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RESEARCH ARTICLE

THE ROLE OF COMPENSATION IN EMPLOYEE RETENTION: EVIDENCE FROM PHNOM PENH'S PRIVATE COMPANIES

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ABSTRACT

This research seeks to explore how current compensation practices in Phnom Penh's private companies affect employee retention. It aims to identify the main compensation-related reasons for employees leaving their jobs and proposes recommendations for improving employee retention through enhanced compensation practices. Using quantitative and qualitative research designs used, a mixed-methods approach was employed to collect and analyze data from the employees of private companies in Phnom Penh Capital City, Cambodia. In this cross-section of research design, data were collected at one time and for a duration of two months from a total of 335 respondents, selected through convenience sampling. The data was collected through an online survey questionnaire sent across various social media and individual and group messaging platforms to employees. Multiple response analysis and descriptive statistics were used in the data analysis to summarize and interpret the data. Inferential statistics, including Chi-square test, were used to determine if there is a significant relationship between two categorical variables. Regression analysis was also used in this study to estimate the relationships among selected variables. Narrative summaries were also written to provide an overview of the main patterns and trends in the data and to highlight the key findings. The study finds that 92.24% of the sample have considered leaving their current company due to compensation-related reasons such as low salary, lack of health and welfare benefits, no retirement benefits, inadequate seniority pay, lack of paid time off, inadequate overtime pay, lack of performance-based incentives and insufficient National Social Security Funds (NSSF). Based on the employee feedback, high and competitive salary, comprehensive health and welfare benefits, secure and solid retirement benefits, flexible and ample paid time off, fair overtime pay, fair performance-based incentives, rewarding seniority pay and safe and reliable NSSF are the key drivers of employee retention in private companies in Phnom Penh, the capital city of Cambodia. The study also suggests that the length of service at a company significantly influences employees' perceptions of the competitiveness of their compensation packages. The study further found that employee retention is positively affected by the compensation package, fairness of the compensation system, level of compensation, and compensation enhancement. Employees prefer frequent review and update of their compensation packages. It was observed that when companies make significant improvements to their compensation packages, employees stay longer with the company. The study recommends that companies should have clear compensation policies, follow government policies by providing all mandated benefits, understand employee needs through regular feedback, design balanced packages, ensure fair compensation structure, and make improvements based on feedback. Government should enforce regulations for company compliance with compensation policies, conduct audits and provide platform for employee reports. Employees should know compensation details, raise issues if there's discrepancy and actively negotiate compensation.

KEYWORDS

Compensation, Employee retention, Private companies, Cambodia, Phnom Penh

1. INTRODUCTION

Retaining employees is crucial for the viability and profitability of a company. Companies invest so much in recruiting and training employees and it's important to retain them to get return of investment. Compensation is one of the key factor that affects employee retention. According to 'Business Leadership Today' employees always change jobs due to compensation and although other factors are contributing to the rise of turnover these days, compensation including salary and benefits is still the main factor. Furthermore, workers are savvy when it comes to pay and benefits in today's competitive job market. Leader should consider the importance of compensation when deciding whether or not

they will retain talented employees. Therefore, Compensation is important for employee retention because it helps companies avoid the high costs associated with turnover. Competitive compensation packages also help organizations attract and keep top talent and can lead to greater employee satisfaction, making it more likely employees will stay (Tenney, 2023).

Ensuring fair and competitive compensation for employees is a vital strategy for organizations aiming to attract and retain key talent. However, retaining skilled professionals presents considerable challenges, especially in emerging markets such as Cambodia, where talent competition is fierce and the capacity to provide competitive salaries and

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benefits is frequently limited. Private enterprises in Cambodia encounter substantial difficulties in maintaining their workforce of skilled employees. The 'HRINC Consulting Annual Compensation Surveys' revealed that the average employee turnover rate in large Cambodian companies is approximately 19 percent. This suggests that high turnover rates could result in lower employee retention. For private firms in Cambodia, employee retention and HR management pose substantial challenges. Compensation planning is a complex area for HR experts in Cambodia, necessitating a comprehensive set of skills and knowledge.

The primary reasons for employees in Cambodia choosing to leave their companies include receiving a more attractive salary and compensation package elsewhere, transitioning to another company within the same industry, and being offered a higher position that their current company could not match (Socheata and Keorachana, n.d). A significant number of employees express dissatisfaction with the compensation provided by their employers, prompting them to pursue more favorable employment opportunities elsewhere. This discontent frequently arises from organizations offering compensation packages that are neither equitable nor competitive, failing to reflect market standards or meet the expectations of their workforce. Thus, it is essential to understand how compensation affects employee retention within private companies in Cambodia, particularly in Phnom Penh Capital City to implement effective strategies to retain employees. Despite these challenges and the complex nature of the compensation landscape, this research aims to delve into various aspects of compensation and examine their impact on employee retention.

1.1 Problem Statement

In Cambodia, private firms are struggling with the challenge of retaining employees, largely because of the compensation provided. Insufficient pay and benefits packages have resulted in losing of key employee, which can harm a company's performance and image. While there are many reasons why employees leave their jobs, dissatisfaction with their compensation package is one of the most common. Nevertheless, there is a lack of research investigating how compensation affects employee retention within private companies in Phnom Penh Capital City, Cambodia. This research gap needs to be addressed to better understand and tackle the issue of employee retention.

1.2 Research Questions

- What is the impact of the compensation practices used by private companies in Phnom Penh, Cambodia, on retaining employees?
- What are the main compensation-related reasons for employees leaving their current job in private companies in Phnom Penh Capital City, Cambodia?
- In what ways can private companies in Phnom Penh Capital City, Cambodia improve employee retention through compensation based on employee feedback?

