

Assessing Compensation Policy on Staff Attraction and Retention in Deposit Money Banks in Nigeria

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Abstract: *This work is focused on the effect of compensation policy on employee retention in Deposit Money Banks in Nigeria with particular reference to Fidelity Bank Plc Nigeria, Onitsha Branch, Anambra State, Nigeria. The study sought to evaluate the extent to which financial compensation as provided by any organisation as well as non-financial compensation in terms of work environment affected employee retention as a means to achieving high productivity in Nigeria's Deposit Money Banks. The research design adopted was a survey method. Data were collected from both primary and secondary sources. The study population was 71 and sample size was determined through Taro Yamani as 60. Out of 60 copies of questionnaire distributed to the respondents, only 49 copies were correctly filed and retrieved. Therefore, the analyses for the study were based on 49 respondents. Based on the analyses of the data collected, the findings of the study showed that total pay package has significant effect on employee retention; that there is a significant positive relationship between work environment and employee's attraction in DMB in Nigeria. The study concluded that organizations that want to continue to attract and retain valuable and talented workforce need to develop policies that allow their employees to be successfully built into the work processes and procedures. The study then recommends that management of Deposit Money Banks should constantly review employee's compensation plan content and possibly re-design them to meet the changing needs of the time considering the tedious and demanding nature of the banking jobs. Also that management should create a more inclusive work environment where employees will enjoy a cordial relationship with the work processes which will lead to job satisfaction through psychological attachment to their work.*

Keywords: *compensation policy, deposit money banks, retention, staff attraction,*

INTRODUCTION

1.1 Background of the Study

The role of Human resources professionals in hiring and retaining the right employees is becoming more and more important to an organization's overall strategy. Employees are organizations' key resources and the success or failure of organizations center on the ability of the employers to attract, retain, and reward appropriately talented and

competent employees (Armstrong, 2003). Most times, when organizations make enormous efforts to attract handfuls of employees and sustain them in the organization, compensation plays a significant role especially those who give outstanding performance or unique skill which is indispensable to the organization (Lawler, 1990). Hence, compensation is considered the most important factor for attracting and retaining the talent employees (Willis, 2000).

Hope and Mackin (2007) posit that employees of large establishments stay in their jobs longer than employees of small establishments. When a firm offers benefits, it decreases the probability of an employee's leaving in a given year by 26.2 percent and increases the probability of staying an additional year by 13.9 percent reducing labour turnover. Labour turnover is the movement of employees in and out of an organization. It is commonly used to refer to the number of employees leaving an organization. It is also defined as the ratio between the numbers of employees that leave to the total number employees over a given period usually a calendar year. According to a study by Mercer (2003), employees will stay if they are rewarded.

An organization's ability to attract and retain staff is the two essential components of talent sustainability even though it has become increasingly more difficult for organizations to hire and retain qualified talent (Cotton & Tuttle, 1986). Total compensation includes a total rewards approach because monetary compensation is not always the only factor (or even the most important factor) that employees consider when evaluating a job.

Companies today routinely provide a compensation package that includes both cash benefits (salary, paid leave, paid holidays and bonuses) and non-cash or deferred cash benefits (insurance and retirement plans). Small businesses are expected to be at a competitive disadvantage to larger firms in terms of their ability to match the high salaries and availability of fringe benefits. (Hope & Mackin, 2007). Employees need to be given opportunities to participate and to influence actions and decisions.

There had been a constant mobility of skilled and unskilled staff from one bank to another. The skilled persons critically hardly stay for long in one bank before moving to another bank and this mobility has been tagged as "Brain Drain". This will amount to high cost of Recruitment and Training to the banks which in short run will affect the productivity of the banks. This study therefore attempts to examine compensation policy on employee attraction and retention of Fidelity Bank Plc, Onitsha, Anambra State.

