

Impact of salary increase on employees retention rate



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ABSTRACT

This report is being written in order to support or reject the hypothesis. The hypothesis is if salary increase is related to employees' retention rate, then the company who gives higher salaries will have higher retention rate of their employees.

For this a multinational company (Pizza hut) has been chosen. Since company is facing some problems of employee's retention rate, so this research will be very helpful in order to remove these problems.

Research has been done independently using library resources, Computer for Gantt chart and Internet access for online articles and latest researches. In this research the employee's opinions and experiences are expressed in relations to the salary increase. There were two main points to focus in this research, one is to get answer of the hypothesis and second is to provide good answer to company (pizza hut problems).

Mix methods methodology has been used in research. Triangulation has been used; triangulation is the combination of methodologies in the study of the same phenomenon.

To ensure that the data which will be used in finding out answers is valid or not, questionnaires was sent directly to pizza hut head office, which distributed to the London's store's staff equally. Some of the famous societies such as Society of Human Resource Management (SHRM) and Tech Republic have conducted similar surveys, which provided almost same

results as this research does. Moreover same answers will be obtained in future research if someone will use the same process as this research does.

Retention rate is main issue in this research, retention of employees is something which is and was very important in organization's culture, but due to some reasons it was neglected over the period of time. Findings of this research include employee's opinions about the company and contain answers of this hypothesis.

In solution of retention rate's problem it is advised that if salary is the main problem behind that situation then salary should be increased or incentives or bonuses should be increased and should be distributed fairly to overcome this problem.

After finding out all the answers, It is been seen that the salary is one of the major causes of employees low retention rate and this is the reason the selected company is facing this problem, so hereby it is strongly suggested that to overcome employees retention rate problem, employers should review their salary strategy and should try to increase it as salary is one of the top motivators.

1. TITLE

Impact of salary increase on employee's retention rate

2. INTRODUCTION

This report is being produced in order to get better understanding with management research methods. This research explains the Impact of salary increase on employee's retention rate. In order to get better understanding

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on this relationship, one multinational company (pizza hut) has been selected. Company's history has been expressed and then hypothesis has formulated.

In this research the employee's thoughts and experiences are discussed in relations to the salary increase. In order to have a better understanding of the problem different working groups are identified which contains managers, drivers, insiders and receptionists. This will contain current employees and the employees who have intentions of leaving the company (pizza hut) in future.

Triangulation of paradigms as a research methodology is recommended and a research questionnaire is set out to compliment rather than phenomenological approach although the important of positivistic methodology and consequential quantitative data is also mentioned.

The procedure which adopt for the evaluation of the research is collection and analysis of information is set out recognising and trying to overcome limitations. Primary and secondary data collection is given with presentation of both quantitative and qualitative data analysis.

Methodology is then re-evaluated. Answers are summarised. Conclusions and recommendations are presented for future research.

3. RESEARCH PROPOSAL

3. 1 Hypothesis

If salary increase is related to employees' retention rate, then the company who gives higher salaries will have higher retention rate of their employees.

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3. 2 Background Theory

Retention rate of employees is something which is and was very important in organization's culture, but due to some reasons it was neglected over the period of time (SHRM, 2000). However nowadays, it has been seen that organizations that have low employee retention rate suffer from different types of problems. This has become so threatening that the problem has caused massive economical loss of the organisations (Tech republic, 2002). It is one of the major factors in growth of company. Therefore, it is critical to get solutions sorted.

3. 3 Brief Summary to the Organisation

Pizza hut is one of the largest pizza companies which provide food in different countries worldwide since 1958.

Fascinating Facts about Pizza Hut – in 2006:

Pizza Hut bought over 8, 500 tonnes of cheese – enough cheese to cover the surface of four football pitches! Pizza Hut bought enough Pepsi to fill 9 Olympic size swimming pools . Pizza Hut served 50 million slices of garlic bread – using approximately 12, 500, 000 cloves of garlic Pizza Hut uses the equivalent of 525 million pounds of Portuguese tomatoes each year and more than 700 million pounds of pepperoni per year to make its pizzas The cheese found in Pizza Hut's Stuffed Crust pizza is imported from Wales . An estimated 23% of the British population has eaten a Pizza Hut pizza in the last 12 weeks In the last 30 years, Pizza Hut (UK) has sold 700 million pizzas Worldwide, Pizza Hut serves more than 1. 7 million pizzas every day, to approximately four million customers Celebrity fans of Pizza Hut include

American heart throb Ashton Kutcher and Britain's best dressed Beckham, Victoria – who was spotted in Enfield Pizza Hut (January 2006) with her sons .

