

Effect of Compensation Packages on Job Satisfaction and Employees' Retention: A Case of Jalalabad-based Private Universities of Afghanistan

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Abstract- *The ratio of employees in private universities in Afghanistan move from one university to another university is more challenging than ever and could be as a result of not having proper remuneration system. The main objective of this research was to find out effect of compensation packages on job satisfaction and employees' retention. To achieve the purpose of the study, the researcher developed closed ended questionnaires consisting of 24 items and population of the study were both faculty and administrative staff of six private universities in Jalalabad city. 275 questionnaires were distributed, 257 were retrieved and 7 questionnaires were incomplete, therefore, 246 were valid which represent response rate of 89% of the sample and convenient sampling technique was used for data collection. Data was analysed using Statistical Package for Social Sciences (SPSS) version 20.0 for estimating regression and correlation models for testing hypotheses. The study found that compensation packages has significant positive relationship on job satisfaction and employees' retention in private universities. The research suggested that compensation packages should be revised and updated according to the current labour market to attract, motivate and retain qualified employees for future success of academic institutions.*

Keywords—Compensation, Job Satisfaction, Retention, and Private Universities.

INTRODUCTION

In today's globalization era, the foundation of a society totally depends on education which is essential part of human life. It is education which distinguishes between good and bad in human. Getting knowledge and education is essential factor for the development of a nation. Higher education plays important role in the development of a country. It does not only boost up knowledge creation and invention but also helps in socio-economic development, enhance abilities and leads to a prosperous society. History showed that education is one of the important investments in human capital which builds economic progress, social well-being, eradicate poverty and builds interpersonal tolerance of a nation.

Claudia Goldin & Lawrence Katz [1] explained in "The Race between Education and Technology" found that potential skill demand shifted to knowledge and

modern technologies. UNDP report [2] indicated that international community has spent million dollars on education sector to increase literacy level of Afghan people. Despite huge amount of investment in education sector, total literacy rate is 31.7 per cent which is very low and unacceptable to them. Similarly, International Labour Organization ILO [3] reported its great concerns over the current unemployment rate 30 per cent of Afghanistan which is the highest number of unemployment rate in the globe. In the recent 2018 assessment reported by Ministry of Labour, Social Affairs, Martyred and Disabled estimated that over four hundred thousand new graduates and workers enter the job market every year to find a job tough labour market. For such reasons, to survive and succeed in today's competitive environment, human resources are considered the most valuable capital in organization especially in higher educational institutions. Academic

employees are the main source of profit of the private learning organization in the condition that employees feel satisfied and think positive about his/her job [4].

Pacific Asia is witnessing high level of turnover in the last two decades particularly in private education sector and the core factors are; remuneration, benefits, retaining employees and competition. Frost [5] suggested that some organizations are in great challenge as a result of high competition in compensation packages not offered to qualified staff, he further added that pay scales should be according to current labour market and reward policy should be revised. A research reported by Mercer [6] that workers will stay for long-run if they are compensated competitively and might quit and feel dissatisfied if paid unfairly.

Compensation plays significant role in determining the level of job satisfaction of manpower and reward, incentives, benefits have been implemented differently by public and private higher educational institutions. Compensation is a valuable tool for employees' effectiveness and can effect positively on staff behaviour and academic productivity of the enterprises. Moreover; compensation governs the attraction and retention of talented workers to accomplish business goals [5]-[4].

As purported by Adeoye and Fields [7] approved that compensation is the main source for encouraging and retaining employees. To recruit, hire and keep them for long-run and be profitable, businesses are required to have modern and competitive reward system to satisfy workers. In addition to this, Netswera[8] mentioned that unpleasant working environment and not satisfactory remuneration packages have suffered most of the organizations to talent paucity and retention in universities.

In developing countries especially a poor and war-torn country like Afghanistan, pay scales for private academic staff is less as compared to public universities and having no retirement benefits and pension facilities. Teachers' remuneration is very low as compared to other professions [8] which caused dissatisfaction, disloyalty, uncommitted, high turnover and deliberate absentees in higher education institutions. In the current situation in Afghanistan, private universities are suffering from great challenges due to uncertainty, low economic condition, no political stability, high cost of education and high level of competition and tough regulations from the Ministry of Higher Education. In addition, university's top management has not given prior importance to faculty members for conducting research and helping in research activities which caused

poor performance in research publications, lack of motivation, high turnover and no proper reward system [9]. Beside that, lack of interest and cooperation among teaching staff in research activities as well as lack of lecturers' research knowledge in contemporary issues are major concerns in private higher educational institutions.

