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The Effect of Monetary Incentives on Employee Engagement in Fairtrade Horticultural Firms in Kenya

Margaret Kaathi Mwingirwa, Dr. Dennis Juma (PhD) and Dr. Hesbon N. Otinga (PhD)



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¹Margaret Kaathi Mwingirwa
PhD Student, Jomo Kenyatta University of
Agriculture and Technology



²Dr. Dennis Juma (PhD)
Lecturer, Jomo Kenyatta University of Agriculture
and Technology



³Dr. Hesbon N. Otinga (PhD)
Lecturer, Jomo Kenyatta University of Agriculture
and Technology

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Abstract

Purpose: The main objective of this study was to examine the effect of monetary incentives on employee engagement in Fairtrade horticultural firms in Kenya.

Methodology: Grounded in Expectancy Theory, the research adopted a pragmatist philosophy and employed a cross-sectional descriptive survey design. The unit of analysis comprised 41 Fairtrade horticultural firms, with 5,600 employees as the unit of observation. A sample of 373 respondents was drawn from lower, middle, and top-level management using stratified and simple random sampling techniques. Primary data were collected through questionnaires, and both descriptive and inferential analyses were conducted using SPSS version 26. Linear regression analysis at a 5% significance level was applied to test the relationship between monetary incentives and employee engagement.-sectional descriptive survey design

Findings: The findings indicated that monetary incentives have a positive and significant effect on employee engagement in Fairtrade horticultural firms in Kenya.

Unique Contribution to Theory, Practice and Policy: From the results, the study recommended the need for horticultural firm to strengthen their monetary incentives aspects. In particular, the firms should develop better monetary incentives since they offer an incentive for personnel training and development which enhances efficiency within the firm.

Keywords: *Monetary Incentives, Human Resource Management, Employee Engagement, Fairtrade Horticultural Firms*

JEL Codes: *J33, M12, M54, Q13*

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INTRODUCTION

Globally, employee engagement has emerged as a critical determinant of organizational success, influencing retention, productivity, and innovation. Engaged employees demonstrate higher levels of commitment and discretionary effort, which directly translate into improved performance outcomes (Adamu et al., 2025). Expectancy theory underscores the importance of aligning rewards with employee effort, suggesting that monetary incentives can significantly enhance engagement by reinforcing perceptions of fairness and recognition (Adesina & Egbuta, 2025). In competitive global markets, organizations increasingly rely on structured reward systems to sustain employee motivation and loyalty, positioning monetary incentives as a cornerstone of engagement strategies.

Across Africa, employee engagement has been recognized as a driver of organizational resilience in contexts marked by economic volatility and labor market challenges. Within this landscape, Fairtrade certification introduces a distinctive dimension by requiring firms to uphold ethical labor practices while also channeling benefits through the Fairtrade Premium. Certified horticultural firms in Kenya often provide higher wages, healthcare, housing, and education subsidies in addition to standard allowances and bonuses, thereby shaping the type and structure of incentives offered (Mwingirwa et al., 2024). These certification-linked incentives strengthen perceptions of fairness and recognition, fostering stronger engagement and reducing turnover even in resource-constrained environments (Enaifoghe, 2025).

In Kenya, employee engagement has become increasingly important as firms navigate globalization, competition, and evolving labor dynamics. Research indicates that monetary incentives such as wages, allowances, and bonuses significantly influence employees' willingness to remain committed and productive (Theraiyan, 2025). When employees perceive fairness in compensation, they are more likely to demonstrate loyalty and discretionary effort, whereas inadequate or poorly structured incentives contribute to disengagement, absenteeism, and turnover (Okoye & Ghapar, 2024). The horticultural sector, contributing significantly to Kenya's GDP and employment, has demonstrated resilience during global supply chain disruptions by leveraging structured incentive systems to sustain workforce motivation and performance (Njogu & Amuhaya, 2025).

The Fairtrade horticultural sector in Kenya therefore provides a critical context for examining the effect of monetary incentives on employee engagement. As one of the country's leading export industries, horticulture relies heavily on a motivated workforce to meet international standards and maintain competitiveness. Fairtrade certification emphasizes ethical labor practices while simultaneously shaping the structure of incentives offered, ensuring that employees feel adequately rewarded for their contributions. Understanding how these certification-driven incentives affect engagement in Fairtrade horticultural firms is therefore essential for both academic inquiry and practical policy, offering insights into how firms can balance ethical commitments with competitive performance (Budriene & Diskiene, 2020).