Pizza hut currently has more than 20, 000 corporate stores involving over 10, 000 franchisees in more than 100 international markets. It has over 3, 50, 000 employees. Serving people on lunches and dinners Pizza hut is a hot favourite in America and UK market and it is making its place in to the international market. (Pizza hut information, 2007)

3. 4 Context and Rational

Retention rate is the issue most companies concerned about at the moment.

After putting all efforts and spending a lot of money, company hires its desired people. If those people leave the company due to any reason it is understood as a big loss to company, which affects overall growth and profitability of the company. Nowadays this issue is becoming more popular around the world, as the world boundary is getting blurrier; there is more chance to lose people than past. People look for better prospects in their life and relocate according to situations. People are getting more opportunities to move around, companies are warned about the retention rate of their employees. Companies are looking out a competitive edge by which they can keep their desired employees. Money has always been a top motivator in past, therefore in this hypothesis salary increase has been taken as a past motivator in order to find out if retention rate problem is related to salary increase. Pizza hut has been chosen because it is facing this problem at this moment and it is company that most people know about.

3. 4. 1 Problems Faced by Company (Pizza hut)

For the last few years Pizza hut pizza is facing a problem of employee's retention rate. Due to this problem company's performance and sales is going down year after year. There are four main types of people who works in Pizza hut, one is managerial staff, second are insiders who work inside the store and make pizzas, thirdly who take orders and lastly drivers who deliver pizzas. Each set of this people has unique set of abilities that requires about 6 months to develop. One person's leaving means Pizza hut has lost about 6 months and will need to spend 6 months to train a new person. This increases the recruitment cost. Pizza hut pizza as being a market leader is worried about this issue and needs to find the alternative, as it wants to compete in market a crowded.

3. 4. 2 Reasons for the Research

This research is being done in order to find out real problem in Pizza hut and to overcome this problem in order to help Pizza hut to maintain its position in market. Being market leader Pizza hut is facing hard competition from the growing companies like Papa john's and Dominos. Recruitment costs a lot which is a big cause in turning downs profit. Pizza hut wants to overcome this problem in order to be dominant in market as well as to increase its profits. The benefits will be that Pizza hut will have a solution for retention rate's problem and company will save its cost on recruitment process.

3. 5 Aim

Aim of this research is to find out the reasons of low retention rate.

3. 6 Objectives

To show the relationship between salary increase and employees retention rate.

To provide answer to the low retention rate problem

To get Pizza hut back to the position where it was or where it wants to be.

3. 7 Literature Review

To have better understanding with topic let us first look the definition of salary: salary is a form of payment from an employer to an employee after fix time, which may be specified in an employment contract. It is contrasted with piece wages, where each job, hour or other unit is paid separately, rather than on a periodic basis. From the point of a business, salary can also be viewed as the cost of acquiring human resources for running operations, and is then termed personnel expense or salary expense.

Salary dominates retention plan (TechRepublic Staff, 2002), According to research, historically pay rise or salary increase is most commonly used incentive and in recent Polling Place Quick Poll, it was found that this incentive still remains dominant. This graph is showing the information found in survey.

In a similar way, a survey shows that 78% of the respondents said that better career opportunities are primary reason for leaving jobs. Money comes at second place with 65% percent of the respondents reported that employees left because they were not satisfied with salary and benefits.

Based on the survey findings, the best action for employers trying to boost

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their retention rates is to analyse salary and benefits packages to find out if they measure up to the competition. (SHRM, 2000)

Tushar Bhatia (Talent junction, 2010) posted stating that since the past two years incentives did not work very well since most employees wanted the security of a high base-pay and meeting targets was largely unpredictable.

Moreover ere. net discovers that after invested considerable resources in recruiting, selecting, and developing high-quality talent, it's reasonable that measures must be taken to keep these required employees. If organization is having trouble hiring or keeping desired employees, probability is your pay scale and benefits are not competitive, shimmering less than attractive organizational values (Walter, 2008).

Furthermore a Survey which is conducted on internet in Accounting, Auditing and Human Resources namely Promotions, salary increases are most popular retention tools Says that More than three-fourths of executives (76 percent) are willing to sweeten the pot to avoid losing their best employees when economic conditions improve. In addition, half of chief financial officers interviewed said they plan to promote top performers once the economy recovers, and 48 percent plan to give raises. The survey includes responses from more than 1, 400 chief financial officers from a stratified random sample of U. S. companies with 20 or more employees (Accounting web, 2010).

