

COMPENSATION AND MOTIVATION OF EMPLOYEES AT
PAN AFRICA LIFE ASSURANCE LIMITED KENYA

BY:

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DECLARATION

I, JUDY NJAMBI KANG'ARA, hereby declare that this is my original work and has never been presented to any other educational institution for the award of degree.

Signature 

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Date..... 15th May, 2012

APPROVAL

This is to certify that the research project of JUDY NJAMBI KANG'ARA has been under my supervision and is now ready for submission to the school of Business and Management for the award of a degree in Human Resource Management of Kampala International University.

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Date 15-05-12

DEDICATION

This book is dedicated to my brother Brian Macharia Kang'ara.

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To God who provided me with His loving kindness and the unlimited gift of life. That He has granted me such an awesome gift, may the person I become in this life be the best gift back to Him.

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I'm greatly indebted to MR JIMMY MWESIGYE for his willingness to supervise me. His distinguished expertise, outstanding commitment and positive criticism changed this work into its present form.

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ABSTRACT

The study set out to assess compensation and employee motivation in Pan Africa Life Assurance Limited Kenya. It was guided by a number of objectives which were; to assess the effect of benefit on motivation of employees at Pan Africa Life Assurance Limited , to examine the effect of pay on motivation of employees in Pan Africa Life Assurance Limited, to establish the relationship between incentives and motivation of employees in Pan Africa Life Assurance Limited.

The study was carried out using a self administered questionnaire and the results were analyzed and presented in tables, figures and on content. The sample size was 132 respondents. The study concluded that there are a number of factors affecting employee motivation. Compensation packages that were being offered to employees were not satisfactory leading to employees' low morale at work. There are still a number of challenges that need to be addressed at all levels of the organization and the ability to create report among the respondents so as to create a conducive environment in order to get the required information and there is also need to enhance employee remuneration to help them love the organization. It is also important to enhance communication skills applied and acquired during work management.

The researcher recommends that the organization should use other alternative ways of managing work challenges than encouraging demotivation in the organization can train their workers according to the organization needs to help them to adopt to new challenges.

CHAPTER ONE

1.0 Introduction

This chapter discussed the problem through its background and showed the research objectives as well as the purpose of the study.

1.2 Background of the study

This study was set to investigate the effect of compensation on employees' motivation in Pan Africa Life Assurance Limited in Kenya. Compensation is important though it is a major cost of doing business today. It is the reason why most individuals seek employment. Employees trade labor and loyalty for financial and non-financial compensation (Ivancevich, 2001). According to (Dessler, 1998) compensation is all forms of pay or reward given to employees arising from their employment. It is a human resource management function that deals with every reward an individual gets in exchange for performing organizational tasks. The reward an employee gets as a result of his efforts. The objective of compensation function is to create a system of rewards that is equitable to employees and employer alike. This attracts employees to work and motivates them to do a good job for the employer. A good compensation policy should bear characteristics such as adequate, equitable, balanced, cost effective, secure, incentives providing acceptable to the employee. In this study it was characterized by pay, benefits and incentives (George, 2005). Motivation is a set of forces that initiates, directs and makes people to persist in their efforts to attain a goal (William, 2003). It is the willingness to exert high level of efforts to attain organizational goals, conditioned by the efforts ability to satisfy individual needs (Robbins and Decenzo, 1998).

Closely related to employee satisfaction and morale, employee motivation may be considered both an action and a status. The action occurs when management takes steps to foster a work environment where employees are self-driven to perform their job tasks at a level that meets or exceeds management's standards. Employee motivation as a status simply describes the degree to which management succeeds: employees are relatively motivated or unmotivated when measured against one or more performance gauges.

The working definition in this study was the force that energizes behavior, gives direction to behavior and underlies the tendency to persist (Bartol and Martin, 1998). Motivation was characterized by commitment, productivity and team work. Pay is a form of wage and salary which represents the means by which employees are compensated for joining organization and attaining certain levels of work performance (Buckley and Ferris, 1996). This study showed that pay is a mainspring of motivation.

Benefits are all indirect payments which an employee receives for continuing his employment with a firm (Dessler, 1998). They can also be defined as all employee provided rewards and services other than wages and salaries. They are given to employees as a reward for organization membership. This made employees satisfy their needs and therefore become motivated. Incentives are financial rewards given to workers whose production exceeds predetermined standards (Dessler, 2004). They are given to employees to motivate them to work a little harder to achieve the predetermined goals. Fair and equitable compensation system characterized by incentives, benefits and pay enable employees to satisfy their individual needs as they engage in fulfilling organizational obligations. It helps employees to unlock their potentials and become committed, efficient and effective, eliciting a feeling of group and team action which eventually leads to high productivity. The aim of this study was to assess how compensation affects motivation in Security Company, in this case Pan Africa Life Assurance Limited. Employees in Pan Africa Life Assurance Limited did not exactly work to the expectation. There is a tendency of employees not finishing their daily chores. Employees too do have the morale and do not attend fully to the needs of customers. This was evident from the numerous customer complaints received. The above problems were attributed to the poor compensation offered by the firm. Pan Africa Life Assurance Limited was incorporated in 1977 to provide dedicated, specialist professional security services to the banking sector and other financial institutions in Kenya. Its head office is located along Kenyatta Avenue in wholly owned premises which is fully equipped with technical workshops, training facilities and administration department with branch offices opened in Nairobi Mega, Prestige, Bancassurance, Thika, Embu, Nyeri, Meru, Nyahururu, Nakuru, Mombasa, Kisumu, Kisii, Eldoret and Machakos.