The role of academic employees is very important in every aspect of private universities to build public image in the society by producing outstanding graduates. Since the role of academicians is critical, pay, promotion opportunities, job security and job satisfaction are the key elements including retaining quality staff ought to be considered in higher education institutions for future success. For such reasons, this research explores the problem of compensation packages on job satisfaction and employees' retention in private sector universities of Jalalabad city, Afghanistan to empirically investigate the attitudes of employees in academic environment.

Historical Background of Education System of Afghanistan

Back to the history of education system of Afghanistan, in the era of King Amir Sher Ali Khan there was no higher education system inside Afghanistan and most of Afghan students were getting higher education in foreign countries especially in Saudi Arabia and Russia. Since 1872 modern education system has been established and most of the people were educated in schools and religious schools (Madrasas) and popular scholar Syed Jamaluddin Afghan has played significant positive role in promoting education system at that time.

In past centuries, the main purpose of the Afghan government was to provide totally free education from primary to higher education to all citizens equally. In 19th and 20th centuries, there was no concept of private education institutions in Afghanistan both rich and poor students were sitting on same bench by having equal rights of getting education from primary to higher education.

After 9/11 when America and its alliance attacked on Afghanistan and overthrown the regime of Taliban, the government of Afghanistan was not able to provide free higher education to its all citizens around the country. The government decided to establish private higher education institutions and many private universities have been established during the last two decades. In addition to this, international community particularly US through Higher Education Development

Program (HEDP, 2015-2020) project will be spending \$50 million dollars on higher education to develop the life of four decades war-torn country in order to bring peace and prosperity through proper education system and many positive changes and developments have been witnessed during this period.

Afghanistan has long and rich history in centuries, however; low in quality education system due to its civil wars and decades-long conflict inside country. Unfortunately, four decades of war badly devastated not only education system of Afghanistan but also resulted huge rate of illiteracy, weak social, political and business life. This seriously caused high shortage of professional and talented labour in each field of life. As a result, Afghan people remained dependent on foreigners to fulfil the gape in each field especially in higher education sector and many Pakistanis and Indians were called and hired either in administrative and lectureship positions with high salaries and benefits to boost up and revamp educational system of Afghanistan according to the 21st century requirements.

Private Universities in Afghanistan

Education is an important key to know the globe and around. People recognize the problems and challenges and find best ways to overcome by the help of a well-educated society. Education builds a civic and sustainable society. It further helps the national economy, keep the citizens from the poverty and lead a nation into a development nation. Higher education plays significant role in sustainable economic, social development and employment level of a country and increases knowledge creation by contributing quality skills to address social and global challenges of a country. According to UNEP & UNESCO report [10] emphasizes that the aim of private universities should strengthen mutual partnership between other universities around the globe in order to enhance quality education, curriculum development, research activities and community engagement events in private learning institutions. Beyond that, creating scientific knowledge based on current problems and skill development in response to society's and businesses demands.

Investment in human capital especially in higher education is necessarily needed to the government of Afghanistan and strengthening public and private partnerships in education sector in Afghanistan was on the strategic plan of the Ministry of Higher Education. According to Afghanistan Investment Support Agency [11] reported the constitution of Afghanistan for the higher education (Chap 2, Article 25) stated that "The

citizens of Afghanistan also can establish higher, general and vocational education private institutes in accordance with the law". Therefore, the government of Afghanistan has taken steps to establish and promote participation of the private education institutions in response to the growing students demand without overburdening the public budget.

In recent years, expansion of private higher education institutions was one of the Afghan government policy and quick establishment and expansion of private universities has brought several concerns in terms of results, research publications, quality graduates, unstandardized curriculum, unprofessional lecturers, and as well as not having standardized compensation packages system in Afghanistan are key challenges for the Ministry of Higher Education of Afghanistan and USAID[9]. Meanwhile, in Afghanistan, number of private universities has increased in the last few years and witnessed some positive impacts on Afghan socio-economic, political and business life and the number of male and female students are increasing dramatically and culture of getting higher education has been increasing day-by-day among the young generation. In addition to this, number of public universities has increased to 29 and private higher education institutions 138 around the country Ministry of Higher Education of Afghanistan [9].

