

COMPETITIVE PAY: THE DNA OF TALENT RETENTION

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ABSTRACT

In an era of mom-and-pop operations, employers are struggling to keep their talented employees stay engaged in their organization. The only possible and beneficial way to keep talented employees is by providing them a competitive pay. Of course, competitive pay has become a trend nowadays among employers as well as employees. Competitive pay induces the desire of an employee to stay in an organization or moves out of an organization. Understandably, competitive pay is one of the most important factors which favor talented employees. The purpose of this paper is to identify the impact of competitive employee benefits packages on talent retention and the reason employers do use competitive pay on talented employees. The study compromises a sample of employers from the IT/ITeS sector. This study explores the impact of competitive pay in the IT/ITeS sector. Data were analyzed with Multiple Regression and Weighted Mean Average. From the analysis, it was found that employers are using competitive pay to retain talented employees. Employers do provide vacation time in competitive pay. The analysis found that employers are using competitive pay to retain talented employees as well to satisfy them to stay longer in an organization.

Keywords: *Competitive Pay, Multiple Regression, Talent Retention, Weighted Mean Average.*

Introduction

In a competitive marketplace, employers do face a problem in retaining top talented employees. Employers nowadays spend most of their time, value, and money to find a talented employee and make them their valuable asset. Even though they got trained and became valuable assets, at some points employees do leave the organization for green pastures due to the high competition in the world (Yogita, 2016). To avoid these kinds of situations, employers are started to look into the valuable strategy to keep their employees stay engaged to their respective organization. To keep valuable employees in an organization, employers have to provide effective, compatible, and attractive practices. One of the critical priorities of an employer is retaining talented employees (Brendan, 2020). An employer must look into the needs of their employees. One of the best ways to retain their top talented employees by providing them a competitive pay. Robert half (2019) claims that 24% of the top talented employees agree that financial stability motivates them to continue and 56% of the talented employees are concern about their health care and insurance. At the end of everything, money matters a lot. Talented employees do stay in an organization for competitive pay. As time goes by Satisfied employees become more valuable by acquiring new knowledge, skills, and experience (Barbara, 2020). Every organization should look into their competitive organization regarding the salary packages they are providing for their organization's top talented employees. Acquiring those talented employees is one of the ways but keeping them is another way. If talented employees find their pay is less or they are not valued by an organization, they migrate to another organization where they can get higher pay and recognition. Talented employees are looking for competitive pay and recognition (Emiley, 2018). When an employer shows they care for their employees make them stay. Providing competitive pay, holds onto the talented employees as well as it helps in increase in productivity. Employers should determine the competitive pay by considering industry trends & standards, the impact of supply & demand, and Location (Carla, 2019). Competitive pay packages should

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include health insurance, retirement plan, competitive base salary, paid time off, and some on to attract and keep talented employees (Stephen, 2019). Like a coin has two faces, providing competitive pay does have its negative side. Overemphasizing competitive pay can drive to lack of attention in some of the essential areas such as establishing a positive company culture, employee development, and ongoing pieces of training or enforcing wellness plans which may be indispensable to stay competitive in their respective field and their region. Since pay is based on the position and not by the performance this might result in a lack of motivation but still, employers can overcome this problem by providing bonus pay or commissions to their employees (Matt Tarpey, 2018). To keep talented employees in their organization, employers are providing competitive pay to their talented employees which is their main motivation to stay.

Literature Review

Bridget Millet (2017) found out that competitive pay is one of the best solutions to find and keep talented employees in their organization. Money plays an inevitable role in every human's life.

Nikoletta Bika (2019) agreed that competitive pay has a stronger relationship with talent retention. Employers do set pay grades using benchmarking to set salaries and creating grades according to existing salaries.

Valerie Bolden (2019) stated that employers are using competitive pay to show how much they care for them and to retain them.

Dave Rietsema (2020) assessed the reason for using competitive pay in an organization. From the analysis it was clearly understood that employers are using competitive pay to satisfy their talented employees and increase productivity.

