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WAGE BILL AND FINANCIAL PERFORMANCE OF LEVEL 5 FAITH BASED HOSPITALS IN NAIROBI METROPOLITAN, KENYA

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Abstract

Purpose: The main objective of this study was to examine the effect of wage bills on financial performance of Level 5 faith based hospitals in Nairobi Metropolitan, Kenya.

Materials and Methods: A descriptive survey was used in this study. The target population comprised of 6 Level 5 faith based hospitals, 30 staff members in Finance departments and 6 HR Managers. In total, the target population was 36. Census technique was used to select all the 36 respondents to participate in the study. Questionnaires were used to collect the data from the respondents whereas the financial statements were also obtained from the hospitals. Cross sectional technique was used to obtain data from the financial statements of the 6 Level 5 Faith Based Hospitals. Quantitative approach of analysis was used in the study whereby descriptive and inferential statistics were involved. The data was analyzed with the use of SPSS and summarized in frequencies and percentages. The summarized data was presented using figures and tables.

Results: The findings showed that salaries affected the financial performance of the faith based hospitals to some extent. Provision of performance related incentives and allowances affect the financial performance of the faith based hospitals to a greater extent. Majority of the respondents were positive that wage policy has an effect on the financial performance of faith based hospitals. Basic salary (Beta=.298) and wage policy (Beta=.364) were found to be positively related to the financial performance of faith based hospitals. On the other hand, performance related incentives and allowances had a negative inverse association. It was also found that majority of the hospitals are providing a wage bill between 36-40%. This is fairly good because it is close to the internationally accepted wage bill percentage standard of 35%.

Unique contribution to theory, practice and policy: The study recommended that the faith based Hospitals should work towards improving the quality of services offered in their Hospitals so as to help raise more revenue that can support the operations of the Hospital. It is also recommended that the Hospital should avoid giving unnecessary incentives to the employees. Instead, it should work towards coming up with a structure in which incentives are provided based on employees performance and their input to the organization. The Hospitals should also conduct wage surveys and benchmarking activities with other related organizations. Through these surveys and activities the Hospitals will be able to monitor the average wage increase in other Hospitals and Juridictions. The study finally recommends Hospital wage bills should not exceed 40% of the total Revenue because it may lead to delayed payment of salaries or compromising some expenditures due to financial pressure.

Key words: *Wage Bill, Financial Performance, Level 5 Faith Based Hospitals*

1.0 INTRODUCTION

As defined by ILO (n.d), wages are the amounts of money or remunerations paid to employees by the employer for the work performed during a given period. These amounts may be determined by a collective agreement or an individual contract. Therefore, in this regard, a wage bill can be explained as the total amount paid in wages by an employer to the employees. The wages given to employees all over the globe vary depending on the minimum wages set within countries. According to Burkhauser (2010), having high minimum wages for employees has negative effect on the performance of business. This is because the businesses will be required to increase the prices of the products and services that they offer in order to accommodate the extra expenses of paying higher wages. Lu and Barriball (2011) explain that a huge wage bill is a threat to sustainable expenditure especially in situations whereby the company or organization is not performing at its best. People management is an important aspect of organizational processes. This emanated from the recognition that the human resources of an organization and the organization itself are synonymous. A well-managed business organization normally considers the average employees as the primary source of productivity gains. These organizations consider employees rather than capital as the core foundation of the business and contributors to firm development (Lu, Barriball, Zhang, & While 2011).

Silow-Carroll, Alteras, and Meyer (2007) indicated that no matter what wages existed to improve the quality of health care services; hospitals that did not have resources would find a challenge to provide incentives among staff. For the quality of staff to be improved, huge capital investment is required. Similarly, Bazzoli, Chen, Zhao, and Lindrooth (2008) added that with increased wages to improve on the quality of services, financial pressure would be experienced and this could lead to hospitals reducing the amounts to be used in investments. Hospitals that are poorly financed will automatically have low quality care and thus the wage bills will worsen the financial status of the hospitals.

Improving the quality of health services is a continuing challenge to managers in the health system (Tzeng, 2002). As a matter of fact, the job satisfaction of health care employees is a very important factor that has a pro-found impact on productivity as well as on the quality of patient care (Nikic, Arandjelovic, Nikolic, & Stankovic, 2008). The implication of health worker's job satisfaction on patient care, patient satisfaction, improved patient outcome and overall health care delivery quality cannot be overemphasized. Employees are your first customers when you satisfy them; they in turn satisfy the need of patients. In addition, the more the health facility is improved by providing quality drugs and medical equipment the more it attracts more patients and increases the market base (Kainga, 2015).

In the African continent, the faith based organizations have played a great role in promoting health care. For instance, Wodon, Olivier, Tsipo, and Nguyen (2014) reported that the market share of Faith Inspired Institutions (FIIs) is average. This ranges from 10 to 20 percent in Chad to 50–70 percent in the Democratic Republic of Congo (DRC). In other countries such as Ghana, Kenya, Lesotho, Liberia, Malawi, Nigeria, Rwanda, Sierra Leone, Tanzania, Uganda, and Zambia the range falls between 30–40%. Additionally, Heist and Cnaan (2016) indicated that earlier in 2010 the Catholic Church operated 16,178 health centres, 1074 hospitals, 5373 outpatient clinics, 186 leper colonies, 753 homes for the elderly and the physically and mentally disabled, 979 orphanages, and 2947 educational and rehabilitation centres.

In Tanzania, faith based organizations have contributed significantly to the health sector through service delivery, education and advocacy (Wilk-Mhagama, 2016). In Rwanda, 30% of the health care facilities are operated by faith based organizations (Maurice, 2015). It needs to be noted that most of the faith based hospitals in Africa tend to serve the poor people in the community. In terms of costs, FBHPs finance their services with government resources, user fees from patients, development assistance from bilateral and multilateral donors, and funding and in-kind contributions from within-country faith groups and local communities. Additionally, FBHPs are more expensive for households than public facilities, largely due to a lack of subsidization from the government (Olivier, Tsimpo, & Gemignani, 2015). This, therefore, puts a pressure in their management teams to ensure that staff gets well paid while at the same time the hospitals have operating capital for the investments in facilities.

