

# A STUDY ON INFLUENCE OF EMPLOYEE COMPENSATION, JOB SATISFACTION, WORKING ENVIRONMENT ON EMPLOYEE RETENTION

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## ABSTRACT

*In an era of employee shortages and increased service delivery demands, it is important to explore factors which contribute to the retention of employees who contribute a wealth of knowledge and experience to their organisations. Schuler and Jackson (2006:216) define retention as everything an employer does to encourage qualified and productive employees to continue working for the organisation. The main objective of retention is to reduce unwanted voluntary turnover by valuable people in the organisation. Together, effective recruitment and retention efforts attract individuals to the organisation and also increase the chance of retaining the individuals once they are hired. Different generations are currently in the workplace with their differences magnified as a result of the current fragmented, global, and highly technological world. The changes in the workplace, in society, and in organisations over the years have been massive. These changes, according to Fields (2001:19) have, to a great extent, caused the rules of the workplace to change.*

**Key Words:** Employee Retention, Job Satisfaction, Work environment, Employee compensation.

## Introduction

### Understanding The Reasons For Employee Turnover

Sometimes organisations are faced with unavoidable turnover. This occurs when employees retire or move for non-job-related reasons. Schuler and Jackson (2006:248) argue that turnover due to the upcoming retirement of Baby Boomers is expected to have major implications for future recruiting activities. Furthermore, they also state that not all turnovers are bad.

Researches suggests that too little turnover can actually harm the organisation's performance. Sometimes organisations encourage employees to leave. The objective may be to shrink the size of the workforce, or simply to help unproductive employees realise that they may be better off finding alternative employment. But the big share of turnover that is caused by dissatisfied employees is not desirable and may be avoidable by implementing employee retention strategies

### The Negative Impact of Turnover on The Organisation

Although every manager and team leader is aware of problems associated with turnover, the following is a list of categories that frame the major negative consequences (Phillips & Connell, 2003:5-6).

- High financial cost
- Survival is an issue .

- Exit problems and issues
- Productivity loss and workflow interruption
- Service quality
- Loss of expertise
- Loss of business opportunities
- Administrative problems
- Disruption of social and communication networks
- Job satisfaction of remaining employees
- Image of the organization

The above are significant and negative consequences. With such impact, excessive turnover should command the attention of everyone in the organisation

- External drivers of the retention crisis
  - Economic Expansion
  - Slower growth of job seekers
  - Unemployment rate at low levels
  - Entrepreneurship
  - Job changes for more favorable climates
- Internal drivers of the retention crisis
  - Lack of organisational loyalty
  - Desire for challenging and useful work
  - Need for autonomy, flexibility, and independence
  - Need for performance-based rewards
  - Need for recognition of participation, accomplishments and contributions
  - Desire for all types of benefits
  - Need to learn new skills
  - Career growth
  - Desire to be on the leading edge
  - Desire for competitive compensation
  - Need for a caring, supportive environment
  - Need for work/life balance

## RESEARCH METHODOLOGY

### Statement of the problem

In today's world, employers face challenges in retaining efficient employees in wake of rapid increase in the volume of work. Employers are struggling to find and retain good people at all levels to keep pace with the volume of work and this means new pressures on salaries and compensation for employees. Furthermore, employers caution about pay levels and compensation despite a strengthening market has led to increasing employee frustration. The market economy also motivates the employment situations to change constantly and the person who works his or her entire career for the same business is less and less common. If employees are staying with the organization from two (2) to five (5) years, then the employer probably has done what is realistically and necessary to retain employees.

### Purpose of the Study

The main purpose of this study would be to gauge the extent to which compensation system affects the employees' intention to stay in the organization, being moderated by working environment. Besides, it is also the objective of this study to examine whether working environment moderates the relationship between compensation system and employees' intention to stay in the organization. The share of manufacturing sector in the GDP of Gujarat is nearly 40 percent, compared to 42 percent coming of the services sector. This is substantially different from the trend witnessed at an all India level, where the industry constitutes not more than 30 percent and the services sector contributes nearly 56 percent of the GDP. Over a period of time, Gujarat has successfully diversified its industrial base as a result of which there has been increase in employment opportunities in Gujarat. The employees as a result of industrial development have started switching over to other industries for money, better growth opportunities or favorable work environment. But these has placed a great pressure on organizations that are struggling to find and retain good people at all levels to keep pace with the volume of work and this means new pressures on salaries and compensation for employees. Furthermore, employers caution about pay levels and compensation despite a strengthening market has led to increasing employee frustration.

