

# Employee Benefits and Compensation Packages to Retain Human Resources: A Study of Selected Education Institutions in Vijayapura District, Karnataka State

Mr. Sunita S.<sup>1\*</sup> Prof. Sanjeev Kumar K. M.<sup>2</sup>

<sup>1</sup> Research Scholar, Akka Mahadevi Karnataka State Women's University, Vijayapura, Karnataka

<sup>2</sup> Department of Management, Akka Mahadevi Karnataka State Women's University, Vijayapura, Karnataka

**Abstract – Human capital is the pivotal of organizational effectiveness and the most valuable asset available to an organization is its people. Retaining employees in their jobs is crucial for any organizational productivity and competitiveness. The shortage of academic staff and inability for higher Education Institutions to attract and retain highly qualified talent is a critical phenomenon in tertiary education. Satisfaction of academic staff will increase productivity and increase research outputs for the universities. The aim of the study was to investigate the impact of compensation, benefits on job satisfaction among academic staff in higher education institutions in a Indian context. There is paucity on research investigating specifically the relationship between compensation, benefits and job satisfaction within the higher education institutions nationally.**

**Keywords: Higher, Education, Reward, Compensation**

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## INTRODUCTION

Higher education institutions are particularly vulnerable to the loss of their highly qualified employees to better rewards and benefits from the private sector and other higher education institutions.

Talent retention and employee turnover, therefore, are major concerns for higher education institutions (HEIs). Without well qualified and committed academic staff, no academic institution can really ensure sustainability and quality over the long-term. Owing to the competition for scarce skills, the attraction and retention of quality employees has emerged as the biggest challenge in human capital management, this phenomenon has also arisen in universities of technology. To attract and retain employees, organisations need novel reward systems that satisfy them. Employee rewards are an important component in exchange of employee contribution. It is generally accepted that employee rewards plays a significant role to attract, motivate, satisfy, retain and maintain commitment among employees in any organization while ensuring a high standard of performance and workforce stability. Essentially, it is understood that reward systems in higher education institutions are at fault because

they do not provide individuals with rewards that they value.

Two models are employed in CFA to test dimensional structure of employee rewards. These include a model that allows all factors to be freely correlated, a proposed model was tested for correlation and a structural model. All factors are correlated because they measure one higher order factor, where all indicators test if they measure only one construct. The results of CFA provide solid statistical evidence that affirm relationship among constructs. However, some factors do not converge towards the job satisfaction construct in a Indian context. Work-life balance and fringe benefits provided a negative correlation to job satisfaction. A significant statistical relationship is seen between employee rewards, job satisfaction and organizational commitment.

The SEM results affirm that compensation, performance management, recognition, talent development and career opportunities have a positive and significant influence on job satisfaction. Job satisfaction has a significant effect on organizational commitment while total rewards components performance management, recognition, talent development and career

opportunities has a positive and significant impact on organizational commitment. However, employee rewards have a significant effect on job satisfaction and organizational commitment. These results, therefore, can aid remuneration specialists in higher education institutions with specific reference to universities of technology to implement these total rewards components in order to affect job satisfaction while ensuring organizational commitment among academic staff. This study would benefit if these models are tested with an alternative data set. The research also suffered from a limitation common to survey research and SEM.

Highly qualified and experienced employees of the academic institutions are continuously leaving in search of greener pastures and opportunities in other institutions and in the private sector. Those left behind may end up underperforming due to low motivation as a result of insufficient reward strategies (Said Al-Jarradi, 2011:18). This study should assist the management of universities of technology to have the opportunity to be more aware about the influence of employee rewards on job satisfaction and organizational commitment. The findings of the research should also contribute to broader understanding in both public and private sectors on the significant role of employee rewards in job satisfaction and organizational commitment among employees. The study will benefit other institutions of higher learning i.e. traditional universities, universities of technology to understand employee rewards that best drive job satisfaction and organizational commitment.