1.2 **Statement of the Problem**

One of the biggest challenges for any organization is its ability to hire and retain staff. Both private and public sector organizations are experiencing this problem. Identifying factors that influence staff attraction and retention and then developing strategies to attract quality talent and to increase employee retention is essential. It has been observed that competing for top talent on price alone through compensation and benefits is a no-

win proposition, and in the next section we will provide several employee retention strategies beyond compensation and benefits. Some people do quit because they are unhappy with their pay. Also true is that people often quit to take higher paying jobs elsewhere. The costs associated with losing employees and recruiting, selecting and training new employees often exceed 100% of the annual compensation for the position. In addition to these direct financial costs, losing employees can also lead to work disruptions, loss of organizational memory along with tacit or strategic knowledge, losses in productivity or customer service, loss of mentors, diminished diversity and even turnover contagion where other valued employees follow the leavers out the door. Even when tough labor markets prevent many employees from moving, there is the possibility of “pent-up” turnover. When job markets improve, many employees may start looking for new alternatives. Thus the study focuses on compensation Policy as a means of attracting and retaining employees in the Banking Industry with specific interest in Fidelity Bank Plc, Onitsha, Anambra State, Nigeria.

1.3 Objective of the Study

The broad objective of this study is to assess compensation policy on staff attraction and retention in Nigeria’s Deposit Money Banks. The specific objectives of the study are to:

- i. determine the extent to which employees’ total pay package affects retention in Deposit Money Banks in Nigeria.
- ii. examine the relationship between employees work environment and retention in Deposit Money Banks in Nigeria

2.0 REVIEW OF RELATED LITERATURE

2.1 Conceptual Framework

2.1.1 Compensation

Compensation is the total reward that employees receive in exchange for a service performed in an organization. It can include direct pay (salaries and wages) and indirect pay (benefit programs). The types of compensation are base pay, commissions, overtime pay, bonuses, profit sharing, merit pay, stock options, travel/meal/house allowance, and benefits including dental, insurance, medical, vacations, retirement and taxes. Compensation is the most crucial issue in attracting and keeping talent. Inadequate reward, lack of recognition from managers, peers and customers enhances labour turnover. A compensation system is a system that is designed to determine amount of pay given to an employee in return for their contribution to production. Compensation plays an important role in determining the commitment levels of employees and their retention even if it is one of the crucial issues as far as attracting and keeping talent in organizations is concerned (Willis,2000). Competitive compensation packages are imperative. Employers must know how the compensation they offer for critical positions are compared with compensation for similar positions at other organizations in the sieved market (Gering & Conner, 2002). Thus, organization that offered high compensation package is compared to others with a large numbers of candidates applying for induction

and have lower turnover rate. Moreover, with high compensation package organizations also create culture of excellence (Lawler, 1990).

Compensation is a crucial instrument for the attraction and retention of talented employees that are dedicated to their responsibilities within the firm. Compensation management aims to promote the achievement of business goals through attracting, motivating and retaining hardworking employees. Compensation management is a crucial component of the overall management of an organisation. It refers to the process by which employees are remunerated for their input at the workplace (Khan 2011).

Compensation management requires accuracy and precision as, if not adequately and objectively dealt with, it may hamper organisation's operations. Compensation is not only in the form of money, but also in non-cash form. Benefits, such as pension, life and health insurance, and retirement plans, and allowances that include company cars or subsidized transportation, represent a significant pay element in many large firms. In addition, for tax advantages and economies of scale of purchasing that make it economically advantageous for the firm to provide those element, the compensation are always viewed benefits as a tools for attracting and retaining desired employees. Maslow brought in the need hierarchy for the rights of the employees. He stated that employees do not work only for money but there are other needs too which they want to satisfy from their job, i.e. social needs, psychological needs, safety needs, self-actualization, etc. (Octavious, 2015). Lawler (2003) argues that when remuneration is linked to effort, both individual and organisational performance is enhanced. Furthermore, tying remuneration to performance improves employee motivation, as workers become more results-oriented. Employees will make more effort to achieve results when they are aware that their remuneration package is determined by their contribution to the firm's performance.

Compensation as a strategy for attracting and retaining employees

To put compensation in that larger picture, our discussion begins with a brief overview of retention strategy development. As with most strategic initiatives, it starts with an assessment of the organization, including an assessment of the values, vision and principles that drive behavior in the organization. This should drive whom to hire, whom to keep and whom to reward. The people who share the organization's values are likely to be the right choice for the business in the long-run. By developing a retention strategy around the right employees, the organization will be much more effective in retaining its employees during any economic period. Implementing compensation and benefits programs that reward the right behavior and performance will help attract the right people to the organization, and it will also help the best people become more productive. In addition to a retention strategy, a communications plan built on a strong foundation of trust enables effective implementation of the new retention and compensation strategies. As this paper illustrates, a combination of these different activities allow organizations to become more productive.

