

EMPLOYEES' RETENTION AND COMPENSATION PACKAGES OF RESEARCH INSTITUTIONS IN OYO STATE, NIGERIA

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ABSTRACT

This study examined the employees' retention and compensation packages of Research Institutions in Oyo State, Nigeria. The two selected Research Institutions selected were National Centre for Genetic Resources and Biotechnology (NACGRAB) and Forestry Research Institute of Nigeria (FRIN). A multistage sampling technique was used to select 109 respondents in NACGRAB and 126 respondents in FRIN for the study. Primary data were obtained on respondents' characteristics, level of employees' retention and accessibility of compensation packages through the use of a structured questionnaire. Descriptive statistics, One-Way Analysis of Variance and Linear Regression were used for data analysis. The results showed that employees entitlement to sick leave/maternity leave/casual leave ($\bar{x} = 2.48$), provision of incentives before jobs are performed ($\bar{x} = 1.85$) and provision of retirement plans/pension made available for staff by the organisation for quality service years ($\bar{x} = 1.78$) were the major incentives and compensations accessible to the respondents. Employees' were happy with their job ($\bar{x} = 3.13$) and that their job is meaningful / satisfying ($\bar{x} = 3.08$). There was a significant difference between employees' retention across the selected research Institutions ($F=4.418$; $p<0.05$). There was a significant effect of compensation packages ($\beta = 6.59$; $p<0.05$) on employees' retention. It was recommended that the research institutions should revise, update and adopt comprehensive compensation package scales in order to motivate, retain and improve the productivity of the research environment vis-à-vis employees' retention enhancement.

Research Institutions, employees' retention, compensation packages

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INTRODUCTION

Compensation packages have been one of the major ways of retaining workers in a business. Society for Human Resource Management (2012) has defined compensation as a systematic approach to employees in exchange for work performed. Systems of rewards and compensations have much importance for the performance of any organisation. A considerable layout for reward and compensation structure can highly enhance the profitability and effectiveness of an organisation.

A reward system consists of an organisation's integrated policies, processes and practices for rewarding its employees in accordance with their contribution, skill and competence and their markets worth (Armstrong, 2001). Reward is the compensation which an employee receives from an organisation for exchanging of the service offered by the employee or as the return for the work done (Zhou, et al. 2009). Bau and Dowling (2007) gave examples such as a fixed base salary, variable allowance and employee stock ownership plans which can be used to reward achievements of employees. Zhou et al., (2009) further stated that rewards are not just financial but it can be non-financial reward too such as, recognition, empowerment and praise.

Employees' retention involves taking measures to encourage employees to remain in the organisation for the maximum period of time (Griffeth and Hom, 2001). Lockwood (2006) maintained that, the key issue in retention is the amount of total compensation relative to levels offered by other organisations. Zineldin (2000) defined retention as an obligation to continue to do business or exchange with a particular organisation on an ongoing basis. The main purpose of retention is to prevent competent employees from leaving the organisation as this could have adverse effect on productivity and service delivery (Chiboiwa, 2010). To attract, retain and be profitable, organisations need improved reward systems that satisfy employees. Allen, et. al. (2003) reported that employers have to differentiate themselves from others through their compensation strategy in order to attract and retain quality employees.

Therefore, an organisation's compensation strategy should be able to attract the right quality of employees, retain suitable employees and also to maintain equity amongst the employees. It was in this light that the study investigated the compensation packages on Employees' retention in National Centre for Genetic Resources and Biotechnology, Moor Plantation, Ibadan, Oyo State Nigeria and Forestry Research Institute of Nigeria, Jericho, Ibadan, Oyo State, Nigeria.

Objectives of the Study

The general objective of this study was to examine employees' retention and compensation packages of Research Institutions in Oyo State, Nigeria.

The specific objectives are to:

- (i) describe the socio-economic characteristics of employees in the study Research Institutions;
- (ii) examine the compensation packages accessible to the employees in the study Research Institutions; and
- (iii) examine the level of employees' retention in the study Research Institutions.

The hypothesis of the study

H01: There is no significant difference between employees' access to compensation packages across the selected research Institutions.