In Kenya, the percentage of FBO - owned hospitals is reported as 16.5–28 percent while the percentage of FBO - owned health facilities is 12.5 percent (Kagawa, Anglemeyer, & Montagu, 2012). However, the operations of these hospitals in Kenya have been hindered by a number of issues such as corruption, poor budgeting and delayed supply of consumables. Additionally, it is also considered that 36.7% of faith based organized hospitals in Kenya are technically inefficient (Kinyanjui, Gachanja, & Muchai, 2015).

Several factors inhibit Kenya's ability to provide adequate health care for its citizens. The most important is under funding of the health sector as well as shortage of the health care workers. It is believed that for the retention of health care workers and especially those in the rural and remote areas provision of incentives and allowances is key (Blaauw et al., 2010). This may pose a financial challenge to some of the hospitals especially those that are not making much from the patients they serve such as faith based hospitals.

Studies show that a significant percentage of revenue is spent on the workers leaving a small percentage for development expenditure (KIPPRA, 2013, IEA, 2014). At fiscal level, higher wages necessary require increased borrowing to plug deficits, raising interest rates and lowering investment and growth. It also leads to a reduction in expenditure in vital social areas like education and health which in turn raise their own impacts of growth, productivity and human welfare (Ruto, 2019). Center for Health Solutions (CHS) Supports health care workers throughout the country where they build capacity to optimize their resources and provide better services. Human resources for health have long been recognized as the cornerstone of the health sector to produce, deliver and manage services. Inadequate staffing levels, lack of appropriate skills, poor staff attitude, low morale and weak supervision undermine the quality of health services provided especially at the rural health facilities. The shortage of health workers comprises of service delivery and eventually health and development of a nation. Kenya health sector has inadequate health staff and in addition there are regional disparities in the distribution of health workers (Health Sector Human Resource Strategy, 2014-2018).

Financial performance refers to the ability of an organization to achieve its desired financial objectives through proper management of its resources (Mahapatro, 2009). The financial performance of organizations has been influenced by a number of factors. While assessing employee compensations and financial performance of non-profit organizations in USA, Yan and Sloan (2014) noted that providing compensation to the employees above the median was unfavourable for the financial performance of the organizations. In in Charlotte, North Carolina, Carman (2011) indicated a 30% decrease in the financial performance of non-profit organizations due to the negative public response on the increased compensation and evidences

of poor governance in the organizations. Kadhim (2017) noted that compensation strategy has a significant effect on the success and performance of organizations in Iraqi. Ozkan (2007) also observed that within the United Kingdom, cash compensations had a positive and significant effect on the overall performance of the firm.

Jones (2018) observed that divergence in the stock of human capital potentially accounts for the cross-country variation in corporate profitability of developed and developing countries. According to an observation made by Davies (2018), wage and Salary Cost (WSC) provided by organizations needs to be fair so as to attract the right human resource to the fill the positions. This also helps to increase the output of the employees as well as increase the overall performance of the organization. Ohaka, Kalagbor, and Obulor (2020) examined the impact of wage and salary cost on the financial performance of organizations in Nigeria. It was noted from the study that wage and salary cost affected the financial performance interns of earnings per share and return on equity.

Within the context of Kenya, Muthengi (2017) observed that compensation strategy had an effect on the performance of public offices in Kenya. Within the banking sector, Aduda (2011) noted a non-significant relationship between the compensation of executives and financial performance of the commercial banks. In contrary, a study by Katua (2014) was able to show a positive relationship between rewards and compensation strategies on the performance of commercial banks in the country. These observations clearly show that there is indeed a relationship which also needed to be established in the faith based hospitals in Kenya.

Statement of the Problem

Wage bills have an important role in the motivation of employees to actualize the dreams and goals of institutions. As such, some organization may try to raise the wage bills at the expense of other departments in the organization so as to ensure that the staff remains motivated to work. However, in the process, the neglected areas may perform poorly hence affecting the overall performance of the organization (Kainga, 2014). With this in mind, this study intends to examine how amount of money paid to employees as wage bills may affect the overall financial performance.

Additionally, the hospitals are faced by lack of adequate functional structures to support performance, unfavourable terms and conditions for health care workers and lack of incentive for hard- to- reach areas, lack of skill inventory and lack of budgetary support to employee health personnel (Mutua, Kinyili & Arasa, 2017). Strikes have been experienced in the hospitals due to lack of staff and poor pay which has paused a critical challenge to the performance of the hospitals (Kariuki 2014). The main reasons contributing to the critical staff shortage include high rates of desertion by medical personnel, lack of proper structures to determine the health personnel requirements and place them accordingly, high corruption rates at the counties and lack of adequate funds to employ health personnel, among other reasons.

Notably, besides the understaffing factor, operations in faith based hospitals continue to being affected by political and bureaucratic leakage, fraud, abuse and corrupt practices which occur at every stage of the process. This is largely influenced by poor compliance of financial policies, poorly managed expenditure systems, lack of effective auditing and supervision, organizational deficiencies and lax fiscal controls over the flow of public funds (Murunga and Njeru, 2015). Moreover, the hospitals systems are faced by insufficient financing, limited delivery of services, poor management and administration structures (RoK, 2010). Therefore, this study sought to find

out how aspect of wage bills as one way of complying with the financial policies in meeting the requirements of the staff affected the financial performance of the level 5 faith base hospitals.

