

EFFECT OF COMPENSATION AND WORK-LIFE BALANCE ON EMPLOYEE RETENTION: A LITERATURE REVIEW

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Abstract

Organizations are in process of gaining, regaining and sustaining competitive advantage in order to exist till the foreseeable future. No other asset but human resource ensures the above. The attraction of right talent is important but retaining that right talent is even more important. Employees are among one of the precious assets of an organization and an organization can never afford to lose its top performers. Even with the advancement of technology, the role of human resource could not be ignored to run that technology. Implementation of effective retention strategies can be helpful in reducing employee turnover and increasing employee retention within an organization. The objective of the present study is to review the literature and research work available on employee retention and the effect of HRM practices such as compensation and work life on employee retention. For the purpose of the present study, only secondary data has been used. The secondary data has been gathered through the internet, journals, etc.

Index terms - Human resource, Employee retention, HRM practices, Compensation, Work –Life balance.

INTRODUCTION

Employees are considered to be an important factor that can influence the performance of an organization. (Jeet and sayeeduzzafar,2014).There are numerous dimensions of HRM practices, such as compensation, benefits and rewards, training, career development, work environment, and work-life balance which affect employee retention. (Patel and Patel,2014) Employees play a major role in making the organization successful. Therefore it is essential to know the reason behind their quitting since it cost a lot to hire and train a new entrant. (Kwekal and Sedoyeka,2014) An expert, whose skills are not appreciated, can quit the organization if it

gets good offers from the competitive organization. Hence attracting and retaining an effective workforce is one of the important HR function(Abraham et al, 2013). One of the biggest challenge, which is faced by the organizations in recent times, is to have a stable workforce, which can be achieved by providing better benefits and flexible workplace policies which is helpful in saving the cost of the company (Lalitha and Singh,2011). Quitting of efficient employees puts a serious impact on the performance of the organization as an organization can achieve its desired goals and objectives through its skilled labor force.

THE OBJECTIVE OF THE STUDY

This study is completely based on the literature available. The study has the following objectives:

- I)To find out the various research works that have been done on compensation and work-life balance
- II. To know the effect of compensation and work-life balance on employee retention

RESEARCH METHODOLOGY

This research study is descriptive in nature and only secondary data has been used to conduct the study. The secondary data has been gathered through various sources such as research journals and internet

LITERATURE REVIEW

Compensation and Employee Retention.

An organization can accomplish its goals through the implementation of effective HR strategies. (Khan et al,2014) .HR practices, such as recruitment and selection, performance appraisal, compensation, and training have a significant impact on the performance of employees. Presence of efficient human resources is a blessing for an organization. (Shaheen et al, 2013).HR practices such as compensation, work-life balance, organizational commitment, career opportunities, and supervisor support have a positive relationship with employee retention. (Kumar and Wei, 2012).The study further stated that among these HR practices only Compensation has the greatest influence on employee retention. Therefore, an organization can retain its employees by providing them adequate compensation. An organization who has a team of the efficient workforce has more chance to succeed in the business. Therefore, it is essential for the organization to take remedial action to prevent a loss that may occur due to employee attrition.

March and Simon(1958) stated that the absence of adequate compensation packages and opportunity are some of the reasons behind the high turnover of employees. Compensation has been considered to be an important determinant in retaining employees as per the literature available. Compensation reduces absenteeism and increases retention. (Arthur,1994, Delaney and huselid,1996, ichowski et.al ,1997) Compensation is an important mechanism to motivate employees to remain in the organization for a longer duration (Harris and Brannick, 1999.) The absence of adequate compensation compels the employee to quit the organization. (Trevor,1997) along with his research team stated that by increasing the pay of its employees an organization becomes capable to retain its employee's. Compensation includes both monetary as well as nonmonetary benefits. Such as Pension, life insurance, medical retirement plans as well as allowances. There are some companies who provide transportation facilities to their employees in the form of nonmonetary benefits. (Ejaz and Akbar,2015)

