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Beyond the paycheck: Exploring the impact of compensation and benefits on employee retention

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Abstract

This study examines the role of pay and benefits in retaining employees, particularly in the context of strategically applied Human Resource Management (HRM) practices. The research investigates different compensation structures and benefits packing while considering HR experts interviews on the impact of those on retention. These findings highlight the significance of competitive pay and full benefits when it comes to attracting and keeping the best talent. These include market benchmarking, performance incentives, and transparency around compensation practices. It also examines obstacles including the tension between controlling costs and remaining competitive along with internal pay equity. Companies can create happier employees and a lower turnover rate while promoting a healthy, high-performance culture when they use a data-driven approach and align their HRM practices with higher org goals. The research brings home the message that if companies are to survive in such an ever-changing business environment, they need to have effective systems in place to manage their compensation and benefits programs to maintain their competitive edge. They are important to the long term success of the organization by improving employee loyalty and engagement. Thus, this research adds to the understanding of HRM practices necessary to maximize employee retention and support a high-performing and effective workforce.

Keywords: Compensation, Benefits, Cost control, Employee retention, Human resource management (HRM), Organizational culture, Performance-based incentives, Strategic HRM, Pay equity.

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1. Introduction

The purpose of this case study is to cradle a fully abled and comprehensive analysis of the contemporary Human Resource Management (HRM) practices used by any organization with a key focus on understanding how compensation

and benefits impacts employee retention. The present study seeks a line by line exploratory study on all the different strategies and policies employed by the organization in terms of the provision of compensation and benefits so as to ascertain the role of the strategies in the direct impact on the relation of organizations and employees in terms of retention of employees. We can gain understanding and perspective on the relevance of this important component of HRM through a case study that thoroughly details the existing HRM strategy of the organisation, and offers insight into how effective it may be while identifying where there are opportunities to expand upon the querying nature of an HRM plan.

Today it is well known fact that HRM practices are the fundamental pillar of overall success and functioning of an Organisation. Effective human resource management practices play a significant role in improving employee contentment at work, developing culture and leading a firm to success (Shahid and Azhar, 2013). Out of these practices, the strategic handling of compensation and benefits is among the most crucial, influencing the rate at which an organization can draw in and hold onto top talent. Competitive pay packages combined with lucrative benefits not only act as a powerful lure for attracting talent but also as a long term strategy of retention [1]. From this point of view, holding an in-depth comprehension of the subtleties and results of pay and advantages on staff maintenance is basic to an association's longing to meet its strategic plans [2].

A detailed examination of compensation and benefits and an empirical context of retention is essential to developing a complete understanding of the organizational consequences of human resource management practices. When organizations see how all of these are intersecting and all how they impact each other in the organizational context — the drivers to employees feeling engaged, satisfied, and thus retained become obvious. In this way a more refined treatment would allow the organisations to pinpoint where and how their practices in HRM could be limited and what could be possibly done to target issues with employees leaving.

In conclusion, this case study attempts to evaluate the human resource management practices of the organization as a whole and the influence of compensation and benefits to retention of employees. The research focuses on this neglected component of HRM in the hope of providing some evidence based suggestion that may help to build optimum policies and strategies to hold on to the employees of the organization.

1.1. Significance of Study

Utilizing qualitative, in-depth interviews and case studies, this study contributes more specific and contextual insights to the knowledge base and addresses gaps in our knowledge regarding the relationship between compensation and benefits practices and employee retention in this specific context. Drawing lessons from the successful experiences and challenges within the organizations in compensation and benefits management, this study demonstrates concrete means and direction for HRM practices of enterprises. To help the organizations to stay ahead in a cut-throat market and they improve employee satisfaction and retention by market benchmarking, performance incentives, and transparent communication. Organizations can incur costly expenses from high employee turnover rates such as recruitment expenses, training, and lack of productivity [3].