H02: There is no significant difference between employees' retention across the selected research Institutions.

H03: There is no significant effect of compensation packages on employees' retention in Research Institutions.

MATERIALS AND METHODS

The study was carried out in Oyo State, Nigeria. The State was created on the 3rd of February 1976, having its State's capital in Ibadan. The state is bounded in the north by Kwara State, in the east by Osun State, in the south by Ogun State and in the west partly by Ogun State and partly by the republic of Benin. Oyo State covers approximately an area of 28,454 square kilometres having its landscape consist of old hard rocks and dome shaped hills, which rise gently from about 500 metres in the southern part and reaching a height of about 1,219 metre above sea level in the northern part.

The research study was carried out in two selected research Institutions in Oyo State. The institutions include National Centre for Genetic Resources and Biotechnology (NACGRAB), Moor Plantation, Ibadan and Forestry Research Institute of Nigeria (FRIN), Ibadan.

A multistage sampling technique was used to select the respondents for the study. Firstly, two research Institutions were selected from existing research Institutions in the state. Secondly, purposive sampling technique was used to select the departments in the organisations. Thirdly, a proportionate (55%) random sampling technique was used to select 109 respondents in NACGRAB and 126 respondents in FRIN.

The data for the study was sourced through primary data collection with the use of a well-structured questionnaire. Frequency counts, percentages, means, standard deviation, One-Way Analysis of Variance and Linear Regression were used for data analysis.

The key variables of the study were compensation packages and employees' retention. Respondents were asked on the accessibility of the compensation packages using a 3 rating scale of very often = 3, often = 2, and rarely = 1.

However, in order to establish the perceived influence of compensation packages on employees' retention, it was important to find out the employees' intention to stay or quit based on factors that may prompt them leaving the job. The respondents were further asked to indicate their level of agreement with pertinent questions posed to establish their intention to stay or quit, which had a weighty influence on whether the employees will stay or leave their jobs. This variable was measured using statements adapted from the scale of Mark et al. (2016) in measuring the employees' retention. The respondents were asked to rate using 4 point Likert rating scale of strongly agree = 4, agree = 3, disagree = 2 and strongly disagree = 1.

RESULTS AND DISCUSSION

Table 1 presented the personal characteristics of the respondents. As presented, 29.10% respondents were between the age of 30 years and below. More than half (50.90%) of the respondents were between 31-40 years old. 17.2% of the respondents were between 41-50 years of age, while 2.70% were equal to or above 51 years old. Since most of them are still in their active age, it's necessary for the organisations to compensate and reward employees in other for them to be happy, satisfied and willing to retain their job. This supports the findings of Adegbite and Olaoye (2009), who also recorded a larger percentage of employees within the active age bracket.

Furthermore, 67.27% of the respondents were married while 34.5% were not married. This implied that the employees would see themselves as being more responsible to their family, job and to some extent been satisfied with what they do. This result was in agreement with Fapojuwo (2010) findings; that a great importance is attached to the marriage institution. 47.3% of the respondents had less than or equal to 3 children while 52.7 % of respondents are with 4 or more children. The implication of this is that the employees need improved and regular compensation packages to meet with their needs since they have more responsibility to do for their family members. As posited by Allen (2001), this may mean that organisations that support their employees in integrating between family responsibilities and work would reduce the employees intention regarding leaving the job.

Likewise, the majority (84.50%) of the respondents had less than 10 years of work experience while 15.50% had more than 10 years of work experience. The implication of this result is that many of the respondents still have opportunity to acquire more experience on their jobs, thereby the organisational development may be at stake if its employees lack the experience and skills required for the organisational growth. Hence, there is a need for training by the organisations in other to improve their performances

and retain them. This was supported Adeogun et al. (2016) who stated that organisations may need to ensure that facilities are provided for enhanced job performance. Notably, 70.91% of the respondents' earned less than or equal to ₦150,000, while 29.10% earned above ₦150,000. This implied that nearly three quarter of respondents have low monthly income considering the economy situation in Nigeria.

This may have a negatively impact on their job performance and employees' retention (Ellenbecker, 2004).

