

CORRELATES OF COMPENSATION POLICES AND EMPLOYEE RETAINMENT

Kowo S.A.¹,

*Ph.D, PhD Student Advisor,
e-mail: kowosolomon@gmail.com,*

Salau A.A.²,

Ph.D,

Odumesi A.O.³,

Ph.D,

Ashakah F.O.⁴,

Ph.D,

¹*Global Humanistic University Curacao, Nigeria*

²*Summit University, Offa, Kwara State, Nigeria*

³*Babcock University, Ogun State, Nigeria*

⁴*Delta State University Abraka, Nigeria*

Retention is one of the key fundamentals that are necessary for organizational success. In a globalized environment, retention and engagement of high prospective employees are a huge challenge to International corporations. In many cases, even engaged employees are sometimes dissatisfied with the outcomes of organizational performance which may lead them to look elsewhere. Due to these reasons, this paper investigates compensation factors and policies that influence employee retention and examines their impacts on both International Corporations and employees. For the purpose of this study primary data was used. The ex-post facto method was employed. The population consists of the members of staff of Guinness International PLC Plant, Lagos Nigeria. Yamane formula was adopted to determine the sample size. The data was analyzed using manual and electronic based methods through the data preparation grid and statistical package for the social sciences, (SPSS). Linear regression analysis method which also makes use of ANOVA was employed to test the hypothesis. The study found out that salary in compensation policy have effect on employee job security and also allowance affect job satisfaction Thus, the study recommends that International Corporations should identify those benefits which have more influence on employee retention. Furthermore, International Corporations need to revisit their present benefits package to identify those benefits which are not useful in order to replace them.

Keywords: retention, international corporations, compensation, salary, security, allowance, satisfaction

ВЗАИМОСВЯЗИ ПОЛИТИКИ ВОЗНАГРАЖДЕНИЯ И УДЕРЖАНИЯ СОТРУДНИКОВ

Ково Соломон Акповироро¹,

*Ph.D, научный руководитель аспирантов,
e-mail: kowosolomon@gmail.com,*

Салау Абдулазиз Альхаджи²,

Ph.D,

Одумези Аболаджи Оладимеджи³,

Ph.D,

Ашках Феликс Онориоде⁴,

Ph.D,

¹*Международный гуманитарный университет, Кюрасао, Нигерия*

²Университет Саммит, Оффа, штат Квара, Нигерия

³Университет Бэбкок, штат Огун, Нигерия

⁴Государственный университета Дельта, Абрака, Нигерия

Удержание сотрудников – одна из ключевых стратегий, необходимых для успешного функционирования организации. В условиях глобализации удержание и привлечение перспективных сотрудников представляют собой огромный вызов для международных корпораций. Во многих случаях даже вовлеченные сотрудники иногда бывают недовольны результатами деятельности организации, что может побудить их искать другое место работы. Таким образом, исходя из этих причин, в данной статье исследуются факторы вознаграждения и политика организации, то есть, всё то, что влияет на удержание сотрудников. Кроме того, исследуется влияние этих факторов как на международные корпорации, так и на самих сотрудников. Для целей данного исследования были использованы первичные данные. Был применен метод ex-post facto. Население состоит из сотрудников завода Guinness International PLC в Лагосе, Нигерия. Для определения размера выборки была принята формула Яманэ. Данные были проанализированы с использованием ручных и электронных методов с помощью сетки подготовки данных и статистического пакета для социальных наук (SPSS). Для проверки гипотезы был использован метод линейного регрессионного анализа, который также использует дисперсионный анализ. Исследование показало, что заработная плата в компенсационной политике влияет на гарантию занятости сотрудников, а также надбавки влияют на удовлетворенность работой. Таким образом, исследование рекомендует международным корпорациям определить те льготы, которые оказывают большее влияние на удержание сотрудников. Кроме того, международным корпорациям необходимо пересмотреть свой нынешний пакет льгот, чтобы выявить те льготы, которые не являются полезными, и заменить их.

Ключевые слова: удержание, международные корпорации, компенсация, заработная плата, гарантии, надбавки, удовлетворение

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Introduction

The quest to take industry leadership has made competition to exist in International corporations based on human compensation and development [1]. Different International corporations want to be the best, have the highest customers and profit and sustain the company for a long term period. To achieve all this, the retainments of employees is an important strategy; but behind this strategy there are laid down foundations [2]. Of all foundations, money is very important. Money is like the heart of employees; you break it when you don't pay them. Most workers put in their best because of the pay while others don't also because of it. Therefore, for International corporations to survive in a competitive world, it must ensure to possess the best brains who can take the company forward to where it really wants to be [3]. The compensation of employees in organization today is a critical element for the survival, growth, sustainability and competitive advantage over other organization because employees are the driving force to achieving the development and accomplishment of the organization's goals and objectives [4; 5].