From an empirical point of view, studies (Wilk-Mhagama, 2016; Maurice, 2015; Kinyanjui, et al., 2015; Kagawa, 2012) on faith based hospitals have focused more on the contributions that these hospitals have in the promotion and advocacy of health care in the communities. The studies have been carried out in different regions such as Tanzania, Rwanda and a few in Kenya. However, little has been done regarding financial performance of these Level 5 faith based hospitals within Nairobi Metropolitan. There was therefore, a need to fill this gap by carrying out this study to examine the effect of wage bills on the financial performance of Level 5 faith based hospitals in Kenya and with reference to Nairobi Metropolitan.

2.0 LITERATURE REVIEW

2.1 Theoretical Review

Bargain theory of Wages

The bargain theory of wages was developed by Davidson in 1898. The theory is based on the assumptions that wages, hours and working conditions are determined by the relative bargaining strength of the parties to the agreement. In this theory, employers had a greater bargaining strength than the employees. Employers were in a better position to unify their opposition to employee's demands and employers were also able to withstand the loss of income for a longer period than employees could (Flatau, 2002).

This theory argues that no one factor or single combination of factors determines wages and that no one rate of pay necessarily prevails. Instead, there is a range of rates, any of which may exist simultaneously. The upper limit of the range represents the rate beyond which the employer refuses to hire certain workers. This rate can be influenced by many factors, including the productivity of the workers, the competitive situation, the size of the investment, and the employer's estimate of future business conditions (Marquetti, 2004). The lower limit of the range defines the rate below which the workers will not offer their services to the employer. Influences on this rate include minimum wage legislation, the workers' standard of living, their appraisal of the employment situation, and their knowledge of rates paid to others. Neither the upper nor the lower limit is fixed, and either may move upward or downward. The rate or rates within the range are determined by relative bargaining power (Marquetti, 2004).

The bargaining theory of wages was criticized by Daniels (1930) as ignoring non-material factors in the bargaining process. According to the critics, the psychological aspect is an important factor that may have an influence in the bargaining process. This is whereby the perception of the employees or employers on their worth may not be visible and yet it contributes to the bargaining process (Daniels, 1930).

This theory finds its application in the current study. It explains how the variations in the wages may influence the decisions made by both employees and employers. When the wage limits are high, the employers may be forced to cut cost on other sections in the company to meet the wages of employees for them to be able to work effectively. However, this action may on the other hand affect the neglected sections and thus affecting their operations. As such, the theory finds its relevance in explaining the existing relationship between wages and performance.

2.2 Conceptual Framework

This study conceptualized that the financial performance of faith based hospitals (dependent variable) depends upon the wage bills (independent variable). The relationship between the variables is shown in the Figure 1.

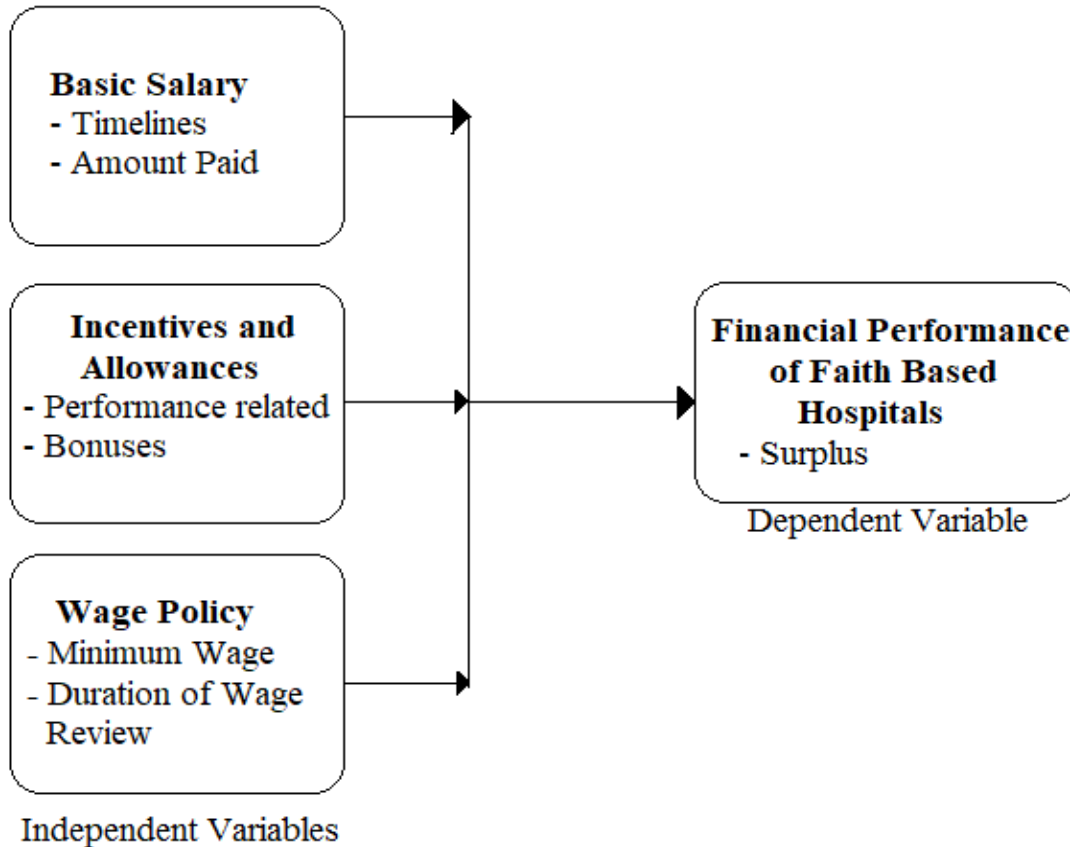


Figure 1: Conceptual Framework

3.0 METHODOLOGY

A descriptive survey was used in this study. The target population comprised of 6 Level 5 faith based hospitals, 30 staff members in Finance departments and 6 HR Managers. In total, the target population was 36. Census technique was used to select all the 36 respondents to participate in the study. Questionnaires were used to collect the data from the respondents whereas the financial statements were also obtained from the hospitals. Cross sectional technique was used to obtain data from the financial statements of the 6 Level 5 Faith Based Hospitals. Quantitative approach of analysis was used in the study whereby descriptive and inferential statistics were involved. The data was analyzed with the use of SPSS and summarized in frequencies and percentages.

