

---

## Impact of compensation and benefit on employees retention

Employees are thought to be the most important resource of an association, but associations do not consider this reality and still see them as a cost in their accounting report (Ahmed and Kolachi, 2013). In association, Employees are the most critical resources through which every one of the objectives and destinations is proficient. Compensation and Benefits perform the important role of defining the employee's retention. Compensation is a profitable instrument in the hand of the administration to add to the authoritative viability and can affect emphatically on the conduct and profitability of employees.

The need to keep down the turnover rates and remain in business has made the employer's to focus on shifting to employee's wellbeing and staff retention over customer satisfaction (Sethi, 2012). Compensation plays an essential role in an appealing, motivating and retaining capable employees. According to Ibrahim and Boerhaneoddin, compensation encourages effective employees to remain in employment for longer periods of time. Additionally, Ibrahim and Boerhaneoddin proposed that generous rewards retain employees and ultimately lead to job satisfaction, commitment, and loyalty. Implementation of a well-planned retention strategy not only brings down the turnover rates but motivates them employees to maintain job performance productively (Scott, 2013).

According to the Adam (1963) equity theory explained that there is a direct relationship between the fair or unfair distribution of resources and employee performance. Through the prior studies, it has been cleared that compensation has an important part in job satisfaction which resulted in retention of an employee. Before we continue, we should comprehend the compensation's three components: pay (money or wages, commission, overtime), benefits (healthcare, vacation pay, retirement fund) and non-financial (training & development).

Prior to 1970's, there was hardly concept of employee retention's program, the Human resource department as was only engaged in arranging picnic trips and ceremonies. But with the passage of time not only technologies have changed but theories of handling human resource have also been changed. William, McDaniel, and Ford (2007) recommended that organization must raise their benefits if they can't increase their pay in order to fulfill job satisfaction. Compensation can have a direct influence on employee retention.

This study will mainly focus on the design to analyze the impact of compensation and benefits on the employee retention. As it has mentioned in most of the studies/researches that there is

---

### Need help with the assignment?

Our professionals are ready to assist with any writing!

[GET HELP](#)

---

an impact of compensations and benefits on employee's performance, employee's motivation, staff satisfaction etc. in different industries. So now we are going to analyze what kinds of elements in compensation and benefits are more effective on the retention of employees in the banking industry because we generally seem that in banking industry most of the employees are switching their jobs due to the better packages and facilities.

The scope of the study is generally used in overall sectors but we are focusing on banking industry because in banking sector their employees switching their jobs vastly due to better facilities and packages as compare to other sectors. So it helps HR departments in designing the policies of compensation and benefits and through this study organization might not lose their efficient employees due to this factor i.e. Compensation and benefits.

Retaining is an ability and administrative technique which start from creating, holding and using the asset for present and future use (Hausknecht et al. 2008). The employee becomes a valuable resource for the firm and in order to retain skillfully and, proficient employees companies adopt several strategies.

This study has a significant importance towards HR departments in the banking industry as HR will analyze which elements of compensation and benefit have more impact on the retention of the employees in the banking industry. So HR may design their policies as per the requirement of employees satisfaction for the purpose of retaining the efficient employees towards accomplished the organizational goals. Zin et al. (2012) advocate the retaining and attracting employees are more cost-effective than recruiting new employees.

Rodriguez (2008: cited by Kyndt et al. 2009) claims: "If employees feel they aren't learning and growing, they feel they are not remaining competitive with their industry peers for promotion opportunities and career advancement. Once top employees feel they are no longer growing, they begin to look externally for new job opportunities"

---

## Need help with the assignment?

Our professionals are ready to assist with any writing!

[GET HELP](#)