

Effect of Compensation/ Pay on Staff Retention in Selected Commercial Banks in Adamawa State, Nigeria

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Abstract

This study assessed compensation/pay and staff retention in selected commercial banks in Adamawa state. The bed rock of this study was that inability to retain staff is bedevilling the Nigeria's banking institutions. Therefore, the question of whether compensation/pay significantly affect retention of commercial bank staff is the arena of the study. Data were collected from 197 bank staff from Yola north, Yola south, Mubi north and Numan local government areas using both close and open ended questionnaires. The data was analysed using regression analysis, while Likert scale technique was used as measurement instrument for the study. Cronbach's Alpha test was used to measure the reliability of the measurement instrument, which showed a result of 77.4% reliability. The result shows that, a 1% increase in payment of monetary benefits (RPM), increased staff retention by 0.688, a 1% increase in the thirteenth month salaries (TMS), increased staff retention by 0.484, a 1% increase in timely payment of salaries (TPS), led to an increased staff retention by 1.866, but a 1% increase in the use of money as an incentive (MMW), triggered a 0.155 decrease in staff retention. Findings of the study therefore revealed that compensation/ pay has positive effect on the retention of commercial bank staff, except when used as an incentive. The study therefore recommended that while using compensation/pay as motivational strategies, commercial banks' management should avoid the use of compensation/pay as incentives.

Key words: Staff Retention, Compensation/Pay, Commercial banks, Motivation

Introduction

To retain employees requires motivation, the factors that motivate employees to stay in their jobs are therefore vital, as they affect performance of the organisation. This is because skilled employees enable organisations to gain competitive advantage. Although, views varied among bankers as to what motivates employees to remain stable on their jobs, Monetary motivation such as end of year bonus and housing allowances given to staff in bulk were common in Nigeria's banking industry. Money therefore led to the attraction and retention of employees in Nigeria's banking industry. This resulted to the relative stability of workforce in Nigeria's banking Industry. However, in the recent years, despite the monetary motivation, stability in banking operations became a mirage, as instability in workforce is looming in Nigeria's banking sub-sector (Ngutor, 2011), which in turn affects banks' performance, leading to persistent banks' failure. For instance, Nigeria's banking sub- sector experienced inadequate skilled manpower due to lose of staff to other sectors, as a consequence of inability to retain staff (Adeyemi, 2011, Gunu and Olabisi, 2012).

Proper motivation that leads to workforce retention is therefore one of the major issues confronting many organisations, especially the banking sub-sector.

Luna- Arocas and Camps (2008) are of the view that when satisfaction level of employees is low, they develop behavioural intention to quit the job, thereby leading to high turnover. Turnover is associated with temporary replacement costs, recruitment costs, and induction costs. Motivation on the other hand makes employees to reciprocate by using their skills and experiences to give something in return to the organisation, which is commitment to their jobs. Management practitioners acknowledged that employees' turnover is their major concern, for instance, The National Deposits Insurance Corporation (NDIC) research team carried out a manpower survey among Commercial banks in Nigeria banks; and found out that inadequate skilled manpower and inability to retain staff are the major factors bedevilling banking institutions in Nigeria (NDIC, 1991). This is in conformity with the observation made by the research that the academics in Nigeria used to take up job appointment with banks, but now bankers are becoming academics. Although there are many studies conducted on the use of compensation/pay as motivational strategies for staff retention, such as Faustina, (2012), Dele, (2013), Adebimpe and Odunayo, (2012) Asiedu-Appiah, Kontor and Asamoah, (2013), Mbah and Ikemefuna, (2012) etc, to my knowledge, none of them attempted to study compensation /pay as motivational strategies for staff retention in commercial banks in Adamawa state. It is on this premise that the study is carried out to assess the effect of compensation/pay on staff retention in selected commercial banks in Adamawa state.