Allison Levitsky (2019) analyzed that providing competitive pay attracts the top talented employees and retain them.

Chad Halvorson (2018) states that employers should look into health insurance, dental insurance, and flexible spending accounts while setting up competitive pay for talented employees. Employees are expecting good pay for health and dental insurances.

Rajnish Ratna (2012) states that employers should consider retirement savings plans, vacation time, and additional paid time off when they are planning to pay competitive pay for their top talented employees.

Research Methodology

Statement of the Problem

Kara Yarnot (2018) agrees that retaining the right talented employee has become a lot of struggle nowadays. As this world is full of competition, employees got a lot of opportunities to choose their organization.

Objectives of the Study

- To analyze the relationship between competitive pay and talent retention.
- To find out the most important reason to use competitive pay by the employer.
- To measure the impact of competitive pay benefit packages on talent retention.

Statistical Tools

The research objectives were framed with a questionnaire and used a statistical tool to evaluate the prompt results.

S. No.	Description of Objectives	Statistical Tools for Analysis
1	The relationship between competitive pay and talent retention.	Correlation
2	The most important reason to use competitive pay by the employer.	Weighted Mean Average
3	The impact of competitive pay benefit packages on talent retention.	Multiple Regression

Research Design

The descriptive research design was adopted in this study with particular reference to Coimbatore. 151 HR managers were interviewed using a structured questionnaire. Systematic random sampling has been adopted. Data were collected from HR managers of the IT/ITES Sector in Chennai. The secondary data was collected from the previously published records, journals, articles, websites, thesis, e-books, books, etc. The questions were framed in 5 points Likert scale method. (5 - *Strongly Agree*, 4 - *Agree*, 3 - *Partially Agree*, 2 - *Disagree*, 1 - *Strongly Disagree*).

Data Analysis

The Relationship between Competitive Pay and Talent Retention

Table 1

		Talent Retention	Competitive Pay
Talent Retention	Pearson Correlation	1	.925(**)
	Sig. (2-tailed)		.000
	N	151	151
Competitive Pay	Pearson Correlation	.925(**)	1
	Sig. (2-tailed)	.000	
	N	151	151

** Correlation is significant at the 0.01 level (2-tailed).

From the above table 1, it is clearly understood that correlation of talent retention with itself ($r=1$), and the number of non-missing observations for talent retention ($n=151$). Correlation of talent retention and Competitive pay ($r= 0.925$), based on $n=151$. A significant value is 0.000 which is <0.005 and this shows that talent retention and Competitive pay have a statistically linear relationship ($P<.001$). The direction of the relationship is positive (i.e., talent retention and Competitive pay are positively correlated), meaning that these variables tend to increase together (i.e., the greater the Competitive pay greater the talent retention). So there is a strong relationship between Competitive pay and talent retention.

• Impact of Competitive Pay Package on Talent Retention

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. The error of the Estimate
1	.945(a)	.715	.656	.198

a Predictors: (Constant), Health insurance, Dental insurance, Flexible spending accounts, Retirement savings plan, Vacation time, Additional paid time off

From the above table 2, Model Summary can be a multiple correlation coefficient. R can be considered to be one measure of the quality of the prediction of the dependent variable (Talent Retention). A value of 0.945, indicates a good level of prediction. The "R Square" column represents the R^2 value, which is the proportion of variance in the dependent variable (Talent Retention) that can be explained by the independent variable (Competitive pay package). R^2 value is 0.715 that our independent variables explain 71.5% of the variability of the dependent variable (Talent Retention).

Table 3: ANOVA(b)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	32.624	4	4.078	66.841	.000(a)
	Residual	16.351	147	.061		
	Total	48.975	151			

a Predictors: (Constant), Health insurance, Dental insurance, Flexible spending accounts, Retirement savings plan, Vacation time, Additional paid time off

b Dependent Variable: Talent Retention

The above table 3, shows that the independent variables statistically significantly predict the dependent variable, $F(4, 147) = 66.841$, $p < .0005$ (i.e., the regression model is a good fit of the data).

