

Employers and compensation

[Business](#), [Employee](#)



Employers should retain and develop their human resources because it would help them gain a competitive advantage is central to human resource literature (DeYoung, 2000; Storey & Cressy, 1995). The existing studies on retention and organizational performance revolve around 11 compensation, training and development opportunities, job characteristics, working environment and work/life policies.

Companies frequently resort to reward systems to retain staff (Farris, 2000) even at this age. The services rendered by the employees are paid by the organization through financial rewards which may include base salary, cash recognition, incentives, flexible pay and stock options. Money is still the prime choice for inducing workers to be productive and stay with the company but in the long term it loses its attraction to keep the employees (Leinfuss, 1998).

In a study of employee intention to stay and salary levels found that high salaries were not the most important consideration of the workers but rather “good” and “fair” salaries (Higginbotham, 1997). This is supported by a similar study that reported that employees prefer to be informed of how their pay system operates and to learn how they can increase their pay (Tomlinson, 2002).

The recent trend of offering stock options and profit sharing to employees have become key components on which employees base their decisions to leave or stay with the company (Kochanski & Ledford, 2001). In the same light a study by Balkin and Gomez-Mejia (1984) found that employees were more inclined to profit sharing than to stock options. On the other hand, one

time recognition awards did not have any significant impact on lessening turnover, instead small and non-cash rewards and permanent increases in salaries most likely reduced turnover.