organizations. In this context, the study notes that the pay differentials refers to a firm's pay structure in which employee compensation is distributed across job positions (vertical differential) or within the same jobs (horizontal differential). The study noted that pay differentials lead to the recognition of individual efforts of the employees leading to higher rewards for the performing employees compared to peers. The study noted that this led to higher productivity amongst employees.

On the other hand, Bonache & Sanchez (2009) examined the pay differentials between expatriate workers and host national workers in different countries. The study noted that expatriates in different countries often receive higher pay compensation in comparison to the similarly qualified local employees. In this context, Bonache & Sanchez (2009) noted that the pay differentials often range from approximately three times the local employees' pay to as high as five times the amount. The study noted that there are several reasons that may lead to the higher pay for expatriates including the contribution of the expatriates, higher international exposure, transfer of knowledge and experience from sophisticated markets to the local environment hence justifying higher pay.

In Sri Lanka, Jayarathna (2014) examined the Impact of Reward Management and Decision Making on Job Satisfaction. The study indicated that there are different facets of employee

satisfaction including emotional response towards work situation, and extent in which the work results fulfills expectations. The study found that reward management explained 3.4% of the variance of employee satisfaction. In Malaysia, Bustamam, Teng, & Abdullah (2014) examined Reward Management and Job Satisfaction among Frontline Employees in Hotel Industry in Malaysia. In respect to the pay aspects as an aspect impacting on employee satisfaction, several components were examined including satisfaction with base pay, satisfaction with pay increase, satisfaction with the process of pay rise, and frequency of pay rise. The respondents indicated that they were not satisfied with the diverse aspect of the pay. In this context, satisfaction with base pay, satisfaction with pay increase, satisfaction with the process of pay rise, and frequency of pay rise had means of 3.064, 2.985, 3.106, and 3.1591 respectively.

In Nigeria, Okpara (2014) examined the influence of Salary Differential on Managerial Job Satisfaction based on commercial banks. The study found that there was salary differential with the male senior bank managers earning more than their female counterparts. The study attributed the higher male salary levels to higher education levels and experience levels amongst the senior male bank managers in comparative to the female bank managers. The study also found that the male bank managers were more satisfied with their salaries in comparison to the female managers.

In Ethiopia, Tekle, (2014) examined Practices of Reward and Employee Motivation in the Institute of Technology, Addis Ababa University. The study found little satisfaction between the reward aspects at the university. In this context, the respondents of the study tended to disagree that pay amounts, promotion practices, recognition aspects, and work condition were satisfactory at the university.

In Kenya, Muindi (2014) in a study on job satisfaction at Teacher Service Commission (TSC) noted that a good reward systems are usually in the form of employee benefits awarded to staff differentially based on individual performance. Okoth (2015) undertook a study on Perceived Effect of Reward Management Practices on Factors Influencing Employee Retention at Communications Authority of Kenya. The study indicated that the rewards are returns given the employees in respect to the work done.

Amongst the rewards aspects found to have an impact on the employee satisfaction included salaries and equitable pay in the company. In this context, the study indicated that respondents on average tended to agree as indicated by a mean of 4.2 that the pay given was commensurate with the job that they did for the company. Similarly, the respondents on average tended to agree as indicated by a mean of 4.3 that there was equitable pay across the institution. This led to a high level of employee satisfaction. Other aspects relating to pay that the study found the respondents were happy with included pay is competitive (mean of 4.7), satisfaction with the pay (mean of 4.0), satisfaction with benefits issued (mean of 4.1) and satisfaction with phone allowances (mean of 3.8).

On the other hand, Okoth (2014) examined the effects of Reward Management on Employee Performance in Hotels in North Coast, Kenya. Amongst the aspects that were examined included the importance of pay on employee satisfaction. In this context the employees were happy with the pay practices within the organization because the respondents tended to agree that reward of employees is within a very close range (mean of 4.59), and employees in the same department get the same range of pay (mean of 3.89).

The employees who are rewarded lower than their counterparts may feel dissatisfied as they might perceive that they are not getting paid equivalent to work undertaken or seniority level within the organization (Nyangau, 2013). These feelings would be attributed to the observation that there are employees who are undertaking equivalent work and who are paid far much better (Okpara, 2014). The employees may feel that they are equally entitled to higher reward scheme and thus leading dissatisfaction levels. On the other hand, the employees who are being rewarded better than peers may feel satisfied with the rewards accorded.

### **Kenyan County Governments**

The County Governments in Kenya was introduced in the country through the devolution of government functions through promulgation of the new Kenyan constitution in 2010. The constitution thus led to the formation of 47 county governments that were constituted along colonial era districts. Amongst the functions of county government include agriculture, health services, cultural activities, environment, roads and infrastructure, trade development, early childhood education, and information and communication technology, and Implementation of specific national government policies on natural resources and environmental conservation.

