

The Influence of Compensation and Performance Management on Talent Retention

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Abstract

Retention of talented employees has been seen as the most significant to the development and achievement of the organisation's objectives in the competitive advantage. Owing to the competition for scarce skills, the retention of quality employees has emerged as the biggest challenge in human capital management in the Technical Vocational Education and Training (TVET) Colleges in South Africa. The objective of the present study is examined the influence of compensation and performance management as determinants of talent retention among academic staff in TVET Colleges in South Africa. This study employed the quantitative research method to investigate the influence of rewards on talent retention. This paper discussed retention practices that are compensation and performance since these factors affect talent retention. Results shows that the majority of employees are not satisfied with compensation, which results in considering leaving the Institution.

Index terms— compensation, performance management, retention, academic staff, recognition.

1 Introduction

Higher Education Institutions (HEIs) face an increasing number of obstacles in a changing global environment. Some of these challenges must be considered by the management of these institutions inter alia, include the management of human capital within the Institutions. The goal of Higher Education Institution is to provide in-depth knowledge, seek academic development and educate students and to meet the national development of skill demands. Trydom (2011) states that human capital factors should be taken into consideration if Higher Education Institutions aim to achieve their goals. Owing to the demand for scarce skills, the attraction and retention of quality employees has emerged as the biggest challenge in human capital management and this phenomenon has also risen in Higher Education Institutions (Terera and Ngirande, 2014).

The main objective of this research was to investigate the influence of compensation, performance management and recognition as element of total rewards on talent retention among academic staff at TVET Colleges in Gauteng province. The retention of employees continues to be a key priority of human resource professionals at the TVET colleges in the Gauteng province (Frank, Finnegan and Taylor, 2004; Iancola, 2008). Ng'ethe, Iravo and Namusonge (2012) indicate that the most valuable asset available to an organisation is its people, and consequently, retaining employees in their jobs is crucial for any organisation. Globally and in South Africa, the retention of highly skilled employees is critical, particularly because of the need to contribute to economic growth, employment opportunities, innovation and poverty eradication (National Development Plan 2011). To attract and retain employees, organisations need novel reward systems that satisfy those employees. San, Theen, and Heng (2012) suggest that compensation, performance management and recognition seen as the significant elements in motivating employees to contribute their best efforts to generate innovative ideas that lead to productivity within an organisation. Sajuyigbe, Olaoye and Adeyemi (2013) is of the opinion that these rewards are regarded as a vital instrument in employee attraction and retention.

Several studies have been conducted in the area of talent retention. Of note are the studies by Stalcup and Pearson (2001), Salamin and Hom (2005), Yousaf (2010), and Ng'ethe, Iravo and Namusonge (2012), who focused

on employee retention in the education, hospitality, banking and manufacturing sector, in higher education by Mustapha (2013). Terera and Ngrande (2014) considered influence of employee rewards on employee retention. These studies are useful for providing theoretical perspectives within which to situate the present study. While these studies are useful, they do not deal with the influence of employee rewards on talent attraction and retention at TVET colleges in the Gauteng province. The rationale for this study is thus to address this gap. A report by the Human Research Social Council (2011) shows that numerous employee disruptions at TVET colleges in the Gauteng province are a sign of employee dissatisfaction with an aspect of their jobs, which impacts negatively on productivity, morale, the teaching and learning processes and student academic achievement. Furthermore, inadequate remuneration and management problems have been the major causes of these disruptions in many of the colleges. The objective of the present study is examined the influence of compensation and performance management as determinants of talent retention among academic staff in TVET Colleges in South Africa.

2 Year ()

3 A a) Literature review

Human capital is significant in every organisation and it remains the backbone of every organisation. Higher education is influential in the development of a country; it does not only function as a provider of knowledge but as a pertinent sector for the nation's grown and societal well-being. The higher education institutions play a significant role in development of skills; increased economy therefore high quality of staff is required. Management at modern-day academic institutions requires special endeavours to acquire and retain highly skilled employees to operate effectively in an extremely competitive environment.

4 b) Compensation

World at Work (2015) state that compensation involves pay offered by an employer to an employee for services rendered which comprise of time, effort and skill. It consists of both fixed and variable pay attached to levels of performance. Gross, Steven, Friedman and Helen (2004) assert that compensation includes base pay, short-term and long-term incentives. Pay also can be defined in direct financial items, such as: base pay, stock, equity sharing programmes and monetary recognition programmes (Rumpel and Medcof, 2006). De Bruyn (2014) observes that when academics in higher education institutions are remunerated properly, this tends to benefit the individual as well as the institution. The benefit for the academic is the ideal lifestyle he or she is able to sustain, whereas the benefit for the institution is the retention of competent employees.