Controlling labor costs through compensation and benefits strategies to induce low employee turnover enable organizations to efficiently operate to improve their financial performance [4]. Competitive compensation and benefits diversity help to attract better quality talents and can also improve the feeling of belonging and loyalty of employees, which is very beneficial for the long term development of the organization [5]. This research references on the resources allocation in labor market by focusing on the effects of compensation and benefits on employee retention. That will also help organizations design compensation system and benefits systems better, which will ease the unreasonable talent flow and make the use of human resources more effective and have a positive impact on social and economic development. This study's findings may assist the government and industry associations to develop relevant policies. By promoting fair pay and welfare protection, policymakers, for instance, can be more specific in issuing guidelines to spur enterprises to fulfill their social responsibilities by enhancing employees' well-being.

1.2. Limitation of Study

This study has several limitations. First, it uses a small-scale case study approach, limiting its generalizability. Future research could include a larger sample or multiple case studies for broader insights. Second, the focus on specific industries (e.g., manufacturing, financial services) means the findings may not apply to other sectors with different workforce dynamics. Third, the reliance on qualitative data from interviews may lack the statistical rigor of quantitative methods, suggesting future research could incorporate surveys or longitudinal studies. Lastly, the study captures a snapshot of practices at a specific time, and ongoing research is needed to account for evolving trends like remote work, economic conditions, or technological advancements. Addressing these limitations could offer a more comprehensive understanding of compensation, benefits, and employee retention.

2. Literature Review

2.1. Basic Theory

Expectancy Theory is a theory of motivation first developed by American psychologist Victor H. Vroom in 1964. This theory contends that an employee's degree of motivation is based on how they expect the relationship between effort and performance, and performance and reward. This theory was formulated by Vroom in the following equation: $\text{Motivation} = \text{Expectancy} \times \text{Valence}$ [6]. Expectancy — The probability that employees will meet performance goals if they work hard. Valence is the value to employees of those rewards, or more simply how much of the rewards satisfy personal needs [7]. In this article, expectancy theory is used to explain the impact of compensation and benefits on

employee retention. Employees expect to get higher pay and better benefits through hard work. If they think this expectation can be realized, their work motivation will be enhanced. Employees' value assessment of compensation and benefits directly affects their job satisfaction and willingness to stay. If employees think that the pay is fair and the benefits are attractive, they are more likely to stay in the organization [8].

Organizations need to ensure that employees clearly understand the relationship between performance and rewards to increase employees' expectations. Provide diversified rewards. Since different employees have different valences on rewards, organizations should provide diversified compensation and benefits options to meet the needs of different employees [9]. Improve employees' self-efficacy and enhance their confidence in their own abilities through training and career development opportunities, thereby increasing their expectations for performance. MTW Company has significantly improved employee job satisfaction and retention by signing an "expectation agreement" with employees to clarify employee expectations and the rewards provided by the organization. This practice shows that the expectation theory is not only instructive in theory, but also can achieve significant results in actual management.

2.2. Current Compensation and Benefits Practices and Their Impact on Employee Retention

2.2.1. Competitive Compensation

Providing competitive compensation and benefits is critical to retaining top talent. Employees often consider their compensation package when deciding whether to stay with or leave an organization. Research shows that competitive compensation has the greatest impact on job satisfaction across generations [10]. To ensure competitiveness, organizations should conduct annual compensation benchmarking and align compensation with industry standards.

2.2.2. Comprehensive benefits packages

With the rise of remote work and the need for greater work-life balance, comprehensive benefits packages include health insurance, flexible work, and wellness programs. The aspects mentioned above affect the employees significantly, as they feel appreciated and at the same time safe on the financial part. As an example, providing flexible work schedules, parental leave, or mental health support can enhance job satisfaction and retention. One of the top ways to drive up retention is to recognize and reward your employees for all they do. Such as bonuses, promotions and other rewards for good performance and recognition of merit in public. Such actions make the employees feel appreciated and they contribute to retaining them in the organization [11].

2.2.3. Work-Life Balance

Encouraging a good work-life balance is important for employee retention, particularly with younger generations. Flexibility Offers Work-Life Balance Organizations can also promote work-life balance with flexible work arrangements, remote or hybrid work, and by providing vast paid time off (PTO) policies [12]. Such practices enable employees to balance their work and personal life as well as avoid burnout which in turn helps to increase retention.

