Compensation Strategies and Perceived Organizational Performance of Public Technical and Vocational Education and Training Institutions in Bungoma County, Kenya

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ABSTRACT

Enrolment in Kenya's public Technical and Vocational Education and Training (TVET) institutions has grown faster than the number of trainers, and the sector loses about 300 trainers every year. This study assessed the influence of employee compensation strategies on the perceived organizational performance of public TVET institutions in Bungoma County, Kenya, drawing on Herzberg's Two-Factor Theory and Social Exchange Theory. In a descriptive survey of seven public TVET institutions, a sample of 295 was drawn by proportionate stratified random sampling from 1,130 trainers and non-training staff, and 267 usable questionnaires were returned (90.5%). Compensation was measured through salary, allowances and incentives, and perceived organizational performance through employee productivity, quality of training and service delivery, and workforce stability. The nine compensation items loaded on one component (eigenvalue = 7.29; 80.9% of variance), so compensation was analyzed as a single composite. Staff rated it favourably (M = 4.03). Timely salary payment and fair sharing of allowances scored highest and performance-based incentives lowest (M = 3.88). Compensation correlated strongly with perceived performance ($r = .784$, $p < .001$) and explained 61.5 per cent of its variance on its own ($R^2 = .615$, $F(1, 265) = 423.908$, $p < .001$). Once professional development, work environment and work–life balance were added, its coefficient fell to $\beta = .198$ ($p = .001$). A sensitivity analysis showed that the simple association would survive any degree of clustering within institutions, but the multiple-regression coefficient would lose significance if the intraclass correlation exceeded about .055. The null hypothesis was rejected. All measures came from the same respondents at one point in time, so the results describe association. The study recommends clear criteria for allowances, prompt salary administration and stronger performance-based incentives within the public pay framework.

Keywords: compensation strategies, employee retention, perceived organizational performance, public TVET institutions, Kenya

1. INTRODUCTION

Organizational performance is the extent to which an organization meets its goals efficiently and effectively with the human, financial, technological and physical resources at its disposal (Aguinis, 2023). For a TVET institution, it shows in how productive staff are, the quality of training and services, how stable the workforce is and how efficiently the institution runs. Each of these depends on trainers and support staff staying long enough to build competence. An experienced trainer knows how a workshop is run, how a curriculum is delivered and assessed, and how learners are supported through practical work, and that knowledge leaves with the trainer.

Kenya's public TVET subsector has grown quickly. Enrolment in institutions under the Ministry of Education rose from 345,387 in FY 2022/23 to 565,842 in FY 2024/25, an increase of 63.8 per cent in two years (Ministry of Education [MoE], 2025). Trainers in post rose from 6,296 to 9,908 over the same period, but the

shortfall was still 7,041 in FY 2024/25. The trainer-to-trainee ratio stood at 1:55 against a recommended 1:25, and about 300 trainers were leaving the subsector each year (MoE, 2025). Pay arrangements are also uneven. Of the trainers in public institutions, 63 per cent were engaged by the Public Service Commission and 37 per cent by institutional boards or councils (TVET Authority [TVETA], 2025), so two trainers in the same workshop may serve on different terms.

Bungoma County shows the pressure at local level. It had 88 accredited TVET institutions by October 2024, and Bungoma National Polytechnic grew from 6,041 trainees in 2023 to 8,458 in 2024. Its STEM trainer-to-trainee ratio of 1:45 was more than twice the TVETA benchmark (TVETA, 2025).

Compensation is one of the main tools an organization has for attracting, motivating and keeping staff, yet it has received less research attention than other areas of human resource management (Gupta & Shaw, 2014). Here, compensation strategies mean the financial and employment-related rewards an institution gives in return for employees' contribution, judged by the adequacy, fairness and timeliness of salary, allowances and incentives. Kenyan evidence on its link with performance is mixed. Ooko (2020) found that competitive compensation explained 11.7 per cent of the variation in the performance of county governments in Western Kenya. Among office administration staff in public universities, by contrast, Kinyamu et al. (2021) found that training was related to employee performance but compensation was not. Opwondo and Kiiru (2024) reported a positive and significant influence of compensation on the performance of the National Museums of Kenya. None of these studies was set in public TVET, where pay largely follows national scales and staff in one institution may answer to different employers.

