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HUMAN RESOURCE

EMPLOYEE COMPENSATION PRACTICES AND EMPLOYEE RETENTION IN NON-GOVERNMENTAL ORGANIZATIONS IN KENYA

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ABSTRACT

Purpose of the study: The purpose of the study was to establish the relationship between employee compensation practices and employee retention in non-governmental organizations in Kenya.

Statement of the Problem: Non-governmental organisations (NGOs) in Kenya are facing high employee turnover rates. According to a 2021 report from The National Council of NGOs, the turnover rate is as high as 26%.

Research methodology: The study used an explanatory research design. The target population study was drawn from the 1,191 NGOs registered in Nairobi. The study's respondents were the top managers of each of these NGOs. The sample size was 238 individuals out of the total target population of 1,191. The study used simple random sampling technique to select one top manager from each of the 238 sampled NGOs. SPSS was used to carry out the analysis. Pearson's product-moment correlation coefficient was used to assess the association between the variables in the study. Regression analysis was used to establish the relationship between variables.

Findings: The findings of the study showed that compensation is positively and significantly related to employee retention in non-governmental organizations in Kenya ($\beta=0.555$, $p=0.000$).

Conclusion: The study concluded that compensation, which includes things like salary, benefits packages and bonuses, had a significant impact on employee retention. Providing fair and competitive compensation, along with a comprehensive benefits package, can help to improve employee satisfaction and retention, but it is important to take a holistic approach that considers multiple factors that influence employees to stay.

Recommendations: The study recommends that enhancing compensation package is an effective strategy for increasing employee retention in Kenyan NGOs. NGOs should aim to provide competitive market rates that will enable them to attract and retain the best talent in the labour market. NGOs in Kenya should also improve their benefits packages to increase employee retention. The benefits may include health insurance, retirement savings plans, and paid time off. NGOs should regularly review and update these benefits packages to ensure they continue to meet employee needs and remain competitive enough to attract new talent.

Keywords: *Employee compensation practices, Employee Retention, Non-Governmental Organization, Kenya*

INTRODUCTION

Employee retention is crucial as it enhances organisational stability, reduces turnover costs and fosters a more experienced and efficient workforce, which in turn contributes to long-term success and competitiveness. The departure of key personnel can significantly impact an organization's performance; typically, employees who are likely to leave are those who are dissatisfied (Armstrong, 2019). Employee retention according to Ndinya et al, (2017) is described as the effort by which employers attempt to retain employees in their workforce to prevent high turnover that would otherwise result in high training cost, and loss of talent. To maintain a strategic advantage, it is essential to retain a team of committed and productive employees who contribute to a healthy work environment. Chipunza and Samuel (2009) report that a well-trained and experienced work force is crucial for achieving the organisation objective. Hence, organisations should design appropriate quality strategies. Replacing employees can be very costly and have adverse effects on service delivery (Zubair, Bashir, Abrar, Baig & Hassan, 2015). Consequently, it is crucial for management to reduce the frequency of departures, especially among employees who are vital to its operations.

Employee compensation practices refer to the methods and strategies organizations use to provide financial and non-financial rewards to their employees, including base pay, benefits packages, and incentive pay. Employee compensation practices play a crucial role in attracting, retaining, and motivating employees within organizations. Korm (2019) and Burke and Hsieh (2021) emphasize the significance of competitive base pay structures in ensuring employee satisfaction and reducing turnover intentions. A well-structured base pay, aligned with industry standards and reflecting the employee's role and responsibilities, serves as a fundamental element in employee compensation practices, setting a baseline for financial security and perceived fairness within the organization. Chepchumba and Kimutai (2018) and Něměčková (2017) argues that base pay adequacy is essential for meeting the basic needs of employees, thereby fostering a sense of stability and loyalty towards the organization.

