

## EFFECT OF NON- FINANCIAL COMPENSATION ON THE EMPLOYEES' JOB PERFORMANCE: A CASE OF JIMMA GENETI WOREDA HEALTH CENTERS IN HORRO GUDURU , ETHIOPIA

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### Abstract

*The main purpose of this study was to assess the effect of non-financial compensation on the of employees' job performance. The cross-sectional, descriptive and inferential design with field study were used in the study. Accordingly, 136 samples of respondents' from 206 populations were taken. The study used mainly primary data and secondary data. Survey data collected from respondents were analyzed by descriptive statistics such as frequency, percentage, and inferential statistics such correlation and multiple linear regressions analysis. The findings of the study indicated that there was a significant relationship between non-financial compensation and employee job performance in particular. But also, non-financial compensation; recognition positively and significantly affects employees' job performance with is highly correlated with ( $r=0.605$ ,  $p=0.000$ ), and followed by work condition ( $r=0.590$ ,  $p=0.000$ ) and empowerment ( $r=0.554$ ,  $p=0.000$ ). Finally, it is recommended that health centers needs to continually review and adjust the compensation system from time to time focusing more on non- financial compensation in order to influence employees to perform better. This may help to motivate the employees to perform well and will decrease the rate of turnover and absenteeism with in health centers.*

**Keywords:** *Compensation, Non-Financial Compensation, Employee Job Performance*

### 1. Introduction

Human resource is one of the most important assets and major foundations that should exist in the organization because the organization without machine can still be run by the work force. However, the organization without human will not be able to run at all even with the help of advanced machines. Therefore, the human resources need to be increased their skills because the function of human (employees) cannot be replaced by other equipment. Consequently, employees must be managed as well.

Managing employees is one of the continuing responsibilities for manager and team leader. (Mangkuprawira, 2007), state that "Employees' performance is a result of work both quality and quantity are achieved by employees in performing their duties in accordance with the responsibilities given to them." These issues would be the responsibilities for managers and team leaders to increase employees' performance, for example keeping employees feel happy and satisfy because the organization believe that when employee feels happy and satisfy then it have an effect on employees' performance. As per of (Sopiah, 2013), Compensation is one of the strategies used in HRM for attracting and retaining useful employees as well as facilitating them to improve their performance through motivation.

(Ryan.et.al, 2000), Indicate that non-monetary types of compensation can be very meaningful to employees and very motivating for performance improvement. Banker et al. (2000) confirm that firms are increasingly adopting non-financial incentives. Mushrush (2002) identifies lack of non-monetary rewards as an important cause for employee turnover.

In discipline of HRM different writers suggest the following indicators for measuring employee performance. As per of (Aguins, 2007) and (Inuwa.M, 2015), Job performance is employees' overall performance which is meeting the expected quality and achievement of tasks under the policy and time requirements of the organization. Ali and Raza (2015) indicate their opinion that employees only stay in an organization to give their best when they believe the compensation process is matching to their input. This has constituted a high rate of employees leaving their employers, moving sometimes away from their city or the country just to find greener pastures.

Tausif (2012) conducted a study on the influence of non-financial rewards on employee in educational sector of Pakistan. The findings of the study reveals that employee performance is positively and considerably associated with non-financial rewards such as promotion, job enrichment and task autonomy.

Aktar, et.al (2012) examined the impact of intrinsic rewards (recognition, learning opportunities, challenging work and career advancement, and extrinsic rewards (basic salary and performance bonus) on employee performance in twelve commercial banks of Bangladesh. The study found that each factor within intrinsic reward was a highly significant factor which affects employees' performance.

A study conducted by Sheila & Josephat (2015) with objective of finding the influence of compensation and reward on performance of employees at Nakuru county government. The findings indicated that there was a strong relationship between compensation and reward on employee performance.

In Jimma Geneti woreda there are four (4) health centers which have about 206 employees. Still, there is major movement of individuals (turnover), absenteeism (woreda Health office report, 2018) lack of motivation through compensation.

These shows as there is poor compensation practice and employee motivation those increase an employee job performance. These situation are then examined in this paper in relation to case and empirical evidence on different factors of non- financial and employee job performance relationship

### ***1.1. Statement of the Problem***

Employees' performance is an important element to build a good status for the outsider towards the image of an organization and also within an organization. If the employees are not satisfied with the compensation provided by the organization they will reduce their effort in performing their jobs or less committed to organizational goals (Marris, et.al 2004) as cited in Ermias N.(2017).