1.1 Statement of the Problem

Public TVET institutions are expected to offer quality, industry-relevant training and to use public money efficiently. That requires a competent, motivated and stable workforce. Enrolment, however, has outpaced the trainer workforce, trainers continue to leave and capitation has fallen short of plan (MoE, 2025). Each departure costs an institution knowledge and recruitment money, and it weakens training.

What is not known is whether the way these institutions reward staff is related to how well they perform. Kenyan studies on the question were done in universities, county governments, a museum and faith-based organizations (Kinyamu et al., 2021; Musau et al., 2024; Ooko, 2020; Opwondo & Kiiru, 2024). Most of them measured individual outcomes such as employee performance or intention to stay, which are related to institutional performance but are not the same thing. The one TVET study located was set in Kiambu County and did not isolate compensation (Maina & Muathe, 2023). Managers and policy makers in the sector therefore have little local evidence on how much remuneration practice matters for institutional results.

1.2 Objective and Hypothesis

The objective was to assess the influence of employee compensation strategies on the perceived organizational performance of public TVET institutions in Bungoma County, Kenya. By perceived organizational performance we mean employees' own assessment of their institution's productivity, training and service quality, and workforce stability; it was not taken from institutional records. The study tested the null hypothesis below.

H_{o1}: Employee compensation strategies have no significant influence on the perceived organizational performance of public TVET institutions in Bungoma County, Kenya.

2. LITERATURE REVIEW

2.1 Theoretical Review

Herzberg's Two-Factor Theory anchored the study (Herzberg et al., 1959). The theory separates motivators, such as achievement, recognition, responsibility and growth, from hygiene factors, such as salary, working conditions, organizational policy and job security (Alrawahi et al., 2020). Hygiene factors act on

dissatisfaction. When they are adequate, staff have one less reason for discontent, though they are not necessarily spurred to greater effort; when they fall short, staff grow dissatisfied and begin to think of leaving. Motivators act on satisfaction and effort. Salary is the clearest hygiene factor in Herzberg's scheme. In a public TVET institution, a fair salary paid on time and adequate allowances belong on the hygiene side. Recognition and performance-based incentives sit closer to the motivators, because they reward achievement.

The theory leads to a specific expectation for this study. If pay works mainly as a hygiene factor, it should be most closely related to whether staff stay, since dissatisfaction shows first in turnover and intention to leave. Its link with productivity and training quality should be weaker and should depend on the incentive and recognition elements of pay. Herzberg's critics note that employees in different roles respond to pay differently, so factors do not always fall neatly into one group (Alrawahi et al., 2020). For that reason compensation was measured as a composite of salary, allowances and incentives, and its relationship with performance was tested, not assumed. The analysis used the composite performance score, so the expectation about workforce stability is set out here for later work (Section 5.3) and was not tested.

Social Exchange Theory supported the study. It treats employment as an exchange: employees who see fair treatment, fitting reward and support from the organization return commitment, loyalty and effort (Blau, 1964; Cropanzano et al., 2017; Kurtessis et al., 2017). Two of its ideas bear on pay. Staff judge pay by whether it is distributed fairly and paid predictably, as well as by its amount. And staff who believe the institution has kept its side of the bargain feel obliged to repay it, through commitment, extra effort and a decision to stay. On this reading, pay affects institutional performance indirectly, through the commitment it builds. The theory has been criticized as conceptually loose and as paying too little attention to power within the exchange (Cropanzano & Mitchell, 2005). The criticism has force in public TVET, where national bodies set pay. What local managers do control is how fairly allowances are shared, whether pay arrives on time and whether good work is recognized.

Combined, the two theories describe a chain. Fair, reliable pay reduces dissatisfaction and builds commitment, and a committed, stable workforce supports productivity, training quality and efficiency. This study examined the two ends of that chain, compensation and perceived performance. Commitment and satisfaction were not measured, so the middle links come from theory.