However on the other hand there is a point of view that salary is not always top motivator with example such as Incentives and Pay for performance is the Number One way companies retain employees. This conclusion was <https://assignbuster.com/impact-of-salary-increase-on-employees-retention-rate/>

produced after a survey of 100 companies by Ann Bares, a compensation expert and managing partner at Altura Consulting Group. A May 2009 report on employee morale by Watson Wyatt, revealed that 41 percent of employees “ believe that pay and benefit changes made by their employer in the past year have had a negative effect on work quality and customer service.” That’s backed up by a Mercer consulting report that shows many sales and commission structures have shifted base salaries down and commissions up.(Donald sears, 2009)

In addition article on money watch named salary alone is not a motivator (bob nelson, 2002) reveals that salary alone is not a motivator.

Finally , it is important to mention that world is changing rapidly , people from different parts of world and related with different fields could have different suggestions on salary as tool of retention. But it is important to mention here that no doubt money can buy you most of the things in this world but not everything. Tech public staff, SHRM, walterhall, tushar and Bhatia survey practices are on the point that we can use salary as sole form for gaining employees retention. They say that if people are getting enough money to perform their social lives well enough they will never leave their jobs. However, Donald sears and bob nelson have an idea that money or salary is not a sole tool for retention, they say that money is short time motivator as time passes money losses its importance and as a result people change or leave their jobs.

In conclusion, we can say that it is true that salary is important factor in gaining retention in different sorts of jobs but professions or industries in

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which creativity involve or fashion industry, salary has less role as there is something else than money which motivates them to create something new.

3. 8 Methodology

3. 8. 1 Chosen Methodology

Quantitative and qualitative or mix methods methodology is selected.

Triangulation will be used . The reason this methodology has been choose is research requires answers from both quantitative and qualitative. The best way to find out and represent this data is to select methodology which covers both of the data types.

3. 8. 2 Evaluation of Methodology

Triangulation is the combination of methodologies in the study of the same phenomenon. It mixes theories, methods, and multiple data sources to make stronger the credibility and applicability of findings (Deakin, 2010).

Types of Triangulation (Denzin, 1970)

Theory triangulation: use of multiple theories in tandem to study an organisational phenomenon such as accounting practice, benchmarking or TQM process

Data triangulation: use of the mixture of both qualitative and quantitative data sources such as interviews, surveys, participant observation, and archival records

Investigator triangulation: use of multiple investigators in a single study

Chosen Type

Data triangulation has been selected in order to have better understanding with both types of data qualitative and quantitative.

Reasons to choose:

Builds a wider explanation of the phenomena.

Builds in means of testing a whole range of plausible theoretical interpretations.

Permits individual learning in the field and has the advantage of creating theory from an extant situation.

3. 8. 3 Limitations of Methodology

A fundamental concern about the use of a triangulation strategy is that it carries the danger of using theories and methods with some different philosophies that can lead to theoretical and methodological opportunism and incoherence

high risk

No theories or methods can have a monopoly on explanation because there is some virtue in each individual theory or method, and collectively, they add to an understanding that an organisational process is indeed a complex and paradoxical phenomenon

The nature of the inquiry and the researcher's perceived usefulness of the problem-based approach are important in judging where a theoretical triangulation approach might be useful

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3. 9 Resources

Resources needed in this research are

Library access for literature review and information about methodologies

Computer for Gantt chart presentation and MS word based document

Internet access for online articles and latest researches

3. 10 Action Plan

Gantt chart, attached in Appendix, is used to monitor and update progress and action plan.

4. ACTUAL RESEARCH

4. 1 Research Design

4. 1. 1 Step-by-step Design (Flow Chart)

Stage 1: Survey method is selected

Stage 2: Survey questioner is made

Stage 3: Survey people are selected

Stage 4: Questioner ere is distributed properly

Stage 5: Record data collected

Stage 6: Analyse data collected

Stage 7: Made conclusion and recommendation on information provided

4. 1. 2 Step-by-step Explanation

Stage 1:

In order to get research done, survey method which is questionnaire has been selected. Questionnaire is a method commonly used for surveys and is best suited for this research. As research demands to ask from individuals, which is best likely to happen with the questionnaire.

