



EFFECT OF INDIRECT COMPENSATION ON QUALITY SERVICE DELIVERY IN PUBLIC HOSPITALS IN COUNTY REFERRAL HOSPITALS IN NORTH RIFT, KENYA

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Abstract

Employee unrest has been witnessed in health care facilities and this has affected service delivery in public hospitals. The public health workers strike is aggravated by lack of implementation of collective bargaining agreement signed in 2013 and the key issue raised was compensation. The stakeholders involved seem to be doing very little to arrest the situation that has jeopardized service delivery in public hospitals across the country. The purpose of this study was to establish the effect of indirect compensation on quality service delivery in public hospitals with a focus on county referral hospitals in North Rift Counties. This study was based on Expectancy Theory. The study used explanatory research design. The target population comprised of 481 health staff working in county referral hospitals in North Rift Counties. The sample size was 218 health staff. The study used stratified, purposive and simple random sampling to select respondents. Data was collected using questionnaires and interview schedule. Descriptive and inferential statistics was used to analyze data and presented in form



of tables. Linear regression was used to test hypotheses. The study findings depicted that there was a positive significant influence of indirect compensation ($\beta_2=0.262$ and $p < 0.05$) on quality service delivery. The indirect compensation had a significant influence on service delivery. The study concluded that there was a positive significant influence of indirect compensation and service delivery. This study, recommended that the county governments establish and implement indirect policies. The objectives will help the organization in developing indirect compensation and make decisions in this respect.

Key words: Relationship, Indirect, Compensation, Quality, Service, Delivery, Public, Hospitals

INTRODUCTION

Service delivery is the quality and availability of a specified service. Stuart, (2011) acknowledges that quality service delivery has been receiving much prominence of late due to its relationship with costs, financial performance, customer satisfaction and customer retention. Service industries like hospitals, experience of patients plays a crucial role in rating and assessment and ranking of quality of services offered in these facilities. Health facilities administration relates to organization, providing stewardship, and running of systems of health and hospitals networks (Sciedu *et al.*, 2016).

Petrick, (2009) states that, evaluation of quality service in the health facilities was started by a U.S surgeon, Ernest Codman. This was the beginning of the formation of quality improvement methods linked to quality and safety standards and the subsequent establishment of the international society for quality in health care. Quality Service is a product of quality management (QM) that was developed by Japanese industrial organizations in 1950s through 1980s and later adopted in the USA as total quality management approach. QM has today gone beyond quality management to maintaining competitiveness by providing philosophies to manage the entire organization (Srimai, 2013). Research conducted on the health facilities has indicated that most challenges affecting the global health facilities are attributed to human resource management. The challenges include high attritions rates, de-motivated staff and general public dissatisfaction with the quality of service.

Ciarniene and Vienazindiene (2010) defined compensation as all the forms of financial or monetary pay, services and benefits that workers get for their contribution to an organisation. Reward could be paid to workers directly in the form of cash (wages, incentives, cost of living adjustments) or indirectly through benefits and services (pensions, health insurance, paid time off). Greater job satisfaction resulting from job rewards ensures employees focus on their tasks thereby increasing their productivity (Muchiri, 2016). According to Dessler (2011) compensation

is of two types which are direct financial compensation and indirect compensation. It can also be informed of stock bonus compensation where employee is given a certain percentage of shares of the firm and pay dividends for the shares after a certain period of time or increase their savings.

Dessler (2011) refers indirect Compensation as the indirect financial benefits that employees receive for continuing their employment with the company which are an important part of every employee's compensation. Other terms such as fringe benefits, employee services, supplementary compensation and supplementary pay are used. Armstrong (2009) says Indirect Compensation or Employee benefits are elements of remuneration given in addition to the various forms of cash pay. They also include items that are not strictly remuneration such as annual holidays.

In the U.S, the organization of an institution, for instance, a hospital is called medical service management; health administration or health care organization. High-quality service provision is a fundamental aspect to any system of health. Hospital administrators are responsible for these activities thus underlining the importance of administrative function on health care. This ensures that resources are used efficiently, the right people are in right jobs and that all departments are working towards a given target (McKean, 2012). Managing public health in USA is characterized by emphasis on performance and improving quality of healthcare. In order to attain these critical indicators, public health management is fully equipped with the necessary resources and management skills (Nembhard, Alexander, Hoff and Ramanujam, 2009). The hospitals personnel are more equipped with the management skills that enable them to efficiently manage resources and provide evidentiary basis for determining patient, clinician, and organizational outcomes (Nembhard et al., 2009).

