



**ADDIS ABABA UNIVERSITY**

**COLLEGE OF BUSINESS AND ECONOMICS**

**MBA PROGRAM**

**THE EFFECT OF NON-FINANCIAL REWARD ON EMPLOYEE  
RETENTION: THE CASE OF COMPANIES IN HAWASA INDUSTRIAL  
PARK.**

**A THESIS SUBMITTED TO ADDIS ABABA UNIVERSITY COLLEGE OF  
BUSINESS AND ECONOMICS IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE DEGREE OF MASTER IN BUSINESS  
ADMINISTRATION (MBA)**

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## Statement of Declaration

I hereby declare that **“the effect of non- financial reward practice on employee retention : the case of companies in Hawassa Industrial Park”** is my original work towards the award of masters of business administration I have carried out the present study independently with the support and guidance of my research advisor Gemechu Waktola (PHD). To the best of my knowledge all sources of material used had been properly acknowledged. I also confirm that the study has not been submitted for award of any degree in this or any other institution

Endalk Filfil

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Signature

\_\_\_\_\_

date

**Letter of Certification**

This is to certify that the thesis paper by Endalk Filfil on “**the effect of non-financial reward practice on employee retention the case of companies in Hawassa Industrial Park**” Is submitted in partial fulfillment of the requirement for the award of degree of business administration complies with the regulation of the university and meets the accepted standard with respect to originality and quality.

**Signed by the Examining Committee**

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## **LIST OF ACRONYMS**

ANOVA	Analysis of Variance
CLRM	Classical Linear Regression Model
HR	Human Resource
HIP	Hawassa Industrial Park
SPSS	Statistical Package for Social Science
VIF	Variance of Inflation Factor
WLB	Work Life Balance

## **ABSTRACT**

*In the current competitive business atmosphere, industry is facing plenty of challenges notably obtaining the proper employees and retaining them. This research study has been conducted on companies in Hawassa Industrial Park to highlight importance of the non-financial rewards in terms of their effectiveness as well as efficiency. The purpose of this study was to seek out the effects of varied non-financial reward practice on employees' retention. The assorted independent dimension includes Recognition, Training, Work Life Balance and Physical Work Environment. Both primary and secondary data source were used, primary data were collected from 315 respondents through questionnaires selected using stratified random sampling. A Descriptive and explanatory research design has been applied in this study. Questionnaire contents were adopted from past research and Paul E. Spector employee recognition program handbook. The adopted questionnaires were measured on a five point likert scale used to collect data from respondents; spss version 20 software has been used to analyze the data for descriptive and inferential statistics. The result of the study shows that among the non-financial reward practice training and physical work environment have a positive and significant effect on employee retention. Furthermore the variables employed in the model explain 60% of the variation in employee retention also the beta coefficient in the multiple regression analysis shows that non-financial reward studied had a positive influence in bringing a variation in employee retention. The result from the descriptive analysis revealed that the respondents low agreement on the non-financial reward practice studied, this implies that the practice of these rewards of companies in the park were inadequate to retain their employees. The study suggest that companies should have to give much emphasize on non-financial reward practice to retain their employee. This research will be supportive and fruitful for HR managers in industrial sector by coming up with a good compensation package to retain their competent employees.*

***Key words - recognition, training, work life balance, physical work environment, Employees Retention***

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background Of The Study

Many organizational theorists widely accepted that from the resource of an organization human resource is the most important one because things are done through people (Koontz 1961, p. 186). The success, profitability and competitiveness of an organization depend heavily on the attraction, motivation and retention of key employees. The longer employees stay in their organizations the more these knowledge, skill and ability appreciate as employees learn and acquire new skills and knowledge to add to the human capital of the organization. Many researcher agrees that it costs an organization more to hire new employees than to maintain an existing one. Considering this it is important to focus on factors that affect retention of key employees in an organization. This is because that retention helps an organization to prevent the loss of competent employees from an organization as this could have adverse effect on productivity and profitability (Samuel & Chipunza, 2009).

Retention is about keeping those employees who are producing the results which the organization desires (Frank, Finnegan & Taylor, 2004). Employee retention is a technique adopted by businesses to maintain an effective workforce and at the same time meet operational requirements (Mita, M., Aarti K. and Ravneeta, 2014). This study aimed at to examine the effect of non-financial reward practice on employee retention. And the importance of non-financial reward is to reward employees for their extra ordinary job performance using different opportunities and motivate them to stay long. Non-financial reward are non-monetary/non cash reward and it includes autonomy in their job and participation in decision making, assigning challenging duties, improving working conditions, recognizing good work through small gifts, letters of appreciation, plagues, tickets to restaurant, providing some services for the employees, organizing social activities in the work place (Kovach, 1999).

So for an organization to be successful, productive and competent it should work more on retaining productive employees. Retaining productive employees requires a lot of input that

forces them to stay long. From those inputs non-financial reward is the most important one that determines an employee decision whether to stay or leave an organization (Kovach, 1999).

As it is manipulated in many human resource and organization behavior literature nonfinancial reward practice play a great role in retaining employees. Creative use of personalized non-monetary rewards reinforces positive behaviors and improves employee performance and retention (Ryan et al, 2000). To perform at their best, workers must feel welcomed, valued, and appreciated and Non-monetary rewards help companies address these relationship needs (Leena Thampan, 2013).

## **1.2. Statement of the Problem**

The long-term success and performance of an organization is dependent on its ability to retain the best employees (Das & Baruah, 2013). When employees leave, organization will face with both direct and indirect costs. Decreasing employee turnover has the potential to lead to significant cost saving for organizations as hiring new workers involves significant training and orientation expenses (Cho, & Lewis, 2012).and Most researcher agrees that non-financial reward plays a great role in retaining employees (Tan, 2009). Studies by (Aktar, Sachu & Ali, 2012) find out, many organizations are suffering from high turnover rates and down falls because they do not apply non-monetary rewards that may only need little effort. Added to this, Employees may not only look on monetary rewards as key factors to their stay but may also look at other factors relevant to personal development, career management and even the working environment (Nienaber, 2011; Snelgar, 2013 & Bhengu & Bussin, 2012).

Responding to today's workplace demands means amongst other things that organizations need to understand the preferences and needs of employees and offer more than just a good pay check (Nienaber, 2009). additionally, (Odell, 2005) study found out that non-cash reward programs would work better than cash in such cases as reinforcing organizational values and cultures, improving teamwork, increasing customer satisfaction and influencing specific behaviors among employees. In another research by (Thumbra, (2010) suggests that non-financial rewards have the potential to improve the competitiveness of organizations in attaining and retaining the services of talented people.

To the best of the researcher knowledge the practices of nonfinancial reward practice in Ethiopia in the industrial sector are not given much consideration, this cases high rate of turnover of employees in Hawasa Industrial Parks. Hawasa Industrial Park is a park which experiences high rate of employee turnover according to the company quarterly employee turnover reports an average of 5% amount of employee leave the park from the month September to November and an average of 8% amount of employee leave the park from the month December to February (companies turn over report, 2017) also an average of 11.53% amount of employee leave the organization from the month march to May and an average of 14.07% amount of employee leave the industrial park from the month June to august (companies quarterly turnover report,2018). And this clearly shows that the park is experiencing high rate of turnover of employee which increased from month to month and the turnover rate signals there is retention problem.

There are several factors responsible for high rate of turnover of employees from those, unbalanced work life, unfair reward practice, lack of providing prestige and recognition for the work done well, working environment are among the most important one(employee exit interview report).

Very few studies are conducted In Ethiopia, on this areas; Bazezew Minale (2017) conducted a study on the influence of non-financial reward practice on employee retention the case of united bank other research conducted by Elizabeth Dagne (2018) on examining the effect of Non-financial Rewards on Employee Retention: The Case of Berhanena Selam Printing Enterprise To the best of the researcher's knowledge, no research has been conducted on this topic on companies in Hawasa Industrial Park, this clearly shows existence of knowledge gap in between non-financial reward practice and employee retention. And it creates researcher interest to study the effect that non-financial reward practice have on employee retention. Most researcher associate nonfinancial reward practice with recognition, job security, paternity leave, training and development, promotion, work life balance, work environment And this research was tried to examining the insight of the connection between nonfinancial reward practice and employee retention. In this study the following basic research question has been answered.

### **1.3. Research Question**

The following research question were answered by this research study

1. What are the current non-financial rewards practiced in the companies?
2. What are the effects of non-financial reward dimension on employee retention in the companies in HIP under study?
3. What is the level of employee retention in the companies in HIP?

### **1.4. Objective of the Study**

This part deals on both general and specific objectives

#### **1.4.1. General Objective**

The general objective of the study is to examine the effect of nonfinancial reward practice on employee retention, the case of companies of HIP.

#### **1.4.2. Specific Objective of the Study**

1. To assess the current non-financial reward practices implemented by Companies in the park.
2. To examine the effect of non-financial reward dimension on employee retention in the companies.
3. To assess the level of employee retention in the companies in HIP.

### **1.5. Significance of the Study**

This paper's findings will be beneficial for the management of the companies of Hawasa industrial park to gain knowledge of how their company effectively manages their non-financial reward structure in accordance with the perception of employees. It will also offer benefits of what reward structure to follow to get competitive advantage and also it will helps human resource department to identify which non-financial reward practice contribute more to retain valuable employees for a long time in the organization .

It will be beneficial to other private and public organization to devise their non-financial reward structure to remain competitive in the present day competitive business environment. Finally it will also be beneficial for academician and researcher who may be able to find a useful research gaps on related topics to be studied through providing necessary information required.

## **1.6. Scope of the Study**

The scope of the study was limited to study the effect of non-financial reward practice on retention of employee in companies in HIPs and it covers only companies' operating in HIP other sectors has not been included in this study. It was also cover nine month period of study and methodologically the scope of the study was delimited to operating employees because those are employees showing high rate of turnover.

## **1.7. Limitation of the Study**

In conducting this research the researcher was faced with challenges and limitations like lack of organized documents, time frame, and also uncooperative response form respondents at the time of questionnaires distribution and collection. In spite of all these constraints the researcher tried to come up with a thorough research which will provide solution for the study areas. Because much of the non-financial reward variables work more for professionals the researcher employed only four of them this can also be a limitation in generalizing the result of the study

## **1.8. Operational definition of terms**

**Employee retention:** is the overall strategy or ability of an organization to retain its best employees and hence maintain a lower turnover (MBA Skool Business Dictionary). Employee retention also can be defined as the ability of holding the talented and valuable employees within the organization from leaving their job for a longer period of time than the competitors (Johnson, 2000).

**Recognition:** Communication between management and employees which rewards them for reaching specific goals or producing high quality results in the workplace. Recognizing or



honoring employees for this level of service is meant to encourage repeat actions, through reinforcing the behavior you would like to see repeated (Business Dictionary).

**Training:** is a program that is designed to increase the technical skills, knowledge, efficiency, and value creation to do any specific job in a much better way (MBA Skool Business Dictionary).

