

Review of Literature on Influence of Job Satisfaction, Employee Compensation, working environment on Employee Retention.

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ABSTRACT

Theorized causal connections of the variable: Employees usually join the organization bringing with them their work values. As they interface with the work and the organizational environment, they find themselves challenged (or not) and 'turned on' (or alienated) by their job and organizational factors. Based on their experiences, individuals then make some deliberate choices as to the extent to which they want to get involved in their jobs and invest themselves in work. That is, based on how employees perceive their job and work environment, they could get minimally to highly involve in their jobs. There is thus, a time gap between their interfaces with the work environment and their ego-involvement in their jobs. No one completely identifies with the job or invests the self in the work before assessing what the job entails and how conducive the work environment is. When people get involved in their jobs, they spend greater amounts of time and energy at the work place. That is, the more the employees engage in work behavior because of job involvement, the greater will be their interactions with and explorations in the work environment. As employees explore their work environment, have success experiences, and gain mastery at work, they develop a sense of competence or confidence in their own competence. Because of this psychological success feeling, they are likely to get even more involved in their work in anticipation of experiencing greater successes and more mastery. In essence, job involvement will lead to a sense of competence, and greater sense of competence will lead to further job involvement or ego-investment in the job. Thus, the two variables job involvement and sense of competence will mutually reinforce each other. Not being alienated from the job (i.e. being job-involved to some extent at least) is a necessary precondition for deriving job satisfaction i.e. satisfaction from the work itself and employee retention.

KEY WORDS: EMPLOYEE COMPENSATION, JOBSATISFACTION, EMPLOYEE RETENTION AND WORK ENVIRONMENT

Likewise, individuals who feel inept in their job (no sense of competence) are not likely to derive job satisfaction. It is not lack of job satisfaction that makes them but it is the ineptness that makes them dissatisfied with the job. Thus, to experience satisfactions at the work place, it is necessary for individuals to be job-involved and feel a sense of competence at work. Based on the above rationale, we can theorize that job characteristics, organizational climate factors, and work ethic will directly influence both job involvement and sense of competence, and that job satisfaction will be experienced through the two intervening variables job involvement and sense of competence. While job involvement and sense of competence will mutually influence each other, it is sense of competence that will directly lead to job satisfaction, not job involvement. The reason is that one can get very involved in the job and keep plodding along without necessarily experiencing job satisfaction. In other words, for some 'work is work ship' and they will continue to invest time and effort on the job. However, if one has success experiences on the job and derives a sense of psychological success by feeling confident that he or she is making a significant impact on the work environment and gaining mastery over the job, the individual will derive satisfaction. In effect, the theory postulated here is that the job, organizational climate, and work ethic variables will have a direct influence on both job involvement and sense of competence, and sense of competence will lead directly to job satisfaction.

Job satisfaction is a topic which is concerned by both the people, those who are working in organizations and for the people who study them. It is the variable which is studied most frequently in

organizational behaviour research, and it is also a fundamental variable in both research and theory of organizational experience range from job design to supervision (Hong et al., 2005). As Job satisfaction is a major concern for the organizational research. On the other hand organizational performance and employee satisfaction are also the key components which are affected by this (Willem et al., 2007). What employee feels and perceived about its job and what are their experiences on work, does they feel positive or negative about job, this all relates to job satisfaction (Kim et al., 2005; Willem et al., 2007). Job satisfaction is the extent to which the employee is satisfied with his present work due to how many his needs and wants satisfied (Finn, 2001). Job satisfaction can also be explained as

„,the agreeable emotional condition resulting from the assessment of one's job as attaining or facilitating the accomplishment of one's job values“ (Yang, 2009).

