

**THE RELATIONSHIP BETWEEN COMPENSATION
COMPONENTS AND EMPLOYEE RETENTION AMONG
MEDICAL REPRESENTATIVES OF PHARMACEUTICAL
SECTOR**

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ABSTRACT

Compensation is the main component of a human resource management and if the Compensation system is designed and communicated properly then it motivates employees to perform better (sawyer, 2011). The study examines the relationship between Compensation Components and Employee Retention. The purpose of the study is to know which Component of Compensation (Basic Salary, Benefits, and Incentives) is more important for Employee Retention in Pharmaceutical sector. The data collected from 119 respondents working in MNC's and non MNC's Pharmaceutical Companies. The study found that there is a significance relationship between Compensation Components and Employee Retention (Butt, 2008 and Hong, et.al, 2012) and Incentives are most important Component of Compensation for Employee Retention.

Key Words: *Compensation components, Employee Retention, Pharmaceutical Sectors.*

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Introduction

Employee Retention is the backbone of the organisation, but they are retaining up to a specified period of time like completion of work and a task. So it is important to keep them in the Organisation .Before the liberalisation policy of the congress government (1991) in India the picture was different if we compared it with present. After globalisation different companies entered in India and employee expectations also increased, so it is a great challenge for every organisation to keep their employee stable.Turnover is the reason for hassle and cost of replacement, so retention is very necessary and Compensation pattern is responsible to shift the job. Good or effective retention strategies can reduce the employee turnover intention.

Employee Retention

Turnover is the reason for hassle and cost of replacement so retention is very necessary and Compensation pattern is responsible to shift the job (Kavitha, Geetha et al, 2011). Retention of skilled workforce and reduce the employee turnover is an important need of every organisation. Good or effective retention strategies can reduce the employee turnover intention. Interest of an employee in an organisation and financial strategies are helpful to reduce the labour turnover (Belbin, Erwee, and Wiesner, 2012). Employee Retention is becomes the key to improve the performance of the organisation. In this free market driven economy it is not easy to retain employees because employee shifts to those organisations which offer better facilities. So organisation has to plan about Employee Retention, and retain quality, skilled and knowledge base employees. Employee turnover is not bad because it brings new talent (Dey, 2009). If employees are happy then they will pay their full efforts to work or customers then the organisation can achieve its goal easily (Ferguson, 2001).

Compensation

Employee Compensation refers to the all form of pay earn by employees from their employment. Employee Compensation is the one of the largest expenses for the organisation (Bergmann & Scarpello, 2002). Compensation is the main part to retain the employees. In today's era there are many reasons to stay in an organisation but Compensation is the main part to motivate the people to stay in the organisation. Compensation is the main component of Human resource management if it is designed, communicate properly it can be very helpful to retain the

employees (Sawyer, Revels, Ciampa, 2011). Compensation is the cause of attrition and can be helpful to retain employees if it planned properly (Anantharaja, 2009). Compensation has the direct relationship between job satisfaction and motivation (Khan, Aslam, 2011). Compensation is the main component of a human resource management and if the Compensation system is designed and communicated properly then it motivates employees to perform better (sawyer,2011). Effective Compensation practices are necessary for any organisation to achieve the strategic competitive advantages (Jack Watson, Blanchard, 2001). Compensation is also the cause of attrition.

According to Dr. Shyamal Gomes Compensation is an internal rate of return (monetary or non monetary rewards / package) including base salary, Benefits, perquisites and long term & short term Incentives. In this time Compensation plays very important role to retain employees. The most of employee turnover is cause of Compensation. Compensation Package consider total Reward system, Containing non-monetary, Monetary, Direct and indirect elements.

1. Non-Monetary Compensation-It includes any benefit an employee receives from an employer and it does not include any tangible element.
2. Monetary Compensation- It involve all tangible value.
3. Direct Compensation-An employee's Base pay can be annual salary any performance base pay that is received from employer.

Review of Literature

Compensation is very important aspect to retain employees. The study focuses on Compensation and its Components (Basic Salary, Incentives and Benefits) for employee Retention. Different studies conducted on Compensation Components and Employees Retention.