In Asian nation, Khan, Aslam & Lodhi (2011) studied 450 Habib Bank restricted staff and noted that compensation management aims to encourage and retain staff to reinforce the general effectiveness and potency of an organisation. In Asian nation, the most aim of compensation schemes is to confirm productivity at both the organization level and individual level. The study established that the higher the compensation strategy the higher the performance and reduced turnover.

Regionally, middle income countries face real shortage of drugs and medical supplies for healthcare services posing a challenge in provision of health care thereby contributing to poor quality health services and a further leading to increased mortalities (Tumwine, Kutuyabami, Odor and Kalyango). It is estimated that almost 99% of all deaths due to inappropriate equipment and drugs occur in developing countries especially is the in rural areas. Adequate health services involving emergency care to the public could lead to drastic reduction in such

deaths. Most countries in sub-Saharan Africa still finds it complicated to access essential medical items thereby compromising provision of timely care to the patients (Tumwine et al., 2010). Idemobi, Onyeizugbe and Akpunonu (2011) found compensation management as a tool for improving organisational performance in the public sector in Nigeria and found that there is no significant relationship between financial compensation of public staff and their performance and that the compensation earned is not measurable with the staff effort.

In South Africa, Uzman & Daish (2010), found that 95% of the workers had adequate rewards, like salary and bonus. This was used to induce employees in order to attain their desired results. A study carried out by Duberg and Mollen (2010) on reward systems within the health and geriatric care sector. The study found out that salary was an important aspect in the reward system, however, incentives like bonuses and shares were seen to generate an enjoyable workplace with happy workers.

In order to achieve universal access to quality healthcare and meet health-related millennium development goals, it is important to ensure that the level of service offered in public hospitals improves (MOH, 2012). The government in Kenya has designed and implemented policies aimed at promoting access to modern healthcare. It has stated that provision of health services should meet the basic needs of the population. That the services should be geared towards providing health services within easy reach of Kenyans (KACC, 2010). Furthermore, providing Kenyans with affordable, accessible, and safe health services is a key obligation of the government. It therefore calls for proactive to improve the quality of health care.

In 2010, Kenya promulgated a constitution which devolved medicinal services to 47 Counties. The technical rationale of devolution was efficient delivery of services and increased citizen involvement in decision making (Sihanya, 2011). A study by Simiyu (2014) on the influence of HR function on employee performance in devolved governments, a case of Mbagathi hospital. The researcher noted that the HR function variables in the study accounted only for 69% influence on employee performance and called for further research on other factors specifically in the Health facilities in Kenya which may include employee voice, lack of enough finances, welfare services to employees and leadership styles.

Statement of the Problem

Service provision is an instant yield of the inputs into health systems such as labor, supplies, procurement and financing. Enhanced input should show the way to improved delivery of service and bettered access to health services (Sciedu, Hamoud, Tarhini, Akour & Al-Salti 2016). Primary Health Care therefore, provides general health services of preventive, promotive, rehabilitative and curative nature to the growing population. Availing of health care

services is majorly the duty of the County Governments with the support of Ministry of Health and within the scale of nation's health policy.

In Kenya, Oduor (2013) study on Integrity in the Public Health Sector Service Delivery in Busia County, found that majority of the respondents (61%) indicated that the nature of services provided in public health facilities was poor. Poor service delivery in the hospitals has been witnessed overtime in public hospitals due to poor compensation practices such as salary, benefits, incentives and poor working conditions. The KMPPDU in November, 2016 called for a strike action for the implementation of a 2013 collective bargaining agreement (CBA) among the county and the national government. As a result, the health care practitioners in Kenya underwent a strike for a period of 100 days which affected the service delivery in all public hospitals from November 2016 to March 2017. This brings in the question of the role of employee voice in employee compensation and quality service delivery. Compensation may be one of the most important elements which motivate employees to contribute their best effort to generate innovative ideas that lead to better service delivery in public hospitals. This study sought to find out whether indirect compensation affects service delivery.

LITERATURE REVIEW

Quality Service Delivery in Health facilities

Quality of service assumes an imperative part in the achievement of the organization in acknowledgment of an aggressive edge and expanding focused power (Rod, Ashill, Shao, & Carruthers 2009). Besides, service quality is the path in which clients are served in an organization which could be good or bad. The service delivered has noteworthy association with consumer loyalty, client retention, loyalty, costs, productivity, service certifications and development of organization (Wilson, 2008). Furthermore, the role of service employees in many competitive business environments is to interact with customers.