Devolution is conceptualized as the transfer of rights and assets from the center to local governments or communities within the context of national laws that set the limits within which any decentralized management occurs (Nyangau, 2013). The devolution of the government into the central and local government is based on article 6 (2) of the constitution that creates two levels of government that are distinct and interdependent (Kadiri, 2010). In the context of the principle of distinctiveness, each level of government has distinct boundaries, sources of resources and functions. The two levels of government are and should be distinct in their constitutional functions, institutions, resources and legal frameworks (Nyangau, 2013).

According to the County Government of Nakuru (2017), Nakuru County is composed of eleven constituencies; Naivasha, Nakuru Town West, Nakuru Town East, Kuresoi South, Kuresoi North, Molo, Rongai, Subukia, Njoro, Gilgil and Bahati Constituencies. The County economic activities are based on agricultural based especially large scale farming, horticulture and dairy farming. The county is renowned for floriculture especially around Naivasha area. Some of the largest flower farms in the county include Homegrown, Oserian, Karuturi and Preesman. The bulk of the flowers are exported to Holland, UK and Germany. The county economic activities are also based on the tourism activities in the county.

## **STATEMENT OF THE PROBLEM**

Employee satisfaction has been examined by diverse scholars across the world. Sims (2014) examined Employee Satisfaction and Performance at the RC Hotel Company Kitchen Environment. The study's aspects of employee satisfaction that were examined included payment and promotion opportunities. In the context of payment, 59% of the respondents rated the amount of pay received in a favourable manner. This study was undertaken within the context of a hotel setting which has diverse human resources expectations and practices compared to the public setup that this study focuses on. On the other hand, Hoshi (2014) study of employee satisfaction in North Cyprus noted that diverse factors influenced employee satisfaction including demographic factors (age, gender etc) and environmental factors (compensation factors, work environment and management aspects etc). This study doesn't examine the aspects of reward management influence on the employee satisfaction which is the focus of this study. Mafini & Pooe (2013) study on employee satisfaction in South African government department conceptualized noted the aspects affecting employee satisfaction were recognition at work, communication aspects, fringe benefits, working environment, nature of work and organization, compensation aspects, supervision factors and compensation aspects amongst other aspects. While the study focuses on employee satisfaction in government department, it doesn't focus on employee satisfaction within the context of the devolved government structure. In Kenya, Waithaka (2013) and Muindi (2014) noted that amongst the aspects impacting employee satisfaction in government departments of Isiolo and TSC respectively were remuneration, promotion aspects, training and development aspects, and financial compensation. While Waithaka (2013) and Muindi (2014) focuses on factors impacting on employee satisfaction within government departments of Isiolo and TSC respectively, these studies fail to examine employee satisfaction within the context of devolved government infrastructure. The existing studies have not examined employee satisfaction within the county government system in a devolved government structure. Within the county government, there has been an element of discontent amongst various cadres of employees over differential compensation structures. There is a problem amongst the county governments in administration of rewards amongst its employees due to various structural factors and practices within the human resource management of counties. The first challenge has been the diverse entry forms of the staff into the county government employment. In this context, some staff were inherited from the defunct local authorities, others were seconded by the national government to county government while a final bunch of staff were recruited directly by the county governments. These different groups of staff have different working terms and reward structures despite working for the same employer and sometimes in jobs requiring equivalent qualifications. The influence of the differential reward system on the employee satisfaction in county government structure has not been examined. This study therefore seeks to examine the influence of the differential reward system on the employee satisfaction in relation to county government of Nakuru.

## **GENERAL OBJECTIVE**

The general objective of the study was to examine effects of differential reward scheme on employee satisfaction in Nakuru County, Kenya.

## **SPECIFIC OBJECTIVES**

1. To examine the role of recognition on employee satisfaction in county government of Nakuru
2. To find out the effect of allowances on employee satisfaction in county government of Nakuru
3. To establish the influence of training on employee satisfaction in county government of Nakuru
4. To determine the role of promotion on employee satisfaction in county government of Nakuru

## **THEORETICAL REVIEW**

### **Hertzberg's Two Factor Theory**

The Hertzberg's two factor theory also known as the two-factor theory, dual factor theory and Herzberg's motivation-hygiene theory was developed by Fredrick Herzberg. The theory examines the factors that lead to employee satisfaction or lack of employee satisfaction. In this context, the theory indicates that there are two sets of factors that lead to employee satisfaction and employee dissatisfaction respectively (Chepkosgey, Namusonge, Sakataka, & Nyaberi, 2015). The set of items that lead to employee satisfaction are known as motivators while the set of items leading to employee dissatisfaction if they are absent are known as the hygiene factors.

The motivators in a job environment lead to satisfaction arising from the intrinsic conditions of the job itself such as recognition at work place, achievement, and career development amongst other aspects. Then hygiene factors or maintenance factors refers to aspects that are extrinsic to the job itself and whose absence leads to employee dissatisfaction (Omondi, 2016). These items include job security, salary, fringe benefits and work conditions amongst other aspects. Since the hygiene factors are what cause employee dissatisfaction, the employer must always work to eliminate challenges with the hygiene factors in order to reduce dissatisfaction in work place.