**Work Life Balance:** is a method which helps employees of an organization to balance their personal and professional lives. Work life balance encourages employees to divide their time on the basis on priorities and maintain a balance by devoting time to family, health, vacations etc along with making a career, business travel etc. It is an important concept in the world of business as it helps to motivate the employees and increases their loyalty towards the company (MBA Skool Business Dictionary).

**Physical Work Environment:** is an environment aspect consists of different elements such as heating, ventilation, the quality of the air, noise level, lighting and ergonomics of the furniture (Rantanen, 2013).

**Career Advancement** is Career Development is a unique and lifelong process for each individual of managing learning, work, and transitions in order to move forward and participate effectively in work and society (Career Development Institute, 2017).

**Job Autonomy** is the degree to which the job provides substantial freedom, independence, and discretion to the individual<sup>s</sup> in work content, the method for accomplishing the work, and the pace at which work is accomplished (Armstrong 2010).

## **1.9. Organization of the study**

This thesis paper is organized in to five chapters, the first chapter were consists background of the study, research question, objectives (general and specific), significance, scope, limitation and organization of the study. The second chapter explains literature review; the researchers analyzed different theoretical and empirical literature and develop conceptual frame work for the study. The third chapter explains methodology of the study, research design, data type and source,

method of data collection, target population of the study, sample size determination, sampling technique, validity and reliability test, variable specification and technique of data analysis. Chapter four explains analysis and interpretation, data's were analyzed tested and interpreted based on statistical result. Chapter five outlines major finding, conclusion and possible recommendation, it is the final chapter in which the findings of the research has been evaluated and measured against the research objectives. It would also consists of recommendations on how non-financial rewards practice may best be applied in order to achieve the desired goal of employee retention, as well as researchers suggestions about future research in study area would be presented.

# **CHAPTER TWO**

## **LITERATURE REVIEW**

### **2.1. Introduction**

This chapter summarizes review of literature related to the effect of non-financial reward practice on employee retention. The chapter began with theoretical review followed by conceptual definition, empirical review, research gap and conceptual framework.

### **2.2. Theoretical Review**

The theoretical literature reviewed helps establish an understanding towards the relationship between non-financial reward practice and retention and concepts regarding the importance of the concept of non-monetary rewards within organizations. For the purpose of this study theories are critically examined.

#### **2.2.1. Herzberg Two Factor Theory**

Herzberg's 2 factor Theory categorizes needs into two main groups: (1) Hygiene or extrinsic factors (company policy and administration, supervising, social relations, working conditions and salary); and (2) Motivators or intrinsic factors (achievement, recognition, the work itself, responsibility and growth). On the one hand, Herzberg (1987) contends that hygiene factors are troublesome to manage effectively and, additionally significantly, they do not offer long run motivation. On the other hand, Grobler et al. (2011: 240) maintain that motivators are intrinsic in nature and reflect the content of the job, something that every worker controls and administers in person. though the theory has received a good deal of criticism concerning its methodology similarly because the confusing relationship between satisfaction and motivation the two factor theory provides steering for building motivators into job content, an approach known as job enrichment (Grobler et al., 2011: 240). Arnolds and Venter (2007) maintain that there's still abundant confusion regarding that rewards really inspire employees with respect to a meta-analysis of research that was conducted which disclosed that managers are of the opinion that money is that the main rational motive of employees. Further analysis of their research disclosed

that money is an important rational motive in attracting potential employees; but, it doesn't play a primary role in retaining them.

In the analysis of research undertaken by Emmanuel et al. (2008), it had been evident that common patterns among managerial perceptions of desirable rewards existed across the three organization studied. In all three cases, intrinsic rewards gave the impression to be valued marginally higher than the extrinsic rewards. In the same vein, Aktar et al. (2012) study of commercial banks of Bangladesh found that there's a positive relationship among intrinsic factors and employee performance and retention. The four intrinsic factors identified are recognition, learning opportunity, challenging work and career advancement. This implies that intrinsic rewards could have a major effect on motivation and retention of employees. Despite these benefits, Thomas (2009:3) cautions that variety of managers underestimate the importance of intrinsic rewards and continues to treat financial rewards as the key factor in motivating workers. The advantages of intrinsic rewards are thus important to explore inside a company that needs to retain its top acting and motivated workers.

### **2.2.2. Stacy Adams Equity Theory (1963, 1965)**

John Stacey Adams' equity theory helps explain why pay and conditions alone do not determine motivation. It also explains why giving one person a promotion or pay-raise can have a demotivating effect on others. When people feel fairly or advantageously treated they are more likely to be motivated; when they feel unfairly treated they are highly prone to feelings of disaffection and demotivation. Employees seek to maintain equity between the inputs that they bring to a job and the outcomes that they receive from it against the perceived inputs and outcomes of others. The belief in equity theory is that people value fair treatment which causes them to be motivated to keep the fairness maintained within the relationships of their co-workers and the organization. Words like efforts and rewards, or work and pay, are an over-simplification - hence the use of the terms inputs and outputs. Inputs are logically what we give or put into our work. Outputs are everything we take out in return. The belief is that people value fair treatment which causes them to be motivated to keep the fairness maintained within the relationships of their coworkers and the organization. The structure of equity in the workplace is based on the ratio of inputs to outcomes. Inputs are the contributions made by the

employee for the organization. So the faire employees are treated the longer that employees stay within the organization. Equity theory is relevant to employees since employees retention depends on levels of motivation in their workplace. Employees quit from the working organization to look for other jobs which will provide them with better pay so there is need to provide incentives that are attractive to employees with a view of motivating them to remain in the service

## **2.3. Conceptual Definition**

### **2.3.1. Employee Retention**

The ability of a firm to keep their employees is referred to as employee retention (Deo, 2014), a concept which has been described as the voluntary measures taken by a firm to create a working environment which has a long-term effect on the engagement of employees (Samuel & Chipunza, 2009). However the problem for employers is not only to keep employees from going to other organizations or other countries but to keep them interested and focused in their jobs amidst the many distractions or diversions that detract from effectiveness and productivity. To retain employees the organization must categorize the abilities the new employees must have (Arthur, 2001).

### **2.3.2. Benefit of Employee Retention**

- **Increases Morale**

Retention strategies are beneficial because it can help to create a positive work environment and strengthen an employee loyalty and commitment to the organization. Strategies that focuses on employees engagement, like community participation and team builders, increase morale of the company and give employees a sense of pride on what they do( HR soft,2017).

- **Prevents Organizations From Losing Employees For Competitors**

When employees leave the current organization they will take the data, information and statistics to the new organization this may cause the current organization a trouble because of losing those all information and valuable employee. So for an organization to stop such a thing the new

employee should to sign a document which stops them from passing any information even if they leave the organization. Policies should be made employees which prevents employees from joining the competitors.

- **Save Invested Time And Money**

It costs high and takes too much time for an employer to recruit and hire new employees if an existing employee leaves the organization.so retaining the existing talented employee may help the organization to reduce recruitment, training orientation and other costs associated with hiring new employee.as well it can help the organization to save time.

- **Gain Employee Loyalty**

As employee stay within the organization for a long they will enjoy all the benefit of the organization and they feel attached to it and become loyal to their work. And for them the organization comes first and other things later. The more employees loyal to the company the longer they stay.so efforts should be made to those employees who show contribution so that they feel happy and stay in the current organization.

- **Maintain Performance and Productivity**

If talented and competent employees stay a long within an organization that organization will be productive.as recruitment and training new employees takes time and costs high could have great effect on productivity.so maintaining and retaining valuable employees will help an organization for better performance and increased productivity. Taking the necessary steps to keep current workers satisfied with their roles will ensure productivity is not interrupted (Mita, Aarti, & Ravneeta 2014).

### **2.3.3 Determining Factor of Employee Retention**

There are several factors that may influence or verify employees to stay in organizations. The most common factors that caused satisfactory workers to quit their jobs are unhappiness with management, restricted career advancement and recognition, inadequate pay and benefits and job

tedium (Mathis & Jackson, 2010). Human resource management practices like compensations, job security, training & developments, supervisor support culture, work environment and organization justice have play important contributions within the employee's decision to stay or leave their employer (Meyer and Allen, 1991). Christeen (2014) additionally recognized eight retention factors these are conducive environment, management, autonomy, social support and development opportunities, crafter workload, compensation, and work-life balance. In addition to all this walker (2001) identified seven most important factors that can enhance employee stay within the organization these are:

(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.

### **2.3.4 Measurement of Retention**

**Commitment:** Commitment evokes a powerful sense of intention and focus. If an employee shows a high level of commitment to an employer, it indicates that the employee isn't seeking any relationship with another employer. That brings within the retention concept. Not looking for any other relationship implies the employee wants to stay within the organization. In an employee-employer relationship, employee commitment is as a result of some relationship based on meeting certain needs and expectations (Chambers, 1998). According to Meyer and Allen (1991) the affective commitment (AC) "refers to the employee's emotional relationship to, recognition with, and participation in the organization" (employees stay with a firm because they want to), continuance commitment (CC) "refers to a perception of the costs connected with leaving the organization" (employees stay with a firm because they need to), and normative commitment "shows a feeling of obligation to continue employment" (employees stay with a firm because they should). Individuals with higher levels of organizational commitment have a sense of happiness and empathy with the organization that will increase their need to

achieve the organization's goals and activities, and their disposition to stay a part of the organization (Meyer and Allen, 1991).

**Intention to Stay:** is outlined as employees' intention to stay within the present employment relationship with their current employer on long run basis. Intent to stay is the perception of the "estimated likelihood of continued membership in an organization" (Price & Mueller, 1981)

**Loyalty:** Employee loyalty can be explained as the increase of employee commitment to the organizational success and belief doing right thing working for the organization. But the existence of passive loyalty identified by Reichheld, F. and Cook, Scott D. (1996) that referred to low interest of employees remaining in the organization, but due to some limitations, like salary, welfare or transportation had to stay in the organization, once these conditions disappear, the employee could no longer demonstrate loyalty the organization. Numerous studies show that organizations with strong emotional attachment from employees have much lower turnover rates and absenteeism rates, and their employees have a stronger motivation to work. Employees are loyal when they believe in the objectives of the company, accept the objectives as their own, work for their common welfare, and want to stay in the company (Antoncic, J. A., & Antoncic, B. 2011).

## **2.4. Non-Financial Reward**

(Llewellyn, Eden and Lay, 1999) defined intrinsic reward incentives as status, the liking of work, job advancement and medical aid benefits offered to employees. Armstrong (2009), described these non-financial rewards as they often arise from the work itself like autonomy, achievement, scope to use and develop skills, recognition, training, career development opportunities, and high-quality leadership

## **2.5. Type of Non-Financial Reward**

### **2.5.1. Employee Recognition**

Recognition refers to praise or a personal note acknowledging achievements including small gestures that are important to employees (Gostick and Elton (2007). Recognition is the exhibition and revelation by appraisal of performance, in the contribution and achievement of an objective



which is influential and commanding tool for any organization for motivation and retention of employee. Employee recognition meets an intrinsic psychological need for appreciation of one's efforts and can support business strategy by reinforcing certain behaviors that contribute to organizational success (Avery & Zabel, 2001: 29).