By delivering high-quality services, create ideal audits from clients who encounter more elevated amounts of fulfilment and thus increment their visits and purchases later on (Liao & Chuang, 2004). Vlieland, (2009) defines quality as the degree to which a service meets consistently desired outcomes for individuals and populations. However, service delivered should also be consistent with current professional knowledge. Quality is multifaceted. It spans inputs, processes and outputs. It corresponds to core values of privacy, dignity, choice, safety, autonomy and fulfillment to individuals and groups.

Without these indicators a service is said not to be quality (Vlieland, 2009). Petrick (2009) identified ten determinants of service quality that are related to any service. They include competence, courtesy, credibility, security, access, communication, and understanding, knowing

the customer, tangibles, reliability, and responsiveness. During the past few decades, service quality has become a major area of attention to practitioners, managers and researchers owing to its strong impact on business performance, lower costs, consumer satisfaction, client loyalty and profitability (Guru, 2003).

Algilanan, (2003) later categorized them into five: tangibility, reliability, responsiveness, assurance, and competence. Quality service is an assessment of whether the service delivered is compatible with the needs and the requirements of customers. It is a critical determinant to competitiveness and value for money. A customer- focused approach to service delivery is premised on the setting of sound standards, service delivery plans and targets that achieve measurable spheres of interest. The services should be appropriate to purpose, have ability to consistently meet and exceed perceived customer and citizen needs. Wanjau & Wanarigi (2012) adds that it also has significant relationships with customer loyalty, profitability, service guarantees and growth of organization.

The Organization for Economic Cooperation and Development health statistics (OECDHS) (2015) define publicly owned facilities as facilities that are owned and controlled by a government unit, department or any other public corporation. An essential part of the Kenyan social and economic development is attributed to a community strategy concept comprising of community units, community health volunteers and community health assistants. For this reason, health care is brought to the grassroots level, where people reside thus contributing to the basic attribute of a growing health care system.

Effective health administration is viewed as the backbone of development and growth in the health facilities. Health administration and leadership comes with accountability which is the obligation to answer questions regarding decisions and actions (Hunter, Wilson, Stanhope, Hatcher, Hattar, Messias & Powell, 2013). However, there are many challenges to achieving greater accountability in provision of health services. To improve service delivery to the clients at public health facilities, community members have two different routes; a long route of pressurizing their elected officials to ensure that providers offer quality services, and a short route of increasing their power over the provider.

In Kenya, the period 2013/2014, has witnessed the resignation of over 500 Medical Doctors. Similarly, the increased number of strikes by health professionals agitating for an improvement in their overall compensation system against the existing outcry over questionable quality of the nature of healthcare services offered at the public health facilities is a worrying trend (Atambo, 2012). Unfortunately, this is not the only case since we are reminded on a regular basis by newspaper reports that our hospitals are unsafe – for patients and for health care workers, attending to the patients (Hajaj, 2014).

Service quality refers to a set of principles, standards, policies and constraints to be used to guide the designs, development, deployment, operation and provision of services delivered by a service provider with a view to offering a consistent service experience. According to Markovic and Jankovic (2013), service quality is measured using SERVQUAL instrument which consists of 22 items which measure five service quality dimensions, namely: reliability, assurance, tangibles, empathy and responsiveness. Reliability involves the ability to perform the promised service dependably and accurately, assurance involves knowledge and courtesy of staff and ability to inspire trust and confidence, tangibility involves the appearance of physical facilities, empathy involves the provision of caring, individualized attention to customers' needs and finally, responsiveness entails the willingness to help customers and providing prompt services (Chepkoech, 2013).

The factor underpinning the delivering of good perceived service quality is actually meeting the expectations of the customers. Thus, excellent service quality is exceeding the customers' expectations. Zeithaml and Bitner (2000) suggested that customer expectations are beliefs about a service that serve as standards against which service performance is judged. Service quality and customer intensions are distinct concepts, although they are closely related (Nanziri, 2017). It is a measure of how well the service level delivered matches customer expectations. Delivering quality service means conforming to customer expectations on a consistent basis.

Indirect Compensation and quality service delivery

The subject of Compensation and for that matter indirect Compensation is of great importance because it affects the well-being of the individuals in the concerned organizations. According to Dessler (2011) compensation is of two types which are direct financial compensation and indirect compensation. Armstrong (2009) referred to indirect compensation as remuneration given to employee or reward he receives in exchange for service he/she provides. Indirect compensation are packages like retirement plan, leave allowance and medical covers. According to Cascio (2003), the objective of the design of compensation program is divided into two, which are, direct and indirect forms of compensation. Direct compensation has to do with wage and salary aspect while indirect compensation is the fringe benefits a worker enjoys as a result of working in an organization.