Herzberg considered the hygiene factors (in order of decreasing priority) as company policy, supervision, employee's relationship with their supervisor, work conditions, and salary aspects (Noor, 2010). Apart from working on the hygiene factors, organizations must also work on the motivation factors. The motivation factors motivate the employees to perform at higher levels leading to higher employee satisfaction levels. Herzberg argued that it is critical to eliminate the job dissatisfaction factors before creation of conditions that lead employee

satisfaction aspects. In this context, there are four factors different combinations that can be used for the purposes of creating employee satisfaction(Kwenin, Muathe, & Nzulwa, 2013).

These combinations include high hygiene and high motivation, high hygiene and low motivation, low hygiene and high motivation, and low hygiene and low motivation. The high hygiene and high motivation is the ideal situation in which the employees are extremely motivated and therefore satisfied(Saira Yousaf, Madiha Latif, 2012). This is the most ideal situation. The work situation is where there is low hygiene and low motivation aspects where the employees are not motivated and have many complaints.

### **McGregor's Theory X and Theory Y**

The theory X and theory Y were conceptualized by Douglas McGregor in 1960 through his book *The Human Side of Enterprise*(Boamah, 2014). The two theories attempt to describe the manner in which the employees are motivated within a working environment in order to optimally perform and increase their satisfaction levels. The motivating factors may include aspects such as authority within a working environment, direction and control within the working environment or integration and self-control (Chemeli, 2003).

The theory X assumes that the employees naturally dislike working and would therefore seek to avoid working unless there are consequences for not working. In this context, the employees must be coerced, controlled, directed, and threatened with punishment in order for them to work in an optimal manner within an organization. This theory states that the employees must be closely supervised in order to work(Rouziès, Coughlan, Anderson, & Iacobucci, 2009). Other aspects that can motivate the employees within the context of this theory are salary aspects, career development, and recognition amongst other aspects. The theory Y assumes that the employees are willing to work voluntary with a view of fulfilling innate potentials. This theory indicates that the employees are capable of self-control and direction in their employment life and thus require a conducive working environment to do so. The employees should be involved in goal setting and in management in general in order to achieve both their goals as well as organizational goals.

### **Maslow's Hierarchy of Need**

The Maslow's Hierarchy of Needs was conceptualized by Abraham Maslow in his 1943 paper "A Theory of Human Motivation" and further elaborated in his 1954 book "Motivation and Personality"(Ntoyian, 2016). The Maslow hierarchy of needs indicates that there are several needs that an individual has including physiological, safety, belonging, love, esteem, and self-actualization needs in that order. A person must first achieve a lower order needs before moving to higher needs within the hierarchy. The bottom four items that is physiological, safety, belonging, and esteem were referred to as deficiency needs or d needs which must first be met

before the self-actualization needs. The physiological needs refer to the basic requirements for human survival that is food, sleep and good health amongst other aspects.

The safety component takes precedence once the physiological needs have been met (Osemeke, 2016). The safety needs refers to diverse aspects including financial security, physical security, and health well-being amongst others. The belonging components refer to being part of a group within the society and experiencing love within the group. Amongst aspects of belonging includes friendship, intimacy and friendship that a person needs to fill (Dauda, 2014). The esteem need refers to the need to feel respected and valued amongst the society that the person exists. This implies that the person's contribution and presence is valued by peers and other persons within the society. Finally, the final step involves the self-actualization which is the ability of an individual to achieve their full potential in life.

## **EMPIRICAL REVIEW**

### **Recognition and Employee Satisfaction**

The recognition of the employee is a major aspect of the job that leads to employee satisfaction. Muchai & Benson (2014) in a study on the effect of employee recognition on job performance at Nakuru Water and Sanitation Services Company found employee recognition to be key in employee satisfaction. The study examined recognition influence on employee satisfaction through noting that recognition is critical to the motivation of the employee. Using a sample size of 44 respondents and a five point likert scale, the study found that a majority of the respondents agreed that recognition led to employee motivation and hence satisfaction. This was due to the achievement of a mean of 3.49 in respect to the question as to whether the recognition impacts on employee satisfaction. This study only used descriptive statistics while the current study used both the descriptive and inferential statistics to show the link between employee recognition and satisfaction and therefore a research gap.

Similarly, Wilches-Alzate (2009) study on recognition and rewards notes that recognition has an impact on the commitment levels, and attitudes towards work executions leading to a high satisfaction levels. This is because the employee feel appreciated for their past efforts and initiatives in work performance hence imparting on their current performance and a feel of worth within the institution. The employees feel valued by colleagues, management and the organization in general hence a positive impact and correlation on their satisfaction levels within the organization. The reviewed study was done outside Kenya while the current study was done in Kenyan context.

Danish & Usman (2010) undertook a study on the impact of reward and recognition in Pakistan. The study examined recognition as the timely, informal or formal acknowledgement of a person's or team's behaviours, efforts or business results that supports the organization's goals and values, and which usually is beyond normal expectations. The study noted that recognition is

key for motivating the employees in their work functions as it demonstrates that the employee is valued and appreciated in their work functions, and what they do. The reviewed study was done in Pakistan while the current study was done in Kenya.