Table 4: Coefficients(a)

	Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig	95% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	3.277	.424		-7.724	.000	-4.112	-2.442
	Health insurance	.152	.038	.610	4.023	.000	.078	.227
	Dental insurance	.685	.107	.146	6.425	.000	.475	.895
	Flexible spending accounts	.447	.120	-.370	-3.715	.000	-.684	-.210
	Retirement savings plan	.407	.067	.277	6.092	.000	.276	.539
	Vacation time	.461	.068	.308	6.737	.000	.326	.596
	Additional paid time off	.242	.053	.171	4.569	.000	.138	.346

a Dependent Variable: Talent Retention

The above table 4, explains unstandardized coefficients indicate how much the dependent variable (Talent Retention) varies with an independent variable(Competitive pay packages) when all other independent variables (Health insurance, Dental insurance, Flexible spending accounts, Retirement savings plan, Vacation time, Additional paid time off) are held constant.

Health insurance, Dental insurance, Flexible spending accounts, Retirement savings plan, Vacation time, Additional paid time off variables do have a strong impact on talent retention.

Multiple Regression equation is:

$$\text{Talent Retention} = 3.277 + (0.152 * \text{Health insurance}) + (0.685 * \text{Dental insurance}) + (0.447 * \text{Flexible spending accounts}) + (0.407 * \text{Retirement savings plan}) + (0.461 \text{ Vacation time}) + (0.242 * \text{Additional paid time off}).$$

Health insurance, Dental insurance, Flexible spending accounts, Retirement savings plan, Vacation time, Additional paid time off significant value is <0.05. Hence the accept the alternative hypothesis and it's clear that Health insurance, Dental insurance, Flexible spending accounts, Retirement savings plan, Vacation time, Additional paid time off influence Talent Retention.

From the above table 4, the Beta value indicates the order of importance of the independent variables. The variable with the highest Beta value is the relatively most important independent variable. On scrutinizing the independent variables in the model, it was found that Health insurance made the biggest contribution with the value of 0.610. It was followed by the Vacation time (Beta=0.308), Retirement savings plan (Beta=0.277), Additional paid time off (Beta=0.171), Dental insurance (Beta=0.146).

A Most Important Reason to use Competitive pay by the Employer

Table 5

Organizational Activities	Mean	Std. Deviation	Rank
To increase the productivity	4.88	.329	V
To retain a top talent	4.64	.607	I
To satisfy the talented employees	4.86	.391	IV
To attractive a top talented employees	4.83	.462	III
Show employer care about employees	4.73	.586	II

From the above analysis table 5, it can be seen that employers use competitive pay to retain a top talented employee (mean of 4.64). The mean is also relatively high for the variable that employers do uses competitive pay to show their employees that they do care about them (mean of 4.73). Employers are using competitive pay to attract talented employees (mean of 4.83) which falls under III rank. Employers are adopting this strategy to satisfy the talented employees with a mean of 4.86. Employers are using this technique to increase productivity (Mean of 4.88). A standard deviation close to zero indicates that the mean is reliable and that there is very little volatility in the sample. From the above table, it can be observed that the standard deviation for all the factors is less than 1, which indicates that the dispersion of the data is low.

Conclusion

Acquiring good talented people is tough, but keeping them can be even tougher. An organization that has the best talent retention strategy will ultimately have a great advantage in this competitive world in the long run. Employers are facing serious issues in the talent crunch. The main reason for this is employees have more options to choose their organization. This puts the employer in a crucial situation. Talented employees get many offers from competitive organizations and if they feel green pastures over this organization, they tend to leave their current organization. To hold those talented employees organizations should pay competitive salaries to keep them. From analyzing all the data, it was clearly understood that competitive pay is one of the best strategies to retain top talented employees. Employers do have to look into the Health insurance, Dental insurance, Flexible spending accounts, Retirement savings plan, Vacation time, Additional paid time off while setting up their competitive pay.

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