

Role of Compensation and Reward Practices in Influencing Employees' Retention Intentions: The Case of Indian IT Industry

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Employee retention is arguably the biggest issue facing the corporate leaders as a result of the shortage of skilled labour, economic growth and employee turnover, particularly in the Indian IT industry. This study attempts to find the influence of the organizational compensation practices including benefits and rewards, both materialistic and developmental, on the retention intentions of the IT professionals. This study finds that in order to prolong the employees' stay in the organizations, the companies must maintain an industry competitive salary structure, provide rewards for specific behaviours and make provision for overtime payment. The IT professionals appended greater value to materialistic rewards in comparison to developmental rewards.

Introduction

The Human resources represent the total of the inherent abilities, acquired knowledge and skills as exemplified in the talent and aptitudes of its employees. The change in the nature of work force has brought up more, not fewer Retention issues. The focus has surely shifted from numbers to quality and from 'Recruitment' to 'Retention'. Another reason for the organisations to try to retain their employees and curb employee turnover is the costs attached with it. The combined direct and indirect costs associated with one employee ranges from a minimum of one year's pay and benefits to a maximum of two years pay and benefits including the loss of corporate memory, affecting productivity, profitability and product and service quality, negatively affecting employment relationships, morale and work place safety. The problem of employee turnover can be addressed through a variety of proactive retention strategies, work place policies and practices which can not only help to offset the negative impact of turnover but also work proactively to increase retention intentions. There is strong evidence in the literature to suggest that retention is associated with certain types of HR practices. This paper tries to bring out the role of organizational compensation practices in prolonging the stay of the employees in the organization i.e. employee retention. The Indian IT industry is facing high rates of employee turnover. Thus it has been chosen as the area of research for this paper.

Review of Existing Literature

A. Compensation Levels

The HR literature that covers compensation occupies a very large part of the literature that applies to employee retention. Most of the sources consulted in this study stress the importance of compensation in attracting and retaining good employees, particularly for workers whose skills and responsibilities are unique or indispensable to the organization, or those workers in whom the company has invested considerable resources in recruiting or training. Ramlal Sunil (2003) by means of a series of surveys, observations and interviews, ascertained that the compensation package was one of the most common factors that influenced the retention intentions of the employees in the organisation. Some researchers have also found that competitive compensation packages can indicate strong commitment on the part of the organisation towards the employees which in turn can lead to a shared commitment on the part of the workers towards the organisation also. However, it was also seen that besides contributing to employee retention, rational compensation may also lead to both desirable and undesirable turnover, that is, it may help in retaining the employees, irrespective of the quality of their contribution to the company. A Survey by Mercer Human Resources Consulting Services (2006) showed that salaries soared higher as employers battled to attract and retain staff

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in the tightest labour market in 30 years. The survey revealed that the real challenge for human resources managers is to maintain the right salaries and other variable rewards in a tight market. Experts such as Lawler (1990) advocated that the key issue in retention was the amount of total compensation relative to levels offered by other organizations. "Organizations that have high levels of compensation," he wrote, "have lower turnover rates and large numbers of individual applying for them". In addition he said that high wage workplaces may create a 'culture of excellence.' On the other hand, he argued that low wage strategies may be appropriate if work is simple and repetitive and requires little training. Thus, despite the fact that there is general agreement about the importance of competitive compensation for employee retention, there is also a growing consensus that high or even generous compensation will not independently guarantee that an organisation will be able to keep its key employees.

Many authors in the HR literature have also put forward the use of 'retention salary adjustments' for the purpose of retaining an indispensable employee. The purpose of retention salary adjustments was supposed to provide a last alternative means to retain a key employee who had a similar job offer outside the organization. It was not to be meant to reduce the employee turnover ratio of the employer in any substantial sense, but to retain key employees (state personnel manual salary administration; 1991). Gonz`alez Luis G. and Gurtoviy Ruslan (2006) presented a theoretical model of bargaining over deferred compensation. They used the Axiomatic Nash bargaining framework to determine the role of deferred compensation in retaining key employees. The authors examined the optimal combination of cash and deferred payments that an organisation can apply to hold on to qualified personnel in order to ward off bankruptcy. The model given by them was flexible enough to provide insights in the bargaining issues of a more broad character. Meyer et al, (2003) said that building 'affective commitment' involved much more than paying well, and that retention based on 'compensation based commitment' was of course sensitive to changes in compensation within the company. They said that the employers that based their retention on

compensation based commitment were always vulnerable to the possibility that their competitors would offer better wages and thus lure away their employees. Similarly, Smith (2001) argued that "money gets employees in the door, but it doesn't keep them there". Ashby and Pell (2001) classified money as a 'satisfier', meaning that it is necessary but insufficient factor in employee retention, while Harris and Brannick (1999) agreed that money is not the primary motivator for employees. In fact, many companies did a very good job in retaining their employees without any pay-based retention incentives (Pfeffer, 1998). Clearly, the existence of the other HR practices is also a key to retention, and there is a great deal of interdependence between compensation and these other practices.

The possibility that certain companies get along very well without offering high levels of compensation for reasons that are not of their own doing should not be discounted. Workers in large urban centres where industrial establishments are concentrated may be more likely to move to the competitor down the street even for very modest wage differentials. Whereas in companies situated in more isolated areas the workers would not move for small increments in compensation. The message, given here again, is that companies that wished to develop a successful retention plan that included compensation and benefits must always understand their own unique characteristics and circumstances (Lochhead & Stephens, 2004). Whatever their circumstances, companies that successfully incorporated compensation and benefits into their retention efforts had a clear understanding of their business objectives and therefore used compensation as a tool for influencing the behaviour of the employee employees as well organisation as a whole (Lawler, 1990). For example, compensation practices can have a major impact on employee retention by motivating membership oriented behaviour (commitment). Pay systems may also affect knowledge sharing and transfer, suggestions, etc. if they are rewarded or recognized. Branham (2000) suggested certain ways by which compensation can drive commitment. These are: (i) send employees a strong message about what results are valued. (ii) Recognize and reinforce important contributions so that employees feel valued. (iii)

Provide a sense of 'emotional ownership' and increased commitment that comes from giving employees 'a piece of the action'. (iv) Maintain or cut fixed payroll costs & allocate variable pay to the employees they most want to attract/retain.