Pan Africa Life Assurance Limited has a solid capital base, drawing experience and technical expertise from its strategic partnership with Sanlam Limited, the second largest Financial

Services Group in Africa. Pan Africa Life Assurance Limited was the first company to actively market and distribute unit-linked life assurance products in the Kenyan market. It continues to show fresh thinking as is evident with the launch of new life insurance products such as the corporate products and services (Flexi Pension, Group Last Expense, Group Life Assurance, Group Mortgages, Flexi Annuity and Group Credit Assurance) and the individual life products and services (Umash Funeral Product, Flexi Saver, Flexi Educator, Flexi Family Cover, Flexi Shield and Flexi Plus).

Pan Africa Life Assurance Limited's mission statement is "We create and secure wealth for the changing needs of our clients and other stakeholders. We achieve this through continuous provision of: Innovation and affordable client solutions that improve their quality of life, Superior returns to our investors that ensure growth from one generation to the next, Conducive working environment that promotes creativity, self expression and personal development, Support and involvement in community activities that enhance a 'sense of life' ...while taking the risks so that our clients can have peace of mind" while its vision is "To be the provider of choice in wealth creation and protection".

However, compensation in Pan Africa Life Assurance Limited does not to an extent exhibit the above features and therefore may be a source of demotivation to the employees and hence the reason why the researcher will undertake her study.

1.2 Problem Statement

Good compensation is important to the functioning of an organization today. Organizations should have it in order to meet the objectives of compensation namely, to reward employees past experiences, to remain competitive in the labor market, integrate employee's future performance with organization goal, control compensation budget, attract new employees and reduce turnover (Gupta 1996, Wayne 1998). The detriment of not having a good compensation is that it would cause demotivation hence lead to labor turnover. In Pan Africa Life Assurance Limited, its compensation program is poor causing demotivation and with the current economic environment where cost of living is high employees need a good and fair compensation to make end meet.

1.3 Purpose of the study

This study was set to investigate the effect of compensation on employees' motivation in Pan Africa Life Assurance Limited.

1.4 Research objectives

- i. To assess the effect of benefits on motivation of employees in Pan Africa Life Assurance Limited.
- ii. To examine the effect to pay on motivation of employees in Pan Africa Life Assurance Limited.
- iii. To establish the relationship between incentives and motivation of employees in Pan Africa Life Assurance Limited.

1.5 Research questions

The research was guided by the following questions:

- i. What was the effect of benefits on the motivation of employee's Pan Africa Life Assurance Limited?
- ii. What was the effect of pay on employee's motivation in Pan Africa Life Assurance Limited?
- iii. What was the relationship between incentives and employee's in Pan Africa Life Assurance Limited?

1.6 Scope of the study

This study was about the effect of compensation on the motivation of employees in Pan Africa Life Assurance Limited whose head office is in Nairobi, Kenya.

The study was carried out in Pan Africa Life Assurance Limited for duration of one week. It targeted 200 workers in the company. It investigated the effect of compensation on employee's motivation.

1.6 Significance of the study

The study helped the organization realize how employees can be motivated through compensation and therefore understand the essence of giving good compensation to their employees to achieve organizational goals. The results of this study were crucial to future

researchers who might interest in a related field. The study contributed to the existing theories in the effect of compensation on employee's motivation. This study was a source of experience and a contribution to the academic career of the researcher.

1.7 Limitation of the study

The researcher faced some problems while conducting the research. Some of these were like literacy levels of the respondents, the environment was not conducive thus failed to favor the researcher, the level of security was not sufficient. Thus the researcher ensured that her respondents had sufficient knowledge on the study.

CHAPTER TWO

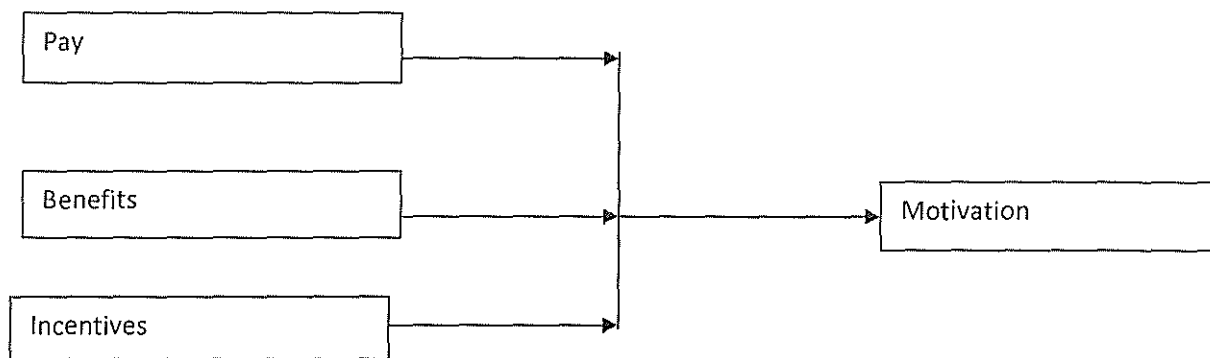
LITERATURE REVIEW

2.0 Introduction

In this chapter the researcher acknowledged what other researchers had written in relation to the study. This enabled the researcher to investigate more on the topic which was taken mostly from secondary sources of data.