### **2.5.2. Training**

Employees must be given the opportunity to acquire the knowledge and or skills required for the progression through the training skill. (Becker, 1960) suggests it is critical that organizations keep the leading edge by having their employees well trained in their profession to meet the needs of the current dynamic business environment. When employees believe that the company is doing a good job of providing proper training, they feel that the company is concerned with improving their skill and ability, making them attached to their company (Chang, 1999).

### **2.5.3. Work Life Balance**

Work life balance is a state where individual try to manage potential demand on his or her time and energy in a way that fulfilled needs for his or her well-being (Clutterbuck, 2003). It is about creating and maintaining supportive and healthy work environments, which will enable employees to have balance between work and personal responsibilities and thus strengthen employee loyalty and productivity. The principle of work life balance is that: There should be a balance between an individual's work and their life outside work, and the balance among this should be healthy (Kodz et al, 2002). The balance between their work and their life responsibilities are the very dominant factor caused stress and force employee to leave the working organization. By providing employees with a more flexible work hour, stress would be reduced, employee performance will be improved.

### **2.5.4. Physical Work Environment**

Physical Work environment includes well-designed, safe physical space, good equipment, heating and adjusted temperature, which will improve productivity (Hay Group, 2007). These physical environments can be more important and have a bigger effect on workers satisfaction, performance and intention to stay (Rantanen, 2013). Employer should have to remember that it is the workplace which engages and retain employees (Jamrog, 2004, p. 32), many organizations

have been trying new designs and techniques to construct office buildings, which can increase productivity, and attract and retain more employees.

#### **2.5.5. Career Advancement Opportunity**

It is a non-financial reward practice considered as a retention factor. It is a non-financial reward practice aimed at providing employees with opportunities for personal growth, increase social status and more responsibilities (Kathure, 2014).

This shows that existence of advancement or promotion will force employees to stay within an organization for a long period of time, inversely inexistence of this practice within the organization may result in dissatisfaction of employees forces them to quit (Kathure, 2014).

The existences of growth opportunity serve as an instrument for retaining the service of talented employee in the organization. Rewarding employees through this practice is associated with the process of talent management that deals with the recruitment and retention of talented employees and maintaining their career progression (Armstrong, 2007). As human resource management of the organization regularly update and discuss the professional goal of each employees they should have to provide them with resource that can help them to reach, by doing this organization will be success for through retaining the service of talented employees.

#### **2.5.6. Job Autonomy**

Job autonomy is the degree to which the job gives freedom, independence and discretion in scheduling work, making decision and in determining how the work will be performed (Jackson, Wall, Martin and Davids, 1993). It can also be characterized by an employee capacity to choose how to do ones work, having influence on ones work and flexibilities in workload decision (Kossivi et al., 2016). Autonomy is one of the non-financial reward variable that can affect the psychological state of employees that can lead to better motivation, good performance, employee satisfaction and high retention. The more autonomy employees have on their job the more motivation they will have to perform their job and such latitude in decision making would support employee retention (Hackman and Oldham, 1975).

## **2.6. Empirical Review**

This section of literature review is concerned with identifying the various researches done on the study topics (effect of non-financial reward practice on employee retention) and assessing their objectives, methodologies used and findings reached and finally developing research gap.

## **2.7. Non-Monetary Factors and Their Effect on Retention**

A research study conducted by (Temkar, 2013), Found that 88 percent of employees mention other factors as a reason to leave the job than pay. A study which is conducted by (Shanmugam, R. & Anbu, A.et. al. (2012), revealed that non-financial rewards have the highest effect on attrition.

There are also other reasons which shows that non-monetary factor substitute for pay, where a firm that cannot satisfy one value may be able to partially compensate for this shortcoming by augmenting another value (Coff, 1997). A study conducted to analyze the influence of employee reward, job satisfaction and human resource policy on retention in Vodafone Ghana Limited conducted by (Kwenin, O. D. and Muathe S. et.al (2013), found that the organization management body should provide intrinsic values in the jobs to make employees of the organization satisfied and motivated to stay. So organization need have to retain their valuable employees through the use of non-financial means.

### **2.7.1. Recognition and Retention**

Employees can be motivated to improve their performance with nonmonetary rewards such as employee recognition. If recognition is used appropriately it is cost effective in enhancing achievement and enabling people to feel involved in the organization climate (Pitts, 2005). Numerous studies have addressed the effect of employee compensation, rewards and recognition on turnover and retention (Walsh & Taylor, 2007).

Mason, G. S. (2001), in his study find out that motivation, retention of employee and recognition is influential and powerful tool for any organization. And he further explained, Recognizing the efforts of highly qualified and talented employees is very convenient and economical tool strategy, so organizations must adopt recognizing policy. Roberts (2005) conducts a study on

Relationship between rewards, recognition associate degreed motivation at insurance company within the Western Cape, indicated towards a study conducted by the U.S.A. Department of Labor; within which main causes of turnover was extremely enlighten. Their Study found that nearly forty seven percent of staff left their jobs as a result of appreciation wasn't given to them.

A study conducted by (Uzonna, 2013), in Cyprus on the effect of motivation on employees, A case study of Credit West Bank Cyprus. The study results revealed that most employees i.e. 50% of an organization employee preferred to be recognized when they achieve their tasks by being offered a higher position and in other research conducted by (Balakrishnan and Masthan, D. (2013), on the drivers of the employee engagement and its relationship with employee retention Was found out that employee engagement leads to commitment and psychological attachment and reflects in the form of high retention (low attrition) of employees. The study suggested that the level of engagement in employees can be enhanced by identifying its drivers (influential factors). And also the study found out Statistical evidence which confirm that the employee retention can be improved by addressing nonfinancial drivers of employee engagement like communication, recognition, manager/supervisor support (relationship), work engagement, team work and role clarity.

“Watson Wyatt” a global consulting firm, conducted a survey in USA, in the year 2002 among 12750 employees at all levels of job and in all major industry sectors to know about their attitudes toward their workplace and their employers. And the survey conducted revealed that recognition is important for workers and they want to listen that their work followed recognized and appreciated.

Bartlomiejczuk (2015), conducted a study on how recognition programs effect worker engagement and how have firms with high international footprint structured such programs to drive results, The finding indicated that worker engagement is currently largest concern of the many companies' HR departments and it's wide suspected that recognition has a vital role to play in fostering engagement. Whereas recognition isn't new, it's finally turning into more strategic as programs align recognition with business objectives and desired behaviors. Bartlomiejczuk (2015) found that employee recognition was positively related to employee engagement: 41% of

the variation in employee engagement is attributable to the strength of recognition an employee receives.

Tessema, ready and Embaye (2013) administrated a study on the effects of employee recognition, pay, and benefits on job satisfaction and retention of employee. in this cross-sectional study, survey responses from university students within the USA, malaysia and Vietnam were analyzed employee recognition was found to possess a big effect on job satisfaction and retention, irrespective of home country financial gain level (high, middle or low income) and culture (collectivist or individualist.

Nolan and Sara (2008) in their research study on current trends in talent management stressed essential recognition as one of the most topics for developing and retaining the most effective workers and enabling organizations.

**H1: Recognition has a positive and significant influence on employee retention.**

### **2.7.2. Training and Retention**

In the modern eras when the technology is changing so rapidly that any skill becomes obsolete in quick time and to go hand in hand with the drastic and dramatic change in technology every company who wants to remain competitive need to give training to their employees to remain competitive (Anis et al., 2010). According to resource based view an organization competitive advantage is highly dependent on the valuable, rare, and costly to imitate resource and human capital (KSA) are the most important with those characters that determine an organization winning capability of the competitive environment.

Training has a direct relationship with an employee intention to stay (Villegas, 2006). And he further explained that Training helps organization to increase employee retention and decrease turn over intention. Study which is conducted by (Kwenin, O. D. (2013), to explore the link between work environment, training and development and employee retention in Vodafone Ghana Limited, were suggested that the management of Vodafone Ghana Limited should provide training and development to increase employees' KSA(knowledge, skill and attitude) to help retain employees. The study also revealed that training and development indicated a strong

signal for retention and has put recommendation that management of the organization provide training and development to increase employees ability and skill and to make them satisfied to remain in the organization.

Research conducted by (Dama and Isah (2015), to investigate the influence of training and development on staff retention and loyalty among bank workers in Adamawa State, Nigeria. The sample size of the research was 197 and the instrument used was a set of questionnaire. Using regression for data analysis, they found that training and development positively affect staff retention and loyalty. These studies found that creation training, career mentoring, complete salary, and promotion opportunities may indeed influence employees' commitment or turnover intention. Other studies also found that training (Lee and Maurer, 1997) and career management (Inkson, 2007) are all linked to reducing turnover, enhancing commitment and retention of employees. These finding suggest that organizations can improve retention of their key employees by effectively implementing certain training and learning strategies. It is reasonable to argue that the benefits of long term retention of knowledge workers outweigh the cost of losing and replacing them. The cost of replacing leavers can be high as companies not only suffer the loss of training investment, but also the turnover can affect employment relationship. Anders Dysvik and Bård Kuvaas (2008) Training and development develop a social link between organization and employees. This social link creates a commitment factor that bounds the employee to stay longer with an organization.

(samganakkan, 2010) In his article he identified how the human resource management practices such as training, appraisal etc. effect the employee, their intention to stay and their motivation. According to his research training is an important determinant of employee motivation and retention. A research which is conducted by (Newman et al., 2011) to examine the effect of training on employee retention case of multinational Chinese service sector, data collected from 437 employees of China who work in five multinational Chinese service sector and the research found that training have a significant effect on retention. Because from training, they get an idea that they are an important asset for organization.

**H2: Training has a positive and significant influence on employee retention.**

### **2.7.3. Work-Life Balance and Retention**

Research done in the past shows that flexible work arrangements may reduce stress because employees working flexibly are more satisfied with their jobs, more satisfied with their lives, and experience better work-family balance. This can reduce turnover because employees develop a greater sense of job satisfaction and are less likely to leave (Bussin, 2003). Many employees want to have a job that they can easily balance their personal life and their work and if the balance between their work and personal life interferes they will show high absenteeism and turnover than when the individual is able to work and meet family needs with the support of organizational programs (Jack and Adele, 2003). A conflict of work-family creates a problem for employees and plays a great role in their turnover intention. Many research shows that the existence of family support (such as alternative work schedules, supervisor support, co-worker support, work family culture and family benefits) in an organization help a lot in the retention of talented employees (Gaan, 2008). Also it is proved through research that organizations which have good interaction with their employees in integrating between family responsibilities and work reduce such employees' intention regarding leaving the job (Allen, 2001). A research which is conducted by (Thompson and Prottas (2005), on the relationship between employee turnover intention and organization support such as flex time, work family culture, supervisor support and coworker support found that organization support reduced the employee turnover intention.

