

THE EFFECT OF UNEQUAL SALARY SCALE ON HUMAN RESOURCES' TURNOVER

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Abstract

Unequal salary scale is considered one of the important issues in the climate of human resource management nowadays. The current research study aims to find out the effect of unequal salary scale on the turnover of human resource specifically, the employees with the same ranks and abilities.

A questionnaire has been designed for this purpose, and it was distributed to selected accounting and management employees working in different Jordanian business environments. The number of questionnaires analyzed were (138) questionnaires. Resolution data were analyzed using the statistical program SPSS. The study concluded that unequal salary scale affects the stability of human resources who are performing equal tasks, and the study also recommended that management should work on bridging the gap of salaries scale and to perform a thorough evaluation of the wages policies before it's adopted by the organization.

Keywords: Salary scale, Human resource turnover, Human resource management

1. Introduction:

Changes in the environment of human resource management are very wide and it plays a crucial role in organizations. These changes include work force diversity, technological changes, globalization, changes in the nature of jobs, organizational culture, conflicts and professional bodies. An organization seeks to create its own environment out of the external environment [1]. The environment, which the organization creates, is called enactment. Enactment implies that the organization creates a relevant environment for itself by aggressively scooping, narrowing and scanning the external environment. In effect the organization creates the environment to which it reacts. It does not react to the entire environment. There is a danger in the enacted environment. An organization may define its environment so narrowly that is likely to ignore significant forces that may affect its fortunes. The positive benefit of an enacted environment is that it makes an organization to become proactive in its approach in dealing with its environment [2]. The organization takes an active and aggressive role in actually defining its environment. On the other hand a reactive approach implies that the organization is not aggressive, but merely reacts to its environment. The paper also focused on the inequality of salary scale which may cause employees turnover. Salaries should reflect employees' performance, educational level, and experience, it also emphasizes monitoring and evaluating employee's performance and threats in the light of a corporation's strength and weakness. Employees' development is a part of overall development in general; it cannot remain unaffected by the turnover phenomena. The organization has to change the beliefs, values, and its structure to accommodate the new ideas, beliefs and new technologies for progress [3].

The successful manager is not always the one who laid brilliant plans, draw clear organization charts, setup modern assembly lines and use sophisticated accounting controls, most managers whether presidents, generals, governors, or supervisors, have been successful even with inadequate plans, organization or controls. They were successful because they had the knack for hiring the right people for the right jobs and motivating, appraising and developing them. In other words, the work force and the company's inability to recruit and maintain a good work force that does constitute the bottleneck for production, and if the company is in shortage of cash, this will not stop good ideas, vigor, and enthusiasm of a good selected, trained labor force that keep in serving the organization and keeps the turnover percentage very low among these employees [4].

An organization's turnover is measured as a percentage rate, which is referred to as its turnover rate. Turnover rate is the percentage of employees in a workforce that leave during a certain period of time. Organizations and industries as a whole measure their turnover rate during a fiscal or calendar year. Employee turnover in organizations has received substantial attention from both academics and managers. Much of this attention has been focused on understanding its causes. Implicit in this approach is the assumption that turnover is driven by certain known characteristics of workers, tasks, firms, and markets, and that, by developing policies to address these characteristics, managers might reduce the occurrence of turnover in their respective organizations [5].

The current research problem focuses on examining the effect of Unequal salary scale on employee's turnover and consequently on companies operating turnover. Employees' turnover is a costly process which needs to be controlled, and in order to control such phenomena managers have to stand on the real reasons behind it.

The importance of the current research study is derived from figuring out whether unequal salary scale is one of the factors that causes employees' turnover and eventually controlling the turnover cost.

The objectives of the current study aim to examine the effect of unequal salary scale on employee's turnover, and then sharing these findings with concerned stakeholders.

2. Literature Review

The management process includes many important functions such as, planning, organizing, staffing leading and controlling. The staffing function is called human resource management function. Human resource management refers to the practices and policies needed to carry out the people or personnel aspects of management job which include recruiting, screening, training, rewarding, and appraising [6].

"Employee turnover is a ratio comparison of the number of employees a company must replace in a given time period to the average number of total employees. A huge concern to most companies, employee turnover is a costly expense especially in lower paying job roles, for which the employee turnover rate is highest. Many factors play a role in the employee turnover rate of any company, and these can stem from both the employer and the employees. Wages, company benefits, employee attendance, and job performance are all factors that play a significant role in employee turnover. Companies take a deep interest in their employee turnover rate because it is a costly part of doing business [7].

Unequal salary scale is one of the factors that affect the internal environment of human resource management, and it's one of reasons which may cause employees' turnover. Turnover may be harmful to a company's productivity if skilled workers are often leaving and the worker population contains a high percentage of novices. Companies will often track turnover internally across departments, divisions, or other demographic groups. Most companies allow managers to terminate employees at any time, for any reason, or for no reason at all, even if the employee is in good standing. Additionally, companies track voluntary turnover more accurately by presenting parting employees with surveys, thus identifying specific reasons as to why they may be choosing to resign. Many organizations have discovered that turnover is reduced significantly when issues affecting employees are addressed immediately and professionally [8].

The topic employee's turnover is widely studied with multiple perspectives and suggested various factors are the causes of turnover of an employee in an organization. Some factors are demographics and some are biographic e.g. financial rewards, work environment, promotion, feeling of employee's self accomplishment and self recognition, over stress of employees etc. No one can deny the fact that demographic variables have constant positive or negative links with turnover ratio like tenure, educational level, age, etc. It was found that turnover and age, tenure and income level have negative relationships [9].