Problem Statement

Employee engagement is widely recognized as a key driver of organizational performance, with disengaged employees costing firms substantial losses. The expectation is that monetary incentives such as wages, allowances, and bonuses should motivate employees, enhance their commitment, and strengthen engagement levels. Yet, despite the acknowledged benefits of financial rewards, many organizations continue to struggle with low engagement. Ajilon (2018)

reported that over 80% of full-time workers are actively seeking or open to new job opportunities, while Okoroji and Emmanuel (2024) observed that incentive systems have not prevented declining profitability. This signals that existing monetary incentive structures may be insufficient or misaligned with employee expectations, leaving firms vulnerable to absenteeism, turnover, and reduced efficiency.

The Fairtrade horticultural sector in Kenya is particularly affected, given its reliance on a motivated workforce to sustain productivity and meet international standards. Data from the Kenya Flower Council (2024) and the Agricultural Employers Association (2025) reveal persistent challenges, including disengagement rates above 30% and annual labor turnover exceeding 25% in some Fairtrade-certified farms. Despite Fairtrade's ethical framework, there is a disconnect between standardized minimum wages and the inflationary pressures faced by Kenyan workers, leading to disengagement and reduced morale. Although prior studies have examined engagement in relation to intrinsic motivation (Sartono & Ardhani, 2015), recognition practices (Hussain et al., 2019), and general reward systems (Njanja et al., 2013; Jilani & Juma, 2015), few have isolated the specific effect of monetary incentives on employee engagement. Most research has emphasized performance outcomes or treated incentives in aggregate, leaving a clear gap in understanding how financial rewards directly influence engagement in Fairtrade horticultural firms. This study therefore sought to fill that gap by examining the effect of monetary incentives on employee engagement in this sector, offering insights into how firms can strengthen reward systems to enhance workforce motivation and organizational performance.

Theoretical Framework

Expectancy Theory, proposed by Victor Vroom (1964), explains how motivation arises when employees believe that effort leads to performance and performance leads to valued rewards. The theory is built on three dimensions: expectancy (confidence that effort will result in performance), instrumentality (belief that performance will yield rewards), and valence (the value placed on those rewards). Applied to Fairtrade horticultural firms in Kenya, the theory suggests that employees are more likely to be engaged when monetary incentives such as wages, bonuses, and allowances are perceived as fair, attainable, and directly linked to their contributions. For example, in greenhouse operations, instrumentality is demonstrated when workers know that harvesting a specified number of stems or meeting a daily quota will transparently result in a guaranteed bonus. Such clarity ensures that employees see a direct connection between effort and reward, reinforcing trust in the incentive system. When these financial rewards align with employees' personal goals and expectations, they foster positive attitudes, strengthen commitment, and enhance engagement, making monetary incentives a critical driver of workforce motivation and organizational performance (Robbins, 2016).

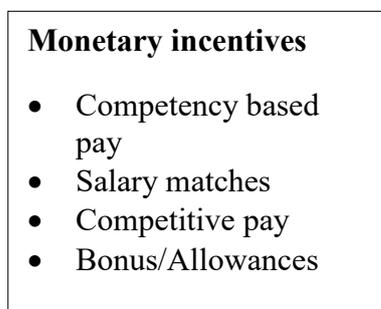
Equity Theory, developed by Adams (1963), complements this perspective by emphasizing the role of fairness in shaping employee engagement. The theory posits that employees compare their input–output ratios with those of others, and perceptions of inequity can lead to dissatisfaction and disengagement. In the Fairtrade horticultural context, this is particularly relevant because certification establishes standardized minimum wages and ethical labor practices. However, despite these safeguards, inflationary pressures in Kenya often erode the real value of wages, creating a disconnect between Fairtrade's ethical framework and workers' lived economic realities. When employees perceive that their compensation is not equitable

relative to their effort or compared to peers in non-Fairtrade firms, engagement declines. Thus, Equity Theory highlights the importance of not only providing monetary incentives but ensuring that they are perceived as fair and responsive to changing socio-economic conditions. Integrating both Expectancy and Equity perspectives provides a more comprehensive understanding of how monetary incentives influence employee engagement in Fairtrade horticultural firms.