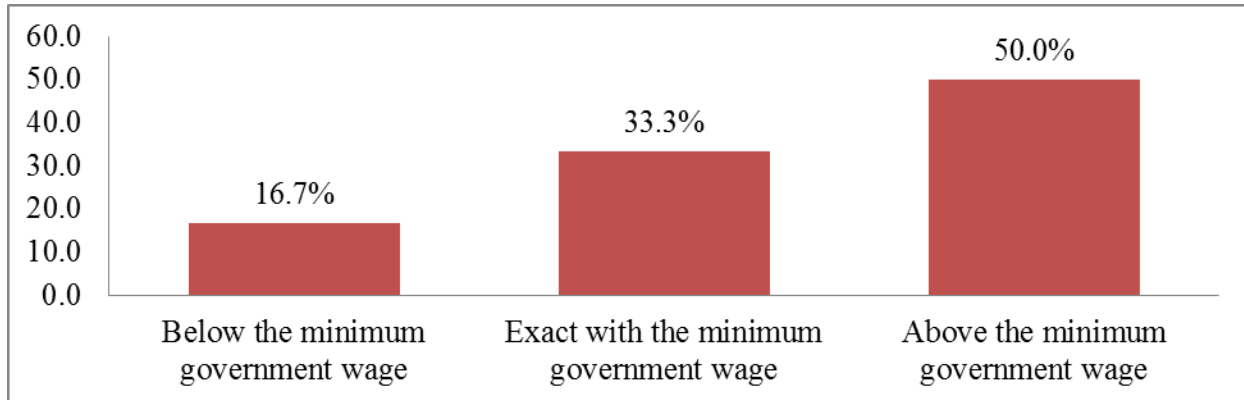
4.0 RESULTS

4.1 Descriptive Results

4.1.1 Salary and Financial Performance in the Faith Based Hospitals

This study was set to establish how the basic salary provided to the employees affect the financial performance of faith based hospitals in Nairobi Metropolitan. First, the respondents were asked to indicate the level of basic salaries that were being given in the hospitals. Figure 2 shows the responses that were given.

Figure 2: Level of Basic Salaries given in the Faith Based Hospitals



Source: (Field Data, 2021)

In terms of the basic salaries given, half (50%) of the respondents indicated that the salaries were above the minimum government wage. A third (33.3%) indicated exact with the minimum government wage. The remaining 16.7% indicated that the salaries were below the minimum government wage. This shows that at least most of the employees in the faith based hospitals are receiving some good basic salaries with only a few receiving below the minimum government wage. The respondents were further given some statements on salary and financial performance of the hospitals and asked to indicate their extent of agreement or disagreement. The responses are as shown in Table 2.

Table 2: Salary and Financial Performance of Faith Based Hospitals

Statement	SA	A	UD	D	SD
The basic salary that the employees receive is based on the type of services they offer in the hospital.	50	33.3	-	16.7	-
There are those who receive higher basic salaries than others in the hospital.	50	33.3	16.7	-	-
In determining the basic salary to give, the management evaluates the financial grounds of the hospital.	66.7	33.3	-	-	-
There are times when salaries are delayed due to shortage of finances in the hospital.	16.7	33.3	-	-	50
Sometimes money has to be borrowed in order to pay the employees their basic salaries.	-	16.7	-	-	83.3

Key: SA- Strongly Agree, A-Agree, UD-Uncecided, D-Disagree, SD- Strongly Disagree

When asked to indicate whether the basic salary that the employees receive is based on the type of services they offer in the hospital, 50% strongly agreed and 33.3% agreed respectively. The

remaining 16.7% disagreed. This shows that employees in the hospitals are given salaries based on their areas of specialization.

Whereas 83.3% of the respondents were positive by strongly agreeing and agreeing that there are those who receive higher basic salaries than others in the hospital, 16.7% were undecided. This shows that there is a variation in the provision of basic salaries among the employees in the hospital.

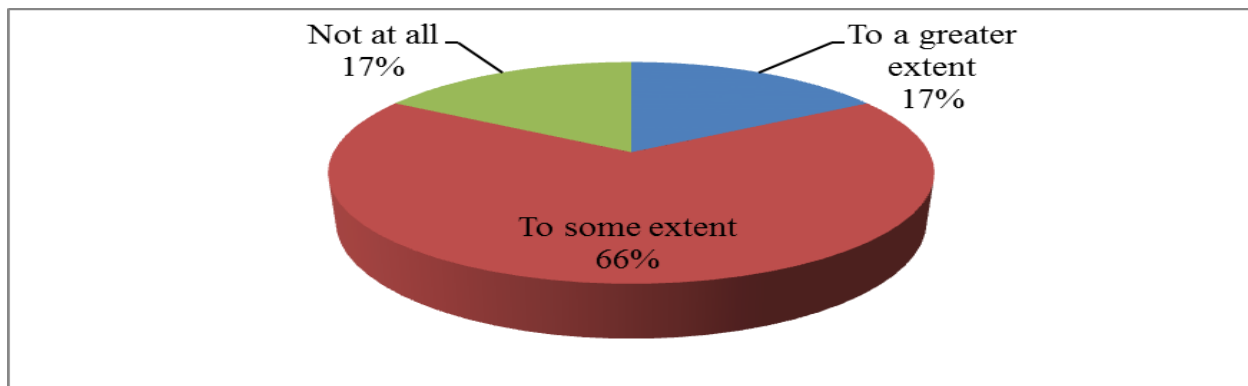
All the respondents were positive by strongly agreeing (66.7%) and agreeing (33.3%) that in determining the basic salary to give, the management evaluates the financial grounds of the hospital. Whereas half (50%) of the respondents agreed and strongly agreed that there are times when salaries are delayed due to shortage of finances in the hospital, half (50%) disagreed with the statement.