In other research conducted by (Rashid, Rab, Khalil, Zahid & Moeed (2013), to find out the relationship of work life balance and stress with turnover rate for employees found that work life balance have strong positive correlation with employee turnover intention. In their research (Ghayyur & Jamal (2012), concluded that work life balance have strong positive correlation with employee turnover intention despite of all demographic characters such as marital status, designation and gender. And a research which is conducted by (Noor, 2011), found that there is a negative correlation between work life balance and employee turnover intention. (Kar, Subhasree & Misra, K. C, 2013), analyzed the effect of work life balance practices on employee retention and the mediating effect of a supporting culture based on empirical evidence drawn from Indian IT sector. And the researcher found that work-life conflict is a serious problem not only affects workers but also employers and even the community. Many researches indicate that an

organization's commitment to family needs and work-life balance will ultimately effect upon the commitment of their employees and the retention rate (Haar & Spell, 2004, Wang & Walumbwa, 2007).

Deery and Jago (2015) examined the themes of talent management, work-life balance and retention methods within the hospitality sector. And the study revealed that work-life balance seems to have become one among the key variables when addressing problems with worker management and retention.

Research conducted by (Shukla, K., Somesh and Sinha, Deepti, 2013), to identify the major issues associated with the retention of the pharmaceutical employees in Dehradun city, found that due to growing expectations among employees at all levels, a majority of employees want to have an improved quality of work life which motivates them to stay long.

**H3: Work life balance has a positive and significant influence on employee retention.**

#### **2.7.4. Physical Work Environment and Retention**

Many research found that workplace environment has great effect on employees' intention to stay. an independent study which is conducted by the society for human resource management found that physical work environment by large amount contribute on employees' decision towards weather stay or leave the organization (Sutherland, 2004). A survey which is conducted by (Hughes, 2007), on 2000 employees found nine out of ten believed that physical workplace environment is one of the top three factor which is greatly affecting employees' intention to stay and productivity.

A study which is conducted by (Kwenin, O. D. and Muathe S,2013), to explore the link between work environment, career development opportunities and employee retention in Vodafone Ghana Limited, revealed that physical work environment and career development opportunities had positive relationship with employee retention and thus affect employees' decision to stay and the study also recommended that thriving and good physical work environment should be provided at the workplace to make employees more satisfied to remain in the company. In other study by (Fatima & Hira,2011), on the factors that influence any organizations' skilled labors decision to



stay or to leave the organization, revealed that a meaningful physical work climate provides organizations with improved ability to attract more skilled workers and also retaining the talented ones.

The American Society of Interior Designers (ASID, 1999) carried out an independent study and revealed that the physical workplace design is one of the top three factors, which affect performance and job satisfaction there by intention to stay. The study results showed that 31 percent of people were satisfied with their jobs, and they had pleasing workplace environments. 50 percent of people were seeking jobs, and said that they would prefer a job in a company where the physical environment is good.

Study conducted by (Masibigiri, V. and Nienaber H, 2011), to explore the factors that affect the retention of Generation X public servants, were found that job content is one of the most important factor an organization needs have to consider which affects employee decision regarding to weather to stay or leave the job. And it is also mentioned that, one of the most valuable element of an organization total reward strategy which helps to retain employees is having and considering good physical work environment (Heneman, 2007). Work environment is one of the factors that affect employee's decision to stay with the organization (Zeytinoglu & Denton, 2005).

Narana(2013)In his study also found that respondents are strongly in agreement on physical working environment as the factor that have an effect on their retention at work. Smart operating environments are to be delivered to make sure their workers are retained with the organization.

**H4: Physical work environment has a positive and significant influence on employee retention**

### **2.7.5 Career Development Opportunity and Retention**

It is essential for the organization as the organization needs the service of talented and productive employees and talented employees are required to maintain the competitive advantage of the

organization (prince, 2005).so this implies that the existence of career advancement is not only the issue of employees it is also the concern of organization.

A study conducted by Meyer (2003), revealed that internal career development is the best predictor of employee commitment and intention to stay in the organization. And other research conducted by (Bashir, S & Ramay, M (2008), on Determinants of Organizational Commitment, found that career advancement opportunities, work-life policies, job characteristics will lead to organizational commitment and influence an employee intention to stay in organization. Also Kimuge (2014) studied the effect of total reward on employee retention and the finding reveals that work life balance, compensation, training and career advancement have a positive impact on employee's decision to stay or leave the organization.

#### **2.7.6. Job Autonomy and Retention**

If employees have job autonomy they will be intrinsically motivated, which is considered as basic psychological need essential for personal growth (Ryan & Deci, 2001).by intrinsic motivation mean individual perform activities because they drive satisfaction from the activity itself.

Studies conducted by (Adebayo & ezeanya, 2011) on “Task identity and job autonomy as correlates of burnout among nurses in Jos, Nigeria”, found that if employees are less able to undertake interesting activities, exercise discretion and make decision, they are more likely to experience job burnout and leave the organization. The more autonomy employees have on their work to make decision by their selves the more they feel satisfied and will have the more intention to stay within the organization.

### **2.8. Research Gap**

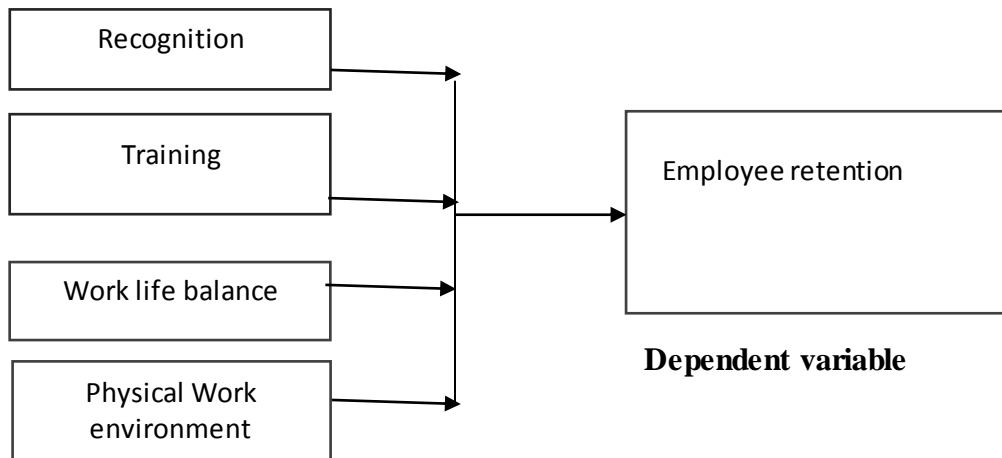
A few researchers have attempted an in-depth study offering detailed consideration of causes and consequences of failure for staff retention in organizations and companies (Loquercioet al., 2006) Further, a specific research examining the effects of non-financial reward management practices on retention of employees in the industrial park in Ethiopia could not be found. And this shows that, there is limited empirical evidence on employee retention in the developing world like Ethiopia hence there is a research gap. And this study aims to fill the gap in literature

review by investigating the effects of non-financial reward management practices on retention of employees in industrial park in Ethiopia.

## 2.9. Conceptual Framework

Conceptual framework is a diagrammatic representation of the relationship between dependent and independent variable (McGaghie, Bordage, et. al. (2001).the researcher assess different literature on the study area and construct a conceptual framework. the conceptual frame work presented for this study show the effect of non-financial reward as a tool, the independent variables are recognition, training, work life balance and physical workplace environment on dependent variable and the dependent variable is employee retention. The study will therefore determine the effects of the independent variables on the dependent variable. The figure below shows the effect of non-financial reward practice (independent variable) on employee retention (dependent variables).

**Figure2.1: proposed conceptual framework**



**Independent variable**

**Source: own research model, 2019**

## **2.10 Research Hypothesis**

The purpose of this study is to examine the effects of varied non-financial reward practice on employees' retention. The hypotheses of the study were:

Hypothesis 1: Recognition has a positive and significant influence on employee retention.

Hypothesis 2: Training has a positive and significant influence on employee retention.

Hypothesis 3: Work life balance has a positive and significant influence on employee retention.

Hypothesis 4: Physical Work Environment has a positive and significant influence on employee retention.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Research Design and Approach**

Research design is a “strategic framework, a plan that guides research activity to ensure that sound conclusions are reached (Durrheim and Painter, 2006). Descriptive and explanatory research design were used in this research. Descriptive research design is a systematic method for collecting data from a representative sample of respondent using instrument composed of closed ended question (Lavrakas,2008),this design were used to provide detail description about the existing non-financial reward practice and retention status. Explanatory research design were used to explain the relationship between the independent variable which is how the non-financial reward practice such as recognition, training, work life balance and physical workplace environment affects the dependent variable which is employee retention. Independent variable are variable with values which are not problematic in conducting analysis but are taken as simply given while the dependent variables were assumed to depend on or be influenced by the independent variables (Babbie 2008).

The researcher used quantitative method (approach) for conducting the research. This method is used to quantify the problems through generating numerical value or data that the researcher can transform into usable statistics.

#### **3.2. Target Population**

Population is the entire set of people things or events that meets the criteria for inclusion of the study (Sekeran, 1990). The study target populations are all employees of Hawasa industrial park excluding ITL (UK) labeling and Jas Holding (Ethiopian) companies because they are companies under set up, also the study excludes management staff from inclusion because much of them were owner and it was assumed they may not expose the correct information and the other reason is those employees have low turnover as compared to operating workers. The total numbers of companies and employees taken for the study were 18 and 18282 respectively. Companies taken for the study are shown in the table below.

**Table 3.1 total population in each factory**

No	Company name/logo	Total Number of employees	Total number of confirmed operating workers
1	PVHAM	1837	1590
2	JPTE	685	447
3	Raymond( Silver Spark) Apparel Ltd	2427	1954
4	Arvind lifestyles Manufacturing	2972	2047
5	Everest Textile	1880	1685
6	Hirdaramani Garment PLC (1 <sup>st</sup> company to enter into the park)	1699	1185
7	Indochine International	3727	2920
8	TAL Apparel	993	885
9	EPIC Group	1463	1073
10	Busana Apparel Group (PTU/Century)	567	429
11	Isabella Socks Manufacturing PLC	417	394
12	Chargeurs Fashion Technologies	23	15
13	Ontex Group	95	65
14	Hela – Indochine	1784	1137
15	Quadrant Apparel Group	136	110
16	Best CorporationsPLC	1125	946
17	<b>KGG</b> ( Jiangsu Golden Global)	1125	1061
18	<b>Sumbiri</b>	461	339
	<b>Total</b>	23207	18282

Source: own survey 2019

### 3.3. Sample Size Determination

Malhortra and Peterson (2006) and Zikmund (2003) stated that, the larger the sampling size of a research, the more accurate the data generated. From among different methods, the sample size determination the one which developed by Carvalh (1984), has been used by the researcher. The method is presented in table below.