Stage 2:

Survey questions are selected on which conclusions and recommendations will lay. The questions which are designed are lying on research topic and will help out to generate a suitable outcome.

Stage 3:

Respondents are selected from the company (Pizza hut) which is actually facing the problem right now. London's stores are selected which is affected by problem and questionnaire is divided in certain proportion among different work groups in stores.

Stage 4:

Questionnaire is sent to head office of London, which will distribute these questionnaires in London's stores equally. Their proportion is managers 10%; insiders 10%, receptionists 15%, and rest which are 65% are divided among drivers as they have major proportions in store.

Stage5:

3 weeks time was set to get the questionnaire answered. Answers are received and stored in order to get analysed.

Stage 6:

Given data has been analysed and transformed into information using bar diagrams and pie charts. Answers made separate according to their relevance and put them in understandable form.

Stage 7:

Conclusions have been made on data and concluded the answers.

Recommendations have been made to the company (Pizza hut) based on conclusions.

4. 2 Data Collection

In order to get precise point of view of employees, individuals working in company will be interviewed and from some of those persons who already have handed in their notice and they will leave in probably two to four weeks time.

4. 2. 1 Secondary Data Collection

Sources of secondary data are Government findings, previous researches, journals and so on. Secondary data for this research has been taken from journals which include some famous journals like Tech republic and Society of Human Resource Management's. Tech republic staff has evaluated that 55% of employees can be retained by giving them higher salary than market (TechRepublic Staff, 2002). Moreover Society of Human Resource Management's had conduct survey and announced it results as 65% of people just left their job because they were not satisfied with their salary. (SHRM, 2000).

4. 2. 2 Primary Data Collection

In this research, method called Questionnaires has been selected in order to get complete, accurate, relevant and valid answers. A questionnaire has been designed according to research requirements and sent to company's (Pizza hut) head office which will fairly distribute them to London's staff which includes members who will be actually working in stores and from some of those persons who already have handed in their notice and they will leave in probably three to six weeks time.

4. 3 Data Analysis

4. 3. 1 Qualitative and Quantitative Data Analysis

Validity

To ensure that the data which will be used in evaluating answers is valid or not, questionnaires will be sent directly to Pizza hut head office, which will distribute to the London's store's staff equally. The questioner was divided among 5 managers, 23 drivers, 7 receptionists and 5 in store workers. The same answers will be collected of the research provided that future research uses the same process as this report does.

Reliability

Reliability will come across in data as proper sample size(40) which is half of the whole population (80) have been selected and questionnaires will be equally distributed to all stores and all employees depending on their proportion(population) size.

Fairness

Sample will be selected randomly using probability sampling among the employees which will demonstrate fairness in the data and will be unbiased as respondents will be taken randomly.

Ethical Issues

Ethical Issues will be respectable. Before answering questionnaires there will be a separate paper provided, on which ethical issues will be mentioned including the object of research. Research questionnaires will not have name of any participant's name; it will have age and salary in minimum and maximum limit e. g. 20-25 years old. Respondent will have freedom not to answer any specific question or even whole questionnaires. After taking data from respondents it will be asked that if they have any problem/issue regarding publishing this data in order to keep each respondents privacy. It will be persuaded that data we get is truthful. Respect for each respondent despite the gender, sex, age and race will be dignified.

Sampling technique

Probability sampling technique will be used in this research, as this research is being conducted on sample and in order to make this sample fair and to represent the whole population. Moreover probability sampling technique is more reliable and suited for this research as whole population will be represented equally and outcome will give better and valid results. Since Non probability sampling does not involve random selection and probability sampling does.

Sample size

A sample size is a size which issued/choose to represent whole population (80). As getting data from whole of the population is quiet difficult and requires a lot of effort and resources, so sample is considerably a better option. A sample of 40 people will be chosen, which will be actually half of population size. 50% sample size will answer all queries about population and is reliable to regenerate results for population.

5. PRESENTATION AND EVALUATION

5. 1 Analysis of Findings

5. 1. 1 Time since employee is in company

The reason this question was asked is it is crucial to know that how long the employee has been working in the company. It is important to get point of view of people who are working less than six months, less than a year, under 5 year. This question will help out to draw more transparent results.

The majority of employees lay under six months category with strength of 20, 10 employees lay under category of under a year and least people lay in category of 1- 5 years and more than 5 years with strength of 5.

The conclusion of this question is majority of employees are new to this company , and company is keep on recruiting people as old people are leaving company more often.