Conceptual Framework

The framework below shows the interrelationship between the independent variable (monetary incentives) and the dependent variable (employee engagement).

Independent variable



Dependent variable

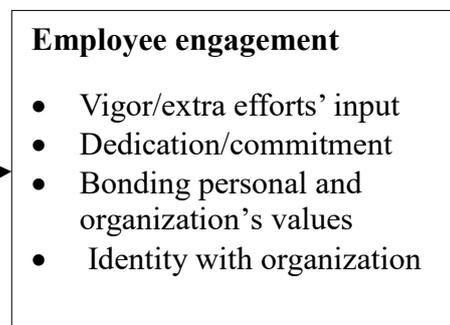


Figure 1: Conceptual Framework

Empirical Review

Scholars across different contexts have consistently emphasized compensation as a central HR practice, with monetary incentives such as wages, salaries, bonuses, and allowances recognized as key motivators of employee behavior. Mondy (2008) and Raihan (2012) highlighted that proper remuneration attracts and retains skilled employees, while Newman and Milkovich (2015) and Chabra (2016) described compensation as encompassing both financial and non-financial returns. Lazear (2017) and Gomez (2016, 2017) examined competency-based pay and bonus schemes, showing that financial rewards can align employee effort with organizational strategy. Armstrong (2016, 2017) and Hall et al. (2016) further demonstrated that merit pay and structured salary systems motivate employees by linking rewards to performance ratings. Bambacas and Bordia (2016) found that compensation encourages innovation, while Lawler (2016), Sturman and Trevor (2015), and Eslami & Gharakhani (2018) confirmed that financial incentives tied to task performance reduce turnover and improve outcomes. Collectively, these studies affirm that monetary incentives influence motivation and performance, but most emphasize retention, satisfaction, or innovation rather than engagement.

In the Kenyan context, Okumbe (2015) stressed the importance of fair compensation aligned with market rates to attract and retain staff, while Njanja et al. (2013) and Jilani & Juma (2015) examined cash bonuses and incentive systems in relation to performance. Although these studies confirm that pay structures affect employee outcomes, they largely treat compensation in aggregate and focus on performance or retention rather than discretionary effort and engagement. Moreover, most international studies are Western-based, leaving limited empirical evidence on how monetary incentives directly affect engagement in labor-intensive industries such as horticulture. This reveals a clear research gap: while compensation is widely

acknowledged as a motivator, few studies have isolated the specific effect of monetary incentives on employee engagement, particularly within Fairtrade horticultural firms in Kenya. Therefore, this study sought to fill this gap by empirically examining how financial rewards influence engagement, offering insights into strengthening reward systems to enhance workforce motivation and organizational performance.

Research Gap

Monetary incentives have long been recognized as a central component of human resource management, with global studies by Mondy (2008), Newman and Milkovich (2015), Lazear (2017), and Armstrong (2017) emphasizing their role in motivating employees and improving organizational performance. However, much of this literature has been conducted in Western contexts, focusing primarily on compensation structures, retention, or performance outcomes rather than employee engagement. Similarly, studies by Bambacas and Bordia (2016), Lawler (2016), and Eslami & Gharakhani (2018) examined the link between financial rewards and innovation, turnover, or productivity, but did not isolate engagement as a distinct outcome. This reveals a gap in the global literature, where monetary incentives are acknowledged as important but rarely tested empirically in relation to engagement.

In Africa and Kenya, existing studies have largely concentrated on reward fairness, cash bonuses, and incentive systems in relation to performance and retention (Okumbe, 2015; Njanja et al., 2013; Jilani & Juma, 2015). While these findings confirm that pay structures influence employee outcomes, they treat compensation broadly and fail to distinguish the specific effect of monetary incentives on engagement. Moreover, the horticultural sector in Kenya has received limited attention in this regard, despite its reliance on Fairtrade certification and ethical labor practices. Consequently, there remains a lack of empirical evidence on how monetary incentives directly influence employee engagement in Fairtrade horticultural firms in Kenya. This study sought to fill that gap by providing context-specific insights into the role of financial rewards in shaping engagement, thereby contributing to both academic discourse and practical HR policy in the sector.