Table 1: Distribution of the socio-economic characteristics of the respondents

Variable		Percentage
Sex	Male	62.73
	Female	37.27
Age (Years) (Mean = 35.77 Years)	<= 30	29.09
	31 - 40	50.91
	41 - 50	17.27
	> 50	2.73
Marital Status	Not Married	32.73
	Married	67.27
Family Size (Mean = 4.95 members)	<= 4	47.27
	> 4	52.73
Years of Working Experience (Mean = 6.49 Years)	<= 10	84.55
	>10	15.45
Income level per month (₦) (Mean = ₦93,447.81)	<= 150,000	70.91
	> 150,000	29.09

Compensation packages accessible to the respondents

The compensation packages accessible to the employees could be responsible for them not quitting their jobs. Findings indicated in Table 2 showed that that employees entitlement to sick leave/maternity leave/casual leave (\bar{x} = 2.48), provision of incentives before jobs are performed (\bar{x} = 1.85) and provision of retirement plans/pension made available for staff by the organisation for quality service years (\bar{x} = 1.78) were the major incentives and compensations accessible to the respondents, while the least of the compensation packages was the additional gifts or fringe benefits given to them for the job performed (\bar{x} = 1.48). Fringe benefits motivate employees to perform and be more dedicated to their work. This encourages their willingness to retain their job since they will be satisfied with the benefit they received. This was supported by the findings of Baughman *et al.* (2003). This result also agreed with the report of Butler and Waldrop (2001) who stated that that promotion opportunities within the organisation helped to improve their employees' employability in the organisation.

Table 2: Compensation packages accessible to the respondents

Statements	Mean
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Employees entitlement to sick leave/maternity leave/casual leave	2.48
Incentives are given before performing the job	1.85
Retirement plans/pension are made available for staff by the organisation for quali service years	1.78
Grants are given to me by my organisation to execute research or new project	1.75
Safety measures are taken by the management to reduce accidents in the organisation	1.74
I receive recognition and my boss acknowledges my work	1.74
There is availability of internet facilities to facilitate task accomplishment	1.74
Leave bonus is obtainable to the staff in the organisation	1.73
There is regularity in mileage claim payment	1.72
Company has a good career prospect for its employees	1.69
There is no discrimination in salary paid to employees	1.66
Availability of training opportunities for every staff regardless of their level in t organisation	1.64
Compensation and rewards are mostly based on job performance	1.63
Promotional opportunities for every staff regardless of their level in the organisation	1.62
Insurance scheme is encouraging in my organisation	1.62
Provision of housing facilities for staff, within the proximity of the organisation	1.59
The management provides transportation to convey staff to and fro during offic assignment	1.51
Additional gifts (fringe benefits) are given to me for the job performed	1.48

Employees' retention

Table 3 showed the level of employees' retention. The results showed that the employees' were happy with their job ($\bar{x} = 3.13$) and that their job is meaningful / satisfying ($\bar{x} = 3.08$). However, the least indicators of employees' retention were that they have reached their full potential in their organisation ($\bar{x} = 2.27$) and that they have many options to consider of leaving their organisation ($\bar{x} = 2.21$). According to Anyebe (2003), the task in compensation management is to develop policies and strategies that will attract, satisfy, retain and motivate employees thereby leading to employee satisfaction and retention. Organisations should select the retention approach that amalgamate the organisation's distinct culture, pay, total rewards, and value key talent by making them feel important (Zingheim *et al.* 2009).

Table 3:**Level of employees' retention**

I am happy with my job	
My job is meaningful and satisfying	
Poor/no training opportunities of staff is dissatisfactory in my organisation	
The organisation recognises and acknowledge my presence	
Obsolete equipment and facilities still in use in my organisation	
The salary is not directly proportional to the hard work I put	
I usually receive appreciation and rewards if the desired work/ target are accomplished	
My salary is not meeting up with my needs	
compensation packages are not applied to the organisational strategic goals and objectives	
I will reapply for this job if given the chance	
Proper supervision is not maintained by the line managers to ascertain my inputs	
Employee Retention Statements	Mea
	3.1
	3.0
	2.9
	2
	2
	2.8
	2.8
	2.8
	2.7
	2.7
	2

