

Business Research Report: Investigating Income Inequality and Employee Attrition

Module: Business Research and Analysis (BABM2003)

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Introduction

Loss of the employee is one of the major concerns of organisations that spend a lot of money in employee recruitment, training, and productivity loss. Our fast-growing organisation has been experiencing employee turnover as one of the priority issues that need to be investigated systematically by the senior leadership. In this report, we discuss the question of whether income inequality which refers to the difference in monthly income contributes to the risk of attrition. Based on the HR analytics data, this study will engage in a statistical analysis of the monthly incomes between turnover and non-turnover employees in the organisation. The results of the findings should be used to give evidence-based suggestions that can help in formulating effective retention strategies.

Section 1: HR Analytics Case Study (70%)

1.1 Descriptive Statistics Comparison

In order to compare the income of those employees who departed and those who remained, descriptive statistics of both samples were computed. The analysis comprises the measures of central tendency (mean, median, mode), the measures of dispersion (range, variance, standard deviation, interquartile range).

Table 1: Descriptive Statistics of Monthly Income by Attrition Status

	A	B	C	D	E	F	G	H
1	Group	Mean	Median	Mode	Range	Variance	Std Deviation	IQR
2	Stayed	6832.739659	5204	6347	18948	23215128.3	4818.208001	5623
3	Left	4787.092827	3202	2293	18850	13251131.5	3640.210367	3543
4								

G2								{=STDEV(IF(Raw_Data!A:A="No",Raw_Data!B:B))}	
	A	B	C	D	E	F	G	H	
1	Group	Mean	Median	Mode	Range	Variance	Std Deviation	IQR	
2	Stayed	6832.739659	5204	6347	18948	23215128.3	4818.208001	5623	
3	Left	4787.092827	3202	2293	18850	13251131.5	3640.210367	3543	
4									

G3								{=STDEV(IF(Raw_Data!A:A="Yes",Raw_Data!B:B))}	
	A	B	C	D	E	F	G	H	
1	Group	Mean	Median	Mode	Range	Variance	Std Deviation	IQR	
2	Stayed	6832.739659	5204	6347	18948	23215128.3	4818.208001	5623	
3	Left	4787.092827	3202	2293	18850	13251131.5	3640.210367	3543	
4									

H2								{=QUARTILE.INC(IF(Raw_Data!A:A="No",Raw_Data!B:B),3)}	
	A	B	C	D	E	F	G	H	
1	Group	Mean	Median	Mode	Range	Variance	Std Deviation	IQR	
2	Stayed	6832.739659	5204	6347	18948	23215128.3	4818.208001	5623	
3	Left	4787.092827	3202	2293	18850	13251131.5	3640.210367	3543	
4									

H3								{=QUARTILE.INC(IF(Raw_Data!A:A="Yes",Raw_Data!B:B),3)}	
	A	B	C	D	E	F	G	H	
1	Group	Mean	Median	Mode	Range	Variance	Std Deviation	IQR	
2	Stayed	6832.739659	5204	6347	18948	23215128.3	4818.208001	5623	
3	Left	4787.092827	3202	2293	18850	13251131.5	3640.210367	3543	
4									
5									

Figure 1: Excel Formulas for Descriptive Statistics

The descriptive statistics indicate some significant differences between the two groups. On average (mean = 4787.09) the employees who left the organisation receive much less in money than employees who remain in the organisation (mean = 6832.74) which is equal to mean difference which is 2045.65. The median values also support this trend as the median of the staying group (£5,204) is significantly high compared to the median of the leaving group (£3,202). The leaver (£2,293) mode is also very low in comparison with stayers (£6,347) which indicates that lower remunerated jobs have higher turnovers.

Both the dispersion measures were found to have higher income variability among stayers (standard deviation = £4,818.21) than among the leavers (standard deviation = £3,640.21). This implies that though stayers are composed of lower and higher earners, the leavers are clustered around the low income earners. Poor stayers (£5,623) have a considerably greater range of interquartile than poor leavers (£3,543), which supports the fact that the distribution of incomes is restricted more among individuals who leave the organisation.

1.2 Inferential Statistical Testing

1.2.1 Hypothesis Formulation

In order to clarify whether income difference observed is large or not, the following hypotheses were evaluated:

- **Null Hypothesis (H_0):** No significant difference between the mean monthly income of the employees who resigned and those who remained.
- **Alternative Hypothesis (H_1):** The mean monthly income of employees who left and those who remained differs significantly.