2.1 Conceptual framework

Compensation



Independent variable

Dependent variable

(Source: Ivancevich, 2001)

Figure 2.1: Conceptual framework relating compensation to motivation

Motivation is mostly associated with an increase of pay for the employees. This in turn is highly appreciated by the employee and increases their morale and they are highly motivated hence they are satisfied with their jobs thus job satisfaction. Employees should also be remunerated now and then as it is the most crucial factor in determining the state of industrial relations in any given organization. Therefore a good remuneration system leads to employee job motivation as they are being rewarded for their work. Employees want to be recognized and feel that their contributions are noticed and valued. Therefore once the employees feel recognized, they become highly motivated and this leads to job satisfaction. When an organization takes a part of

their profits and share with their employees, in terms of incentives they feel motivated to work. This is due to the incentives offered which make employees feel that their efforts are highly appreciated thus become motivated.

2.2 Review of related literature

This reflected on discussing the existing on the subject with the objective of revealing contributions made by earlier scholars, weaknesses and gaps in the existing knowledge.

2.2.1 The effect of pay on employees' motivation

Pay is the basic compensation an employee receives usually as a wage or salary (Mathias and Jackson, 1998). It has an effect on motivation since it energizes them to persist in their work. According to scientific management theory managers believe that money works as a motivator (Prasaad, 2001). Pay affects employees' motivation especially when they are not compensated above or per market value. The equity theory regards individuals as existing in a social environment where they make compensation on what they and others receive and determine whether it's fair or suitable (Scarpello and Ledvinka, 1988). There are two types of equity namely: internal equity which is the fairness of pay structure within a firm and external equity which is the fairness of pay relative to what other employees pay for similar labor (Mejia et.al 2002).

Motivation is asset of attitude and value that predisposes a person to act in a specific goal directed manner. It is an invisible inner state that energizes human goal directed behavior which can either be the direction a behavior to reach a goal and how hard or strongly the individual will work in motivating the employee the most put forecast on money. Fredrick W Taylor the father of the scientific management theory, philosophers, scientist and industrial engineer and the managers believed that money was the only thing that motivates (John, 2001).

Abraham Maslow who developed a well known hierarchy of needs theory states that all human behavior stems from needs or drives which are innately biological. The hierarchy of needs takes the form of a pyramid in the ascending order the needs are psychological, safety, social, esteem and self actualization. The lower order that is psychological and safety needs motivates employees towards earning direct financial compensation to satisfy these needs such as health, shelter, food and job security (French et.al 1999)

Hertzberg's two factor theory of motivation tries to find out what people want from work. According to this theory two set of factors influence work behavior that is hygiene factors and motivators. Hygiene factors relate to the context of the job and include pay, working condition, supervision which do not motivate while motivators include factors like achievement, responsibility, advancement, growth and the work itself. Where these motivators become operational only when dissatisfaction are removed (Ivancevich, 2001).

Expectancy theory; According to Tolman and Vroom's expectancy theory it helps managers to understand the relationship between motivation and pay. This theory states that motivation depends on the expectation that effort will produce performance. Human forms are mental picture about the likely hood that a given level of effort will result in a desired outcome. Various outcomes have different levels of desirability or valence direct application of expectancy theory to compensation is the idea of earning days of vacation or sick leaves. According to reinforcement behavior modification theory developed by Pavlov, Watson, Thorndike and Skinner motivation results from direct interaction of the individual with the external environment not from internal processes like needs or perception. Behavior is contingent upon presentation of reward delivery of punishment or withholding of reward. Therefore motivation is derived from the extent of rewarding or punishing on the basis of automatic stimulus response. If pay, benefits and services are rewards received after the performance of a certain task like getting to work on time, remaining with the company, meeting production goals and so on the desired behavior may be repeated. When managers reward, punish or withhold reward raises then the desired behavior should result (Ivancevich, 2001).

2.2.2 Effect of benefits on motivation of employees

Benefits are all indirect rewards given to an employee as part of an organizational membership which include; unemployment insurance, paid holiday and unemployment benefits. Competitive benefit packages increase employee motivation (Leslie, 2000). Benefits offer safety needs according to Maslow's theory. The hierarchy arranges needs from psychological, through safety,, social and self esteem to self actualization. A higher level need becomes a motivator when a lower need is satisfied. Benefits will help an employee move from one level to another in the hierarchy.

Benefits are things of value other than compensation that the organization provides to its workers. The average company spends an amount equal to more than one-third of its cash payroll on employee benefits. Benefits come in several forms. Pay for time not worked which includes; sick leave, vacation, holidays and unemployment compensation. Insurance benefits often include life health insurance for employees and their dependants. Worker's compensation is a legally required insurance benefit that provides medical care and disability income for employees injured on the job. Social security is a government pension plan to which both employers and employees contribute. Many employers also provide a private pension plan to which they and their employees contribute. Employee service benefits can include tuition reimbursement and recreational opportunities (Stephen et.al, 1998).

A good benefits plan may encourage people to join and stay with an organization but it seldom stimulates high performance because they are tied to membership in the organization than to performance. To manage their benefits program effectively, company should shop carefully, avoid redundant coverage and provide only those benefits that employee in clear and straightforward language so that they can use the benefits appropriate and appreciate what the company is providing (Griffin & Ricky 2002).

