The Effect of Compensation and Organizational Commitment on Job Satisfaction and Employee Retention

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Abstract

The main goal of this article is to find a link between several variables such as wage structure, organizational commitment, work happiness, and retaining employees in the retail sector of Hyderabad, which is a district in Telangana State, located on south east side of India. Using a basic random sample collection technique, 172 respondents were included. The gathering of data was made using a questionnaire which was circulated in various retail outlets in the city of Hyderabad, Telangana, India. The descriptive analysis and regression test were used to analyze the data. The outcome of this paper found that compensation structure, organizational commitment, job satisfaction has a favourable effect on employee retention. Furthermore, organizational dedication and remuneration structure has impacted positively on work satisfaction. This implies that in the retail industry, all variables such as remuneration structure, organizational commitment, work happiness, and staff retention have a positive and substantial association.

Introduction

This research is to establish the connection between employee compensation, job satisfaction, employee retention, organizational commitment in a retail sector. To determine any of the above relationship, human resource which is important asset of any organization is taken into consideration.

Compensation is a typical technique used in human resource management to motivate and retain the workers in any sort or organizational environment, (Issues in compensation management, 2014). Organizational commitment is an employee's willingness to stay with a particular organization and stay committed to it, (Bozlagan, Dogan, & Daoudov, 2010). Work satisfaction refers to an emotional state of an employee where he/she is pleased with the rewards/appraisal received for one's work, (Perez, 2008). Retention of a worker leads to minimizing employee turnover rate, (Studies prove, 2014). Rapid advancement in technology makes huge competition in business. Whatever and whichever sector or industry the company belongs to, the main goal of the company is to generate profits. For the purpose of profit generation in any sector mainly focusing on the retail sector, a huge amount of skilled human resource is required. A company should give its best quality services in promoting its business activities so that it cans public's interest and attract them to become its customers. In order to attain its objectives, any organisation needs skilled human resources. Human resources (HR) play an important role in determining the success of any organization. Quality of human resources is determined by its workforces' work-related skills, abilities, knowledge, and attitudes. Ardana et al (2012: 3) determine that the greatest assets and the most valuable thing that a company owns which leads to and which could determine the success of an organization is its human resource. Human resource is important because it is the human beings who take part in planning, implementing, and controlling etc. to achieve an organizations goal. If any organization wants to achieve its expected performance, it requires skilled human resources to carry its operations. According to Teresa et al. (2019) it is the loyal employees who can make a company successful and could let it survive in rapid competition.

Literature Review

There are many studies conducted to draw relationship between employee compensation, organizational commitment, job satisfaction and employee retention in many sectors like private universities,

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banking sector, various organizations, manufacturing industries, labor unions etc.

A research which is conducted by Ni Komang Ayu Yogi Pertiwi, I Wayan Gede Supartha at PT. BPR Gianyar Partasedana concluded that all the four variables have a significant impact on one another, each some or the other way has an impact on the other.

A study which is conducted by Daisy Ofosuhene Kwenin, Stephen Muathe, Robert Nzulwa at Vodafone Ghana Limited stated that employee retention is influenced by job satisfaction and human resource policies.

A research conducted by Low Bee Kee, Rusli bin Ahmad & Siti Mariam Abdullah among Malaysian Bank Workers concluded that there is a strong link between compensation and organisational commitment.

Resarch conducted by Sharon Ruvimbo Terera, Hlanganipai Ngirande among nurses concluded that there is an effect of reward on employee retention but there is no statistically significant link between rewards and job satisfaction.

As the number of companies emerging in the retail sector is increasing rapidly there is a desperate need to conduct a research into how the skilled human resources that benefit the company/organization are retained in the organization. There are really large number of human beings working in this sector, on an average there are about 40-50 members working in one outlet depending on the size of the outlet. If it is a one stop supermarket for daily essentials, there is a need of huge workforce to manage its daily activities. If in case it's a clothing outlet, the need of workforce is less. The work pressure in retail sector is high. As a result, there is a need to understand how and what effect compensation has on employee retention and job satisfaction, whether there is any organisational commitment in the workers working in this sector due to high target pressures, and if so, what impact organisational commitment has on work satisfaction and job retention.

Compensation:

It refers to remuneration/money that an employee receives for his/her work/services to the organization. It is an essential component of human resource management that assists in motivating employees to do effective work.

An organization could only be successful in retaining its employees if and only if it offers pay that is currently prevailing in the market which even encourages employees to be loyal to the company (Lockwood and Walton, 2008).

Employee would prefer to stay in an organization only if they believe that their abilities, efforts and contributions towards achieving the organizational goals are appreciated (Davies, 2001).

It is also critical to focus on both monetary and non-monetary rewards in order to increase employee retention. Pillay (2009).