An overwhelming majority (83.3%) disagreed that sometimes money has to be borrowed in order to pay the employees their basic salaries. Only a few (16.7%) agreed with the statement. This shows that the hospitals try as much as possible not to borrow finances for the purposes of paying salaries to the employees.

The respondents were further asked to give their comments on other ways in which the salary aspect affected the financial performance of the hospital. In response, it was reported that salaries could increase or reduce the moral among employees to work hard, caused delays in paying suppliers and capital expenditure, and staff may not perform optimally because they are not happy with the salary they are getting.

Lastly, the respondents were asked to indicate the extent to which the salary given to the employees affected the financial performance of the hospital. Responses given are as shown in Figure 3.

Figure 3: Extent to which the Salary Given to the Employees Affect the Financial Performance of the Hospital



Source: (Field Data, 2021)

Two thirds (66%) of the respondents indicated that salaries affected the financial performance of the faith based hospitals to some extent. A few (17%) indicated to a greater extent. The remaining 17% however indicated that it had no effect at all. This finding is in line with some previous such as that conducted by Yan and Sloan (2014) which established that compensation above the median is unfavorable for donations overall. Another study by Yinka (2017) pointed out a strong and positive relationship between remuneration and the performance of employees.

The study also showed that salary/wage served as a form of motivation to the employees and overall financial performance of the organization. In concurrence with the findings of this study, Sule et al. (2015) established that there was consequential effect of inadequate compensation and motivation on the organizational development.

4.1.2 Performance Related Incentives and Allowances and Financial Performance

This researcher sought to establish the effect of performance related incentives and allowances on the financial performance of faith based hospitals in Nairobi Metropolitan. The respondents were given several statements and asked to indicate their extent of agreement or disagreement. Responses are shown in Table 3.

Table 3: Performance Related Incentives and Allowances and Financial Performance

Statement	SA	A	UD	D	SD
Providing incentives and allowances encourages the employees to work harder in achieving the hospital's targets.	33.3	50	16.7	-	-
Sometimes the allowances given exceed the amount of money available in the hospital accounts during that particular period.	16.7	-	-	50	33.3
Adding incentives to the basic salary at times reduces the profits made by the hospital.	-	50	-	50	-
In periods where performance related incentives are promised to the employees, the hospitals makes more finances.	-	50	33.3	16.7	-

Key: SA- Strongly Agree, A-Agree, UD-Undecided, D-Disagree, SD- Strongly Disagree

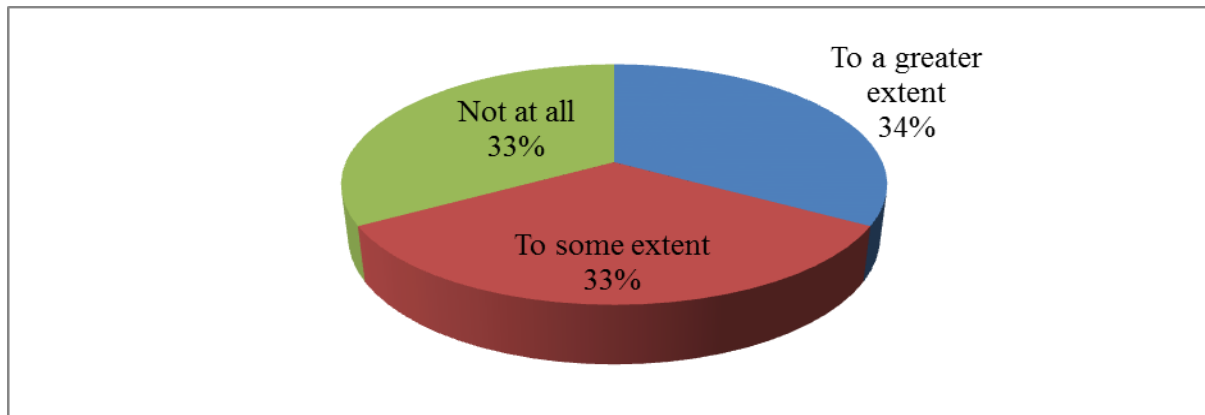
Whereas a third (33.3%) of the respondents strongly agreed that providing incentives and allowances encourages the employees to work harder in achieving the hospital's targets, 50% agreed. The remaining 16.7% were undecided on the matter. Whereas 50% and 33.3% disagreed and strongly disagreed with the statement that sometimes the allowances given exceed the amount of money available in the hospital accounts during that particular period, 16.7% agreed with the statement.

In terms of incentives and reduction of profits, balanced responses were obtained. This is whereby 50% of the respondents agreed and 50% disagreed that adding incentives to the basic salary at times reduces the profits made by the hospital. Fifty per cent agreed that, in periods where performance related incentives are promised to the employees, the hospitals makes more finances. A third (33.3%) was undecided whereas the remaining 16.7% disagreed.

The respondents were further asked to explain other ways in which the provision of performance related incentives and allowances aspect affect the financial performance of the hospital. In response, it was reported that when employees are given performance incentives, they tend to improve their performance and thus the financial performance of the hospital improves. It was also reported that provision of incentives led to well-planned work schedules. On the other hand, it was reported that provision of incentives reduced the surplus of the hospital which is supposed to be for development.

Lastly, the respondents indicated the extent to which the provision of performance related incentives and allowances affected the financial performance of the faith based hospitals. The responses are shown in Figure 4.