Philip (2014), states that employees' performance is dependent on the way they are treated in the organization and the extent to which organizational strategy fits with employees' interest. In the study area, there was a sign of demotivation among employees like: low morale, indiscipline, absenteeism, and turnover. These demotivations may rise from inappropriate compensation, which is the reason for lower the performance of the employee as a result. It is evident that highly motivated employees are more likely to have high productivity. However, according to Certo (2006) as cited in Elizabeth W.(2017), good performance is not as a result of motivation only, but also includes ability i.e. skills, equipment, supplies and time. Different people are motivated by different factors. It is important for managers and supervisors to understand what motivates individual employees, and not assume a one-size-fits-all approach (George and Jones, 2013)

With that in mind, the researcher decided to carry out research in jimma Geneti health centers, interested on the effect of non-financial compensation on employee job performance. Besides, the researcher considers the unavailability of study in this area in the health centers, previous studies focus on the bank industry by considering some variables of compensation, as a huge gap which needs research. Thus, the researcher was interested to study on selected elements of; non-financial compensation: (recognition, working condition, and empowerment) as they might be a triggering factor for performance in public organization.

### ***1.2. Basic Research Questions***

The study was guided by following questions:

1. What is the effect of recognition on employees' job performance?
2. What is the effect of work condition on employees' job performance?
3. What is the effect of empowerment on employees' job performance?

### **General Objective**

The General objective of the study is to determine the effect of non-financial compensation on employee job performance at Jimma Geneti woreda health center.

### **Specific objectives**

More specifically, the study aims at the following objectives:

- To determine effect of recognition on employees' job performance.
- To evaluate effect of work condition on employees job performance.
- To examine effect of empowerment on employee job performance

## **2. Literature Review**

### **2.1. Compensation**

Compensation is all income in the form of money; goods directly or indirectly received by the employee in exchange for services rendered to organization .Appropriate compensation will have a positive effect against employees, because it cannot be denied that compensation becomes the main goal for most employees working within an organization. Odeoye (2014) states that compensation aims to get employees interested in work so as to have good retention for the organization. Compensation is reviewed from shape, including financial and non-financial, while viewed from the way of delivery consists of direct and indirect compensation. Odeoye (2014) stated that compensation is divided into three types; i.e., material, social, and activity. Compensation is all form of payment or gift given to employees and emerges from their work (Dessler, 2007: 46).

The term compensation is used to indicate the employees gross earnings in the form of financial and non-financial rewards. Compensation means the reward that is received by an employee for the work performed in an organization. The term "compensation" is often used as an alternative to "reward" or "remuneration", especially in the USA, although it is becoming more common in the UK (Armstrong, 2010).Compensation is the remuneration given to the employees for the work they do for the organization. In other words, an employee is entitled to both the financial and the nonfinancial benefits in return for his input to the organization.

Martocchio,(2016). Define compensation as a feedback received by employee in form of monetary and non-monetary. Compensation is direct and indirect. Direct compensation such as salary received every month and indirect compensation is a payment in forms others than money. Compensation is an intrinsic and extrinsic reward received by employee after they done their work. Compensation refers to all the provided tangible and intangible rewards an employee receives from the employer as part of the employment relationship. It can be said that compensation is the "glue" that binds the employee and the employer together in the organized sector. Rewards and benefits are also type of compensation program that are important for employees (Cascio, 2015).

### **2.2. Employee job Performance**

Employee performance is the key dependent variable in the present research. Different scholars have defined the concept of employee performance from different perspectives. According to Shields (2016), employee performance has been defined as the degree to which an employee executes the duties and responsibilities.

Performance is the quality and quantity of the achievement of the tasks well individuals, groups or organizations Vlaicu's (2015). Performance can be improved through the establishment of clear and measurable job description for each employee so that they understand what their functions and responsibilities are states that performance is a theoretical implementation a balance that says someone will show an optimal accomplishment if he is get benefits , and there is stimulus in the work and rationally. Job performance in the form of performance appraisal is an important development in human resource portfolio (Bateman & Snell, (2007). Employee performance is a sign of individual job performance after a person does the work involved in the profile Dessler (2000). In discipline of HRM, overachieving and talented employees are the driving force of all organizations so it is essential that,

organizations strive to motivate and hold on to the best employees. The quality of human resources management is a critical influence on the performance of the institution (Dessler, 2007).