Just as the retention strategy must support the company's values and vision, so must the compensation and benefits package. Both must also focus on and support the employees' needs within the context of serving the business strategy. Researching key areas that are important to the organization's employees in terms of a compensation and benefits package is key. Mapping this information into the overall plan and budget of the organization ensures that the salary and benefits program adds value to employees and the organization.

Categorization of Compensation

- a. **Intrinsic and Extrinsic Rewards:** Intrinsic rewards are self-generated rewards which are anchored on self-contentment arising from the job itself and this often referred to as intangible rewards such as being part of a team, ego as a result of achieving a goal and self-importance and satisfaction arising from one's own work/effort. While extrinsic rewards are emoluments provided by the superiors such as salary increment, bonus, sales commission etc. and this is also referred to as the tangible rewards.
- b. **Financial and Non-financial Rewards:** Financial rewards are the rewards received by employees in monetary forms and this assists the employees to boost the financial and social status. But non-financial rewards is made up of inexpensive rewards to heighten the employees morale like long service award, best employee of the year etc.
- c. **Performance-based and membership-based Rewards:** Firms equally offer rewards to its employees based on their membership in that organisation or on the basis of accomplishing high performance.

Financial Compensation

Financial compensation is one of the basic types of extrinsic monetary rewards which cover the basic needs of income to survive, a feeling of stability and consistency, and recognition. Fair wages are the foundation element of the implied and contractual bond between employers and employees, the underlying supposition being that money can persuade behavior (Parker & Wright, 2001).

Organizations often offer high pay packages i.e. stock options, special pay, retention pay, gain share pay, performance base pay and bonus etc. for attraction and retention of talented employees of the market.

In today's economic times, financial reward such as money is still the primary incentive that causes employee to do better work. Therefore, wages influence the attraction and retention of the workforce.

(a) Wages and Salary: Wages are what is paid to employees who are not permanently employed and typically pertains to hourly rates of pay (the more hours worked, the greater the pay), while salary is what is paid to people that are permanently employed and this is at a fixed weekly, monthly, or annual rate of pay. Salary is a huge motivator for many employees. Making the connection between money and performance motivates employees to be more productive and to go the extra mile (Zingheim and Schuster, 2007). It is an agreed payment given at regular intervals in exchange for work done. Caring

about employees on a personal level is important as well. Those employees who do work well to support the company may not receive much salary for their efforts so employers that choose to under-pay their employee know that these employees will work hard for minimal pay, and these employers will pay them accordingly. At the same time, the same employers will pay more to other employees who are not willing to work for minimal compensation. This salary disparity leads to dissatisfaction because eventually the hard worker will notice that he or she is not being paid fairly for the amount of work they are doing, and will begin searching for another company that will appreciate his or her labour.

(b) Incentive Plans: This is an additional compensation which is above and beyond the employees wage or salary provided. It may be long term or short term in nature.

Productivity Linked Wage Incentives:

Sometimes wage incentive plans are linked with payment of wages to increase productivity at individual or group level. Their quantum is based on actual output against targets.

Bonus:

It is the incentive which is given over and above the salary or wages of the employees. Many companies offer the bonus during the festivals Easter, New Year etc. Bonuses occur one time per year or at a certain number of predetermined times each year. This extra cash is by no means guaranteed and can range from as much as several thousand naira (or more, depending on the job) to nothing at all.

Co-partnership/Stock Option:

Under this incentive scheme, employees are offered shares at a price which is lower than the market price. This practice helps in creating a feeling of ownership among employees and motivates them to give their maximum contribution towards organisational growth. For example, in Infosys this scheme has been successfully implemented. When you grant your employees stock options, you give them the right to purchase company stock at a fixed price (usually below market value) over a certain amount of time. Stock options encourage staff members to operate more as business partners, tying personal reward to the company's financial success.