1.3 Research Objectives

- To examine how the compensation practices of private companies in Phnom Penh, Cambodia impact employee retention, from the perspective of the employees.
- To identify the main compensation-related reasons for employees leaving their current job within private companies in Phnom Penh Capital City, Cambodia.
- To propose recommendations for private companies in Phnom Penh Capital City, Cambodia, to improve employee retention through compensation in response to employee demands.

1.4 Significance of Research

This research has significant impacts for both companies and employees in Phnom Penh Capital City, Cambodia, and may also be beneficial to companies and employees that are in other areas of the country. Understanding how compensation practices affect employee retention can help companies develop effective strategies to attract and retain top talent. Employees can also use the findings of this research to negotiate for better compensation packages and benefits. Moreover, this research can inform government policy. By understanding how private companies in Cambodia, especially in Phnom Penh, the capital city, implement employee compensation policies, the government can ensure that these practices align with national policy.

2. LITERATURE REVIEW

2.1 Compensation

Compensation encompasses all monetary rewards that employees earn in return for their labor from an employer. This includes their regular salary, bonuses, benefits, and various other incentives (Kishore et al., 2014). According to a study showed that five factors that are important to measure employee satisfaction with compensation, namely compensation structure or administration, pay level, organizational justice, pay raise, benefits, and pay equity (Rahman and Singh, 2019). There is a statistically significant positive relationship between employee monetary compensation and job satisfaction. The authors suggested that higher levels of pay can contribute to increased job satisfaction among employees (Watkins and Fusch, 2022).

Employee compensation encompasses various components such as salary, benefits, bonuses, and additional perks provided to employees for their work. Studies have shown that executive compensation in state-owned monopoly industries is influenced by factors like firm performance, size, and governance structures, while fair income distribution mechanisms can mitigate management power influence. Adequate compensation positively impacts employee performance and retention, with retention mediating the relationship between compensation and performance, emphasizing the importance of competitive salaries, rewards, and retention programs to attract and retain talented individuals and enhance overall workforce productivity (Sorn et al., 2023).

Compensation is divided into two types, namely direct compensation and indirect compensation. Direct compensation refers to monetary payments made to employees in exchange for their labor or accomplishments, including base salaries, wages, commissions, bonuses, and overtime. Mainly, direct compensation includes a fixed reward (like base salary) and can also involve short-term and long-term incentives (like overtime and bonuses). In any other non-cash benefit (with indirect monetary value) is considered indirect compensation that involves insurance (health, dental, vision, etc.), paid leave (vacations, holidays, sick days, etc.), retirement contributions, student loan repayment assistance, tuition support, career development programs, and workplace refreshments. In this definition, writer also talked about non-financial compensation, which has no monetary value at all that contains work-life programs, company volunteerism, corporate commitments to a better society (Glizel, 2021).

2.2 Employee Retention

Employee retention refers to the percentage of employees that a company is able to retain. While "retention" is often used in discussions about employee turnover, they are not exactly the same. Retention focuses on increasing the satisfaction of existing employees by providing opportunities for advancement, challenges, and rewards such as bonuses and pay that motivate the most talented employees to stay with the company. Conversely, turnover is a natural part of any business, resulting from a variety of factors, both involuntary and voluntary (Ruth, 2017). According to a study, researchers has emphasized the importance of different HRM techniques for retaining employees. One of those practices is rewards and compensation (Reyes and Landicho, 2022). Rewards and compensation are essential for motivating employees and recognizing their contributions to the organization. Providing competitive salaries, bonuses, and other benefits can help retain employees and reduce turnover. The research conducted by a group researcher revealed that employees leave their workplaces due to various reasons such as job stress, job satisfaction, job security, work environment, motivation, wages, and rewards (Al-Suraihi et al., 2021). Employee turnover has a significant impact on an organization, leading to costs associated with employee turnover and negatively impacting productivity, sustainability, competitiveness, and profitability. The paper suggested that organizations must understand the needs of their employees to adopt certain strategies to improve employee performance and reduce turnover. The paper also provided several employee retention strategies such as good management systems, provision of training, job involvement, job satisfaction, provision of rewards and benefits, high job engagement, good management systems, and high employee participation.

2.3 Insights into Cambodian Compensation Systems

According to a study, the compensation practices in Cambodia are as follows (Sorn et al., 2024):

Table 1: Overview of Compensation Practices in Cambodia

Compensation Type	Description
Standard Work Hours	Typically, 48 hours per week, spread over six days, with each day comprising eight hours.
Overtime Pay	Employees are entitled to overtime pay at 1.5 times their regular hourly wage for any work beyond the standard work hours. This rate doubles to 2 times the regular wage for overtime work performed at night, on Sundays, or holidays.
Annual Leave	Employees accrue 1.5 days of annual leave per month of service.
Maternity Leave	Women who have been with a company for a minimum of a year are eligible for 90 days of paid maternity leave.
Breastfeeding Breaks	Mothers who breastfeed are entitled to an hour per day, which can be split into two 30-minute periods.
Sick Leave	Companies are required to establish policies for paid sick leave, validated by certification from authorized doctors.
Seniority Payment	All employees under an Unlimited Duration Contract (UDC) are eligible for ongoing seniority payments. These payments equate to 15 days of the employee's wages and other benefits annually.