Job satisfaction is complex phenomenon with multi facets (Fisher and Locke, 1992; Xie and Johns, 2000), it is influenced by the factors like salary, working environment, autonomy, communication, and organizational commitment (Lane, Esser, Holte and Anne, 2010; Vidal, Valle and Aragón, 2007; Fisher and Locke, 1992; Xie and Johns, 2000). An important aspect of job satisfaction is that when people have to make a choice where they want to work it also influences their intent to stay with the organization at current position (Lane, Esser, Holte and Anne, 2010). If employees are more satisfied with their job it will enhance their ability of creativity and productivity, it is also directly correlated with the customer satisfaction (AL-Hussami, 2008). In the past much of work has already been done by the researchers on the organizational commitment and the job satisfaction and they also developed the relationship between job satisfaction and the organizational commitment (Yang, 2009; Lane et al., 2010; Namasivayama and Zhaob, 2007) that job satisfaction leads to organizational commitment. There is also compelling evidence to the organizational commitment impact on job satisfaction (Namasivayama and Zhaob, 2007). As previous researches showed relationship between organizational commitment and job satisfaction (Yang, 2009). Wong et al. (2001) concluded that if there is lack of satisfaction and commitment in an organization it would increase the turnover intention of employees. According to Al-Hussami (2008) the low wages and less job satisfaction are the major components that are affecting the retention. The supervisory support, lack of respect and motivation are also the attributes of the job dissatisfaction.

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Job satisfaction does have impact on future performance through the job involvement, but higher performance also makes people feel more satisfied and committed. It is a cycle of event that is clearly in keeping with the development perspective. Attitudes such as satisfaction and involvement are important to the employees to have high levels of performance. The results of the study revealed that attitudes namely satisfaction and involvement, and performance are significantly correlated. Velnampy (2008)

Research has shown that there may be many environmental features that can be created and maintained to give employees job satisfaction. Pay and benefits, communication, motivation, justice and leisure time all seem to play a part as to whether employees are satisfied with their jobs, according to studies which helps to retain employees. (Brewer 2000; Employee 2000; Money 2000; Wagner 2000)

Employers have a need to keep employees from leaving and going to work for other companies. This is true because of the great costs associated with hiring and retraining new employees. The best way to retain employees is by providing them with job satisfaction and opportunities for advancement in their careers (Eskildesen 2000, Hammer 2000).

An alternative approach is that proposed by Sousa-Poza and Sousa-Poza, based on the assumption

that there are basic and universal human needs, and that, if an individual's needs are fulfilled in their current situation, then that individual will be happy. This framework postulates that job satisfaction depends on the balance between work-role inputs - such as education, working time, effort - and work-role outputs - wages, fringe benefits, status, working conditions, intrinsic aspects of the job. If work-role outputs („pleasures“) increase relative to work-role inputs („pains“), then job satisfaction will increase (Sousa-Poza and Sousa-Poza, 2000).

Financial reward is one of the factors that produce job satisfaction as mentioned in need fulfillment model by Kreitner and Kinicki (2006). In the study of Khojasteh (1993 revealed that Pay and security were greater motivators for private than for public sectors Professional development opportunities and salary packages are of great importance that create job satisfaction factors (Grace & Khalsa, 2003). top most factors in producing job satisfaction include financial resources, faculty workload, and technology impact (Miller et al., 2001). Compensation systems may affect faculty's job satisfaction and thus influence intentions to quite as well retention rates. Higher compensation level leads to higher job satisfaction and retention rates for faculty are also higher. An enhanced reward in organizations also enhances job satisfaction (Boyt et al., 2000).

For understanding job satisfaction it is required to know some major discussions of the industrial psychology. The concept of job satisfaction is related to this field and Herzberg's duality theory is one of its major propositions (1959). In higher education, job satisfaction, has been barely examined, and cumulatively the studies in this area suggest there is little unity in understanding job satisfaction in a college or university context. Herzberg theorized job satisfaction as a function of motivators that gives job satisfaction and hygiene which results in job dissatisfaction. Job satisfaction as an emotional situation related to the positive or negative judgment of job experiences Locke (1969). the classic study of school teachers by Dan Lortie (1975) emphasized that there are three types of rewards which teachers seek in their careers: extrinsic, ancillary, and psychic/intrinsic). An extrinsic reward in this context means money income, prestige, and power. Weiss and Cropanzano (1996, Thoms, Dose, and

Scott, 2002), argued that "job satisfaction is personal assessment of individual for his/her job and work context. Teacher job satisfaction is determined by the degree to which the individual perceives job-related needs are being met Linda Evans (1997). Single as well as several factors measures can be used to measure job satisfaction (Zigarelli, Dinham, Shann, 1998).

