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The Effect of Welfare Facilities on Employee Retention in a Selected Company in Sri Lanka

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Abstract

As a significant determinant of intention to retention of an employee, this study is to discuss the effect of welfare facilities on employee retention in a selected company. There is an empirical and knowledge gap in the Sri Lankan context on the effect of welfare facilities on employee retention. The main objective of this research study is to identify the effect of welfare facilities on employee retention in a selected company. The research problem of the study: is there a relationship between welfare facilities and employee retention? 150 non managerial employees were used as a sample for the study and convenience random sampling method was used in this study. The structured questionnaire was used to gather primary data from the sample and all questions were given with five points scale. Bivariate and multivariate analyses were used. The positive relationship between staff loan, canteen facilities, accommodation and other facilities with employee retention were the major findings of the study. As a significant factor, welfare facilities should be enriched by the management to get maximum benefits of the employees is the recommendation of the study.

Keywords: *Welfare facilities, employee retention, Staff Loan, Canteen Facilities, Accommodation*

Introduction

Human Resource Management (HRM) is the efficient and effective utilization of human resources to achieve goals of an organization (Opatha 2002). Today HRM is a very significant functional field of organizational management. Managing human resources in an organization is very important towards achieving organizational goals and objectives (Opatha 2002). One of the goals of an organization is to fulfill human needs and upgrade standards of the lives of people. Therefore, what a human need or needs to be fulfilled should be defined thus, by fulfilling certain needs the organization activates to enhance of welfare enjoyed by people, HRM is dealing with attracting best people to the organization.

Retention of good employees is a valuable part of the success of any organization and this begins by placing importance on the selection process in general and the interviewing process in particular, in order to select the highest quality employees (Camp et al. 2002). In addition that effective employee retention is a systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that address their diverse needs (Wisconsin State Government 2005). Krueger and Rouse (1998) found that incentive programs, welfare facilities, praise,

recognition and ongoing opportunities for development improve employee retention. Walker (2001) identified seven factors that can enhance employee retention: (i) compensation and appreciation of the performed work, (ii) provision of challenging work, (iii) chances to be promoted and to learn, (iv) invitational atmosphere within the organization, (v) positive relations with colleagues, (vi) a healthy balance between the professional and personal life, and (viii) good communications. Employees leave a company to get a better job and for other reasons. It has cost the business money to hire and to train them. Overtime they have become more and more useful and replacing them will cost money. Employees stay with a company either because the business satisfies their needs and uses their abilities to an optimum extent or because they just can't find another job.

Compensation has been regarded as the core of any employment exchange (Bloom & Milkovich 1996). Compensation has three main sub-categories. They are Pay (wages & salaries), Incentives (variable pay), Benefits (welfare) (Opatha 2002). Hogan (1996) explained that welfare has referred to the efforts of modern governments to improve the living standards of individuals or family groups whose income would otherwise fall below a level deemed minimal by policy makers and their constituents. Employee welfare can be introduced as an important function of HRM. Employee welfare can be defined as providing facilities and comforts to employees of an organization. They will be able to lead a better level of living (Opatha 2002). It should be noted that expenditure on labor welfare is a profitable investment in the long- run as it motivates the workers for higher productivity (Singh et al. cited in Opatha 2002). According to (Armstrong, 1996, cited in Opatha 2002) Armstrong, he explained that Strategic reasons for offering benefits include attracting and retaining employees, improving the company's image and enhancing job satisfaction.

Employee benefits of Japanese organizations have been a central concept, just as important as training and development, in the retention management (Yamamoto 2011). Apart from that according to (Mitchell 1982) explained that effective selection and recognition of employee, provision of effective training, challenging emplacement structures and opportunities, equity of compensation and benefits were considered to be the top five human resources practices that were considered to be relevant for retention. Therefore, the welfare facilities are mainly important to retain the workforce of the organization in the organizational strategic direction. This study is aimed to discuss the welfare facilities and its impact to the decisions of employee retention.