2.4 Factors Affecting Employee Retention

An investigation utilizing the Delphi Method to identify factors influencing employee retention in Cambodia's private companies revealed a consensus among experts on five key factors. These include: compensation; opportunities for advancement and growth; the working environment; employee training and development; and the balance between work and personal life. The study further indicated that by prioritizing these five areas, private companies in Cambodia could enhance their employee retention rates. This could involve strategies such as offering competitive pay structures, fostering opportunities for internal progression, cultivating a positive workplace atmosphere, investing in employee skill development, and promoting a healthy work-life equilibrium (Macaraig et al., 2023). A Study on Determining Factors of Employee Retention was the identification of various factors that contribute to employee retention, including developmental opportunities, quality supervision, compensation, appreciation of work done, provision of challenging work, promotion and development chances, attractive atmosphere within the organization, relationships with colleagues, work-life balance, communication, and supervision. The paper emphasized the importance of understanding these factors in order to attract and retain valuable employees in an organization (Kossivi et al., 2016). Human resource management practices have a significant effect on employee retention in IBM Corporation. The study revealed that rather than being used as stand-alone strategies, wage increases, hourly rates, and training programs should be designed to increase employee retention. Additionally, extended years of work experience, promotion opportunities and supervisory relations were identified as factors with positive impacts on employee retention (Okbagaber, 2019).

2.5 Compensation affects employee retention

A case study of private companies in Cambodia. The results of the study showed that job satisfaction is driven by compensation and work-life

balance, which were the most influencing factors that make private employees stay in a company. Work environment, promotion, opportunity and growth; and training and development were found to be the least significant factors affecting employee retention. These findings suggested that private companies in Cambodia should focus on providing competitive compensation packages and promoting work-life balance in order to retain their employees (Macaraig et al., 2023). Compensation and organizational commitment have a positive and significant effect on employee satisfaction and retention. Specifically, the study found that compensation has a positive and significant effect on employee job satisfaction and retention, while organizational commitment has a positive and significant effect on employee retention. The study also found that job satisfaction mediates the relationship between compensation and employee retention. The authors suggested organizations should prioritize strategies to improve both compensation and organizational commitment to increase employee retention (Komang et al., 2021). There is a significant relationship between compensation packages and employee retention, as well as between job satisfaction and employee retention. The more an employee is rewarded or compensated, the longer they remain in an organization, and the more satisfied they are with their job, the longer they remain in the organization (Michael et al., 2016).

2.6 Hypothesis Development

H1: The compensation package significantly influences an employee's decision to stay with the company.

H2: A fair system for determining employee compensation is crucial for employee retention.

H3: Compensation is a key determinant in retaining employees in the company.

H4: Enhancements to the compensation package would make an employee more likely to stay

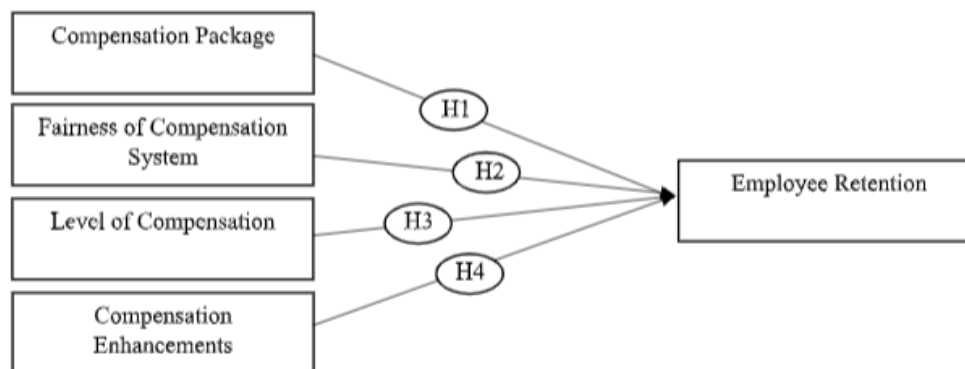


Figure 1: Conceptual Framework of Compensation and Employee Retention

3. METHODOLOGY

3.1 Research Design

Data was gathered and examined from private company employees in Phnom Penh Capital City, Cambodia using both qualitative and

quantitative research methods for this study. The research was conducted once, during the study period, and was based on a cross-sectional approach, aiming to collect data from a selected group of employees.

3.2 Sample Selection

The initial target for the number of participants in this study was set at

350, depending on whether the employees are ready and agree to take part in the survey. Nonetheless, the research received valid responses from a total of 335 respondents. The selection of participants was done through a convenience sampling technique, a type of non-probability sampling method commonly used in research. In this method, participants are selected based on their availability and ease of access to the researcher. Using this sampling strategy, the researcher selects subjects who are convenient to contact. Convenience sampling selects participants based on who would be most convenient for the researcher to interact with, as instead of selecting participants at random from a given group (Nikolopoulou, 2023; Simkus, 2023; Fleetwood, 2018). In this study, the convenience sampling was made up of employees who are presently employed in private companies in Phnom Penh, the capital city of Cambodia. These employees were asked to participate in the survey on a voluntary basis.

3.3 Data Sources

In this study, primary data was gathered through a survey aimed at employees of private companies in Phnom Penh, Cambodia’s capital city. This survey was carried out using an online questionnaire, which was distributed via multiple platforms such as social media and messaging platforms, both individual and group, inviting employees to take part. In addition to this, secondary data was obtained from a variety of sources including scholarly articles, reports, official websites, and other relevant online resources.

3.4 Data Collection

The procedure for data collection in this study included an online questionnaire survey. The questionnaire was created using Google Forms and was provided in both Khmer, Cambodia’s official language, and English, a foreign language widely used in Cambodia. The survey link was distributed to participants via social media and various messaging platforms, both individual and group. The survey was accessible online for a duration of two months. Participants who hadn’t responded by the end of the second and fourth weeks were sent reminders. The survey questionnaire contained a combination of open-ended and closed-ended questions to gather both qualitative and quantitative data. As mentioned in the “Sample Collection” section, this research initially targeted 350 participants. However, of these, a total of 335 respondents successfully submitted and returned their responses, resulting in a questionnaire recovery rate of approximately 95.7%. This high response rate suggests that the findings of this research are based on a representative sample of

the target population.