2.2.4. Pay Transparency

Retention of employees is more reliant than ever on pay transparency. Sure, other employees are going to want to find out what the salary range is for the position before they apply. Regular audit of pay structures and transparency of pay policies can build trust and decrease turnover among employees [13].

The practices in pay and benefits directly affect the retention of the employees. Companies that provide competitive salaries, attractive benefits, work, and career development are in a stronger position to keep the best of the best. When such practices align with employee needs and expectations, organizations can cultivate a talented workforce that is engaged and committed.

2.3. Factors That Influence Employee Retention

2.3.1. Internal Factors

One of the key challenges for retaining employees continues to be competitive compensation and benefits packages [14]. Employees tend to stick around for organizations with competitive compensation and benefits, which companies should benchmark frequently and customize toward individual needs. Skill development and career advancement opportunities stir the thoughts of employee retention, and a vision for growth lays the foundation for the possibility of establishment [15]. Organizations that provide right learning & development programmes along with mentoring & internal mobility can increase reasons for retaining talent by several notches. Lastly, having supervisors that treat employees respectfully and who also provide strong support is important for keeping employees [16]. An environment that is positive and inclusive can help an organization retain employees simply for the sense of belonging that aligns with the values of the company. Having a more diverse, inclusive and more transparent internal work environment can help provide a more attractive work environment. Flexible work arrangements, like remote work and flexible work hours, are important to employees and can improve retention.

2.3.2. External Factors

External labor market - availability of job opportunities in external labor market can influence retention. Employees tend to look for better opportunities in a tight labor market, while organizations have to keep abreast of the market realities and readjust their retention strategies [17]. Some industries have a more difficult time keeping employees due to their in-demand nature or the levels of competition for that talent. Retention strategies must be as industry-specific as possible so as to assist organizations in choosing or hybrid to avoid obsolescence. Retention may be influenced when the

economy takes a downturn or there is a recession since people want to secure a job. However, heart is a better place to work when organizations over and over again and if at any point in time if they start using emotions to win the trust of people at the time of stability, then work is feasible in every organization as during the the time of economic instability, work place must be emphasize to provide stability instead of economic driven trust. The impact of rapid technological change on retention can be to open up alternative jobs or, alternatively, to make a job redundant [18]. Having serious intent from company leadership to strike the right balance of continuous learning and adapting to technological changes is one way to ensure you do not lose valuable employees. Evolving culture, for example changes around work-life balance or diversity, can also influence retention. Fitting organizational practices to social trends can also help with employee retention [19].

A myriad of reasons applies to why individuals choose to stay with their current employer, and many of these reasons are a combination of internal and external factors. Although many of the factors that drive retention—like pay, career growth opportunities, and company culture—are internal to the organization, others such as labor market conditions and economic trends demand that strategies for retaining talent become more adaptive. When an organization gives both internal and external factors through providing, they help the organization to create a supporting and engaging environment where the employee wants to be there for a long duration [20].

2.4. Challenges and Opportunities in Improving Employee Retention

2.4.1. Challenges in Improving Employee Retention

Economic and budgetary limitations Introducing competitive remuneration and benefits schemes can prove to be expensive, particularly to small- and medium-sized enterprises (SMEs) [21]. One of the reasons to struggle with attracting top talent is that you don't have a large budget and cannot pay that big salary or offer many benefits related to competing companies. Tight Labor Markets Where the best talent is far and few. Attracting talent is always a big challenge for many organizations because there are always other organizations that offer the same service and are fighting to attract the skilled municipal employees they need [22]. High competition, leading to an increase in cost of acquisition and retention of Talent. Cultural and Demographic Diversity For organizations with a wide-ranging workforce, there are varying cultural, generational and demographic needs to address. It may be unfeasible to have a blanket retention strategy. Research shows that not taking diversity into account will damage employee engagement, and increase turnover rates. One of the biggest issues for employees is balancing work demands and personal life. It may show in retention of employees for organizations which are not supportive of flexible work arrangements. The imbalance between work and non-work life will result in burnout and job dissatisfaction and subsequently lead to high turnover [23].

