Impact of compensation package on job attrition: A study on teaching professionals

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Abstract: This study seeks to describe the impact of compensation package on employees' job attrition. Data from a representative sample of North province secondary school teachers from Maldives (n = 206) were gathered through questionnaires. Multiple and Hierarchical multiple regression analysis were used in this research. This study found significant impacts of some of the components such as intrinsic compensation package on teachers' attrition. Also found that teachers' attrition can be minimized if schools put more emphasis on teachers' intrinsic benefit such as instructional supervision and promotion. Though extrinsic benefits such as salary, merit pay, increment and overtime pay have impact on teachers' attrition, it is not significant. This study will benefit the policy makers to find the ways of employees' attrition especially in the countries where attrition is high as much as 11% in Maldives.

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Key words: Intrinsic compensation, extrinsic compensation, motivation, Job attrition

1.1 Introduction

Teachers' attrition has been the vital issue in secondary schools of Maldives. It has been noticed that many teachers who have been working in the schools change the profession every year, and also it is reported that there is a significant number of novice teachers who resist working in the field after completing teacher training from the government sponsored training programs (Murail, 2011). Besides, it is also reported that in February 2011, the parents of Kunnundho School in the Upper North Province of Maldives closed the school and demanded for teachers and a local principal. Subsequently on March, the parents of Madavi School in the South Central Province of Maldives also closed the school to get the attention of the ministry of education on an issue concerned with lack of quality teachers. Much recently, after few weeks, the parents of Dhadehoo also closed their school for the same reasons (Shifleet, 2011). Moreover, statistics of North Education Office shows that the attrition rate of the public schools in the province in last year was about 7% (Nasheed, 2011).

Teachers motivation towards teaching and their performance in the classroom has a substantial impact on students' performance in learning (Wheatcroft, 2005). Similarly, from research on understanding the relationship of teachers' motivation at work, it is found that intrinsic and extrinsic motivations correlate with teachers' jobs satisfaction, attrition and performance. A study conducted in Pakistan to understand the factors that affect teachers' motivation have been found a significant correlation with pay, promotion, working condition and the teacher characteristics (Khan, 2005).

Thus, to get the best performances of the teachers in the classroom and in the school activities, establishment and implementation of an effective compensation system based on intrinsic and extrinsic factors is an important part of school management (Mondy, 2010). In this perspective, one of the recent and also the most important decisions taken by the government of Maldives with regard to teachers' motivation is the compensation reform brought in February 2009 (Ministry of Education, 2009).

Therefore, it is important to look into the details of the compensation system in terms of what are the needs of the teachers that are considered in the compensation system and how it is practiced to meet the teachers' needs. According to Reboire (2009) the compensation system is the total reward system of the school that is based on the intrinsic and extrinsic compensations. The intrinsic compensation system is based on the intrinsic motivation factors, and hence it contains the working environment, training and development, professional growth, supervision, communication pattern of the school, participation in decision making, the responsibility, accountability, autonomy and core-workers. It is normally believed that these rewards influence the intrinsic motivation and the teachers get these rewards from doing the job (Reboire, 2009, Dessler, 2011). Most of these intrinsic facilities exist in Maldivian secondary schools.

In addition to the fulfilment of intrinsic needs of the teachers, the accomplishments of the extrinsic needs are also important for teachers' motivation. Extrinsic needs are of two types-direct and indirect. Thus direct extrinsic needs of the compensation system contains the direct financial benefits such as wages, salaries and allowances that are crucial for teachers extrinsic motivation (Reboire, 2009; Dessler, 2011).

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