Indirect compensation is the financial rewards that form part of social contract between employee and employer and are not included in direct compensation; it has a monetary value but is not a direct financial payment (Mike 2012). Indirect compensation is referred to as benefits. Employee benefits are non-financial forms of compensation offered in addition to cash

salary to enrich workers lives. Employee benefits are not performance based rather they are membership based (Decenzo and Robbins, 2007). Workers receive benefits regardless of their performance.

Although employees benefit as a whole have no direct effect on employee performance, inadequate of it do contribute to low job satisfaction level, increase in absenteeism and turn over in employees (Decenzo and Robbins, 2007). Indirect compensation includes, good accommodation, provision of transportation distribution of some cell phones and some food items at the end of the month or year. A well-designed compensation as well as benefits plan help to attract, motivate and retain talents in an organization (Numan, 2010). Indirect compensation is not directly paid to the worker but given as an additional component to the base salary pay. These rewards include medical cover which enables an employee to access medical services in different hospitals under the cover without paying cash. This makes the employees happy and feel secure both with their families.

Retirement plan is another type of indirect financial compensation which offers attractive incentive to employees. A retirement plan of a firm can contribute to retention of employees by the firm because before they decide to leave to another firm, they have to compare their current retirement package with that of the intended firm and if it is not attractive, they would not leave. This is a plan that a firm has to pay an employee who retires upon retirement age. A firm may also offer its employees leave allowances and educational sponsorship to help them (Kappel 2012).

According to Stratton (2009), welfare services are a financial or other assistance offered to an employee or family by an organization. Employee welfare is a comprehensive term that included various services, benefits and facilities offered to them by employers. The welfare measure could either be in monetary or non-monetary. Some of the various welfare services included; allowances, housing, transport, medical insurance, pension schemes, family leave and canteens, sick days, child care programs, financial assistance, educational (Lagat, Mutai, Kosgey & Nyahururu, 2014). Fee benefits, wellness programmes, medical insurance and workers compensation programs.

According to Okumbe (2010), an organization that was genuinely interested in the welfare of its workers was concerned about creating a positive work environment where individuals recognised that they were valued, it then boosted their performance. Medical insurance coverage was one of the welfare services that enhanced employee performance. Due to the high cost of hospitalization, surgical and maternity care, it had become necessary that employees be cushioned against these costs putting in place Medical insurance. Employees with medical insurance were more likely to be satisfied with their work and with the employer

which then eventually translates into effective performance. Studies carried out by several researchers affirm that relationship existed between welfare services and employee performance.

The dollar returns from employee's benefits is almost impossible to measure. Worker benefits and motivating forces propel workers to endeavor for a higher level of productivity. It enables the organizations to attract and retain competent career personnel and it encourages all employees to work enthusiastically towards the efficient and effective achievement of organizational goals (Okumbe, 2010). Benefits should be viewed as an investment on the part of the employer. Soft returns delivered by an effective benefits program incorporate reputation, a sense of meeting commitments and goodwill.

According to Masinde (2011), in a comparative study carried out on the effects of social welfare facilities on employee motivation in Pan African Paper Mills and Mumias Sugar Company, the study established that facilities provided to employees were a strong motivational element that enhanced employee performance. Kuria, (2012), carried out a study on the effect of employee welfare programmes on job satisfaction of employees within the flower industry in Kenya. The study established that the welfare services like insurance, maternity leave, and leave allowance provided by the flower industry had a positive effect on employee service delivery.

Theoretical Framework

This study was based on Expectancy Theory to establish the effect of direct compensation on quality service delivery in County Referral Hospitals in North Rift region. This study was based on Expectancy theory by Vroom (1994) which is used by organizations to understand how employee should be treated in order to get the best service delivery out of their efforts. It also argues that an employee performs a task with an expectation of receiving payment and when the payment is received and the employee is happy, then the employee improved on his performance next time because he expects the same treatment he received earlier. This theory showed the link between compensation and quality service delivery as described and elaborated by other researchers.

The expectancy theory focused on three key relationships: *effort-performance relationship* – the probability that putting in more effort at work would improve workers' performance; *performance-reward relationship* – the extent to which a person perceived that exerting effort of a certain degree would result in the achievement of an intended outcome; and *rewards-personal goals relationship* – the extent to which organisational rewards satisfied one's personal needs and the attractiveness of these potential rewards for that person. Herzberg was

keen on finding out what workers wanted from their respective jobs. Thus, this theory of motivation was introduced, which emphasised on-the-job and the environment in which the job is carried out instead of basing it on human nature.