Compensation is also a driving or motivating force to employee's productivity. It also helps in attracting the best employee in the industry to work for a particular organization. Retention is a voluntary move by an organization to create an environment which engages employees for a long term [6; 7; 8]. The most important purpose of retention is to look for ways to prevent the capable workers from quitting the organization as this could have negative effect on productivity and profitability [9]. The view that the main purpose of retention is primarily for organizational gains is similarly viewed by describing the concept, place the focus of retention in terms of some notion of adequacy or sufficiency of length of service which can be measured in terms of a return on the costs of investment [10]. It is on the premise that employee compensation plays an important role in their retainment that this study wishes to investigate the impact of compensation on employee retainment with reference to Guinness Plc. Lagos Plant.

However, it has been discovered that in the Nigerian system employees are not only motivated to stay for a long time in the organization through monetary reward; there are other factors which ensures the retention of employees. Compensation is considered as the most important factor for attracting and retaining the talents of an organization [11; 12]. Companies have objective to retain their valuable employees; performance pay is considered an important factor for it. Nevertheless, money brings the workers in the organization but not necessary to keep the employee and also money satisfies the employee but it is not sufficient to retain the employee [13; 14]. Money is not considered as primary retention factor [1]. Many organization implement very good employees retention strategy without offering high compensation or pay based retention strategy [7], in such circumstances; salary is not the only factor for job security. This study therefore intends to examine whether compensation policies affect employee retainment in International corporations.

Compensation concept and compensation strategy

Compensation management can be defined as all the employers' available tools that may be used to attract, retain, motivates and satisfy employees [15]. This encompasses every single investment that an organization makes in its people and everything its employees value in the employment relationship [16; 17]. Employee cannot sustain growth if they are not satisfied with their growth path and discouraged with the outcomes; unpaid and unmotivated that may cause a gap between employees' effort and their organizational effectiveness [18]. Simplistically, the notion of compensation management just says that there is more' to rewarding people than throwing money at them, or as Mulis and Watson puts it, "the monetary value in the compensation package still matter but they are not the only factor" [13].

Compensation strategy defines what the organization intends to do in the longer term to develop and implement reward policies and process that will further the achievement of its business goals [16; 19; 20]. It establishes priorities for developing reward plan that can be aligned to' business and human resources strategies. Compensation strategy is ultimately a way of thinking that you can apply to any reward Issue arising in your organization, to see how you can create value from it [21]. To him, it is necessary to recognize that effective compensation strategies have two components which are define goals and a well-defined link' to business objectives, well designed pay and reward programs tailored to the needs of the organization and its people and consistent and integrated with one another.

Review of employee retention

Employee retention refers to policies and practices companies use to prevent valuable employees from leaving their job. It involves taking measures to encourage employees to remain in the organization for the maximum period of time [5; 22]. Hiring knowledgeable people for the job is essential for an employer. But retention is even more important than hiring. This is true as many employers have underestimated costs associated with turnover of key staffs [5]. Turnover costs can incurred with issues such as reference checks, security clearance, temporary worker costs, relocation costs, formal training costs and induction expenses [23; 24].

Other invincible costs and hidden costs such as missed deadlines, loss of organizational knowledge, lower morale, and client's negative perception of company image may also take place. This is why retaining top talent has become a primary concern for many organizations today [21]. Managers have to exert a lot of effort in ensuring the employee's turnover are always low, as they are gaining increasing awareness of which employees are critical to organization since their values to the organization are not easily replicated [7]. Many critical analyses are conducted to minimize the possible occurrence of shortage of highly- skilled employees who possess specific knowledge to perform at high levels, as such event will lead to unfavorable condition to many organizations who failed to retain these high performers. They would be left with an understaffed, less qualified workforce that will directly reduce their competitiveness in that particular industry [17; 25; 26].

Scholars attempted to answer the question of what determines people's intention to quit, unfortunately till date, there has been little consistency in findings [3]. Therefore, there are several reasons why people quit their current job and switch for other organization. The extent of the job stress, low commitment in the organi-

zation; and job dissatisfaction usually result in resignation of employees, [5; 21]. Previous studies have also certified the relation between satisfaction and behavioral intentions such as employee's retention and spread the word of mouth [1; 20; 27].