Organizational Commitment:

Organizational commitment can be regarded as an individual's mental attachment towards an organization. It can also be referred as the bond that an individual has towards his/her organization.

Organizational commitment refers to accepting the goals of an organization and showcasing desire to work with the organization Porter et al., (1974).

The employees who are committed to an organization shows less intention to leave and will be loyal in their work (Hunt and Morgan, 1994; Robbins and Coulter, 2003; Mowday, Steers, & Porter, 1982).

An employee's strong emotional attachment towards organizational goals, objectives and values determine their commitment Buchanan (1974).

Job Satisfaction:

Job satisfaction is the degree to which an employee is satisfied with his or her job. It tells if the employee likes or dislikes the work that they are doing. Job satisfaction is important because it is linked to employee turnover, if the employee is satisfied with his/her work, they would not leave the organization and if they are not satisfied there are high chances to leave the organization.

Job satisfaction refers to emotional condition which relates to positive or negative opinion on job experiences Locke (1969).

Job satisfaction determines, up to what extent the job-related needs are met Linda Evans (1997).

Employee retention:

It depends on the organization ability to retain employees while reducing employee turnover. Employee retention is very closely related to compensation, job satisfaction, and organizational commitment. It is in fact very dependable on the above three factors because of the employee is satisfied with his/her compensation they are more likely to stay with the organization, They are more likely to stay longer if they are happy with their job., like wise if they are organizationally committed they are likely to retain in the organization. Employee retention is directly having an impact on business performance and its success.

Employers must be distinctive in their compensation strategies in order to retain employees longer. Allen, Shore and Griffeth (2003).

Employer commitment is directly related to an employee's intention to stay or leave the organization Leow and Khong (2009).

Objectives of the study

The objectives of the study are: -

- To find out if there's a link between employee pay and employee retention.
- To look into the influence of employer commitment on retaining employees.
- To illustrate the impact of employee compensation on job satisfaction.
- To demonstrate the relationship between work satisfaction and employer commitment.

Research Hypothesis

Study that was conducted by Syahreza et al. (2017) on 200 employees from five different hotels located in Medan city that job retention is influenced positively by compensation...

Furthermore, an experiment conducted (Hanai & Pallangyo (2020) on 370 employees from 11 different banks in Tanzania stated that compensation is a positive influence on job retention

The following hypothesis can be developed based on the research presented above.

H1: Compensation or payment of some money has a positive impact on job retention.

A research which was conducted by Putra et al. (2020) by reviewing around 8,060 articles says that employer commitment has positive impact on work retention.

Similarly, Research conducted by Pradhan et al. (2017) on 208 executives in the East Indian manufacturing industry stated that employer commitment has a positive impact on job retention.

Thus following hypothesis can be developed.

H2: employer commitment has a positive impact on job retention.

A research conducted by Karodia et al. (2016) on employees at Marikana South Africa stated that work satisfaction shows a positive influence on job retention.

Further a research conducted by (Nguyen & Duong (2020) on students in Vietnam stated that job satisfaction has a positive impact on retention which closely resembles to the previous research.

Upon that the following hypothesis can be developed.

H3: Job retention is influenced positively by work satisfaction

Based on a study conducted by Pepra-mensah et al. (2017) towards 100 Primary School Teachers in Ghana stated that compensation has positive impact on work satisfaction.

A study conducted by Rahayu (2019) on 35 HR employees at PT Kereta Api Indonesia, also stated that compensation or some sorts of payment to employees has a positive impact on work satisfaction.

Hence, following hypothesis can be developed upon the above research.

H4: Compensation or some payment of some sort has a positive impact on work satisfaction.

Study conducted by Loan (2020) on 547 employees at Vietnamese companies also stated that employee commitment has a positive influence on work satisfaction

Research conducted (by Park & Doo (2020) on 230 female managers in Korea stated that employee commitment has a positive influence on work satisfaction.

From the above conducted researches, the following hypothesis can be developed. Which is:

H5: Employer commitment has a positive influence on work satisfaction.

Research Methodology

It is a quantitative research carried out in order to ascertain the relationship between employee compensation, organizational commitment, job satisfaction, and employee retention. Quantitative research methodology is used as it is best to explore the relationship between variables. According to Ahmad and Usop (2011), the advantages of using quantitative methodology are: it is less expensive, assured confidentiality; data analysis is simple and less time consuming.