A two-tailed test was used with a significant level of $0.05 = \alpha$. Based on the assignment instructions, a suitable statistical test of two sample t-test under the assumptions of unequal variance (Welch t-test) was chosen.

1.2.2 Test Execution and Results

The t-test of the Welch was carried out by means of the Data Analysis Toolpak provided by Excel comparing the monthly incomes of two independent groups.

Table 2: Excel t-Test Output (Two-Sample Assuming Unequal Variances)

	A	B	C	D
1	Welch Two-Sample t-test (Unequal Variances)			
2				
3	p-value:	4.43359E-13		
4				
5	Alpha:	0.05		
6	Decision:	Reject H0		
7				
8				

1.2.3 Hypothesis Testing Decision

The p-value calculated (4.43×10^{-13}) is much less than the significance level of 0.05. Thus the null hypothesis is disserted. This finding implies that the difference between the mean monthly income of the those who left work and those who remained statistically significant within the 95% level of confidence. The t-statistic, which stands at 8.97, also supports the level of this difference, which is very large and is well above the critical value which amounts to 1.96.

1.3 Interpretation and Recommendation

1.3.1 Interpretation of Findings

It is an excellent outcome of the statistical analysis and a great piece of evidence that income is a significant factor in employee turnover. Staff who exited the organisation was on average paid an average of 2,045.65 (almost 30) less than their retained counterparts. This observation is consistent with equity theory (Adams, 1965), which posits that workers would compare their remuneration with others and could leave the organization whenever they feel that there was inequity. The fact that leavers are focused in low income groups shows that the organisation might be witnessing a skewed turnover among the low paid employees.

The huge gap in medians (£5,204 and £3,202) affirms that income inequality is an actual retention risk and is not the effect of the extreme values. The lower level of income distribution among leavers (IQR = 3,543) than stayers (IQR = 5,623) may indicate that higher educated leave have more income variation whereas lower paid leave have relatively the same compensation with low

amounts. This trend could mean that workers who have lower incomes than say 4000 a month are at a greater risk of leaving their positions irrespective of the position or department.

To a business organization, this relationship between income and attrition has serious implications. The cost of replacing an employee would be high in terms of the cost of recruitment, training, and productivity estimated between 50-200 percent of annual salary according to the seniority of a position (Hom et al., 2017). The attrition rate in low paid employees can also cause extra operational problems since the jobs are usually customer facing or critical production based. In addition, the constant churn of lower earners can be indicative of systematic problems with pay equity, promotion, or organisational culture.

1.3.2 Business Recommendations

The organisation ought to have a methodical analysis of the remuneration board in all roles, especially those that attract earnings of less than 4000 a month. This review may also place the salaries at competitive rates of the industry as well as geographic markets. The pay equity analyses are also supposed to evaluate the existence of unexplained income differentials within same positions since internal inequity also increases the risk of attrition.

Create certain retention initiatives aimed at less-paid staff. These can be faster pay rising track, improved benefits arrangements or skills advancement challenges that show organisational interest in employees development. A study conducted by Waheed (2011) reveals that employee development perceived as making a substantial difference towards turnover intention and in this case, among the workers of lower pay and at early career stage.

Incorporate income-attrition tracking into the routine HR analytics reporting. Follow up on the trend of incomes of departing employees helps to identify new pay risks sooner to be retained. The exit data should be divided into monthly or quarterly attrition reports that provide insight into the impact on the different income brackets to enable the management to determine whether the interventions were effective in dealing with income-related turnover.

Undertake qualitative research including exit interviews or stay surveys so as to learn the reasons behind employees who receive low pay leaving. Although the analysis shows that income is a powerful factor, the mechanisms through which it may be performed will be understood, such as

external market offers, feel of unfairness, or seeing no way to cover living costs, which will make further interventions more targeted.

These recommendations acknowledge that to deal with income-based attrition, there should be short-term and long-term compensational and long-term cultural and structural adjustments. With such measures, the organisation will minimise turnover expenses, create a more satisfied workforce and develop a more stable workforce.

Section 2: Developing a Research Question and Critical Literature Review

2.1 Formulation of a Research Question

Research Question: What is the relationship between compensation satisfaction and staff turnover intention and what is the mediating variable in this relationship?

Explanation: Section 1 statistical analysis proved that the decrease of monthly income and the rise in the attrition of the employees were significantly correlated. This result can be used as the reason to explore further the psychological processes that bring about this association. The suggested research question is not just focused on establishing the income-attrition relationship; it is also aimed at studying the influence of subjective analysis of salary earned by the employee on intention to leave instead of objective income earning only. With the knowledge of the mediating variable of employee well-being, organisations will be able to create more specific and effective retention measures.