In their study, Vijayakumar (2013) examined the Impact of Rewards and Recognition on Employees Job Satisfaction and Motivation in Private Banks of Tirunelveli City. Using a sample size of 184 respondents, the study found that there was a positive and significant correlation between recognition and job satisfaction at  $r=0.93$ ,  $p<0.01$  which supported that recognition supports variation in employee satisfaction. Shariful Alam, Shahrani Ahmed Saeed, Sahabuddin, & Akter (2013) in their studies on employee recognition note that there are two components of recognition. The first step involves the identification of the person and opportunity for praise. The second step involves the physical doing something to acknowledge and praise the customers for the good work. There are diverse activities that can be undertaken through recognition including informal thank you as well as formal programs which the criteria for recognition are set. The reviewed study was done within banking sector while the current study was done in county government whose employees have different duties and terms of reference.

Brun & Dugas (2008) in their study on employee satisfaction notes that lack of recognition constitutes the second-largest risk factor for psychological distress in the workplace. This is due to the fact that employees would wish to be recognized for work undertaken and sacrifices that they may have undertaken in their work. The study noted that there are diverse functions that can be recognized in the work functions including personal recognition, recognition of work practices, recognition of job dedication and recognition of results. The study noted that there are two types of recognition that can occur based on the source that is recognition by one's supervisors as well as recognition by peers. This study was qualitative in approach while the current study was quantitative in approach.

### **Allowances and Employee Satisfaction**

According to Dauda (2014), allowances within the work environment can be awarded for diverse reasons. Dauda (2014) noted that there are four different categories of allowances that can be accorded to employees. The category 1 kind of allowances relate to the normal duties, responsibilities and requirements of a job. The category 2 allowances relate to special circumstances that may arise in the course of working such as overtime allowances. The category 3 allowances include the allowances that staff welfare or job related that seek to enhance the welfare of the employee and their family e.g. medical allowance. Finally, the category 4 allowances include the allowances that provide a standard of living for a given position e.g. housing. This study was qualitative in approach while the current study was quantitative in approach.

The allowances within a reward scheme are a good motivator for the employees to work hard in their employment. In this context, Okoth (2015) notes that allowances which can be perceived as

extra compensation implies that the employees feel appreciated for the extra effort that they make for the organization. This is because the allowances such as overtime, and risk allowances are given to the employees on the basis that the employees have gone an extra mile that influence their work life balance and therefore employees feel compensated when they get the extra monetary consideration in terms of allowances (Anderson, 2013). On the other hand, Parvin & Karbin (2011) in a study on the employee satisfaction in pharmaceutical company notes that allowances when managed well can be a source of motivation as money generally is an important indicator of status within the society. The reviewed study was done within a pharmaceutical company while the current study was done in governance sector and therefore a contextual gap.

The allowances also drive the employee satisfaction in the sense that the employees value the organizations that invest money in them. Apeyusi (2012) in a study on the influence of reward systems on corporate performance notes that allowances and money in general is a form of extrinsic reward. Extrinsic motivation does not come from the work itself but it is supposed to ensure the quality of the work and to ensure that the basic rules are followed at work. This is because the financial money motivates people to work. The allowances can be examined as hygiene factors or maintenance factors which are extrinsic to the job itself but causes dissatisfaction in the work environment if they are not there.

Within the county government structure, there is differential reward scheme in respect to the allowances payable to the county government staff. The staff from defunct local authorities, employees previously in national government whose functions were devolved, and employees sourced directly by the county government enjoy diverse allowances scheme. This has the influence of creating differences in reward schemes amongst the staff that are doing comparable work.

### **Training and Employee Satisfaction**

Career development opportunities are key to employee satisfaction in any organization. According to Mulwa (2014) in a study on the influence of training on job satisfaction at Kenya Medical Research Institute (KEMRI) argued that training is a crucial component of employee satisfaction. The training leads to the upgrading of the employee skills and competencies hence leading to ability to execute the job demands as well as an increased ease of work execution. This increased ease of executing the work demands leads to an increased feeling of satisfaction. This study was done in a research institute while the current study was done in county government which employee composition is different and also the qualifications are different which opened a contextual research gap that this current study filled.

The training aspect signals to the employee the employers' commitment to developing the employee. This is important in leading to employee loyalty and acts as an intrinsic reward for the employee. The training component has also been seen to an increase in a sense of belonging and

hence satisfaction. Kanana (2016) argue that training leads to employees' acquisition of valuable skills leading to self-fulfillment and increased job satisfaction. The employee training facilitates the self-fulfillment through the removal of pressures that arise from in competencies and inefficiencies. This study was qualitative in approach while the current study was quantitative in approach.