Finally, it is important to distinguish between what might be called normal or standard compensation and what is commonly referred to as performance based compensation i.e. specific forms of compensation that are paid to the employees who achieve certain objectives that are important to the company. According to Mohanty (2009) Performance pay is an important employee retention practice. She said that through such mode of compensation an employee is able to relate his performance with the company profits and hence will work hard. It is becoming a progressively more accepted form of compensation, particularly because it is closely adapted to very specific company objectives, including employee retention (Butteriss, 1999; Harris and Brannick, 1999). In general, there are two main aims for implementing performance pay. It acts as (i) a means of altering employee behaviour within an organisation in order to better achieve organisational objectives and (ii) a way to develop the desired organisational culture (Meyer et al, 2003). Lawler's (1990) typology of compensation systems is: "a. Incentive pay b. Merit pay c. Gain sharing d. profit sharing e. Employee stock ownership plans and f. Skill based pay." By identifying talent quickly and implementing performance pay smaller companies are becoming capable of competing with bigger enterprises (Applebaum et al; 2006). On the other hand pay-for-performance is not an isolated intervention. It depends upon and is to some extent a result of other HR and business strategies. There is for example, little sense in introducing skill based compensation if the organisation does not provide its employees with other development opportunities. Also, individual performance based pay must be aligned with a well designed process for evaluating and regulating employee performance (Lochhead & Stephens, 2004).

B. Benefits/Rewards

Benefits can show the employees that their organisation is supportive and fair towards them. Also stable benefits are at the top of the list of

reasons that influence the decision of the employees to join, stay or leave an organisation (Dibble, 1999; Tompkins and Beech, 2002; Tillman, 2001). Hong and Kaur (2008) have supported this view by saying that rewards, as a component of organisational climate, have a noteworthy relationship with the employees' intention to leave such that as the rewards increase the employees' intention to leave decreases. Foreman (2006) said that one must look at the total benefits package rather than only compensation to influence the retention intentions of the employees. Mohanty (2009) supported this view and added that these rewards boosted the motivational levels of the employees and the rewards could be either materialistic or developmental in nature.

However, sometimes the employees do not realize the 'true value' of the benefits they obtain from the organisation (Meyer et al, 2003). Nor are they always sure that on what basis are these benefits provided to them. Thus, the link between benefits and employee loyalty is not always strong. The range of benefits offered by companies is too broad, with the main categories as: medical benefits, vacation, parental/family leave, employee assistance programs, life insurance, extended leave etc. Incentives such as signing bonuses, MBA tuition, on-site day cares and gyms, and a share of ownership of the organisation are escalating (Applebaum et al.; 2006). Employee benefits are constantly evolving as the workforce itself is changing and so are the priorities of the workforce. Thus, while benefits do not necessarily figure prominently within the literature as a major area of HR innovation, they are considerably important among employers and workers, and a few key aspects must be pondered on with respect to employee retention. It must be noted that the relative importance of benefits varies according to the specific needs of each individual employee. Successful companies followed a well-organized approach to create total rewards strategies that perked up the ROI by integrating three competing perspectives: what the employer requires in terms of skills and behaviours so that his business flourishes, to which aspect do the employees add most significance in each culture and how much the company can afford to spend and still uphold over time (WorldatWork® European Total Rewards Conference; 2006). The significance of a benefit plan may have a far greater importance for an employee

who has dependents especially in an environment where the cost of benefits are high and increasing rapidly (Tompkins and Beech, 2002).

Most advancement in the area of benefits seems to be focused on flexibility. Many companies have responded to the progressively more diverse needs of their employees by providing their employees a range of benefits to choose from. This flexibility in benefits packages can be an important element to ensure good employee retention as it caters to the specific needs of the individual employees (Smith, 2001). Eber Camille (2006) has suggested some generally low-cost employee benefits that can be used to retain good employees in the shops. "These may be: 1. Offer a paid trip to your employees. This type of benefit can help make an employee's whole family look forward to him or her completing another year with your shop. 2. Pay for employees' travel. 3. Tickets for athletic events or movies also might be a benefit the sports and movie fans in your shop. 4. Having half a crew on Fridays might create some challenges, but the three-day weekends are popular enough that employees will pitch in to cover the bases. 5. Offer employees some sort of assistance with retirement. 6. You can't always pay employees more, but you can help them get more for their money. Keep in mind as you think about benefits what it is your particular employees will be interested in, and try to tailor the little extras you offer around those interests. It's certainly not necessary to be the shop that offers the most benefits - just the benefits that mean the most to employees." Some companies have become more creative in the type of benefits they offer their employees which aim at achieving a better work life balance. Benefits have to be at market levels. They need not be grand - although they might retain good workers - but they can't be lower than the ones offered by other companies at comparable jobs (Cooper Evan; 2000). Examples of benefits are abundant and include: earned time off, on site child care, paid paternity leave, sabbaticals, tuition reimbursement etc (Meyer et al, 2003).