5 c) Recognition

According to World at Work (2007), recognition refers to acknowledgement or gives special attention to employee actions, efforts, behaviour or performance. It meets an intrinsic psychological need for appreciation of one's efforts and can support business strategy by reinforcing certain behaviors like extraordinary accomplishments that contribute to organisational success. Moreover, a study by Kwenin, Muathe and Nzulwa (2013) revealed that recognition has a positive relationship with employee retention. Employees desire not only financial rewards but recognition as well. Academic staff reveals that they prefer a system of recognition of performance where various awards are established and maintained at departmental levels in the institution (Chikungwa and Chamisa, 2013).

6 d) Performance management

Brudan (2010:109) defines performance management as "a discipline that assists in establishing, monitoring and achieving individual and organisational goals". ??erbeeten (2008:430) also define performance management as "the process of defining goals, selecting strategies to achieve those goals, allocating decision rights, and measuring and rewarding performance". Soni (2003) points out that a salary increase or praise may cause an employee to work harder, but only for a while. Shikongo (2011) propose that a proper performance system needs to be in place in order to assess individual or team performance, which rewards them accordingly. This will not only be a fair system to those who work hard, as they are rewarded, but will also encourage poor performers to "pull their weight" and be rewarded. In this regard, the following hypothesis is formulated for the study:II.

7 Theoritical Framework

To implement the study following dependent and independent variables are shown in theoretical framework. Moreover, compensation, performance and recognition are independent variable while talent retention is the dependent variable.

8 Hypothesis Development

Hypothesis development is essential since they both show the significance of the study. Therefore, this will be shown by acceptance and rejection of the hypothesis.

Based on the literature review and theoretical framework above, the following hypothesis have been formulated:
Hypothesis 1 (H 1): There is a positive relationship between compensation and talent retention. In order to the
increase the employee commitment among employees, compensation will affect talent retention.

9 Hypothesis 2 (H 2):

There is a positive relationship between recognition and talent retention. If employees efforts is recognised by
the organisation, this will results in talent retention.

10 Hypothesis 3 (H 3):

There is a positive relationship between performance management and talent retention. Effective performance
management will influence talent retention.

IV.

11 Methodology

A quantitative research method and a survey design were deemed appropriate for examining the influence of
rewards on talent attraction and retention. Quantitative research looks at numbers and statistical interpretation
of the data gathered from questionnaires as opposed to looking at processes and meanings as in qualitative
research (Creswell, 2008). Quantitative research is concerned with the facts or responses of participants. A
survey method was employed for the study. A total of 205 academic staff were recruited using simple random
sampling. This sampling technique ensures that all the population elements have an equal chance of being
selected (Kumar 2014). All respondents were based in TVET Colleges in Gauteng and were available to take
part in the study. Academic staff provided the largest response of 82.5%; 62.3% of the respondents were females
and 37.7% were males. 82.5% of the responses came from black respondents while 17.5% comprised the other
races. It is integral to validate a research instrument's usefulness. In this study it was necessary to assess the
validity and reliability of the measuring instrument as suggested by Alumran, Hou and Hurst (2012). Cronbach's
alpha values for the scale were as follows: Compensation ($\alpha=0.941$), Performance management and Recognition
($\alpha=0.905$) and Retention factors ($\alpha=0.923$).

12 a) Data analysis

Data was analysed with the aid of the Statistical Package for the Social Sciences (SPSS version 23.0). Initially,
demographic data of the subjects, frequencies and the scores of the overall work-related factors as well as measures
of central tendency were established.

Internal consistency estimates were formulated using Cronbach's alpha coefficients. Following this, a series
of multivariate statistical procedures that included exploratory factor analysis, Pearson correlation analysis and
linear regression were computed on all the variables. The required level of significance (p) was set at 0.01.
The appropriateness of the data for factor analysis of different scale measures was determined by applying the
Kaiser-Meyer-Olkin (KMO) measure of sampling and Bartlett's test of sphericity to the inter item correlation
matrix of the measurement instruments. The KMO measure determines the degree of intercorrelations between
the variables (Field, 2009). A KMO of 0.6 is considered acceptable for factor analysis.

V.

13 Discusssion

The tenth-item scale compensation obtained an acceptable KMO measure of 0.919 for factor analysis and
Bartlett's sphericity of $p=0.000$ indicated that fewer factors were possible. One factor, which explained 65.91%
of the variance, resulted. It had a Cronbach Alpha reliability coefficient of 0.941 and was named "the extent of
agreement with the compensation offered". The descriptive statistics, items in the factor, their mean scores are
reported in Table 1. The mean score shows a disagreement towards with the compensation offered. Compensation
possesses significant motivating power in as much as it symbolises intangible goals like security, power, prestige
and a feeling of accomplishment and success (Ghazanfar, Chuanmin, Khan and Bashir, 2011). Respondents
also disagreed that they are satisfied with their salary (mean=2.98). Respondents tended to be uncertain
regarding their satisfaction with their salary (2.98) and this could reflect a degree of dissatisfaction on the
part of the respondents. Studies conducted by Noordin and Jusoff (2009) and Mustapha (2013) reveal that
salary / remuneration has a significant effect on lecturers level of retention which is also aligned with a study by
Yang, Miao, Zhu, Sun, Liu and Wu (2008) who stated that salary increase significantly improved the retention
for Chinese junior military officers. Shoaib, et al. (2009) state that attractive remuneration packages are one of
the important factors that affect talent attraction and retention.