Chepkosgey et al., (2015) undertook a study on the Effect of On-the-Job-Training Practice on Employee Satisfaction at Kapsara Tea Factory. The study noted that effective on job training led to the minimization of learning costs, improvement of the employees, and improvement of quality of work and overall productivity. The study argued that the training helps in the improvement of the employee competency and productivity hence impacting positively on the employee satisfaction within an organization. The study found that the employees appreciated trainings as they were perceived as an investment by the company. Amongst the training aspects that led to employee satisfaction include the content of training, relevance of training aspects, and criteria used in selecting eligible persons for training aspects. This study was done in agricultural while the current study was done in governance sector whose employee composition and qualifications are different and therefore opened a contextual research gap that this current study filled.

Mohammed (2016) study on training practices and employees job satisfaction in the United Nations economic commission for Africa also found significant influence of training and employee job satisfaction. In respect to training aspects and their influence of employee job satisfaction, the study found that employees were concerned with the ability of training to inclusive, availability of training opportunities to diverse people within the organizations, and role of training in enhancing chances of promotion within the work area. The study found the correlation between training and job satisfaction to have a positive correlation of 0.495 that was significant. The reviewed study focused on employees of United Nations economic commission for Africa while the current study focused on county government employees who experience different motivation in their tasks.

Muindi (2014) examined Influence of Governance Practices on Employee Job Satisfaction at Teachers Service Commission Headquarters Nairobi, Kenya. Amongst the aspects examined included the aspects of training and employee job satisfaction. The study found that 47.7 % of the respondents indicated that employee training influence job satisfaction at TSC to a Very great extent, 25.5% indicated that employee training influence job satisfaction at TSC to a Great extent, 13.6 % indicated that employee training influence job satisfaction at TSC to a Moderate extent, while 4.5 % indicated that employee training influence job satisfaction at TSC to a low extent. This study only used descriptive statistics while the current study used both the descriptive and inferential statistics to show the link between employee recognition and satisfaction and therefore a research gap.

## **Promotion and Employee Satisfaction**

The schemes of service are critical components of employment and determine the employee satisfaction levels within the organization. Amongst the major component of schemes of service is the promotions scheme in an organization and how it influences the employee satisfaction in the organization(Hassan et al., 2013). The promotion has been defined as the advancement of an employee's rank or position in an organization hierarchy system. The promotion can involve the advancement of designation, salary and benefits, and the job description as well as responsibilities.

According to Boamah (2014), promotion and promotion prospects play a critical role in ensuring that the employees are motivated to work hard and employee feel satisfied when their efforts are rewarded appropriately through promotion. The promotion also is an admission that the employee is competent in their work and that they have the right skills matrix in their work functions. This leads to a feeling employee satisfaction within the organization(Ogutu, 2014). There is a link between promotion aspects and employee satisfaction.

The employee promotional aspects provide platform for career advancement, increased responsibilities, and increased social status which induce feelings of satisfaction as it signifies growth amongst the workers. Employees are more satisfied with their current job if they see a path available to move up the ranks in the company and be given more responsibility and along with it higher compensation. Many companies encourage employees to acquire more advanced skills that lead to the chance of promotion. On the other hand, the lack of promotion may signal limited career growth hence leading to employee dissatisfaction levels within the organization. The fairness of the promotion is critical to employee satisfaction levels.

Boamah (2014) in a study on the effect of job promotion on employee satisfaction noted that promotion has approximately the same influence on job satisfaction as a sixty-seven percent wage increase with everything kept constant. The study stated that workers valued the promotion itself more than the wage increase that accompanies the promotion. Ntoyian (2016) indicates that promotion is positively correlated with employee satisfaction. The ability of an organization to have a culture that provides equitable promotion is critical in ensuring that the employees are kept motivated. These studies were done outside Kenya while the current study will be done on a Kenyan context.

Noor (2010) in a study on the Supervision, Salary and Opportunities for Promotion as Related to Job Satisfaction examined the influence of promotion on satisfaction levels. The study utilized a sample size of 300 respondents within Dhaka city. The study found that promotion aspects were positively correlated with employee job satisfaction as indicated through a correlation coefficient of 0.754. This correlation was found to be significant in the context that the skilled workers are often more satisfied when there are opportunities for growth and personal development. On the other hand, Naveed, Usman, & Bushra (2011) undertook a study on Promotion : A Predictor of

Job Satisfaction A Study of Glass Industry of Lahore ( Pakistan ). The study utilized a sampled size of 156 employees. The study using the regression analysis found that 18.5% change in job satisfaction is due to the internal promotion. These studies were done outside Kenya and therefore there was need to establish the influence of promotion on employee satisfaction in a Kenyan context.

### **Differential Reward Schemes and Employee Satisfaction**

The differential reward schemes have an influence on the employee satisfaction levels within different organizations. Amongst the items that have an impact on the employee satisfaction include the basic pay, allowances, training and promotion schemes. The basic pay impacts on the employee satisfaction in diverse ways. These include the amount of basic pay, the frequency of review of basic pay, and comparative aspect of the basic pay amongst employees undertaking similar level of employment aspects.

The basic pay is a critical component in the employee's welfare as it determines the pensionable salary of the employee after retirement (Ntoyian, 2016). The allowance allocated to the employees is of critical concern to the employees as it is an additional benefit over their salary based on their responsibility. The allowances signal to the employees that their input is recognized especially in contexts where there is a significant amount of self-sacrifice is involved. The employees feel that they are being compensated for the extra mile undertaken in the execution of their work functions.