Problem of the Study

Turnover is a major problem of the catering industry. In the 2006 edition of the National Restaurant Association's, 30% of quick service operators identified employee retention as their number one challenge. The restaurant trade publication, *Nation's Restaurant News*, reported that the average turnover rate for quick service restaurants was between 150% and 200% (Berta 2008) while the median annual turnover rate of restaurant servers in America was 117% (Ebbin 2000). Various retention methods have been suggested in the literature; (Krueger and Rouse 1998) found that incentive programs, welfare facilities, praise, recognition, and ongoing opportunities for development improve employee retention. Other

researchers have suggested that remuneration is the key to retention in the service industry (Hogan 1992). Welfare facilities can be considered as a method of improving retention in the organization. How effective are benefits in employee retention? Since around the 1960s, employee benefits for Japanese organizations have been a central concept, just as important as training and development, in the retention management (Yamamoto 2011). Many corporations suffered a keen shortage of younger employees when their businesses expanded, so measures such as the provision of bachelor apartments, the mentoring of young employees by older employees, etc. were adopted widely (Tsuda 1993). As typical non statutory benefits, such as a corporate pension system and home ownership support, clearly show that quality employee benefits are rarely portable; it is only natural for employees to stay for long periods of time at organizations providing good benefits. Prior studies have shown that employee benefit practices, if not all practices, have a certain positive effect on retention (Lincoln and Kalleberg 1996).

As above citations of welfare on retention of employees in catering industry, welfare is a very important factor to determine the retention of an individual in the organizational context. The theoretical and empirical evidence elucidates the different factors for retention of an employee. It seems that there is a relationship between welfare and retention. Therefore, the research problem addressed under this study is “Does welfare effect on retention of employees?”

Conceptual Framework

The conceptual framework of the study is given in Figure 01. According to the schematic diagram shown in Figure 01, employee retention is considered as the dependent variable. Welfare facilities are considered as the independent variables as it is assumed to have influence on employee retention. In Japanese organizations, together with training and development, employee benefit management has been emphasized as a sub-system in human resource management conducive to employee retention (Yamamoto 2011).

Figure 01: Conceptual Framework

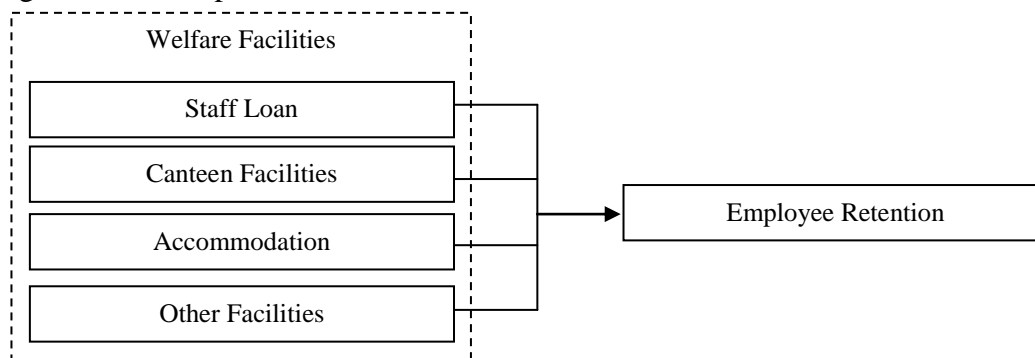


Figure 01 clearly shows that quality employee benefits are rarely portable and it is only natural for employees to stay for long periods of time at organizations providing good benefits. Prior studies have shown that employee benefit practices, if not all practices, have a certain positive effect on retention (Mitchell 1982).

Welfare facilities were identified as the independent variables, and the employee retention was identified as the dependent variable. There are four hypotheses developed by the researchers.

H₁: *There is a positive relationship between staff loan and employee retention.*

H₂: *There is a positive relationship between canteen facilities and employee retention.*

H₃: *There is a positive relationship between accommodation and employee retention.*

H₄: *There is a positive relationship between other facilities and employee retention.*

Method

Study Design

The main objective of this study was to investigate the relationship between the welfare facilities and the employee retention in a selected company and the hypothesis was developed based on this objective. The study was conducted by using a sample of 150 non managerial employees in a selected company which is located in the Central province. The sample method of the survey was the convenience random sampling. The type of investigation was experimental and it was a cross sectional study. The unit of analysis was individual level where the non managerial employees were served as respondents. The survey method that was used to collect the data was a questionnaire and was distributed among 150 non managerial employees in the selected company.