2.2.3 The effect of incentives on motivation of employees

Incentives are compensation that rewards an employee for performance expectation whether individual or group performance. They have an effect on performance as illustrated by expectancy theory which suggests that people are motivated to engage in behavior which leads to outcomes that they value (Mick et al 2006). Thus performance based rewards are valued by employees since they believe that their hardwork will lead to the attainment of these rewards hence engage in behavior directed to hard work. According to reinforcement theory which assumes that behavior is a function of consequence (DeNisi and Griffin, 2001) performance can be reinforced through incentives which will make the employee motivated to perform.

Reinforcement/learning theory focuses in how the consequences of an individual's action in the past affect his/her behavior in the future. These motivation theories have evolved as views of motivation have changed from the traditional model, which suggested that people are motivated by economic necessity, through the human relations models, which suggest that high performance leads to satisfaction (Armstrong, 2009). According to the latter model, individuals

perform best when they are permitted to achieve personal as well as organizational goals. The systems perspective on motivation identifies three variables that affect motivation in the workplace, that is individual characteristics which is the interests, attitude and needs of the individual, job characteristics, which refer to the attribute, inherent in the task and the work situation characteristics, which include the organizations personnel and reward policies, organizational climate and the attitudes and action of peers and supervisors (Stoner, 1978).

Incentives form a base line for performance level. According to compensation specialist performance threshold, there is a minimum level an employee must reach in order to qualify for variable pay (incentives). Organizations focus on pay for performance and link incentives to organizational goals. Incentives make employees achieve organization ownership hence improving overall job performance. Incentives encourage employees to put out more effort to complete their job tasks. Furthermore they are offered to improve high level of productivity and quality. Incentives majorly focus

- (a) Employee work targets
- (b) Achievement of result
- (c) Operating performance
- (d) Fostering team work and group cohesiveness
- (e) Distribution of success, and all the above factors constitute to motivation of employees (Gupta, 1996).

Employees' incentives are important ingredients in performance management practice. They are provisions that are provided in addition to the normal salary to motivate people to work more than the salary allocated. They can be financial or non-financial. Plus (1993) observed that that a large percentage of workers cherish their job even if financial attachments are not attached. Individual employee needs are different and therefore it will be sensible to relate benefit package to those needs by giving employees a range of incentives to select from, (Dewey, 2000). Maicibi (2004) presents examples such as cars, health insurance and long service awards.

Armstrong (2010) presents benefits to include time off, sabbatical leaves, social facilities and subsidized mortgage. From the above point it will be right to say that the current thinking is

based on a single opinion that pay should be seen as part of the wider relationship between management and employees, and the reward system applied should act as a medium for the expression of management style.

Bratton (1988) presents salaries as the most widely recognized type of employee payment. It is a fixed periodical payment given to employees usually in form of cash, (Herbert et al 2000). Salary structures should comprise job grade, responsibility, status and authority with corresponding pay increments. Incentives such as shift pay and overtime are also important to compensate them for inconvenience or hardships during employment (Richard et al 1998). Special additions of incentives should be paid due to risks involved in the job and dirty jobs that is conditions regarded as abnormal. This suggestion is also supported by George (2005).

2.2.3.1 Types of incentives

According to Griffins (1990), there are several types of incentives:

- (a) Piecework programs. Tie workers earnings to employees the number of units produced.
- (b) Gain-sharing programs. Grant additional earnings to employees or work groups for cost reduction efforts or ideas.
- (c) Commission programs. Provide sales personnel with earnings based on the number of units they sell.
- (d) Bonus systems. Provide management personnel with lump sums from a special bonus pool based on the financial performance of the organization.
- (e) Long-term compensation provides management with personnel with substantial additional income based on stock price performance earnings per share or return on equity.
- (f) Merit pay plans. Base raises on the employee's performance as determined by objectively measured productivity or by the results of the performance appraisal.
- (g) Profits sharing plans. Distribute a percentage of the organization's profits to all employees at a predetermined rate.
- (h) Employee stock option plans. Typically set aside a block of stock in the company for employees to purchase at a reduced rate with the expectation that employees who own part of the company are more committed to it and work harder to increase the value of their stock.

2.3 Motivation and performance

Motivation is the determinant of performance. However, motivation is not synonymous with performance. Motivation does not wholly account for better performance but it is an important factor in bringing about it (Raymond et al 2004).

Organizations that strive to meet the need of employees reap certain benefits. Maslow's theory provides guidance with respect to the needs that employees are motivated to achieve. Organizations have taken action that are suggested by the theory and have been successful. However it cannot be concluded that there are only five needs that move individual, and that they follow a certain order, (Gary 1994). However Maslow provides a variable approach to motivation. The idea behind goal setting theory is that a goal serves as a motivator because it makes people compare their present performance to perform to the required to achieve a goal. Having a goal enhances performance because the goal makes clear exactly what type and level of performance is expected (Stephen 1997). McGregor developed his theory of integration (theory Y) which emphasized the importance of recognizing the needs of both the organization and the individuals and creating conditions that will reconcile these needs so that members of the organization can work together for its success and share in its rewards.