The training aspects is tied to the employee satisfaction level in the context that the employee appreciate the initiative of the employer to upgrade the skills of the employees (Muindi, 2014). This enables competency of job execution hence leading to employee satisfaction levels. Finally, the promotion aspects is a key aspect of employee satisfaction as it leads to an employee getting into a higher level of job execution within their work environment (Naveed, Usman, & Bushra (2011). This leads to more responsibility and rewards for the same.

## **RESEARCH METHODOLOGY**

### **Research Design**

The research design has been described as the plan and structure of investigation so conceived as to obtain answers to the research questions (Mugenda, 2003). Descriptive research design was used in this study. The descriptive research design involves the description of the study phenomenon as it is on the ground without any variable manipulation(Mugenda, 2003). Descriptive research design has the capacity to obtain a lot of information even from a small sample size. This research design is also advantageous over other research designs for its accuracy for it does not manipulate the variables of the study because is concerned about occurrence of events or phenomena in its natural setting(Kombo & Tromp, 2009). It is due to such merits that the researcher chose descriptive research design for this research project. This

descriptive research design was used in the study with a view of enabling the researcher to describe the influence of differential reward scheme on employee satisfaction in devolved government with a focus on the county government of Nakuru, Kenya.

### **Target Population**

The target population is a well-defined or specified set of people, group of things, households, firms, services, elements or events that are being investigated (Sekaran & Bougie, 2011). The target population has also been defined as a set of people with a least one common characteristic that is of interest to the researcher. The target population of this study was the county government of Nakuru employees. There are 5,100 staff working for the county government of Nakuru. The top management are critical in this study due to the fact that they are involved in policy formulation while middle management are involved in the supervisory aspects of the team members.

### **Sampling Procedure and Sample Size**

Sampling is the process of choosing a subset of the population to represent the views and opinions of the entire population (Orodho, 2008). The sampling is also a process of selecting a finite number of population members to represent the entire population due to limitations of finances and logistical capabilities. The sample size of this study was calculated through the Yaro Yamane Formula. The formula to scientifically derive the sample from the target population is illustrated hereunder.

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

Where: n = sample size; N = size of target population; e = error margin (0.05).

Substituting these values in the equation, estimated sample size (n) was:

$$n = 5,100 / (1 + 5,100 (0.05^2)) = 371 \text{ respondents}$$

The stratified sampling method was used for the data collection. The stratified method was based on the strata of top management, middle management and non-management staff. The top management, middle management and non-management staff were 18, 63, and 290 respectively. The simple random sampling was utilized within the strata.

### **Data Sources and Collection Instrument**

This study used a questionnaire for the purposes of data collection. The questionnaire has been described as is a means of eliciting the feelings, beliefs, experiences, perceptions, or attitudes of some sample of individuals (Mugenda, 2003). A structured questionnaire was utilized for the study. A structured questionnaire refers to a questionnaire in which the respondents have been

issued with options in relations to the questions asked. This study used structured questionnaire because it is able to gather data relatively fast which helped in accomplishing the research work in the stipulated time scope by the university. Again, the questionnaire provides privacy for the respondents for they were able to carry with them the questionnaire and fill in at their own time without the researcher supervising them to do so(Keller, 2014). This resulted to high response rate. The questionnaire consisted of five components or sub sections, that is, parts A, B, C, D, E and F. Part A had the respondent's characteristics while the other sections examined the study variables. Therefore part B captured information in regard to recognition aspects at the county government of Nakuru. Part C focused on the allowances the county government officials receive while part D was concerned about training aspects of employees working at the county government of Nakuru. Part E of the question contained questions in regard to promotion aspects accorded to employees in the county government under investigation in this study. The last part of the questionnaire (Part F) measured the level of employee satisfaction whereby aspects such as employee motivation, prioritization of work related tasks and employee absenteeism were focused. The Likert scale was utilized for this study to measure the statements in part B to Part F.

### **Data Collection Procedure**

The researcher obtained a field authorization letter from Kenyatta University for the purposes of data collection. The researcher used the field authorization letter to obtain authority from National Commission of Science, Technology and Innovation (NACOSTI) to undertake the study. The researcher then administered a consent statement to the respondents advising them of the purpose of the study, the right to participate in the study voluntarily and the right to keep their information confidential. The questionnaires were distributed through a drop and pick method in which the questionnaires were dropped and picked at a later stage for the purposes of data analysis.

### **Data Analysis and Presentation**

The data analysis is the process through which application of reasoning to understand the data that has been gathered with the aim of determining consistent patterns and summarizing the relevant details revealed in the investigation (Kombo & Tromp ,2009). The study was analyzed using SPSS software for the descriptive and inferential statistics. The descriptive statistics that were undertaken included the means, frequencies, and standard deviations. The inferential statistics that were undertaken included the logit regression analysis. The logit regression model used in the study is shown below:

$$\text{Logit } (y) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where: Y= Employee Satisfaction;  $\beta_0$  =constant;  $\beta_1, \dots, \beta_4$  = Coefficients of estimates;  $X_1$  = Recognition;  $X_2$  = Allowances;  $X_3$  =Training;  $X_4$  =Promotion and  $\varepsilon$  is the error term.