Sinha and Shukla(2013) study the factors responsible for Employee Retention in pharmaceutical companies. The study was conducted in Dehradun city (India). The study includes the employees of the pharmaceutical sector, mainly medical representatives of various companies. The study investigated that Compensation, after retirement pension, Benefits and work pressure was the main reasons of attrition. There is a critical need to investigate the dynamics of Employee

Retention practices and strategies and system followed in MNCs and Indian firms. The study suggested that there were no differences between MNCs and Indian retention strategies. Their regular effort and the development can retain the employees. Sophisticated HRM infrastructure, Compensation motivation can reduce the turnover ratio (B.R, L.N, 2011).

Retention of employee is one of most important ongoing practices of HRM(Muneer, 2011) This study based on losing the best talent. The study elaborates the retention of employee, its benefit and factors that may help to retention the best talent of the organisation. The main object of the study to control employee turnover in shape of Employee Retention to create a better work environment for employees, cost reduction by selecting “Right man at Right place” and to understand, gain monetary Benefits for the employees with effective use of HR practices. The study found that Compensation, career path and working environment effecting the Employee Retention.Kavitha (2011) focused on Employee Retention Strategies in a Biscuit Manufacturing Company in India. This study reveals that, treating employees with respect and dignity is important to retaining quality workers. Certain factors like Compensation pattern, responsibility in career personal care is not appreciated when compared with other factors.

Khan, Aslam, et al., (2011) worked on influence of Compensation management on job satisfaction and Employee Retention. The Compensation has the direct relation between job satisfaction and Employee Retention. Bhanu (2011) explores the relationship between pay satisfactions with pay comparison. The study is based on the 125 employees of IT sector’s managers of Delhi, Noida and Gurgaon. The study found that there is a strong relationship between pay satisfaction and social comparison means comparison with other fellows. But it is different with different levels of hierarchy. The study also found that pay satisfaction is negatively related to social contacts and task interdependence.Gupta (2011) compares the public and private sectors in Jammu and Kashmir to know the link with salary and satisfaction. The main purpose of the study was to know the fairness and equitable in Compensation policies, to know what extent fringe Benefits are sufficient to motivate the employee to stay longer in the organisation, to analyse the relationship between satisfaction and their retention in the organisation. The study found that satisfaction level of the private sector is better than the public sector with respect to their Compensation.Singh, Loncar (2010) researched on pay satisfaction

and job satisfaction with turnover intent. The main aim of the study is to find out the relationship between pay satisfaction, job satisfaction and turnover intent. The study suggested that hospitals should improve the work environment to satisfy the employees.

Leopold and Ronald (2009) explained the importance of Benefits in competitive era. Benefits play very vital role to retain the employees. Benefits for employees and his/her family make them safe and happy. It motivates employee to attract and retain for long period. It is an Investment not the cost for the organisation. The study suggests that if an employee feels safe than he/she can perform better and organisation can earn lots of profit. Anantharaja(2009) focused on Causes of Attrition in BPO Companies. The main purpose of the study is to know the causes of attrition and problems faced by company as well as employees. The study was conducted on BPO companies in and around Bangalore with the opinion of 110 employees. The study found that carrier growth is the first and Compensation is the second reason of labour turnover. Dey(2009) suggested that Employee Retention is very important and it is based on high quality leadership, health care Benefits, involvement in decisions, paid personal time off etc. The study suggested that in this free market driven industry it is not easy to retain employees but company should plan to retain knowledge, skilled, talented employees. Butt (2008) worked on effects of Compensation (financial and non financial) on the employee turnover intention. The main purpose of this study is to know the causes of employee turnover and why they join a new company. For this purpose the demographical variables and Compensation studied. The study was based on 15 telecom companies and 300 respondents of telecom sector employees. The study found that Compensation has direct and positive impact on employee turnover and it can be reduce by better Compensation plan. Scott (2003) worked on Employee Retention through perks and Benefits. Benefits play important role in the relationship between employer and employee. Benefits are very necessary to hold the employees. Benefit needs are different at different level. The study found that employees like paid holidays, paid time off and paid vacations but managers like long term Benefits like retirement plan and stock option.