The Herzberg two factor theory and Resource-based view theory

In 1959, Frederick Herzberg introduced the two-factor theory which is also known as the motivation-hygiene theory. Herzberg's theory states that there are certain factors that are related to the content of the job and provides satisfying experiences for employees. These factors are called motivators or satisfiers and include achievement, recognition, the work itself, responsibility, advancement and growth. The theory positioned that there are non-job-related factors that can cause dissatisfying experiences for employees. These factors are known as hygiene factors or dis-satisfiers and include company policies, salary, co-worker relations, and style of supervision [7; 17]. It must be noted that removing the causes of dissatisfaction (through hygiene factors) would not result in a state of satisfaction; instead, it would result in a neutral state (Herzberg, 1959). In spite of some criticism of Herzberg's two factor theory, it is one of the popular theories for managers worldwide.

Resource-Based View (RBV) Theory claimed that a company must have valuable, rare, inimitable and non-substitutable resources to have a sustainable competitive advantage. Barney (1986) listed all of the assets, capabilities, organizational processes, firm attributes, information, knowledge, and so on, as resources. The application of this theory to compensation management and employee retention illustrates the role that people play in building a company's competitive advantage. This theory referred to the following four features that people, as resources, must have for the company to be competitive. (1) They must give value to the company's production processes, (2) the skills that the company looks for must be rare, (3) the combined human capital investments of a company's employees cannot be easily imitated; (4) a company's human resources must not be substituted or replaced by technological alternatives. Overall, the resource-based theory provides a useful basis for understanding the value that compensation management adds to the retention of employee in the organization [22; 28; 29; 30].

Research method & Analysis of result

For the purpose of this study primary data was used. Primary data was collected using questionnaire structured on the basis of the research hypothesis, which will be presented to respondents as an opportunity for them to express their views and opinions. The ex-post facto method which involved the use of secondary data from the internet, journals, articles, and so on was also used. For this research project, the quantitative research design was used. A cross-sectional design was adopted as well. The aim and objective of the study is to know the impact of compensation policies on employee retainment. The population consists of the members of staff of Guinness PLC Plant, Lagos, Nigeria. For this study, it is determined using Yarmane formula. This formula is concerned with applying a normal approximation with a confidence level of 95 % and a limit of tolerance level (error level) of 5 %.

To this extent the sample size is determined by
$$\frac{n = N}{1 + N_e}$$

Where n = the sample size;

N = population;

= the limit of tolerance

Therefore, $n = \frac{280}{1 + 280(0.05)^2} = \frac{280}{1 + 280(0.0025)} = \frac{280}{1 + 0.7} = \frac{280}{1.7} = 165$ respondents

A sample size of one hundred and sixty-five (165) employees out of the two hundred and eighty (280) employee population of Guinness PLC Plant, Lagos Nigeria. All members of the population had equal chances to be chosen as part of the sample because one hundred and sixty-five (165) questionnaires were administered randomly to the entire employee population (table 1). The data was analyzed using manual and electronic based methods through the data preparation grid and statistical package for the social sciences, (SPSS). In this research work, linear regression analysis method which also makes use of ANOVA was applied in order to test

the hypothesis. Other methods of data analysis which was also used in this study include parametric and non-parametric measurement such as trend analysis.

Table 1 – Distribution of respondents and response rate

Respondents Occupation	Questionnaire administered (sampled)	Percentage of total response (%)
Top Level	31	22.1
Middle Level	80	57.1
Level Lower	29	20.8
Total	140	100.0
Gender/Category	Questionnaire administered (sampled)	Percentage of total response (%)
Male	67	47.9
Female	73	52.1
No of Returned	140	84.8.
No of Not Returned	25	15.2
Total no of Questionnaires	165	100

Source: Field Survey 2022

Table 2 – The descriptive statistics of compensation policies and employees retainment

Responses	Total (N)	Mean
Salary Scheme and Job Security.		
Salary level determine employee security	140	4.36
Salary offered is in equity with competitive firm	140	3.88
The salary offered provide security for you and your family	140	3.79
Exiting job occurs due to the irregularity in salary scheme	140	3.89
Better offer by competitive firm may causes you to leave your organization	140	3.67
Allowance and Job Satisfaction	Total	Mean
Allowance offered in the organization influence the morale of the employees	140	3.89
Additional allowance is given base on additional performance	140	3.99
Employee gets appreciation and allowance if the desired works are accomplished	140	3.78
Employee feel encouraged to come up with new and better ways of doing things organization	140	3.84
Resources needed to do the job efficiently is being provided by the organization	140	3.72
Organization recognize and acknowledge employee effort	140	3.85

Field Survey 2022

Regression analysis was used to measure the effect of the independent variable to the dependent variable of hypothesis 1, 2 and hypothesis 3 and proper interpretation and analysis techniques was used to explain the hypotheses testing.

Hypothesis 1

H_{01} : There is no significant effect of salary scheme on job security.