METHODOLOGY

This study adopted a pragmatist philosophy and a cross-sectional survey design, targeting 5,600 employees across 41 Fairtrade horticultural firms in Kenya. A sample of 373 respondents was determined using Yamane's (1967) formula at 95% confidence and 5% error levels, with stratified and simple random sampling applied across management cadres. Primary data was collected through structured questionnaires, supplemented by secondary sources, and ethical clearance was obtained from JKUAT and NACOSTI. A pilot test with 37 respondents ensured reliability and validity. Data analysis was conducted using SPSS version 26, with descriptive statistics, content analysis for qualitative data, and linear regression at the 5% significance level to examine the relationship between monetary incentives and employee engagement. To ensure robustness of the regression model, several diagnostic tests were undertaken. Normality of data distribution was checked using the Kolmogorov-Smirnov test, while linearity between variables was confirmed through correlation analysis. Multicollinearity was assessed using Variance Inflation Factors and correlation coefficients, ensuring values remained below the critical threshold of 0.9. Heteroskedasticity was tested using White's test and controlled by maintaining constant error variance, while autocorrelation was examined using the Durbin-Watson statistic. With content analysis for qualitative data and linear regression at the

5% significance level to examine the relationship between monetary incentives and employee engagement. The linear regression model used was:

$$Y = \beta_0 + \beta_1 X_1 + \epsilon_i \dots \dots \dots (i)$$

RESULTS

Response Rate

The researcher distributed a total number of 373 questionnaires to the sampled respondents. Table 1 shows the response rate results.

Table 1: Response rate

Sample size	Response	Return rate (%)
373	315	84.4%

Out of 373 administered questionnaires, 315 questionnaires were successfully filled and handed back to the researcher which gave 84.4% response rate. Richard (2015) observed that the Australian Vice Chancellors' committee and graduate careers council of Australia (2021) regarded an overall institutional response rate for the course experience questionnaire of at least 70% to be both desirable and achievable. The response rate of 84.4% which was attained during this study is acceptable because it is above the 60%.

Descriptive Statistics

Table 2: Descriptive Analysis for Monetary Incentives

Statements on Monetary incentives	5	4	3	2	1	Mean	S.D
1. Salaries that match the work done enhances employee engagement	22.5%	38.4%	15.9%	18.7%	4.4%	3.56	1.159
2. Basic pay motivates one to do work well	31.1%	38.7%	1.9%	18.4%	9.8%	3.63	1.349
3. Compensation matches with other organizations' compensation	18.4%	42.5%	16.5%	19%	3.5%	3.53	1.101
4. Increase in basic pay motivates increased performance	16.5%	41.6%	18.4%	22.5%	1%	3.50	1.045
5. Highly competitive pay makes employees show extra work effort, increasing their engagement	18.7%	44.1%	11.4%	22.5%	3.2%	3.53	1.127
6. Benefits are so important leading to retention in the organization	10.2%	50.5%	17.8%	18.4%	3.2%	3.46	1.007
7. The benefits motivate one to do well at work	28.6%	31.4%	16.8%	19.4%	3.8%	3.62	1.195
8. The recognition practices motivates one to work well in their area and even go beyond the call of duty	16.5%	45.1%	15.6%	21%	1.9%	3.53	1.056
9. One feels adequately compensated for use of their skills in their job	26.7%	35.2%	12.1%	21.3%	4.8%	3.58	1.222
10. The organization recognizes employees who put in extra effort	15.9%	42.5%	18.4%	19.4%	3.8%	3.47	1.089
Average level of Monetary incentives	N	Minimum	Maximum	Mean	Std. Dev.		
	315	1.30	5.00	3.54	0.96		

Respondents generally agreed that monetary incentives positively influence employee engagement, with mean scores ranging from 3.46 to 3.63 across the ten items. The highest agreement was on basic pay motivating performance (M = 3.63), while benefits supporting retention had the lowest mean (M = 3.46). The average level of monetary incentives (Grand mean) according to the sampled respondents was at 3.54 with a standard deviation of 0.96. This implies that majority of the respondents agreed with most of the statements that were used to measure Monetary incentives. However, significant standard deviation shows there were some variations implying that the monetary incentives is not uniform amongst all the sampled firms.