Profit sharing: It refers to providing a share to employees in the profits of the organisation. This helps in motivating the employees to improve their performance and to contribute their maximum effort for increasing the profits. Companies that have profit-sharing programs set aside a percentage of their profits for employees. The better the company does, the higher the profits and the more money the employees receive. When employees have a financial stake in the company, they tend to work harder and smarter. Profit sharing plans can be a good alternative for small companies who do not have enough employees or assets to find a good plan provider.

Raises: In most companies, raises are a once-a-year event greatly anticipated by employees. The amount generally varies depending on the individual's performance and the philosophy of the company.

Retirement Benefits:

Various retirement benefits such as provident fund, pension and gratuity, act as an incentive to an employee when they are in service in the organisation.

Perquisites:

Various perquisites and fringe benefits, such as car allowance, housing, medical aid, education to the children etc. provided by the companies over and above the salary, also help in motivating the employees.

(c) Employee Benefit Programmes: Time off with pay, pension scheme, tuition reimbursement, recreation activities, cafeteria services are all examples of employee benefit programmes. However, most experts agree that money is not the long-term answer for hiring, especially for keeping high skilled employees (Leinfuss, 1998).

Non-financial Compensation

Non-financial compensation is also known as non-profits rewards. Nowadays, a lot of employees do not seek for financial compensation alone. They also prefer non-financial compensation for example, training opportunities, job challenges, opportunity to be promoted, recognition and conducive working environment (Son, 2015). Non-monetary types of compensation can be very meaningful to employees and very motivating for performance improvement and creative use of personalized non-monetary rewards reinforces positive behaviors and improves employee retention and performance.

Companies must consider the non-financial benefits that can be rewarded to their employees. Employees will therefore continuously serve the company if the company pays attention to their needs and welfare. Hence, providing compensation which includes financial and non-financial rewards is one way to retain employees in the organization.

Employee Satisfaction

Employee satisfaction is defined by Batol, 1992 as the result of a psychological comparison process of the extent to which various aspects of their pay (e.g. salaries, benefits and incentives) measure upto what they desire. Thus, the larger the gap between what employees have and what they want from their jobs, the less satisfied they are; (employees tend to be most satisfied with their jobs when what they are expecting matches with what they actually collect. An employee' overall satisfaction is the cumulative result of comparisons that she makes between what her job provides and what she desires in various areas. The fact that perceived importance makes such a big difference in how employees feel also has implications for management. There are factors that contribute to employee satisfaction as; adequate salary, good working conditions, job security, regular promotion, recognition, etc.

Job Enrichment: Job enrichment simply means adding the contents to a job leading to increased responsibility, scope and challenge in its performance. Particularly, the executives working at the higher levels often prefer to job enrichment because it makes job more challenging.

They derive higher satisfaction by performing more and more challenging jobs. Thus, job enrichment as an incentive motivates the executives to exert for accomplishment of their goals. Job enrichment is a by-product of job design which is discussed subsequently.

Participation: Subordinate staff should be associated with the decision-making process. Employees should be encouraged to participate in the decision making process. Workers should have a hand in setting their goals so that they have a personal responsibility for achieving the task. Inviting workers to participate in management gives worker's a psychological satisfaction that their voices are also heard. This imbues a sense of importance among the workers. They should be given more latitude in deciding about certain routine matters. An effort should be made to create a pride in the job among staff members.

2.1.2 Employee Attraction

The attraction of applicants is an important component to an organization's overall success. As such, recruitment is extremely important because, through it, applicants learn about organization, which ultimately influences their job choice decisions. Applicants' attraction to the organization is influenced by job and organizational related characteristics during recruitment process. Thus, information presented to applicants during recruitment including rewards is critical because applicants make inference about specific job aspects based on larger scale facts that they are given (Rynes & Cable, 2003). At specific vacancy characteristics, pay level is one that stands out as being important to most applicants. Pay is considered one of the most effective and important job attributes in determining applicants' attraction to the organization. In examining specific pay preferences, it is found that students preferred organizations with high pay rather than low pay, flexible rather than fixed benefits, individual rather than team based pay, and fixed rather than variable pay. Thus, attracting employees is likely to be most effective if strategic methods are used to manipulate those characteristics of the job and the organization in order to make them the most appealing to applicants (Rynes & Cable, 2003).

Employee benefits also influence applicants' attraction. As a form of noncash compensation, by offering a large amount of benefits a company can compensate for moderate salaries. In supporting this, Browne (1997) showed that potential employees, including men and women from different cultures, were willing to accept lower salaries if benefits of importance to individual also were offered.