**Table 3.2: sample size determination**

Population size	Small	Medium	Large
51-90	5	13	20
91-150	8	20	32
151-280	13	32	50
281-500	20	50	80
501-1, 200	32	80	125
1, 201-3, 200	50	125	200
3, 201-10, 000	80	200	315
10, 001-35, 000	125	315	500
35, 001-150, 000	200	500	800

**Source: Carvalho (1984)**

The population size of the study in industrial park of 18 companies is 18282 excluding management staff. So the range lies between 10,000- 35000, according to Carvalho's sample size determination indicated in Table3.2, Thus taking to account a small population size variance and also the cost of taking samples and time intense for large sample size medium sample size has been applied in according with the given population size. Therefore the sample size selected for the study under consideration was 315.

### 3.4. Sampling Technique

The researcher used stratified random sampling because this makes easy to classify the population in to strata's and it helps to ensure that all employees in each companies are represented in the sample. The target populations for the study were classified in to eighteen

strata based on the companies. Then the samples were selected from each stratum according to their proportion to the total population. The goal of the sampling method used will be to obtain a sample that is a representative of the population. And this stratified random sampling has more statistical precision than simple random sampling (Gay, 1992).

### **3.5. Source and Type of Data**

Data's for the study was mainly collected from both primary and secondary source. Primary source of data were collected from respondents of the study area. Close-ended questionnaire has been used to collect primary data from the entire population of 18282 employees. And secondary source of data was collected from detail review of internet article, annual report of the organization, journal article, newspapers and books as well as other relevant materials which is useful in this study to have a critical review of related literature for the study under consideration. This type of data has to do with documents that are in existence.

### **3.6. Method of Data Collection**

The data were collected by using questionnaire which has been distributed personally by the researcher to employee of the companies with in the park; as the study targeted on operating employees it is assumed that much of them may not have high education which helps them to understand the question better. Taking this in to account the researcher explains the question for those who are unable to understand it. The formulated questions were based on the objectives of the study.

#### **3.6.1. Reliability**

Reliability is the degree to which an assessment tool produces stable and consistent results. To check the reliability of the questionnaires the researcher used methods like cronbach's Alpha, a statistical measure of internal consistency between items. As multiple items in all constructs have been used, the internal consistency/reliabilities of non-financial reward practice and retention was assessed with Cronbach's Alpha. The reliability values for all constructs of values greater than 0.7 are considered acceptable (Nunnally, 1978).



**Table 3.3 Reliability Statistics**

	Cronbach's Alpha	N of Items
Recognition	.988	5
Training	.930	7
Work life balance	.989	5
Physical work environment	.902	6
Employee retention	.975	9

**Source: survey data, 2019**

The **table 3.3** above indicates that there was a high degree of internal consistency among the test items.

### **3.6.2. Validity**

Validity indicates the degree to which the instrument measures the constructs under investigation (Mugenda and Mugenda, 2003). This study was addressed content validity through the review of literature and adapting instruments used in previous research. And also the content validity of the questionnaires that has been used was passed the evaluation of an advisor and subject matter expert.

### **3.7. Model Specification and Description of Study Variable**

Linear regression is a method of predicting or estimating the value on some dependent variable as a result of change in one or more independent variable. In order to achieve the objectives of the study, various factors which have a potential effect on the study topic “the effect of non-financial reward on retention among employees of companies in Hawassa industrial park” has been studied. For this study multiple linear regression analysis has been used, this method of analysis can take in to account the inter-correlation among all variables included under study. This method also takes into account the correlations among the predictor scores (Adams, 2007).this method is used to determine if the independent variable will explain the variance in the dependent variable. And the equation of the regression for this study is built on two sets of variable mean dependent variable (employee retention/ $y_i$ ) and independent variable (recognition/ $x_1$ , training/ $x_2$ , work life balance/ $x_3$ and physical work environment/ $x_4$ ). the

relationship connecting the independent and dependent variables is given below: Mathematically the model is expressed as:

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e_i$$

Where:

Y is the dependent variable (employee retention)

X<sub>1</sub> = recognition, x<sub>2</sub> = training, x<sub>3</sub> = work life balance, x<sub>4</sub> = physical work environment and e<sub>i</sub> = error term

### **3.8. Technique of Data Analysis**

Data analysis is that the method of analyzing all the data and evaluating the relevant information that may be useful in higher decision (Sivia & Skilling, 2006). Analysis can be done by using various tools and methods. In this study both descriptive and inferential statistical tools for data analysis would be used. Descriptive statistics has been used for summarization of data whereas inferential statistics were used for investigation of cause and result relationship between independent and dependent variables.

### **3.9 Ethical Consideration**

The studies were conducted by considering ethical responsibility. The respondents were assured that the response they will provide will remain confidential and used only for academic purpose. And the researcher got approval from HIC before conducting any research activity. Respondents are informed about the purpose of the study.

## CHAPTER FOUR

### DATA ANALYSIS, PRESENTATION AND INTERPRETATION OF RESULT

The main objective of this research paper is to examine the effect of non-financial reward practice on employee retention in the case of companies in HIP, and in this chapter data collected by the researcher from sample respondents were analyzed and results have been interpreted. Accordingly the chapter begins with response rate of the questionnaires followed by demographic characteristics of respondent. Descriptive and inferential statistics are presented thereafter to analyze the respondents answer on the effect of non-financial reward practice on employee retention

#### 4.1 Response Rate of Questionnaire

To collect primary data the researcher distributed 315 questionnaires to operating employees of companies in HIP of all these 300 questionnaires were filled and returned. This makes the return rate of the questionnaire to 95%, and this response rate makes the researcher confident because the data obtained from these respondents is sufficient to arrive at sound conclusion

**Table 4.1: Response Rate**

Response	Frequency	Percentage
Responded	300	95%
Not responded	15	5%
<b>Total</b>	<b>315</b>	<b>100</b>

Source: Survey data, 2019

## 4.2 Analyses of Data Using Descriptive Statistics

### 4.2.1 Demographic Profile of Respondent

Demographic characteristics of respondent are presented, analyzed and interpreted in this research with respect to their gender, marital status, age, educational background and experience. The analysis and results for each variable are presented below.

**Table 4.2: Demographic Profile of respondents**

Respondents Demographic profile		Frequency	Percent	Valid Percent
Gender	Female	259	86.3	86.3
	Male	41	13.7	13.7
	<b>Total</b>	300	100.0	100.0
Marital Status	Single	160	53.3	53.3
	Married	129	43.0	43.0
	Other	11	3.7	3.7
	<b>Total</b>	300	100.0	100.0
Age	Below 20	24	8.0	8.0
	20-29	239	79.7	79.7
	30-39	37	12.3	12.3
	<b>Total</b>	300	100.0	100.0
Educational Background	Primary	45	15.0	15.0
	Secondary	197	65.7	65.7
	Diploma	38	12.7	12.7
	Degree	20	6.7	6.7
	<b>Total</b>	300	100.0	100.0
Work Experience	< 1 year	49	16.3	16.3
	1-2 year	171	57.0	57.0
	>2 year	80	26.7	26.7
	<b>Total</b>	300	100.0	100.0

Source: Survey data, 2019

From the above **table 4.2** gender composition shows that of the total respondent (n = 259 which is 86.3%) are female and the rest (n = 41 which is 13.7%) are male. This shows that female employees are by far more than male employees in the companies.

In the **same table 4.2** above regarding marital status of respondent out of 300 respondents who participated in the survey 160(53.3%) are single, 129(49%) are married and the rest 11 (3.7%) of respondents responded other. So this shows that the numbers of single employees are higher than married employees and this is the main reason for high turnover rate in the park because single (unmarried employee) may leave the company very often than married employee.

Regarding age of respondent **table 4.2** shows out of 300 respondents who participated in the survey 24(8%) of the respondents falls in the age category of below 20, 239(79.7%) of them falls with the age category of 20-29, and the rest 37(12.3%) falls within the age category of 30-39. so the majority of the respondents for this study falls within the age group of 20-29 and this shows that most of the employees are youth and very energetic it helps the companies to achieve its objective and to be profitable.

Regarding educational background of respondent **table 4.2** above shows that out of 300 respondents who participated in the survey 45(15%) of them are primary school complete, 197(65.7%) are secondary school complete, 38(12.7%) of the respondents have diploma and the rest 20(6.7%) have first degree. This shows that majority of the factory workers are secondary school complete in their education followed by primary school complete. it can be enough to conclude that those who have secondary school certificate can operate machine very well and play great role in producing good product that contribute high to the company's profit.

With regard to work experience the above **table 4.2** show that out of the total 300 employees who participated in the survey 49(16.3%) of the respondents served the companies for less than 1 year, 171(57%) of the respondents responded they served the companies for 1-2 year and the rest 80(26.7%) of them served the companies for more than two year. And it shows that more than 80% of the respondents have work experience of 1 year and above. In addition, the highest numbers of respondents were employees who have served the company from 1-2 years, followed by >2years, <1 year of experience, it can be possible to conclude that employees are moderately

experienced and have good knowledge about their factory over all non-financial reward policy, practice, procedure and strategy.

### 4.3 Descriptive analysis

With the first section of the questionnaire the researcher collected data's regarding demographic character of respondent and with the second section of the questionnaires the researcher collected data on the current practice and effects of non-financial reward on employee retention of of companies in HIP. Respondents are asked question on current practice of non-financial reward, recognition, training, work life balance, physical work environment practice and their overall retention within the companies. And the results of the respondents' response for all these constructs are presented below separately.

#### 4.3.1 Non-Financial Rewards Practiced in the Companies

Respondents were asked to indicate their answer regarding the non-financial reward practice currently practiced in the companies and the response of those respondents are presented below

**Table 4.3:Non-Financial Rewards Practiced in the Companies**

Non-financial rewards	Frequency	Percent	Valid Percent	Cumulative Percent
Recognition	67	22.3	22.3	22.3
Training	78	26.0	26.0	48.3
work life balance	51	17.0	17.0	65.3
physical environment	99	33.0	33.0	98.3
Other	5	1.7	1.7	100.0
Total	300	100.0	100.0	

**Source: survey data, 2019**

The above **table 4.3** indicates respondents' response on the non-financial Reward Practice Currently Practiced in the companies accordingly Physical Work Environment, Training, Recognition, Work life balance and other are ranked 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> respectively. This shows that the physical work environment is the reward highly practiced in the companies while the other non-financial reward practice are not widely applied within the companies.