2.2 Empirical Review

Adil et al. (2020) studied compensation packages, job satisfaction and retention among employees of private universities in Jalalabad, Afghanistan. Using a descriptive survey and regression analysis, they found that market-based pay significantly predicted both satisfaction and retention. The sample was drawn by convenience, the setting was private higher education and organizational performance was not measured. In a narrative review covering several industries, Sorn et al. (2023) concluded that fair pay is central to keeping staff, although the range of settings reviewed makes it hard to apply the conclusion to any single sector.

Working with 126 employees of four deposit money banks in Ilorin, Nigeria, Amoo et al. (2020) used stratified random sampling and found profit sharing to be positively related to loyalty and retention. Bimenyimana et al. (2024) surveyed 221 employees of the University of Rwanda and reported a positive correlation between attractive remuneration and organizational performance. Their study examined compensation together with other retention strategies, so its separate contribution could not be identified, and a university operates under different rules from a TVET institution.

Kenyan studies point the same way but leave gaps. Musau et al. (2024) surveyed 289 employees of non-tithe-based institutions in the West Kenya Union Conference and found that compensation policy significantly influenced retention, though performance was not their outcome. At the National Museums of Kenya, Opwondo and Kiiru (2024) found a positive and significant influence of compensation on organizational performance among 144 employees. Ooko (2020) reported that compensation explained 11.7 per cent of the variation in county government performance in Western Kenya, Bungoma included, whereas Kinyamu et al. (2021) found no significant link with employee performance in public universities. Most of these studies, like the present one, measured performance through employees' own ratings. The evidence is mostly positive but

inconsistent, measured largely at the individual level, and gathered outside public TVET. The present study was designed to address these gaps.

2.3 Conceptual Framework

Compensation strategies were the independent variable, measured through salary (fairness relative to responsibilities, match with qualifications and experience, timely payment), allowances (adequacy, sufficiency for financial needs, fairness of distribution) and incentives (provision of performance-based incentives, their

effect on motivation, recognition of good work). Perceived organizational performance was the dependent variable, measured through employee productivity, quality of training and service delivery, and workforce stability. Continuous professional development, work environment and work–life balance, the other retention practices in the wider study, were entered in the multiple regression as controls.

3. METHODOLOGY

3.1 Research Design and Study Area

A descriptive survey design was used because it allows data to be collected from a defined population to describe existing conditions without manipulating any variable (Mugenda & Mugenda, 2019). The design is cross-sectional, so the relationships it estimates are associations. Seven public TVET institutions in Bungoma County took part: Kisiwa National Polytechnic, Bungoma National Polytechnic, Musakasa TTI, Matili TTI, Sirisia TVC, Bungoma North TVC and Webuye West TVC.

3.2 Population, Sample Size and Sampling

The target population was 1,130 employees, made up of 755 trainers and 375 non-training staff. Staff establishment lists from each institution, checked against records held by the Bungoma County TVET Directorate, served as the sampling frame. Staff engaged by the Public Service Commission and by institutional councils were both included, while casual workers, trainees on attachment and staff on extended leave were left out. Yamane's (1967) formula, at 95 per cent confidence and 5 per cent precision, gave the sample size:

$$n = N / (1 + Ne^2) = 1{,}130 / (1 + 1{,}130 \times 0.05^2) \approx 295$$

The population was divided into 14 strata, one for each staff category in each institution, and the sample was allocated to each stratum in proportion to its size. Within a stratum, respondents were picked by simple random sampling using random numbers generated in Microsoft Excel. Table 1 gives the distribution.