Therefore, this study aims at providing a clear understanding of the relationship between compensation system and employees' intention to stay in the organization, moderated by employees' working environment. The information and the results of this study would be crucial to the employers of manufacturing sector of Gujarat in designing a competitive compensation system for the employees, with the objectives to retain good employees

### Scope of the Study

This study will look into the employees' intention to stay in the organization. A number of private sector employees would be selected from the Manufacturing sector of Gujarat region; Employees from manufacturing sector are mainly selected because this sector in Gujarat is well-known for its turnover or mobility. This high turnover phenomenon is also prevalent in India. In addition, this study is mainly focused on private sector employees because they have the tendency to move from one organization to another organization as compared to employees from the government sector. Therefore, their selection as respondents is more appropriate. With regards to level of position in the organization, the questionnaires are to be distributed to private sector employees in Gujarat region at low level and middle level. This is to ensure that the collection of data is easily monitored and controlled as well as consistent.

### Objectives of the Study

The major purpose of this study is to achieve the following two-fold objectives

- To study the level of job satisfaction, working environment, employee compensation and employee retention in manufacturing industries of Gujarat.

- To study the relationship and association between demographic variables that is Age, Sex, Education and experience and key variables that is Job Satisfaction, Working Environment, Employee Compensation and Employee Retention.
- To study the Relationship and association between key variables such as Job Satisfaction, Working Environment, Employee Compensation and Employee Retention

#### **Hypothesis:**

- There is non- significant association between demographic variables that is Age, Sex, Education and experience and key variables that is Job Satisfaction, Working Environment, Employee Compensation and Employee Retention
- There is non- significant association. between key variables such as Job Satisfaction, Working Environment, Employee Compensation and Employee Retention
- There is non- significant relationship. between key variables such as Job Satisfaction, Working Environment, Employee Compensation and Employee Retention

#### **Study Design**

##### **Universe**

The universe comprised of 250 Middle Level Employees of Selected private manufacturing Industries of Gujarat

##### **Sample and sampling**

Method of sampling for the study was stratified systematic sampling.

Out of total 250 respondents 151 respondents were taken as sample on the basis of Krejcie and Morgan table,

##### **Variables**

Within the Study

Independent: Job Satisfaction, Employee Compensation and Working Environment

Dependent: Employee Retention.

Independent: Age, Sex, Experience and Education

Dependent: Job Satisfaction, Employee Compensation Working Environment and Employee Retention

##### **Source of data collection**

Primary:

Primary tool of data collection will be questionnaire.

Secondary:

Secondary tools of data collection will be Net \Surfing, E- Journals, Government Reports and Manuals .

##### **Data Operation and Management:**

The data collected was coded, tabulated, analyzed & interpreted with the help of necessary univariate, bivariate, multi-variate tables and with appropriate statistical tests

### **Operational definitions**

For the purpose of this study, the following terms may need to be further clarified to avoid confusion on what is meant in the context of this study.

### **Compensation System**

An organization's compensation system usually consists of three separate components. The first and largest component is the base compensation or salary system. The second is the incentive system, where employees receive additional compensation based on individual, divisional and/or organization-wide performance. Third is the indirect compensation system, where employees are provided with certain benefits, some of which are legally required and others are provided at the discretion of the employer.

### **Retention**

Retention is defined as possession or use of something or action of holding something in position or containing it. In this context of study, retaining employees is defined as one's desire to stay with the organization.

### **Work Environment**

Location where a task is completed. When pertaining to a place of employment, the work environment involves the physical geographical location as well as the immediate surroundings of the workplace, such as a construction site or office building.

### **JOB SATISFACTION**

Job satisfaction is how content an individual is with his or her job, in other words whether or not they like the job or individual aspects or facets of jobs, such as nature of work, Compensation, or supervision.

### **LIMITATIONS OF THE STUDY**

There are some limitations for research which are as follows:-

- a) As it was not possible to visit each department the true picture of working condition could not be judged.
- b) The employees were busy with their work therefore they could not give enough time for the interview.
- c) The personal biases of the respondents might have entered into their response.
- d) Respondents were reluctant to disclose complete and correct information.

### **Chapterization:**

The presentation of the report is divided into following categories :

#### **Introduction:**

It is explanatory of the topic which is selected by the researcher brief idea about the Topic

#### **Review of Literature:**

Researcher has given an outlook on the previous studies done on the field of Employee Retention

#### **Research methodology:**

Over here researcher explain about the significance scope objectives sample and sampling study design universe, Variables and treatment of data being covered in this chapter.