Benefits packages constitute an integral part of the total compensation strategy, offering additional value to the employees beyond their regular salaries (Adeoye & Fields, 2020; Osibanjo & Adenji, 2020). These packages such as health insurance, retirement plans and paid leave can contribute significantly to the satisfaction of the employees. Msengeti and Obwogi (2015) and Hassan (2021) suggest that comprehensive benefits packages not only enhance job satisfaction but also act as a deterrent against employee turnover by providing long-term security and well-being, thereby reinforcing the employees' commitment to the organization.

Incentive pay, for instance, is designed to reward performance and motivate employees towards achieving specific organizational goals. Rynes, Gerhart, and Minette (2019) and Burton (2020) highlight the effectiveness of incentive programs in motivating employees and aligning their efforts with the organization's objectives. Chiekezie, Emejulu, and Nwanneka (2017) reports that when incentive pay is perceived as fair and attainable, it can significantly boost morale, productivity, and loyalty. Incentive programs, when strategically implemented, serve as a powerful tool for reinforcing desirable behaviors and outcomes, ultimately contributing to the retention and long-term engagement of talented employees within the organization. Thus, the study examined the relationship between employee compensation practices and employee retention in non-governmental organisations in Kenya.

STATEMENT OF THE PROBLEM

The retaining a skilled and talented workforce is challenging, especially in the context of global competition and labor mobility. The Hay Group (2013) predicted that the global turnover rate would reach 23% due to the expansion of labor markets. Ng'ethe, Iravo, and Namusonge (2012) highlighted employee retention as a major challenge for various sectors, as globalization increased the demand and movement of knowledgeable workers. This challenge was evident in the NGOs in Kenya, where previous studies reported a high turnover rate of 26% (National Council of NGOs, 2015). Several NGOs faced employee attrition, such as Asante Africa Foundation (12%), Program for Appropriate Technology and Health–PATH (10%), and John Hopkins (28%). Mbwaya (2020) revealed that the high turnover at ILRI over a decade adversely affected its organizational efficiency, leading to staff shortages, project delays, and service disruptions. Consequently, a high turnover rate can undermine an organization's mission, as it results in the loss of continuity, institutional knowledge, and replacement costs.

One of the main causes of the high turnover rate was the lack of effective reward management practices (Njoroge et al., 2021; Lunglaho and Mukanzi, 2018). NGOs struggled to develop reward structures that aligned with the donor financial management framework, which made employees switch to better-paying organizations. Therefore, NGOs needed to adopt diverse reward mechanisms beyond traditional compensation to engage their workforce. It was essential to recognize that employees were motivated by different factors, such as career advancement, recognition, and development opportunities. By customizing reward systems to suit individual needs, NGOs could improve employee retention, satisfaction, and motivation, creating a more dynamic and committed organizational culture. This comprehensive approach to employee rewards acknowledged the complexity of human motivation and the need to address it holistically.

Studies by Onyango (2013), Nyaga (2015), Njoroge et al. (2021), Ndinya et al. (2017), and Wachira (2018) have attempted to identify the critical factors that influence employee retention in Nairobi's NGOs. However, these studies did not clearly demonstrate the direct relationship between reward management practices and retention. To address this gap, the study aimed to generate data that could be generalized and used to develop appropriate and sustainable retention strategies for NGOs, which was a pressing challenge. The current study explored the effect of employee compensation practices on employee retention in non-governmental organisations in Kenya.

RESEARCH OBJECTIVE

The objective of the study was to examine the relationship between employee compensation practices and employee retention in non-governmental organisations in Kenya.

RESEARCH HYPOTHESIS

H_0: Employee compensation practices has no significant relationship with employee retention among non-governmental organisations in Kenya.

THEORETICAL REVIEW

The theory framework introduces and describes why the research problems under study exist and also helps in limiting the scope of data relevant for the study (Adend, 2019; Swanson, 2013). The study was anchored on expectancy theory. This is a motivational theory proposed by Victor Vroom who believed that people are motivated to perform activities to achieve some goal to the extent they expect that certain action on their part would help them to achieve the goal. People will perform better if there is a desirable outcome or reward, according to Vroom (1961). The theory indicates that the strength of a tendency to act in a certain way is determined by the strength of an expectation that the act will result in each outcome and the attractiveness of that outcome to the individual. People join organizations with expectations, and if those expectations are met, they will continue to be members (Daly & Daly, 2019).