2.1.3 Employee Retention

Retention is a complex concept and there is no single recipe for keeping employees with a company. In literature, retention has been viewed as an obligation to continue to do business or exchange with a particular company on an ongoing basis (Zineldin, 2000). Retention is driven by several key factors which ought to be managed congruently: organizational culture, communication, strategy, pay and benefits, flexible work schedule and career development systems (Logan, 2000).

It is found that human resource management practices in compensation and rewards, job security, training and developments, supervisor support culture, work environment and organization justice can help to reduce absenteeism, improved employee retention and better quality work (Ichniowski, Shaw & Prensushi, 1997).

2.2 Theoretical Framework

Equity Theory

Equity theory propounded by Stacey J. Adams suggests that employee perceptions of what they contribute to the organisation, what they get in return, and how their return-contribution ratio compares to others inside and outside the organisation, determine how fair they perceive their employment relationship to be (Adams, 1963). Perceptions of inequity are expected to cause employees to take actions to restore equity. According to this theory, employees who see themselves as being under-rewarded will experience distress. The theory, primarily, focuses on ensuring that the distribution of compensation and benefits is fair to all members.

The theory is related to this study in the sense that Pay inequality affects employee satisfaction because pay is positively associated with the job satisfaction of the employees. Employees feel satisfied or dissatisfied with their pay – not so much by the total amount received, but by comparing their benefits with those enjoyed by others in the same field.

2.3 Empirical Review

Chikezie, Emejulu and Aniekwe (2017) studied Compensation Management And Employee Retention of Selected Commercial Banks In Anambra State, Nigeria. This study was necessitated due to rate of employee turnover, which is increasing in Nigeria banking system; a situation whereby employee continuously move from one bank to another in a short period of time. The study examines the relationship between Salary and Employee satisfaction in selected Commercial banks in Awka. The study employed descriptive research design. Primary source of data was the major instrument used for this study. 60 copies of questionnaire were administered to employees of selected commercial banks (First bank, Fidelity and Sterling bank); 56 were retrieved. Pearson's Product Moment Correlation was used for the analyses. The findings revealed that there was a positive weak relationship between salary and employee satisfaction. This shows that employees were not satisfied despite their seemingly attractive salary. The study concluded that if management fail to formulate, administer and implement a good

compensation policies that would allow them retain their talented employee; these employee might leave their job if they find a better offer elsewhere. The study recommended among others that compensation structure should include new and enticing ways to motivate and retain employee with wide range of benefits other than salary.

Uwimpuhwe, Mushabeand Kajugiro (2018) did a Work on the influence of compensation system on employee attraction and retention on the employees of the Higher Education Council, National Commission for Fight against Genocide and COGE Bank located in Kigali City. The study emphasized on the perception of respondents on compensation system, employee attraction and retention to come up on the influence of compensation system on employee attraction and retention. The research adopted a survey method. A random sampling technique was used to find the sample size of 32 employees of the cited institutions. Statistical evidence revealed that there is a significant positive correlation of .582 showing that Compensation system has a moderate influence on employee attraction and retention. The study showed a strong positive relationship between compensation system and employee attraction and retention. The study then recommended managers of organization should draw comprehensive compensation plan to enhance staff retention in the organization as this will boost productivity.

3.0 Methodology

This study was conducted in Fidelity Bank Plc Onitsha, Anambra State, Nigeria. A descriptive survey design was used because of its relevance in the quantitative nature of this study. In trying to determine the nature of the relationship between compensation policy of DMBs and staff attraction and retention, self-administered questionnaire was used to collect data from the employees of the selected Deposit Money Bank (Fidelity Bank Plc, Onitsha Branch). Pearson Product Moment Correlation Coefficient was used for data analysis to illustrate the degree of the relationship between the variables of compensation and staff attraction and retention.