Figure 4: Extent to Which the Provision of Performance Related Incentives and Allowances Affect the Financial Performance of the Hospital



Source: (Field Data, 2021)

Whereas a third (33%) indicated that provision of performance related incentives and allowances affect the financial performance of the faith based hospitals to some extent, 34% indicated to a greater extent. The remaining 33% however indicated that it had no effect at all. In concurrence with the findings of this study, Park and Kruse (2014) noted that the relationships of incentives with organizational commitment and financial performance were stronger in more innovative companies than in less innovative companies. This therefore means that if the faith based hospitals are less innovative, then the incentives may have less effect on their financial performance. Babagana and Dungus (2015) further supported the findings of this study whereby they established that there was a strong positive relationship between the remunerations given to the staff (fringe benefits and staff nature of working conditions) and performance of the polytechnic.

4.1.3 Wage Policy and Financial Performance of Faith Based Hospitals

This study was set to determine the effect of the wage policy on the financial performance of faith based hospitals in Nairobi Metropolitan. The respondents were first asked to indicate whether they are aware of the wage policies. In response, all of them (100%) indicated that they were aware of the wage policies. Additionally, the researcher asked them to explain how the wage policies affect the provision of wage bills and financial performance of the faith based hospitals. Some of the explanations that were given include ensuring a structure of pay increments (salary reviews) and generally the wage scale hence avoiding poor financial implications, it strains the hospitals because one has to pay according to the standard salary and motivation of staff. It was further reported that wage policies affect provision of wage bills in that they determine how much the wage bill will be. Most faith based hospitals are not for profit thus they tend to pay low wages and this in turn gives low financial performance. It was also reported from the findings that some faith based hospitals may be affected negatively with the wage policies. This is because most of them are donor funded or rather non-profit making entities. Hence the policies may put some pressure on the provision of salaries to the employees. (Respondent 21, 2021)

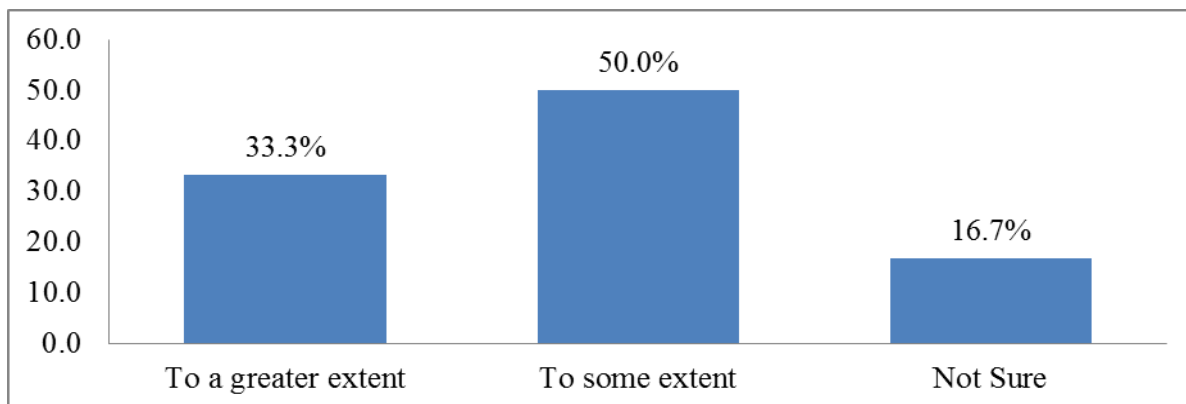
The respondents were further given some statements on the wage policies and asked to indicate their extent of agreement or disagreement. The responses given are shown in Table 4.

Table 4: Wage Policy and Financial Performance of Faith Based Hospitals

Statement	SA	A	U D	D	S D
The decisions passed by unions on the amounts to be given to employees at the hospitals may clash with the financial grounds of the same hospitals.	16.7	83.3	-	-	-
Effective wage policies adopted by organizations help to boost the financial income of the organization.	16.7	83.3	-	-	-
Lack of wage policies to guide the provision of wage may lead to poor financial performance of organization.	33.3	66.7	-	-	-
The wage policy decides when the wages of the employees may be reviewed.	33.3	66.7	-	-	-

Key: SA- Strongly Agree, A-Agree, UD-Undecided, D-Disagree, SD- Strongly Disagree

Whereas 83.3% of the respondents agreed that the decisions passed by unions on the amounts to be given to employees at the hospitals may clash with the financial grounds of the same hospitals, 16.7% strongly agreed. This shows that unions' decisions on employee salaries may have conflict with the financial grounds of faith based hospitals. Eighty three point three per cent (83.3%) agreed that effective wage policies adopted by organizations help to boost the financial income of the organization. this was further supported by 16.7% of the respondents who strongly agreed. Two thirds (66.7%) of the respondents agreed that lack of wage policies to guide the provision of wage may lead to poor financial performance of organization. additionally, a third (33.3%) strongly agreed with the statement. Two thirds (66.7%) agreed that the wage policy decides when the wages of the employees may be reviewed. This was supported by a third (33.3%) who strongly agreed with the statement. Lastly, the respondents indicated the extent to which the wage policy affect the financial performance of the faith based hospitals. Figure 5 shows the responses given.

Figure 5: Extent to which the Wage Policy Affect the Financial Performance of the Faith Based Hospitals

Source: (Field Data, 2021)

Half (50%) indicated that wage policies affected the financial performance of faith based hospitals to some extent. This was further supported by a third (33.3%) who indicated to a greater extent. The remaining 16.7% were not sure. In supporting the findings made in this study, Avariet et al. (2011) indicated that a sound wage policy maintains industrial peace, satisfies both the employers and the workers, increases the output of the firm and efficiency of workers, reduces costs, and maximizes profits. Similarly, Rizal et al. (2014) also established that there was a significant effect between the wage policy and employees' motivation and their commitment to the organization.