There are three components in expectancy theory: expectancy, instrumentality, and valence, each with its own relationships. Expectancy is the perception that exerting effort will lead to performance. It was influenced by variables such as self-efficacy, goal difficulty and one’s perceived control over performance. Instrumentality is an individual estimate of the probability that a given level of achieved task performance will lead to various outcomes. Valence is the strength of an employee’s preference for a particular reward (Lunnenburg, 2019). Vroom's theory states that the choices made by a person among alternative courses of action are lawfully related to psychological events occurring contemporaneously with the behaviour, (Vroom, 1964). So, people choose among alternatives in a conscious manner and the choices are systematically related to psychological processes particularly perceptions, and formations of beliefs and attitudes (Vroom 1964).

The expectancy theory advances that even though individuals have different sets of goals, they can be motivated to work if they believe that there is a positive correlation between effort and performance (Robbins & Judge, 2012). Therefore, organisations must understand what type of benefit motivates their employees because there is no one standard that fits all. Employees who get rewarded for performance will be motivated and tend to stay longer with the organisation. The theory was relevant to the current study, which aimed to investigate the impact of employee compensation practices on retention within Kenyan non-governmental organizations (NGOs). The theory suggests that employees' motivation to remain in an organization is influenced by their belief that their efforts will lead to desired performance and be rewarded accordingly. By leveraging expectancy theory, the research aimed to uncover insights into the psychological processes that underpin employee commitment and retention, emphasizing the need for organizations to align compensation practices with employee expectations and values to foster a motivated and loyal workforce.

CONCEPTUAL FRAMEWORK

A conceptual framework is a diagrammatical representation that shows the relationship between dependent and independent variables. Figure 1 presents a conceptual framework that shows the relationship between employee compensation practices and employee retention.

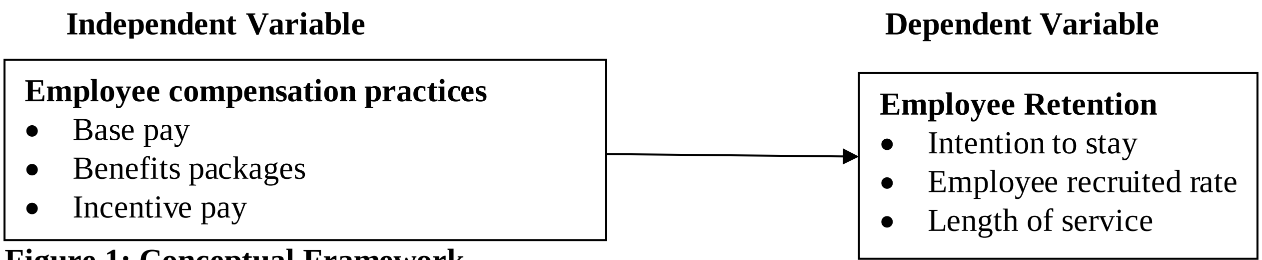

Figure 1: Conceptual Framework

EMPIRICAL REVIEW

Compensation is the pay that an employer gives to an employee for their services, which can involve effort, time, skill, or performance (Korm, 2019). Burke and Hsieh (2021) distinguish between fixed pay and variable pay as two types of compensation tools. Fixed pay is the salary method of pay, while variable pay consists of incentives, bonuses, profit sharing, and other pay-for-performance schemes that depend on how well the employee performs. Adeoye and Fields (2020) state that these compensations are monetary rewards that exceed basic pay and include cash or direct benefits such as salary, wages, commissions, and performance-based bonuses. Chepchumba and Kimutai (2018) add that indirect financial benefits that supplement direct pay are also part of compensation. These include allowances for leave, holidays, meal, utility, incentives, shift, out of station, car, and hospital, as well as non-cash benefits such as insurance and retirement programmes.

