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INFLUENCE OF REMUNERATION ON EMPLOYEE RETENTION IN COMMERCIAL BANKS IN KENYA: A CASE OF KENYA COMMERCIAL BANK

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ABSTRACT

The study sought to establish the influence of remuneration on employee retention at Kenya Commercial Bank. The study adopted a descriptive research design. The study targeted all the 184 employees of Kenya commercial bank at the headquarter. The study's sampling frame was the list of all the employees of Kenya commercial bank at the headquarters comprising of 45 human resource employees, 40 finance employees, 35 customer care employees, 30 credit employees and 34 from the IT department. Proportionate sampling and simple random sampling was then used to select the respondents from the sampling frame. The study used both primary data and secondary data. Primary data collected using questionnaires. After data collection, the filled-in and returned questionnaires were edited for completeness, coded and keyed into computer for analysis. The researcher used descriptive statistics where frequencies and Percentage of responses were obtained. The measures of dispersion such as the mean and standard deviations were used. Tables and other graphical presentations such as bar charts, histogram, grouped frequency distributions and pie charts as appropriate were used to present the data collected for ease of understanding and analysis. The study found that remuneration affect employee retention at Kenya Commercial Bank. Good remuneration program motivates employees in an organization. Adequate reward system in the organization would reduce the employee turnover rate. Employees' reward does not reflect employees' contributions in this organization. The study recommends that the organization should provide adequate reward system in the organization to reduce the employee turnover rate.

Key Words; *Remuneration on Employee Retention*

INTRODUCTION

The retention of employees has been shown to be significant to the development and the accomplishment of the organization's goals and objectives especially in building competitive advantage over other organization in the phase of increased globalization. Today, changes in technology, global economics, trade agreements, and the like are directly affecting employee/employer relationships thus leading to high employee turnovers thereby affecting employee retention in an organization. According to Coff (2010), outstanding employees may leave an organization because they became dissatisfied, under paid or unmotivated and while trying to retain employees within the organization they may present other challenges as well.

In Bangladesh, the actual reasons of retention across different industries are reasons like job security and salary (Shropshire & Kadlec, 2012). Training, interesting work, innovative thinking and job security are significant influencing motivational variables on employee retention in South Africa (Ting & Saltzstein, 2014). According to Elizabeth (2012), the factors attributed to increase levels of turnover among employees in Zimbabwe include poor reward system, working conditions, and job insecurity.

In Australia, the work places and organizations, whether big or small have become so much complex due to the work environment which it exists; work environment has significant effects over the employees' turnover and job performance (Abassi, & Hollman, 2011). Thus, most of the organizations are trying to cope with this scenario to maintain organizational reputation and increase retention (Tett & Meyer, 2013). In UK and Denmark, perceived threat on job security is usually related to external factors such as downsizing, new technologies, and industry changes (Shropshire & Kadlec, 2012). In addition, employees' job security might be totally linked to the country economic conditions. In Palestine, the economy is surrounded with much uncertainty and therefore lacks an unemployment insurance system that would otherwise be convincible to pay attention for job security as an employee retention facet.

Training, interesting work, innovative thinking and job security are significant influencing motivational variables on employee retention in South Africa (Ting & Saltzstein, 2014). According to Elizabeth (2012), the factors attributed to increase levels of turnover intention among employees in Zimbabwe include poor reward system, working conditions, and job insecurity. Gachanja (2014) carried out a study on workers motivation and retention among sales agents which was a case study of British American insurance company. The study examined the factors that motivate sales agents and investigated the relationship between motivation and retention. The key findings of the study were lack of job satisfaction, lack of financial support to new agents, inadequate on the job training, lack of a good career policy, poor supervision of sales agents, dissatisfaction with remuneration methods and lack of involvement in decision making were found to be key reason why employees leave.

Locally, Njoroge (2009) did a survey of factors that influence employee retention in manufacturing firms in Nairobi. The study focused on employees who had been retained by their employer for more than 10 years. Career growth and opportunity, better compensation, structured induction programmes, performance management tools, equitable compensation packages, job satisfaction and good leadership skills were found to influence their decision to stay with their current employer. From the respondents, training was the least factor that would influence them to leave their current employment. Amamo (2013) carried out a survey of factors that attract and retain radio presenters in Kenya and observed that basic pay ranked highest among factors that employees would consider while moving to another organization.