2.4 Conclusion

According to agency theory, compensation and motivation are concerned with the interest and goals that are held by organization stakeholders including employees and managers and the methods through which the organization reward system can be used to align these diverse interests. Agency theory derives its name from the fact that those in control of its modern corporation (managers). According to Tolman and Vroom's expectancy theory, it helps managers to understand the relationship between motivation and pay. This theory states that motivation depends on the expectation that effort will produce performance. Human forms are mental picture about the likely hood that a given level of effort will result in a desired outcome. Various outcomes have different levels of desirability or valence. Direct application of expectancy theory to compensation is the idea of earning days of vacation or sick leaves. According to the reinforcement behavior modification theory developed by Pavlov, Watson, Thorndike and Skinner motivation results from direct interaction of the individual with the external environment not from internal processes like needs or perception. Behavior is

contingent upon presentation of reward delivery of punishment or withholding of reward. Therefore motivation is derived from the extent of rewarding or punishing on the basis of automatic stimulus response. If pay, benefits and services are rewards received after performance of a certain task like getting to work on time, remaining with the company, meeting production goals and so on, the desired behavior may be repeated. When managers reward, punish or withhold reward raises, then the desired behavior should result (Ivancevich, 2001).

CHAPTER THREE

METHODOLOGY

3.0 Introduction

In this chapter the research looked into the research design, the target population that was under study was the sampling design that was used in the study. It also looked at the data collection instruments, data analysis and finally looked at the ethical issues.

3.1 Research design

The study adopted a survey design. People's opinions were sought using structured questionnaires and percentages generated for comparison. It involved qualitative and quantitative approaches which helped to get sufficient and relevant data on the effect of compensation on employee's motivation (Russell, 1999)

3.2 Population of the study

The population was 200 employees from different departments which a sample was drawn. They included human resource, information technology, marketing, finance and production.

3.3 Sampling design

The researcher used stratified random sampling method which facilitated her in making valid conclusion about the population from which the sample was selected. Stratified random sampling ensured that all units of the population had an equal chance of being selected and that the sample was representative.

3.3.1 Sampling techniques and procedures

The researcher used both probability and non-probability sampling techniques. Stratified sampling was used to come up with a representative sample. According to Amin (2005) tables have been developed which the researcher can rely onto obtain a sample which is appropriate for the target population the researcher intends to carry out her research. Therefore the population study was 200 and therefore the sample size was 132.

3.3.2 Sample size

Table 3.1 Distribution of sample

Departments	Population	Sample size
Human resource	30	20
Marketing	50	33
Production	60	40
Information technology	40	26
Finance	20	13
Total	200	132

Source: Martin Amin (2005)

3.4 Data collection methods

3.4.1 Questionnaires

A questionnaire was given to various respondents in the organization. They had various merits such as high level of accuracy, gave respondents time to verify their answers and they were easy to administer.

3.4.2 Interviews

This technique was used to supplement on the questionnaires. It helped to get in depth data which would not be possible to acquire when using questionnaires. Interviews had various advantages such as yielded higher response rate since respondents would not completely refuse to answer questions. Facilitated immediate feedback and question confusion could be clarified. There was face to face interview with the respondents (Carl et al 2002).

3.5 Data processing and analyzing

It was the process of systematically applying logical techniques to describe how the information collected would be edited, coded, tabulated and presented either in tables or graphs. Data collected was used to analyze the effects of compensation system on employee motivation. The data collected was then analyzed using descriptive statistics and tabulated by use of tables and graphs.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF THE RESULTS

4.1 Introduction

In this chapter, the researcher involved presentation and analysis of the collected primary data. The presentation was done in tables to make sure that the research biases are eliminated. The study was entirely about the effect of compensation on motivation of employees in insurance companies in this case focusing Pan Africa Life Assurance Limited. The data was collected across all the departments in the company and the results were presented expressing both the views of the quantitative nature through percentages and frequency distribution and the group interviews and documentation analysis. The characteristics of the participant which helped in putting the broad understanding on the types of respondents, the researcher dealt with through the study.

4.2 Presentation, analysis and interpretation of results are done under the following themes.

4.2.1 Respondents profile

The respondents comprise of both male and female in the organization of study and there distribution is as shown in table 4.1 below.

Table 4.1 Respondents profile

Gender	Frequency	Percentage %
Female	63	48%
Male	69	52%
Total	132	100%

Source: field findings

Interpretation:

From table 4.1, it shows that the researcher received a fair match of responses to the study of the effect of compensation on the motivation of employees at Pan Africa Life Assurance Limited with the male respondents dominating with a higher percentage of (52%) while the female respondents were at (48%).

4.2.2 Whether employee are aware of compensation and motivation

The researcher wanted to investigate whether employee were aware of compensation and motivation in the organization. The results are presented in the table 4.2 below.

Table 4.2 Whether employee are aware of compensation and motivation

Response	Frequency	Percentage %
Yes	30	23%
No	90	68%
Not aware	12	9%
Total	132	100%

Source: field findings

Interpretation

From table 4.2, it shows that the organization does not have a well established system of compensation and motivation for its employees since the respondents who were aware of compensation and motivation were only (23%) majority of the respondents saying they were not aware (68%) and only few respondents (9%) not being aware of the system.

4.2.3 The organization is focused on motivating its employees

From the administered questionnaire the researcher investigated on the focus of the organization towards motivating its employees. The results are indicated in table 4.3 below.