Němečková (2017) conducted a study on the role of compensation in employee motivation and retention. She found that one of the key factors for a firm to gain competitive advantage in a dynamic business environment is human capital, as knowledge is now a vital economic resource. Therefore, managers should provide all expenses and invest in human capital, regardless of the economic situation, to motivate their employees to use their energy, knowledge, and skills for teamwork and achieve both team and firm objectives (Němečková, 2017). To retain their best talents, organizations must develop sound and effective compensation strategies.

Němečková (2017) examined the role of compensation in employee motivation and retention revealed that human capital is one of the key factors for firms to gain competitive advantage in a competitive business environment, as knowledge is now a critical economic resource. Therefore, managers should provide all expenses and invest in human capital, regardless of difficult economic situations, to motivate it to devote its energy, knowledge, and skills to teamwork and achieve both team and firm objectives (Němečková, 2017). To retain their best talents, organizations must develop sound and effective compensation strategies.

Adeoye and Fields (2020) found that compensation has the power to influence workers either intentionally or unintentionally and that a paycheck communicates the value and importance an employer has placed on the employee and team effort. The authors' statement indicates that the way compensation is managed determines the level of attraction and retention of employees. They posit that compensation is a tool that aims to improve individual and ultimately organizational performance because it enhances dedication and determination. It needs to be managed accurately and precisely to avoid derailing the operations of the firm. Rynes et al. (2019) state that, despite the above findings, pay always ranks first when it comes to job categorization using job description and when workers make choices for taking up the job. Non-financial compensation does not involve money directly, but is related to the work itself, such as autonomy, achievement, scope of work, and recognition, according to Osibanjo and Adenji (2020). They also suggested that other non-financial methods include training and career development opportunities, as well as skills development, to boost employee morale.

Das and Baruah (2020) stated that individual compensation is where the package is associated with an individual's effort, for example, a pay-for-performance system to motivate high performance and efficiency and to retain high-caliber employees. They also claimed that compensation is instrumental in retaining managerial employees in the organization. A study by Gundry (2021) on employee satisfaction revealed that salary was the number one factor that would increase workers' satisfaction in their jobs, followed by other aspects such as professional growth, career advancement, better relationship with supervisor or manager, better relationship with co-workers, and more time off.

According to a study by Msengeti and Obwogi (2015) on the effect of pay and work environment on employee retention, employee pay is one of the components of financial compensation and it involves two elements: the basic pay based on hourly, daily, weekly, or monthly rate, and contingency pay which is money paid to persons who are deemed to have fully contributed to the business objectives. Hassan (2021) noted that cash payments can result in negative outcomes such as increased conflicts among workers when they pursue personal objectives at the expense of the organization. A study by Rynes, Gerhart and Minette (2019) on the importance of pay in employee motivation revealed that pay is not really a major motivator as it ranked far from first place. For instance, when 16 studies were reviewed, salary ranked as number six, behind factors of motivation such as interesting work, job security, appreciation, opportunity for advancement, and company and management.

Rynes et al. (2019) also state that this means that pay cannot be underestimated, and it still is a strong contender when it comes to motivation. Rynes et al. (2020) conclude that there are five principles when it comes to pay: to make pay an important motivator, to have varied pay options, to understand that the effect of money as a motivator is not linear across pay ranks, to recognize that how fair pay is depends on people's perceptions, and to realize that how important pay is depends on the objective, such as attraction, retention, or on-the-job performance. They also note that different aspects of pay affect the big three of attraction, retention, and motivation or engagement differently. Chiekezie et al. (2017), posit that organization must have in place a suitable compensation management system that is internally focused to not only outline the employers expectations from the employees, in terms of output as well as behaviour and attitude, but to also find a fit between employees efforts and the business objectives.

