Impact of Rewards on Retention of Workers:
A Study of Operative Level Employees in the Apparel Industry

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Abstract: The purpose of this study was to investigate the impact of rewards on employee retention and to construct a model which could be used to predict the retention intention of operative level employees in apparel industry. This was carried out as a cross sectional field study among a sample of 320 operative level employees in the apparel industry. Convenience sampling was applied to select the sample and the investigation was done in three leading garment factories in the industry. A self administered, pre-tested questionnaire was used to collect data which met the accepted standards of validity and reliability. Correlation test was used to identify the strength of association among variables, and the stepwise regression analysis to fit a regression model. p-value was used to test the mentioned hypotheses. It is found that basic salary, welfare and incentives are significantly correlated with the retention intention of employees. The fitted regression model explains 67.7% variation in dependent variable where basic salary and welfare are taken as the best two predictors of retention intention in the tested domain. Basic salary is more important in predicting employee retention than welfare as its standardized coefficient of beta is greater. It could be recommended to review basic salaries and welfare facilities given for operative level workers in garment factories frequently, rather having exit interviews and turnover analysis.

Keywords: Apparel industry, Employee retention, Operative level workers, Rewards.

I. INTRODUCTION

An organization is a collection of people working together towards a common target. The definition of an organization itself reveals that the basic building blocks of any organization is its people; Human Resource (HR). Human Resource is recognized as the most valuable resource in achieving organizational goals. According to Opatha [5] the generic purpose of Human Resource Management is, to generate and retain appropriate and satisfied work force who can give maximum individual contribution to organizational success. The generic purpose reveals that one of the important aspects of Human Resource Management is the retention of most appropriate and contended employees. Recruitment is not enough; retention is the difficult part as job hooping habit of modern workers, mainly with the intention of getting higher financial rewards.

Human beings are the most significant resource in any organization. Organizational success seriously depends on the quality of its members. Most problems, challenges and opportunities in an organization are people related. Hence, employee retention and offering an attractive rewards package are two conflicting challenges recognized in today's turbulent corporate environment.If organization can recruit and retain competent employees in long run it could achieve its targets smoothly [6]. The retention of competent employees is more difficult than recruitment in any kind of organization. In practice many organizations implement different strategies to retain their super

performers such as offering a competitive salary package, supportive work environment, ensure job security, and ensure health and safety working condition, opportunity for career development and more welfare facilities.

In Sri Lankan context, especially in apparel industry, employee retention is utmost difficult task because of the lower salary levels, higher work pressures, higher work load and lower recognition etc., [8]. Mostly for operative level employees' unattractive salary is the prominent reason to leave the organization. Hence, the study was carried out to address this significant problem prevails in most of the garment factories.

In the apparel industry, operative level employees' retention is very low due to frequent exits. As a result, companies fail to complete planned production on time without obstacles. To overcome these production shortages companies have to operate for long hours with the same base pay, but incentives are paid. But employees perceive it as an insufficient reward in comparison to their contribution rendered. It brings many drawbacks to organizations. Main disadvantage is job dissatisfaction among operative level employees due to this heavy work load with insufficient amount of rewards for them. As a result they leave the organization after a shorter period of recruitment. This works as a vicious cycle [1].
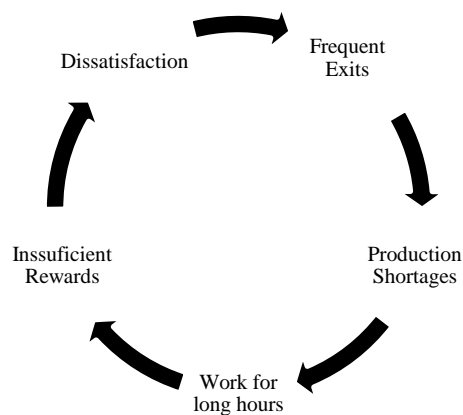

Figure 1: Vicious cycle of employee turnover, Source: [1].

In any kind of organization, employee retention is utmost important thing for survival and growth of the organization. In garment industry, operative level workers or Machine Operators (MOs) are the most vital type of employees as they are the key contributors in achieving company production targets.

II. PROBLEM OF THE STUDY

It is noticed that apparel industry in Sri Lanka, has faced a major problem regarding operative level employees' retention. As a result of that many companies failed to fully utilize their resources. It's badly effect to the stability of companies and the industry, and to the sustainable growth. By interviewing exit employees, production supervisors and divisional managers of garment factories researchers found that the behind major reason for the low degree of retention is salaries and other benefits of operative level employees.

Thus, the focus of this study was to examine the impact of Rewards on retention of operative level employee.

III. OBJECTIVES

The main objective of the study was to identify the relationship between rewards and employee retention intention, and to fit a regression model which could be used in predicting operative level employees' retention in the apparel industry. To accomplish the above stated main objective, two specific objectives were established such as; to identify factors mostly affect the retention of operative level employees in the garment industry and to identify the most prominent factor among them.