Mallikarjunan K. (2007) said that employees should be given incentives for every achievement made by them in the area of work such that they not only reward the worthy, but also encourage and motivate them for improvement and excellence in

their future pursuits. He supported the practices like ESOPs as he felt that a sense of ownership is also created through such schemes or by sharing a part of the profit earned by the organisation with the employees. Meyer et al (2003) cited a number of different studies that certainly linked employee stock ownership plans (ESOPs) and organizational commitment. However the research on the other hand also indicated that ESOPs alone are not adequate to increase 'affective commitment'. Samuel and Chipunza (2009) have put forward that terminal/pension benefits greatly influenced employee retention in public sector while performance bonus/commission had a significant influence on employee retention in the private sector.

Leckie and Betcherman (1994) in their study have provided evidence that indicated that there is a correlation between 'good' workforce outcomes (reduced layoffs, quit rates, accidents and grievances) and human resource strategies that lay stress on employee participation as well as rewards. Hart Steve (2006) said that looking after staff and going beyond the legal compliance to ensure their health and welfare at work is proving quite beneficial for many companies. He said that retention can be enhanced by providing health insurance and other healthcare measures. The research showed this can reduce absenteeism and sick leave while improving retention and reducing turnover.

Phillips and Connell (2003) asserted that rewards and recognition have a dependable and clear influence on employee turnover and that an evocative and plausible reward system can contribute to employee retention. Rotundo (2002) argued that reward systems should be an important area of improvement for employers. The increasing diversity of the workforce, she said, suggested the need for more resourceful approaches to designing the right rewards for the right people. The category 'Rewards and recognition' is in some ways an all inclusive phrase as it includes a varied range of formal and informal, financial and non financial incentives given to individual employee, groups of employees or to an entire staff. They are often incorporated in a company's overall HR policy, but they may be sometimes awarded at the discretion

of middle level managers. While rewards are not generally seen to be the vital elements in ensuring good retention, but they aid greatly to maintain a good a workplace culture that recognises the contributions of its members, and help reinforce positive behaviour. To be effective, rewards must be well warranted, everyone should have an opportunity to earn one, and that reward must be something that is of importance to the employee who receives it. According to the Canadian Council for Human Resources in the Environment Industry (CCHREI, 2000), everyone who contributed to the productivity of the company is worthy of some award for his performance, interesting new assignments, some kind of honours or any other method that would encourage them towards better performance. All employees must be equally entitled to the benefits provided by the company; whether they are part time, casuals or telecommuting. If partiality is practiced in any case it would diminish the morale of the employees. As with many other authors, Harris and Brannick (1999) offered the general principle that "what gets rewarded gets done," and they emphasized that this principle must be connected to the organization's core culture. The Rewards must, in other words, 'fit in' with people's insight of their employer and their workplace. Landman Richard (2005) said that once the company has decided which employee they want to keep they must investigate what needs to be done in order to make them want to stay. They must be given reasons to stay; empower the employees and pay them what they deserve. Create an incentives program that rewards performance. People in the company must be rewarded for their knowledge and performance and not for the length of service or position in the company (McDargh, 2000).

Writing from the employer's perspective, Dibble (1999) did include money in her discussion of financial incentives but she also argued that money is not always a fitting reward. In a survey that she conducted, about one fourth of the respondents said that they changed their current jobs because they did not feel cherished or appreciated in their present organisation. With respect to retention, the literature suggests that 'intrinsic' rewards are just as important as material rewards. The employees add significance to their jobs not only when they are given adequate remuneration they but often

because the job in itself is a satisfying experience for them - in other words, it is gratifying, testing, attractive and stimulating (Lochhead & Stephens, 2004). But Geinzer Douglas T. (2006) argued that although monetary reasons are not the most important reasons that influence an employee's intention to stay in the organisation, they are still not to be ignored. These might not be the most important but they still hold significance when it comes to retention. Beauregard and Fitzgerald (2000) also noted the drawbacks with some type of incentives. They wrote: "For some employees incentives designed to motivate may actually demotivate if they seem to be unfair or too difficult to obtain. Also, incentives can sometimes cause unhealthy competition among employees and either force employees to cut corners or sabotage their colleagues. Incentives programs should be well thought out before implementation and used with care."

Finally, Smith (2001) also contended that incentives and rewards can turn out to be counter productive. Smith cautioned: "Used incorrectly, rewards and recognition, praise and bonuses can be manipulative and controlling and amount to little more than a bribe for behaviour. In many instances, these behaviourist techniques create an effect opposite from that intended." Smith concluded by stressing that 'goal setting and training' are supposed to influence productivity more than any rewards and this tends to support our reading of literature which is that recognition and rewards can only prove to be effective if they support and be supported by a number of other practices and structures in the organisation

Objective and Methodology

Since employee retention is the call of the day and is fast emerging area of research in human resource management there is no dearth of published and unpublished literature on employee retention. The literature available was reviewed and used in conceptualizing the concepts differentiating the human resource practices. The study at hand primarily focuses on the following research objectives:

- To study the influence of organisational compensation practices on employee retention

intentions on basis of demographic variables of the employees.

- To examine the variations in the corporate perception on compensation practices as a retention tool for IT Personnel.
- To study the relationship of select personal variables with organisational compensation practices.
- To study the perception of IT personnel with respect to materialistic and developmental rewards as a measure for employee retention

This study employed a descriptive design to ascertain the characteristics of the variables of interest. The descriptive design was applied in this study to describe the characteristics of groups of employees and to find out the variance as well as relationship among different variables. The present study makes extensive use of primary data gathered from one thousand IT personnel serving in different organizations. For the purpose of collection of data non probability convenience sampling has been used. The respondents were between 20 years to 39 years of age. Out of the total sample the respondents were found to be in the ratio of 64.4:35.6 percent on gender basis i.e. the majority of the respondents were male. 48.9 percent of the respondents were engineering graduates and further 44.58 percent of them are team leaders. 50.2 percent of the respondents were married of whom 15.74 percent are project heads. Total work experience of the respondents was also divided into three categories with 56.5 percent of them falling into the category of 3-4 years of which 54.69 percent had an experience of up to two years in the present position. Further 58.7 percent of the respondents had an experience of two years in the present organization. The data was gathered with the help of a well-structured questionnaire that includes the information on different aspects of the research problem. The collected data has been analyzed by using statistical tools and techniques i.e. mean score, t-test and F-test, Duncan's Mean and correlation.