Table 1: Target Population and Sample Distribution

Institution	Trainers	Non-trainers	Population	Sample
Kisiwa National Polytechnic	177	71	248	65
Musakasa TTI	46	29	75	20
Matili TTI	141	62	203	53
Sirisia TVC	72	31	103	27
Bungoma North TVC	67	30	97	25
Webuye West TVC	49	27	76	20
Bungoma National Polytechnic	203	125	328	85
Total	755	375	1,130	295

Source: Bungoma County TVET Directorate (2026)

3.3 Instrument, Validity and Reliability

The questionnaire used closed items on a five-point Likert scale (1 = strongly disagree, 5 = strongly agree). Nine items measured compensation, three each on salary, allowances and incentives (Table 2). Nine measured perceived organizational performance, three each on employee productivity, quality of training and service delivery, and workforce stability. The three stability items ask whether staff stay with the institution. Since pay is itself expected to affect retention, these items overlap in content with the independent variable, a point taken up in Sections 4.8 and 5.3.

The three control variables were each measured with nine items. Continuous professional development covered access to and relevance of training, career advancement and fairness of promotion, and new skills gained through continuous learning (α = .968). Work environment covered workplace safety, learning resources and modern equipment, and the adequacy and comfort of the physical workspace (α = .970). Work–life balance covered flexible schedules, leave, and workload and the sharing of tasks (α = .972). Each control scale loaded on one component, with eigenvalues of 6.69, 7.25 and 7.37 (74.3, 80.6 and 81.9 per cent of variance) and loadings of .756 to .895, .881 to .917 and .892 to .919 respectively. Every construct was scored as the sum of its items, giving a range of 9 to 45.

Before the main study, the questionnaire was piloted with 30 respondents, 10 per cent of the sample, drawn in proportion from Kitale National Polytechnic, Endebes TTI and Kiminini TVC in Trans Nzoia County. These institutions work under the same regulatory and staffing framework as those in Bungoma, and using them kept the main respondents from seeing the instrument early. Human resource practitioners and senior staff reviewed the items for content validity. Construct validity was assessed by principal component analysis of each scale, with the number of components retained by the eigenvalue-greater-than-one rule and the scree plot. Cronbach's alpha measured internal consistency, with .70 as the minimum acceptable value (Hair et al., 2019).

3.4 Data Collection and Analysis

Questionnaires were delivered and collected by hand after institutional management gave permission. Several design choices were meant to limit common-method bias (Podsakoff et al., 2003). No names or other identifiers were recorded, respondents were assured of confidentiality, and three sections on the other retention practices stood between the compensation items (Section B) and the performance items (Section E). The drop-and-pick method also let respondents answer in their own time. Data were analyzed in SPSS version 25 using frequencies, percentages, means, standard deviations and Pearson correlation.

The hypothesis was tested at the .05 level with simple linear regression:

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

In this model, Y is perceived organizational performance, β_0 the constant, β_1 the coefficient for compensation strategies, X_1 compensation strategies and ε the error term. Compensation was then entered into a multiple regression alongside continuous professional development (X_2), work environment (X_3) and work–life balance (X_4), to see whether its relationship with performance held when the other retention practices were considered:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Normality, linearity, homoscedasticity and multicollinearity were checked before the regressions were run, and tolerance and variance inflation factors (VIF) are reported for every predictor.

Respondents are nested within seven institutions, so their answers may not be independent, and ordinary least squares then understates standard errors. Seven clusters are too few for reliable cluster-robust standard errors or a multilevel model (Cameron & Miller, 2015), so a sensitivity analysis was run instead. A coefficient's standard error grows with the square root of the design effect, $1 + (m - 1) \times \text{ICC}$, where m is the average number of respondents per institution (about 38) and ICC is the intraclass correlation. For each coefficient we found the design effect, and so the ICC, at which its t value would drop to the critical value of 1.969. The

calculation is approximate, because it assumes the predictor and the outcome are clustered to the same degree. It does show how much clustering each result can bear.

3.5 Ethical Considerations

The Kibabii University School of Graduate Studies approved the study, and the National Commission for Science, Technology and Innovation (NACOSTI) issued a research permit. Participation was voluntary, respondents could withdraw at any point and no names or other identifiers were recorded.