Literature Review

According to Stoner, Freeman and Gilbert (2005), motivation is a human psychological characteristic that contributes to a person's degree of commitment. It includes factors that cause, channel and sustain human behaviour in a particular committed direction, to do the best possible job or enter the minimum effort. To Jones, and George (2003), motivation is a psychological force that determines the direction of a person's behaviour in an organisation, a person's level of effort, and a person's level of persistence in the face of obstacles. Gomez-mejia and Balkin (2005), on their part view motivation as a person's desire to tasks. Therefore creating desire in workers, that makes them put in their best in attainment of maximum performance is motivation whereas what is done or given out to create such desire is a motivator.

Therefore, a motivated employee becomes satisfied and committed to achievement of organizational goals; such employees are encouraged and are retained in their jobs. Motivation is defined by Robbins, Odendaal and Roodt (2004), as the method that relates to an individual's intensity, route and determination of effort towards an achievement of goals. To Nelson and quick (2006), motivation is the process of producing and maintaining goal directed behaviour. To Hodgetts and Luthans (2000), motivation is a psychological process through which unsatisfied needs leads to drives that are aimed at goals or incentives. From the definitions given motivation hinges on needs that are unsatisfied. The unsatisfied needs lead to drive or goals. Attainment of the goals leads to satisfaction of the needs. That is, motivation is a need that pushes or pulls a person towards the attainment of a specific goal or performance of certain act.

Employee Retention

According to Sue (2001), employee retention means keeping those members of staff that one wants to keep and not losing them to other organisations, for whatever reason but especially to competitors. In other words, an organization needs to have right people in right number with the right skills and abilities in the right place and at the right time.

To Sue (2001), a motivated employee becomes satisfied, productive and in most cases remain with the organization for long. Therefore, in the retention of employees a major issue to consider is motivation. The ability of a company to succeed depends on the retention power of the company. Organisations that cannot retain their key employee also find it difficult to retain their major customers and therefore find it difficult to succeed.

Although it is expensive to keep experienced and skilled workers, it is more expensive to let them go. Failing to retain them has serious financial implication to the organisation. Keeping valuable employees is therefore a source of competitive advantage. In service delivery organizations, such as banks and other financial institutions, people tend to lose confidence in the organizations that cannot retain quality staff and so their integrity suffers. Successful organisations realise that employee retention and talent management are integral to sustaining their leadership and growth in the market place smith (2004). In other words, attracting, hiring and keeping high calibre staff are the factors that make organisations manage talent and skills. It is always wiser and less expensive to retain existing employees that are of high calibre than to recruit in experienced staff in the name of cost saving.

To Smith (2004), a wise employer learns how to attract and keep good employees and that money and benefits may bring employees through the front door, but poor working conditions and poor management skills drive them out through the back door. This happens due to faulty recruitment processes, poor management practices and other inefficiencies leading to low productivity and high turnover. Low turnover makes organisations more stable which pleases organisational stake holders.

Compensation/ Pay

Compensation/pay is defined by many researchers in different terms, but in this study, it refers to monetary benefits that accrue to employees both intrinsically and extrinsically. Examples are health care, leave grant, profit sharing scheme, stock option, pay raise, total salary package and other financial benefits.

Empirical Literature Review

There are number of studies carried out on motivational strategies, among them is Carolyn (1997) who conducted a research on 'what motivate employee according to over forty years of motivation survey' among 550 U.S.A workers. Questionnaires were administered to persons employed in manufacturing industry, Government Agencies, Health care and Insurance. The most striking result from Carolyn's research is the clear indication that money is ranked first among other motivators

Aworemi, Abdul-Azeez and Durowoju (2011), carried out an empirical study of motivational strategies among employees in Nigeria. The study sought to describe the ranked importance of the following motivators: Job security, Personal loyalty to employees, Interesting work, Good working conditions, Good wages, Promotion and growth in the organisation, Appreciation for work done. Fifteen companies were selected from Oyo, Kwara, Osun and Ogun State for the study. The selected companies involved in Educational consultancy, transportation services, retail services, hotel and catering services and manufacturing seven. The result was ranked according to order of importance, as follows: Good working condition, Interesting work, Good wages, Job security, Promotion and growth in the organisation. Appreciation for work done, Personal loyalty to employees. The result of the study shows that good working condition, interesting work and good wages are the most effective motivators. This agrees with Carolyn (1997), since compensation/pay is among the top three motivators.