Burton (2020) states that there is more to employee motivation than simply money for everyone, but the evidence is overwhelming enough to indicate that money is a critical motivator for the majority of people. A study by Mabaso and Dlamini (2021) on compensation and benefits in job satisfaction found that remuneration forms one of the critical factors that influence employees to take up employment and stay with the firm. However, they assert that firms should endeavour to have equity or be fair to all employees and the same should be better than the market or equivalent and no less. A study by Chiekezie, Emejulu, and Nwanneka (2017), on compensation management and employee retention revealed that the commitment to stay is influenced by several factors such as pay and attractive compensation packages.

Employee benefits are non-cash payments that employers offer to their workers in addition to their salaries. They help to complete the remuneration package and make it more competitive. They also cater to the individual needs of the workers and enhance their commitment to the firm (Kimanzi and Hazel, 2013). Benefits can include income protection, health, savings and retirement programs, among others (Chege, 2016). A study by Mabaso and Dlamini (2021) on the impact of compensation and benefits on retention listed some of the benefits that employees value, such as:

paid leave, medical and medical aid benefits, retirement benefits, housing benefits, car allowance, cell phone allowance, and life and disability insurance.

Another study by Kimanzi and Hazel (2013) on the factors that influence the implementation of employee benefits identified other benefits that employers can offer, such as: flexible start dates, relocation payments, use of company property, sign-on bonuses, tuition reimbursement or full sponsorship, health club membership, clothing allowance, and financial planning. Attractive compensation is one of the very important factors of retention because it fulfills the financial and non-financial desires of the employees. Nawab and Bhatti (2019) argued that benefits play a significant role in attracting and retaining good employees, especially those who have outstanding performance or unique skills that are indispensable. A good and competitive pay structure is likely to motivate such employees to stay for a long period. According to a study by Kimunge and Were (2014), compensation, work-life balance, training, and career growth have a positive impact on employee retention in Kenya Vision 2030 Delivery Secretariat. However, they also found that poor compensation structure and lack of career growth were the main factors that influenced employees' decision to leave the organization.

Njoroge and Kwena (2021) conducted a study on the determinants of employee turnover in non-governmental organizations and discovered that inadequate reward was the major reason that employees quit. They argued that a good rewarding system motivates employees in an organization and that employees' reward should reflect their contribution. MetLife (2021) suggested that employers must offer benefits that provide employees with some level of security and financial wellness, enabling them to manage their lives and risks around them. In other words, employers should be a rock to their employees. Some of the features of the benefits include: employer assistance to their workers to plan for financial risks for themselves and their loved ones, guidance to help them take control of major stressors in their lives, additional health cover or improved savings and pension plans, financial education and advice, customization and personalization of the benefits to suit individual needs, and use of medical data and analytics to boost employees' health cover and wellness strategy (Metlife, 2021).

RESEARCH METHODOLOGY

The study employed an explanatory research design to explore the cause-and-effect relationship between employee compensation practices and employee retention among managers in NGOs in

Nairobi, Kenya. A positivism research philosophy was adopted. The target population comprised 1,191 registered NGOs in Nairobi, and the sample size included 238 top managers selected through simple random sampling. Data were collected using questionnaires. The collected data were processed and analyzed using IBM SPSS version 25. The analysis was carried out using descriptive statistics. The data was summarized using percentages, means and standards and are presented using tables and charts. The inferential statistics included correlation and regression analysis. The study conducted some diagnostic tests that included normality tests, linearity test, multicollinearity and heteroscedasticity to ensure the requirements for regression are met.