5. 1. 2 Employee designation/position in company

The reason this question was asked is get consistent data from the employees e. g. certain number of people from each group of people. It has also helped to get point of view of each category of people.

The questioner was divided among 5 managers, 23 drivers, 7 receptionists and 5 pizza makers.

The conclusion of this question is that sample was fair and was divided among each type of employees.

5. 1. 3 Present salary

This question will answer the basic problem that whether the employee basic salary is in what range and to what extent he can exact or will expect more.

25 of respondents said they are earning less than 10000\$, 5 said less than 15000\$, 5 said less than 20000\$ and equally 5 said they are earning more than 20000\$.

The conclusion of the employees is question is that most of the employees are earning less than 10000 PA, which is very less as compared to other companies.

5. 1. 4 Satisfaction with salary

This question will show employee's opinion about the salary he is getting.

29 of respondents said that they are not satisfied with their salary while only 11 of them are satisfied.

The conclusion of this question is that majority of employees are dissatisfied with their salary, which is major reason of company's low retention rate.

5. 1. 5 Basic reason to work here

This question will show employees attitude towards job role. Weather he is motivated enough to work here, he like working culture etc.

Salary was the most basic reason given by 28 people, incentives comes after that with strength of 5; working environment and personal satisfaction were the least with strength of 4 and 3 respectively.

The conclusion of this question is that most people are here to earn money and when they see they are not earning enough money, they leave the company.

5. 1. 6 Satisfied with bonuses/incentives

Bonuses and incentives company is offering and there affect on employee. This can help to plan future strategies for the company.

32 of respondents said that they are not satisfied with bonuses/incentives while only 7 said they are satisfied.

Satisfied with bonuses/incentives

The conclusion of this question is that most of the employees are dissatisfied and the reason whenever any store gets bonus of their high performer, it is not distributed among whole staff equally and most of the times only managers take these bonuses for their selves.

5. 1. 7 Which is best motivator in short term

Clearly this question will show what is the best motivator liked by people, and how company can use this motivator as tool to gain retention.

28 of respondents said that salary is basic short term motivator, 5 said honourably job title, and 4 said promotion.

The conclusion of this question is that salary is the best short term motivator for employees and is best tool to retain retention of employees.

5. 1. 8 Which is best motivator in long term

This question will answer what will be the best motivator to gain retention of people working in company.

25 of respondents said that salary is the best long term motivator, 7 of them said honourably job title, and 8 of them said that promotion.

The conclusion of this question is that even in the long term salary is the best motivator among employees.

5. 1. 9 Intensions if get offer for higher salary for same job

This is a key question and has helped out in order to see a clear picture. This question's answer will help out in accepting or rejecting the hypothesis.

32 of respondents said that they will leave the company if they will get higher salary for the same job, only 2 of them said that they will remain in company, and 3 of them said that its depend on package and equally 3 of them has no opinion.

The conclusion for this question is that people are ready to leave the company as soon as they will be offered a new job. There is a small proportion which is agree to remain even the higher salary is offered.

5. 2 Methodology Evaluation

After completing all research and getting desired answers, it can be concluded that the selected methodology was sufficient and consistent with research . Moreover it can also be stated that validity of this research can also be checked either by choosing this methodology again. This methodology has proved very helpful to assist all the answers and to find out reasonable and reliable conclusion.

5. 3 Conclusions

After observing answers of all the survey questions, it can be concluded that 75 to 85% employees are not happy with the company and their salary. They are trying to leave company as soon as possible. Since majority of people are not satisfied and trying to leave job, therefore it can be concluded that this is basic reason of company's low retention rate. It has been seen that the rest of 15 to 25% are satisfied as they are earning a good salary and they are happy with their position in company which mainly include managers.

So overall it is salary which is basic key to retain people in the company as 15 to 25% said, on the other hand it is again salary (less) which is causing people to leave the company as 70 to 85% said.

5. 4 Recommendations

As hypothesis have been proved so it is recommended that this research can be used in other regions of Pizza hut as well. Furthermore as this research was made on pizza company so it is advised that other pizza companies such as Dominos pizza or KFC's can use this research to overcome their similar problems and to enhance their performance and sales.

For the company (Pizza hut), it is recommended that since salary is the main reason to retain people, Company (Pizza hut) should increase salary of their employees (which is currently basic= 5. 93 per hour). Since salary is the basic key to retain people and best motivator voted by respondents (employees of the Pizza hut). It will help to raise people living standard but also will become a good motivator to retain and loyal employees.

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