Tests of Assumptions

The study dataset was tested for purposes of inference or prediction, if it satisfied all the assumptions of this model.

Normality Test

Normality was tested using the Shapiro-Wilk test which has power to detect departure from normality due to either skewness or kurtosis or both. Normality assumption was tested using Shapiro-Wilk Test (S-W). When the value of significance level is less than 0.05 then normality assumption has been violated while when the value is greater than 0.05 then the distribution is normal. From Table 3, normality was achieved and therefore, the study used parametric tests.

Table 3: Normality Test Results

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	Df	Sig.
Monetary incentives	.085	315	.200*	.971	315	.417
Employee Engagement	.134	315	.075	.951	315	.087

*. This is a lower bound of the true significance.
a. Lilliefors Significance Correction

Linearity

Test of linearity refers to the degree to which the change in the dependent variable is related to the change in the independent variable. Linearity was confirmed using P-P plots as indicated in Figure below.

Normal P-P Plot of Regression Standardized Residual

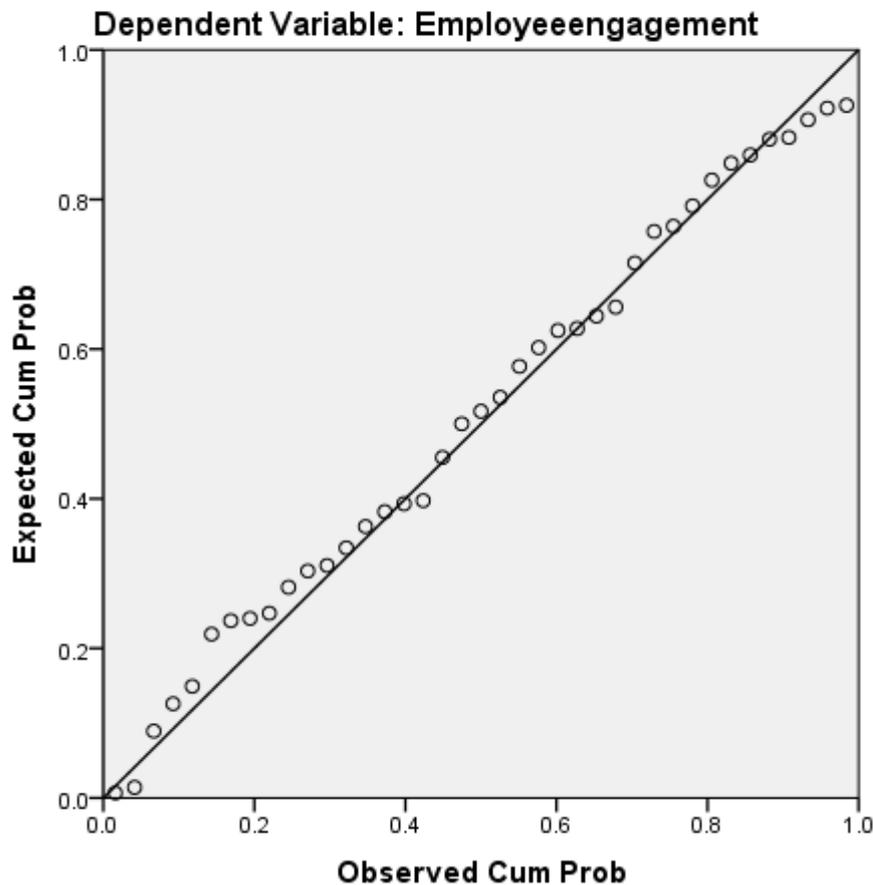


Figure 1: Linearity

The results indicate that the points lie along a reasonably straight diagonal line from bottom left to top right; an indication of a linear relationship between the independent variable and the Dependent variable hence, the assumption for linearity holds.