Siggler (2013), employee retention refers to organization's ability to retain its employees which can be represented by a simple statistics. Leighn (2012), defines employee retention as keeping those employees that keep the organizations in business. Abraham (2010), it is important that the organization hires the right employee and strives to safeguard them to avoid losing them. It's the duty of organizations to focus on reducing employee turnover with an aim of decreasing recruitment cost, training costs, accidents of new employee are often higher, wastage is often higher with new employees, avoiding time wastage as a resource, and loss of talent and organizational knowledge.

On the other hand, Parkinson (2013) defines employee retention as the efforts by which employers attempt to retain employees in their workforce. In this sense, employee retention becomes a strategy rather than an outcome. Organization's strategists develop employee retention as a strategy with focus of gaining competitive advantage which is aligned with the overall organization strategy. There are various high performance environments that share a serious devotion to results after employees are retained.

Schuler (2012), programmes are developed and highlighted theories of employee retention that enable organization to reduce the rate of turnover. Recognizing that employee turnover is a symptom but not a problem assists in detecting the root cause and getting solution before it goes out of hand. Turnover, just like absenteeism or conflict either at top, middle or lower level of management is the result of deeper issues that have to be resolved. They can be low morale, no career path, lack of recognition, poor remuneration, lack of training, work schedules which may exist in the organization. In case the root causes are not highlighted and solutions developed then the rate of employee retention goes down.

Kenya Commercial Bank is a listed company in the stock exchange with the board of directors at the apex in the decision making of the bank. The board is also accountable to the shareholders, in the performance of the bank. It has the widest branch network in the country and still in the process of opening braches countrywide and also across the region. The Bank has had a long history where it started its operation as a parastatal with the Government of Kenya as the majority shareholders (Ambira, 2012).

However with changes in the operating environment and the privatization of government parastatals, the Bank was listed at the Nairobi Securities Exchange where the public were given an opportunity to own part of the Bank. The Bank has the highest Capital Base although its profitability has been low. The operations efficiency at the bank has been wanting as the bank delayed in the upgrading of its internal systems which meant that customer service delivery was slow thus leading to high levels of customer dissatisfaction (Fortino & Ninemeier, 2014).

Following privatization, the Bank embarked on job evaluation which recommended that some employees be relieved their duties as they were found to be incompetent and their replacement be done by recruiting qualified and experienced personnel to help the bank attain its objectives. This saw the Bank launch the graduate and management train recruitment programmes where qualified employees were recruited and trained.

In addition, the Bank also sought the services of a recruiting agent who enabled the Bank access qualified personnel through head hunting. However, besides these efforts, the employee retention at the bank has been low as more and more employees switch to other institutions within the Country and the East African region (Geita, 2003).

Statement of the Problem

Employee turnover is costly for both employers and workers. Employers find replacement cost and hidden organizational cost high while workers find monetary and psychological costs taxing (Mitchell, Holtom, and Lee, 2011). Fried and Farris (2012) stated that the average company loses approximately $1million with every 10 managerial and professional employees who leave the organization. Perception plays an important role in promoting employee-employer relationships.

As mentioned previously, the combined direct and indirect costs associated with one employee ranges from a minimum of one year’s pay and benefits to a maximum of two years’ pay and benefits. Thus, there is significant economic impact when an organization loses any of its critical employees, especially given the knowledge that is lost with the employee’s departure.

Kenya Commercial bank Limited has faced many challenges and high employee turnover following its conservative way of handling employees’ issues. The Bank started was initially majorly owned by the government which meant that politics had to play a key role especially in employee recruitment and management. However, the Bank ownership has since been transferred to the public which has forced the Bank to rethink its survival strategies if it has to continue being profitable.

Employees at the bank were initially low qualified but with many years of experience. However, with privatization, the Bank had to rethink on ways of attracting, developing and retaining qualified personnel. The Bank launched graduate and management trainee programmes to enable it attract qualified human capital. However, after attraction and developing the human capital, employees have continued to leave the Bank for other commercial banks and other organization within the Country and the whole East African region. As a result, the Bank loses key skills and competences of which it has to go through recruitment selection and training of new employees and in turn incur costs involved in the process.

Several studies have been done on the subject of employee retention among organizations. Mungai (2008) noted that banks are among many organizations that do not consider the impact of employee retention as a strategy in managing competition and are likely to become victims of industry competition. Njoroge (2009) did a survey of factors that influence employee retention in manufacturing firms in Nairobi.