Cooke (1999) worked on control and motivation of sales people through Compensation plan. The study based on the Compensation .In this paper money as a motivator and sales people have strong ego drives and not easy to control. They can control through Compensation. For the long

period the salary works as motivator but in short period the Incentives as commission play important role to make employees happy and motivate. The paper found that there should be balance in motivation and control. Igalens (1999) worked on to examine the influence of Compensation on work motivation and job satisfaction. The study includes two samples of France employees, 269 exempt employees (professional, administrators and executives) and second is non-exempt employees (supervisors, technicians, employees and industrial workers). The samples were studied separately providing them different Compensation plans. The study found that under certain conditions the individualised Compensation of exempt employees can be a factor of work motivation but flexible pay never increase work motivation or job satisfaction for both categories. Fixed pay increases job satisfaction but variable pay can motivates the employee.

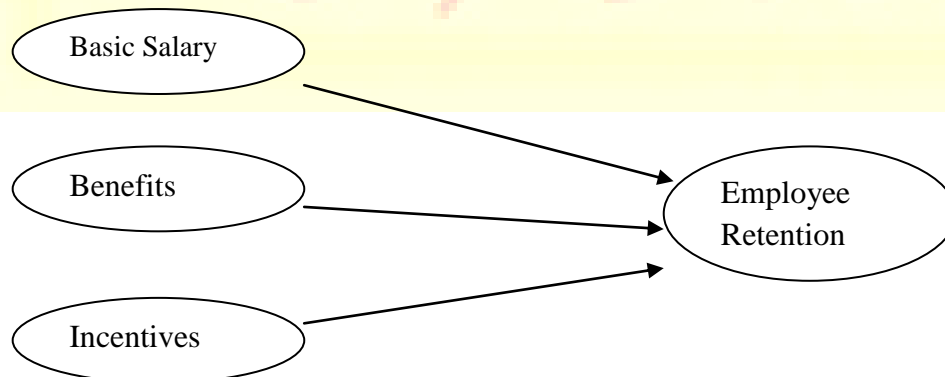
Research Methodology

Objectives of the study

- To find out the relationship between Compensation Components and Employee Retention of Medical Representatives of Pharmaceutical Companies of Doaba Region, Punjab.

Research Model

In this model, there are four variables containing three Independent variables and one Dependent variable. Compensation Components means Basic Salary, Benefits and Incentives taken as Independent variables and Employee Retention as Dependent variable.



In this study the main aim is to know which component of Compensation is helpful to retain employees in Pharmaceutical sector. For this purpose the study includes three Components of Compensation Basic Salary, Benefits, and Incentives.

1. Basic Salary- It is fixed amount of money paid to employees by an employer in return for work.
2. Benefits-In this study the Benefits include Life insurance, Pension Plan, Short term disability, and long term Disability, Retirement Plan etc.
3. Incentives- In this study Incentives means the extra money paid to employees for better work performance. It also known as performance based payment. (Chiuand Luk, 2002).

Hypotheses of the study : Ho: There is no significant Relation between Compensation Components and Employee Retention of Medical Representatives of Pharmaceutical Companies.

Sampling Size : The study includes medical representatives of more than 80 MNC's and Non MNC's pharmaceutical companies working in Doaba Region, Punjab. Stratified sampling is used to collect the data. To achieve the specific objective self structured questionnaire is distributed to 130 respondents and 119 questionnaire received from respondents.

Statistical tool : To achieve the objective or to know the relationship between Compensation and Employee Retention the Regression analysis was used.

Reliability Test

Table 1.1 Shows Reliability Statistics of Basic Salary

S No.	Cronbach's Alpha	Description	No. of items
1.	.840	Basic salary	16
2.	.882	Benefits	22
3.	.654	Incentives	4
4.	.665	Retention	19

The cronbach's value is (.840, 0.882, .654 and .665) for basic salary, Incentives, Benefits and Employee Retention in the Organisation shows the adequate reliability of the data.