Herzberg conducted research by interviewing 203 accountants and engineers, asking them to state those issues that make them feel exceptionally good or bad while at work (Herzberg & Johns 1967). After interpretation of their responses, the results revealed that there were two distinctive sets of factors affecting motivation at work. The factors were identified as growth/motivators and maintenance/hygiene factors. These are sometimes referred to as satisfiers and dissatisfiers according to (Herzberg, 2002). These factors are related to either job context or content (Dunnette, Campbell & Hakel, 1967). Herzberg concluded that when employees felt good about their job, their response varied with others who felt bad about their jobs (Herzberg, 1968).

According to Herzberg (1966), hygiene factors or dissatisfiers included those factors whose existence either in quantity and quality at work tends to yield no dissatisfaction i.e. their existence does not motivate to yield satisfaction, but when such factors are lacking, workers will be dissatisfied. These factors include: company policy and administration; supervision; working conditions; job security, salary/monetary reward; personal relationship with supervisors; peers; and subordinates. Motivators or satisfiers on the other hand, are related to the job content which includes achievement, recognition responsibility, advancement/growth (on-the-job), and challenging work (Parker, 2003).

The presence of these factors in an organisation creates job satisfaction and a high degree of motivation. Similarly, when they do not exist in an organisation, job dissatisfaction might not necessarily occur. Managers that offer these hygiene factors would only create work harmony, not necessarily motivation (Herzberg, 1987). For this reason, Nathan (1970) suggested that managers should focus their attention on those factors that yield satisfaction or motivators (Nathan, 1970). Based on the above propositions, Herzberg produced a dual continuum showing that the opposite of satisfaction is no satisfaction, and the opposite of dissatisfaction is no dissatisfaction (Wood, 2008).

Vroom (1994) expectancy theory states that the magnitude of behavior to perform in a particular manner is dependency on the high expectation that the performance will receive as reward. The likelihood that employee's effort will lead to expected performance by the employer and the belief that the performance will lead to reward to the employee motivates the employee to perform the task better. Expectancy is determined by possession of required skills for the task to be performed, availability of resources and favorable environment. Vroom found out that

employees consciously decide whether to perform a task or not which is contributed by employee's motivation level.

The county governments may use this theory to estimate the compensation an employee expects to get at the end of a certain task and also know the situations which affect the effort of the employee. The expectancy theory rejects the notion that workers have fixed sets of needs but on the contrary strives to consider human variability and complexity. Nadler and Lawler (1983) summarized the assumptions of the expectancy theory as follows: individuals make conscious decisions about their own attitude in a place of work, particularly in respect to the amount of effort they are prepared to exert towards doing their tasks; behaviours and orientation of individuals towards work varies, and these are expressed in different needs, desires and goals, which are subjected to thorough analyses; individuals made a selection between the possible alternative from different forms of behaviour which they know. They prepare to choose any possible course of action that would result to outcomes they desire, or at least the option they think is likely to yield positive outcomes; and key factors to understand human motivation is the need to find the different meanings individuals attach to their job and the environment at which the work is carried out.

The expectancy theory proposes that the strength of a tendency to behave in a particular way was relative to the strength of an expectation that the action would be followed by a desirable outcome. The theory argued that a worker is motivated to put more effort when he or she assumes that effort would result in good performance appraisal which in turn leads to extrinsic rewards such as: bonus, salary increment, and promotional opportunities. Subsequently, these compensation components would satisfy the worker's personal goals.

Expectancy theory is so complicated that many studies found it quite difficult to test. The theory proposed that, even though employees might have various sets of goals, they could be motivated, if they assumed that there is a positive relationship between efforts and performance, and that a good performance would yield a desirable monetary gain (reward). This reward subsequently would satisfy some pressing needs that are capable of making efforts worthwhile.

Expectancy theories are concerned with a person's behaviour at work through observation and actual description of the processes capable of motivating individuals or groups. Expectancy is a general term for motivational theory which was developed based on the principles that individuals are influenced by the expected outcomes for any action taken (House, Shapiro & Wahba 1974). The basis for these theories is a subjective expectation that a particular action would result to outcome. Herzberg's research has been criticized and challenged by some researchers because there is no evidence to back up his two separate and distinct factors.

The theory only empathized on job satisfaction/dissatisfaction rather than job behaviour such as performance, absenteeism, or turnover. Specifically, the measures of various parts of the model may lack validity, and the processes for investigating relationships among the variables or factors have usually been considered by researchers as less scientific (Moorhead and Griffin, 1995). The expectancy theory of Vroom (1964) and Lawler (1973) viewed that employees would decide to behave in a particular manner because they are motivated to choose a specific behaviour over others due to what they expect the outcome of that chosen behaviour to be (Oliver, 1974).