Njoroge (2009) established that employee retention in the manufacturing industry was influenced by the reward, working environment, career development opportunities and employee motivation. Lepilale (2009) did a study on the relationship between employee retention management practices and voluntary labour turnover in five star hotels in Nairobi and found out that employee retention management practices employed by the hotels had a great impact on the employee turnover rates in those hotels. This study therefore sought to by examining the influence of remuneration on employee retention at Kenya Commercial Bank.

LITERATURE REVIEW

Expectancy Theory

Expectancy theory states that motivation will be high when people know what they have to do get a reward, expect that they will be able to get the reward and expect that the reward will be worthwhile. The concept of expectancy was originally contained in the valency – instrumentality-expectancy (VIE) theory formulated by Vroom (1964).Valency stands for value, instrumentality is the belief that if we do one thing it will lead to another, and expectancy is the probability that action or effort will lead to an outcome.

The strength of expectations may based on the past experiences (reinforcement), but individuals are frequently presented with new situations- a change in job, payment system, or working conditions imposed by management – where past experience is an inadequate guide to the implications of change. In these circumstances, motivation may be reduced.

Motivation is only likely when a clearly perceived and usable relationship exists between performance and outcome, and the outcome is seen as a means of satisfying needs. This explains why extrinsic financial motivation for example, an incentive or bonus scheme works only if the link between effort and reward is clear and the value of the reward is worth the effort. It also explains why intrinsic motivation arising from the work itself can be more powerful than extrinsic motivation; intrinsic motivation outcomes are more under the control of individuals, who can place greater reliance on their past experiences to indicate the extent to which positive and advantageous results are likely to be obtained by their behaviour.

This theory was developed by Porter and Lawler (1968) into a model that follows Vroom's ideas by suggesting that there are two factors determining the effort people put into their jobs: first the value of the rewards to individual in so far as they satisfy their needs for security, social esteem, autonomy, and self-actualization, and second the probability that rewards depend on effort, as perceived by individuals, in other words, their expectations about the relationships between effort and reward. Thus the greater the value of a set of awards, and the higher the probability that receiving each of these rewards depends upon effort, then, the greater the effort that will be expended in a given situation.

Porter and Lawler emphasized, mere effort is not enough. It has to be effective effort if it is to produce the desired performance. The two variables additional to effort that affect task achievement are; ability – individuals characteristics such as intelligence, knowledge, skills and role perceptions – what individual want to do or think they are required to do. These are good from the viewpoint of the organization if they correspond with what it thinks the individual ought to be doing. They are poor if the views of the individual and the organization do not coincide. Thus employee turnover in the non-governmental organizations depends on the value of rewards and the probability that rewards depends upon efforts of the employees.

Empirical Review

Nyangi (2011) conducted a study on perceived effects of employee benefits on employee retention at Kenya Forest Service. Descriptive research was used for this study the target population was employees of Kenya Forest Service which is a state corporation. It has a total population of 625 employees. The study used 62 employees as a sample case. From the findings the study concludes that there is employee benefit policy at KFS and that employees do not leave the organization because of dissatisfaction with employee benefits. These benefits include pension scheme, life insurance, sabbatical leave, health insurance, workers compensation programs, transportation benefit, flexible work plan, educational fees, employee assistance programme, relocation benefits and recreational programmes.

Kibet (2011), conducted a study on the effect of remuneration on Motivation and performance of employees. The population of interest in this study was employees at the Nation Media Group. A sample size of 100 employees of the target population will be used in this research on cessation. The study collected data using a self-administered questionnaire. The study found that motivation has a great influence on the output of a business. Enterprises rely on the efficiency of the staff to make sure that services meet the demands of the customers.

Muathe*et al.,* (2013) conducted a study on the influence of employee rewards, human resource policies and job satisfaction on the retention of employees in Vodafone Ghana limited. The purpose of this study is to investigate the influence of employee rewards, job satisfaction and human resource policies on employee retention in Vodafone Ghana Limited. The study surveyed 142 employees from Vodafone Ghana Limited. The results showed that when organizations' reward systems are adequate, it does not only lead to equity, but increase retention. The findings again showed that job satisfaction and favourable human resource policies have positive link with retention.