Measures

The variables in the research model such as welfare facilities and employee retention were measured through a questionnaire with five point scales which were completed by the respondents themselves on their experiences. The variables of the study constituted interval scales. The research consists of four independent variables and one dependent variable. The questionnaire consists of a number of question items to measure these variables. The questionnaire for measuring employee retention of the non managerial employees is developed by the researcher.

Reliability and Validity

The consistency reliability was examined with Cronbach's Alpha test. The results of Cronbach's alpha test are given in Table 1, which suggests that the reliability of each instrument is at a satisfactory level.

Table 1: Reliability Statistics of Stress Measurements

	Instrument	Cronbach's Alpha
1	Staff Loan	0.781
2	Canteen Facilities	0.756
3	Accommodation	0.980
4	Other Facilities	0.856
5	Retention	0.922

The construct validity of the variables of the study was ensured by the fact that the correlation and regression analysis support the hypotheses formulated linking the relationship between the independent variables and the dependent variable.

Techniques of Data Analysis

After gathering the data they are analyzed by using the computer based statistical data analysis package, SPSS (version 16.0) for validity, reliability and relationship testing. Univariate analysis and bivariate analysis are applied in data analysis (Kottawatta 2014).

Results

As indicated by Table 2, the mean value of the distribution of respondents is 3.9792 mean value of the distribution is “Good”. The Skewness and Kurtosis of distribution are -.681 & .219, which indicated that the data record for the employee retention is approximately normally distributed.

Table 2: Statistics of the Distribution of Employee Retention

Retention		
N	Valid	139
	Missing	0
Mean		3.9792
Std. Error of Mean		.05345
Median		4.0556
Mode		4.50
Std. Deviation		.63022
Variance		.397
Skewness		-.681
Std. Error of Skewness		.206
Kurtosis		.219
Std. Error of Kurtosis		.408
Minimum		1.72
Maximum		5.00
Sum		553.11

In order to test the hypothesis the Pearson Correlation Technique was used. The desired significant level was 0.05 and 0.01 and one tailed test was used because the hypothesis is non directional which indicates the significant relationship between the welfare facilities and the retention of non managerial employees. Table 3 presents the results of the correlation test.

Table 03: Correlation of the Variables

	Staff loan	Canteen facilities	Accommodation	Other facilities
Pearson Correlation	0.503	0.519	0.702	0.486
Sig. (1-tailed)	0.000	0.000	0.000	0.000

Pearson Correlation between the four variables of non managerial employees are 0.503, 0.519, 0.702 and 0.486 which are positive (Table 03). It shows that there are positive relationships between staff loan, canteen facilities, accommodation, other facilities and

employee retention. The found relationship is statistically significant as correlation it's significant at 0.05 level (1- tailed). Thus, there is statistical evidence to that staff loan, canteen facilities, accommodation, other facilities and employee retention are positively related. Table 4 presents the simple regression analysis of the variables.

Table 4: Results of Regression Analysis

Variables	Staff Loan	Canteen Facilities	Accommodation	Other Facilities
Method	Linear	Linear	Linear	Linear
R square	.253	.269	.493	.231
Adjusted R Square	.248	.264	.490	.236
F	46.413	50.413	133.361	42.403
Significance	.020	.000	.000	.014
B-constant	.278	.274	.357	.271
b-Value	.503	.519	.702	.486

According to Table 4, regression equation of retention of respondents is:

$$\text{Retention} = 0.278 + 0.503 (\text{Staff loan})$$

The b value of the equation, the gradient of the regression, is 0.503, which is significant at 1% (significance= 0.020). As indicated by R squared, 24.8% of the variance of retention is explained by staff loan with the standardized beta of 0.253. The F value is 46.413, which is significant at 1% (p=0.000), which suggests that staff loan has significantly explained 24.8% of the variance of employee retention.