Table 4.3: The organization is focused on motivating its employees

	Frequency	Percentage %
Yes	25	19%
No	80	61%
Not aware	27	20%
Total	132	100%

Source: field findings

Interpretation

According to table 4.3, it is clear that the management of Pan Africa Life Assurance Limited is not focused in motivating the employees in their work since majority of the respondents (61%) disagreed to the question, (19%) agreed and only few respondents (20%) were not aware of whether the organization is focused on motivating its employees.

4.2.4 There is poor remuneration system in the organization

The researcher wanted to investigate whether the organization has poor remuneration system which demotivated employees and the results were presented in the table 4.4

Table 4.4: There is poor remuneration system in the organization

	Frequency	Percentage %
Strongly agree	55	42%
Agree	25	19%
Neutral	27	20%
Disagree	12	9%
Strongly disagree	13	10%
Total	132	100%

Source: field findings

Interpretation

From table 4.4, it is evident that the management of Pan Africa Life Assurance Limited had a poor remuneration system when it came to employee job motivation as they are being rewarded for their work. Employees felt that they were not being recognized and their contributions were not noticed and valued. Therefore the respondents who strongly agreed to the question were the majority (42%), those who agreed were (19%), those who were neutral were (20%), those who disagreed were (9%) and those who strongly disagreed were (10%).

4.2.5: The causes of demotivation are usually communicated to all employees

The researcher inquired from the respondents on whether they are aware of the causes of demotivation in the organization and whether it was usually communicated to them. The results are indicated in table 4.5 below.

Table 4.5: The causes of demotivation are usually communicated to all employees

Response	Frequency	Percentage %
Strongly agree	15	11%
Agree	10	8%
Neutral	27	20%
Disagree	30	23%
Strongly disagree	50	38%
Total	132	100%

Source: field findings

Interpretation

From table 4.5, it is evident that there is lack of communication about the causes of demotivation from Pan Africa Life Assurance Limited's top management to its employees, which is leading to employees continuously performing poorly. That is why majority of the respondents (38%) strongly disagreed that the causes of demotivation are usually communicated, (23%) of the respondents disagreed, (20%) were neutral, (8%) agreed and (11%) strongly agreed to the researcher's question.

4.2.6 Employees are always worried of demotivation

	Frequency	Percentage %
Strongly agree	48	36%
Agree	32	24%
Neutral	27	20%
Disagree	11	8%
Strongly disagree	14	12%
Total	132	100%

Source: field findings

Interpretation

From table 4.6, it is clear and evident that the rate of employee demotivation at Pan Africa Life Assurance Limited is high and the management has not put forth the measures to curb the situation. That is why majority (36%) of the employees strongly agreed that they are worried of demotivation , (24%) agreed, (20%) were neutral, (8%) disagreed and few of the respondents (12%) strongly disagreed.

4.2.7: Relationship between compensation and motivation of employees

The researcher inquired from the respondents on whether there is a relationship between compensation and motivation. The results are indicated in table 4.7 below:

Table 4.7 There is poor relationship between motivation and compensation of employees

Response	Frequency	Percentage %
Yes	52	39%
No	80	61%
Total	132	100%

Source: field findings

Interpretation

From table 4.7, the researcher noted that the effect of compensation on motivation of employees was not very effective. From the interviews the smallest percentage of the total number of respondents (39%) accepted whereas a negative response came from the highest percentage of total respondent (61%). The compensation system to be implemented will help in attracting and retaining experienced and knowledgeable employees as well as motivating employees to work harder thus increase productivity for the whole organization.

4.2.8: Respondent views on factors affecting motivation

The researcher inquired from the respondents on the various factors that affect their motivation. The results are indicated in table 4.8 below:

Table 4.8: Respondent views on factors affecting motivation

Factors identified	Frequency	Percentage %
Benefits	44	33%
Pay	58	44%
Incentives	30	23%
Total	132	100%

From table 4.8, there are a number of views which in the face of respondents affect their level of motivation. However the most pronounced were poor pay which had the highest percentage (44%) of response as a serious factor that affects employee motivation, then poor benefits system followed with (33%) responses and the incentives being the poorest of all factors affecting motivation (23%).

From the above views it can be understood that ensuring a constant high employee motivation isn't always an easy ride if any firm is to succeed in achieving its goals and objectives effectively and efficiently through its employees, it should not ignore the effects of compensation system it uses as well as not ignoring other factors that tend to exist in the organization. There is no specified uniform compensation system that can be applied to organization successfully, but it depends on the nature of the organization's internal and external contextual factors.

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter mainly deals with summary, conclusions and recommendations related to the study of the effect of compensation on the motivation of employees in Pan Africa Life Assurance Limited. It was drawn from the findings and the analysis which were made after conducting the study. Compensation was characterized by pay, benefits, incentives and motivation was characterized by commitment and productivity.

5.1 Discussion of the research

Summary of the findings were presented in accordance with the research objectives of the study.

From the first objective of the study, the effect of pay on the motivation of employees pay in the study was seen to be an important motivator since this was the chief reason that individuals seek employment in Pan Africa Life Assurance Limited. Pay caused a lot of demotivation to the employees especially when employees felt that they were not being compensated in a fair, logical and as per market value of their profession. From the findings it was found out that in the changing economic environment where the standard of living was becoming expensive the compensation in terms of pay had to be according to the environment. In the findings 58 employees(44%) said that the pay system was poor, implying that pay was inadequate. The study was able to get views from the human resource manager who tried to explain due to also the economic changes the organization had to cut costs and therefore the result of the compensation. The human resource manager also admitted that they used to pay rarely to motivate employees and when they used it they would see a change in the motivation.

