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The Impact of Rewards on Retention of Operational Level Employees in Three Apparel Sector Companies in Export Processing Zone in Biyagama, Sri Lanka

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Abstract

Area of the Study

As a significant determinant of retention intention of an employee, this study is to discuss the impact of employee rewards on retention of operative level employees in three apparel sector companies in Export Processing Zone in Biyagama, Sri Lanka.

Problem of the Study

This research study attempts to explore the impact of employee rewards on employee retain intention of operative level employees in three apparel sector companies in Export Processing Zone in Biyagama. Therefore, the research problem of this study was; “Do the employee rewards have a significant impact on retention intention of operative level employees in three apparel sector companies in Export Processing Zone in Biyagama, Sri Lanka”.

Method of the study

The data were collected from a convenience sample of 196 production employees in apparel companies with a structured questionnaire, which was consisted of 42 questions with five point Likert scales. Univariate analysis as well as bivariate analysis applied to analyze data with the SPSS 16.0 (Version)

Findings of the Study

According to the results of the regression analysis, the R Square of the employee welfare facilities is 0.082 which means that 8.2% of the variance of employee retention is explained by employee welfare facilities, 13.2% variance of employee retention is explained by employee incentives, 37.5% variance of employee retention is explained by employee pay of operative level employees which is significant at 1% (Sig. F= 0.000). As overall 48.2% variance of employee retention is explained by the employee rewards.

Conclusion of the Study

Various studies examined that employee compensation, rewards and recognition affects employee turnover and retention. Employee commitment is promoted by highly competitive wage systems and it results in attraction and retention of a superior workforce. Hence the study represents that rewards have a positive effect on employee retention.

Keywords: Employee Rewards, Employee Pay, Employee Incentives, Employee Welfare Facilities, Employee Retention

Introduction

Businesses are important for economically success of the world. Business can be done by an individual or a group (BusinessDictionary). However it may be a business organization. Business organization is a collection of people who work together to achieve organizational goals (Understanding and managing organizational behavior 2006). Human resource is the most valuable resource in an organization (Kumara 2007). The generic purpose of Human Resource Management is to generate and retain appropriate and satisfied workforce who can give the maximum individual contribution to the organization (Opatha 2011). It reveals that recruitment and retention of most appropriate and contended employees is very important aspect of HRM.

If organization can recruit and retain competent employees in long term, then organization can achieve its goals and objectives successfully (Das & Baruah 2013; Yazinski 2009). But recruiting and retaining the most competent employees are difficult tasks in any organization. Employees are leaving organization because of various reasons (Ajau 2013). Thus organizations are implementing and enhancing different strategies to retain their competent employees (Sinha & Sinha 2012). For that offering attractive rewards package, supportive work environment, ensuring the job security, ensuring health and safety working conditions, providing opportunities for career development and other attractive welfare facilities are offered by the organizations. But retaining those employees and providing those rewards and other facilities are conflicting challenges for the organization.

In Sri Lankan context, it is very difficult to retain the super performers specially in apparel industry because of lower salary levels, higher working pressure, higher work load and lower recognition. Thus the organizations are implementing and enhancing different strategies to retain their competent employees.

Attractive reward packages have a significant impact on employee job satisfaction and it causes to employee intention to retention. If there is good remuneration system within the organization it causes to reduce the intention of looking for another job and employee retention intention (Wanous cited in cited in Chow, Fung & Yue 1999). Employee benefits play a unique role in attracting and retaining those employees in long term. Here not only the monetary rewards but also non-monetary rewards are important (Aguinis, Joo & Gottfredson 2012; Harunavamwe & Kanengon 2013).

Employee turnover has an impact on productivity and profitability. According to Boyens (2007), the cost which involve for hiring new employees is high. As well it is difficult to find more competent employees also. As well training new employees also is highly costly. Therefore organizations are trying to retain their valuable human resource and achieve their remarkable organizational goals and objectives.

Problem Background & Problem of the Study

It is a key challenge for an organization that is retention of best talented and most desirable employees of the organization. In apparel industry, most vital type of employees is the

machine operators or the operative level employees. Hence they are the key players of the organization to achieve production targets who give their significant contribution to the organization. Apparel industry in Sri Lanka is facing a major problem regarding the retention of operative level employees (Chandrasekara & Perera 2016). If an organization is unable to fully utilize its resources, it is badly affected to achieve the production targets and through that badly affected to the sustainable growth of the organization. As well, because of the lower level of retention of operative level employees, companies are faced with the problems regarding unable to achieving planned production targets on time. It brings many drawbacks to the organization. The major disadvantage is employee job dissatisfaction among the operative level employees due to the heavy work load with insufficient amount of rewards for those employees.