3.5 Data Analysis

The data gathered was examined using the IBM Statistical Package for Social Sciences 27.0.1 (SPSS), a statistical software. The primary focus of the study was on the application of descriptive statistics, a branch of statistics that involves organizing, summarizing, and presenting data in an informative way (Kaur et al., 2018). In addition to using descriptive statistics, Inferential statistics enable researchers to determine if the patterns observed in a sample are likely to be found in the larger population. This branch of statistics includes methods like the Chi-square test, which is used to ascertain if there’s a significant relationship between two categorical variables (Jansen and Warren, 2023). This research also employed regression analysis for estimating the relationship among selected variables. Moreover, multiple response analysis was conducted for questions that allowed respondents to choose more than one answer. This analysis was used to understand the patterns and trends within the various responses. It aided in identifying common trends and patterns across multiple variables, providing a more comprehensive understanding of the data.

3.6 Research Limitations and Delimitations

This research, with its focus on private companies in Phnom Penh, Cambodia, may not fully reflect the country’s entire business environment. The data collection process, which involved an online survey, could be subject to certain biases and limitations. The study’s reliance on the readiness and consent of employees to participate, combined with the use of convenience sampling, might have influenced the sample size and the representativeness of the results. It’s also crucial to note that the research was carried out over a specific timeframe. Any events or changes that occurred during this period could have affected the participants’ responses, adding another dimension of complexity to the findings. The study’s use of convenience sampling to select employees who were readily available and willing to participate in the survey was a practical decision to manage the research scope. However, these choices might limit the broader applicability of the results.

4. RESULTS AND DISCUSSIONS

The research examined four demographic factors: gender, age group, qualification, and length of employment. The results derived from the participants’ demographic data are displayed in Table 2.

Table 2: Demographic data of respondents

Options	Frequency	Proportion (Percentage)
Question 1: Gender		
Female	166	49.55%
Male	161	48.06%
Prefer not to say	8	2.39%
Total	335	
Question 2: Age		
Under 25	125	37.31%
25-35	186	55.52%
36-50	24	7.17%
51 and above	0	0.00%
Total	335	
Question 3: Qualification		
High school diploma or equivalent	17	5.07%
Associate degree	14	4.18%
Bachelor’s degree	254	75.82%
Master’s degree	49	14.63%
Doctorate	1	0.30%
Postdoctoral	0	0.00%
Total	335	
Question 4: Length of employment		
Less than 1 year	35	10.45%
1-2 years	128	38.21%
3-5 years	116	34.63%
6-10 years	45	13.43%
More than 10 years	11	3.28%
Total	335	

4.1 Employee Perceptions and Experiences of Compensation Practices Affecting Employee Retention

According to a study, authors revealed that the majority of employees (95.82% of the sample) received their compensation as a salary (Sorn et al., 2024). Other significant forms of compensation included paid time off, such as sick leave, holiday leave, and annual leave, which were chosen by 85.37%, 80.60%, and 79.10% of the sample respectively. Overtime pay and seniority pay were also prevalent, each chosen by approximately half of the sample. The National Social Security Fund was selected by 57.61% of the sample. Retirement benefits, bonuses, performance-based incentives, and life insurance were also part of the compensation for many employees, providing both immediate rewards and long-term security. Flexible leave options, such as casual leave, bereavement leave, maternity leave, and paternity leave, were chosen by a smaller percentage of the sample, but still played a role in balancing work and personal life.

The least common forms of compensation were eye care and dental health. Some employees also specified "Mental Support" and "Certificate Reward" as forms of compensation, which were then categorized separately for analysis. Despite being less common, these forms of compensation were still important for employee well-being and recognition. The paper further demonstrated that while a majority (46.57%) of the respondents were satisfied with their compensation package, a significant number (39.10%) remained neutral. A smaller but still noteworthy group expressed dissatisfaction (8.36%) or extreme dissatisfaction (1.19%), and only a small fraction (4.78%) reported being very satisfied. These results highlight a potential risk for the company, as nearly half of the respondents showed neutral or negative sentiments towards their compensation, which could lead to employee turnover. The high percentage of neutral responses could indicate uncertainty or ambivalence about the compensation package, suggesting these employees could become either satisfied or dissatisfied in the future.

		Do you believe your current compensation package is competitive compared to other private companies in Phnom Penh Capital City, Cambodia?			Total
		Yes	No	Not Sure	
How long have you been working at your current company?	Less than 1 year	3	8	24	35
	1-2 years	26	21	81	128
	3-5 years	28	17	71	116
	6-10 years	24	3	18	45
	More than 10 years	9	0	2	11
Total		90	49	196	335

The cross tabulation of "Do you believe your current compensation package is competitive compared to that of other private companies in Phnom Penh, the capital city of Cambodia?" demonstrated that although some employees say their compensation package is competitive, the majority are unsure whether their package is competitive or not, and some still answer no to this question. To further explore this topic, we introduce and test an additional hypothesis, Hypothesis 5 (H5), which is distinct from the initial four hypotheses. This hypothesis aims to provide a more

precise understanding of the relationship between two variables identified during the analysis. The Chi-Square Test will be employed to analyze the data. Unlike the initial hypotheses developed in the Hypothesis Development section, Hypothesis 5 was formulated during the analysis phase to address and clarify this newly observed relationship:

H5: There is an association between the length of service at the company and the perception of the competitiveness of the compensation package.