In today's business world, retention of valuable employees is one of the most critical issues confronting leaders.

## **EMPLOYEE BENEFITS AND COMPENSATION PACKAGES TO RETAIN HUMAN RESOURCES**

Talented employees with competencies which are critical for the survival of an organization are difficult to retain because they often attach more importance to their own career path than to organizational loyalty, which in turn can result in voluntary turnover.

Organizations need to explore alternative methods to retain key talent to ensure business success. Employee rewards can serve the purpose of attracting prospective talented employees, retaining valuable employees, motivating employees as well as assisting in achieving job satisfaction and organizational commitment while obtaining competitive advantage.

Bayisa and Zewdie (2010:14) acknowledge that the main purpose of the employee rewards is to attract and retain competent employees while ensuring job satisfaction. It is essential for organisations to create a balance between employee's contribution and the

higher education institution's contribution to employees. A clear focus on employee rewards will enable organisations to retain its workforce.

Compensation represents both intrinsic and extrinsic rewards that employees receive for performing their jobs. Intrinsic compensation reflects employees' psychological mind-sets that result from performing their jobs while extrinsic compensation includes both monetary and non-monetary rewards.

The concept of job satisfaction has been researched for more than half a century and is still of interest today.

Wood (2010:56) describe job satisfaction as the degree to which an employee feels positively or negatively about his or her work. It is among the most important attitudes that influence human behaviour in the workplace. This interest may be due to the implications that job satisfaction has for job-related behaviors, such as productivity, employee absenteeism and turnover, as well as employee relations.

These rewards can be in the form of promotion, monetary value and any other type of reward which can increase the efficiency of employees on job satisfaction. Some rewards are paid on a sincerity basis while other rewards are paid on the basis of ability. Job satisfaction has a strong relation with job rewards.

There is an influence of intrinsic rewards on employee satisfaction since these rewards improve job satisfaction of employees. His study also reveals that financial rewards are significant for job satisfaction. The employee rewards other than financial incentives may also hinder job satisfaction of the employees. The opportunities to learn skills and advancements are important for job satisfaction.

The concept of organizational commitment has influenced considerable interest in an attempt to understand and simplify the intensity and determination of an employee's dedication to the organization. Gbadamosi (2003:9) asserts that the more favorable an individual's attitudes toward the organization, the greater the individual's recognition of the goals of the organization, as well as their eagerness to exercise more effort on behalf of the organization.

A good reward system attracts, motivates and satisfies employees in their jobs. Furthermore, good rewards foster personal growth and development and reduce labor turnover. Wood et al. (2010:57) explain that organizational commitment refers to the degree to which a person strongly identifies with, and feels part of the organization.

In addition, Cunningham (2012:74) states that an employee with a high level of organizational commitment wishes to maintain membership of the organization, and this commitment differs from other types, such as occupational commitment.

In addition, organizational commitment encompasses an employee's belief in an organization's goals and values, and reflects a desire by an employee to remain a member of the organization and be loyal to it.

Jernigan, Beggs and Kohut (2002:564) explain that organizational commitment represents not only an attitude that describes an individual's linkage to the organization, but also a set of behaviours by which individuals manifest that link. Organisational commitment is the psychological link between employees and their organisations. Employees who are committed to their organisations are less likely to leave their jobs voluntarily.

## DISCUSSION

Committed employees have an active curiosity, a passion for learning, a willingness to challenge the status quo, and an eagerness to experiment with new methods and strategies.

Organisational commitment is a psychological state that impels an individual towards a course of action of relevance to one or more targets. As such, organizational commitment is a psychological attachment, bond, or attitude that links an individual to an idea or entity, and subsequently influences behaviour in ways that are consistent with that idea or entity.

Higher education Institutions (HEIs) face an increasing number of obstacles in a changing global environment. Some of these must be considered by the management inter alia, and include the management of human capital within the institutions. The goal of a higher education institution is to provide in-depth knowledge, seek academic development and educate students to meet the national development of skill demands.