Compensation

Compensation is one of the core functions of personnel management that every employee gains in exchange of his services provides in the organization. According to American Compensation Association defined compensation is monetary and non-monetary cash paid by organization to its staff for organizational tasks performed. According to Heathfield [12] compensation is fixed amount given to a worker by the organization in exchange of his/her contribution for fruitful job. Furthermore, most of the researches have reported that there is significant association between staff remuneration, incentives, rewards, employee job satisfaction and retention [13], [14], [15]. Salary packages are the fundamental characteristics of an organization which leads workforce toward job satisfaction and retention. Salary comprises of cash, rewards, bonuses, promotion, benefits and recognition [16]-[17] and all these factors powerfully influence the performance of employees [18].

Lawler [19] stated that pay is associated with struggle and business performance. In the same way,

employees' motivation, staff performance, retention of manpower is positively linked with compensation provided by the organization. According to DeCenzo & Robbins [20] there is a weak employment satisfaction, high ratio of absenteeism, labour turnover, and low salary are the key concerns to the organizations. A study conducted by Pilly [21]-[22] compensation is positively associated with employees' retention, commitment and better performance. A study investigated by Yamoah [23] agreed that 80 percent employees accept willingly extra responsibilities due to high and fair compensation and about 87 percent of employees approved compensation highly influenced their performance positively.

Salary

Salary is the amount of pay that constitutes the rate of the job in the organization. It also serves the benchmarks against which bonuses and benefits are calculated. It may vary according to the grade of the job or the level of the skills required to the job. In addition to this, level of salary may be agreed upon through collective bargaining as well. De Vaney and Chen [24] identified that basic salary as a "Hygiene Factor" that could cause employee dissatisfaction if workers needs are not recognized. He further found that salary was the key elements that significantly influence job satisfaction and workers receive salary to satisfying their economic and societal needs. Pay is also significant because when workers are satisfied with salary, their attitude and behaviour could be influenced toward desired objectives Onukwube, [25]. Employees' dissatisfaction with salary can lower their moral, commitment and increase turnover Curral [26].

Rewards

Reward is a fundamental factor for enhancing job satisfaction and employees performance. Many businesses are continuously updating their reward system for motivating and retaining skilful employees. Bratton and Gold [27] explained rewards that employees receive payments in relation to contribution in the organization that can be cash, noncash, and psychological recognition.

Incentives

Faisal [28] defines incentives any financial source that motivate a person to undertake specific actions whether as team or individuals. Incentives encourage workers to mutual benefits. Financial incentives are given to employees to speed up high quality performance. Performance units are incentive plans

where employees are rewarded after the company achieved predetermined goals and objectives successfully.

Bonus

Bonus is an extra pay typically employed to motivate workers in production, marketing and sales professions where the business offers bonuses after predetermined goals accomplished. In workplace setting, bonus can be a compensation given to employees for his outstanding performance for achieving specific target given by the management for a limited or specific period. The management shows its gratitude to employees for the great achievements.

Allowances

Armstrong [29] approved that employees' allowances include pension, sick pay, insurance cover and other 'perks'. Perks are used to recognize exceptional contribution, performance, commitment of culture and values of the organization. Perks include additional time off, tickets to events, trips and public recognition. Chiu [30] approved that allowances likely to retain employees for long run if the allowances level leads to high job satisfaction and low intention to quit. Because when workers recognize they are not being rewarded as they expected, this decreases job satisfaction leading to low performance as well.

Research Hypothesis

H₁: There is significant positive relationship between compensation packages and job satisfaction and employees retention in Jalalabad-based private universities.

H₀: There is no significant positive relationship between compensation packages and job satisfaction and employees retention in Jalalabad-based private universities.