Data Collection Technique

A questionnaire was circulated within various retail sectors for data collection from its employees. The questionnaire circulated is self-administered. Permission to circulate the questionnaire is taken form prof.Mr. Arijith Santikary (Siiva Shivani Institute of Management) There is no restriction on demographic factor. The questionnaire has about five sections, first section consists of demographic factors, second section consist of compensation structure of the organization, third section consist of job satisfaction data, The fourth section includes questions about employee commitment, while the fifth section includes questions about employee retention. The questionnaire used a five-point Likert Scale to make the respondents mark their responses accordingly with 1-strongly disagree, 2-disagree, 3-neutral, 4-agree and lastly 5-strongly agree.

Sample

The sample taken into consideration is about more than one hundred and fifty irrespective of any specific retail store, data is collected form more than seven retail sector organizations. The sample consist both

male and female employees, all levels of management are taken into consideration, respondents are chosen based on simple random sampling technique.

Data Analysis

Descriptive statistics is used to analyze the data. The numerical data collected and recorded is filtered, leveled and analyzed using Statistical Package for the Social Sciences (SPSS) software for reliable outcomes.

Results and Discussions

Age	Frequencies
<30	69.2%
<40	29.1%
>40	1.7%
Gender	
Male	80.2%
Female	19.8%
Education Qualification	
SSC	1.7%
Intermediate	50%
Under Graduation	26.2%
Post-Graduation	20.3%
Masters	6%
Ph.D	1.2%
Designation	
Junior	10.5%
Middle	50.5%
Senior	29.1%
Monthly Income	
<25,000	44.1%
<35,000	44.8%
<45,000	9.3%
>45,000	1.7%
Experience	
<3yrs	20.3%
<5yrs	34.3%
<10yrs	40.7%
>10yrs	4.7%

Here respondents are divided into various criteria. There are about 69.2% employees under the age of 30years, 29.1% employees under the age of 40years and 1.7% employees above the age of 40years who responded to this research. The male respondents constitute to about 80.2% which dominate the percentage of female respondents, the female respondents are 19.8%. Then the education qualification is also considered here where only 1.7% is SSC qualified, 50% which constitute to a major portion are Intermediate qualified, 26.2% are under graduates, 20.3% are post graduates, 6% constitute to masters and 1.2% is Ph.D. holders. Here designation is taken into consideration to check the ratios of various levels of people working. Junior level constitute to 10.5%, middle level 50.5% which is a major part and senior level 29.1%. Monthly income is taken into consideration to check the average level of earnings of the employees in a retail sector. 44.1% of employees earn below 25,000\-, 44.8% earn below 35,000\- that implies over all 88.9% of employees earn below 35,000\-, 9.3% earn below 45,000\- and only 1.7% earn above 45,000\-. Experience is taken into account to see up to how many years approximately a person can continue working in this sector. 20.3% has less than 3years of experience, 34.3% of employees has less than 5years of experience, 40.7% has less than 10years of experience and only 4.7% has above 10years of experience.

Test for reliability

Reliability test is used to measure the extent of accuracy of the results obtained from circulating questionnaire. It is said to be reliable if person's statement results are compatible over a period of time. So to measure reliability, we obtain Cronbach Alpha value of all the variables included, if the value is >0.6 then the results are said to be reliable. Below table contains Cronbach Alpha values of all the variables used.

Table: 1: Reliability Test Results

S.No.	Variable	Cronbach Alpha Value	Result/ Output
1	Compensation Structure	0.755	Reliable
2	Organizational Commitment	0.771	Reliable
3	Job Satisfaction	0.774	Reliable
4	Employee Retention	0.716	Reliable

From the above table-1, it is seen that the Cronbach Alpha value of all the variables used are greater than 0.6, so it is possible to conclude that all the variables have met the reliability criterion and are reliable over time.

Table: 2: Coefficients Substructure-1(Model-1)

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.785	1.155		3.277	.001
	Organizational Commitment	.204	.027	.498	7.570	.000
	Compensation Structure	.148	.031	.317	4.818	.000

Table: 3: Model Summary (Model-1, Summary)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.737	.543	.537	1.71677	.063	23.213	1	169	.000

Table: 4: Coefficients Substructure-2 (Model-2)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
2	(Constant)	8.408	1.668		5.042	.000
	Job Satisfaction	.057	.057	.070	.996	.321
	Organizational Commitment	.194	.040	.404	4.875	.000
	Compensation Structure	.110	.044	.202	2.517	.013

Table: 5: Model Summary (Model-2, Summary)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
2	.585	.342	.330	2.42960	.342	28.929	3	167	.000

Predictors: (Constant): Job Satisfaction, Organizational Commitment, Compensation Structure.