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15 a) Performance management and recognition

The tenth-item scale that asked respondents about the extent to which they agree or disagreed with items relating to performance management and recognition. The items were anchored by 1 for strongly disagree and 5 for strongly agree. The correlation matrix had a KMO value of 0.905 and Bartlett's sphericity of $p < 0.0005$ indicating that a factor analytic procedure was likely to result in fewer factors than the 10 present. From the PCA with varimax rotation one factor, which explained 54.5% of the variance, resulted. It was named the extent of agreement with performance management and recognition (FE) and it had a Cronbach reliability of 0.901. The items in the factor are displayed in Table 1. The mean score of 2.92 indicates a neutrality tending towards partial disagreement with the items in the factor. Item E8 had the highest mean score of 3.39 indicating that respondents partially agreed "they may feel more motivated if they received the recognition they deserved". Item E10 (At the college recognition is often accompanied by tangible rewards) had the lowest mean of 2.42 indicating disagreement with this item. This could be the result of tangible rewards not being solely the prerogative of college management in that the state has mandated a performance review system and hence the state or the DHET ultimately decide who receives a monetary reward as recognition for performance. The mean of 2.92 and median of 2.90 show that the data distribution is close to normal. However, one would have expected that something as important as performance management and recognition for good performance would have recorded a much higher mean score. This seems to indicate that performance management is not something, which is popular in the sample of respondents. However, it is mandated a hence a compulsory exercise. Unfortunately such externally imposed mandates suffer from a lack of college staff commitment and hence there is little to no conviction to buy into externally imposed performance management programmes. Hence TVET colleges fail to integrate such mandated programmes into both their strategic and operational structures and procedures. Retention factors asked respondents to respond to statements about aspects of employee retention practices. There were nine questions posed on an equal interval scale where 1 indicated strong disagreement and 5 strong agreement. The KMO value of 0.848 and Bartlett's sphericity of $p < 0.0005$ indicated that a reduction to fewer factors was feasible. One factor resulted, which explained 61.74% of the variance present and which had a Cronbach reliability coefficient of 0.922. It was named extent of agreement with aspects of employee retention (FG). The items in the factor are presented in Table ???. The mean score of 2.90 for aspects of employee retention indicates uncertainty. This is again the result of a disparity of opinion among respondents because some agree and strongly agree while others disagree and strongly disagree. The standard deviation of 1.31 is relatively large, which again indicates a wide dispersion of opinion. Item (I have a healthy relationship with my immediate supervisor) had the highest mean of 3.46 indicating partial agreement. The lowest mean score was Item (My medical aid benefits are adequate), which at 2.40 shows disagreement with the item. Respondents obviously have the opinion that they need more medical aid benefits than presently is the case.

Table ???: Items in the factor the extent of agreement with aspects of employee retention (FG)

The median value of 2.78 indicates that 50% of the respondents achieved this score or lower. Aspects of retention of employees are obviously important and it appears as if the respondents from the TVET campuses concerned do not believe that aspects of employee retention are receiving adequate attention. Item which asked whether respondents felt that their medical aid benefits were adequate? The mean of 2.40 indicates disagreement and correlates with Item in benefits, which asked them how important medical aid, was to them (4.43). As the same respondents answered both items one could compare them for significant differences. The results of the non-parametric Wilcoxon test were:

16 b) Correlation analysis

Bivariate correlations were obtained after checking the data for possible outliers. Outliers were present but scatterplots indicated that there were few and removing them would probably not make that much of a difference but the data would be lost. The factor relating to talent retention of employees (FGH2.0) served as dependent variable and the other dependent variables served as predictors or independent variables. The SPSS programme produced the results as shown in Table 4. This correlation matrix shows that there were significant positive relationship between total rewards and talent retention as depicted in Table 4.

Compensation has a significant relationship with talent retention ($r = 0.652$; $p < 0.01$), representing a large effect. This means that if employees offered competitive compensation would remain with the institution, the higher the compensation the higher level of retention within the institution.

This implies that well-paid employees would stay longer in their institutions. Therefore, the hypothesis is accepted.