4. RESULTS AND DISCUSSION

4.1 Response Rate and Respondent Profile

Of the 295 questionnaires distributed, 267 came back fully completed, a response rate of 90.5 per cent. Men made up 59.2 per cent of respondents and women 40.8 per cent. The largest age groups were 31–40 years (34.5%) and 41–50 years (30.3%). Just over half (57.7%) held at least a bachelor's degree. Trainers formed 68.5 per cent of the respondents and non-training staff 31.5 per cent, and 56.9 per cent had worked in their institution for six years or more. Most respondents had therefore been in post long enough to judge their institution's pay practices.

4.2 Validity and Reliability of the Measures

Sampling adequacy for the compensation items was high (KMO = .970) and Bartlett's test of sphericity was significant ($\chi^2 = 2750.134$, df = 36, $p < .001$), so the items were suitable for factor analysis. Principal component analysis extracted one component, with an eigenvalue of 7.29 that accounted for 80.9 per cent of the variance in the nine items. No other component had an eigenvalue above 1.00. Loadings ran from .877 to .909 and communalities from .770 to .826 (Table 2), and all nine items were kept.

Salary, allowances and incentives did not separate into distinct dimensions. Staff who rated one part of their pay highly tended to rate the others highly too. Compensation was therefore analyzed as one composite. The three facets are still useful for describing the content of pay, and their item means are compared in Section 4.3, but the study makes no claim that they are separate dimensions and does not estimate their effects one by one. Cronbach's alpha for the scale was .970.

Table 2: Factor Loadings for Compensation Strategies (Single Component)

Facet	Item	Loading	Communality
Salary	My basic salary is fair relative to my job responsibilities	0.909	0.826
Salary	My salary reflects my qualifications and experience	0.909	0.826
Salary	My salary is paid consistently and on time	0.901	0.812
Allowances	The institution provides adequate allowances	0.907	0.823
Allowances	Allowances offered meet my financial needs	0.897	0.805
Allowances	Allowances are distributed fairly among employees	0.901	0.813
Incentives	The institution provides performance-based incentives	0.9	0.81
Incentives	Incentives motivate me to improve my performance	0.894	0.8
Incentives	Good performance is recognized and rewarded	0.877	0.77

Note. KMO = .970; Bartlett's $\chi^2 = 2750.134$, df = 36, $p < .001$. One component extracted (eigenvalue = 7.29; 80.9% of variance). Cronbach's $\alpha = .970$. Extraction method: principal component analysis. Source: Field Data (2026)

The performance items behaved in the same way (KMO = .966; $\chi^2 = 2647.699$, df = 36, $p < .001$). They loaded on one component (eigenvalue = 7.18; 79.8% of variance), with loadings from .877 to .904, and alpha was .968. Productivity, training quality and workforce stability are treated like the compensation facets, as parts of one composite that can be compared descriptively. The control scales met the same criteria (Section 3.3).

Loadings and reliabilities this high on every scale, together with the strong correlations among all the study variables (Section 4.6), point to a general response tendency, one of the signs of common-method variance (Podsakoff et al., 2003). The design choices in Section 3.4 lower that risk without removing it, and no statistical test for common-method variance was run. The associations that follow are probably inflated and are best read as upper bounds.

4.3 Staff Perceptions of Compensation

Table 3: Descriptive Statistics for Compensation Strategies (N = 267)

Statement	Min	Max	Mean	SD
My basic salary is fair relative to my job responsibilities	1	5	3.91	0.99
My salary reflects my qualifications and experience	1	5	4.03	0.992
My salary is paid consistently and on time	2	5	4.11	0.942
The institution provides adequate allowances	1	5	3.96	1.007
Allowances offered meet my financial needs	1	5	4.07	0.969
Allowances are distributed fairly among employees	1	5	4.15	0.926
The institution provides performance-based incentives	1	5	3.88	1.014
Incentives motivate me to improve my performance	1	5	4.02	0.952
Good performance is recognized and rewarded	1	5	4.1	0.93
Composite (mean of nine items)			4.03	0.872

Note. The composite SD is the standard deviation of respondents' average scores across the nine items. Source: Field Data (2026)

Item means ranged from 3.88 to 4.15, and the composite was 4.03 (SD = 0.872), so staff generally agreed that their pay was adequate. Fair sharing of allowances had the highest rating (M = 4.15, SD = 0.926), followed by consistent and timely payment of salary (M = 4.11, SD = 0.942) and recognition and reward of good performance (M = 4.10, SD = 0.930). Staff saw pay as handled reliably and even-handedly. This pattern is consistent with Musau et al. (2024), who found that compensation policy predicted retention in faith-based institutions in Western Kenya, and with Adil et al. (2020), who linked compensation to satisfaction and retention in private universities in Afghanistan.