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	43.223 ^a	8	<.001
Likelihood Ratio	41.251	8	<.001
Linear-by-Linear Association	24.695	1	<.001
N of Valid Cases	335		

a. 2 cells (13.3%) have expected count less than 5. The minimum expected count is 1.61.

The Pearson Chi-Square value was found to be 43.223 with 8 degrees of freedom, and the associated p-value was less than 0.001. This indicates a highly significant association between these two variables. The Likelihood Ratio was also calculated to be 41.251 with 8 degrees of freedom, further confirming the significance of the association. The Linear-by-Linear Association test, which checks for an ordinal association between the two variables, also indicated a significant association with a value of 24.695 and 1 degree of freedom. Therefore, the hypothesis was accepted,

suggesting that the length of service at the company significantly influences employees' perceptions of the competitiveness of their compensation package.

4.2 Identifying Compensation-Related Reasons for Employee leaving their current job in private companies in Phnom Penh Capital City, Cambodia

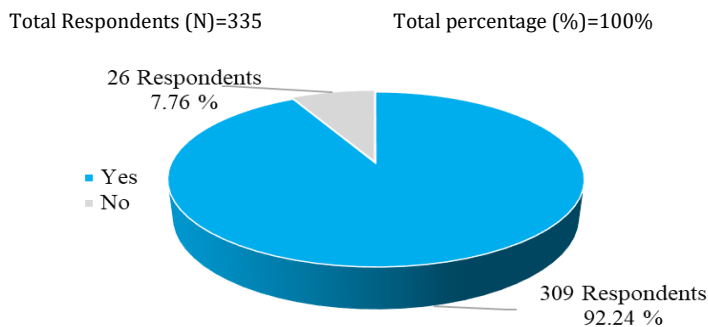


Figure 2: Have employee ever considered leaving their current company due to their compensation package?

A significant majority of respondents, 92.24% (309 individuals), answered "Yes", indicating that they have considered leaving their current company due to their compensation package. On the other hand, a small portion of

respondents, 7.76% (or 26 individuals), answered "No", indicating that they have not considered leaving their current company due to their compensation package. This data reveals a significant issue for the

company. The fact that a significant majority of employees have considered leaving due to their compensation packages indicates a

potential issue with employee retention. It is crucial for the company to promptly address this concern.

Table 5: Compensation-Related Reasons for Employee leaving their current job in private companies in Phnom Penh Capital City, Cambodia

Multiple Response Analysis			
Compensation-Related Reasons	Responses		Percent of Cases
	Sample (N)	Percent	
Low Salary	269	23.41 %	80.30 %
Inadequate Overtime Pay	55	4.79 %	16.42 %
Lack of Performance-based incentives	68	5.92 %	20.30 %
Inadequate Seniority Pay	104	9.05 %	31.04 %
Infrequent Bonuses and unfair distribution of bonuses	50	4.35 %	14.93 %
Lack of Paid time off	97	8.44 %	28.96 %
Insufficient National Social Security Funds (NSSF) or Limited Coverage	77	6.70 %	22.99 %
Inadequate health and Welfare benefits	193	16.80 %	57.61 %
Inadequate retirement benefits	108	9.40 %	32.24 %
No retirement benefits	125	10.88 %	37.31 %
Other: The entire compensation policy is unsatisfactory	2	0.17 %	0.60 %
Other: Compensation inequity	1	0.09 %	0.30 %
Total	1149	100.00 %	342.99 %

The provided data offers a detailed frequency distribution of various compensation-related reasons. With 1149 responses from a sample of 335, it's clear that respondents had the opportunity to select multiple reasons, resulting in multiple responses per individual. The data reveals that employees in private companies in Phnom Penh, Cambodia, have various reasons for considering leaving their jobs due to compensation issues. The most common reason, cited by 269 respondents (80.30% of cases), was a low salary. Inadequate health and welfare benefits were the next most common reason, mentioned by 193 respondents (57.61% of cases). Insufficient retirement benefits were also a significant factor, noted by 125 respondents (37.31% of cases). Other notable factors included inadequate seniority pay, lack of paid time off, and insufficient social security funds. Employees also expressed dissatisfaction with the company's leave policies, including annual leave, holiday leave, sick leave, and casual leave. Less common but still significant reasons included lack of performance-based incentives, inadequate overtime pay, infrequent bonuses, and unfair bonus distribution. Some employees also reported concerns about their salaries being reduced without valid reasons and pay raises not matching the market rate or their responsibilities. Although these issues were not widespread, they still contributed to employee turnover and indicated a level of dissatisfaction with the company's compensation policy.

In term of discussion, while salary is the most significant factor, other aspects of compensation such as health and welfare benefits, retirement

benefits, seniority pay, paid time off, NSSF, performance-based incentives, and overtime pay also play a significant role. Furthermore, the data underscores the importance of transparency and fairness in compensation policies. Infrequent bonuses and perceived unfair distribution of bonuses, as well as perceived compensation inequity, although less frequently cited, are still factors that contribute to employee retention problem. For this reason, companies should also focus on ensuring that their compensation policies are not only competitive but also perceived as fair by their employees. In light of these findings, it is recommended that companies review their compensation packages regularly to ensure they remain competitive and align with employee expectations.

This could involve conducting regular employee surveys to gauge satisfaction levels and identify areas for improvement. Companies could also consider implementing transparent compensation policies, where employees are clearly informed about how their compensation is calculated and how bonuses are distributed. This could help to alleviate perceptions of unfairness and improve overall job satisfaction. Moreover, the data suggests that companies should not overlook the importance of non-monetary benefits such as health and welfare benefits, retirement benefits, and paid time off. These benefits can significantly contribute to job satisfaction and employee retention. Therefore, companies should strive to offer comprehensive benefits packages that fulfill to the diverse needs of their employees.