#### **Research setting:**

It is the introduction of the organization from where the data has been collected for present study

#### **DATA analysis & Interpretation:**

It is the analysis of data table and its interpretation.

#### **Findings conclusions recommendations:**

This chapter includes findings and conclusions recommendations based on the data analysis and interpretation. The recommendations are given to improve the situation which researcher felt about.

### **Major Findings**

#### **Section 1**

- Majority of the respondents covered under the study that is 82.8 % (n=125) belong to the age group of less than 30 years and between 30 to 40 years of age.
- Majority of the respondents covered under the study that is 90.7 % (n=137) are males.
- Majority of the respondents covered under the study that is 50.3 % (n=76) are graduates.
- Most of the respondents covered under the study that is 43 % (n=65) had work experience of around 10 years

#### **Section 2**

- There is significant Positive correlation between the demographic variables that is age and experience at p value.000 and 0.719
- There is non- significant Positive correlation between the demographic variables that is age and Education at p value.000 and .088
- There is non- significant Negative correlation between the demographic variables that is age and Sex at p value.000 and -.257
- There is non- significant Negative correlation between the demographic variables that is sex and Education at p value.000 and -.166
- There is non- significant Negative correlation between the demographic variables that is sex and Experience at p value.000 and -.106
- There is non- significant Negative correlation between the demographic variables that is Education and Experience at p value.000 and -.021
- There is significant Positive correlation between the key variables that is job satisfaction and work environment at p value 000 and 0.639.
- There is significant Positive correlation between the key variables that is job satisfaction and employee retention at p value 000 and 0.485.
- There is significant Positive correlation between the key variables that is job satisfaction and employee compensation at p value 000 and 0.441
- There is significant Positive correlation between the key variables that is work environment and employee retention at p value 000 and 0.655
- There is significant Positive correlation between the key variables that is work environment and employee Compensation at p value 000 and 0.688
- There is significant Positive correlation n between the key variables that is Employee compensation and employee retention at p value 000 and 0.594

#### **Section 3**

- The Pearson chi-square value in the Asymp. Sig. (2-tailed) column is 0.035 which is less than 0.005 which shows that there is significant association between age and job satisfaction
- The Pearson chi-square value in the Asymp. Sig. (2-tailed) column is 0.095 which is more than 0.005 which shows that there is non- significant association between age and work environment.
- The Pearson chi-square value in the Asymp. Sig. (2-tailed) column is 0.446 which is more than 0.005 which shows that there is non- significant association between age and employee retention
- The Pearson chi-square value in the Asymp. Sig. (2-tailed) column is 0.167 which is more than 0.005 which shows that there is non- significant association between age and Employee Compensation
- The Pearson chi-square value in the Asymp. Sig. (2-tailed) column is 0.110 which is more than 0.005 which shows that there is non- significant association between sex and job satisfaction
- The Pearson chi-square value in the Asymp. Sig. (2-tailed) column is 0.176 which is more than 0.005 which shows that there is non- significant association between sex and work environment



- The Pearson chi-square value in the Asymp. Sig. (2-tailed) column is 0.486 which is more than 0.005 which shows that there is non-significant association between sex and employee retention.
- The Pearson chi-square value in the Asymp. Sig. (2-tailed) column is 0.430 which is more than 0.005 which shows that there is non-significant association between sex and Compensation..
- The Pearson chi-square value in the Asymp. Sig. (2-tailed) column is 0.675 which is more than 0.005 which shows that there is non-significant association between Education and Employee Retention
- The Pearson chi-square value in the Asymp. Sig. (2-tailed) column is 0.074 which is more than 0.005 which shows that there is non-significant association between Experience and Job Satisfaction
- The Pearson chi-square value in the Asymp. Sig. (2-tailed) column is 0.553 which is more than 0.005 which shows that there is non-significant association between Experience and Work Environment
- The Pearson chi-square value in the Asymp. Sig. (2-tailed) column is 0.548 which is more than 0.005 which shows that there is non-significant association between Experience and Employee Retention
- The Pearson chi-square value in the Asymp. Sig. (2-tailed) column is 0.228 which is more than 0.005 which shows that there is non-significant association between Experience and Employee Compensation
- The Pearson chi-square value in the Asymp. Sig. (2-tailed) column is 0.001 which is less than 0.005 which shows that there is significant association between Education and job satisfaction
- The Pearson chi-square value in the Asymp. Sig. (2-tailed) column is 0.000 which is less than 0.005 which shows that there is significant association between Education and Work Environment.
- The Pearson chi-square value in the Asymp. Sig. (2-tailed) column is 0.000 which is less than 0.005 which shows that there is significant association between Education and Employee Compensation