Organizations have significant effects on the people who work for them and some of those effects are reflected in how people feel about their work (Spector, 1997). This makes job satisfaction an issue of substantial importance for both employers and employees. As many studies suggest, employers benefit from satisfied employees as they are more likely to profit from lower staff turnover and higher productivity if their employees experience a high level of job satisfaction. However, employees should also „be happy in their work, given the amount of time they have to devote to it throughout their working lives“ (Nguyen, Taylor and Bradley, 2003a). The following passage summarizes the importance of job satisfaction for both employers and their workers: Job satisfaction is important in its own right as a part of social welfare, and his (simple) taxonomy [of a good job] allows a start to be made on such questions as

„In what respects are older workers' jobs better than those of younger workers?“ (And vice versa), „Who has the good jobs?“ and „Are good jobs being replaced by bad jobs?“ In addition, measures of job quality seem to be useful predictors of future labor market behavior. Workers' decisions about whether to work or not, what kind of job to accept or stay in, and how hard to work are all likely to depend in part upon the worker's subjective evaluation of their work, in other words on their job satisfaction. (Clark, 1998)

Job satisfaction has been defined in several different ways and a definitive designation for the term is unlikely to materialize. A simple or general way to define it therefore is as an attitudinal variable: Job satisfaction is simply how people feel about their jobs and different aspects of their jobs. It is the extent to which people like (satisfaction) or dislike (dissatisfaction) their jobs. (Spector, 1997)

In addition to the intrinsic desirability of having employees at the workplace who are satisfied, administrators have also been concerned about the job involvement of employees which enhances the goal commitment and reduces the turnover of employees (Jauch and Sekaran, 1978). Job satisfaction, which has been studied extensively, is a function of several important variables - especially the

characteristics of the job itself (Hackman and Oldham, 1975), and the organizational climate (Litwin and Stringer, 1968). Job characteristics have been shown in many studies to influence the job satisfaction of employees (see for instance, the extensive review by Rabinowitz and Hall, 1977). Various organizational climate factors such as communication, participation in decision-making, and stress have also been examined as to their relationship to job satisfaction and found to be significant predictors. While two-way communication (Bateman, 1977; Price, 1972) and participation in making job-related decisions (Patchen, 1970; White and Ruh, 1973) have a positive effect on job satisfaction, stress has a negative relationship, in the sense that the greater the amount of stress experienced by employees, the lesser is the extent of job satisfaction experienced by them (Bhagat, 1982; Lyons, 1971).

Compensation

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 to five years then the employer probably has done what is realistically and necessary to retain employees.

Bob (2011) Compensation processes are based on Compensation Philosophies and strategies and contain arrangement in the shape of Policies and strategies, guiding principles, structures and procedures which are devised and managed to provide and maintain appropriate types and levels of pay, benefits and other forms of compensation.

Bob (2011) This constitutes measuring job values, designing and maintaining pay structures, paying for performance, competence and skill, and providing employee benefits. However, compensation management is not just about money. It is also concerned with that non-financial compensation which provides intrinsic or extrinsic motivation.

Pearce (2010) Compensation implies having a compensation structure in which the employees who perform better are paid more than the average performing employees.

Hewitt (2009). Compensation Management as the name suggests, implies having a compensation structure in which the employees who perform better are paid more than the average performing employees. This encourages top-performers to work harder and helps to build a competitive atmosphere in the organization.

Reward system of any organization affects the employee performance and their aspiration to stay employed (Bamberger & Meshoulam, 2000, MacDuffie, 1995). Striking compensation offers accomplish the financial and substantial desires and also considered as a means of establishing social networks by employee's ranks and place of authority in organization so it is the significant factor of retention. It is further described that a major difference among workers exists in acknowledging the worth of financial rewards for employee retention (Pfeffer, 1998; Woodruffe, 1999 cited in Madiha et al., 2009).