4.3 Recommended Compensation Package Modifications for Enhanced Employee Retention based on employee feedback within private companies in Phnom Penh Capital City, Cambodia

Table 6: Employee-Recommended Compensation Package Modifications for Enhanced Employee Retention based on Employee Feedback

Multiple Response Analysis			
Recommended Compensation Package	Responses		Percent of Cases
	Sample (N)	Percent	
High and competitive salary	289	22.53 %	86.27 %
Equitable overtime pays	93	7.25 %	27.76 %
Fair Performance-based incentives	102	7.95 %	30.45 %
Rewarding Seniority Pay	115	8.96 %	34.33 %
Generous Bonuses Program	59	4.60 %	17.61 %
Flexible and ample paid time off	104	8.11 %	31.04 %
Safe and reliable national social security fund	90	7.01 %	26.87 %
Comprehensive health and welfare benefits	210	16.37 %	62.69 %
Secure and solid retirement benefits	217	16.90 %	64.77 %
Other: Team building activities and parties	2	0.16 %	0.60 %

Table 6 (cont): Employee-Recommended Compensation Package Modifications for Enhanced Employee Retention based on Employee Feedback			
Other: Expense Reimbursement (Sim cards, travel, meals, accommodation)	2	0.16 %	0.60 %
Total	1283	100.00 %	382.99 %

The most favored compensation is a High and Competitive Salary, chosen by 289 respondents (22.53% of responses, 86.27% of cases), indicating that employees prioritize competitive salaries. Secure and Solid Retirement Benefits were selected by 217 respondents (16.90% of responses, 64.77% of cases), suggesting employees value long-term financial stability. Comprehensive Health and Welfare Benefits were chosen by 210 respondents (16.37% of responses, 62.69% of cases), showing employees' concern for health and well-being. Rewarding Seniority Pay was picked by 115 respondents (8.96% of responses, 34.33% cases), indicating employees appreciate loyalty recognition. Flexible and Ample Paid Time Off was chosen by 104 respondents (8.11% of responses, 31.04% cases), reflecting the importance of work-life balance. Equitable Overtime Pay was selected by 93 respondents (7.25% of responses, 27.76% of cases), highlighting the need for fair compensation for extra work hours.

Fair Performance-Based Incentives were chosen by 102 respondents (7.95% of responses, 30.45% of cases), showing employees value performance rewards. Safe and Reliable National Social Security Fund was selected by 90 respondents (7.01% of responses, 26.87% of cases), indicating the importance of contributions to a government-managed social security program. Generous Bonus Program was chosen by 59

respondents (4.60% of responses, 17.61% of cases), suggesting employees appreciate additional performance-based compensation. The least favored forms of compensation were Team Building Activities and Parties, and Expense Reimbursements, each chosen by 2 respondents (0.16% of total responses, 0.60% of cases). In the 'Other' section, employees expressed their views on pay raises, emphasizing the need for competitive increments and opposing salary cuts without valid reasons.

They suggested focusing on employee motivation to boost productivity. Employees value a salary that reflects their skills and contributions, long-term financial security, health coverage, compensation for extra work, rewards for performance and loyalty, and contributions to a government-managed social security program. However, team building activities, parties, and expense reimbursements are less favored. Despite this, these benefits can enhance the work environment and cover work-related costs. Employees also emphasize the need for a competitive pay raise rate, oppose unjust salary cuts, and suggest focusing on motivation to boost productivity. While the preferred forms of compensation are crucial for retention, a balanced approach considering all compensation types could be most effective. Companies should use these insights to design appealing compensation packages that align with employee preferences.

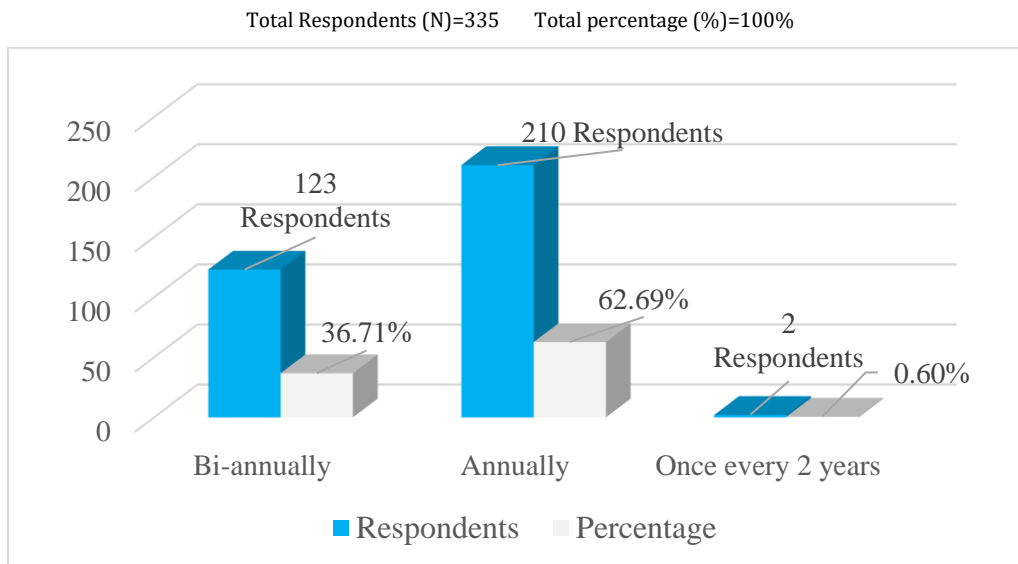


Figure 3: Employees' opinion, how often should compensation packages be reviewed and updated in their current company?