4.0 Analysis of field data collected

The table below shows that 70% of the responses received strongly agree that there is a positive relationship between compensation plan in forms of good pay, provision of conducive work environment, etc and employee attraction and retention; 35% agreed; 2.80% of the responses showed Strong disagreement to the assertion, 0.78% disagreed while 0.62% responses was indifferent to the assertion. Since the calculated mean is 4.38 which is more than our cut-off point of 3.00; we therefore accept that there is a significant positive relationship between compensation packages and employee attraction and retention in Nigeria Deposit Money Banks. The hypotheses is therefore tested thus;

Test of Hypothesis

S/No	X	Y	XY	X ²	Y ²
1.	123	152.73	18785.79	15129	23326.45
2.	98	114.55	11225.90	9604	13121.70
3.	20	17.45	349	400	304.50
4.	0	2.73	0	0	7.45
5.	4	6.55	26.2	16	42.90
6.	157	152.73	23978.61	24649	23326.45
7.	112	114.55	12829.6	12544	13121.70
8.	12	17.45	209.4	144	304.50
9.	5	2.73	13.65	25	7.45
10.	8	6.55	52.4	64	42.90
	539	588.02	67479.55	62575	73606

$$\begin{aligned}
 r &= \frac{n\sum xy - \sum x \sum y}{\sqrt{n\sum x^2 - (\sum x)^2} \sqrt{n\sum y^2 - (\sum y)^2}} \\
 &= \frac{49(667479.55) - (539 \times 588.02)}{\sqrt{49(62575 - 290521)} \times \sqrt{49(73606 - 345767.52)}} \\
 &= \frac{3306056.95 - 316942.78}{\sqrt{(3066175 - 290521)} \times \sqrt{(3606694 - 345767.52)}} \\
 &= \frac{2989114.17}{\sqrt{(2775654)(3260926.48)}} \\
 &= \frac{2989114.17}{\sqrt{9051203627917.9}} \\
 &= \frac{2989114.17}{3008521.83} \\
 r &= \mathbf{0.993} \\
 r &= \mathbf{1.00}
 \end{aligned}$$

The hypothesis was tested using Pearson Product Moment Correlation Coefficient and it gave a correlation of 1.00 which shows a strong positive relationship at 0.05 significance level at 10 (11 – 1) df. This indicates that there is a positive significant relationship between the variables. This means that there is a strong positive relationship between compensation policy and employee attraction and retention in Nigeria's Deposit Money Banks as identified in the research.

Decision Rule

To accept a strong correlation when r is equal to 0.7 and above, and moderate, between 0.5 and 0.69 and weak from 0.1 to 0.49. We accept that there is a strong correlation between Compensation Policy and employee attraction and retention in Nigeria's Deposit Money Banks.

5.1 Summary of Findings

From the analyses of the data collected in line with the objectives of this study, the summary of findings are as follows;

1. That employee retention is significantly affected by total pay package as provided in Fidelity Bank Plc, Onitsha;
2. That there is a significant positive relationship between employee retention and work environment in Fidelity Bank Plc, Onitsha, Anambra State, Nigeria.

5.2 Conclusion

Planning, administrative system, employee work condition, rules and regulation follow up, resource management among other factors are the parameters for organizational evaluation for success and growth. Every organization that seek progress, growth and sustenance must align itself with these tips. However, there are other components of interest for effective human resource management and which an organization must keep in mind; and that is the part of the human resource available to such organisation. Human resources are everything for any organization, even though a company may need other resources for its growth, sustenance and success but without human resources they are useless.

Organization management should understand that every person has his own wants and desires, for that purpose he/she works to get them fulfilled. It is not enough for an employee to be satisfied financially but also non financial aspects are as essential as the financial aspects. An employee needs both to be fulfilled in other to give his best to the organization for the achievement of its goals and objectives. Any Organization that needs high performance from its employees to meet their goals and achieve competitive advantage must also do all that is necessary to retain and maintain such staff. When employees are retained and maintained, it reduces the cost of constant recruitment and training on the organization as well as increases organizational productivity arising from specialization of staff.

5.3 Recommendations

1. That management of Fidelity Bank Group and infact other Financial and non financial groups should constantly review employee's compensation plan content and possibly re-design them to meet the changing needs of the time considering the tedious and demanding nature of the banking jobs. This will boost employees' performance and reduce the rate of turnover among banking employees.
2. That Fidelity Bank Plc should create a more inclusive work environment where employees will enjoy a cordial relationship with the work processes which will lead to job satisfaction through psychological attachment to their work.

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