Different writers suggest the following indicators for measuring employee performance and they include: quality that can be measured by percentage of work output that must be redone or is rejected; Customer satisfaction that can be measured by the number of royal customers and customer feedback. Also, timeliness, measured in terms of how fast work is performed by the employee when given a certain task; absenteeism/tardiness observed when employees absent themselves from work; and achievement of objectives measured when an employee has surpassed his/her set targets, he/she is then considered to have performed well to achieve objectives (Hakala, 2008; Armstrong, 2006).

As per of (Aguinis, 2007), indicators for measuring employee performance and they include quantity of work done (how much unit of a product has been produced), quality on work produced (how well the work has been done) and the timeliness of the work that has been done (meeting due dates, following to schedules and deadline).

### ***2.2.1. The Relationship Between Non-financial Compensation and Employees Job Performance***

Compensating employees is associated with the motivation of the workforce of organization for better performance. The rationale behind the use of various components of compensation to employees is that motivated employees become satisfied in terms of fulfilling their wants, both financial and non-financial thus demonstrate improved performance. Failure to do so, employees will be tempted to leave the organization (Azasu, 2017). Compensation that do not involve any direct payments and often arise from the work itself, for example achievement, autonomy, recognition, promotion, scope to use and develop skills, training, career development opportunities, working condition and high-quality leadership (Armstrong and Murlis, 2004). The study at hand therefore looked at the effect of non- financial (recognition, working condition and empowerment) on employees job performance.

### ***2.2.2. Recognition and Employee Performance***

In today's work surrounding that is high paced, there has been reports that today's workforce put into consideration how their work is acknowledged by their employers, however, efforts on this have normally reported as infrequent and rare (Recognition Rewards Enterprises, 2007).

Deeprouse (1994) argues postulated that recognizing employees in an organization causes a fundamental outcome on the productivity of employees. When recognition as a reward is used in an effective manner, it results in the performance of employees that is improved. In the real sense, workers have always taken recognition as part of what they feel; it results in improved work, which in turn leads to improved performance in turn to an organization's efficiency. Deeprouse (1994) did mention that managers that are good have a way of recognizing their workers via things which deem better to acknowledge the accomplishments they make in their assignments, and they compensate their employees by offering them tangible rewards.

Barton and Gold (2013) described that recognition is considered the most important factor among non-financial rewards in order to increase job satisfaction level of employees and thus their performance.

Lawler (2016) suggested that the well-being of any organization depends on how its human resource is treated. Organizations achieve its well-being through giving rewards and recognition to its employees to enhance their performance.

Andrew (2016) described that employees become more loyal to their organization and perform much better if the organization recognizes and appreciates their work in terms of certification, verbal appreciation among other components. Organizations are missing the very valuable component in the organization that is recognition. Andrew (2016) however says that the cost of practical implementation of this component is very low in many organizations. Through recognition, employees are being realized that they are valuable for organization and employees feel appreciated through recognition.

Danis and Usman (2010) found that there are different dimensions of work motivation and satisfaction that are significantly correlated and reward and recognition greater impact on performance of the employees.

### ***2.2.3. Working Condition and Employee Performance***

Working Condition covers a broad range of topics and issues, from working time (hours of work, rest periods, and work schedules) to remuneration, as well as the physical conditions and mental demands that exist in the workplace. Lekha P., & Dr. R. Magesh, (2016) defines working environment as an entirety which comprises the totality of forces, actions and other influential factors that are currently and, or potentially contending with the employee's activities and performance. Working environment is the sum of the interrelationship that exists within the employees and the environment in which the employees work. They also defines working environment is a composite of three major sub-environments: the technical environment, the human environment and the organizational environment. Technical environment refers to tools, equipment, technological infrastructure and other physical or technical elements. The technical environment creates elements that enable employees perform their respective responsibilities and activities. The human environment refers to peers, others with whom employees relates, team and work groups, interactional issues, the leadership and management. This environment is designed in such a way that encourages informal interaction in the work place so that the opportunity to share knowledge and exchange ideas could be enhanced. This is a basis to attain maximum productivity. Organizational environment include systems, procedures, practices, values and philosophies.

The quality of work depends upon safe and healthy working conditions in determining employee's job behavior. The organizational climate is an important indicator of employee behavior as a combination of social and psychological factors. It is found that working conditions are attached with employees' job involvement and job satisfaction that ultimately leads to better performance of the employees (Scott et al., 2000). It is reported that there is a positive correlation between perceived supervisor support and nurse occupation related outcomes (Hall, 2007).