Job Satisfaction in Higher Education Institutions

Job satisfaction has been an interesting area of research for many researchers in the field of personnel management especially in academic environment. It is essential for academic institutions to keep eyes on employees for their social-welfare and well-being. Satisfied workers will be more effective and result-oriented employees than dissatisfied. When manpower intends to join an enterprise his/her core objectives are; to achieve better career promotion, job protection, future opportunities both mental and social requirements are fulfilled. Mustapah [31] approved that

job satisfaction of faculty members ought to be critically considered by all academic institutions to develop quality and excellence in education and to produce outstanding graduates for the future leadership roles. Warner [32] investigated that lecturers who are dissatisfied and stressful will have negative impact on their academic environment and job performance.

Onukwe [28] mentioned that job satisfaction is a feel of welfare, sense of happiness and positive psychological emotions that employees receive upon his outstanding performance. Factors like poor work environment, no market-based salary, no future opportunities and lack of acknowledgment are the common factors of workers dissatisfaction. Lecturers are significant resources for higher education institution and their job satisfaction affect the performance and encouragement while delivering quality services. Job satisfactions of university academician are very essential because their strategic role influences in accomplishing universities long-term objectives as well as in the advancement and maintainability of higher education [33]. Noorudin&Jusoff [34]-[28] noted that job satisfaction has high influences on teachers' performance, low intention to leave and high moral of commitment of academic employees. More importantly, lecturers are the heart of the educational institutions and play positive significant role in educational environment. They are also key players of the knowledge creation, innovation and technological advancement through human capital [35].

Relationship between Compensation and Job Satisfaction

In today's globalized world, Job satisfaction has become the most important phenomena for many organizations because it has huge impacts on business productivity, staff performance, turnover and absenteeism [36]. organizations are witnessing huge amount of changes and challenges in rivalry among competitors, compensation, globalization, weak economic condition, changing demographics and employees' needs are increasing rapidly therefore organizations ought to develop comprehensive strategies for job satisfaction, retention and competitive edge. A survey conducted by Society Human Resource Management [37] concluded that remuneration and job satisfaction is high factor of motivation not only for teachers but also for administrative workers as well. Although cash is not a core motivator. However; is a basic need of every employee due to monetary need to cope with social life. Onukwe [28] clarifies that job

satisfaction is a favourable feelings about a job. When workers feel happy about their work and satisfied will show high level of job satisfaction, low intention to quit, if the features of their working environment fulfil their needs [38].

Most of the researchers investigated that job satisfaction is associated with factors like remuneration, future opportunities, work protection influences job satisfaction [34]-[39] and whether the job is tough, stressful, loaded and jeopardy them or the job is interesting, honour they perform them.

A study tested in advanced countries, ascertain positive replies and affiliation for compensation, exciting, esteemed with job satisfaction and negative feedback connected with dissatisfaction of employees. Therefore, to develop workforce satisfaction and organization cannot achieve quality performance only through monetary remuneration but also through non-monetary resources. Maslow's theory of motivation by Marat [40] observed that monetary compensation is beneficial to enhance productivity particularly for the workers who enters newly to the organization and gains low position. However; for long-run top and middle level managers need more nonfinancial compensation.

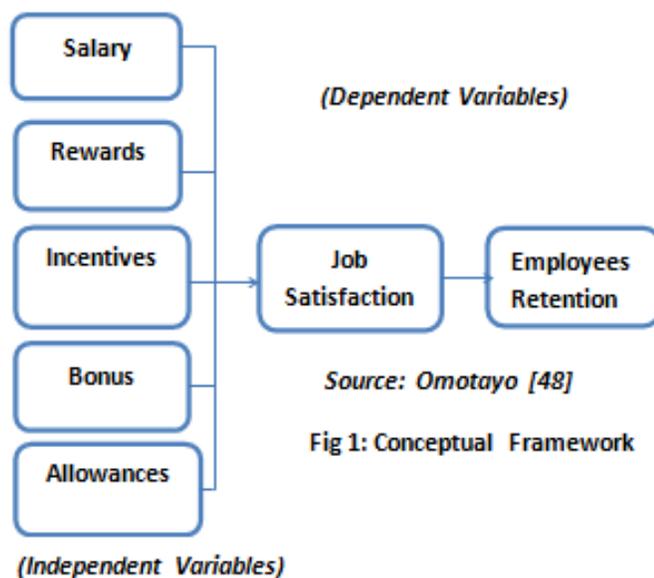
To sum up the ideas of experts, concluded the factors that greatly effect job satisfaction are four includes: psychological factors, social factors, physical and financial factors. Luthans [41] indicates that job related factors like compensation, supervision, co-workers, future opportunities and promotion influence extremely on job satisfaction. A research reported by Grace &Khalsal [42] that compensation packages are essential factor when the employers want to accelerate job satisfaction.