#### **4.3.2 Description of the Effect of Non-Financial Reward Practice on Employee Retention**

Mean score measurement can be used to interpret the result of the data. The responses of the respondents for the variables indicated below were measured on a five point Likert scale with: 1= strongly disagree, 2= disagree, 3 = neutral, 4= agree and 5= strongly agree. The scale was reassigned while making interpretation of mean and standard deviation as follow to make the interpretation more clear and easy. A mean score of above 3.80 is considered high mean score of 3.40-3.79 considered moderate and mean score of below 3.39 considered as low agreement (Akmaliah,2009).So the level of agreement of employees on those non-financial reward practices and their retention result are interpreted below separately.

**Table 4.4: Level of Respondents Agreement on the effect of Recognition on Retention**

<b>Employee Recognition Statement</b>	<b>Mean</b>	<b>Std. Deviation</b>
I am being praised and recognized in public for good work	2.7900	1.12105
The companies administration recognizes the good work i do	2.8433	1.10583
Recognition enables me to enhance my achievement and feel involved in the company culture	2.7633	1.12169
Recognition gives companies an opportunity to communicate the role that employees should play in making the organization a success	2.8400	1.10384
Recognition for the work enables me to have a better perception of my work, workplace and the people i work for	2.7467	1.13141
<b>Cumulative of recognition</b>	<b>2.7967</b>	<b>1.09122</b>

**Source: survey data, 2019**

The **above 4.4** table shows respondents level of agreement on the recognition practice of the companies. Accordingly, i am being praised and recognized in public for good work has scored a mean and standard deviation of (2.79 and 1.121), the companies administration recognizes the good work i do has scored a mean and standard deviation of ( 2.84 and 1.104), recognition enables me to enhance my achievement and feel involved in the company culture has scored a mean and standard deviation of (2.76 and 1.122), recognition gives companies an opportunity to communicate the role that employees should play in making the organization a success has scored a mean and standard deviation of (2.84 and1.104), recognition for the work enables me to have a better perception of my work, workplace and the people i work for has scored a mean and standard deviation of (2.75 and 1.131). The cumulative mean of recognition above, as this mean value is compared with (Akmaliah, 2009) mean score comparison, the mean result indicates that the feeling of Respondents for the factory recognition practice reveals their low agreement.

**Table 4.5: Perception of employees’ agreement on the training practice of the companies**

<b>Training Statement</b>	Mean	Std. Deviation
This company provides me with job specific training	2.6467	1.00591
The company has a training policy applicable to all employees	2.5900	1.04188
Sufficient money is allocated for product and solution training	3.0500	1.08231
I received regular training to keep me update for better performance	2.6200	1.06429
Training programs are consistently evaluated	2.7300	1.50931
The management encourages employees to seek further training	2.6067	1.05308
Further training helps to retain employees in the work station.	2.8500	1.07922
<b>Cumulative of training</b>	<b>2.7276</b>	<b>0.94838</b>

**Source: survey data, 2019**



The above **table 4.5** shows respondents level of agreement on the training practice of the companies, accordingly this company provides me with job specific training has scored a mean and standard deviation of ( 2.65 and 1.006), the company has a training policy applicable to all employees has scored a mean and standard deviation of (2.59 and 1.042), sufficient money is allocated for product and solution training has scored a mean and standard deviation of (3.05 and 1.082), i received regular training to keep me update for better performance has scored a mean and standard deviation of (2.62 and 1.064), training programs are consistently evaluated has scored a mean and standard deviation of (2.73 and 1.051), the management encourages employees to seek further training has scored a mean and standard deviation of (2.61 and 1.053), Further training helps to retain employees in the work station has scored a mean and standard deviation of (2.85 and 1.079).the above cumulative mean shows that, employees of the companies of hawassa industrial park have low agreement with respect to the training practice of the companies.

**Table 4.6: Level of Respondents Agreement on the Work Life Balance Practice of the Companies**

<b>Work life balance statement</b>	Mean	Std. Deviation
my job didn't reduce the amount of time i can spend with my family	2.1133	.95404
problem at work didn't make me irritable at home	2.1767	.96708
my work didn't involves a lot of time away from home	2.1167	.95888
my job didn't takes up so much energy i don't feel up to doing things that need attention at home	2.1600	.95784
I am not expected to put my jobs before family and personal matter	2.1333	.95845
<b>Cumulative of work life balance</b>	2.1400	0.9383

**Source: survey data, 2019**

The above **table 4.6** shows respondents level of agreement regarding companies work life balance practice, accordingly, my job didn't reduce the amount of time i can spend with my family has scored a mean and standard deviation of (2.113 and 0.954), problem at work didn't make me irritable at home has scored a mean and standard deviation of (2.176 and 0.967), my work didn't involves a lot of time away from home has scored a mean and standard deviation of (2.117 and 0.959), my job didn't takes up so much energy i don't feel up to doing things that need attention at home has scored a mean and standard deviation of (2.160 and 0.958), I not am expected to put my jobs before family and personal matter has scored a mean and standard deviation of (2.133 and 0.958). As it is indicated with the Cumulative mean the entire respondent show their low agreement on the work life balance practice of the companies. And this shows that the companies are not providing flexibilities for employees to balance their family and work life. So the researcher can conclude that the companies don't have good work life balance practice that allows employee to balance work and their family wellbeing.

**Table 4.7: Perception of employees' agreement on the physical work environment practice of the companies**

<b>Physical Work Environment Statement</b>	Mean	Std. Deviation
companies have parking availability	2.4567	.91153
there are disturbing noises at my workplace	2.2000	.78872
heating and ventilation are working in a desired way in my workplace	3.1600	1.05107
companies has good washing and dressing room	3.0133	1.11233
lighting is working in a desired way in my work place	3.0267	1.07540
companies have good ergonomics design	3.1433	1.11367
<b>Cumulative of physical work environment</b>	2.7713	0.80905

**Source: survey data, 2019**

the finding indicated above in **table 4.7** respondents level of agreement on the physical work environment practice of the companies, accordingly companies have parking availability has scored a mean and standard deviation of (2.457 and 0.912), there are disturbing noises at my workplace has scored a mean and standard deviation of (2.200 and 0.789 ), heating and ventilation are working in a desired way in my workplace has scored a mean and standard deviation of (3.160 and 1.051), companies has good washing and dressing room has scored a mean and standard deviation of (3.013 and 1.112), lighting is working in a desired way in my work place has scored a mean and standard deviation of (3.027 and 1.075), companies have good ergonomics design has scored a mean and standard deviation of (3.143 and 1.114). The cumulative mean of the physical work environment shows that, employees of the companies are agreed to low, as compared to mean score of (akmaliah 2009) mean score comparison, With regard to physical work environment practice of the companies in the park. Meaning, companies should reconsider modifying their structure to allow for more room to allow for high level of safety associated with good ergonomics design, good lighting, and moderate temperature with having ventilation for employees to stay long.

#### 4.3.3 Summary of Non-Financial Reward Variable Mean Result

**Table 4.8: Summary of Non-Financial Reward Mean Result**

	Mean	Std. Deviation
Recognition	2.7967	1.09122
Training	2.7276	.94838
Work life balance	2.1400	.93830
Physical work environment	2.7713	.80905

**Source: survey data, 2019**

The above **table 4.8** shows that respondents low level of agreement on the non-financial reward practice of the companies. So the researcher can conclude that companies management body doesn't gave adequate emphasize on those non-financial reward practices as a one mechanism

for the retention of employees, as these practice have long term effect on the retention of employee as well productivity of the company.

#### 4.3.4 Employee Retention

Respondents were asked to indicate the level of agreement on the employee retention statement and the result of the response are presented below.

**Table 4.9: Employee Retention**

Statements	Mean	Std. Deviation
I am not thinking about quitting my job at the present time	3.1300	1.09717
If i wanted to do another job or function, I would look first at the possibility within this park	3.1067	1.13707
It is unlikely that i will actively look for a different organization to work for in the next year	3.2467	1.09384
I would be very happy to spend the rest of my career with this industry	3.1900	1.12463
I really feel as if this industries problems are my own	3.1200	1.11493
I recommend the products and services of the industry to others	3.0733	1.15139
When needed I am willing to put in extra effort to get the job done	3.2133	1.10085
I feel that I have too few options to consider leaving the companies	2.8500	1.09766
I speak positively about this industry when talking to customers, friends and relatives	3.1233	1.13979
<b>Cumulative of retention</b>	3.1170	1.02133

**Source: survey data, 2019**

The above **table 4.9** indicates that, i am not thinking about quitting my job at the present time has scored a mean and standard deviation of (3.13 and 1.097), if i wanted to do another job or function, I would look first at the possibility within this park has scored a mean and standard deviation of (3.107 and 1.134), it is unlikely that i will actively look for a different organization

to work for in the next year has scored a mean and standard deviation of ( 3.247 and 1.094), I would be very happy to spend the rest of my career with this industry has scored a mean and standard deviation of (3.190 and 1.125), I really feel as if this industries problems are my own has scored a mean and standard deviation of (3.120 and 1.115), I recommend the products and services of the industry to others has scored a mean and standard deviation of (3.073 and 1.151), When needed I am willing to put in extra effort to get the job done has scored a mean and standard deviation of (3.213 and 1.100), I feel that I have too few options to consider leaving the companies has scored a mean and standard deviation of (2.850 and 1.098), I speak positively about this industry when talking to customers, friends and relatives has scored a mean and standard deviation of (3.123 and 1.139). According to the above cumulative mean of retention statements respondents reveal their lowest level of agreement with regarding to retention status. Meaning if they get better opportunity they will leave the companies.

## 4.4 Data Analysis Using Inferential Statistics

### 4.4.1 Correlation Analysis

To know whether there is a correlation between the variables and the level of linear relationship the Pearson R correlation coefficient was used. This coefficient shows that the strength and direction of linear relationship between variable, also Pearson correlation coefficient (r) can varies from -1 to 1, shows that the larger the value the stronger the relationship between variable. a coefficient of -1 shows that there is a perfect negative relationship and a coefficient of 1 shows that there is a perfect positive relationship between variable.(0) shows that there is no linear relationship between variables (field, 2009). Hair et al. (2007) Developed rule of thumb about the coefficient range and strength of association.

**Table 4.10: Rules Of Thumb about Pearson Correlation Coefficient Size**

<b>Coefficient range</b>	<b>strength of association</b>
±0.91 to ±1.00	Very strong
±0.71 to ±0.90	High
±0.41 to ±0.70	Moderate
±0.21 to ±0.40	Small but definite relationship
±0.01 to ±0.20	Slight, almost negligible

**Source:** Hair, Jr., Money, A. H., Samouel, P., and Page, M. (2007).

The correlation between non-financial reward practice and employee retention were calculated by using bivariate Pearson correlation (r) coefficient.