A majority of respondents, 210 (62.69%), advocate for annual reviews and updates of compensation packages. This suggests these employees' value regular adjustments to ensure their compensation remains competitive and aligns with their evolving roles and responsibilities. A significant portion, 123 respondents (36.71%), prefer bi-annual reviews and updates. This could mean they prefer more frequent adjustments, possibly because they value regular feedback, timely recognition of their efforts. A small

fraction of respondents, only 2 (0.60%), favor reviews and updates every two years. This could imply these employees are satisfied with infrequent compensation package updates. These findings offer valuable guidance for HR policies on the frequency of compensation package reviews and updates. By aligning the review and update frequency with employee expectations, companies can enhance job satisfaction, improve retention, and foster a more engaged and motivated workforce.

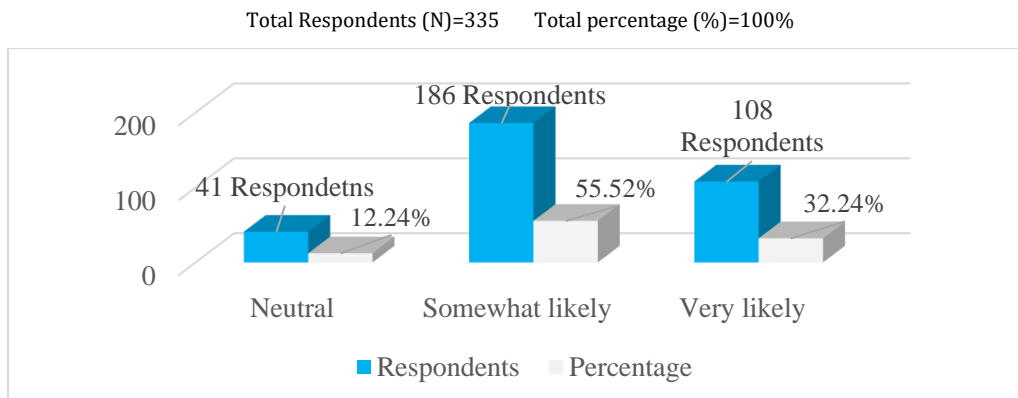


Figure 4: How likely would employee be to stay with their current company if the company made significant improvements to employees' compensation package?

The majority of respondents, 186 (55.52%), indicated they are somewhat likely to stay if there were improvements in the compensation package. As a result, these employees are hopeful about staying if their compensation is improved. A significant number of respondents, 108 (32.24%), expressed they are very likely to stay under improved compensation conditions. This group of employees strongly desires to stay if the company improves their compensation packages, indicating that they highly value their compensation. However, if the company fails to meet these expectations, there is a risk of losing these highly motivated employees to competitors offering better compensation. A small group of 41 respondents (12.24%) were neutral about staying. This suggests that these employees may be indifferent about staying or leaving, even if the company improves their compensation packages. They might feel disengaged or unappreciated for a long time and may be looking for better opportunities to leave the company. They're currently with the company possibly due to a lack of better options. Therefore, companies should proactively engage with these neutral respondents to understand their concerns related to compensation. This could be done through one-on-one meetings or anonymous surveys. Timely action could prevent potential talent loss and ensure the continued success of the company.

4.4 Regression analysis

As stated in the hypothesis development section, there are four selected independent variables and one selected dependent variable, resulting in a

total of four hypotheses to be tested, as briefly described below:

H1: The compensation package significantly influences an employee's decision to stay with the company.

Independent Variable: Compensation Package (CP)

Dependent Variable: Employee Retention (ER)

H2: A fair system for determining employee compensation is crucial for employee retention.

Independent Variable: Fairness of Compensation System (FC)

Dependent Variable: Employee Retention (ER)

H3: Compensation is a key determinant in retaining employees in the company.

Independent Variable: Level of Compensation (LC)

Dependent Variable: Employee Retention (ER)

H4: Enhancements to the compensation package would make an employee more likely to stay with the company.

Independent Variable: Compensation Enhancements (CE)

Dependent Variable: Employee Retention (ER)

Table 7: Simple Linear Regression (SLR) analysis results

Hypothesis	Regression weights	B	R ²	F	p-value	Hypotheses Supported
H1	CP→ER	0.495	0.158	62.294	<0.001	Yes
H2	FC→ER	0.283	0.062	22.100	<0.001	Yes
H3	LC→ER	0.238	0.050	17.429	<0.001	Yes
H4	CE→ER	0.643	0.183	74.783	<0.001	Yes

Note: *p < 0.05.

The dependent variable, ER, was regressed on the predictor variables CP, FC, LC, and CE to test hypotheses H1, H2, H3, and H4 respectively.

CP significantly predicted ER, $F(1,333)=62.294$, $p<0.001$, indicating that CP significantly influences ER ($b=0.495$, $p<0.001$). These results clearly demonstrate the positive effect of CP on ER. FC significantly predicted ER, $F(1,333)=22.100$, $p<0.001$, indicating that FC is crucial for ER ($b=0.283$, $p<0.001$). These results clearly demonstrate the positive effect of FC on ER. LC significantly predicted ER, $F(1,333)=17.429$, $p<0.001$, indicating that LC is a key determinant in ER ($b=0.238$, $p<0.001$). These results clearly demonstrate the positive effect of LC on ER. CE significantly predicted ER, $F(1,333)=74.783$, $p<0.001$, indicating that CE enhances ER ($b=0.643$, $p<0.001$). These results clearly demonstrate the positive effect of CE on ER.