METHODOLOGY

The study adopted a descriptive research design. The study targeted all the 184 employees of Kenya commercial bank at headquarter. The study's sampling frame was the list of all the employees of Kenya commercial bank at the headquarters comprising of 45 human resource employees, 48 finance employees, 35 customer care employees, 44 credit employees and 34 from the IT department. The study used a sample of 20% of the population hence the sample size was 41 respondents. The study used both primary data and secondary data. Primary datawas collected using questionnaires. A sample size of 10 respondents was chosen to form the pilot study, in order to measure the validity and reliability of data collection instrument, (Kothari, 2008). Quantitative data was analyzed using descriptive and inferential statistics. Qualitative data was analyzed using content analysis and presented in pros form. Descriptive statistics included percentages, frequencies, means, and standard deviations while inferential statistics involved correlation and regression analysis. This study employed a multiple linear regression analysis to establish the relationship between the independent and the dependent variables.

FINDINGS AND DISCUSSION

Influence of Remuneration on Employee Retention

The study sought to find out the extent to which remuneration affect employee retention at Kenya Commercial Bank. From the study findings, majority of the respondents as shown by 51.4% indicated to a great extent, 22.9% indicated to very great extent, 17.1% indicated to a moderate extent while 8.6% indicated to a little extent. This implies that remuneration affect employee retention at Kenya Commercial Bank to a great extent.

Table 1: Influence of remuneration on employee retention at Kenya Commercial Bank

Statements	mean	Standard deviation
A good remuneration program motivates employees in an organization	4.11	0.248
Employees' rewards does not reflect our contributions in this organization	3.71	0.147

The organization give incentives and benefits to its employees	2.40	0.136
The organization has a reward and recognition policy that motivates employees to remain in the organization	2.43	0.150
Adequate reward system in the organization would effectively reduce the employee turnover rate	4.11	0.248

The study sought to find out the influence of remuneration on employee retention at Kenya Commercial Bank. From the findings, majority of the respondents agreed that a good remuneration program motivates employees in an organization as show by a mean of 4.11. Most of them also agreed that adequate reward system in the organization would reduce the employee turnover rate as indicated by a mean of 4.11. The respondents further agreed that Employees' reward does not reflect their contributions in this organization indicated by a mean of 3.71. However, the respondents disagreed on the question that the organization has a reward and recognition policy that motivates employees to remain in the organization shown by a mean of 2.43. The respondents further disagreed on the question that the organization gives incentives and benefits to its employees which is shown by a mean of 2.40. The findings of the study therefore, indicate that remuneration has a great influence on the retention of employees at Kenya Commercial Bank.Similarly, Kibet (2011), conducted their motivation is low then there will be an influence on their effectiveness and efficiency.

Regression analysis

Model Summary

Table 2: Regression analysis Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.675[a]	.456	.449	.24212

a. Predictors: (Constant), Remuneration

Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variables: From the findings in the above table the value of adjusted R squared was 0.456 an indication that there was variation of 45.6 percent on employee retention due to changes in remuneration at 95 percent confidence interval. This shows that 45.6 percent changes in employee retention could be accounted to Remuneration. R is the correlation coefficient which shows the relationship between the study variables, from the findings shown in the table above there was a positive relationship between remuneration and employee retention as shown by 0.675.

ANOVA Analysis

Table 3: ANOVA Analysis

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	32.653	1	32.653	13.714	.001b
	Residual	78.573	33	2.381		
	Total	111.226	34			

From the table above, the processed data, which is the population parameters, had a significance level of 0.001% which shows that the data is ideal for making a conclusion on the population's parameter as the value of significance (p-value) is less than 5%. The F critical at 5% level of significance, 1d.f, 33d.f was 2.9113while F calculated was 13.714, since F calculated is greater than the F critical (value = 4.139), this shows that the overall model was significant. Pandya, (2010) contends that when F calculated is greater than the F critical the ANOVA model is significance.

Coefficients

Table 4: Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.232	0.272		4.529	.001
Remuneration	0.718	0.165	0.632	4.352	.002

From the regression equation above it was found that holding remuneration to a constant zero, employee retention would be 1.232. A unit increase in remuneration would lead to increase in employee retention by 0.718 units.

Conclusions

The study concludes that remuneration affect employee retention at Kenya Commercial Bank. Good remuneration program motivates employees in an organization. Adequate reward system in the organization would reduce the employee turnover rate. Employees' reward does not reflect employees' contributions in this organization.

Recommendations

The study found that remuneration affect employee retention at Kenya Commercial Bank to a great extent. The study therefore recommends that the organization should provide adequate reward system in the organization to reduce the employee turnover rate. The reward and recognition policy should motivate employees to remain in the organization.

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