The amount of pay drew slightly lower ratings than its administration. Fairness of basic salary relative to responsibilities averaged 3.91 (SD = 0.990) and adequacy of allowances 3.96 (SD = 1.007). Provision of performance-based incentives had the lowest mean and the widest spread (M = 3.88, SD = 1.014). It is still above the midpoint, yet incentives look like the weakest part of pay in these institutions. That is no surprise where salaries follow national scales and managers have little room to reward individual effort. In Herzberg's terms, the hygiene side of pay (timeliness and fairness) is reasonably well met, and the side closest to a motivator, reward for performance, lags behind. The gaps between items are small. Because the items form one component, they show how staff rank pay practices, not separate effects.

4.4 Perceived Organizational Performance

Staff also rated their institutions' performance favourably, with item means from 3.88 to 4.15 and a composite of 4.04 (SD = 0.846). Delivery of quality training scored highest (M = 4.15, SD = 0.889), ahead of keeping employees for long periods (M = 4.12, SD = 0.934) and employees' commitment to staying (M = 4.10, SD =

0.934). The lowest ratings went to students performing well because of quality instruction (M = 3.88, SD = 0.993) and employees meeting performance targets (M = 3.93, SD = 1.033). Respondents were confident about training quality and workforce stability. They were less sure that targets were met or that good teaching was showing in student results, which depend on more than staff effort. These figures are staff judgements of their institutions.

4.5 Diagnostic Tests

Kolmogorov-Smirnov and Shapiro-Wilk statistics for compensation (D = .132; W = .914) and perceived performance (D = .127; W = .915) show some departure from normality, which is common in composite Likert scores. With 267 cases, ordinary least squares tolerates moderate non-normality in the variables; for inference, it is the residuals that matter (Field, 2018). The histogram and P-P plot of standardized residuals were close to normal, and the plot of residuals against predicted values showed no funnel shape. In the multiple regression, tolerance ranged from .278 to .296 and VIF from 3.374 to 3.601 (Table 5), with compensation at .278 and 3.601. These values lie within the usual limits of .10 and 10 (Hair et al., 2019), although VIFs above 3 mean the predictors share much of their variance.

The Durbin-Watson statistic was 1.801, inside the range of 1.5 to 2.5, so successive residuals were not correlated. The statistic cannot detect clustering by institution; Section 4.7 deals with that.

4.6 Correlation Analysis

Compensation strategies and perceived organizational performance were strongly and positively correlated ($r = .784$, $p < .001$). Staff who rated their pay more highly also rated productivity, training quality and staff stability more highly. Compensation was just as closely tied to the other retention practices: continuous professional development ($r = .800$), work environment ($r = .776$) and work–life balance ($r = .768$). Institutions that pay well seem to support their staff in other ways too, which matters for how the regressions are read.

4.7 Regression Analysis and Hypothesis Testing

Table 4: Simple Regression of Perceived Organizational Performance on Compensation Strategies

Predictor	B	SE	β	t	p	95% CI for B
(Constant)	8.74	1.371		6.376	< .001	6.041, 11.439
Compensation strategies	0.761	0.037	0.784	20.589	< .001	0.688, 0.834

Note. $R = .784$; $R^2 = .615$; adjusted $R^2 = .614$; SE of estimate = 4.732; $F(1, 265) = 423.908$, $p < .001$. Dependent variable: perceived organizational performance (summed score, 9–45). Source: Field Data (2026)