According to different authors pay was defined as the basic compensation an employee receives as usually as a wage or salary (Mathias and Jackson, 1998). Pay is the chief reason why most people seek employment. This shows that it has an effect on the motivation of employees since from our working definition from Bartol and Martin 1998, that the force that energies give direction to behavior and underlies the tendency to persist. From Aristotle through Fredrick W Taylor “the father of scientific management theory” philosophers, scientists, industrial engineers and managers believed that money was the one thing that motivates (Ivanchevich, 2001).

Need theorist including Maslow and McGregor, Alderfer and Mclelland who modified that hierarchy say that all human behavior stems from needs and drives which are innately biological in origin? Maslow hierarchy of needs takes the form of a pyramid in ascending order, the needs are psychological, safety, social, esteem and self-actualization. Lower order needs motivate employees towards earning direct compensation to provide for things like basic needs. Also the social comparison theory suggests that one is greatly influenced by how fairly an employee feels or things he or she is being paid (Ivanchevich, 2001).

This means that pay affects the employee motivation especially when the employees are not compensated above or per market value. Also equity theory which is also a social theory regards individuals as existing in a social environment in which they are constantly comparing the treatment others receive and reaching a conclusion about whether that treatment is fair or equitable (Scarpello and Ledvinka, 1988).

Pay should be fair and equitable for it to be able to motivate employees. From Mejia, Balkin and Cardy (2001) there are two types of equity which are internal and external equity. Internal equity refers to the perceived fairness of the pay structure within a firm. External equity refers to the perceived fairness of the pay relative to the perceived fairness to what other employers are paying for the same type of labor. A firm should try to balance both equities so as to motivate and retain the employees.

The second objective of the study was the effect of benefits on the motivation. From the findings it was found that the organization provided its employees with benefits frequently and that they increased the motivation of the employees which would enable to create a sense of belongingness in the organization. This sense of belongingness would result in team work between employees. The benefits were also seen to be relevant by 44 employees (33%) who highlighted benefits as part of their motivator. Benefits also offer individuals with safety, security and freedom from worry and anxiety; they help achieve the safety need in Abraham Maslow's hierarchy.

Different authors have stated that benefits were defined as all indirect rewards given to an employee or group of employees as part of organizational membership. (Mathias and Jackson,

1998). There is part of total compensation and include unemployment insurance, vacation and holiday supplemental unemployment benefits.

According to Tolman and Vroom expectancy theory, motivation depends on the expectation that effort should produce performance. Human's form an effort that given level of effort should result in a direct outcome that have different levels of desirability or valence. A direct application of expectancy theory to total compensation is the idea of earning day of vacation or sick leave (Ivanchevich, 2001). Competitive benefits packages help retain, attract and improve employment satisfaction therefore decreasing the turnover and also increasing on employee motivation. Benefit offer individuals security needs which are safety, security, clothing, freedom from worry and anxiety.

The third objective of the study was to find out the relationship of incentives on motivation and from the study it was determined that incentives are important in an organization like Pan Africa Life Assurance Limited since they help increase in the productivity since they are based on individual performance, group performance or organizational performance. From the expectancy theory which suggests that employees are motivated to engage in behavior if those behaviors are likely to lead to outcomes that they value. From the findings it was found out that the incentives were not consistent and therefore they were a cause of demotivation. The findings also showed that when the incentives were given, the employees preferred to be given financial incentives than non-financial incentives because they help increase their income which would help them in making ends meet.

Incentives were defined as compensation that rewards an employee for performance expectation (Mathias and Jackson, 1998). They are focused on individual performance, group performance, or organization performance. Incentives have an effect on the motivation; this is seen by expectancy theory which suggests that people are motivated to engage in behavior if those behaviors are likely to lead to outcomes that they value. Thus to the extent that pay and other performance based rewards might be of value to individual employees, it follows logically that employees believe that their hard work will lead to the attainment of those rewards will be more likely actually engage in behavior directed at hard work.

5.2 Conclusions

From the findings of the study, the first objective of the study which was to find out how pay affects the motivation of employees were demotivated therefore it affected their commitment to Pan Africa Life Assurance Limited. Through poor payment the employee commitment to their work was affected thus poor performance. The respondents from all the departments showed that if the pay was improved there would be an increase of motivation. The respondents from top management also explained that cause of the poor pay was as a result of the economic changes.

The second objective was to find out how benefits affect the motivation of employees in Pan Africa Life Assurance Limited and though the respondents suggested that they should have more types of benefits. The benefits given to the employees were also relevant to them and through providing of the benefits it was realized it created a sense of belongingness in the organization and resulted in teamwork and also there was retention of employees.

The third objective, provision of incentives in Pan Africa Life Assurance Limited was found out that it was inconsistent and that it was also a source of demotivation. Most of the respondents who were employees responded that they preferred financial incentives more than they preferred non-financial incentives. Incentives were found out to have an effect on the productivity of the employees since the employees need to be motivated so as to be productive. This can be explained by Skinner theory of reinforcement which says that when a particular stimulus-response pattern is reinforced for example rewarded, the individual is conditioned to respond. Changes in behavior are the result of an individual's response to events (stimuli) that occur in the environment e.g. if an employee is rewarded then there would be a positive response. A response produces a consequence when a particular stimulus-response pattern is reinforced. A reinforce is anything that strengthens the desired response. It could be either financial or non-financial e.g. verbal praise.