Kazmi et al. (2008) examines the effects of stressful work environment on the performance of medical house officers. The results reveal an inverse relationship between job stress and job performance. High job stress in the house of officers results in low job performance. Similarly, it is reported that perceived adequacy or inadequacy of work environment, both physical and psycho-social, extends noticeable effect on employees' job satisfaction, performance and perception of effectiveness of an organization (Srivastava, 2008).

### ***2.2.4. Empowerment and Employees' Performance***

The aim of the employee empowerment is to develop individual and organizational performance and to help employees achieve their goals by authorizing employees to participate in the decision-making process. Employees think about their own jobs, and find and solve problems related to their job. Empowerment is the process of enabling or authorizing an individual to think, behaves, take action, and control work and decision making in autonomous ways.

Danit and Menon (2012) have noted that 'employee empowerment' has been most preferred option in many organizations during the time of business decline. Hechanova et al. (2006) did a study on the relationship between psychological empowerment, job satisfaction and performance among Filipino service workers. The study found that psychological empowerment was positively correlated with performance. Pride et al. (2009) explained that employees of any organization that feel empowered work with better efficiency and help the organization to achieve its ultimate goals. Employee performance becomes crucial and the organizations attempt to ensure uninterrupted employee performance through many non-monetary methods, including 'employee empowerment'.

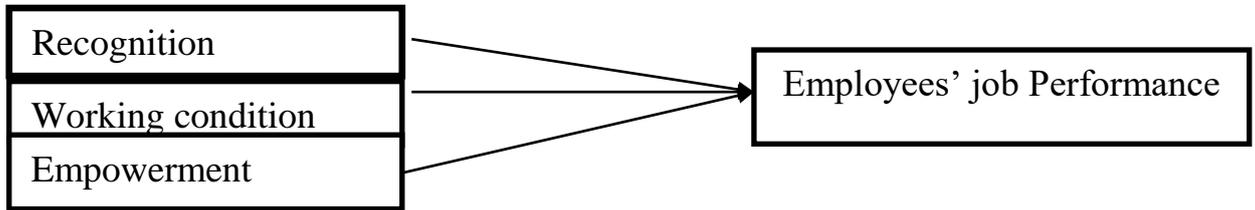


Figure 1. Conceptual Frame Work

The concepts and variables with associated indicators and measures were developed as follows.

Table 1: Operationalization of Variables

Concept	Variable	Indicator	Measure
Non- financial compensation	• Recognition	Fairness in appraising performance	Questions
	• Work condition	Facility in work area	Questions
	• Empowerment	Participation in decision making	Questions
Employee performance	• Quality • Quantity • Timeliness	High or low	Questions

### 3. Research Methodology

The cross-sectional design with field work was used in the study. In this study, the descriptive and explanatory research design was used to fulfil the objectives of the research, because Descriptive method was used to investigate the major factors that affect employee job performance in the health centers while explanatory method was used to examine the relationship between independent variables and dependent variable and to determine effects of each factors on employee job performance.

In this study the researchers took stratified random sampling technique. The criterion for creation of strata was position level. Three strata namely management staff, supportive staff and technical staff and non-managers had been used. Since the distribution are no equal the variance of these three strata is unequal (disproportional stratified was used). Further for these strata, simple random sampling was proposed. As the study comprises of three strata, a reasonable sample size from each strata was taken up to cover a sample out of 26 management staffs 17 respondents, from 39 supportive staffs 26 while out of 141 technical staffs 93 respondents were selected as a sample representative. Totally out of 206 employees 136(66.02%) samples had taken. This study the sample size was determined using the formula given by (Yamane.T, 1967) .

For the study both primary and secondary sources of data were used.

Primary data: For the purposes of this research, Questionnaire and interview were used to gather the necessary information. Questionnaire is developed based on the research hypotheses. The aim of questionnaire is to capture the data and information required to establish the parameters of the model, the relationship between the independent and dependent variables, evaluate the final model and hypotheses. Five points Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) was used to measure responses.

Secondary data: These include all types of published and unpublished, documents and other such types of information. Such as, reports of the organization personal database (Internets).