Harrison and Liska (2008) in their study posit that reward is the centre piece of the employment contract-after all it is the main reason why people work. This includes all types of rewards, both intrinsic and extrinsic, that are received as a result of employment by the organization.

V.S.P.Rao (2008) mentions in the strategic overview that the main objectives of compensation administration are to design a cost-effective pay structure that will attract, motivate and retain competent employees and that will also be viewed as fair by these employees. Apart from meeting legal requirements, organizations have to take care of ever rising employee expectations and competitive pressures while designing an effective compensation plan.

Employee Retention

There are major challenges in attempting to retain employees (Barney, 1991; Price, 2003; Sinangil, 2004; Woods, Heck, & Sciarini, 1998) which become an increasingly important aspect of building

organisational capabilities to ensure sustained competitiveness (Holland, Sheehan, & De Cieri, 2007). These challenges, among other things, are essentially linked with the infrastructural support, remuneration packages, leadership styles and cultures within an organisation (Lok & Crawford, 1999; Pamela, 2003; Sheridan, 1992). Such challenges are further complicated by the fact that highly skilled employees tend to change jobs for better financial rewards and improved working conditions. In addition, highly skilled employees are often poached by large-scale international organisations that can provide them with better remunerations and other benefits (Zheng & Lamond, 2010).

Retention is largely influenced by rewards as organizational rewards have a satisfaction-impact on them and they thought it to be costly to leaving such a competitive reward and consider them as they will not find such rewards anywhere, hence they decide to stay. Organizations attach measurably and psychologically, the employees through these rewards (Becker, 1960) and considering these rewards as a satisfactory form of appreciation employees will stop thinking about opportunities from other organizations (Foong-Ming, 2008)

Various studies examined that employee compensation rewards and recognition affects employee turnover and retention Becker and Huselid 1999 Cho et al 2006 Guthrie 2001 Huselid 1995 Milman 2003 Milman and Ricci 2004 Shaw et al 1998 US Department of Labor 1993 Walsh and Taylor 2007 Youndt et al 1996 Employee commitment is promoted by highly competitive wage systems and it results in the attraction and retention of a superior workforce Becker and Huselid 1999 Guthrie 2001 Shaw et al 1998 cited in Moncarz Zhao and Kay 2008 Hence the study represents that rewards have a positive effect on employee retention.

The process of „global interlinking of economies“, accelerated by technological development, has intensified competition in today's business environment (Kuruville

& Ranganathan, 2010; Steven & Gregory, 2002). There is increasing recognition that

„increases in global trade, facilitated by advancements in technology, communication employee and organizational values and goals Gentry et al 2007 argued that employees feel connected with the organization if they get support from their supervisors which lead them to return the favor to the supervisors and organization through retention

When an employee makes the decision to leave an organisation, the reason can rarely be attributed to one single factor such as a failure to be awarded a promotion or pay increase. More commonly, one event may act as a catalyst for the employee to leave, but the underlying reasons will be attributable to multiple events during the employee's time at the firm (Davies, 2001; Oh, 1997; Walker, 2001). Truly understanding how different factors interact with one another, and the impact that they have on an individual's commitment to an organisation, can be very challenging

Once quality employees have been identified and have become an integral part of the organization, the challenge to the employer is to retain them. Employees who are more committed are less likely to have the intention to leave their jobs (Mathieu and Zajac, 1990) or to actually leave (Netemeyer et al. 1995). Employees with strong affective commitment contribute more to the accomplishment of organizational goals and they are also less likely to leave the organization. Employees with high degrees of continuance commitment are also less likely to leave the organization (Sethi et al., 1996).

Today, however, retention of valuable employees is a global challenge. Managers and toplevel authorities are constantly met with the issue of retaining employees, and there is a wealth of evidence that worldwide, retention of skilled employees has been of serious concern to managers in the face of ever increasing high rate of employee turnover (Arthur, 1994; Buck & Watson, 2002; Budhwar & Mellahi, 2007; Debrah & Budhwar, 2004; Samuel & Chipunza, 2009; Tayeb, 1997).