2.4.2. Opportunities for Improving Employee Retention

Organizations can stand out by offering competitive and flexible compensation packages. This includes performance-based incentives, health and wellness benefits, and personalized rewards [24]. Regularly comparing wages and benefits to industry standards can improve employee retention. Providing employees with opportunities for skill development and career advancement can significantly improve employee retention. Training programs, mentoring, and internal mobility can increase employee loyalty. Investing in continuous learning and development can create a more engaged and motivated workforce. Creating an inclusive, diverse, and supportive organizational culture can improve employee engagement and employee retention. Organizations whose values align with those of their employees can foster a sense of belonging [25]. Promoting a positive workplace culture through team-building activities and social events can improve employee retention. Providing flexible work hours, remote work options, and generous paid time off (PTO) can improve work-life balance and job satisfaction [26]. Implementing flexible work policies can help employees manage their personal and professional lives more effectively. Using data analytics to understand employee needs and preferences can help organizations design more effective retention strategies. Tracking retention-related key performance indicators (KPIs) can provide actionable insights. Using data analytics to identify retention risks and opportunities can help organizations make informed decisions [27].

Improving employee retention requires addressing internal and external challenges while leveraging strategic opportunities. By offering competitive compensation, supporting career development, fostering a positive organizational culture, and promoting work-life balance, organizations can create a supportive and engaging work environment [28]. These efforts can increase employee satisfaction, reduce turnover, and ultimately drive organizational success.

3. Methodology

This study adopts a very small scale case study method in order to explore the complexity and dynamics that exist in interplay between compensation and benefits and employee retention in a particular organization. An empirical study is undertaken using case study methodology which is based on the need for richness of detail and understanding of complex and multi-dimensional phenomena where the boundaries of the phenomenon are not clearly defined. This approach, focused on one organization, enables an exploration of the nexus of compensation practices, employee perception, and retention outcomes, thus providing in-depth contextual information that may be more challenging to drive from more extensive studies. The qualitative data collection methods of case study research (e.g., interviews) are ideal for exploring the many different views and experiences that hard-to-measure deep beliefs, attitudes, and behaviors related to employee retention may exhibit, and appropriate for the case study method. Moreover, since the study focuses on examining how much the organization has implemented specific strategies and practices for the compensation and benefit system, the case study method is appropriate for embedding such strategy and providing contextual information on how such practices are enacted in the organization.

The research objectives in turn informed the selection of the case study method as a way to address the research objectives of the study. To begin with, it provides the opportunity to conduct a comprehensive analysis of the research problem in the natural context of the organisation offering broader understanding of the elements that result into employee retention. Second, the case study approach allows for exploration of multiple viewpoints and experiences via qualitative data collection methods, such as interviews, which can be effective for capturing detail about complex phenomena (such as employee retention). Moreover, the use of a case study approach is particularly appropriate for this research because it will allow us to understand the particular moves and activities the organization has put in place with employees through compensation and benefits and their effects on employee retention. In general, given that complexity may not be easily captured through traditional qualitative or quantitative techniques, the case study method is considered the best approach to address the research aims and offer important contributions to our understanding of the role of compensation and benefits on employee retention under the complexity perspective.

Step 1: Identifying Human Resources Experts in the Organization with Stake Holder Expertise in Compensation & Benefits Experience This may include HR managers, compensation specialists, or senior HR professionals who are often responsible for designing and implementing compensation policies and programs within the organization.

The researchers first needed to identify the HR experts needed for the study, and then contacted them through the usual organisational communication channels like email or internal messaging platforms, to describe the aim and extent of their research and to invite them to participate in the interviews. The research aims, confidentiality, and ethical considerations will be clearly described so participants can fully comprehend whether they want to give their informed consent.

Semi-structured format used for interviews, enabling the interviewer to explore the key themes and categories that were relevant to the practice of compensation and benefits other than that of employee retention. The interview questions will be crafted to support the research objectives and draw on relevant theoretical frameworks including Expectancy Theory and will cover aspects of the design and implementation of compensation programs; the perceptions of fairness and adequacy that employees have with respect to their compensation; and the linkages between compensation practices and retention outcomes.