External rewards include salary, incentives, bonuses, promotions and job security. Intrinsic rewards are intangible or psychological rewards, such as appreciation, meeting new challenges, a positive and caring attitude from the employer and job rotation after attaining set goals.

The remuneration differentials between universities and the private sectors are significant and have been widening. Consequently, the private sectors wield a powerful pull on current academics with Masters and Doctoral degrees. Furthermore, the improvement of rewards in the academic profession may lead to

increased job satisfaction while ensuring organizational commitment among staff.

The significance of job satisfaction and organizational commitment of academic staff has prompted higher education institutions to design numerous policies to preserve their proficient workforce. In an attempt to ensure employees' optimal satisfaction and retention, higher education institutions need to consider variety of appropriate ways to reward these employees in order to get desired results.

Thus, rewards management is seen to be the key. The concept of reward management underpins total rewards, which is the focus of this study. There is rising need for higher education institutions to develop reward systems that motivate staff to work harder and faster.

Similarly, higher education institutions are anticipated to produce leadership qualities among students, promote social justice, knowledge sharing, talent development and contribute to overall development of economy. How these duties can be carried out depends upon highly qualified and competent academic staff.

Steel and MacDonnell (2012:3) attest that job satisfaction and employee recognition are among behaviors that contribute to an organization's success. These behaviors can be managed by using traditional concept of employee rewards. Higher education institutions nowadays should extensively focus on management of reward practices. These institutions face challenges of satisfaction and high turnover issues from their employees; they find it tough to attain a competitive advantage in the absence of less effective rewards policies.

Reward management involves the formulation and implementation of strategies and policies. However, rewards policies and practices in higher education institutions must support the vision, mission and strategies and objectives Higher Education. These policies and strategies suggest that employees should be rewarded fairly, equitably and consistently in accordance with the value they bring to the organization while striving to assist the organization to achieve its strategic goals.

Higher education institutions as the employer must comply with current legal prescriptions (e.g. Basic Conditions of Employment Act) as well as contractual obligations in terms of employment relationship. According to Longo (2014:1), reward management aims at influencing employees' actions and behaviour in order for organisations to attain their overall business objective and aims.

Furthermore, it is about the design, implementation and maintenance of reward systems (interrelated

reward processes, practices and procedures), which aim to satisfy the needs of both the organization and its stakeholders and to operate fairly, equitably and consistently. Thus, higher education institutions need to adopt rewards strategies for attracting, retaining and motivating staff while being competitive in a regional and global higher education arena.

Therefore, reward management should be used by employers as an additional powerful system by means of which it not only more easily achieves their intended objectives but fosters integrity and endorses desired behaviour within higher education institutions. These objectives are quite difficult to achieve but successful identification, development and execution of the right approach can undoubtedly help employers attain organizational goals. Since reward management is concerned with the organization's strategy, it also needs to be strategic and constantly fitting the changing business environment.

## **CONCLUSION**

In higher education institutions there is a significant prerequisite of a reward system that not only holds academic staff but empowers them to achieve the objective of producing endowed workforce.

Reward management is not solely concerned with financial rewards. It is also concerned with non-financial ones, such as recognition, communication, work environment, training and career development. The financial rewards range from base pay, pay for performance, pay for skills and competencies, and indirect financial rewards such as benefits. Individuals are motivated by different factors, but employers usually use money as the primary strategy for retaining employees. Hence, higher education institutions should design effective financial and non-financial reward packages for employees.

The majority of employers consider financial rewards as the best tool to inspire their employees. However, some employers use special types of non-financial rewards to upturn the contentment and motivational level of their employees. Similarly, it is of the view that reward management cannot be considered, developed and managed independently without other human resource management practices, business strategy and organizational culture.

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### **Corresponding Author**

**Mr. Sunita S.\***

Research Scholar, Akka Mahadevi Karnataka State Women's University, Vijayapura, Karnataka