$$\text{Retention} = 0.274 + 0.519 (\text{Canteen facilities})$$

The b value of the equation, the gradient of the regression, is 0.519, which is significant at 1% (significance= 0.000). As indicated by R squared, 26.4% of the variance of retention is explained by Canteen facilities with the standardized beta of 0.269. The F value is 50.413, which is significant at 1% (p=0.000), which suggests that canteen facilities have significantly explained 26.4% of the variance of employee retention.

$$\text{Retention} = 0.357 + 0.702 (\text{Accommodation})$$

The b value of the equation, the gradient of the regression, is 0.702, which is significant at 1% (significance= 0.000). As indicated by R squared, 49.0% of the variance of retention is explained by accommodation with the standardized beta of 0.493. The F value is 133.361, which is significant at 1% (p=0.000), which suggests that accommodation has significantly explained 49.0% of the variance of employee retention.

$$\text{Retention} = 0.271 + 0.486 (\text{Other facilities})$$

The b value of the equation, the gradient of the regression, is 0.486, which is significant at 1% (significance= 0.014). As indicated by R squared, 23.6% of the variance of retention is explained by other facilities with the standardized beta of 0.231. The F value is, 42.403 which is significant at 1% (p=0.000), which suggests that other facilities have significantly explained 23.6% of the variance of employee retention

Discussion and Conclusion

According to the results of Pearson's Product Moment Correlation analysis and simple regression analysis, it was found that welfare facilities were positively and significantly correlated with employee retention. Then, there is statistical evidence to support to accept all the four hypotheses formulated for the study.

The first hypothesis was that there is a significant impact of staff loan on employee retention of the non managerial employees in the selected company. It was confirmed that staff loan in the selected company has a positive and significant impact to employee retention.

The second hypothesis was that there is a significant impact of canteen facilities on employee retention of the non managerial employees in the selected company. It was confirmed that the canteen facilities in the selected company has a positive and significant impact to employee retention.

The third hypothesis was that there is a significant impact of accommodation on employee retention of the non managerial employees in the selected company. It was confirmed that the accommodation in the selected company has a positive and significant impact to employee retention.

The fourth hypothesis was that there is a significant impact of other facilities on employee retention of the non managerial employees in the selected company. It was confirmed that the other facilities in the selected company has a positive and significant impact to employee retention.

The findings of this research study shall be important on the theoretical as well as practical scenario. As this research model proves to be an explanatory model of employee retention, the findings of the study are important to improve employee retention of the non managerial employees to this company.

As a major way of enhancing the employee retention of the non managerial employees of the selected company, enhancement and relevant of welfare facilities should be given. Recognition (Sun 2013), promotions (Al-Johani 1997), financial allowances (Hilman 1987), leaves, allowances for medical treatment and participation in decision making (Al-Wathnani 1998) are the ways of upgrading the employee retention of a managerial employee. The top management of the selected company should consider these factors and enhance employee retention of the non managerial employees to gain the maximum contribution to achieve the organizational objectives.

To increase the employee retention of thenon managerial employees, organization should create positive working environment within the organization. An upbeat work place is a necessity for enhancing employee retention.

Positive competitive benefits are another significant way of enhancing retention of non managerial employees in the selected company. Fair wages are important, but competitive benefits are also critical to keep the work force retained. If benefit package is thin, employees may look for other opportunities with firms that are more generous. Beyond insurance, benefits such as flex time, paid holidays and personal days are important factors to employee retention.

The researcher believes in that the important independent variables that may account for the unexplained variable in the welfare facilities of the non managerial employees may be the variables such as incentives, working environment, leadership of managers, organizational culture and so on.

Further research studies are suggested to carry out to find out the effects of these factors on employee retention of the non managerial employees in the catering sector in Sri Lanka. In the context of researching the effort of these variables on the employee retention, essentially future researchers may have to encounter serious difficulties in measuring the variables as there is no measurement instruments correctly developed.

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