Odendaal (2010) carried out a research on 'staff retention in an information management environment'. The major objective of the research was to identify relationship between motivation, job satisfaction and retention. The study came out with the following factors influencing staff retention according to importance: Communication, Good working condition, Job security, opportunities for learning and growth, Recognition, Promotional opportunities, Good supervision/ leadership Responsibility and accountability, Stimulating task, Compensation/pay, Co-workers, prestigious job. Result of the research therefore shows that compensation/pay is not a major motivator of employees.

Adebimpe, and Odunayo (2012), carried out a study on job security in selected commercial banks in Ibadan South western Nigeria, in order to assess job insecurity among bank workers in ten selected banks in Nigeria. Based on descriptive technique of analysis, the findings revealed that there is a high level of insecurity among bank workers, especially those on contract appointment. The study recommends the harmonisation of salary structure among both contract and permanent staff.

Zahraddeen (2012), assessed the role of motivation in enhancing workers' productivity in Adamawa Investment and Property Development Company Ltd, the research came out with the following findings: employees' participation, job security, and good compensation are what motivate employees. Auwal, and Bala, (2012),

conducted a research on stochastic and diagnostic analysis of vocational teachers' attrition and retention in order to find out the factors contributing to vocational teachers' attrition and retention in Adamawa State. The result revealed that poor salary structure and Luke-warm attitude by government are the major factors that led to vocational teachers' attrition

Jonah and yousou (2013), carried out a study on the impact of wage differentials on labour turnover in the public service in Nigeria. The findings stated that as wages increase, the probability of a state worker leaving to a federal civil service falls. Asiedu-Appiah, Kontor and Asamoah(2013), conducted a research on effect of human resource management on employees retention; perspective from mining industry in Ghana. The major finding of the study was that majority of turnover intentions within the study organisation are attributable to human resource management. Precisely, Training and development, compensations and job security are factors that are significant in bringing about turnover intention within the mining industry.

Mbah and Ikemefuna(2012) conducted a study on job satisfaction and employees turnover intention in Total Nigeria plc, in Lagos state Nigeria. The research specifically found out that satisfaction with pay, nature of work and supervision are the facets of job satisfaction that affect employee turnover intention. Dele (2013), conducted a study on the effects of motivation on employees' job commitment in the Nigerian banking industry, The study was aimed at examining the perceived effects of management use of motivation on workers commitment in Nigeria's banking industry. The finding of the study revealed that workers perception of the various motivational factors differs, but majority of the respondents indicated that good salaries and fringe benefit are their best source of motivation.

Faustina (2012) carried out a study on the impact of motivation on employee retention, in standard chartered bank limited Ghana, to discover the impact of motivation on retention of employees. Result of the study showed that salary and fringe benefit were rated as most important motivational factors to the workforce of the bank.

Methodology

This section centres on source of data, method of data collection and analysis. The functional relationship between staff retention and compensation/pay is as follows:

$$SRT=f(CMP)..... (i)$$

Where: SRT= staff retention in commercial banks. It measures the number of years spent by staff in commercial bank.

CMP= compensation/ pay. It measures fairness in the amount earned by bank workers, pay raise, timely payment of allowances, salaries and other financial benefits.

The linearity relationship between staff retention and compensation/pay is:

$$SRT = \beta_0 + RMC \beta_1 + RPM \beta_2 + MMW \beta_3 + TMS \beta_4 + FPR \beta_5 + TPS \beta_6 + ATP \beta_7 + \mu..... (iv)$$

$$\beta_1 > 0, \beta_2 > 0, \beta_3 < 0, \beta_4 > 0, \beta_5 > 0, \beta_6 > 0, \beta_7 > 0.$$

Where: SRT = staff retention in commercial banks.

RMC = Remaining with bank because of monetary benefits.

RPM = Regular payment of monetary benefit.