IV. CONCEPTUAL FRAMEWORK

In garment industry, most of the time operative level workers are less educated employees. Their perception, attitude, values and behaviour basically differ from managerial level employees. The chance of quit from the organization is high due to unplanned quick decision making regarding their employment. Most of the time those employees highly consider their salary, supportive working environment, more welfare facilities, smooth work flow and friendly peer-superior coordination when deciding whether they are going to retain or not with the organization [1].

Phillips [7] mentioned that employee retention decision is seriously based on the level of rewards. Rewards includes basically three components; Basic salary, Welfare and Incentives. The base salary is the amount of pay that constitutes the rate for the job as a return for the given contribution. It may be vary according to the grade of the job or for manual workers, the level of skill required. Base pay will be influenced by internal and external relatives. The internal equity is measured by job evaluation and external equity is determined by market rates [2].

Rewards are considered as a critical area of HRM that can greatly affect to employee behaviour. To be effective, rewards must be perceived by employees as fair, competitive in the market, accurately based, motivating and easy to understand. Following is the tested research model where employee retention was considered as the dependent variable. It consists of, employee's intention to retain longer time with the organization under the given remuneration package. Rewards were taken as the independent variable with its three components; basic salary, welfare and incentives.
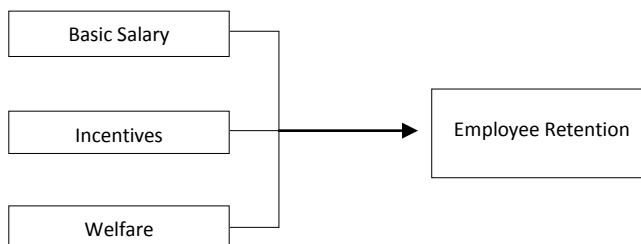

Figure 2: Relationship between rewards and employee retention

V. HYPOTHESES OF THE STUDY

Following hypotheses were formulated to achieve the objectives of the study:

H_1: There is a significant relationship between basic salary and employee retention.

H_2: There is a significant relationship between incentives and employee retention.

H_3: There is a significant relationship between welfare and employee retention.

VI. METHODOLOGY

The study could be regarded as a field study and at the same time this could be seen as a correlation study. In this study researcher interference was minimal and this could be regarded as a cross sectional study. The unit of analysis was an individual employee. The population for the study comprised all the operative level employees working in the apparel industry. Convenience sampling was applied to select the sample. Researchers surveyed 320 operative level workers from three leading garment factories in Colombo district. Sample of the study is given in Table 1 below:

Table 1: Sample of the study

Factory / Company	No. of Respondents
MAS	107
Brandix	110
Hirdaramani	103
Total	**320**

This study was mainly based on primary data, collected through a survey. A self administered questionnaire was used to collect data. Questionnaire was pre tested through a pilot survey, and it met the acceptable standards of validity and reliability. Collected data were analyzed using the software package SPSS 16.0.

Correlation test was used to identify the strength of association between variables. Using stepwise regression analysis the regression model was constructed and used p–value to test the mentioned hypotheses. Frequencies were used to elucidate the sample profile.

In order to ensure the reliability and validity of measurements, questionnaire was pre-tested through a pilot survey. Questionnaire was piloted to 18 operative level employees working in MAS, Brandix and Hirdaramani, selecting six from each organization. To measure the reliability (internal consistency) of the questionnaire Cronbach's Alpha technique was functioned. The content validity of the questionnaire was assured by preparing it based on the research literature. The construct validity of measurements of the research was guaranteed by doing a factor analysis which reached more than 0.50 level of factor loading for all the measurements, and the total variance explained in extraction sums of squared loadings was 74.51%. The coefficient of Cronbach's Alpha test of the questionnaire covered all the measurements more than 0.7 levels; where Cronbach's Alpha was 0.833. The pilot test proved that the questionnaire was valid and reliable to measure the constructs.

Majority of the sample includes training machine operators and grade 3 machine operators. Both groups represent 72.5% of the sample. More than the half of the machine operators is have less than 6 months of working experience. Among them 46.2% of machine operators have less than 3 months of working experiences. Selected sample includes 63.8% of married employees and 36.2% of single employees. Majority of the machine operators have G.C.E. (O/L) qualification representing 58.8%. Large proportion of the machine operators in the sample earn below LKR 10,000 of a monthly salary, where it is about 76.2% of the sample.

VII. RESEARCH FINDINGS

To examine the relationship between independent variables and the dependent variable; employees' retention intention, scatter plots were constructed. According to scatter plots there was no linear relationship between Basic Salary and Incentives with the retention intention of employees.

As the relationship is non-linear the Spearman's rank correlation was applied to test the strength of association between basic salary and employee retention. Spearman's correlation coefficient is 0.818 showing there is a strong positive relationship between basic salary and the retention intention of employees. Correlation coefficient is significant at 1% level. Hence, based on the result H_1 could be accepted and it could be concluded that there is a significant relationship between basic salary and retention intention of employees.