Hence, H1 to H4 are accepted. As a result, the findings suggest that to improve employee retention, particularly to retain talented employee, company should focus on compensation packages, compensation levels, fairness in the compensation system, and compensation enhancements.

4.5 Theory Formulation and Model Development

4.5.1 Theory Formulation

Based on the empirical evidence gathered from the research, the Comprehensive Compensation Satisfaction Theory is proposed. This theory predicates that employee retention within private companies in Phnom Penh, Cambodia, is significantly influenced by the employees' satisfaction with their compensation packages. The theory consists of key components, such as competitive salary, comprehensive benefits, fair compensation policies, and Transparency and Regular Review of Compensation Packages.

Competitive Salary: The findings suggest that a high and competitive salary is a primary driver of employee retention. Employees are less likely to consider leaving their current company if they perceive their salary as

competitive within the market.

Comprehensive Benefits: The research indicates that comprehensive health and welfare benefits, secure retirement benefits, and a safe and reliable National Social Security Fund (NSSF) contribute to employees' sense of security, which in turn influences their decision to stay with the company.

Fair Compensation Policies: Equitable overtime pay, fair performance-based incentives, and rewarding seniority pay are seen as indicators of the company's fairness. The study shows that companies that are perceived as fair are more likely to retain their employees.

Transparency and Regular Review of Compensation Packages: The data suggests that transparency in compensation policies and regular reviews and updates of compensation packages are crucial for maintaining employees' trust in the company. When employees believe that their compensation is not only competitive but also fair and regularly updated, they are more likely to stay with the company for a longer period.

The theory is grounded in the empirical evidence from the research, which found that a significant proportion of employees (92.24% of the sample) have considered leaving their current company due to compensation-related reasons. It also takes into account the feedback from employees, who indicated a preference for frequent reviews and updates of their compensation packages and improvements in these packages as factors that would encourage them to stay with the company for a longer period.

4.5.2 Conceptual Model Development

The research's empirical evidence has served as the foundation for the development of a conceptual model, which shows that as employees perceive their compensation to be more competitive, comprehensive, fair, and transparent, their job satisfaction increases. This satisfaction then directly affects their likelihood of staying with the company, ultimately improving retention rates.



Figure 5: Conceptual Model of Compensation, Employee Satisfaction, and Employee Retention

The model suggests that when employees perceive their compensation as competitive, comprehensive, fair, and transparent, they are more likely to be satisfied with their jobs. This satisfaction, in turn, directly influences employee retention and turnover (Sorn et al., 2024). Satisfied employees are more likely to stay with the company, contributing to higher retention rates. Conversely, dissatisfied employees may choose to leave the company, leading to higher turnover rates.

5. CONCLUSION

The study reveals the critical role of compensation packages in affecting employee retention in private companies in Phnom Penh Capital City, Cambodia. Compensation significantly influences employees' decisions to stay, with 92.24% (309 respondents) considering leaving due to their compensation. While many employees are satisfied with their compensation, a significant number are neutral, dissatisfied, or very dissatisfied, potentially considering leaving due to dissatisfaction. The data emphasizes the need for comprehensive and satisfactory compensation for retention. Key factors influencing decisions to leave include low salary, inadequate health and welfare benefits, insufficient retirement benefits, inadequate seniority pay, lack of paid time off, limited National Social Security Funds (NSSF), inadequate overtime pay, and lack of performance-based incentives. Less valued compensations include team building activities, parties, and expense reimbursement. Employees also expressed concerns about pay increase rates and unjust salary and benefit reductions. The data highlights the need for transparency, fairness in compensation policies, and competitive compensation packages perceived as fair by employees. Research also suggests that the length of service at a company significantly influences employees' perceptions of the competitiveness of their compensation packages, as indicated by the testing of Hypothesis 5. Research further found that employee retention is positively affected by the compensation package, fairness of the compensation system, level of compensation, and compensation enhancement, as demonstrated by the testing of Hypotheses 1 to 4. Moreover, research shows that most respondents advocate for regular reviews and updates of compensation packages to ensure competitiveness and alignment with evolving roles and responsibilities. If improvements are made, many employees indicated they would consider staying.

RECOMMENDATIONS

The recommendations, based on understanding compensation practices and employee needs, are divided into three sections: for companies, the government, and employees.

For Company: Conduct Regular Surveys or Feedback Sessions, Regular Reviews and Updates of Compensation Packages, Understand Employee Needs and Preferences, Design Balanced Compensation Packages, Implement a Transparent, Fair, and Proactive Compensation Structure, and Adherence to Government Policies.

For Government: Enforce Strict Regulations to ensure companies comply with compensation policies and Provide platforms for employees to report discrepancies in their compensation packages.

For Employee: Proactively understand their compensation packages and raise any discrepancies with their employers or report to the appropriate government authorities if necessary, and Active Participation in Negotiations regarding their compensation.

FUTURE RESEARCH

In-depth interviews or surveys could help understand specific employee needs and preferences regarding compensation, providing nuanced insights into retention factors.

Exploring the impact of economic conditions on the compensation-retention relationship could be another focus, such as whether a strong economy encourages employees to leave for better compensation.

Investigating how changes in an employee's perception of their compensation impact job satisfaction and turnover intentions could help organizations design better reward systems, leading to higher workforce motivation.

Comparative studies across different industries or regions within Cambodia, providing insights into industry-specific or location-specific factors influencing retention and Longitudinal studies tracking turnover and compensation changes over time could provide insights into the long-term effectiveness of retention strategies. Exploring factors related to employee dissatisfaction with their compensation could involve qualitative interviews or focus groups.

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