Data Analysis Procedure: The processed data was analyzed by using statistical package for social sciences (SPSS) Version 20. The researchers used descriptive analysis such as; frequency, and percentage and inferential analysis like; Pearson’s correlation and multiple linear regressions to determine the effect of independent variables on dependent variable (employee job performance) of health center employees from transformed qualitative data to quantitative were applied. Vital qualitative information obtained during interview is used to substantiate the qualitative result.

Model Specification

The resulting estimator or parameter can be expressed by a regression formula (Gujarati.D.N, 1995). Thus, the following multiple linear regressions was developed to make the research more effective in analyzing the influences of independent variables

$$EJP = f(REC, WC, EMP)$$

$$EJP = \beta_0 + \beta_1 REC + \beta_2 WC + \beta_3 EMP + e \dots\dots\dots (1)$$

Where:- EJP = Employee job performance which is the dependent variable,  $\beta_0$ = average performance  $\beta_1$ = unstandardized regression coefficient of recognition (REC) = Recognition,  $\beta_2$ = unstandardized regression coefficient of work condition (WC) =Work condition  $\beta_3$ = unstandardized regression coefficient of empowerment (EMP) = Empowerment and e = error term or residual or unexplained variable.

#### 4. Findings and Discussion

##### 4.1. Response Rate of Respondents

The analysis is based on the information obtained from 136 employees. Out of these 136 questionnaires distributed to the respondents, 131 questionnaires were properly filled and returned and five were not. Thus, the analysis is based on 131 (96.32%) response rates.

##### 4.2. Reliability of Research Instruments

Measuring reliability is a good way to show evidence of consistency within the construct. Gregory (2000) stressed that coefficient Alpha is a useful internal consistency technique to estimate the reliability, where 1 (one) indicates the perfect reliability, while 0 (zero) indicates no reliability. . Table below represents the SPSS generated Conbach's alpha for each dimension of the study variables.

**Table 2. Table Represents the SPSS Generated Conbach's Alpha for Each Dimension of the Study Variables**

Independent Variables	Cronbach's Alpha	N of Items
Recognition	.807	5
Work condition	.789	5
Empowerment	.763	5

Source: researcher own survey & SPSS output, 2019

The table above shows that reliability coefficient with Cronbach's Alpha. Hair et al (1998) have suggested that exploratory research could reduce the value to 0.60 as the minimum acceptable limit for the Conbach's alpha. According to the Cronbach's Alpha test, all the values are greater than 0.60 which surpass the acceptable value. It seems that the questions used in the questionnaire are good measurements of measuring the independent variable i.e. non-financial rewards.

##### 4.3. Descriptive Statistics

Descriptive analysis was carried out in order to depict the demographical profile of respondents using frequency and percentage analysis.

**4.3.1. Descriptive Statistics of Independent Variables**

This part presents the descriptive statistics of the independent variables by frequency and percentage table based on the five-point Likert scale (i.e. 5= stands for strongly agree, 4= agree, 3= neutral, 2= disagree and 1= strongly disagrees).

**Table 3: Descriptive Statistics Results**

Likert scale	Variables					
	Recognition		Work condition		Empowerment	
	N	%	N	%	N	%
Strongly disagree	9	6.87	50	38.17	16	12.21
Disagree	35	26.72	51	38.93	47	35.88
Neutral	55	41.98	14	10.69	25	19.08
Agree	22	16.80	15	11.45	38	29.01
Strongly agree	10	7.63	1	0.76	5	3.82
<b>Total</b>	<b>131</b>	<b>100</b>	<b>131</b>	<b>100</b>	<b>131</b>	<b>100</b>

Source: researcher own survey & SPSS output, 2019

**4.3.2. Recognition**

As per the above table majority 41.98% (n=55) of the participants were neutral and 33.59% (n=44) were responded negatively to recognition while only 22.43 % ( 32) positively responded about the existing recognition. According to health center employees, the existing recognition practices differentiate among them based on their performance. The results resonate with Barton and Gold (2013). During key informants, interviews health center workers explained their ideas as “we are working very hard to meet the set goals of health program.” But looking at our acceptance toward appreciation was not equally fair. For your surprise, there is only some employee repetitively recognized (get a promotion) by friendship this is a pain for me. Therefore, the management should improve the recognition system and make recognition fair, free from bias to boost the performance of an employee and hence the organization performance.