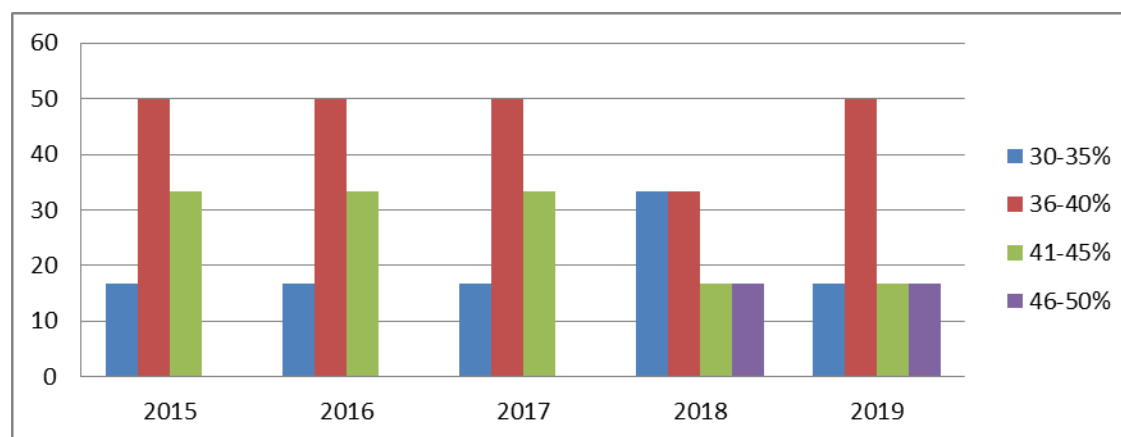
4.1.4 Percentage Wage Bill of Level 5 Faith Based Hospitals

The researcher sought to find out the percentage wage bill provided by the level 5 faith based hospitals. This information was obtained from the financial statements provided by the hospitals. The results are presented using the Table 5 and Figure 6 respectively.

Table 5: Percentage Wage Bill of Level 5 Faith Based Hospitals

	30-35%	36-40%	41-45%	46-50%
2015	16.7	50	33.3	-
2016	16.7	50	33.3	-
2017	16.7	50	33.3	-
2018	33.3	33.3	16.7	16.7
2019	16.7	50	16.7	16.7

Figure 6: Percentage Wage Bill of Level 5 Faith Based Hospitals



As shown in the Table 5 and Figure 6 above, it is notable that across the years (2015-2019), 50% of the level 5 hospitals have been given wage bills that range between 36-40%. On the other hand, a third provided wage bills ranging between 41-45% between 2015 and 2017. However, this percentage reduced between 2018 and 2019. However, only a few hospitals have been providing wage bills that range within 30 and 35% from 2015 to 2019, with a few increasing their wage bills to 46-50% within 2018-2019. It can therefore be concluded that majority of the hospitals are providing a wage bill between 36-40%. This is fairly good because it is close to the internationally accepted wage bill percentage standard. According to IEA (2014), the internationally accepted wage bill as percentage of total revenue is 35%.

4.2 Inferential Analysis Results

Inferential analysis was further conducted in the study to establish the relationship between the dependent and independent variables of the study. For the inferential analysis, the regression model equation was used in the study. The model equation is as indicated below:

$$Y' = A + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where:

Y is the dependent variable (financial performance)

A: This is constant (value of Y' when others are constant)

β , coefficients,

X, denotes independent variables and

ε , is residual (error term).

For the presentation of the regression model, the model summary, ANOVA and coefficient tables were used as shown in this section.

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.528a	.279	.196	3.13374

a. Predictors: (Constant), Basic Salary, Performance Related Incentives and Allowances, Wage Policy

As indicated in Table 6, the R Square is .279 and R is .528 at 0.05 significance level. This means that 27.9% variation of financial performance in the faith based hospitals is explained by the components of the wage bill examined in the study. As such, the residual of 73.1% can be explained by other factors outside the jurisdiction of this study.

Table 7: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	98.839	3	32.946	3.355	.034b
1 Residual	255.328	26	9.820		
Total	354.167	29			

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Basic Salary, Performance Related Incentives and Allowances, Wage Policy

From the ANOVA results, it is evident that the model under examination was statistically significant in explaining the relationship between the dependent and independent variables. This is because the p value obtained (0.034) is less than 0.05 at 5% level of significance. It can therefore be concluded that there is a statistical significant relationship between wage bill components (basic salary, provision of incentives and allowances, and wage policy) and financial performance of faith based hospitals in Nairobi Metropolitan.

Table 8: Coefficients

Model	Un - standardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	17.350	5.886		2.948	.007
1 Basic Salary	.298	.237	.240	1.255	.221
Performance Related Incentives and Allowances	-1.229	.411	-.572	-2.992	.006
Wage Policy	.364	.406	.150	.896	.379

a. Dependent Variable: Financial Performance

As shown by the Table 8, the Beta value for basic salary (Beta=.298) and wage policy (Beta=.364) are positively related to the financial performance of level 5 faith based hospitals in Nairobi Metropolitan. On the other hand, performance related incentives and allowances have a negative inverse association. This means that a decrease in one leads to an increase in the other. With regards to their statistical significance, basic salary and wage policies are statistically insignificant whereas as performance related incentives and allowances is statistically significant (p=.006). Therefore, the analyzed linear regression model is presented as follows:

$$Y' = 17.35 + .364 (\text{Wage Policy}) + .298 (\text{Basic Salary}) - 1.229 (\text{Performance Related Incentives and Allowances}) + \varepsilon$$

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary

Half (50%) of the respondents indicated that the salaries were above the minimum government wage. A third (33.3%) indicated exact with the minimum government wage. The remaining 16.7% indicated that the salaries were below the minimum government wage. When asked to indicate whether the basic salary that the employees receive is based on the type of services they offer in the hospital, 50% strongly agreed and 33.3% agreed respectively.