FINDINGS AND DISCUSSIONS

RESPONSE RATE

The study used a sample size of 238, specifically selecting one top manager from each of the 238 NGOs under consideration. Out of the selected sample, responses were obtained from 229 managers. Table 1 presents the findings, indicating a response rate of 96.22%. According to Ahmad and Halim (2017), a response rate exceeding 60% of the sample size is sufficient for analysis and inference-making. Similarly, Freiman, Chalmers, Smith, and Kuebler (2019) suggest that a response rate over 50% should be considered satisfactory for analysis. Furthermore, Hendra and Hill (2019) argue that a response rate of more than 70% is suitable for analysis and recommendations. In light of these arguments from distinguished scholars, it's important to note that the response rate in the current study exceeded 80%, making it highly appropriate for the analysis and resulting inferences.

Table 1: Response rate

Response	Targeted respondents	Response (Those responded)	Percentage
Top managers	238	229	96.22%

DESCRIPTIVE STATISTICS

The study examined whether respondents agreed that compensation influence employee retention; 69.35% of the respondents agreed, while 31.65% disagreed that compensation influence employee retention. The study further sought to find compensation information based on a scale of 1-5. The results presented in Table 2, show that 82.50% (28.70%+53.80%) of the managers disagreed that employers offer salaries that match the work while 11.80% (6.10%+5.70%) agreed with the statement and 5.70%. The mean score of the survey question was 2.06 with a standard deviation of 1.05 and this implied that most of the respondents disagreed that employers offer salaries that match the work. In addition, it was found that 88.60%of the respondents disagreed that salaries in the organizations are enough to meet employee needs while 9.50% agreed with the survey question and 1.90% remained neutral. Besides, 81.20% of the respondents disagreed that employers offer bonus to all employees while 13.40% agreed with the survey question and 5.40% remained neutral.

Moreover, it was found that 74.50% of the managers disagreed that the employers provide employees with performance bonuses while 20.70% agreed with the survey question and 4.80% remained neutral. The mean score of the survey question was 2.31 with a standard deviation of 1.29. The study results revealed that 83.10% of the respondents disagreed that the employers offer incentives for outstanding performance while 14.50% agreed with the survey question and 2.40% remained neutral. The mean score of the survey question was 2.07 with a standard deviation of 1.14. Further, it was found that 77.40% of the respondents disagreed that there is a good retirement benefits package at the organizations while 16.50% agreed with the survey question and 6.10% remained neutral.

Further, it was established that 80.30% of the respondents disagreed that compensation plans match those in other organizations while 12.40% agreed with the statement and 7.30% remained neutral. In addition, the study revealed that 66.20% of the respondents disagreed that the benefits package is comparable to those in other NGOs while 30.30% agreed with the survey question and 3.50% remained neutral. The mean score of the survey question was 2.38 with a standard deviation of 1.42. The average mean score of the survey questions under benefits packages was 2.07 with a standard deviation of 1.19. This implied that most of the respondents disagreed with the majority of the survey questions. In addition, it was established that 79.90% of the respondents disagreed that annual salary review motivates employees to perform better while 18.80% agreed with the survey question and 1.30% remained neutral. The mean score of the survey question was 2.18 with a standard deviation of 1.12. The average mean score of the survey question was found to be 2.13 with a standard deviation of 1.10. This signified that the majority of the managers disagreed with the survey questions developed under compensation.

In addition, from the open-ended questions, it was established that other aspects of compensation that influence employee retention include offering pay adjustments, rewards, recognition and embracing transparency and trust. Great communication is essential for employee retention. Communicating compensation strategy enables the team members to understand how decisions are made. Communicate about career ladders and development plans so the team members know what they can do to earn more. Hence, the organization is supposed to take many considerations of offering pay adjustments, rewards, recognition and embracing transparency and trust. There is a need of having clarity in communication for the employees to understand the objectives of the organization.