**4.3.3. Working Condition**

As per the above table majority 77.1 % ( 101) of the participants were negatively responded with the facility of health centers and 10.69 % (n=14) were neutral respondents with work condition of health centers. 12.21 % ( n=16) were positively responded. This implies that health center workers were not satisfied with the working conditions in the study area. During key informant interview respondents (workers) said “frankly speaking, what is expected from us to do and the basic facility provided by the government do not much. Therefore the organization makes sure the comfortable and supportive work condition in order to increase employees’ performance in health centers.

**4.3.4. Empowerment**

The above table indicates the majority of 32.83 % (n=43) of the respondents were positively responded and 48.09% (n=63) were responded negatively with empowerment. This implies that more than half of the perception of the employee towards empowerment negative. This indicates low empowerment to apply new skills, which is likely to reinforce the values of personal development thus improving employee performance and organizational performance. During key informant interview one person from technical said, “ I do my work freely but only those individuals who are highly relate to managements get the more chances in all direction. Therefore the managements improve communication system and develop team decision making in organization in order to increase employees performance in health centers.

**4.4. Correlation Analysis**

In this part the Pearson’s Correlation Coefficient was computed to determine the relationships between recognition, working condition and empowerment with employee job performance. For this study diction rule given by Bartz (1999) as cited by Ermias B. (2017) was used.

**Table 4.The Correlation Analysis: Non- Financial and Employee Job Performance**

Variables	Person correlation (r)	Level of significance (p)
Recognition	.802**	0.000
work condition	.780**	0.000
Empowerment	.777**	0.000

Source: researcher own survey & SPSS output, 2019

The results reported in the table above shows that recognition ( $r=0.802$ ,  $p = 0.000$ ) has a very strong relationship on employee performance. It means that increase or decrease in recognition will bring corresponding changes on employee job performance. As well as it shows work condition, empowerment and employee performance have strong relationship which have correlation values of ( $r=0.780$ ,  $p < 0.000$ ) and ( $r=0.777$ ,  $p<0.000$ ) respectively. Therefore, overall finding showed that there is a strong, positive and significant relationship between recognition, work condition, empowerment and employee performance. Thus, increase or decrease in non- financial compensation is associated with similar change in employees' performance, quality of work, and quantity of work and affect absenteeism.

Finally, based on the overall results implied that there is a strong, positive relationship between non- financial compensation and employee job performance. It means recognition; work condition and empowerment have significant impact on employee job performance.

#### **4.5. Regression Analysis**

The study proposed that there exist a relationship between compensation and employee job performance of health center in jimma Geneti woreda.

**Table 5. Regression Analysis Model Summary**

<b>Model Summary<sup>b</sup></b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.870 <sup>a</sup>	.757	.751	.15037
<b>a. Predictors: (Constant), Empowerment , Recognition, work condition</b>				
<b>b. Dependent Variable: Employee job performance</b>				

Source: researcher own survey & SPSS output, 2019

The table above describes the relationship between compensation and employees' job performance. The model had an R square value of 0.757 indicating that the dependent variable percentage of the variance that was explained by the independent variables was 75.7% Such a percentage indicates a very good level of prediction, that is, 75.7% of the variations in employee performance of health centers of jimma Geneti could be explained by the changes in recognition, work condition and empowerment , while the remaining 24.3% unexplained is because of either error or random sample. The P- value of 0.000 (Lesser than 0.01) implies that employee performance model of health center is significant at the 1 per cent significance.

**Table 6: Results of ANOVA Output**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8.944	3	2.981	131.865	.000 <sup>b</sup>
	Residual	2.871	127	.023		
	Total	11.816	130			
a. Dependent Variable: Employee job performance						
b. Predictors: (Constant), Empowerment , Recognition, work condition						

Source: researcher own survey & SPSS output, 2019

The ANOVA output indicates that the multiple regression model itself is statistically significant or not significant. Because R<sup>2</sup> is not a test of statistical significance (it only measures explained variation in Y from the predictor Xs), the F-ratio is used to test whether or not R<sup>2</sup> could have occurred by chance alone. In short, the F-ratio found in the ANOVA output measures the probability of chance departure from a straight line. On results of the output found in the ANOVA table, the model is statistically significant when non-performance adequacy ratio were included (F=131.865, p<0.01). Therefore, the overall equation was found to be statistically significant.