MMW = Money makes people work.

TMS = Thirteenth month salary.

FPR = Fairness in pay raise.

TPS = Timely payment of salaries.

ATP = Attractive total salary package.

β = Intercept (constant).

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7$ = coefficient of independent variables.

μ_i = random error or residual, to account for factors outside the

equation that may influence commercial banks' staff retention in Adamawa State. The a-priori expectation is that money as a push factor has negative effect on staff retention. However, other monetary benefits such as allowances, regular payments of the benefits, end of the year bonus, and fairness in salaries increase, timely payment of salaries and attractive salaries package are expected to have positive effect on staff retention. In other words, as variables with positive effect increase, the number of staffs retained in commercial banks also increase. But increase in variables that have negative effect on retention reduces the number of staffs retained by commercial banks.

$$\text{SRT} = 12.005 + 0.197\text{RMC} + 0.686\text{RPM} - 0.155\text{MMW} + 0.0484\text{TMS} + 0.729\text{FPS} + 1.866\text{TPS} + 0.799\text{ATP}$$

Table 1: Regression Result showing the effect of compensation/pay on staff retention

Variables	Unstandardized coefficient	t-statistics	Probability (significance)	Others
Constant	12.005	5.642	0.00	R = 0.518
RMC	0.197	0.380	0.704	R ² = 0.268
RPM	0.688	1.073	0.285	ANOVA (F Statistics) = 9.897
MMW	-0.155	-0.303	0.762	
TMS	0.484	0.753	0.452	
FPS	0.729	0.915	0.361	F (Probability) = 0.000
TPS	1.866	2.704	0.007	
ATP	0.799	1.244	0.215	

Source: Researcher's computation using SPSS 17.0

In table 1, the effect of compensation/pay on staff retention is depicted.

The table shows compensation/ pay has positive effect on staff retention. The 'R' (0.518) that is 52% shows the positive effect of compensation/pay on staff retention. The R² shows that the model explains 27% variation in the dependent variable. 73% variation in the dependent variable is explained by variables not included in the model. A 1% increases in real monetary benefit(RMC), regular payment of monetary benefits(RPM), thirteenth month salaries(TMS), fairness in pay raise(FPS), timely payment of salaries(TPS) and total salaries package(ATP) ,increases staff retention by 0.197, 0.686, 0.484, 0.729, 1.866, and 0.799 respectively. A 1% increases in the use of monetary incentive (MMW) triggers a 0.155 decrease in staff retention in commercial banks. In other words, all the independent variables in the model are positive except use of money as incentives (MMW). When there is an increase in the positive values, staff retention increases, but increase in MMW leads to decrease in staff retention. This does not agree with the apriori expectation that money makes bank workers to stay on their jobs, MMW is therefore the only variable that is negative under t-statistics (-0.303). The F-statistics from the ANOVA table is 9.897 while the probability value is 0.000. In other words, all the independent variables are jointly significant; they all explain the dependent variable.

Results and Discussion

This section presents the result of the test conducted to inquire about the variables presented in the research. To assess the effect of Compensation/pay on retention of commercial bank staff, a regression analysis was conducted and the result is presented in table 1. It was found out that money as a push factor that is 'mmw' has negative effect on staff retention. This is indicated by the value of 'mmw' as -0.155. This means that an increase in the use of money as a push factor by 1% leads to a decrease in staff retention by 0.155%. However, other monetary benefits such as regular payment of benefits(RPM), thirteenth month salary(TMS), fairness in pay rise(FPR), timely payment of salaries(TPS), attractive total salary package(ATP), have positive effect on staff retention.

Conclusion and Recommendation

From the regression analysis conducted, an increase in compensation/pay makes commercial bank workers to remain in their jobs. However, this happens only when compensation/pay are perceived as providing information about employees' competencies. If they are used as 'push factors', that is use of money to encourage staff to remain in their jobs without relating it to their competencies, it becomes a demotivation. The research therefore, recommends the use of compensation/pay for motivation only in relation to employees' competency.

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