Rewards are offered for the employees for the purpose of motivation (Safiullab 2014). In these three companies, they provide two types of rewards called as monetary rewards and non-monetary rewards. This company provides basic salary, annual and semiannual bonus, attendance allowance, standing allowance and incentives as monetary rewards. For the non-monetary rewards they provide transport facilities, breakfast and lunch, medical facilities, welfare shop and other welfare facilities. Thus the focuses of this study is to go through the impact of rewards on retention of operative level employees in three selected companies in Export Processing Zone, Biyagama in Sri Lanka.

Literature Review

Sutherland (2004), defines that reward is “the basic element which indicates how much employees gain by dedicating their time and effort towards the achievements of company objectives, therefore employers have the responsibility to designing an attractive reward package to attract and retain valuable employees”. Employee rewards very important for motivating employees to give their best contribution to generate innovation ideas that help to the betterment of business functions and further improve the company performance in terms of financial and non-financial. According to Dewhurst, et al. (cited in Aktar, Sachu & Ali 2012), there are other means to reward employees that do not just focus on financial compensation.

An organization must carefully set the rewards system to evaluate the employee’s performance at all levels and them rewarding them whether visible pay for performance of invisible satisfaction (Aktar, Sachu & Ali 2012). The concept of performance management has given a rewards system which contains; needs and goals alignment between organization and employees, rewarding employee both extrinsically and intrinsically (Ibrar et al. 2015).

Rewards that an individual receives are very much a part of the understanding of motivation (Trivedi 2015). Research has suggested that rewards now cause job motivation and satisfaction, which leads to performance (Pratheepkanth 2011). It showed that though there was no significant difference in motivational level and job satisfaction across various categories of workers in different organizations.

Rewards can be extrinsic or intrinsic (Ryan & Deci 2000; Silvera 2013; Giancda 2014), extrinsic rewards are tangible rewards and these rewards are external to the job or task performed by the employee (Munir et al. 2016). External rewards can be in terms of salary/pay, incentives, bonuses, promotions, job security, etc. Intrinsic rewards are intangible rewards or psychological rewards like appreciation, meeting the new challenges, positive and caring attitude from employer, and job rotation after attaining the goal (Safiullah 2014).

In fact, total rewards is a good interactive system of return on investment, it is always highlighted the win-win thought of coordinating and maximizing the interests of business and individual. Each organization has different rewards systems; however, total rewards are not merely the salary and welfare (Zingheim & Schuster 2001). It's a comprehensive unified program that consist all parts of rewards (Armstrong & Stephens 2005). Total rewards make chance for employees to get the knowledge and learn new skills, which promote their future career (Ludlow & Farrell (cited in Pratheepkanth 2011). Then, it can be divided the total rewards into following core factors: monetary external remuneration (remuneration, welfare), non-monetary external remuneration (performance or appreciated), and inherent remuneration (work-life balance and development or career opportunities).

According to Olowu and Adamolekun (cited in Das & Baruah 2013), it is becoming more essential to secure and manage competent human resource as the most valuable resource of any organization, because of the need for effective and efficient delivery of goods and services by organizations, whether in public or private sector. Therefore, for an organization to realize its goals, appropriate strategies for employee recruitment and retention are sine-qua-non for enhanced performance. Zineldin (2000) has viewed retention as “an obligation to continue to do business or exchange with a particular company on an ongoing basis”.

According to Osteraker (199), the employee satisfaction and retention are the key factors for the success of an organization. The retention factor can be divided into three broad dimensions, i.e., social, mental and physical (Das & Baruah 2013). The mental dimension of retention consist of work characteristics, employees always prefer flexible work tasks where they can use their knowledge and see the results of their efforts which, in turn, helps in retaining the valuable resources (Das & Baruah 2013). The social dimension consists of the contacts that the employees have with other people, both internal and external. The physical dimension consists of working conditions and pay (Das & Baruah 2013).