I am satisfied with the company's compensation packages	
It is not hard for me to leave the organisation right now	
compensation packages are not participative and transparent	
I am not satisfied with the recognition I receive whenever I perform a job effectively	
I don't feel very happy to spend the rest of my career with this organisation	
The non-increment in my salary is discouraging me to stay in my organisation	
I am not willing to put in a great deal of effort	
I have reached my full potential here	
I have many options and I am considering leaving this organisation	
	2.6
	2.6
	2.6
	2.5
	2.5
	2.4
	2.4
	2.2
	2.2

Test of Difference between employee's access to compensation packages and their employees' retention across the selected Research Institutions

Table 4 showed that there was no significant difference between employees' access to compensation packages across the selected research Institutions ($F=0.150$, $p>0.05$). This implied that the compensation packages across the selected research Institutions are the similar. Thus the null hypothesis was accepted and the alternative hypothesis was rejected.

Consequently, there was a significant difference between employees' retention across the selected research Institutions ($F=4.418$, $p<0.05$). This implied that the employees' retention across the selected research Institutions differs. Thus the null hypothesis was rejected while the alternative hypothesis was accepted.

Table 4: Differences in employees' access to compensation packages and their employees' retention across the selected Research Institutions.

Variables	F	Significance	Variable
Employees' Access to compensation packages	0.15	0.71	Not Significant
Employees' retention	4.42	0.04	Significant

Source: Field Survey, 2020

Note: Analysis of Variance is significant @ the 0.05 level

The linear equation explained the regression results of the effect of compensation packages on employees' retention in Research Institutions in Oyo State, Nigeria. The regression results are presented below:

$$Y = 6.588^{***} + 0.743X_1 + e$$

$$R^2 = 0.757; \text{ Adjusted } R^2 = 0.741; F \text{ Value} = 43.596^{***}; \text{ Durbin-Watson} = 0.917$$

Note: ** = ($\alpha_{0.05}$)

The regression output states positive significant effect of compensation packages on employees' retention. Similarly, employees' retention and compensation packages are found to remain significant positive relationship with each other.

The results stated in the model above indicated a noteworthy connection amongst respondents' compensation packages and their retention in the organisation. From the model, compensation packages of the respondents increased with an increase in employees' retention. This implied that ceteris paribus, for each 1% increase in respondents' employees' retention would increase the respondents' compensation packages by 74.3%.

However, it could also be deduced that the model was substantial and that the value of R square indicates that 75.7% explained variance in dependent variable (compensation packages) due to independent variables (employees' retention) and the remaining 24.3% relates to other variables which were not included in this research. The result also showed that employees' retention has 74.1% combined effect on compensation packages. The Durbin Watson value is used to show auto-correlation between variables. The Durbin-Watson statistic will always have a value between 0 and 4. A value of 2.0 means that there is no autocorrelation detected in the sample. Values from 0 to less than 2 indicate positive autocorrelation and values from 2 to 4 indicate negative autocorrelation. Therefore, there is no auto-correlation in the model which the value is 0.917. As a result, we reject null hypothesis which states that there is no significant positive relationship between compensation packages on employees' retention in Research Institutions in Oyo State Nigeria and accept the alternative hypothesis.

CONCLUSIONS

This study examined the compensation packages and employees' retention. The compensation packages thus exist and are matching in the studied organisations. Compensation is one of the significant drivers for employees' retention. This study investigated the effects of compensation packages on employees' retention. Results indicated that compensation plays important role in research institutions and it has direct influence on retention of competent employees. The study also revealed that if research Institutions' employees are well compensated, they will be motivated to perform better of the job.

Therefore, this research recommends that research institutions should revise, update and adopt comprehensive compensation package scales in order to motivate, retain and improve the productivity of the research environment vis-à-vis employees' retention enhancement. These research institutions ought to give careful attention not only to basic salary but also can provide other financial rewards such as casual leave, research grants, pension, gratuity and annual increment which directly influences job satisfaction, loyalty, commitment and employee's retention quality performance.

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