Major Findings and Discussion

The compensation function in an organization refers to providing equitable and fair remuneration to

employees for their contribution to the attainment of organizational objectives. It may consist of job evaluation, wage and salary administration, benefits etc. The respondents were asked their opinions regarding the connection of compensation practices with the employee retention. The research instrument was used to collect this data which was analysed on basis of the different background variables of the respondents. The results with reference to the various demographic variables are given in the Table-1. The results signify that the value attached by the respondents to the compensation practices as regards the employee retention lies between a mean score of 4.13 to a mean score of 3.11, with a difference of 32.80 percent between the highest and the lowest score. It can be spotted through the results that the respondents append maximum substance to the 'job market competitiveness of the salary structure'. The competitiveness of the salary structure keeps the employees from running off to better paying jobs. It also gives them a satisfaction that their efforts are being suitably rewarded and they are being paid what they are worth. This probably gives them a feeling that their worth is being acknowledged in their organization and they are not being made to work more for less. This is also corroborated by the results, where this dimension achieves the highest score. The second highest score is attained by the dimension of 'Rewards for specific results and behaviour' is also perceived by the respondents as an effective retention strategy. Rewards always seem attractive and act as motivating factors for the employees to perform better. In addition, a sense of being appreciated has the propensity to enhance employee engagement. This is perhaps because this tends to fulfil the esteem needs of the employees and the employees. Further the respondents attach great importance to the 'provision of overtime payment'. This probably gives them a gratification that the long hours that they spend on their work are accounted for. Also, the sense of fulfilment that the employees achieve can perhaps act as a handy retention tool. Both these dimensions tend to create an appreciative environment where the employees feel valued, thus increasing employee engagement and in turn prolong their stay in organizations.

Even as the respondents have a high regard for rewards, alternatively, 'bonuses' are not supposed

by the respondents to contribute to keep the employee with the organization for a longer period. This is shown by the table where it bags the lowest score. This is as was expected as the practice of conferring bonuses is fast becoming out of date with a 'total approach to compensation rather than the basic pay' emerging as the more prevalent practice. But even this is also regarded with a lower opinion by the respondents with regard to its involvement in employee retention; which is against the current practice followed in most of the industries. 'Communication of benefits and compensation plans to the employees' is also not regarded with much higher approval by the respondents, where retention is concerned. This shows that although the respondents are interested in rewards for their performance yet they attach very little importance to the communication of the benefits/ compensation plans to them. Looks like they enjoy an element of surprise! Thus it can be concluded that the respondents vary in their views about the various compensation practices when it comes to their part in the retention of the employees.

Perceptual Variations across Background Variables

To study the perceptual variations of the respondents regarding their retention intentions the following hypothesis were tested:

- H0 1: There is no significant difference in the perception regarding the role of compensation practices as a retention tool among different age groups of respondents
- H0 2: There is no significant difference in the perception regarding the influence of compensation practices in prolonging their stay in the organisation between male and female respondents
- H0 3: There is no significant difference in the perception about the effect of compensation practices on the retention intentions between married and unmarried respondents
- H0 4: There is no significant difference in the perception about the role of compensation practices as a retention tool among different categories of academic qualification of the respondents
- H0 5: There is no significant difference in the perception regarding the contribution of compensation practices towards employee retention between different groups of position in the organisation of the respondents
- H0 6: There is no significant difference in the perception concerning the association of compensation practices with employee retention between different categories of total work experience of the respondents
- H0 7: There is no significant difference in the perception regarding the role of compensation practices as a retention tool between the groups of experience in present position of the respondents
- H0 8: There is no significant difference in the perception regarding the role of compensation practices in making them stay with the organisation for longer periods between different categories of experience in present organisation of the respondents

The results obtained are shown in the Table 2 and it can be seen that that the respondents in the category 30 years & above were the highest in believing that the compensation practices have a positive relationship with employee retention; (mean score=3.50) closely followed by the respondents in the age group of 20-24 years (mean score=3.48). The respondents in the age group 25-29 years were the lowest in believing it;(mean score=3.39). The variation between the three categories was found to be significant using the F-test, which comes out to be significant at 0.01 levels. Thus in this case H1 1 was accepted while H0 1 was rejected. Duncan's Mean was used to ascertain that among which of the three categories the results were found to be significantly different. It was found that the results were significantly different between the age groups of 20-24 years and 25-29 years; as well as between the age groups of 25-29 years and 30 years & above. Similarly relating to the contribution of compensation practices to the employee retention, the males attach greater significance to the compensation practices (mean score=3.46) than the females (mean score=3.43) among the respondents. But the results show that there is no significant variation in perception of the males and females about the compensation practices s a tool for retention as revealed by the t-test. Therefore we accept H0 2 and reject H1 2. In the same way the married respondents were greater cohorts

of the association of the compensation practices with employee retention (mean score=3.46) than their unmarried counterparts (mean scores=3.43). However, the results as shown by the t-test exhibit that there is no significant difference between the perception of both the groups. Hence, in this case also H0 3 was accepted and H1 3 was rejected. When the results were considered on basis of the academic qualification, it was seen that the PG & above respondents attach visibly greater importance to the compensation practices with regard to the employee retention (mean score=3.51) followed by the engineering graduates (mean score=3.40) and non engineering graduates and below (mean score=3.39) respectively. This shows that the PG & above respondents attach the highest importance to the compensation practices among all the respondents. The F-test revealed that there was significant variation seen among the different categories of academic qualification, found to be significant at 0.01 level. Hence, here H1 4 was accepted while H0 4 was rejected. Duncan's mean revealed that the results were significant among non engineering graduates & below and PG & above and engineering graduates and PG & above.