Employee retention of any organization is very important. For this there should be a strong bond between the employer and the employee. This relationship is depending on the satisfaction gain from each party. Here the employer has to offer the greater level of respect to the employee as much as possible such as caring, address to the issues fairly, fair reward for the contribution etc. among them the reward which are given to the employee has played a crucial role. The employees can be motivated and committed to their work. It helps to make

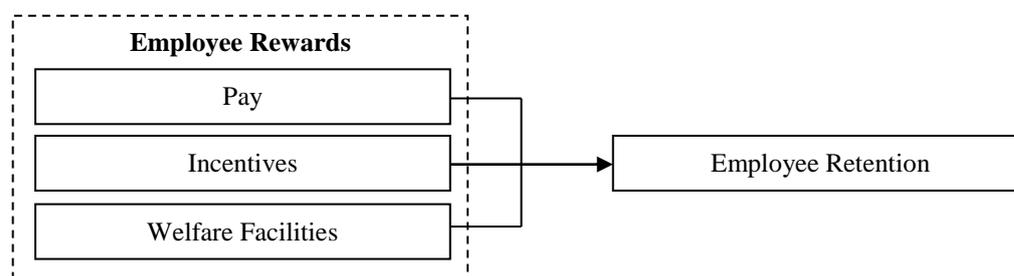
employees to do their jobs honestly and obligatory with the organization and also retain in the organization.

If employee gets a sense of mutual gain of organization as well as of himself, with the attainment of that defined target or goal (Ibrar & Khan 2015). An organization must carefully set the rewards system to evaluate the employee's performance at all levels and then rewarding them whether visible pay for performance of invisible satisfaction. The concept of performance management has given a rewards system which contains; needs and goals alignment between organization and employees, rewarding employee both extrinsically and intrinsically.

Research Framework

Figure 01 depicts the research framework of the study.

Figure 01: Conceptual framework



The hypotheses of the study are given below.

H₁: There is a significant relationship between pay & employee retention.

H₂: There is a significant relationship between incentive & employee retention.

H₃: There is a significant relationship between employee welfare facilities & employee retention.

H₄: There is a significant relationship between employee pay & employee retention.

Method

Study Design

This study was conducted in a quantitative design by collecting data through a questionnaire and three variables were identified and tested based on the hypotheses developed. This study focuses on hypotheses testing and identifying correlation between variables. These types of studies usually explain the nature of certain relationships and explain the variance in the dependent variable. The target population of the study is operative level employees in three selected apparel industry companies in Export Processing Zone, Biyagama in Sri Lanka. The sample size was 192 sewing machine operators. Sampling technique used for this study was the convenient sampling.

Measures

In the method of measurement of the variable include the measurement of independent variables as employee pay, employee incentives and employee welfare facilities and dependent variable as employee retention. Employee retention measured under the three main dimensions as mental, social and physical factors. The dependent variable & independent variables of the research were measured by using questionnaires with five point likert scale statements. Here only the mental factors were measured under both positive and negative questions and all other variables were measured under positive questions only.

Reliability & Validity of the Instrument

The internal item consistency reliability was examined with Cronbach's Alpha (Kottawatta 2014) and reliability of each variable was found to be greater than 0.700. Results of Cronbach's alpha test suggested that internal reliability of each instrument (Kottawatta 2014). The content validity of instruments was ensured by the conceptualization of the variables on literature and the content validity of the study was ensured by the fact that the correlation support the hypotheses formulated linking the relationship between the independent variables and the dependent variable (Kottawatta 2014).

Table 01: Cronbach's Alpha Coefficients

Variable	Cronbach's Alpha
Employee Retention	0.952
Employee Pay	0.869
Employee Incentives	0.964
Employee Welfare Facilities	0.809

Techniques of Data Analysis

Collected data are analyzed using the computer based statistical data analysis package, SPSS version 16.0 (Version) for validity, reliability and hypotheses testing.

Results

To investigate the responses for independent and dependent variables univariate analysis was used. The results of the univariate analysis are given in Table 02.

Table 02: Univariate analysis

	Employee Pay	Employee Incentives	Employee Welfare Facilities	Employee Retention
Mean	4.3277	3.4733	3.4492	4.1843
Median	4.2308	3.4375	3.3750	4
Mode	4.23	4	3.38	4
Std.Deviation	.35608	.80939	.49016	.47368
Variance	.127	.655	.240	.224
Skewness	.549	.469	.415	.391
Std.Error of	.198	.198	.198	.198

Skewness				
Kurtosis	.276	.625	.141	.471
Std. Error of	.394	.394	.394	.394
Kurtosis				

According to Table 02, employee pay, employee incentives, employee welfare facilities & employee retention are normally distributed. As per means employee pay is at a higher level. Employee incentives were obtaining greater mean value than the employee welfare facilities. It presented that employee pay get hold of higher mean value compared to the rest of two factors.

The bivariate analysis, Pearson's correlation between employee pay, employee incentives, employee welfare facilities and employee retention are illustrated in Table 03.