Table 2: Descriptive Statistics of Employee Compensation

Statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Standard deviation
Our employer offers salaries that match the work	28.70%	53.80%	5.70%	6.10%	5.70%	2.06	1.05
Salaries in our organization are enough to meet employee needs	32.20%	56.40%	1.90%	8.10%	1.40%	2.07	1.13
The benefits package offered is satisfactory	22.30%	66.00%	2.10%	8.00%	1.60%	2.04	0.86
Our employer offers bonus to all employees	22.00%	59.20%	5.40%	10.50%	2.90%	2.13	0.97
Our employer provides us with performance bonuses	27.40%	47.10%	4.80%	8.60%	12.10%	2.31	1.29
There is a good retirement benefits package at the organization	32.80%	44.60%	6.10%	8.60%	7.90%	2.09	1.17
Our employer offers incentives for outstanding performance.	34.90%	48.20%	2.40%	11.30%	3.20%	2.07	1.14
Compensation plans match those in other organizations	18.90%	61.40%	7.30%	7.60%	4.80%	2.26	1.03
Benefits package is comparable to those in other NGOs	27.70%	38.50%	3.50%	22.00%	8.30%	2.07	1.19
Annual salary review motivates employees to perform better	26.40%	53.50%	1.30%	13.70%	5.10%	2.18	1.12
Average						**2.13**	**1.10**

CORRELATION ANALYSIS

Correlation analysis is a statistical method used to evaluate the strength of the association between two quantitative variables. In most cases, the researcher is more concerned with establishing whether the independent variables are associated with the dependent variable (Keane & Adrian, 2002). The correlation coefficient is measured on a scale that varies from + 1 through 0 to - 1. The study results presented in Table 3 results revealed a positive and significant association between compensation and employee retention (r=0.610, p=0.000). The study results are consistent with the findings of Neckermann and Ferry (2020) who found a positive effects of awards as incentive instruments for retention. Gudry (2021) found that compensation increase employee's satisfaction and thus a higher retention rate.

Table 3: Correlation Results

		Employee retention	employee compensation practices
Employee retention	Pearson Correlation	1.000	
	Sig. (2-tailed)	0.000	
employee compensation practices	Pearson Correlation	.610**	1.000
	Sig. (2-tailed)	0.000	

DIAGNOSTIC TESTS

The diagnostic tests performed encompassed assessments for normality, linearity, multicollinearity, and heteroscedasticity to verify that the data met the prerequisites for regression analysis.

Normality Tests

The study employed the Kolmogorov–Smirnov test to examine whether the data is normal. The normality test was used to determine if the sample data was collected from a population with a normal distribution. The results from Table 4 show that the data was normally distributed as the respective p values for compensation was greater than 0.05. Therefore, we can conclude that the data is normally distributed.

Table 4: Normality Test of Employee compensation practices

	Kolmogorov–Smirnov test.		
Variables	**Statistic**	**df**	**Sig.**
Employee compensation practices	0.083	229	0.090

Linearity Test

Figures 2 show that compensation depicted a straight-line relationship with the employee retention.

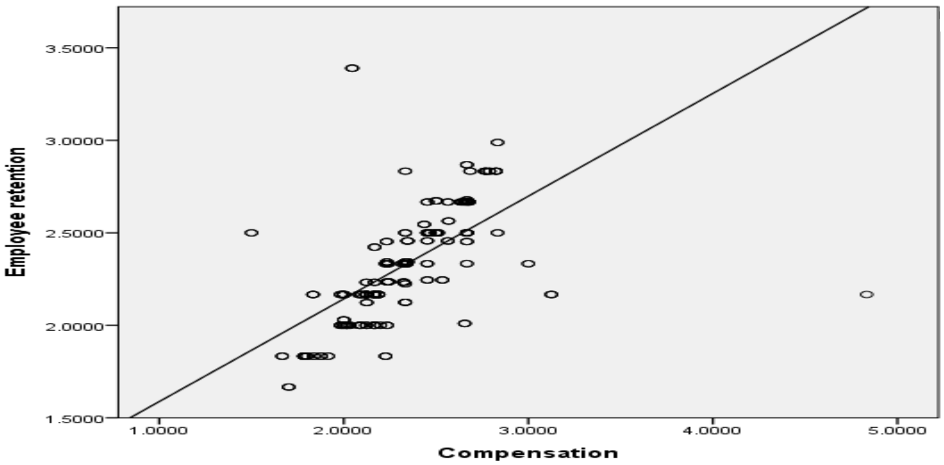

Figure 2: Scatter Plot of Compensation against Employee Retention

Multicollinearity

The multicollinearity test was done using the Variance Inflation Factor (VIF). The results in Table 5 indicated the absence of multicollinearity since the VIF of variable employee compensation practices was less than 10.