From the above two models the results that can be drawn are as follows:

From table-4 it was found that compensation structure is showing a positive influence on employee retention and it also implies that for one unit change of compensation structure there is a 0.202 units change that reflects on employee retention and the significance level is less than 0.05, from which we can say that H0 is rejected and H1 is accepted, to state it in other words, compensation structure has positively affected employee retention

From table-4 we can draw that organizational commitment also has a significantly affected employee retention and implies that for one unit change in organizational commitment there is 0.40 units change reflected on employee retention, the significance level is less than 0.05, hence H0 is rejected and H2 is accepted, in other words, organizational commitment has a positive effect on employee retention.

From table-4 it was found that job satisfaction has a significant effect on employee retention and it also implies that for one unit change of job satisfaction there is 0.07 units change that reflects on job retention and the significance level is less than 0.05, from which we can say that H0 is rejected and H3 is

accepted, to state it in other words, job satisfaction has a positive effect on employee retention.

From table-2 it was found that compensation structure has a significant effect on job satisfaction and it also implies that for one unit change of compensation structure there is 0.31 units change that reflects on job satisfaction and the significance level is less than 0.05, from which we can say that H0 is rejected and H4 is accepted, to state it in other words, compensation structure has a positive effect on work satisfaction.

From table-2 it was found that employee retention has an influence positively on job satisfaction and it also implies that for one unit change of organizational commitment there is 0.49 units change that reflects on job satisfaction and the significance level is less than 0.05, from which we can say that H0 is rejected and H5 is accepted, to state it in other words, organizational commitment has a positive effect on job satisfaction.

From table-3, from the value of adjusted R-square it can be said that both the variables (compensation structure and organizational commitment) put together contribute to about 53% effect on job satisfaction.

From table-5, from the value of adjusted R-square it can be said that all the variables (compensation structure, job satisfaction and organizational commitment) put together contribute to about 33% effect on job retention.

Discussions

The first research hypothesis draws a relationship between compensation and employee retention which depicts that the compensation has a significant and a positive effect on work satisfaction. While conducting the tests and data analysis it's observed that by providing compensation with which the employee is satisfied makes the employee feel that the company takes care of the employee needs and hence effects retention in a positive manner as it provides a sense of satisfaction. A study conducted by Martini (2020) on employees of BPR stated that compensation has a positive impact on retention.

Second hypothesis draws a relationship between organizational commitment and employee retention which shows a positive relation between them and during analysis it is observed that commitment of an employee towards organization provides a sense of adhering to it which eventually be reflected on retention. Study conducted by Parenda(2016) on employees of PT Primayudha Mandirijaya tells that organizational commitment has a positive impact on employee retention.

Third hypothesis states a relationship between job satisfaction and employee retention and it research tells that they have a positive effect on each other. While conducting analysis it is observed that when employers improve employee working condition, employee satisfaction improves because of the above reasons which in turn reflect on retention. Study conducted by Seran et al. (2018) at PT Batara Mahkota Kupang tells the same that job satisfaction has a positive impact on employee retention.

Fourth hypothesis pull out a relationship between compensation and job satisfaction and tells that Job satisfaction is influenced positively by compensation. During analysis it is eventually observed that compensation is an important contributor to job satisfaction, this is also evident from many other studies. Study conducted by Rahayu(2019) on HR employees in Indonesia tells that compensation has a positive impact on job satisfaction.

Last hypothesis of this study pulls out a relationship between organizational commitment and job satisfaction which also tells that both hold a positive relationship between both of them. From the analysis it is observed that when an employee due to various reasons like flexibility, adaptability etc. have a commitment to an organization which reflect directly on job satisfaction. Study which was conducted by Kharisma et al. (2019) on employees of CV Karya tells that organizational commitment has a positive impact on job satisfaction.

Implications of the study

- This study helps researchers from the Human resource management to explore how different policies developed by them effects job satisfaction, organizational commitment, compensation structure, employee retention which later have impact on employee's productivity and so on.
- This also adds help to researchers in the educational sector to let them understand the relationship between compensation structure, organizational commitment, job satisfaction, employee retention.
- It helps to draw a new dimension for researchers in organizations to set up new thoughts, inventions and many more and helps them to understand the relationship between all these variables.
- Helps Strategic teams of an organization to fully utilize its employees potential by formulating and enhancing practices that increases job satisfaction, organizational commitment which helps formulate compensation structure and employee retention.

Conclusion

From the results of the empirical study and the data analysis and above discussions it can be stated that compensation structure has a positive impact on employee retention in retail sector. Organizational

Commitment has a positive impact on employee retention in a retail sector. Job satisfaction also has a positive impact on employee retention in a retail sector. Organizational commitment has a positive impact on job satisfaction in any retail sector. Compensation structure also has a positive and significant effect on job satisfaction. This paper has bounded generalizability, where this research was conducted in retail sector in Hyderabad, Telangana. Further researchers who conduct similar type of researches are expected to add new dimensions and conduct research in new sectors which draw the relationship between all the variables used.

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