Heteroskedasticity

In this study, heteroskedasticity was tested to ensure that the variance of the error terms remained constant across the values of the independent variable, monetary incentives. White's test was applied to detect any irregularities in error variance (White, 2016), while the Likelihood Ratio (LR) test was used to confirm robustness (Wiggins & Poi, 2015). The null hypothesis assumed constant variance (homoscedasticity). The LR test produced a chi-square value of 34.67 with a p-value of 0.1003, which was insignificant at the 5% level. Consequently, the null hypothesis was accepted, indicating no presence of heteroskedasticity. The data was therefore homoscedastic, meaning employee engagement exhibited equal variance across the range of monetary incentives.

Table 4: Heteroskedasticity Test

Modified Wald test for group wise heteroskedasticity

H0: $\sigma(i)^2 = \sigma^2$ for all i
chi2 (39) =34.67
Prob>chi2 = 0.1003

Regression Analysis

The study used the linear regression analysis to assess the influence of monetary incentives on Employee engagement.

Linear Regression between Monetary Incentives and Employee Engagement

The study used a Simple Linear Regression between Monetary incentives and employee engagement in Fairtrade horticultural firms in Kenya by assessing the influence of monetary incentives on employee engagement in Fairtrade horticultural firms in Kenya. The model (Monetary incentives) was able to explain 49.2% of the variation in the employee engagement in Fairtrade horticultural firms in Kenya as indicated by the R Square = 0.492 as shown in the model summary of Table 5. The findings were as shown below in Table 5 Where the ANOVA test results were $F(1, 313) = 303.152$, $P = 0.000 < 0.05$; an indication that the Simple Linear Regression model was a good fit to our dataset.

The regression Coefficient results showed that $\beta = 1.168$, $t = 17.411$, $p = 0.000 < 0.05$; therefore, Monetary incentives had a statistically significant influence on the Employee engagement in Fairtrade horticultural firms in Kenya. Monetary incentives had a positive standardized beta coefficient = 1.168 as shown in the coefficients results; this indicates that the employee engagement is predicated to improve by 1.168 when the Monetary incentives variable goes up by one. To predict the Employee engagement in Fairtrade horticultural firms in Kenya when given the level of monetary incentives, the study suggests the use of the following model;

Employee engagement = -0.629 + 1.168 Monetary incentives

Table 5: Linear Regression Analysis between Monetary Incentives and Employee Engagement

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.701 ^a	.492	.490	.70666		
a. Predictors: (Constant), Monetary incentives						
b. Dependent Variable: Employee engagement						
ANOVA^a						
Model	Sum of Squares	Df	Mean Square	F	Sig.	
1 Regression	151.386	1	151.386	303.152	.000 ^b	
Residual	156.303	313	.499			
Total	307.689	314				
a. Dependent Variable: Employee engagement						
b. Predictors: (Constant), Monetary incentives						
Coefficients^a						
Model	Unstandardized Coefficients		Standardized Coefficients		T	Sig.
	β	Std. Error	Beta			
1 (Constant)	-.629	.266			-2.362	.019
Monetary incentives	1.168	.067	.701		17.411	.000
a. Dependent Variable: Employee engagement						

Same results were obtained by Erbas (2017) who analyzed the effect of compensation on the food sector in Turkey and found that economic and non-financial benefits are essential aspects of job success in the central Anatolian region. In terms of motivating the workforce to achieve higher results than money benefits, however, non-monetary rewards are considered more important. Similar outcome were also obtained by Tausif (2014) who established the relationship between compensation such as housing and insurance and employment satisfaction for the educational sector in Pakistan. Mugaa *et al.* (2018) also found that compensation have a positive and significant effect on employee performance. Employers who provide more attractive benefits package have an advantage over other employers in hiring and retaining qualified employees.

However, some of the previous studies have not agreed with the study findings. For instance, Hafiza *et al.* (2016) empirically examined the relationship between compensation and employee performance in the non-profit organizations of Pakistan. The study found that compensation have insignificant impact on performance. Compensation such as housing have a weaker impact on employee motivation. There is an indirect relationship between compensation and employee motivation as employees of the organizations are not satisfied with their fringe benefit packages.

Hypothesis Testing

An overview of the hypothesis test result is as follows.