The results obtained exhibited that the team members had a markedly higher opinion about the contribution of compensation practices in employee retention (mean score=3.51) followed by the project heads (mean score=3.44) and team leaders (mean score=3.39) respectively. The F-Test showed that there was significant difference between the perceptions of these three categories regarding their perception of compensation practices as a retention tool. The results in this case have been found to be significant at 0.01 levels. So, H1 5 was accepted and H0 5 was rejected. The results were statistically significant between the project heads and team members as well as the team leaders and the team members, found using the Duncan's mean test. In the case where the total work experience of the respondents was considered it was seen that the respondents in the category of more than 4 years of experience (mean=3.50) attached a greater importance to compensation practices as a measure for employee retention more than the rest of the respondents and nearly similar results were obtained in the other two categories. But the results were not statistically significant when

F-Test was applied to the three groups showing that there is no significant variation in the perception of respondents in these three groups. Hence in this case H0 6 was accepted and H1 6 was rejected. The consideration of the experience in present position of the respondents in the compensation dimension revealed that the respondents in the category of 3 years & above (mean=3.47) believed that the compensation practices were instrumental in nurturing the staying intentions of the employees more than the respondents with lesser experience in the present position (mean=3.43). Nonetheless, the results were not found to be statistically significant when F-test was applied. Thus in this case H0 7 was accepted and H1 7 was rejected. Under the category of experience of respondents in present organization it was witnessed that slightly greater results were obtained in relation to the contribution of compensation practices in employee retention in the group of 3 years & above (mean=3.46) of experience in present organization, followed by the groups of respondents with one year of experience in the present organization (mean=3.45) and two years respectively. But the results were again not found to be statistically significant when tested using the F-test showing that there was no significant difference in the perception of respondents in these three categories pertaining to the contribution of compensation practices in influencing the intentions of the employees to stay in the organisation for longer periods. Therefore here H0 8 was accepted and H1 8 is rejected.

Relationship of Background Variables with Compensation Practices

The Table- 3 depicts the relationship of different HRM practices with the background variables like age, gender, marital status, academic qualification and work experience. The results show a positive or negative correlation with different background variables. Positive correlation represents a favourable relationship of different HRM practices with the variables. It also depicts the movement of indicators and variables in the same direction from low to high with regard to the variables age, academic qualifications and work experience, female to male with regard to the gender, and unmarried to married with regard to marital status. The negative correlations demonstrate a reverse state

of the above. The results reveal that Compensation practices have a negative correlation with age and a positive correlation with gender, marital status, academic qualification and total work experience. This indicates that considerably young employees, who are males, married, highly qualified and have comparatively greater work experience regard the compensation practices as greatly associated with increasing the retention intentions of the employees in the organizations. But the results were found to be significant only with the academic qualification variable (significant at 0.01 levels).

Rewards as Catalysts of Employee Retention

An 'incentive' or 'reward' can be anything that attracts a worker's attention and stimulates him/her to work. In the words of Burack and Smith (1982) "An incentive scheme is a plan or program to motivate individual or group performance. An incentive program is most frequently built on monetary rewards, but they may also include a variety of non monetary rewards or prizes." The use of incentives assumes that people's actions are related to their skills and ability to achieve important longer run goals. While monetary incentives often appear as important motivators, many factor unrelated to money can also serve as encouragers of action. The need motives for affiliation, power and recognition in particular can be appealed to by such incentives. Thus the rewards may consist of both monetary and non monetary elements. Mixed elements can provide diversity needed to match the needs of individual employees. Thus the rewards can either be Materialistic (financial) or Developmental (non-financial) in nature. In this segment the respondents were given a list of Materialistic as well as Developmental Rewards and were asked to rank them in the order of their preference for the purpose of inducing a longer stay of the employees. The data so collected was investigated in order to better understand the role of rewards in employee retention. This was done with the help of weighted mean. The results were calculated with respect to the various demographic variables as well as with respect to the overall importance attached to the different rewards by the respondents.

Materialistic Rewards

The predilection of the respondents towards the materialistic rewards with respect to their effectiveness as retention tools in form of results obtained are shown in the Table-4 The results reveal that the significance that the respondents attached with the different rewards extended from a high of weighted mean 2.96 to a low of weighted mean 2.38. The difference between the highest and the lowest score was 24.37 percent. The 'provision of generous travelling allowances (TA) for the journeys' was regarded as the most effective reward in connection with the keeping the employees with the organization for longer periods. It attains the highest score among all the materialistic rewards. The second highest importance was given to the 'Cash prize and public citations for accomplishments' (weighted mean=2.81; difference=5.34 percent). The respondents also regarded 'Generous housing subsidies for leasing or house construction' with considerable weight regarding its contribution in employee retention (weighted mean= 2.74; difference from highest=8.03percent). Nevertheless, lowest substance was given to the 'health care and medical insurance', gaining the lowest score amid all the given rewards. Also, the respondents have a lower opinion about the 'Salary structure which is competitive enough' (weighted mean=2.40) and 'Provision of educational allowance for self growth (weighted mean=2.44). This evident given the fact that most of the respondents are quite educated. However the educational allowances for children bag more significance.