Table 03: The Pearson's Correlation between Independent Variables & Dependent Variable

		Pay	Incentives	Welfare Facilities	Rewards
Employee	Pearson Correlation	.612**	.363**	.286**	.482**
Retention	Sig. (2-tailed)	.000	.000	.000	.000

** Correlation is significant at the 0.01 level (2-tailed).

According to the Pearson's correlation coefficient of employee pay, employee incentives and employee welfare facilities and overall employee rewards of operative level employees all independent variables are positively and significantly correlated with the employee retention. However employee pay is the independent variable with the highest correlation coefficient from the overall employee rewards when compared with other variables. The overall relationship between employee rewards & employee retention is 0.482 at the correlation is significant at the 0.01(2-tailed).

The results of simple regression analysis of the independent variables against the dependent variable are given in Table 05.

Table 05: Results of Regression Analysis

	Pay	Incentives	Welfare Facilities	Rewards
Method	Linear	Linear	Linear	Linear
R Square	.375	.132	.082	.233
Adjusted R Square	.371	.126	.075	.227
F	88.739	22.419	13.075	44.544
Significance	.000	.000	.000	.000
B-Constant	0.814	0.210	0.277	.505
b-Value	.612	.363	.286	.482

According to Table 05, all the independent variables are positively related with the dependent variable in respect of the operative level employees.

Discussion & Conclusion

This section discusses on the factors impact for employee rewards, the factors impact for employee retention and the impact of employee rewards on employee retention. It was found that there are factors which significantly contribute to measure the employee rewards in three apparel sector companies in Export Processing Zone, Biyagama in Sri Lanka. It can be clearly understood by calculating the mean value of all dimensions which are considered under this study.

Employee pay, employee incentives and employee welfare facilities were the dimensions of employee rewards of this study. From all these dimensions employee pay was the most importance one which has highest mean value that is 4.3277. The second important dimension was employee incentives with the mean value of 3.4733. The other dimension was employee welfare facilities with the mean values of 3.4492. According to the regression analysis employee pay has greater impact on employee retention of operative level employees and it takes 37.1% impact on variance in employee retention. Incentives and welfare facilities have 12.6% and 7.5% impact on employee retention respectively.

Further it was possible for the independent variable (employee rewards) to account for 22.7% of the variation in employee retention while the 77.3% of the variance was unexplained by this variable in the operative level employees. Infact, other variables, which were not considered in this study, should be the variables that may account for the unexplained variables in employee retention of operative level employees in three apparel sector companies in Export Processing Zone, Biyagama in Sri Lanka. It has elaborated that there are another significant factor which affect on employee retention in a direct or indirect ways.

Arinanye (2015) has stated that Organizational Culture, Organizational Communication, Organizational Commitment significantly impact on employee retention in 7.7%, 9.6% and 0.23% respectively. Further Manager Attitude, Organizational Culture, Personal problems and Job Content variables are also force with the employee retention (Saeed, et al. 2013). According to their findings it has shown that managers' attitude has greater impact on employee retention which has 29%. The lowest impact arises from personal problems (8%). Organizational culture, Job content has 28% and 20% variance on employee retention respectively.

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personal problems (8%). Organizational culture, Job content & financial reward has 28%, 20% & 15% variance on employee retention respectively.

By considering above factors it has proved that employee rewards is one of major element which has significant impact on operative level employee retention even though it carries 22.7% of overall impact. According to the identified variables in this study it has shown that employee pay has considerable impact on employee retention and as a technique to improve employee retention management should take strategies to retain the competent employees within the work place.

Agarwal (cited in Fatima 2011) explain the term reward as something desired by the employees from the organization in response to their contributions and promotions (Sheikh, et al. 2011). The rewards as cash bonuses recognition rewards, free merchandise and free trips have a lasting impression on the employee and it will continue to affect the employee's perception of being valued (Silbert cited in Fatima 2011). As rewards fulfill the basic needs and helps to attain the higher level of goals so they are considered significant (Bokemeier & Lacy cited in Fatima 2011). Every individual has its own understanding about the importance of financial rewards for employee retention as demonstrated by many researchers (Pfeffer & Woodruffe cited in Fatima 2011).

Performance of employees and their desire to remain employed is affected by organizations reward system. The employees who are satisfied with organizational rewards choose to stay in the organization as they believe losing such a competitive reward to be costly and will not find such compensation anywhere (Becker cited in Fatima 2011).

Various studies examined that employee compensation, rewards and recognition affects employee turnover and retention. Employee commitment is promoted by highly competitive wage systems and it results in attraction and retention of a superior workforce (Becker & Huselid cited in Fatima 2011). Hence the study represents that rewards have a positive effect on employee retention.

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