This study sought to investigate the influence of monetary incentives on employee engagement in Fairtrade horticultural firms in Kenya. To achieve this, a null hypotheses was formulated and tested.

H₀₁: Monetary incentives does not significantly influence employee engagement in Fairtrade horticultural firms in Kenya.

The results in Table 6 indicated that there was a positive and significant correlation between Monetary incentives and Employee engagement ($r=0.701$, $p=0.000$). Simple linear regression indicated there is direct significant influence of monetary incentives on Employee engagement as it significantly influences of 49.2% change in employee engagement. Multiple linear regression unstandardized coefficient indicated that when other variables in the model are controlled, Employee engagement is predicted to improve by 0.308 when Monetary incentives goes up by one (Table 5). This influence was also stated by a t- value of 3.310 which implies that the standard error associated with the parameter is less than the influence of the parameter. Therefore, there is sufficient evidence to reject the null hypothesis and accept that for each unit increase in monetary incentives, there is 0.308 units increase in Employee engagement in Fairtrade horticultural firms in Kenya.

Table 6: Results of the Hypothesis Tests

	Hypothesis	Decision
H ₀₁	Monetary incentives have no significant influence on employee engagement in Fairtrade horticultural firms in Kenya.	Reject H ₀₁

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Summary

The objective of the study sought to assess the influence of monetary incentives on employee engagement in Fairtrade horticultural firms in Kenya. Majority of the respondents were in agreement (agree + strongly agree >60%) that their basic pay motivates them to do their work well, benefits are so important to them that they are one of the reasons they have not moved from the organization and the recognition practices motivates them to work well in their area and even to go beyond the call of duty.

The inferential results revealed that there is direct relationship between monetary incentives and employee engagement in Fairtrade horticultural firms in Kenya. This implies that increase in monetary incentives would result to increase in the employee engagement in Fairtrade horticultural firms in Kenya. The coefficient of determination through the R square indicated that up to 49.2% of change in employee engagement in Fairtrade horticultural firms in Kenya is significantly accounted for by Monetary incentives ($R^2=0.492$, $P=0.000$). This implies that monetary incentives is a significant predictor of employee engagement in Fairtrade horticultural firms in Kenya. Multiple linear regression indicated that when other variables are controlled, a unit increase of Monetary incentives will result to significant increase in employee engagement by 0.308 units ($\beta_1=0.308$, $P=0.001$).

Conclusion

By rejecting the null hypothesis, the study concluded that there is significant influence of monetary incentives on employee engagement in Fairtrade horticultural firms in Kenya. Employee engagement such as vigor/extra efforts' input, dedication/commitment, bonding personal and organization's values and identity with organization was achieved through skill/competency-based pay, financial based compensation, non-financial compensation and bonus schemes/ incentive pay.

Recommendations

Based on the findings, the study recommends the need for horticultural firm to strengthen their monetary incentives aspects. In particular, the firms should develop better monetary incentives since they offer an incentive for personnel training and development which enhances efficiency within the firm. An attractive monetary incentives also leads to employee motivation which allows for better workforce productivity. Further, attractive monetary incentives act as an incentive for employee retention which enhances employee engagement. The study recommended the policy makers to formulate policies that would improve monetary incentives that could be implemented by existing horticultural firms.

Areas for Further Research

This study contributed to the body of knowledge by establishing the influence of monetary incentives on employee engagement in Fairtrade horticultural firms in Kenya. The findings provide managers with insights into how financial rewards such as salaries, allowances, and bonuses can be structured to enhance engagement. However, several areas remain open for further investigation. First, future studies could extend the scope beyond Fairtrade horticultural firms to include other categories of horticultural enterprises or different sectors in Kenya, allowing for comparative analysis of how monetary incentives affect engagement across industries. Second, while this study focused solely on monetary incentives, subsequent research could incorporate additional motivational factors such as job security, training opportunities, or non-financial rewards to provide a more holistic understanding of employee engagement drivers. Third, the current study did not include moderating or mediating variables; future research could explore the role of organizational culture, government policies, or leadership styles as intervening factors in the relationship between monetary incentives and engagement. Finally, longitudinal studies could be undertaken to assess how changes in incentive structures over time influence sustained employee engagement, offering deeper insights into long-term HR strategies.

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