**Table 4.11: correlation matrix**

	Recognition	Training	Work life balance	Physical work environment	Non-financial reward	Intention to stay	loyalty	commitment	Retention
Recognition	1	.649**	.028	.551**	.793**	.504**	.519**	.517**	.521**
Training		1	.273**	.541**	.891**	.541**	.542**	.540**	.549**
Work life balance			1	.038	.426**	.110	.103	.154**	.129*
Physical work environment				1	.736**	.754**	.754**	.745**	.762**
Non-financial reward					1	.673**	.678**	.688**	.691**
Intention to stay						1	.970**	.933**	.980**
Loyalty							1	.966**	.990**
Commitment								1	.985**
Retention									1

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

\* . Correlation is significant at the 0.05 level (2-tailed).

**Source: survey data, 2019**

The above **table 4.11** shows the statistical result of correlation between dependent and independent variable. so as indicated in the table above there is a significant correlation between non-financial reward practice and intention to stay, loyalty, commitment and retention with a correlation coefficient of 0.673 at  $p < 0.01$ , 0.678 at  $p < 0.01$ , 0.688 at  $p < 0.01$  and 0.691 at  $p < 0.01$  respectively.

As indicated above there is a significant positive correlation between recognition dimension and retention correlated at a correlation coefficient of  $(r = 0.521$  at  $p < 0.01$ ), training dimension correlated at a correlation coefficient of  $(r = 0.55$  at  $p < 0.01$ ), work life balance dimension correlated at a correlation coefficient of  $(r = 0.123$  at  $p < 0.05$ ), physical work environment dimension correlated at a correlation dimension of  $(r = 0.76$  at  $p < 0.01$ ). With having those correlation coefficient the researcher can conclude that employee will stay within the companies for longer period of time if they are provided with the appropriate non-financial reward practice.

All the correlation coefficient in the table above shows existence of positive relation between dependent and independent variable and this relationship is similar to the study hypothesis. And the level of correlation was high for all variable except work life balance were correlated low.

#### 4.4.2 Regression Analysis

Multiple linear regressions were used to evaluate the effect of two or more than one independent variable on the dependent variable. The researcher conducted a regression analysis to determine the influence of recognition, training, work life balance and physical work environment on employee retention.

**Table 4.12: Regression Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.783 <sup>a</sup>	.613	.608	.63951
a. Predictors: (Constant), physical work environment, work life balance, recognition, training				

**Source: survey data, 2019**

The model summary of the regression analysis of **Table 4.12** above shows that the non-financial reward practice accounted for 60 % of the variance in employee retention among the respondents from companies in Hawassa industrial park (R square = 0.608) this means that 60% of the variation in dependent variable( employee retention ) is explained by the model employed. And

the rest 40 % of the variation in employee retention has been supposed to be due to other factors not included in the study.

**Table 4.13: Analysis Of Variance for Non-Financial Rewards and Employee Retention**

Model	Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression	191.244	4	47.811	116.905	.000 <sup>b</sup>
	Residual	120.647	295	.409		
	Total	311.891	299			

a. Dependent Variable: retention  
b. Predictors: (Constant), physical work environment, work life balance, recognition, training

**Source: survey data, 2019)**

The F ratio is 116.91, indicates that the regression is statistically significant. Mean the highest the F value and the less the significance value ( $p < 0.001$ ) shows that the model is statistically significant.

**Table 4.14: Regression Coefficient**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta			
1	(Constant)	.113	.157	.077	.719	.473
	Recognition	.072	.048	.132	1.519	.130
	Training	.142	.057	.067	2.502	.013
	Work life balance	.073	.042	.645	1.735	.084
	Physical work environment	.815	.057		14.194	.000

a. Dependent Variable: retention

**Source: survey data, 2019**



The above **table 4.14** shows the contribution of each independent variable to the dependent variable. Accordingly, the variable which has high unstandardized ( $\beta$ ) coefficient and less value of significance level ( $p < 0.05$ ) has strong effect on dependent variable (Pallant, 2005).

So according to the **table 4.14** above the coefficient of independent variables shows that physical work environment and training contributes high for employee retention and found statistically significant at  $p = 0.000$  and  $p = 0.013$  respectively. And this indicates that these two variables contribute a lot in the prediction of the dependent variable. The significance level of the other two variables recognition and work life balance are not less than  $0.05$  ( $p > 0.05$ )  $p = 0.13$  and  $p = 0.084$  respectively found statistically insignificant.

The unstandardized ( $\beta$ ) coefficient shows the contribution of each independent variable to the dependent variable and it shows that a unit change in training and physical work environment cause 0.142 and 0.815 changes in employee retention respectively.

#### **4.4.3 Assumption of multiple Regressions**

**Multicollinearity:** is the existence of high correlation between two independent variables. And one method of measuring multicollinearity is tolerance and variance of inflation (VIF). tolerance shows that how much of the variance in the independent variable is not explained by the other independent variable in the model. If the value is very small or less than 0.10 it shows there is problem of multicollinearity. And also if the (VIF) for each independent variable is  $< 10$  multicollinearity isn't considered a problem. However if the VIF for each independent variable is  $> 10$  shows that the correlation between each independent variable is to extreme and there is problem of multicollinearity. The larger the value of the VIF above 10 is the more collinear the variable (Hair et al. 1998).

**Table 4.15: Tolerance and Variance of Inflation Factor**

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
1 Recognition	.507	1.974
Training	.469	2.134
Work life balance	.882	1.134
Physical work environment	.635	1.576

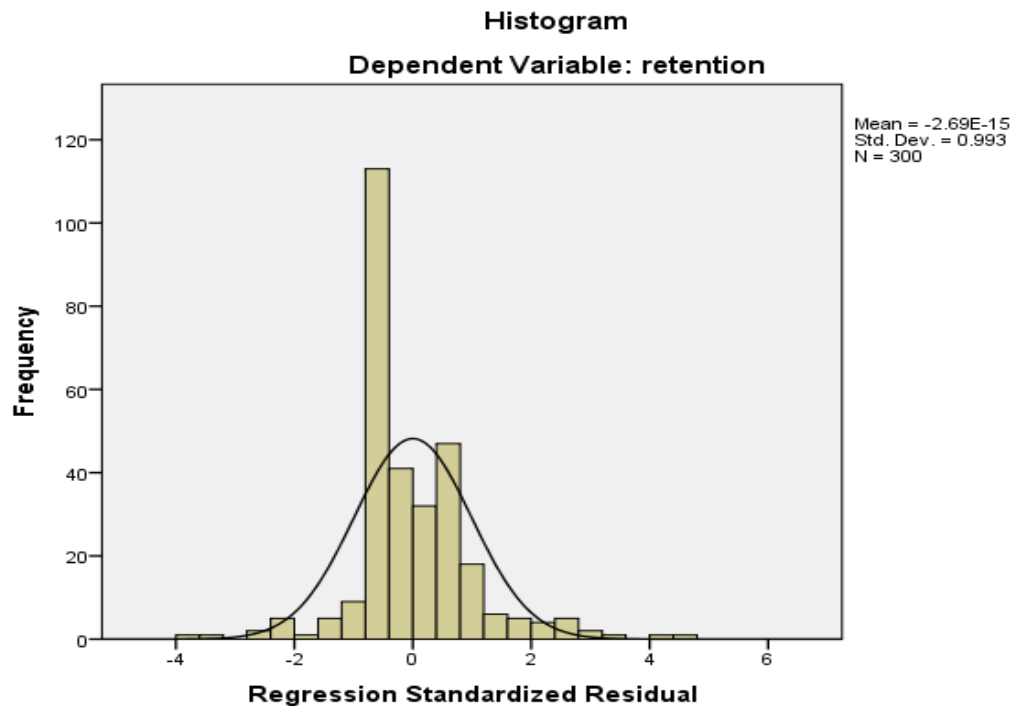
**Source: survey data, 2019**

So as indicated in the above **table 4.15** the result of the analysis shows that the tolerance value for each independent variable for recognition, training, work life balance and physical work environment are 0.507, 0.469, 0.882 and 0.635 respectively. Therefore there is no violation of the above stated assumption. Also the VIF result for recognition, training, work life balance and physical work environment 1.974, 2.134, 1.134 and 1.576 respectively shows multicollinearity is not a problem.

**Autocorrelation:** the value of durbin-watson test is closer to 2 (1.797) so it can be safely assumed that there is no problem of autocorrelation.

**Normality:** CLRM assumes that the distribution of the error term is normally distributed, the issue of normality is important while using regression and inferences has to be made for the population parameter from the sample parameter (Field, 2009). If the mean of the residual is zero and has constant variance it can be assumed the error is normally distributed (Brook, 2015).

**Figure 4.1: Histogram for Testing Normality**



**Source: survey data, 2019**

The above **figure 4.1** indicates that the mean of the residual is zero and the variance is approximately 1 this indicates that the error of the distribution is normal.

#### **4.4.4 Hypothesis Testing**

Based on the result and formulation of hypothesis the decision to accept or reject are made as follow. The first hypothesis state that:

**H1:** stated that employee recognition has a positive and significant influence on employee retention

**Results Discussion:** the result of multiple regression analysis in the above **table 4.14** found that the variable employee recognition had a beta value of 0.072 and that it was found statistically insignificant even at a 0.05 significance level. This shows that employee recognition has a positive contribution but found insignificant for the retention of employee.

**Decision:** according to the analysis above the formulated research hypothesis is fail to accept. This study result is similar with the previous study of (Elizabeth D,2018) done for academic purpose found recognition practice insignificant for employee retention among employees of Berhanena Selam Printing Enterprise, and other abroad study by(Samuel & Chipunza ,2009), which was found recognition practice insignificant for two public sectors organization in South Africa for retention of employee. This implies that the organization recognition practice is not aligned with the organization culture.

**H2:** training has a positive and significant influence on employee retention.

**Results Discussion:** the result of multiple regression analysis in the above **table 4.14** found that the variable training had a beta value of 0.142 and that it was found statistically significant at a 0.05 significance level. This shows that training practice has a positive contribution and found significant for the retention of employee.

**Decision:** according to the analysis above the formulated research hypothesis is fail to reject. This implies that the more training program that the companies give to employees will lead to a correspondent increase in employee retention. The justification for this result is that, worker of companies in hawassa industrial park consider both on the job and off the job training as an important factor for their long stay in the companies. This finding is also similar to previous study conducted by (Samuel, M., 2009), there is a significant effect of training on employee retention.

**H3:** stated that work life balance has a positive and significant influence on employee retention.

**Results Discussion:** the result of multiple regression analysis in the above **table 4.14** found that the variable work life balance practice had a beta value of 0.073 and that it was found that statistically insignificant even at a 0.05 significance level. This shows that work life balance practice has a positive contribution but found insignificant for the retention of employee.

**Decision:** according to the analysis above the formulated research hypothesis is fail to accept. This study result is similar with the previous study conducted by (Cegarra-Leiva et al., 2012), found that the amount of WLB practices does not have an effect on employee retention, and with

other study by (Magnus H, Simon K,2016) Retention of Employees in Swedish small and medium scale enterprise, found that WLB practice has no significant effect on retention. This implies that the organization work life balance practice is not formulated in alignment of the culture of the organization.