However there were diagnostics tests that were considered before using the model. These include; normality, categorical data (ordinal data), heteroscedasticity, auto correlation and multicollinearity. For a logit regression model to be used to predict the dependent variable using independent variables, the data must be normally distributed. Normality tests are used to determine whether a data set is modeled for normal distribution (Jankowicz, 2005). In this study, normality was tested using the Shapiro-Wilk Test. Shapiro-Wilk. A P-value less than significant level, that is, 0.05 meant that that the data was normally distributed (Kombo & Tromp, 2009). Presence of multicollinearity problem may result into erratic changes in the dependent variable as a result of small changes in the model or data. Multicollinearity occurs when the independent variables are too highly correlated with each other (Jankowicz, 2005). The absence of multicollinearity was tested using tolerance and Variance Inflation Factor (VIF) values. A value of 0.25 is recommended as the minimum level of tolerance and on the other hand, VIF values higher than 10 indicate that multicollinearity is a problem (Saunders, Lewis, & Thornhill, 2009). The study checked the absence of Heteroscedasticity challenges in the multiple linear regression model. Heteroscedasticity refers to the circumstance in which the variability of independent variables is unequal across the range of values of dependent variable in a regression model. Lavene Statistic was used to test the heteroscedasticity of data whereby a p-value less than 0.05 proved that the data was homoscedastic (Sekaran & Bougie, 2011). Serial correlation (autocorrelation) analysis was undertaken in order to understand whether there were correlation amongst the residuals of different observations per independent variables. This study used Durbin-Watson statistic to detect the presence of autocorrelation in the independent variable. According to Sekaran & Bougie (2011) lack of autocorrelation problem is illustrated by a Durbin-Watson statistic values between 1.5 and 2.5.

## **RESEARCH RESULTS**

The study sought to examine the effects of differential reward scheme on employee satisfaction in Nakuru County, Kenya and was guided by four objectives. The objectives included examination of the role of recognition, effect of allowances, influence of training, and role of promotion on employee satisfaction in county government of Nakuru. A total of 304 questionnaires were used for data analysis. The study found that 45.1% of the respondents were male compared to 54.9% female respondents. Examination of the education levels of the respondents found 19.1% of the respondents had postgraduate education levels, 23.4% had graduate levels of education levels, and 50.0% had college levels education while 6% of the respondents had secondary school level education. The results indicated that 22.4% of respondents had worked for 1-3 years while 77.6% had worked for over three years. The results indicated that a majority of 77.3% were married, 19.1% were single and 3.6% were divorced. The study found that 14.8% were 25 to 35 years, 50.7% were 36 to 45 years, 26.6% were 46 to 55 years and 7.9% were over 55 years. Most of the respondents (54.7%) said they were not satisfied with their current employment status while those who responded to the affirmative were 45.7%.

## **Recognition and Employee Satisfaction**

The recognition and employee satisfaction was examined using various metrics. In this context the average personal recognition for work well done, recognition of work practices adopted, recognition for job dedication, recognition of the work results that are acknowledged and recognition from supervisors was 3.2237, 3.4605, 3.2270, 3.2237, and 3.8421. The study found that in terms of recognition, the most satisfying was recognition from supervisors (3.8421) followed by recognition of work practices adopted (3.4605), recognition for job dedication (3.2270), and personal recognition for work well done and recognition of the work results that are acknowledged (3.2237). This study therefore found that on average the respondents were most satisfied by recognition from supervisors and were least satisfied equally by personal recognition for work well done and recognition of the work results that are acknowledged. The logistic regression analysis indicated that the unit increase in recognition would lead to a negative influence on the employee satisfaction levels. This is due to regression coefficient (B) values of -0.588 for recognition. These results suggest that the recognition variable doesn't have the capacity to positively and individually influence employee satisfaction without the input of the other variables.

## **Allowances and Employee Satisfaction**

Allowances and employee satisfaction was examined using the various metrics which sought to know whether amount of allowances paid to the respondents are fair for the roles they undertake, the different allowances payable for their role are fair for the roles they undertake, the amount of allowances payable in their role is comparable to colleagues with similar qualifications in the organization, the different allowances payable for their role are comparable to colleagues with similar qualifications in the organization, whether they are happy with the allowances accorded to their roles.

On average, the respondents disagreed that with all aspects on allowances and employee satisfaction due to means of below 2.5. The respondents had moderate consensus that the different allowances payable for their role are not fair for the roles they undertake, and the different allowances payable for their role are not comparable to colleagues with similar qualifications in the organization as they both had standard deviation of between 0.5 and 1. Standard deviations for amount of allowances paid are fair for the roles they undertake, the amount of allowances payable in their role is comparable to colleagues with similar qualifications in the organization, and whether they are happy with the allowances accorded to their roles were above 1.000 which implied no consensus on each of the metrics. The logistics regression analysis results indicated that allowances variable doesn't have the capacity to positively and individually influence employee satisfaction without the input of the other variable.