The theories proposed that selection of a particular behaviour over the other is based on the beliefs that certain outcomes would led to another desired result (Lee & Mowday, 1987). The main idea behind expectancy theory is that individuals tend to behave based on their expectations of positive outcomes. This theory suggests that employee's motivation level should be continually assessed by use of questionnaires, personal interview, or any other method that can determine employee behavior. In any situation, the greater the value of the rewards to individual as long as their needs and wants are met, the more the motivation and the high the performance of the employee.

RESEARCH METHODOLOGY

This study used pragmatist paradigm since it combines the qualitative and quantitative approaches within different phases of the research process (Tashakkori & Teddlie, 2010). Pragmatist researchers focuses on the 'what' and 'how' of the research problem (Creswell, 2003). A major advantage of using this type of paradigm in the study is that it enabled the researcher to simultaneously answer confirmatory questions regarding the effect of indirect compensation and quality service delivery in County Referral Hospitals in North Rift region using closed ended questionnaires and interview schedule.

This study adopted explanatory research design. Zikmund, Babin, Carr & Griffin (2010) views that the major purposes of explanatory study are to examine the cause-and-effect relationships among variables, and testing hypotheses. Explanatory research evaluated the cause-and-effect relationships that exist between two or more constructs and it is suitable because the study mainly was concerned with quantifying a relationship or comparing groups purposely to identify a cause-effect relationship. The study solicited for both qualitative and quantitative data which was analyzed descriptively and inferentially.

Target population of a study is a group of individuals taken from the general population who share a similar characteristic. The target population of the study was the health workers working within NOREB county referral hospitals. The respondents were suitable since they

provide health care services within the NOREB region and receive compensation. For this study, target population comprised of 481 health care staff, working within NOREB region comprising of 8 Medical Officers of Health (MOH) 19 Medical Doctors, 65 Clinical Officers, 67 pharmacist and 322 Nurses, drawn from eight counties.

A sample of the health workers from NOREB counties was obtained for the purpose of drawing conclusions about population targeted. The stratified sampling technique was used to categorize health staff into Medical Doctors, clinical officers and nurses, each forming a stratum. According to Saunders *et al.*, (2007) stratified sampling technique also provide a better comparison across the strata. The study used purposive sampling to select 8 Medical Officers of Health. All the MOH was involved in the study because they are in charge of management and supervision of health facilities in the county. This study employed simple random procedure to select 8 Medical Doctors, 30 pharmacist, 29 clinical officers and 143 nurses who participated in this research from the county hospitals. Simple random sampling was a major sampling technique because each respondent had an equal chance of inclusion in the sample. It was appropriate because the entire population is relatively large, diverse and sparsely distributed, hence random sampling technique would help to achieve the desired objective. The sampling technique gave each health worker in the population an equal probability of being in the sample.

Using Yamane's sample size for proportions (1967), at 95% confidence level, $P = 0.05$, the sample size was computed as hereunder:

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

Where;

n = the sample size,

N = the population size,

ϵ = the acceptance sampling error

$$= 481/1+481 (.05)^2$$

$$= 481/2.2025$$

$$= 218.4 \text{ respondents}$$

From the target population of 481 staff, the researcher used proportionate sampling to select 218 health workers.

Primary data was collected from the respondents using questionnaires and interview schedule. According to Best & Kahn (2008) closed ended questions yield quantitative data, while interviews yield qualitative data which describe changes. Questionnaires are set of questions

which give answers of the research participants in a set of ways. The questionnaire was designed to address specific objectives and that it had closed-ended questions. It was administered to the Medical Doctors, clinical officers, pharmacists and nurses working in county referral hospitals in North Rift Region who participated in the study. The closed ended items gave precise information which minimize information bias and facilitate data analysis. Unless otherwise stated, all variables were measured on a 5-point Likert scales ranging from 5= strongly agree to 1= strongly disagree. Orodho (2008) postulate that many people are willing to communicate orally than in writing and provide data more readily and fully than on a questionnaire. In this study, a structured interview schedule was used to gather information from the selected medical officers of health working in NOREB region. An interview guide ensured that answers are reliably aggregated and allow comparisons to be made.