The broader impact of compensation and benefits on employee retention in an organization in practice will be analysed using qualitative interviews with HR experts which involve small scale case study approach (Tight, 2017) thereby whole study will serve as integrated framework at least in the field of human resource management to practitioner as well as theorists.

3.1. Ethics

The current investigation will comply with ethical principles for human research. Prior to data collection, I will solicit consent from participants and ensure they are fully informed of the purpose of the study. Also, we will keep participants anonymous and confidential and we will do our best to ensure their privacy throughout the study. Before doing research, an ethical researcher must take the above factors into account so that he/she performs the research with utmost integrity and that the welfare of the participants is the top priority.

The Effect of Compensation and Benefits on Employee Turnover: The Case of Comprehensive Public Service Organization. A qualitative case study was gathered based on semi-structured interviews of HR professionals. These interviews allowed a deep dive into compensation practice dynamics that affect retention.

3.2. Finding and Discussion

The central research question of this study is focused on understanding how compensation and benefits influence employee retention within organizations. Specifically, it seeks to explore the extent to which competitive pay, pay equity, performance-based rewards, non-monetary benefits, and transparent compensation policies contribute to employees' decisions to stay with or leave an organization. The data from the interviews were analyzed to identify several key themes that illustrate the significant impact of compensation and benefits on employee retention.

Theme 1: Competitive Compensation and Employee Attraction

Those HR experts agreed that competitive compensation packages are important for attracting and retaining employees. Individual And Reply 1, highlighted that an "attractive salaries ensures top-notch talents are joining the firm, and prevents employees to from elsewhere." In Ariadne's experience, competitive wages that reflect the market increase employees' chances of staying with the organization. She also pointed out that in a competitive labor market, organizations that do not have adequate compensation will experience higher turnover, because workers can readily find jobs paying better.

Now, where there are ample jobs for such creative and intelligent workers, compensation can become highly competitive, and a structured wage system may fail. Providing compensation packages that are inline with, or by industry standards, better-than-norm minimizes the potential of employees looking for higher paying jobs. Competitive compensation creates an image of belonging and security, which in turn positively correlates with employee retention, said Ms. Wang.

Theme 2: Pay Equity and Employee Satisfaction

The relationship between pay equity and employee retention was also emphasized. According to respondent 2 "employees are likely to stay with the organization when they think that there pay is well deserved". Such differences can

lead to dissatisfaction and in turn would increase the attrition level, he added. He highlighted the necessity of transparent pay policies that also ensure fairness. The latter "Employees must trust that their compensation represents their contribution to the organization. And if they will feel ignored or underappreciated, they will start to resent and then leave.

Equality of pay promotes the notion of fairness and justice in workplace. According to Mr. Kyaw Thu, Employees are satisfied when they realize that their reward is fair compared to their role, skills and contribution to the organization. On the other hand, if employees think there are inequities in pay - for instance, they are not being compensated equally for an equal role — they can become disengaged and are more likely to look for other jobs.

Theme 3: Performance-Based Compensation and Motivation

Performance-based compensation, such as bonuses, incentives, and rewards, emerged as a crucial driver of retention. According to Respondent 3, *"when employees are rewarded based on performance, it increases their sense of accomplishment and motivation, which, in turn, boosts retention."* She explained that linking compensation to performance fosters a culture of recognition, where employees feel valued for their efforts. *"Employees who see that their hard work is directly rewarded are more likely to stay with the organization in the long term."*

Performance-based incentives serve as both motivation and recognition. Ms. Hnit's viewpoint illustrates that when employees' contributions are financially rewarded, it strengthens their commitment to the organization. This approach not only incentivizes employees to perform better but also enhances their job satisfaction, which, in turn, boosts retention. The key takeaway is that employees who feel their hard work translates into tangible rewards are more likely to remain engaged and stay with the organization for longer.