Allan and Sienko (1997), Fierman (1994), Kitay and Lansbury (1997), and Korman and Kraut (1999) have assessed changes in organisations, in terms of both organisational structure and employer and employee relationships. Changes in the economic environment have affected both formal and informal contracts of employment. These in turn, have affected employee motivation and organisational commitment. Adjusting successfully to relationship changes has had „enormous implications in terms of sustained competitive advantage based on the ability to access and retain a committed skilled workforce“ (Kissler, 1994, p. 335).

A number of different factors can affect employee turnover. These include the internal structure of the

organisation, recruitment policies and strategies, career progression opportunities, rewards and benefits, and training and development (Fitz-enz, 1990). In order to improve employee-employer relations, reduce turnover, and improve commitment levels, HRM policies need to take all of these factors into account and manage them congruently (Arthur, 1994; Delaney & Huselid, 1996; Ichniowski, Shaw, & Prensushi, 1997; MacDuffie, 1995).

(Davidow & Uttal, 1989). The literature on employee retention clearly explains that satisfied employees who are happy with their jobs are more devoted for doing a good job and look forward to improve their organizational customers,, satisfaction (Denton

2000).Employees who are satisfied have higher intentions of persisting with their organization, which results in a decreased turnover rate (Mobley et al., 1979). Abundant studies have hypothesized and empirically validated the link between satisfaction and behavioral intentions and behaviors such as employee,,s retention

(Anderson & Sullivan, 1993). Further, numerous studies explain the importance of high employees,, involvement and how it could enhance their retention

Retention of talented employees can be a source of advantage to an organization But there are challenges in attempting to retain these employees Barney 1991 Werrierfelt 1984 Pettman 1975 In a perfect world the productive employees are encouraged to stay within the organization and the non-productive poor performers are encouraged to leave In fact if it were measurable a company would keep each employee: 1 whose contribution produces a positive risk adjusted profit for the firm and 2 who will also have a more positive influence on the firm than any employee hired to replace him or her taking into account the cost of hiring the new employee But because of problems such as asymmetric information it is not an easy task to carry out this goal.

Work Environment:

Although learning and growing opportunities seems to be significant for the employee retention (Arnold,2005; Echols, 2007; Herman, 2005; Hiltrop, 1999; Hytter, 2007; Michaels et al., 2001; Rodriguez, 2008;Walker, 2001), an organization needs to develop a supportive learning and challenging work environment. Prior studies derived the idea of “learning and working environment” (Abrams et al., 2008; Birt et al., 2004;Bouwman,2006; Christiaensen et al., 2009; Kyndt et al., 2009; Van Hamme, 2009; Visser, 2001). It generally relates with the climate where employees can learn and perform. Particularly, support and aspiration at work, stress of work, degree of empowerment and the responsibility that workers acknowledge, alternatives in the job tasks and development, stipulation of challenging and significantly meaningful work and developmental opportunities, are the other concepts that describes the term working environment(Natalie et al., 2011).

For the retention of talented employees learning and development opportunities considered as essential so learning and working climate must be encouraged in the organization (Arnold, 2005; Echols, 2007; Herman, 2005; Hiltrop, 1999; Hytter, 2007; Michaels et al., 2001; Rodriguez, 2008; Walker, 2001 cited in Natalie et al., 2011). These studies demonstrates that work environment have a positive influence on employee retention.

A sense of belonging in the work environment is considered to be more valued by the employees (Miller, Erickson & Yust, 2001). By offering suitable level of privacy and sound control on work place that improves the levels of motivation to be committed with the organization for long term, it is easy for the organizations with magnificent personalization strategies to satisfy and retain employees (Wells & Thelen, 2002 cited in Madiha et al., 2009).

Miller, Erickson & Yust (2001), stated workers think them to be valued in the work climate that offers them a sense of belonging. Sometimes employee satisfaction and retention can be attained by offering proper level of privacy and proper control on the workplace which improves the motivation intensity to be loyal with organization, in organizations having munificent personalization procedures and strategies (Wells & Thelen, 2002 cited in Madiha et al., 2009).