A pilot study was carried out in Kericho County Hospital because it has similar characteristics to those counties under the study. A pilot study was conducted among one medical officer of health, two Medical Doctors, 7 pharmacist, 12 clinical and 22 nurses. Validity refers to the extent to which a concept is appropriately measured (Heale and Twycross, 2015). To determine content validity of the instrument, the researcher sought suggestions from a panel of lecturers at the School of Business and Economics at Moi University. In order to evaluate the content validity of the instruments, the research came up with dimensions and elements that constituted adequate coverage as per the studies' objectives. The expert opinion in this case was the supervisors who assessed the data collection tools meant to establish the effect of relationship between indirect compensation and quality service delivery in County Referral Hospitals in North Rift region.

Reliability means the statistical consistency of a measure of a particular construct (Heale and Twycross, 2015). In a survey relating to motivation, the participants were expected to give similar responses on that construct each time they are asked to complete the same survey. The instrument was administered in a consistent fashion to enhance reliability. The questionnaires were assessed for their reliability through a pilot study and enabled the researcher to assess the clarity of the questionnaire items.

The researcher administered the instrument during pilot study in Kericho County hospital. After obtaining the information it was coded into the statistical package for social scientist and the reliability analysis done using Cronbach's Coefficient Alpha. Cronbach's Coefficient Alpha was computed for each item to determine the reliability of the research instrument. The results indicated that service delivery was (.877) and indirect compensation (.829). A reliability Cronbach's Coefficient Alpha of 0.7 or over was assumed to reflect the internal reliability of the instruments (Fraenkel & Wallen, 2000).

After all data has been collected, the researcher conducted data cleaning, which involved identification of incomplete or inaccurate responses and correct to improve the quality of the responses. The research yielded both qualitative and quantitative data. Qualitative data was analyzed using content analysis based on meanings and implications emanating from respondent's information. Quantitative techniques such as descriptive statistics and inferential statistics were used to understand relationships between different variables.

Descriptive statistics consisted of mean, and standard deviation. Inferential statistics consisted of linear regression analysis. Data was subjected to correlation and regression analysis with the aid of statistical Package for social sciences (SPSS V23). Linear regressions are parametric statistics used since the data adheres to the following assumptions or parameters (Field, 2009): data must be on interval level, a linear relationship exists, distributions are normal, outliers were identified and omitted.

The researcher explained to the respondent the purpose of the study and all the respondents were assured of the confidentiality of the information they give. The researcher assured them that the name of the institution and all the respondents' names were not be revealed. The respondents were assured of feedback from the researcher if they need it after the study. The respondent's informed consent was obtained before the commencement of the study. The participation of respondents was voluntary and no benefits attached. Questionnaires and interviews were carried out in an environment that allows privacy of the information and the respondent's confidentiality.

RESULTS

The objective sought was to establish the effect of indirect compensation on service delivery. A quantitative analysis of questionnaire responses was conducted to identify their awareness on indirect compensation in health facility.

Effect of Indirect Compensation and the Service Delivery

A linear regression model was used to explore the effect of indirect compensation on service delivery. The R^2 represented the measure of variability in service delivery that indirect compensation accounted for. From the model, ($R^2 = .319$) shows that indirect compensation account for 31.9% variation in service delivery. Indirect compensation predictor used in the model captured the variation in the service delivery as shown in Table 1. Based on the regression model, the coefficient of determination (R squared) of .319 showed that 31.9% of the variation in service delivery was explained by indirect compensation.

Table 1: Model Summary on Indirect compensation and Service Delivery

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.565 ^a	.319	.316	.31748

a. Predictors: (Constant), Indirect compensation

b. Dependent Variable: Service delivery

Analysis of Variance on Indirect compensation and service delivery

The analysis of variance was used to test whether the model significantly fit in predicting the outcome than using the mean as shown in (Table 2). The regression model with indirect compensation as a predictor was significant ($F=93.309$, p value =0.001) shows that there is a significant effect of indirect compensation on service delivery. Thus, reject the null hypothesis that there is no significant effect of indirect compensation on service delivery.

Table 2: Analysis of Variance on indirect compensation and Service Delivery

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.405	1	9.405	93.309	.000 ^b
	Residual	20.057	199	.101		
	Total	29.462	200			

a. Dependent Variable: Service delivery

b. Predictors: (Constant), Indirect compensation

Indirect compensation and service delivery Coefficients

In addition, the β coefficients for indirect compensation as independent variable were generated from the model. In order to test the hypotheses under study the t-test was used as a measure whether indirect compensation was making a significant contribution to the model. Table 3 shows the estimates of β -value and gave the contribution of the predictor to the model. The β -value for indirect compensation had a positive coefficient, depicting positive relationship with service delivery as summarized in the model as:

$$Y = 3.054 + 0.262X + \varepsilon \dots\dots\dots \text{Equation 1}$$

Where

Y = Service delivery

X = Indirect compensation

ε = error term

Table 3: Indirect compensation and Service Delivery Coefficients

Model		Unstandardized		Standardized	t	Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	3.054	.082		37.188	.000
	Indirect	.262	.027	.565	9.660	.000

a. Dependent Variable: Service delivery

From the findings the t-test associated with β -values was significant and indirect compensation as the predictor was making a significant contribution to the model. The study hypothesized that there is no significant influence of indirect compensation on service delivery. The study findings showed that there was a positive significant influence of indirect compensation and service delivery ($\beta_2=0.262$ and $p < 0.05$). Therefore, a unit increase in indirect compensation led to higher service delivery. The null hypothesis (H_{02}) was rejected. Therefore, indirect compensation had a significant influence on the service delivery. This implies that for each increase in indirect compensation there was more service delivery.

The findings concur with Murray and Gerhart (2011) which found that there is a strong positive correlation between commission paid and employee performance. The findings of this study concur with Pergamit and Veum (2010) study on effects of bonuses on employee performance which found that there is a positive correlation between bonus and employee performance.

There is a strong correlation between commission paid and bonuses on employee performance. In the same light, McNamara (2006) and Odunlade (2012) are of the view that compensation covers issues concerning wage and /or salary programmes and structures cropping up from job descriptions, merit-based programmes, bonus-based schemes, schemes based on commission, while benefits exclusively talks about retirement plans, health life insurance, disability insurance, vacation or leave allowance, employee stock ownership scheme and so on. Compensation can also include social security, health benefits, pension and gratuity plans, paid time off, tuition reimbursement, Foreign Service premiums (Aamir et al., 2012; Terera & Ngriande, 2014).

Furthermore, skill-based pay also comes with its own risks in the area of employee paying higher compensation that are not offset by the organisation's productivity. More so, employees may become "corroded" if there is no opportunity to engage the skills acquired (Aguinis et al., 2013). When the employee reaches the bar of the pay structure, he or she may

be frustrated and disengage from the organisation because the opportunity for further increment in pay is no longer there (Tremblay & Chênevert, 2008).

Employee benefits, though a fractional part of the entire compensation encapsulates non-monetary form of compensation ranging from health care plans, to pension or retirement plans, social security, insurance, family and medical leave (Bernadin, 2007). Severance pay, is payment for time not worked (vacations, sabbatical, holidays) and workers compensation, that is paid when employees are injured while on the job (Cascio, 2003).

CONCLUSION

The employer provides payments for time not worked (vacations, sabbatical, holidays) and their family are entitled to a reliable medical cover. The employer does not provide for Foreign Service premiums and that workers are compensated when they get injured on the job. The hospitals have partnered with health insurance companies for staff insurance policies, hospital had a pension scheme facility for its staff and an all-round Work-Life-Balance system. There is availability of employee's retirement programs and employer remits their social security funds. This implies that employees disagree on indirect compensation in health facilities in North Rift. The employer provides payments for time not worked and their family are entitled to a reliable medical cover. The study concluded that there was a positive significant influence of indirect compensation and service delivery.

RECOMMENDATIONS

From the findings of this study, it was realized that most health care facilities have not seriously put into consideration the aspects of indirect financial compensation like health insurance, work injury compensation plan, transport allowance. It is therefore recommended that the county governments establish and implement indirect policies. The objectives will help the organization in developing indirect compensation and make decisions in this respect. Pension influence the health care workers' job satisfaction, attraction and retention, it should be paid based on the total emolument of workers, not on percentages when considering the contributions made by the health care workers and the risk involved in the work.

LIMITATIONS OF THE STUDY

In the process of collecting data, the researcher encountered some problems whereby the hospitals being government institutions, release of information by respondents was difficult. The major limitation was respondents not filing or completing the questionnaire, inadequate responses to questionnaire and unexpected occurrences where the respondents go on leave

without completing the questionnaire. This was mitigated by constant reminder to the respondents during the period they had the questionnaire. The departments' confidentiality policy restricts most of the respondents from answering some of the questionnaires since it is against the department of health policy. The researcher presented an introduction letter from the university to the Department of health Management. This helped to avoid suspicion and enable the management to disclose much of the information needed for the study. The health facilities employees were not willing to participate in the study because of fear of self-assessment thus was reluctant to provide the needed information. Some of the respondents feared that the information they give was used against them. This was overcome by the researcher creating a good rapport with the respondents and that the information treated with all the confidentiality it deserves.

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