Developmental Rewards

The respondents were asked to rank the various Developmental Rewards in the order of their preference and the importance they attach to them in relation to employee retention. The results pertaining to the inclination of the employees towards Developmental Rewards regarding their soundness as stronger retention tools are depicted in Table-5 When the results pertaining to the Developmental Rewards and their association with employee retention were examined it was witnessed that the results vary along a range of weighted mean 2.66 to a weighted mean 2.43. The percent difference amidst the highest and the lowest score is found to

be 9.47percent. It was witnessed that the respondents attached most consequence to 'Encouraging them to participate actively in decisions at the company', gaining the highest score among all the other developmental rewards. 'Valuing their feedback on the decisions related to the company' was next on the respondents' list of preference with respect to employee retention bagging the second highest score (weighted mean = 2.62; difference= 1.53 percent). The respondents also showed a fondness for the 'training on knowledge and skills for future jobs and careers'. Nevertheless, most surprisingly, lowest magnitude is appended to the 'fair treatment to each employee' as compared to the other developmental rewards. Again unexpectedly the respondents also had a lower preference towards 'empowerment' (weighted mean=2.44), which is against everything the literature reviewed suggests. Another reward to which the respondents did not affix very high meaning as regards the retention of employees was the 'Creation of opportunities for employees to show their talent'. Thus, in fine it can be seen that the when considering the developmental rewards, the preference of the respondents range from a highest about the 'decision making' to a lowest about the 'fair treatment'; although the difference between the results for the various rewards was not too drastic.

The above discussion entails the preference of respondents with regard to the various 'Materialistic Rewards' as well as the 'Developmental Rewards'. But when the overall predilection of the respondents for both was compared to each other it was seen that the respondents conferred greater importance to the Materialistic Rewards as compared to the Developmental Rewards in connection with their say in increasing he employee retention intentions. Although, the difference in opinion about the two type of rewards was not large. This was seen by means of a slightly higher score attained by the Materialistic Rewards (weighted mean=2.6) in contrast to the Developmental rewards (weighted mean=2.53). The difference between the two was of the order of 2.77 percent. Thus, even though the respondents still attach greater importance to the Materialistic Rewards in relation to employee retention intentions, the Developmental Rewards are also close behind in the part they play to augment the stay of the employees in the organisation. The employers must take extensive care in deciding the

benefit structure for his employees according to their individual needs if he does not want to loose his precious employees to the competition.

Conclusion

In conclusion, from the above investigation of Compensation practices with respect to their effect on employee retention it can be said that the respondents give maximum weight to the 'job market competitiveness of salary structure' and 'overtime pay' as the most effective retention strategies. 'Rewards for specific results and behaviour' are also highly favoured by the respondents. 'Provision of generous travelling allowances (TA) for the journeys' was regarded as the most effective reward in connection with the keeping the employees with the organization for longer periods. It attains the highest score among all the materialistic rewards. Among the Developmental Rewards 'Encouraging them to participate actively in decisions at the company', gains the highest score. Also, compensation practices have a significant correlation with the academic qualification of the respondents.

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Table-1: Compensation Practices across background Variables

DEMOGRAPHIC VARIABLES INDICATORS	AGE			GENDER		MARITAL STATUS		ACADEMIC QUALIFICATION			POSITION			TOTAL WORK EXP.			EXP. PRESENT POSITION			EXP. IN PRESENT ORGANIZATION			GRAND MEAN
	1	2	3	M	F	m	um	n.eg	e.g.	pg	p. h.	t. l.	t. m.	a	b	c	X	Y	x	y	z		
	3.01	3.16	3.24	3.12	3.10	3.09	3.14	3.00	3.51	2.68	2.85	2.93	3.44	3.14	3.10	3.12	3.11	3.13	3.26	3.09	3.01		
A fair frequency and amount of bonuses.	3.01	3.16	3.24	3.12	3.10	3.09	3.14	3.00	3.51	2.68	2.85	2.93	3.44	3.14	3.10	3.12	3.11	3.13	3.26	3.09	3.01	3.11	
A performance based pay system.	3.27	3.24	3.17	3.30	3.14	3.31	3.17	3.36	3.31	3.13	3.04	3.19	3.38	3.36	3.21	3.20	3.23	3.26	3.39	3.20	3.19	3.24	
Public recognition of employees' achievement.	3.20	3.34	3.30	3.18	3.44	3.33	3.22	3.67	3.43	3.01	2.97	3.13	3.57	3.28	3.27	3.28	3.31	3.22	3.35	3.24	3.30	3.29	
Total approach to compensation rather than the basic pay.	3.04	3.14	3.03	3.11	3.01	3.03	3.13	3.85	3.17	2.80	2.88	2.92	3.35	3.03	3.10	3.08	3.07	3.10	3.12	3.05	3.13	3.11	
Periodic revision of pay package.	3.40	3.48	3.70	3.62	3.24	3.29	3.68	2.96	3.55	3.53	3.21	3.24	3.89	3.69	3.33	3.68	3.48	3.49	3.58	3.50	3.33	3.47	
Reward for the employee for specific results and behaviours.	3.87	3.99	4.11	3.98	3.93	3.90	4.01	4.11	4.00	3.88	3.82	3.77	4.23	3.98	3.93	4.01	3.96	3.96	4.04	3.95	3.91	3.97	
Simple and easy to understand reward system.	3.56	3.52	3.71	3.75	3.23	3.45	3.68	3.65	3.32	3.84	3.54	3.53	3.62	3.69	3.48	3.65	3.56	3.57	3.61	3.56	3.53	3.58	
Creating a benefit mission statement for the employees.	3.50	3.46	3.60	3.56	3.38	3.53	3.47	3.75	3.46	3.49	3.51	3.43	3.58	3.59	3.45	3.53	3.53	3.45	3.66	3.50	3.33	3.52	
Identification of the specific benefits needs and wants.	3.57	3.48	3.58	3.52	3.54	3.58	3.49	3.48	3.65	3.40	3.26	3.40	3.80	3.51	3.52	3.59	3.52	3.55	3.63	3.51	3.47	3.53	
A well defined benefit budget within organizational constraints	3.27	3.10	3.04	3.21	3.06	3.27	3.05	3.36	3.13	3.15	3.02	3.15	3.23	3.23	3.14	3.12	3.13	3.21	3.26	3.13	3.14	3.16	
Giving employees due amount of control over their benefits.	3.20	3.33	3.33	3.21	3.40	3.33	3.22	3.64	3.43	3.01	2.97	3.09	3.62	3.23	3.28	3.32	3.29	3.26	3.36	3.24	3.28	3.29	
Communication of benefits / compensation plans to employees	3.05	3.16	3.02	3.10	3.07	3.04	3.14	3.85	3.19	2.81	2.88	2.93	3.37	3.08	3.10	3.07	3.09	3.09	3.13	3.07	3.11	3.11	
Provision of overtime payment.	3.99	3.85	4.04	4.05	3.74	3.86	4.02	3.73	3.79	4.17	4.02	3.83	4.04	3.88	3.92	4.09	3.90	4.01	3.95	3.91	4.01	3.94	
Job market competitiveness of the pay plan / salary structure.	4.17	4.01	4.30	4.13	4.11	4.07	4.17	3.82	3.99	4.35	4.25	4.07	4.13	4.07	4.11	4.24	4.09	4.18	4.14	4.11	4.14	4.13	