#### **Section 4**

- The Pearson chi-square value in the Asymp. Sig. (2-tailed) column is 0.000 which is less than 0.005 it means that there is significant association between Job Satisfaction and Work Environment.
- The Pearson chi-square value in the Asymp. Sig. (2-tailed) column is 0.000 which is less than 0.005 it means that there is significant association between Job Satisfaction and Employee Retention.
- The Pearson chi-square value in the Asymp. Sig. (2-tailed) column is 0.000 which is less than 0.005 it means that there is significant association between Job Satisfaction and Employee Compensation.
- The Pearson chi-square value in the Asymp. Sig. (2-tailed) column is 0.000 which is less than 0.005 it means that there is significant association between Work Environment and Employee Retention.
- The Pearson chi-square value in the Asymp. Sig. (2-tailed) column is 0.000 which is less than 0.005 it means that there is significant association between Work Environment and Employee Compensation.
- The Pearson chi-square value in the Asymp. Sig. (2-tailed) column is 0.000 which is less than 0.005 it means that there is significant association between Employee compensation and Employee Retention.

#### **Conclusion**

On the basis of the findings the following conclusion has been derived.

Majority of the respondents covered under the study fall in the age group of 30 to 40 years of age which shows that the workforce is young and they belong to male category who are graduates and who have work experience of around 10 years.

The findings of the present study shows that there is non-significant correlation between the demographic variables that is age, sex and experience and with key variables that is Job Satisfaction, Work environment, Employee Compensation and Employee Retention which may be because there might be another factor which would be having an effect for example as majority of the respondents are of young age who are highly susceptible and their job satisfaction and working environment preference differ as compared to older age.

There is significant positive correlation between the key variables that is Job Satisfaction, Work environment, Employee Compensation and Employee Retention which shows that if an employee is provided with good work environment and his/ her pay is according to the job he or she is going to be satisfied and which in tune will reflect in his commitment and loyalty towards company which is important aspect for employee retention

There is significant association between age and job satisfaction which shows that as age increases people start valuing intrinsic reward rather than extrinsic reward and working over a time in the same company make them associated with their work and peers which helps in raising their job satisfaction.

There is significant association between Education and job satisfaction, work environment, employee compensation and employee retention which shows as employee get job according to their education and pay reflects their job and designation naturally a employee becomes satisfied with his/her job which in tune helps in retention of the employees

There is significant association within the key variables that is job satisfaction, work environment, employee compensation and employee retention which reveals that an employee who is provided with good working environment and pay according to the job will help in raising the job satisfaction of an employee and an employee who is satisfied with the working environment and pay would continue to work for the same company which helps in retaining the employees.

### Suggestions

The employer should keep in mind Employee Compensation strategy depending on the age of the employees as younger age employees have inclination towards extrinsic reward while older age employees have more inclination towards intrinsic reward this has to be kept in mind while framing effective compensation policy.

Employees should be provided good working environment and pay should also reflect the job and designation the person holds which would help in raising the satisfaction of employees ultimately retention of the employees.

Besides job satisfaction, working environment and employee compensation employee should also look into other factors as study reveals there are other factors which might have impact on employee retention and raising the satisfaction level of the employees.

The age of the employees play a vital role in estimation of job satisfaction level of an employee as factors such as extrinsic reward flexibility, job rotation might not be important for older employees these thing should be kept in mind by the employer.

The Employee retention activities and strategies should be given utmost importance and should change according to needs and demands as employees they are most vital resources which helps company getting the needed edge over the counterparts in the current scenario.

Competitive benefits which fit the needs of the employees should be provided.

Promote from within whenever possible. And give employees a clear path of advancement. Employees will become frustrated and may stop trying if they see no clear future for themselves at your company.

Create open communication between employees and management. Hold regular meetings in which employees can offer ideas and ask questions. Have an open-door policy that encourages employees to speak frankly with their managers without fear of repercussion.

Make sure employees know what you expect of them. It may seem basic, but often in small companies, employees have a wide breadth of responsibilities. If they don't know exactly what their jobs entail and what you need from them, they can't perform up to standard, and morale can begin to dip.

Flexibility in working hours and working conditions should be given importance as today employees seek flexibility rather than monotony.

More opportunities for development and growth of the employees should be provided and it should be made known to the employees.

Rather than holding exit interview with employees who've already made the decision to leave your organization, why not hold "stay interviews"? They can be a great way to learn what's important to each employee.



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