Compensation strategies explained 61.5 per cent of the variance in perceived organizational performance ($R^2 = .615$, adjusted $R^2 = .614$; Table 4). The model was significant ($F(1, 265) = 423.908$, $p < .001$) and the coefficient was positive ($B = 0.761$, $\beta = .784$, $t = 20.589$, $p < .001$). Both scores are sums of nine items, so each additional point on the compensation score went with 0.761 points on the performance score. The fitted model is:

$$\hat{Y} = 8.740 + 0.761X_1$$

Because p was below .05, the null hypothesis (H_{01}) that employee compensation strategies have no significant influence on the perceived organizational performance of public TVET institutions in Bungoma County was rejected.

On its own, though, compensation takes credit for variance it shares with the other retention practices. Table 5 gives the multiple regression.

Table 5: Multiple Regression of Perceived Organizational Performance on Compensation and Other Retention Practices

Predictor	B	SE	β	t	p	95% CI for B	Tol.	VIF
(Constant)	3.035	1.205		2.518	0.012	0.662, 5.408		
Compensation strategies	0.192	0.056	0.198	3.432	0.001	0.082, 0.302	0.278	3.601
Continuous professional development	0.204	0.056	0.208	3.648	< .001	0.094, 0.315	0.283	3.538
Work environment	0.209	0.056	0.209	3.732	< .001	0.099, 0.319	0.296	3.374
Work–life balance	0.317	0.053	0.336	5.981	< .001	0.213, 0.421	0.29	3.449

Note. $R^2 = .756$; adjusted $R^2 = .752$; SE of estimate = 3.789; $F(4, 262) = 203.179$, $p < .001$; Durbin-Watson = 1.801. Dependent variable: perceived organizational performance. Source: Field Data (2026)

The four predictors together explained 75.6 per cent of the variance ($R^2 = .756$, $F(4, 262) = 203.179$, $p < .001$). Holding the other three practices constant, compensation remained positive and significant (B = 0.192, β = .198, t = 3.432, p = .001). Its standardized coefficient was close to those of work environment (β = .209) and professional development (β = .208) and well below that of work–life balance (β = .336). So compensation keeps a unique association with perceived performance, but a much smaller one than the 61.5 per cent it explains alone. With the predictors correlated at .760 to .800, the ranking of the four coefficients should not be pressed.

How much do these results rely on treating respondents as independent? For the simple regression, hardly at all. Its t value of 20.589 would stay significant even at the ceiling design effect of about 38, the value reached if everyone in an institution gave identical answers. The multiple regression is more fragile. Compensation's t value of 3.432 would fall to the critical value at a design effect of about 3.04, an ICC of roughly .055. Professional development and work environment would cross the line at ICCs of about .065 and .070, work–life balance at about .221. Compensation's unique association is thus the least secure result in the study: it holds only if under about 5.5 per cent of the variance in perceived performance lies between institutions, and it should be treated as tentative until the ICC is estimated.

4.8 Discussion

The positive relationship between compensation and perceived organizational performance agrees with Opwondo and Kiiru (2024), who found that compensation significantly influenced the performance of the National Museums of Kenya, and with Bimenyimana et al. (2024), who linked remuneration to organizational performance at the University of Rwanda. Ooko (2020) found the same direction but a much smaller effect: 11.7 per cent of variance in county government performance, against 61.5 per cent here. Two features of this study probably explain most of the gap. The simple model left out the other retention practices, which share much of compensation's variance, and the same staff rated both their pay and their institution's performance. With the other practices in the model, compensation's standardized coefficient dropped to .198, far closer to Ooko's estimate.

The result differs from Kinyamu et al. (2021), who found no link between compensation and employee performance in public universities. Their outcome was individual performance. This study asked staff to rate their institution, and its performance measure included workforce stability, which pay is likely to affect more directly. The findings also carry earlier work on compensation, satisfaction and retention (Adil et al., 2020; Amoo et al., 2020; Musau et al., 2024) over to staff perceptions of institutional performance in public TVET.