Work- Life Balance and Employee Retention

In today's competitive environment, Work-life balance has become one of the major issues all over the world. Maintaining a balance between both professional and personal life is strategically important for the organization as well as for an individual. In simple terms, work-life balance can be described as the number of hours spent in performing a job with the number of hours spent by an individual with its family members including doing things which give him immense pleasure. (Mendis and weerakkody,2014) Flexi work schedule is an important hr strategy that can be used to attract and retain competent employees. (Jain and swami, 2014).The organization can make its employees motivated and committed by providing them with flexible work arrangements. This factor has been considered to have a significant influence on employee retention when it is offered jobs by a competitive organization. (Osman, 2013)in his study found that giving emotional support to employees an organization can reduce the high turnover of employees. (Mehta et al, 2014) stated that work-life balance has a direct relationship with employee decision to remain in the organization. Work-life balance has now become an important concept for every organization. In recent times, employees prefer to work in those organizations where they get the privilege to maintain a balance between there family and work life. Employees Satisfied with his job and contented in his/her personal life work harder to improve the performance of the organization. Lack of support from the organization can be one of the reasons behind the high rate of attrition. It has now been realized by most of the companies that by resolving work-life conflicts, retention of the talented workforce could be achieved (Garg and Yajurvedi,2016) Work and family are the two most important element of everyone's life. Provision of work-life balance benefits in an organization compels an employee to think that proper care of the personal needs of its employees (Chemirmir, et al, 2017)

Deery(2008) stated that work-life balance plays an important role in an employee decides to either stay or quit an organization. In recent times, the organization is paying attention to work-life balance issues, because it can reduce stress among the employees and can motivate them to be committed to the organization. He further stated that the Absence of work-life balance programme makes the employee dissatisfied and frustrated. He

concluded that apart from work-life balance, training and recruitment also plays an important role in retaining good staff.

(Hashim et.al,2016) in their study aimed to know the relationship between work-life balance and employee retention. They concluded that the absence of flexi work schedule, job sharing and high level of stress increases job dissatisfaction among employees which results in a high turnover of employees. When an employee gets the opportunity to maintain a balance between their personal and professional life, then they can perform their work effectively. Work-life balance reduces stress, absenteeism, and improves the morale of employees. (Bajpai and Pandey,2013)

Employee Retention

A business can earn a maximum profit by reducing the high level of attrition. Committed employees play an important role in generating revenue for the firms. Retention of the talented workforce has now become one of the primary objectives of every organization. (Shoaib et al, 2009)They stated that even a good salary package and designation is not sufficient to motivate the employees to remain in the organization. Employees would like to stay in that organization where they feel that they can be promoted in the future. Hence, the availability of opportunities for promotion will help an employee to decide whether to stay or quit the organization. (Francis,2014)Human resources are one of the most important factors in the growth and success of an organization. An organization can never imagine achieving its desired objectives without the support of its employees. They concluded in their study that human resource management practices, such as Compensation and work-life balance have a significant impact on employee retention. The study reported that when an organization is competent in meeting the needs of its employees by providing adequate compensation and also by giving them an opportunities to maintain a balance between their personal as well as professional life, then it would lead to an increase in employee retention. (Uthra,2014) concluded that an organization can create its goodwill by providing a good compensation package to its employees. The goodwill of an organization could be estimated by the pay packages it offers to its employees. If the employees are not satisfied by the policy of the organization with respect to their pay packages then it could lead to high rate of absenteeism, poor performance, dissatisfaction with job, grievances, and strikes. (Hameed et al, 2014) stated that compensation plays a critical role both for the organization as well as for the employees in improving their performance.

Conclusion

Human resources play an indispensable role in the growth and success and of an organization. An organization can attain its desired objectives by making the proper utilization of its available skilled resourcesEmployees can either make or ruin an organization. In today's competitive environment, it has become essential for the organizations not only to retain its skilled employees but also to satisfy them so that they can be motivated to work hard for improving the performance of the organization. Compensation and work-life balance have a significant impact on employee retention as per the available literature. Therefore, it is essential for the organization to focus on these two human resource management practices to retain efficient employees. Still,

much scope remains for more exploration in the field of employee retention by taking into account other HRM practices such as Career development opportunities, training, and development, performance appraisal, work environment, supervisor support etc.

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