5.3 Recommendation

According to the findings from the study, the researcher finds it important to the following recommendation for Pan Africa Life Assurance Limited which could help in a positive change to the organization.

Pan Africa Life Assurance Limited should try to revise the pay system in the organization so that to be able to motivate the employees in the organization so as to be able to increase the employees commitment to the organization. The pay should be fair, logical and as per market value in the organization.

Benefit in the organization should be increased so that the employees can become more motivated so as also to increase the belongingness to the organization and also promote retention.

Pan Africa Life Assurance Limited should try to make the incentives consistent so as to make the employees more productive which lead to the achievement of organizational objectives.

The organization should try to come up with a way of determining and monitoring loss of motivation through good program which will help in the identifying of demotivation caused by demotivation.

Pan Africa Life Assurance Limited should endeavor to seek opinions of the employees from time to time using opinion surveys to collect views on how the compensation in the organization is affecting the motivation of the employees so as to avoid the situation from becoming worse while it can be resolved earlier.

5.4 Further Research Areas

Compensation being a wide area and also important, the researcher cannot claim that she has exhaustively looked into this area. This is because of the limitations by the scope of the study and therefore the areas below could warrant further research. It would do well to look into other areas, apart from compensation, so as to establish other causes of poor motivation in organizations such as leadership styles and styles of management, communication, poor training methods and many others.

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Appendices
Appendix 1
Questionnaire

Dear respondent,

I am called Kang'ara Judy Njambi a researcher pursuing bachelors' degree in human resource management in Kampala international university (KIU) I am conducting a research on the compensation and motivation of employees at Pan Africa Life Assurance Limited Kenya. This research will be purely for academic purposes. The findings of this research will help the researcher and the Pan Africa Life Assurance Limited Kenya as well.

Herewith attached, please find a set of questions meant to get information for the above purpose.

Please spare a few minutes on your busy schedule and answer them your time will be of great importance to this academic endeavor.

Yours sincerely

.....

Kang'ara Judy Njambi

Researcher

Part one

Please tick in the most appropriate box

1. Respondent's profile

ii. What is your age group?

b. 20-29

c. 30-39

d. 40-49

e. 50-59

f. 60+

ii. What is your gender?

a. male

b. female

iii. What is your marital status?

a. Married

b. Single

c. divorced

d. widowed

iv. What position do you hold?

a. Head of unit

b. Head of department

v.. What is your qualification?

a. postgraduate

b. Bachelor's

a. Diploma

d. Certificate

vi How long have you been working in this company?

a. less than 25 years

b. 25-30 years

c. 31-35 years

d. 36-40 years

e. 41+ years

Part two

2. Are the employees aware of compensation and motivation?

Yes ☐

No ☐

Others (specify)

.....
.....

3. the organization if focused on motivating its employees

Yes ☐

No ☐

Others (specify)

.....
.....

4. There is poor remuneration system in the organization

Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly disagree ☐

5. The causes of demotivation are usually communicated to all employees

Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly disagree ☐

6. Employees are always worried of demotivation

Yes ☐

No ☐

Others (specify)

.....
.....

7. What is relationship between compensation and motivation of employees in relation to pay, benefit and incentive?

.....

.....

.....

.....

APPENDIX 2

PROPOSED BUDGET

The study was guided by the budget drawn below:

Table 2: Budget of the study

Items	Quantity	Amount in Ksh.	Total in Ksh.
Printing proposal	3 copies	250.00	750.00
Binding proposal	3 copies	240.00	720.00
Photocopying questionnaires	132 copies	5.00	660.00
Photocopying	2 copies	3.00	6.00
Transport	10 days	200.00	2,000.00
Food	20 meals	150.00	3,000.00
Printing dissertation	3 copies	500.00	1,500.00
Binding dissertation	3 copies	600.00	1,800.00
Contingency funds			500.00
Total			10,936.00

APPENDIX 3

TIME SCHEDULE OF THE STUDY

The study was conducted within the period stated below:

Table 3: Time study of the study.

Activities	Months/Years
Research proposal writing and submission	December 2011- January 2012
Data collection and analysis	January -March 2012
Dissertation writing	April – May 2012
Submission of dissertation	May 2012



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SCHOOL OF BUSINESS AND MANAGEMENT

11th, 05, 2012

Dear Sir/Madam,

**RE: REQUEST KANGARA JUDY NJAMBI REG.NO:BHR/42147/91/DF TO
CONDUCT RESEARCH IN YOUR ORGANIZATION**

The above mentioned is a bonafide student of Kampala International University pursuing a Bachelors in Human Resource Management.

She is currently conducting a field research of which the title is "**COMPENSATION AND MOTIVATION OF EMPLOYEES AT PAN AFRICA LIFE ASSURANCA LIMITED**" Your organization has been identified as a valuable source of information pertaining to her research project. The purpose of this letter is to request you to avail her with the pertinent information she may need.

Any information shared with her from your organization shall be treated with utmost confidentiality.

Any assistance rendered to her will be highly appreciated.

Yours truly,



Dr. OLUTAYO K.OSUNSAN
DEPUTY PRINCIPAL CEMS