Note: - 1=20-24 year; 2=25-29 year; 3= 30 years and above; M= male; F= female; m= Married; um=Unmarried; n.eg. = Non Engineering graduates & below; e.g. = Engineering graduates; pg= PG & above, p. h= Project Head; t. l= Team Leader; t. m. = Team Member; a= up to 2 years; b=3 - 4 years; c= more than 4 years; X= up to 2 years; Y= 3 years and above; x=1 year; y=2 years; z=3 years & above.

Table-2: Analysis of Variations in Perception across Background Variables

VARIABLES	INDICATOR	COMPENSATION PRACTICE		
		Mean	S.D.	Calculated t & F values
Age	20-24yrs	3.48	0.38	F -value = 7.84**
	25-29 yrs	3.39	0.37	
	30 yrs & above	3.50	0.37	
Gender	Male	3.46	0.38	t-value = 1.15
	Female	3.43	0.38	
Marital Status	married	3.46	0.39	t-value = 0.88
	unmarried	3.43	0.37	
Academic Qualification	Non engineering Grads.	3.39	0.38	F- value = 10.02**
	Engineering Grads.	3.40	0.38	
	PG & above	3.51	0.37	
Position in the Organization	Project Head	3.44	0.33	F-value = 11.38**
	Team Leader	3.39	0.38	
	Team Member	3.51	0.39	
Total Work Experience	up to 2 yrs.	3.43	0.40	F-value = 2.11
	3 – 4 yrs.	3.44	0.37	
	More than 4 yrs.	3.50	0.37	
Experience In Present Position	up to 2 years	3.43	0.38	t-value= 1.88
	3 years & above	3.47	0.38	
Experience in the Present Organization	1 year	3.45	0.40	F-value = 0.27
	2 years	3.44	0.36	
	3 years & above	3.46	0.39	

* Significant at .05 level

** Significant at .01 level

Table-3: Relationship of Background Variables with Compensation Practices (n=1000)

VARIABLE INDICATORS	AGE	GENDER	MARITAL STATUS	ACADEMIC QUALIFICATION	TOTAL WORK EXPERIENCE
Compensation	-0.0216	0.0363	0.0279	0.1297**	0.0021

Note:-** Significant at .01 level

Table-4: Materialistic Rewards

FACTORS VARIABLE		F-1	F-2	F-3	F-4	F-5	F-6	F-7	F-8	F-9	F-10
Age	1	2.39	2.20	2.33	2.71	2.95	2.55	2.61	2.70	2.49	2.60
	2	2.61	2.55	2.47	2.81	2.97	2.43	2.85	2.87	2.41	2.57
	3	2.56	2.48	2.26	2.65	2.93	2.18	2.62	2.89	2.54	2.54
Gender	M	2.54	2.48	2.37	2.75	2.91	2.36	2.81	2.90	2.50	2.66
	F	2.47	2.24	2.38	2.74	3.05	2.58	2.56	2.64	2.39	2.42
Marital Status	m	2.46	2.15	2.40	2.78	2.97	2.66	2.65	2.68	2.36	2.57
	um	2.57	2.64	2.35	2.71	2.94	2.21	2.78	2.93	2.56	2.59
Academic Qualifications	n.eg.	2.92	2.61	2.69	2.74	2.29	2.80	2.59	2.86	2.85	3.00
	e.g.	2.59	2.53	2.49	3.05	3.17	2.51	2.70	2.79	2.30	2.66
	pg	2.33	2.19	2.16	2.39	2.86	2.27	2.77	2.81	2.56	2.38
Position	p. h	2.29	2.16	2.16	2.70	3.07	2.54	2.66	2.82	2.44	2.44
	t. l.	2.46	2.25	2.41	2.87	3.03	2.61	2.74	2.79	2.47	2.65
	t. m.	2.67	2.67	2.42	2.62	2.83	2.19	2.71	2.82	2.46	2.55
Total Work Experience	a	2.61	2.47	2.46	2.79	2.97	2.48	2.73	2.81	2.52	2.69
	b	2.46	2.37	2.37	2.76	2.97	2.47	2.74	2.80	2.41	2.54
	c	2.56	2.38	2.28	2.64	2.92	2.30	2.64	2.81	2.53	2.54
Exp. in present Position	X	2.55	2.44	2.39	2.79	2.95	2.46	2.71	2.79	2.48	2.60
	Y	2.46	2.32	2.34	2.67	2.97	2.40	2.73	2.83	2.43	2.55
Experience in Present Organization	x	2.64	2.43	2.54	2.72	2.92	2.47	2.84	2.78	2.52	2.70
	y	2.51	2.40	2.35	2.73	2.96	2.40	2.68	2.82	2.49	2.56
	z	2.38	2.35	2.28	2.80	2.99	2.52	2.69	2.80	2.29	2.50
Grand Mean		2.51	2.40	2.38	2.74	2.96	2.44	2.72	2.81	2.46	2.58