Table 5: Multicollinearity Test of Employee compensation practices

Variables	VIF
Compensation	1.394

Heteroscedasticity

The study employed the Breusch-Pagan test to examine whether Heteroscedasticity exists. Results in Table 6 show that the p-value is greater than 0.05. Then the null hypothesis is not rejected at a critical p-value of 0.05 since the reported value is 0.106>0.05. The concludes that the data did not suffer from heteroscedasticity.

Table 6: Heteroscedasticity Test of Employee compensation practices

Breusch-Pagan / Cook-Weisberg test for heteroscedasticity Ho: Constant variance Variable: fitted values of Employee Retention		
chi2(1)	=	2.19
Prob > chi2	=	0.106

REGRESSION ANALYSIS

The regression analysis includes the presentation of model fitness, analysis of variance (ANOVA) and regression coefficients. The results presented in Table 7 established that compensation is satisfactory in influencing employee retention in non-governmental organisations in Kenya. The coefficient of determination, also known as the R square, was 0.372 (37.2%). This implied that compensation could explain 37.2% of the variations in the employee retention in non-governmental organizations in Kenya.

Table 7: Model Fitness of Compensation and Employee compensation practices

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.610a	0.372	0.370	0.238852

a Predictor: (Constant), Employee compensation practices

The results presented in Table 8 shows a p-value of 0.000, which is less than 0.05; thus, compensation is significant in determining employee retention in non-governmental organizations in Kenya. This implies that compensation is important in determining employee retention in non-governmental organizations in Kenya.

Table 8: Analysis of Variance of Employee compensation practices and Employee Retention

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.564	1	10.564	134.72	.000b
	Residual	17.8	227	0.0784		
	Total	28.364	228			

a Dependent Variable: Employee retention

b Predictor: (Constant), Employee compensation practices

Table 9 shows that compensation is positively and significantly related to employee retention in non-governmental organizations in Kenya (β=0.555, p=0.000). The P value was less than 0.05. Thus, the null hypothesis was rejected. Therefore, compensation has a significant effect on employee retention among non-governmental organizations in Kenya. The regression model was;

$Y = 1.033 + 0.555X$

Where: -

Y= Employee Retention

X= Employee compensation practices

Table 9: Regression coefficients of Employee compensation practices and Employee Retention

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.033	0.096		10.786	0.000
	Compensation	0.555	0.041	0.61	13.608	0.000

a Dependent Variable: Employee Retention

CONCLUSION

Based on the findings of the study, it is concluded that employee compensation practices is positively and significantly related to employee retention in non-governmental organizations in Kenya since the null hypothesis was rejected. Employee compensation practices, which includes things like salary, benefits packages and bonuses, had a significant impact on employee retention. Fair and competitive compensation can help attract and retain top talent. Providing fair and competitive compensation, along with a comprehensive benefits package, can help to improve employee satisfaction and retention, but it is important to take a holistic approach that considers multiple factors that influence employees to stay.

RECOMMENDATIONS

The study recommends that enhancing compensation package is an effective strategy for increasing employee retention in Kenyan NGOs. Employee compensation plays a key role in employee retention. NGOs should aim to provide competitive market rates that will enable them to attract and retain the best talent in the labour market. NGOs should improve their benefits packages to increase employee retention. The benefits may include health insurance, retirement savings plans, and paid time off. NGOs should regularly review and update these benefits packages to ensure they continue to meet employee needs and remain competitive enough to attract new talent.

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