Whereas 83.3% of the respondents were positive by strongly agreeing and agreeing that there are those who receive higher basic salaries than others in the hospital, 16.7% were undecided. All the respondents were positive by strongly agreeing (66.7%) and agreeing (33.3%) that in determining the basic salary to give, the management evaluates the financial grounds of the hospital. Whereas half (50%) of the respondents agreed and strongly agreed that there are times when salaries are delayed due to shortage of finances in the hospital, half (50%) disagreed with the statement.

An overwhelming majority (83.3%) disagreed that sometimes money has to be borrowed in order to pay the employees their basic salaries. It was reported that salaries could increase or reduce the moral among employees to work hard, caused delays in paying suppliers and capital expenditure, and staff may not perform optimally because they are not happy with the salary they are getting. Two thirds (66%) of the respondents indicated that salaries affected the financial performance of the faith based hospitals to some extent and a few (17%) indicated to a greater extent.

Performance Related Incentives and Allowances and Financial Performance

Whereas a third (33.3%) of the respondents strongly agreed that providing incentives and allowances encourages the employees to work harder in achieving the hospital's targets, 50% agreed. The remaining 16.7% were undecided on the matter. Whereas 50% and 33.3% disagreed and strongly disagreed with the statement that sometimes the allowances given exceed the amount of money available in the hospital accounts during that particular period, 16.7% agreed with the statement.

Half (50%) of the respondents agreed and half (50%) disagreed that adding incentives to the basic salary at times reduces the profits made by the hospital. Fifty per cent agreed that, in periods where performance related incentives are promised to the employees, the hospitals makes more finances. A third (33.3%) was undecided whereas the remaining 16.7% disagreed.

It was reported that when employees are given performance incentives, they tend to improve their performance and thus the financial performance of the hospital improves. It was also reported that provision of incentives led to well-planned work schedules. On the other hand, it was noted that provision of incentives reduced the surplus of the hospital which is supposed to be for development.

Whereas a third (33%) indicated that provision of performance related incentives and allowances affect the financial performance of the faith based hospitals to some extent, 34% indicated to a greater extent. The remaining 33% however indicated that it had no effect at all.

Wage Policy and Financial Performance of Faith Based Hospitals

All of the respondents (100%) indicated that they were aware of the wage policies. Additionally, the researcher asked them to explain how the wage policies affect the provision of wage bills and financial performance of the faith based hospitals. Some of the explanations that were given include ensuring a structure of pay increments (salary reviews) and generally the wage scale hence avoiding poor financial implications, it strains the hospitals because one has to pay according to the standard salary and motivation of staff.

Whereas 83.3% of the respondents agreed that the decisions passed by unions on the amounts to be given to employees at the hospitals may clash with the financial grounds of the same hospitals, 16.7% strongly agreed. Eighty three point three per cent (83.3%) agreed that effective wage policies adopted by organizations help to boost the financial income of the organization. this was further supported by 16.7% of the respondents who strongly agreed.

Two thirds (66.7%) of the respondents agreed that lack of wage policies to guide the provision of wage may lead to poor financial performance of organization. additionally, a third (33.3%) strongly agreed with the statement. Two thirds (66.7%) agreed that the wage policy decides when the wages of the employees may be reviewed. This was supported by a third (33.3%) who strongly agreed with the statement. Half (50%) indicated that wage policies affected the financial performance of faith based hospitals to some extent. This was further supported by a third (33.3%) who indicated to a greater extent. The remaining 16.7% were not sure.

Percentage Wage Bill of Level 5 Faith Based Hospitals

Across the years (2015-2019), 50% of the level 5 hospitals have been giving wage bills that range between 36-40%. On the other hand, a third provided wage bills ranging between 41-45% between 2015 and 2017. However, this percentage reduced between 2018 and 2019. However,

only a few hospitals have been providing wage bills that range within 30 and 35% from 2015 to 2019, with a few increasing their wage bills to 46-50% within 2018-2019.

Conclusions

There are several conclusions that are made in this study. With regards to the basic salary, it can be concluded that salaries in the faith based hospitals are given according to the services or area of profession that the employee is serving. As such, there are those employees who receive higher payments due to the complexity of their services compared to others. These high variations in payments affect differently the performance of the employees. As such, it affects the financial performance of the organization to some extent.

In terms of the performance related incentives and allowances, this study concludes that it has an inverse association but positive relationship with the financial performance. This means that an increase in the incentives and allowances may have a negative effect (reduction) on the financial performance of faith based hospitals in Nairobi Metropolitan.

The wage policies were found not to have positive association but insignificant relationship with the financial performances. In terms of association, it is concluded that some of the policies from the union may not be in line with the financial abilities of the hospitals to pay their employees. On the other hand, lack of these policies may lead to poor financial performance of the employees.

It is concluded that majority of the hospitals are providing a wage bill between 36-40%. This is fairly good because it is close to the international recognized wage bill percentage standard of 35%. Overall, the study concluded that there is a positive relationship between wage bills and financial performance of faith based hospitals in Nairobi Metropolitan. Moreover, 27.9% variation of financial performance in the faith based hospitals is explained by the components of the wage bill examined in the study.

Recommendations

Considering that the employees who offer specialized services gain more salary, it is recommended that the hospitals should work towards improving the quality of services offered in the hospitals so as to help raise more revenue that can support the operations of the hospital. It is also recommended that the hospital should avoid giving unnecessary incentives to the employees. Instead, it should work towards coming up with a structure in which incentives are provided based on merit and input to the business. This will help to raise the standards of services and financial performance of the business. The hospitals should also conduct wage surveys and bench marking activities with other related businesses. Through these surveys and activities the hospitals will be able to monitor the average wage increase in other hospitals and jurisdictions. This will help in the determination of appropriate level and validity of salary range for annual salary increment in the hospitals.

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