Theme 4: Benefits Beyond Salary: Job Security and Work-Life Balance

Non-monetary benefits such as job security, healthcare, and flexible work arrangements play a significant role in employee retention. Respondent 2, mentioned that *"employees are less likely to leave when they feel secure in their job and supported by the benefits offered."* These benefits contribute to a strong sense of job satisfaction, which directly impacts retention rates. He noted that *"flexible work arrangements, especially post-pandemic, have become an essential factor. Employees increasingly value the ability to maintain a balance between work and personal life, and organizations that offer these benefits retain staff better."*

The growing importance of work-life balance, especially after the pandemic, has led to employees valuing flexibility in their work arrangements. Mr. Kyaw Thu's observation indicates that employees who are offered flexible working hours or remote work options are likely to feel that their organization supports their personal life. In addition, providing job security and comprehensive benefits further strengthens the relationship between employees and their employer, reducing turnover rates. Non-monetary benefits thus play a significant role in fostering long-term employee commitment.

Theme 5: Transparency and Communication of Compensation Policies

Thus, the communication of compensation policies with transparency is the essence to make the employees feel trusting and satisfied. Ms Wang Wei Ru stated that 'when the employees know how their pay is determined and the reason for the compensation decisions, they feel more confident with their organization and will leave less. During the panel, she expanded on how it's a good idea to be open and upfront about pay and pay policy: "When employees have clarity on an organization[s] compensation philosophy and feel their concerns are listened to, it enhances their chances of maintaining their engagement and commitment."

Transparent communication about compensation policies leads to trust among employees and prevents any misunderstandings. Transparency around pay (and how it is determined) offers security, or at the very least, reassurance to employees; and when employees feel there is a fair and consistent process driving compensation, they feel secure in their roles and are ultimately more satisfied. From Ms. Wang view point analysis, A clear compensation-from-elsewhere (CFoE) policy is an important source of employee loyalty and retention.

4. Conclusion

To know the effect of compensation and benefits on employee loyalty in organizations. From reviewing some of the answers provided by our HR experts, we noticed a few key themes that illustrate the role compensation strategies play in employee loyalty and retention.

Competitive Compensation for recruitment and retention was one of the foundational items as identified by respondents. Not only does the competitive salary package attract the top talent in the market, but it also acts as a deterrent for employees to explore the market looking for better and greener pastures, said HR experts. Organizations able to offer poor compensation in rich labor markets, on the other hand, will experience higher rates of turnover. Pay is competitive, which provides a comforting reassurance of security that contributes importantly to long-term retention.

Another key factor shaping retention was Pay Equity. But, if they feel they are paid fairly, they will be loyal to the organization. However, pay inequities can foster disgruntlement, and eventually turnover. Transparent and equitable compensation policies instill a sense of value and fairness among employees which in return strengthens their attachment to the organization. Pay equity is a fair factor that keep the ambience of workplace peaceful that prevents from losing Resources i.e. a potential Employee from workplace.

Base Salary - The most important driver of retention and motivation, is also the strongest driver of short-term skill.TM Associating performance with pay makes the workforce start to feel that their efforts are appreciated. This fosters a culture of appreciation, and employees are likely to remain in an organization that compensates them for their efforts and

contributions. Such results-oriented incentives can elevate motivation and enrich job satisfaction, both of which strengthen employees' tenure in the company.

Retaining employees relied heavily on Non-Monetary Benefits (job security, Healthcare, and flexible work, etc.). Especially in post-pandemic work environments, these benefits are essential to helping employees feel fortified and secure. Flexibility is the buzzword that is gaining popularity and with the changing times, employees have started to appreciate it even more than immediate monetary benefits and organizations providing this are more likely to be able to retain their employees. Psychologically, the emotional and psychological connection between the employee and the organization becomes deeper and more meaningful, which has a clear impact on retention.

Finally, Transparency and Communication of Compensation Policies were basic elements in building a trusting workplace and keeping employees happy. When employees have insight into compensation decision-making and believe that their concerns are addressed, turnover is less likely to occur. Pretty normal for this blog, and therefore fairly easy to write - transparency breeds fairness, understanding, and by extension improved engagement and retention.

To summarize, compensation and benefits directly influence retention. Companies that pay competitively, promote pay equity, offer performance-based rewards, offer non-monetary rewards, and have a transparent pay practice will gain more loyal employees. This indicates that a balanced pay structure that considers both monetary and non-monetary aspects, aligned with employee needs and expectations can help build long-term employee loyalty and satisfaction.

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