Note:- F-1= Provision of competitive bonuses; F-2= Salary structure which is competitive enough; F-3= Offer good health care and medical insurance; F-4= Generous housing subsidies for leasing or house construction F-5= Provision of generous travelling allowances (TA) for the journeys; F-6= Provision of educational allowance for self growth; F-7= Provision of educational allowances for children; F-8= Cash prize and public citations for accomplishments; F-9= Provision of Paid holidays; F-10= Provision of liberal conveyance allowance; 1=20-24 years, 2=25-29 years, 3= 30 years and above; M= male; F= female; n. eg.= Non Engineering graduates & below; e.g. = Engineering graduates; pg= PG & above; m= Married; um=Unmarried; p. h= Project Head; t.l= Team Leader; t. m. = Team Member; a= up to 2 years; b=3 – 4 years; c= more than 4 years; X= up to 2 years; Y= 3 years and above; x=1 year; y=2 years; z=3 years & above.

Table -5: Developmental Rewards

FACTORS		F-1	F-2	F-3	F-4	F-5	F-6	F-7	F-8	F-9	F-10
VARIABLE											
Age	1	2.29	2.30	2.40	2.31	2.36	2.61	2.57	2.56	2.37	2.46
	2	2.59	2.62	2.59	2.64	2.54	2.73	2.73	2.59	2.69	2.71
	3	2.35	2.42	2.58	2.52	2.43	2.63	2.44	2.43	2.39	2.45
Gender	M	2.49	2.58	2.54	2.41	2.41	2.65	2.52	2.46	2.51	2.55
	F	2.31	2.23	2.48	2.62	2.49	2.69	2.79	2.71	2.51	2.60
Marital Status	m	2.70	2.28	2.42	2.40	2.41	2.70	2.69	2.70	2.40	2.55
	um	2.48	2.64	2.61	2.57	2.47	2.62	2.54	2.40	2.62	2.58
Academic Qualifications	n.eg.	2.99	2.72	2.99	2.66	2.40	2.37	2.59	2.53	3.18	3.17
	e.g.	2.56	2.61	2.57	2.63	2.79	2.94	2.74	2.53	2.45	2.64
	pg	2.14	2.22	2.34	2.28	2.03	2.40	2.47	2.58	2.43	2.34
Position	p. h	2.23	2.19	2.40	2.40	2.14	2.70	2.61	2.51	2.50	2.50
	t. l.	2.32	2.31	2.51	2.42	2.36	2.62	2.68	2.75	2.54	2.54
	t. m.	2.63	2.74	2.57	2.60	2.66	2.70	2.54	2.33	2.47	2.62
Total Work Experience	a	2.52	2.53	2.57	2.53	2.55	2.69	2.59	2.55	2.59	2.54
	b	2.41	2.44	2.52	2.48	2.43	2.67	2.67	2.56	2.50	2.59
	c	2.36	2.41	2.44	2.45	2.34	2.60	2.49	2.52	2.43	2.51
Exp. in present Position	X	2.48	2.51	2.52	2.56	2.50	2.68	2.62	2.56	2.57	2.58
	Y	2.33	2.36	2.51	2.37	2.34	2.64	2.61	2.54	2.40	2.55
Experience in Present Organization	x	2.52	2.54	2.57	2.49	2.57	2.59	2.52	2.61	2.59	2.49
	y	2.42	2.43	2.52	2.52	2.45	2.71	2.64	2.53	2.48	2.58
	z	2.35	2.43	2.44	2.38	2.27	2.59	2.66	2.55	2.50	2.60
Grand Mean		2.43	2.46	2.52	2.49	2.44	2.66	2.62	2.55	2.51	2.57

Note:- F-1= Fair treatment to each employee; F-2= Create opportunities for employees to show their talent; F-3= Consider their suggestions and comments seriously; F-4= Careful consideration of the career development perspectives F-5= Empower them fully within their sphere of responsibility; F-6= Encourage them to participate actively in decisions at the company; F-7= Value their feedback on the decisions related to the company; F-8= Care about their general satisfaction at work; F-9= Respect their human dignity; F-10= Train them on knowledge and skills for future jobs and careers; 1=20-24 years, 2=25-29 years, 3= 30 years and above; M= male; F= female; n.eg= Non Engineering graduates & below; e.g. = Engineering graduates; pg= PG & above; m= Married; um=Unmarried; p. h= Project Head; t. l= Team Leader; t. m. = Team Member; a= up to 2 years; b=3 – 4 years; c= more than 4 years; X= up to 2 years; Y= 3 years and above; x=1 year; y=2 years; z=3 years & above.