**Table 7: Regression Analysis of Non-Financial Compensation on Employee Job Performance**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.723	.170		4.248	.000
	Recognition	.352	.068	.370	5.187	.000
	work condition	.270	.069	.282	3.934	.000
	Empowerment	.215	.048	.310	4.524	.000

Source: researcher own survey & SPSS output, 2019

The results of Table above revealed that recognition ( $\beta = 0.352, p < 0.01$ ), work condition ( $\beta = 0.270, p < 0.01$ ) and empowerment ( $\beta = 0.215, p < 0.01$ ) have significant effect at a p- value of less than 0.01. Multiple regression estimates the coefficient of the linear equation involving one or more independent variables that best predict the value of the dependent variable and the regression equation is presented as:

$$EJP = f(REC, WC, EMP)$$

$$EJP = \beta_0 + \beta_1 REC + \beta_2 WC + \beta_3 EMP + e \text{-----} (1)$$

$$EJP = 0.723 + 0.352 * REC + 0.270 * WC + 0.215 * EMP + e \text{-----} (2)$$

These results conclude that non-monetary types of compensation can be very meaningful to employees and very motivating for performance improvement. From the above table of regression coefficient Recognition contributes more to employee performance of health center, followed by work condition, empowerment. This study is in line with the study of Barton and Gold (2013) who described that recognition is considered the most important factor among non-financial compensation in order to increase employee’s motivation and thus their performance. Danis and Usman (2010) found that there are significantly correlated and compensation and recognition greater impact on performance of the employees. Also a research conducted by Minarsih (2015) which explain working environment variable has significant influence on employees’ performance also supports these findings. The study revealed that empowerment had a direct and positive effect on employee performance, which is supported by Tuuli & Rowlinson (2009) who analyzed the relationship between psychological empowerment and employee job performance.

## **5. Conclusion and Recommendation**

### **5.1. Conclusion**

Human resource provides the basis for an organization to achieve sustainable competitive advantage. Attracting and retaining competent workforce is a challenging task for every organization. It is illustrious that employee job performance can be improved when employees are motivated to achieve their goals. Based on the findings of this study, it can be summarized that employee compensation package plays a significant role in employee performance. It means that compensation is directly proportion to employee job performance. The changes in compensation directly affect to the changes of the employee performance. Hence, rewards offered to employees in health centers are increased, and then there would be an equivalent enhancement in work motivation and employee job performance. A health center is a public sector service organization. In order to attract and retain their workforce, health centers needs to make improvements in their existing reward system by integrating reward strategy with human resource strategy. The study concludes that reward plays a vital role in employee performance in health centers. From the above it can be concluded that diverse compensation package can influence employees to perform assigned task in an efficient and effective manner. Considering the fact that management of health centers is the responsible party to develop a unique compensation strategy with the aim of achieving sustainable competitive advantage. A compensation system can be a cluster of different reward components, but it should be integrated with the organizational strategy which means aligning compensation practice with both goals and employee values. In addition to above suggestions health centers can improve their existing reward system by linking performance with, the handling the compensation in a positive manner and maintaining internal equity and external competitiveness

### **5.2. Recommendation**

Actually non- financial compensation gives benefit to the organization because it did not need to spend a lot of money if compared with financial compensation. Taking into account the findings of this study, the researcher needs to recommend the following points in relation to the effect of compensation on employees' job performance at jimma Geneti Health centers.

- The health centers should redesign its compensation system in general and its non-financial compensation in particular based on the workload of employees. Because the highest influential factors for employee performance were non- financial compensation in health centers but there was less attention given.
- Non- financial compensation in order to influence employees to perform better especially focusing more on appreciation, praise, giving education chance, giving promotion, giving a certificate for the better performer, verbal thanks, making favorable working environment and facilitate the full participation of the employee in the decision to motivate the employees. Therefore adjustment in non- financial compensation can boost the performance of health centers employees.
- Making Comfortable working condition improve employees' job performance through reduces the level of stress in work. Therefore the organization makes sure the comfortable and supportive work condition is often provided for the employees in order to increase their performance.

### **5.3. Limitations and Suggestions for Further Study**

The Sample size was too small and considered the jimma Geneti district only. Present study focused on one public sector organization and findings may not be generalized to a wider sector such as public sector organizations in Jimma Geneti. In this study focused on three independent variables and it is recommended for future researches;

- To investigating the impact of compensation on organizational commitment and human resource development in private and public organization. Because future research would be benefited from large sample size and using a variety of samples for this kind of research study.

- To examining the relationships between compensation and other dependent variables, such as turnover-intention, employee commitment or productivity; will produce more interesting results.
- The study also recommends that future research may explore to find out other unaddressed variables, since the motivation of employees affected by many factors other than compensation.

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