Both theories help to explain the pattern, though neither was fully tested. Herzberg treats fair and timely pay as a hygiene factor that removes a reason for trainers to leave without, by itself, raising their effort. The high ratings for workforce stability are consistent with that view, although the study did not test whether pay relates more closely to stability than to productivity. The theory would also explain why compensation's unique share shrank once professional development and work–life balance, which sit nearer the motivators, entered the model. Social Exchange Theory adds fairness and reciprocity: staff who see allowances shared fairly and good

work recognized may repay the institution with commitment and effort. Commitment was not measured, so this remains a plausible account of the association. The low rating for performance-based incentives shows where institutions fall short. They handle the hygiene side of pay reasonably well but do less to reward contribution, which is the part of pay that institutional managers control most directly.

5. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

Employee compensation strategies have a positive and statistically significant association with the perceived organizational performance of public TVET institutions in Bungoma County. Compensation alone accounted for 61.5 per cent of the variation in perceived performance, and it stayed significant, with a much smaller coefficient, when the other retention practices were added. The simple association would survive any degree of clustering within institutions; the unique association holds only if less than about 5.5 per cent of the variance in

perceived performance lies between institutions. Staff rated the timeliness of salary payment and the fairness of allowances highly and performance-based incentives lowest. Because the data are cross-sectional and come from the same respondents, the study shows that pay and perceived performance move together. It cannot show that better pay produces better performance. Compensation works best as one of a set of retention practices, alongside professional development, a supportive work environment and work–life balance.

5.2 Recommendations

Institutional management should set clear criteria for awarding allowances and incentives and publish them to all staff, so that the fairness staff now perceive is kept and can be seen. Performance-based incentives were rated lowest, so managers should develop non-salary incentive and recognition schemes tied to agreed performance targets, within what the public pay framework allows. Salary and allowance payments should stay prompt and predictable, since reliable pay administration was among the strongest aspects of compensation. The Public Service Commission, the Salaries and Remuneration Commission and institutional councils should review the different terms of service for trainers hired by different employers, so that staff doing the same work in one institution are paid on equal terms. Compensation should also be reviewed together with the other retention practices. Finally, institutions should track turnover, trainer-to-trainee ratios and completion rates, so that the effect of any change in pay practice can be judged from records as well as perceptions.

5.3 Limitations and Suggestions for Further Research

The study has several limitations. The design was cross-sectional, so the results show association, and better-performing institutions may simply be able to pay better. Performance was measured through staff perceptions, not institutional records. The same respondents rated compensation and performance on one questionnaire, which can inflate the relationship between them (Podsakoff et al., 2003). No statistical test for common-method variance was run, and the uniformly high correlations among the study variables (.76 to .81) suggest some inflation. Three of the nine performance items concern retention, which pay is itself meant to influence, so part of the measured relationship may come from overlap between the two measures.

Respondents were grouped within seven institutions, too few for a multilevel model or reliable cluster-robust standard errors. The sensitivity analysis shows that compensation's unique association depends on only a small share of the variance lying between institutions, and that share was not estimated. The compensation items formed one component, so the separate effects of salary, allowances and incentives could not be estimated. The findings apply to public TVET institutions in one county and should not be extended to private institutions or other counties without replication. Future studies should estimate the intraclass correlation, test for common-method variance, repeat the analysis without the retention items, and test the hygiene expectation by relating pay separately to workforce stability and to productivity. They should also pair staff perceptions with records such as turnover, graduation rates and trainer-to-trainee ratios, collect performance ratings from a second source such as principals or TVETA quality audits, follow institutions over time, and use items designed to separate salary, allowances and incentives. A larger number of institutions would allow multilevel models, and

measuring job satisfaction or organizational commitment would show whether either carries the association between pay and performance.

DECLARATIONS

Ethical approval: The study was approved by the Kibabii University School of Graduate Studies and licensed by NACOSTI. All respondents gave informed consent.

Conflict of interest: The authors declare no conflict of interest.

Data availability: The data are available from the corresponding author on reasonable request. They are not public because respondents were promised confidentiality.

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