The nexus between Compensation and Employees' Retention

When employees decide to retain in the organization, they think their skills and competencies are appreciated and rewarded fairly with recognition like sense of achievement of their entire life. Effective retention policy is significant for all type of businesses to recognize the factors why some workforces leave and some employees stay in the organization. Keeping talented manpower for long-period is a major challenge in higher education particularly in private universities. According to Frost [43] many businesses are in great challenges due to employees' retention, lack of quality staff, low pay scale, increasing competition and no proper reward policy to keep skilful employees in private universities. According to Willis [44] pay is a

major concern to encourage and retain workforce in the organization. Remuneration strategy is till significant tool to retain and succeed in the competitive market for many enterprises [45]. Furthermore, most of the studies revealed that pay scale has great influences on retention; reduce absenteeism, low turnover, effective performance and high monetary returns to the organization [46]. Recent researches conducted by Allen & Griffith [47] noted that organizations should distinguish via pay structure in order to motivate and keep skilful workforce for long-term. Because of such reasons, businesses ought to have high competitive market-related salary and benefits to retain quality employees and stay committed in the enterprise [48].

Conceptual Framework



RESEARCH OBJECTIVES

The main objective of this research was to investigate different issues regarding compensation packages in private sector universities. Furthermore; to determine the relationship between compensation packages on job satisfaction and employees' retention. Lastly, this study recommends specific points for the improvement of compensation, job satisfaction and employees retention in private universities in Jalalabad Afghanistan.

MATERIALS AND METHODS

Research Design

In this research, the basic aim was to find the relationship of compensation packages on job

satisfaction and employees' retention in private universities Jalalabad city of Nangarhar province of Afghanistan. A questionnaire containing questions on 5-point Likert scale was used for descriptive survey designed to collect data for the study. Descriptive surveys are used for collecting comprehensive and factual information for outlining on-hand phenomenon [50]. Correlation and regression analysis were applied to find out the relationship between variables in selected six private universities namely: Alfalah University, Khurasan University, Altaqwa, Aryana, Rokhan and Spinghar Institute of Higher Education institutions for data collection. The data was gathered through close ended questionnaires to get respondent opinions. Convenient sampling technique was used to get information. The 5-point Likert Scale points were labeled as: 5= strongly agree, 4=Agree, 3= Neutral, 2= disagree 1= strongly disagree.

Research Participants

The participants of this research were both administrative and academic staff of the six private universities in Jalalabad city of Afghanistan. The total population of these universities were 512 in August 2019. The information was gathered from Human Resources department of each university. For calculating sample size, Taro Yamane [50] formula was used. A total of 275 questionnaires were distributed, retrieved 257 and 7 questionnaires were incomplete, therefore 246 were valid for data entry which represent response rate of 89 percent of the sample.

Research Instrument

The items for research instrument were taken from several sources. The items of "job satisfaction" was developed by the researcher having 8 items and "employee retention" is measured on the scale designed by Mobley [51] having 6 items and "compensation packages" was measured using 10 items which developed by Murphy [52].The validity and reliability was also checked for inter-item consistency. The Cronbach's Alpha is usedfor this research and value is .715 which is valid andreliable.

Ethical Consideration and Data Collection Procedure

Unfortunately, the culture of sharing information in Afghanistan is very weak and low interest of people is critical due to job insecurity, high level of unemployment, fear of termination from job. Therefore, the researcher proceeds through a proper procedure to

collect data. The researcher is a permanent senior lecturer at Alfalah University and requested his University's VC-Academics for issuing official letters to each six universities HR department individually to help in filling the questionnaires by expressing their employees' views. Moreover, the researcher discussed some points with HR Manager that each respondents profile will be kept confidential. After official procedures of HR department of each university and the permission granted to distribute questionnaires for the collection of data in each department and the researcher distributed to each department head to distribute to his subordinates, fill and return in one week. When the researchers revisited these universities for collecting the questionnaires, researchers did not receive the exact numbers distributed.