## **Training and Employee Satisfaction**

Training and employee satisfaction was measured through examining whether respondents had sufficient access to training opportunities, whether the training opportunities they are exposed to are relevant, whether colleagues with similar qualifications have access to training opportunities that they access, whether they access the training opportunities with ease, and whether colleagues in other departments are able to access training opportunities with similar ease.

On average, the respondents disagreed that they have sufficient access to training and that they access the training opportunities with ease with means 2.2237 and 1.8059 respectively. On average, there was uncertainty on whether the training opportunities the respondents are exposed to are relevant, whether colleagues with similar qualifications have access to training opportunities that they access, and whether colleagues in other departments are able to access training opportunities with similar ease with means between 2.5 and 3.5. The logistic regression analysis indicated that training variable doesn't have the capacity to positively and individually influence employee satisfaction without the input of the other variables.

## **Promotion and Employee Satisfaction**

The influence of promotion on employee satisfaction was examined using the pace of promotion in respondent's department, deserving candidates having a fair chance of promotion in my department, ability for colleagues with equal qualifications to have similar pace of promotion, colleagues undertaking equivalent work having similar pace of promotion, and the pace of promotion in the department being similar to other government departments with mean scores of 1.9408, 2.2204, 2.1711, 2.2599, and 2.4868 respectively. The means for the promotion metrics were of between 1.5 and 2.5 which indicated that the respondents on average disagreed with the metrics. Additionally the responses for each of the metrics on promotion were widely distributed with standard deviations above 1 which implied no consensus on any of the metrics. The logistics regression analysis results suggest that the promotion variable doesn't have the capacity to positively and individually influence employee satisfaction without the input of the other variables.

## **Logistic Regression Analysis**

The logistics regression analysis was carried out with a view of determining the influence of recognition, allowances, training and promotion on the employee satisfaction levels. The results indicated that the unit increases (individually) in recognition, allowances, training and promotion while keeping the other three independent variables constant would lead to a negative influence on the employee satisfaction levels. This is due to regression coefficient (B) values of -0.079, -0.132, -1.498, and -0.647 for recognition, allowances, training, and promotion respectively. These results suggest that the four independent variables don't have the capacity to positively and individually influence employee satisfaction without the input of the other variables.

Employee Satisfaction= 6.045-0.079 (Recognition)-0.132 (Allowances)-1.498(Training)-0.647 (Promotion)

**Table 1: Logistic Regression of Employee Satisfaction**

	B	S.E.	Wald	df	Sig.	Exp(B)
Recognition	-.079	.199	.157	1	.692	.924
Allowances	-.132	.210	.395	1	.530	.877
Training	-1.498	.284	27.885	1	.000	.224
Promotion	-.647	.237	7.479	1	.006	.524
Constant	6.045	.942	41.204	1	.000	422.152

a. Variable(s) entered on step 1: Recognition, Allowances, Training, Promotion

## CONCLUSIONS

### Recognition and Employee Satisfaction

In respect to the recognition metrics, the study concluded that there are diverse practices used in recognition practices across the county government of Nakuru. This was based on the fact that on average four out five metrics had the respondents being uncertain on whether they were satisfied with those individual metrics. These metrics included satisfaction with personal recognition for work well done, recognitions for work practices that have been adopted, and recognitions for job dedication. Additionally, four of the five metrics had very high standard deviations of above 1.0. These metrics included satisfaction with personal recognition for work well done, satisfaction with recognition for job dedication, satisfaction with recognition for work results being acknowledged, and valuing recognition for the recognition from work supervisors.

### Allowances and Employee Satisfaction

The study concluded that there were no harmonized practices in relations to allowances issued at the County Government of Nakuru. This was in light to the results indicating that the respondents tended to disagree with all the allowances metrics due to means between 1.5 and 2.5. This fact was reinforced by the fact that three metrics for allowances had standard deviations above 1.0.

### Training and Employee Satisfaction

The study concluded that there are very low satisfaction levels with the training opportunities within the County Government of Nakuru. This is due to very low scores on average in relations to sufficiency of access to training opportunities, relevancy of training opportunities, equitable access of training opportunities amongst colleagues with similar qualifications, ease of access to training opportunities, and ability of colleagues in other departments being able to access training with similar ease.

## **Promotion and Employee Satisfaction**

The study concluded that the county government of Nakuru employees was not satisfied with the promotional aspects in the county government. The means for the promotions indicated that the respondents on average tended to disagree with the metrics due to means of between 1.5 and 2.5. This was also evidenced by high standard deviations of above 1.0.

## **RECOMMENDATIONS**

The study recommends that the county government of Nakuru should professionalize on their human resources management and practices. The study also recommends for further studies an examination of the challenges that the county government faces in a bid to improve on the human resources management practices.

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