Performance management and recognition shows a significant relationship with talent retention ($r = 0.741$; $p < 0.01$), which represent a larger effect. This is an indication that performance management and recognition is associated with high level of talent retention. These results mirrored results of Robyn and One would have expected a significant difference between importance (ideal) and reality (actual) and the $p < 0.0005$ clearly shows this. Also the effect size is large indicating the importance of this perception.

Du Preez (2013) who reported a significant relationship between performance and recognition and talent retention. Therefore, the hypothesis is accepted.

The data in The value obtained for the correlation between talent attraction and retention (FGH2.0) and extent of agreement with performance management and recognition was rather high and possibly indicates the presence

of a confounding variable, which inflates the correlation coefficient. Hence partial correlation was performed where SPSS 22.0 controlled for the effect of rewards offered. The results of this partial correlation procedure are shown in Table 4. From the data in Table 5 one can see the relationship between talent attraction and retention (FGH2.0) and performance management and recognition (FE) is not only due to the influence of FE but that other variables such as the rewards offered (FB) also influences the relationship. The r-value thus decreases from 0.741 to 0.587 and although the effect size is still large there is a substantial decrease.

17 Conclusion

This study sought to investigate the influence of total rewards on talent retention at TVET Colleges in the Gauteng province. Research reveals that the attraction and retention of employees continues to be a key priority of human resource professionals globally and in the South African private and public institutions. A literature review showed that several studies have been conducted in the area of talent retention. These studies have focused on employee retention in various sectors including education, hospitality, banking and manufacturing industries. In this study we have argued that reward practice is essential both for reinforcing productive behaviour and as incentive or motivator for achieving overall organisational performance. Both the literature study and the empirical investigation showed that generally employees at the TVET Colleges are not satisfied with the remuneration packages that they receive from their employers. These remuneration packages seem also not to be viable in attracting and retaining the best-qualified and capable academics. Promotion and compensation have also shown to be the other factor that needs to be overhauled in order to keep employees from leaving the institution.

The empirical study further revealed that there is an unclear performance management system within the College, which in our schema may be the cause of poor performance because the academic staff members seem to be demotivated resulting in very high staff turnover. Indeed what cannot be measured cannot be managed.

Lack of professional development opportunities came out strongly in the empirical investigation. Given that the quality of employees in the institution contribute fundamentally to organisation success, productivity, branding and competitiveness, they should be valued and recognised for the work that they do. Recognition is key to a high performance culture as well as effective work performance and management. We have argued that in order for TVET College that was studied, to attract and retain talent, it should be prepared to pay salaries that are equivalent to those that are offered in the labour market or to do even better.

VII. ^{1 2 3}



Figure 1:

1

Figure 2: Table 1 :

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Description: To what extent do you agree/disagree with the following: Mean

My salary is commensurate to my work	3.07
I am satisfied with my salary	2.98
My pay is competitive	2.84
I am rewarded fairly for the amount of effort that I put in my job	2.73
I am likely to get an increase every year	3.56
My pay is sufficient for my basic needs	3.05
My pay is equivalent to similar jobs in the College	3.08
I am fully conversant with my compensation	3.11
My compensation package provides the recognition I need	2.84
Overall the rewards I receive at the College are quite fair	2.84

Retention factors

Description Mean

I receive performance reviews at the College	
At this College performance reviews encourage professional growth	
I believe that my appraisal is fair assessment of my performance	
Lecturers whose students perform well are rewarded with an appropriate merit	
I feel that my pay is a good reflection of my performance	
I receive a performance bonus every year	
I receive praise from my manager for work well done	
I feel more motivated if I receive the recognition I deserve	
I am supplied with specific information on what behaviours or actions are recognised during performance reviews	

Figure 3: Table 2 :

4

indicate significant

Figure 4: Table 4

4

Talent retention (FGH2.0)	Coefficient of determination (R ²)
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Figure 5: Table 4 :

Control Variables						Talent retention (FGH2.0)
	Talent (FGH2.0)		retention	Correlation	Signifi-	1.000 .
				cance (2-tailed)		
				Df		0
	FE	-	Extent	of	Correlation	.741
-none-a	agreement	performance	management	with	Significance (2-tailed)	.000 152
			recognition	and	Df	
	FB.		Extent	of	Correlation	.652
	agreement	compensation	offered.		Significance (2-tailed)	.000 152
			with		Df	
FB.	Extent	Talent (FGH2.0)	retention	Correlation	Signifi-	1.000 .
of				cance (2-tailed)		
agreement				Df		0
with	FE	-	Extent	of	Correlation	.587
compensation	agreement	performance	management	with	Significance (2-tailed)	.000 151
offered			recognition	and	Df	

a. Cells contain zero-order (Pearson) correlations.

[Note: ** = Statistically significant at the 1% level ($p < 0.01$) Pearson correlation (r) -0.10 -0.29 small; 0.30 -0.49 medium; 0.50 to 1.0 large VI.]

Figure 6: Table 5 :

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