Spearman's rank correlation was used to test the relative strength of association between two variables; Retention and incentives as relationship among those two is non linear. Correlation coefficient is 0.716 showing a strong positive relationship among two variables. Correlation coefficient is significant at the 0.01 level and thus, H_2 is accepted. So, it could be statistically claimed that there is a significant relationship among incentives and employees' retention.

According to the scatter plot constructed, it could be seen a linear relationship between welfare and employees retention. Hence, Pearson correlation coefficient was used to test the relative strength of this linear relationship.

Correlation coefficient is 0.695 which shows a strong positive relationship among two variables; welfare and employees retention. As well, Correlation coefficient is significant at the 1% level and thus, H_3 is accepted. So, it could be statistically concluded that there is a significant relationship between welfare and employee retention. Hence, all three hypotheses stated were accepted.

Table 2: Model summary of regression

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	0.818[a]	0.669	0.664	0.36233
2	0.828[b]	0.685	0.677	0.35537

a. Predictors: (Constant), BSalary
b. Predictors: (Constant), BSalary, Welfare
c. Dependent Variable: Retention

As there are three independent variables, researchers performed the stepwise regression forward, to develop the model and to construct the regression equation in steps. Then take the coefficient of partial determination to measure the marginal contribution of each independent variable in the model. Adjusted R^2 values of computed two models are given in Table 2.

According to the model summary of regression the highest adjusted R^2 value is given by the second model. 67.7% of variation of the dependent variable (employees' intention to retain) is explained by the fitted regression model (second Model).

Table 3: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.655	1	20.655	157.332	0.000[a]
	Residual	10.240	78	0.131		
	Total	30.895	79			
2	Regression	21.171	2	10.585	83.817	0.000[b]
	Residual	9.724	77	0.126		
	Total	**30.895**	**79**			

a. Predictors: (Constant), BSalary; b. Predictors: (Constant), BSalary, Welfare; c. Dependent Variable: Retention

The fitted second regression model is significant at 1% level. Hence, it could be claimed that second regression model is significant than the first one in predicting retention intention of operative level employees.

The given second model considered only the basic salary and welfare in the regression model and incentives was not included in the model. Standardized coefficients of Beta values are used to compare the relative importance of each independent variable. Basic salary was more important than the welfare as Standardized coefficient of Beta of basic salary is greater than the standardized coefficient of welfare (Standardized coefficient of Beta is 0.673). But adding welfare to the model it could be improved further.

Table 4: COEFFICIENTS

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.820	0.141		5.820	0.000
	BSalary	0.760	0.061	0.818	12.543	0.000
2	(Constant)	0.729	0.145		5.011	0.000
	BSalary	0.626	0.089	0.673	7.028	0.000
	Welfare	0.139	0.069	0.194	2.021	0.047

a. Dependent Variable: Retention

It could be concluded that constant is significant and should include in the model. As well basic salary and welfare also significant and must be included in the fitted regression model.

Following is the constructed regression equation; where X_1 stands for basic salary and X_2 stands for welfare. Retention intention of employees' is given by Ý.

$$\text{Ý} = 0.729 + 0.626 \, X_1 + 0.139 \, X_2$$

Residual analysis was done to check whether the constructed model is statistically fitted. According to the residual analysis done, distribution is approximately normally distributed. With reference to the P–P plot of the output, as residuals are close to 45 degree diagonal line, it could be said that residuals are approximately normally distributed. According to the scatter plot of standardize residuals, points are randomly distributed and there is no pattern. Thus, the fitted model is adequate and could use to predict the behaviour of dependent variable; retention intention of operative level employees in apparel industry.

VIII. CONCLUSION AND RECOMMENDATION

A cross sectional field study was conducted among a sample of 320 operative level employees working in the apparel industry. The purpose was to investigate the impact of rewards on their retention intention with the organization for a longer period of time under the given remuneration package. Convenience sampling was applied to select the sample and investigation was carried out in three leading garment factories located in Colombo district. Data collection was done through a self-administered, pre-tested questionnaire which met the accepted standards of validity and reliability. Frequencies, correlation test and the stepwise regression analysis were used to analyze data.

It is found that basic salary, welfare and incentives are significantly correlated with the retention intention of employees. The fitted regression model explained 67.7% variation in dependent variable where basic salary and welfare are taken as the best two predictors of retention intention of employees in the tested domain. Basic salary is more significant in predicting employee retention than welfare, as standardized coefficient of beta value of basic salary is greater in comparison to welfare. Thus, it could be recommended to review basic salaries and welfare facilities given for operative level workers in garment factories frequently, rather than having frequent exit interviews and turnover analyses.

Despite the constructive recommendations given in the study, limitations are inevitable. The findings of the study are based on survey data gathered from three leading garment factories located in Colombo district. Thus, there may be difficulties in generalizing findings. Other intervening and moderating variables affecting to employee retention were not considered, and the sample size which may not significant could also be considered as limitations of the research.

However within its limitations the research study has achieved pre-set objectives and opened new avenues and directions for future researches. Hence, as a concluding remark it could be declared that, conducting more studies relating to this issue in other companies and industries, considering other variables will help to insert additional insights to this research work.

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