Turnover of employees is one of the challenging issues of modern business because employee is the soul of an organization. With turnover of well trained employees the organization will die. Several organizations have faced this problem and maximum time of high management and directors is consumed over it in order to minimize it to some extent or reduce its negative and damaging impacts on organization. One of these factors is the person-environment fit which is the degree of relevancy between the organization and employees.

It is concerned with the responsibilities of Human resource management to see the compatibility of workforce and business organization [10].

Another factor that affect employees' turnover is technological changes. Technological change will continue to shift employment from some occupations to others while contributing to a rise in productivity. For example changes are taking place in office automation, where personal computers, word processing, and management information systems continue to change the nature of office work. Also telecommunications already makes it relatively easy for many to work at home. Robots are also taking man place especially in the heavy industries [11].

It is proper to manage the turnover of employees by providing them fringe benefits in order to satisfy their needs at both government and Non-government level because both sectors contribute to the economy of the country. Turnover of employee can be controlled when the organization takes some pre-emptive measures like providing job security, long term retirement benefits etc. Controlling and maintaining turnover is very necessary because the rhythm of successful operation cannot face halts and breaks. An employee's perception must be studied before his selection as some researchers revealed that employees' attitude and behavior show how much they will yield to the business firm and how much they will affect the work environment positively or negatively. When workers perceive the working environment to cordial and genial they will stay there for long time [12].

3. Research Methodology

3.1 Study Hypotheses:

- H01: There is no significant relationship between unequal salary scale and employees 'turnover.
- H02: There is no significant relationship between equal salary scale and employees 'turnover.

3.2 Research Method:

The research was carried out by primary data, collected by using a structured questionnaire, carried from a combination of Jahmani and Al-Omari (2003), and Hijazi and Ma'alem (2012) studies that were implied on other sectors, and the data was analyzed by using SPSS software. The first part of the questionnaire contained the demographic factors which were education, working position, experience. While the second part measured the relationship between unequal salaries scale and employees turnover.

The scale of measuring was Likert type (five-point scale), and answers were ranged between highly agree, agree, somewhat agree, disagree, and highly disagree.

The reliability test was applied to examine the internal consistency of the research instrument. The Cronbachs' alpha coefficient was (.81) which confirms the reliability of the questionnaire.

3.3 Research Population and Sample:

A questionnaire has been designed for this purpose, and it was distributed to selected accounting and management employees working in different Jordanian business environments. The total questionnaires distributed were 150 questionnaires. The number of retrieved and valid questionnaires for analysis were (138) questionnaires. Resolved data were analyzed using the statistical program SPSS. Table (1) illustrates these results.

Table (1):	Items	No.	Percentages
	Questionnaires Distributed	150	100%
	Questionnaires recovered	138	92%

Data Analysis of the demographic characteristics of the respondents were illustrated in the following table (2).

Table (2), illustrates the demographic characteristics distribution of the study sample.

Table(2): Variable	Group	Frequencies	%
Sex	Male	110	80
	Female	28	20
Total		138	100%
Age	Less than 25 years	38	27
	From 25 years—35 years	63	46
	More than 35 years—45 years	22	16
	More than 45 years	15	11
Total		138	100%
Professional Certificate	JCPA	4	3
	Master Degree	3	2
	Accounting Degree	131	95
Total		138	100%
Job Title	Head of Department	15	11
	Officer	36	26
	Accounting Clark	87	63
Total		138	100%
Experiences	Less than 5 years	29	21
	From 5 years – 10 years	48	35
	More than 10 years – 15 years	35	25
	More than 15 years	26	19
Total		138	100%

3.4 Data Analysis:

The descriptive and analytical statistical techniques were applied in the analysis by using mean, standard deviation, percentage and frequency. Also t-test was applied to test the study hypotheses

3.5 Hypothesis Testing:

H01: There is no significant relationship between unequal salary scale and employees 'turnover.

One sample t-test was used to test our hypothesis. results shows that calculated $t = 25.302$, which is higher than tabulated $t=1.632$. According to our decision rule : Accept H_0 if calculated value is less than tabulated value and reject H_0 if calculated value is higher than tabulated value . So we will reject H_0 , so that means unequal salary scale affect employees 'turnover.

.H02: There is no significant relationship between equal salary scale and employees 'turnover.

One sample t-test was used to test hypothesis (#2). results shows that (calculated $t = 1.911$), which is greater than tabulated $t=27.842$. According to our decision rule : Accept H_0 if calculated value is less than tabulated value and reject H_0 if calculated value is greater than tabulated value . So we will accept H_0 , so that means equal salary scale does not affect employees 'turnover.

4. Conclusions & Recommendations

- unequal salary scale affects the stability of human resources who are performing equal tasks.
- Equal salary scale reduces employees' turnover.
- Employers who offer competitive salaries along with good benefits, will most likely retain their employees. Also the opportunity for advancement and promotions will also help. Most employees want a job that they can eventually advance in.

The study also recommended that:

- Management should work on bridging the gap of salaries scale and to perform a thorough evaluation of the wages policies before it's adopted by the organization.
- Management should work on developing incentives policies that retain employees and insure job security.
- Management should work on enhancing job values such job commitment, devotion, and mutual respect.

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