Model of the study

The following multiple regression equation model is used for this study to find out the relationship between dependent and independent variables.

$$Y: \beta_0 + \beta_1x + \beta_2x_1 + e_i$$

$$CP = \beta_0 + \beta_1 (JS) + \beta_2 (ER) + e_i$$

Where;

CP= Compensation Packages, JS= Job Satisfaction, ER= Employee Retention

RESULTS AND DISCUSSION

Table 1: Descriptive Statistics and Pearson's Correlations^a

Variables	Mean (SD)	CM	JS	ER
Compensation Packages	35.68 (7.15)	1		
Job Satisfaction	31.03 (4.95)	0.78**	1	
Employee Retention	17.40 (3.79)	0.15**	0.29**	1

** Correlation is significant at the 0.01 level (2-tailed). *VIF=1.144*

In the table 1 mentioned that descriptive statistics as well as correlations among dependent and independent variables. It shows a mean value of compensation packages as 35.6781 indicating that the majority of the respondents' responses were in support of compensation packages at 5-point Likert scale. Moreover; compensation packages is positively related to job satisfaction and employees' retention. The correlation is significant at 0.01. It shows average

responses of the respondents in support of employee retention. For job satisfaction, the deviation from mean is 4.94 which shows strong association with compensation packages compared to employees' retention.

Table 2: Model Summary^a

Model	R	R Square	Adjusted R Square	F	Sig f	Durbin-Watson
1	.538 ^a	.290	.280	29.136	.000	1.453

a. Predictor: (Constant), Compensation Packages

The value of R square indicates that 29% explained variance in dependent variable (compensation packages) due to independent variables (Job satisfaction and Employees' retention) and remaining 71% relates to other variable which were not included in this research. The result also shows that job satisfaction and employees' retention has 28% combined impact on compensation packages. The Durbin Watson value is used to show auto-correlation between variables if the value is less than 3. There is no auto-correlation in the model which the value is 1.453. As a result, we reject null hypothesis which says there is no significant positive relationship between compensation packages on job satisfaction and employees' retention in Jalalabad-based private universities of Afghanistan.

Table 3: Model Fit (ANOVA) results

ANOVA ^a					
Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	35.562	2	17.781	29.136	.000 ^b
Residual	55.308	143	0.386		
Total	90.87	145			

a. Dependent Variables: Job Satisfaction, Employee Retention

b. Predictor: (Constant), Compensation Packages

In the table 3 of ANOVA model shows F-value 29.136 indicates that the model is statistically significant which is supported by P-value .000 which is less than 0.05. Thus, implying a good model.

Regression output in Table 4 states positive significant impact of compensation packages on job satisfaction and employee retention. Similarly; job satisfaction, employees' retention and compensation packages are found to remain significant positive relationship with each other.

Table 4: Regression Results

Variables	Unstandardized Coefficients		Coefficients a			Collinearity Statistics	
	B	Std. Error	Beta	T	Sig.	Tolerance	VIF
(Constant)	11.175	4.868		2.295	.023		
JS	.781	.109	.541	7.165	.000	.874	1.144
ER	.015	.142	.008	.105	.915	.874	1.144

a. Dependent variables: Job Satisfaction, Employee Retention

The above table reports the values for the regression model as

CP = 11.175 + 0.781 (JS) + 0.015 (ER) + error

The multi-collinearity between the independent variables was also checked. In collinearity statistics the value of Variance Inflation Factor (VIF) for independent variables “job satisfaction” and “employee retention” is 1.144, in which the value is less than 5 and shows no multi-collinearity exists between the independent variables.

CONCLUSION AND RECOMMENDATION

Compensation is one of the significant drive for employees' motivation. This study investigated the effect of compensation packages on job satisfaction and employees' retention. Result indicated that compensation plays important role in educational institutions and it has direct influence on job satisfaction and retention of competent employees. The study also revealed that if academic staff is well-compensated, they will be motivated to produce quality performance.

Therefore, this research recommends that private higher educational institutions should revise, update and adopt comprehensive salary scales for both academic and administrative staff according to the market-base in order to motivate, retain and improve productivity of academic environment to remain on top among competitors in the future. These academic institutions ought to give careful attention not only to basic salary but also can provide other financial rewards such as pension, gratuity, annual increment which directly influences job satisfaction, loyalty, commitment and employees retention quality performance.

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