H_{a1} : There is significant effect of salary scheme on job security.

Table 3 – Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.105 ^a	.011	.004	.64385
a. Predictors: (Constant), SALARY				

Author's Compilation 2022

Table 4 – ANOVA (b)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.641	1	.641	1.547	.216 ^a
	Residual	57.207	138	.415		
	Total	57.848	139			
a. Predictors: (Constant), SALARY						
b. Dependent Variable: JOBSECURITY						

Author's Compilation 2022

The results from the model summary table above (table 3, 4) revealed that the extent to which the variance in job security can be explained by salary is 1.1 % i.e (R square = 0.011). The ANOVA table shows the Fcal 1.547 at 0.0001 significance level. There is significant effect of salary scheme on job security.

Table 5 – Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.323	.193		12.031	.000
	SALARY	.096	.077	.105	1.244	.216
a. Dependent Variable: JOBSECURITY						

Author's Compilation 2022

The coefficient table (table 5) above shows the simple model that expresses how salary affects employee job security. The model is shown mathematically as follows: $Y = a + bx$ where y is salary and x is job security, a is a constant factor and b is the value of coefficient. From this table therefore, Job Security (Job Security) = 2.323 + 0.096 Salary. This means that for every 100 % change in salary, job security contributed 9.6 %. The significance level below 0.01 implies a statistical confidence of above 99 %. This implies that salary in compensation policy have effect on employee job security. Thus, the decision would be to reject the null hypothesis (H_0), and accept the alternative hypothesis (H_1).

Hypothesis 2

H_{02} : There is no significant effect of allowance on job satisfaction.

H_{a2} : There is significant effect of allowance on job satisfaction.

Table 6 – Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.379 ^a	.144	.137	.59087
a. Predictors: (Constant), ALLOWANCE				

Author's Compilation 2022

Table 7 – ANOVA (b)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8.080	1	8.080	23.142	.000 ^a
	Residual	48.179	138	.349		
	Total	56.258	139			
a. Predictors: (Constant), ALLOWANCE						
b. Dependent Variable: JOBSATISFACTION						

Author's Compilation 2022

The results from the model summary table above (table 6, 7) revealed that the extent to which allowance has an effect on job satisfaction is 14.4 % i.e (R square = 0.144). The ANOVA table shows the Fcal to be

23.142 at 0.0001 significance level. The implication is that allowance significantly affects job satisfaction of an employee.

Table 8 – Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.411	.170		8.277	.000
	ALLOWANCE	.331	.069	.379	4.811	.000
a. Dependent Variable: JOBSATISFACTION						

Author's Compilation 2022

The coefficient table (table 8) above shows the simple model that expresses the effect of allowance on job satisfaction. The model is shown mathematically as follows; $Y = a + bx$ where y is job satisfaction and x is allowance, 'a' is a constant factor and b is the value of coefficient. From this table therefore, Job Satisfaction (Job Satisfaction) = $1.411 + 0.331$ Allowance. This means that for every 100 % change in Allowance, Job satisfaction is responsible for 33.1 % of the change. The significance level below 0.01 implies a statistical confidence of above 99 %. This implies that Allowance affect job satisfaction. Thus, the decision would be to reject the null hypothesis (H_0), and accept the alternative hypothesis (H_1).

Conclusion

The study has proved that main concern of any organization is its capacity to attract, engage, and retain the right employee. Certain factors are crucial in influencing the employees' decision to either leave or remain in an organization. Nonetheless, the study also revealed that the importance of other factors should not be miscalculated when formulating a retention policy. International Corporations should provide a number of strategies to increase employee retention such as: design an interesting employee value proposition; develop a total reward system that contains more than compensation; give constructive point of view on employee performance on regular basis; implement flexibility programs in terms of work- life balance; build a culture of engagement, develop and refine management skills to be effective, as it engages employees while driving improved performance at the same time. Also, employers should focus on issues and on the personal relationships they have with the employee to perform each function.

This research sought to identify factors that affect employee retention and predict ways that the organization can improve on current practices. The main aim of any organization is to earn profit. However, in order to attain the maximum profit, International Corporations should concentrate more on employees and the ways to retain them for their long run. From the study it is identified that different compensation policies that has been employed by International Corporations have a significant effect in determine if employee will leave or stay in an organization. Based on the findings of the study, the following recommendations can be summarized:

I. International Corporations need further improvements in their culture as it has the potential to retain employees, which will help them to retain its valuable assets (employees).

II. International Corporations should identify those benefits which have more influence on employee retention. Furthermore, Organizations need to revise their present benefits package to identify those benefits which are not useful in order to replace them.

III. The salary of employee need to be increased, which will not only retain the present employees but will attract employees of other organization as well.

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