Multiple Regression Analysis for Basic Salary, Benefits, Incentives and Employee Retention

Table 1.2 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.325 ^a	.106	.082	.37884

a. Predictors: (Constant), Incentives Satisfaction, Basic Salary satisfaction, Benefits Satisfaction

b. Dependent Variable: Employee Retention

The above 1.2 table shows the multiple regressions analysis, taking Employee Retention as dependent and Compensation Components as independent variables. The table shows the model summary which shows signifies the goodness of fit. The value of R square stands for the coefficient of determination which determines the variation caused by Independent variable in the Dependent variable. The model summary table shows R-Square for this model is 0.106 this means that 10 percent of the variation in overall retention of employees (dependent variable) can be explained from the independent variables (Basic Salary, Benefits, and Incentives). The table also shows the adjusted R-Square for the model as 0.082. To determine if one or more of the independent variables are significant predictors of overall Employee Retention, study examine the information provided in the coefficient table. In this table Basic Salary has standardised coefficient beta -.250, which is not significant. Benefit satisfaction has -.017 which is not significant but Incentives are related to Employee Retention.

Table 1.3 ANOVA

Model	Sum of square	df	Mean square	F	Sig.

Regression	1.950	4	.650	4.528	.005
Residual	16.505	115	.144		
Total	18.454	119			

a. Predictors: (Constant), Incentives Satisfaction, Basic Salary satisfaction, Benefits Satisfaction

b. Dependent Variable: Employee Retention

The ANOVA table shows the F ratio for the regression model that indicates the statistical significance of the overall regression model. The larger the F ratio there will be more variance in the dependent variable that is associated with the independent variable. The F ratio = 4.528. The statistical significance is .005 ($r = 0.106$, $p < 0.05$). Which shows the model is significant. So reject the null (H_0) hypothesis. And accept the alternative hypothesis (H_1) that there is relationship between Compensation Components and Employee Retention.

Table 1.4 Coefficients

Model	Unstandar- dized B	Coefficient Std. error	Standardised coefficient Beta	T	Sig.
(Constant)	3.246	.271		11.996	.000
Benefit satisfaction	-0.010	.063	-.017	-.158	.874
Basic Salary satisfaction	-1.67	.072	-.250	-2.327	.022
Incentives satisfaction	.154	.055	.256	2.829	.006

Multiple Regression equation:

$$Y = C + \beta X_1 + \beta X_2 + \beta X_3 + \dots + \beta X_n$$

Y= Prediction relationship of types of variables toward retention.

C= Constant value.

β = Unstandardized coefficient.

X= Dimension of independent variable (Basic Salary, Benefits and Incentives)

Based on the above table, we able to derive the following equation:

$$Y = 0.3246 + (-0.010X_1) + (-0.1.67X_2) + 0.154X_3$$

This can be interpreted that the increase of 1 unit of Incentive (X3) may incur the raise of 0.154 units in retention (Y).

Dependent variable: Employee Retention

The above test depicts that Employee Retention has relation to Compensation Components but the relation is only 10 percent. And out of three variables Basic Salary, Benefits and Incentives, the Incentives are more related to retain employees. The Relation is very low only 10% related to the Compensation ,the reason for that there are other variables who are responsible to retain employees in the organisation like organisation commitment, stress level, Targets, Organisation's atmosphere so on.

Conclusion

In this Present scenario, Employee Retention is very necessary. In this study, it was found that Compensation has significant relation with Employee Retention but it is very less. There are various reasons behind it, many other factors like atmosphere, stress level, organisational commitment, Training and Development also responsible for Employee Retention. The Study also found that Compensation paid by different in Pharmaceutical companies with respect to Basic Salary, Benefits and Incentives. MNC's paid more Compensation as compare to Non-MNC's.

Limitation and Recommendations

The study involves only Compensation factors but there are other important factors which are responsible for Employee Retention. The relationship between Compensation and its Components to their Employees is very low.

So it is suggested for future research to consider all these limitations and study on different reasons which are responsible for Employee Retention. The study found that the gender ratio not balanced in Pharmaceutical sector, so it is suggested for future research that how these ratio can improved.

MNC's paying better and retaining more employees, so the further research can focus on what Compensation plan will more effective to retain employees in Non- MNC's.

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