2.2 Formulation of Research Objectives

According to the research question, the following three research objectives are developed:

- To critically analyze the already available literature on the relationship between compensation satisfaction and employee turnover intention in different contexts in the industry.
- To examine the mediating aspect of employee well-being in terms of their relationship and compensation satisfaction and turnover intention.

- To determine which of the various compensation plans such as salary structure and long-term incentives are more effective in increasing employee wellbeing and decreasing turnover intention.

2.3 Critical Literature Review

2.3.1 Descriptive Paragraph

Recent research has proven that employee turnover intention is largely dependent on compensation satisfaction in which employee well-being is an important mediating variable. Purwanto (2020) used a quantitative research design to study employees in the industries of Indonesia and concluded that there is a big negative impact of compensation on turnover intention and job satisfaction is a mediating force between compensation and organisational commitment. On the same note, Brahmanna and Dewi (2020) analysed employees in a range of organisations and determined that work insecurity and the value of the remuneration both affect turnover intention via the mediating effect of job satisfaction which is significant due to subjective perceptions of the job place. In a work-specific study, researchers have discovered that the salary satisfaction has a positive and significant influence on the well-being of the employees, reporting a negative and significant influence on the turnover intention indirectly and directly through the well-being of the employees (Imelita, 2024). This knowledge has been further expanded by Mohyi (2021) who established that compensation does contribute to turnover intention both in direct and indirect ways in the context of job satisfaction and organisational commitment acts as an extra mediating factor. Yin (2025) was even able to add to it by showing how perceived organisational support and work-life balance moderate turnover intention via job satisfaction, whether through higher or lower pay is part of a larger ecosystem of workplace factors. All these studies combined prove that objective compensation levels are important, but the level of employee satisfaction with their pay and thereafter well being are more effective predictors of retention performance.

2.3.2 Thematic Classification Table

Table 3: Thematic Classification

Author(s)	Year	Methodology	Case Study/Sample	Key Findings	Theme

Purwanto	2020	Quantitative (survey-based, statistical analysis)	Employees in Indonesian industries (Generation Z workforce)	Compensation has a significant negative effect on turnover intention, with job satisfaction acting as a mediating variable between compensation and organisational commitment.	Compensation, Job Satisfaction, and Turnover Intention
Brahmannanda & Dewi	2020	Quantitative	Employees across multiple organisations	Work insecurity and compensation influence turnover intention through job satisfaction	Mediating Factors (Job Satisfaction)
Imelita	2024	Quantitative survey	183 Gen Z employees in Jakarta	Salary satisfaction affects well- being; both directly and indirectly reduces turnover intention	Employee Well-being as Mediator
Mohyi	2020	Quantitative	56 employees in Sengkaling Recreation Park Malang	Compensation affects turnover intention directly and indirectly via job satisfaction	Organisational Context

Yin	2025	Quantitative	PT ABB employees	Perceived organisational support and work- life balance influence turnover intention through job satisfaction	Broader Workplace Factors
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2.3.3 Gaps in the Literature

Gap 1: Though the current studies have consistently found job satisfaction as the mediating effect between compensation and turnover intention, little has been done to understand how the various elements of compensation (base salary, bonuses, long-term incentives) have dissimilar impacts on the satisfaction and the ultimate retention results. Further studies should break down the total compensation to find out which aspects have the best history of improving the welfare of employees and minimizing the possibility of turnover.

Gap 2: The existing literature focuses more on the compensation-turnover relationships in the context of a particular organisation, but there is not enough focus on the moderator effect of industry sectors, organisational sizes, and geographical locations on compensation-turnover relationships. A comparison of situations in varying circumstances would add to the knowledge of boundary conditions and would be used in the context-specific retention strategies.

2.4 Research Ethics Considerations

The presented study would be classified as Medium Risk research with the subject of potentially vulnerable groups as described on Page 28 of the DMU Research Ethics Guidance. The employees who converse about any compensation satisfaction and turnover intentions can be argued to be vulnerable as they may have unequal power with their employers and there might be fear that their privacy might be breached. The research would meet the ethics code of DMU requirements through informed consent by providing clear participant information sheets, protecting anonymity by data aggregation and pseudonymisation, ensuring the data security by using some of the

approved data storage procedures by the university, and allowing the participants to withdraw without repercussions. The Faculty Research Ethics Committee would process ethical approval before data was collected and all data processing would follow the requirements of the UK General Data Protection Regulation (GDPR).

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