**H4:** stated that physical work environment has a positive and significant influence on employee retention.

**Results Discussion:** the result of multiple regression analysis in the above **table 4.14** found that the variable physical work environment practice had a beta value of 0.815 and that it was found statistically significant even at a 0.01 significance level. This shows that physical work environment practice has a positive contribution and found significant for the retention of employee.

**Decision:** according to the analysis above the formulated research hypothesis is fail to reject. This implies that the good design of the physical work environment that the companies have the longer employees stays. The justification for this result is that, workers of companies in hawassa industrial park consider a safe and well designed physical work environment as an important factor for their long stay in the companies. And this study is similar to previous study conducted by (North & Hershfield, 2014).

## CHAPTER FIVE

### SUMMARY OF FINDING, CONCLUSION AND RECOMMENDATION

#### 5.1 Summary of Finding

This study is conducted to examine the effect of non- financial reward practice on employee retention the case of companies in Hawassa Industrial Park. Specifically recognition, training, work life balance and physical work environment were examined with employee retention using both descriptive and inferential statistics. After conducting deep analysis and interpretation of the result of questionnaires the researcher come up with the following major finding:

- ✓ Majority of the respondents were consisted of female than male.
- ✓ The largest proportion of respondents who participated with in the study was ranged from the age group of 20-29 and was single employees.
- ✓ Majority of the respondents were secondary school complete.
- ✓ Majority of the respondents served the company between 1-2 years.
- ✓ According to the current non-financial rewards practiced with in the company's employees indicate that the companies implemented physical work environment practice followed by training, recognition and work life balance.
- ✓ From the non- financial reward summary table result, employees show their lowest agreement towards the non-financial reward practice of the companies.
- ✓ According to the cumulative mean of retention employees show their lowest agreement towards the retention statement.
- ✓ The result of the correlation analysis shows existence of strong positive relation between non-financial reward practice and employee retention. Accordingly recognition, training, work life balance and physical work environment were correlated 0.521, 0.549, 0.129 and 0.762 respectively with employee retention
- ✓ The model summery of the regression analysis shows that the adjusted R square was high, 60% of the variation in dependent variable were explained by the model.
- ✓ the result of ANOVA also confirms that the model were significant for retention of employee

- ✓ Finally the result of the regression analysis indicates that the non- financial reward practice employed in the study brings a variation in the dependent variable (employee retention) of companies in HIP. That is a unit change in recognition, training, work life balance and physical work environment brings a 0.072, 0.142, 0.073 and 0.815 change in employee retention respectively. This study is similar to previous study conducted by (Nyaga, 2015).

## **5.2 Conclusion**

The purpose of this study was to examine the effect of non-financial reward practice on employee retention. The effect that recognition, training, work life balance and physical work environment have on employee retention has been studied and the results were presented below.

In the descriptive analysis the mean score of each independent variable (employee recognition, training, work life balance and physical work environment) shows that employees level of agreement. And the average agreement for all those non-financial reward practice were found to be low agreement, this shows that the companies operating with in the park doesn't give consideration for those practice which have long term effect on employee retention

In accordance to employee retention companies' employee indicate their lowest agreement, this shows that employees level of agreement with regard to staying within the companies is inadequate. Mean if they get other opportunities they will leave the companies.so the human resource management of the companies need have to reconsider the non- financial reward practice that could be provided to employees to retain them for long

The result form the correlation analysis shows that the non-financial reward practices were correlated positively with employee retention. This finding was also in line with the proposed hypothesis. This means a good implementation of non-financial reward practice with in the companies will contribute high for employees to stay long.

The result of the regression model summary also reveals that the practices of non- financial reward (training and physical work environment), were found to be very important in employee retention of companies in HIP. With this result the researcher can conclude that these non-

financial reward practices are the most determinant factor for employee retention of companies in HIP.

In accordance with the contribution of each variable to the dependent variable it indicates that physical work environment has the greater effect on employee retention followed by training. The contributions of recognition were found to be statistically insignificant in this study this result is found to be similar with previous study conducted by (Elizabeth D, 2018) for academic purpose were found recognition practice insignificant among employees of berhanena selam printing enterprise. Also the contribution of work life balance found statistically insignificant in this study this result is also similar to previous study conducted by (Cegarra-Leiva et al., 2012), revealed that the amount of work life balance practices does not have an effect on employee retention, this shows that there should be a better strategy, procedure and that the companies need have to follow to redesign and restructure their recognition and work life balance practice in line with the culture of employees of the companies.

### **5.3 Recommendation**

In view of major finding and conclusion of the study, the following recommendation are made for consideration by companies of HIP as mechanism of providing adequate non-financial reward practice for better enhancement of employee retention.

- ✓ The management of the each factory should have to work more on improving non-financial reward practice to have better level of employee retention.
- ✓ The result of all non-financial reward practice shows employees lowest agreement towards them, so the companies need have to spend much effort specially on training and physical work environment through providing employees with training opportunities like identifying employees who lacks skill and providing them with both on the job and off the job training and also creating conducive work environment through having good ergonomics design of furniture, better lighting, moderating temperature and providing good washing and dressing room as they found statistically significant to retain the best employees for long.



- ✓ The result of employee retention status shows employees lowest agreement ,so the management of the companies need have to work more and more on these practice as they have long term effect on companies productivity and employee retention.
- ✓ The companies shall also provide both on the job and off the job training like providing coaching, mentoring, sensitive training and simulation training as employees are machine operator they need have to be skilled on how to operate the machine it have great effect on productivity there by retention.(the better employees trained on how to do with the machine the higher productivity and the higher their retention).
- ✓ The companies shall provide good physical work environment practice as it has a higher contribution to employee retention through providing them with good ergonomics design to reduce anxiety, adjusted temperature, good washing and dressing room.
- ✓ In accordance with the correlation analysis the result shows positive relation between non-financial reward practice and employee retention. So the companies should design different non-financial reward package in accordance with the culture of the company in order for retaining the service of skilled employees.
- ✓ From the regression analysis the result revealed that companies in HIP practiced recognition and work life balance, but those practice found statistically insignificant in retaining employees for a long. And this shows that a problem in implementing those practices so the companies should have to reconsider, redesign and give great care while implementing these practices. They need have to change the way what they are following on these two non- financial reward practice through aligning with the culture of employees to have them significant effect on long term retention of employees.
- ✓ Companies in hawassa industrial park have workers of energetic age group this will help the companies to achieve its objectives, so the companies should have to retain them through providing reasonable non-financial reward practice that can motivate and force them to stay long

## **5.4 Implication for Future Research**

The coming researcher can conduct research on the effect of non-financial reward practice on employee retention by including management staff with non-management one as this research were conducted only on operating (non-management staff employees).

In this research only four independent variables were employed to examine their effect on employee retention. so the coming researcher can conduct their research on the same areas by taking in to account other non-financial reward practice like career advancement opportunity, paternity leave, job security, job autonomy, supportive work environment and other non-financial reward practice supported by literature.

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**Web source**

<http://www.businessdictionary.com/definition/.html>

# Appendix I

## Addis Ababa University

### Business and Economics College

#### Masters of business administration program

#### Questionnaires to be filled by employees

Dear respondent:

Endalk filfil is a post graduate student of MBA in Addis Ababa university business and economics collage; he is currently carrying out a study entitled “**the Effect of non-financial reward practice on employee retention**” the case of companies in Hawasa Industrial Park. This research is meant for academic purposes only.so you are requested to kindly provide answers to these questions as honestly and precisely as possible. Responses to these questions will be treated as confidential.

Thank you in advance for your cooperation!

#### Instruction:

- ✓ Mark "X" the most appropriate enclosure relevant to each sentence.
- ✓ Answer questions honestly.
- ✓ Attempt all questions, to ensure the validity of the research.

#### Part I: General information

1. Please tick your Gender: Male  Female
2. Marital Status: Single  Married  Other
3. Please tick your age: below 20  20 – 29  30 – 39  40 – 49  50 and above

4. What is your educational background? Primary  secondary  diploma   
 degree  others

5. Work experience: < 1year  1-2 year  >2 year

**Part II: Respondent’s opinion about the non-financial rewards that have been practiced in the company**

Please put a tick (√) or (x) mark(s) on the following non-financial rewards that you believe practiced in the company.

- 1. Employee Recognition
- 2. Training
- 3. Work life balance
- 4. Physical work environment
- 5. Other \_\_\_\_\_

**Part III: non-financial reward Practices on Employee Retention**

To what extent does recognition influence your retention to the company? Use 1- strongly disagree, 2- disagree, 3-neutral, 4- agree, 5- strongly agree

<b>Recognition and employee retention</b>	1	2	3	4	5
I am being praised and recognized in public for good work					
The companies administration recognizes the good work I do					
Recognition enables me to enhance my achievement and feel involved in the company culture					
Recognition gives companies an opportunity to communicate the role that employees should play in making the organization a success					
Recognition for the work enables me to have a better perception of my work, workplace and the people I work for					

**Part IV: To what extent you agree do training influence your retention to the company?**

Uses 1-strongly disagree, 2-disagree, 3-neutral, 4- agree, 5- strongly agree

<b>Training and retention</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
This company provides me with job specific training					
The company has a training policy applicable to all employees					
Sufficient money is allocated for product and solution training					
I received regular training to keep me update for better performance					
training programs are consistently evaluated					
The management encourages employees to seek further training					
Further training helps to retain employees in the work station.					

**Part V: To what extent you agree that work life balance affects your retention to the company? Use 1-strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree**

<b>Work life balance and employee retention</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
my job didn't reduces the amount of time i can spend with the family					
Problems at work didn't make me irritable at home.					
my work didn't involves a lot of time away from home					
my job didn't takes up so much energy i don't feel up to doing things that need attention at home					
I am not expected to put my jobs before family and personal matter.					

**Part VI: To what extent you agree that physical workplace environment affects your retention to the company? Use 1-strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree**

<b>Physical Work environment and retention</b>	1	2	3	4	5
Companies have parking availability					
There are disturbing noises at my workplace					
Heating and ventilation are working in a desired way in my workplace					
Companies has good washing and dressing room					
Lighting is working in a desired way in my workplace					
Companies have good ergonomics design					

**Part VII: Please, indicate to what extent you agree on each of the following statement. Use 1-strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree**

<b>Retention statement</b>	1	2	3	4	5
I am not thinking about quitting my job at the present time					
If I wanted to do another job or function, I would look first at the possibilities within this park					
It is unlikely that I will actively look for a different organization to work for in the next year					
I would be very happy to spend the rest of my career with this industry					
I really feel as if this industries problems are my own					
I recommend the products and services of the industry to others					
When needed I am willing to put in extra effort to get the job done					
I feel that I have too few options to consider leaving the companies					
I speak positively about this industry when talking to customers, friends and relatives					

## Appendix II

### Linear regression assumption

#### Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.783 <sup>a</sup>	.613	.608	.63951	1.797

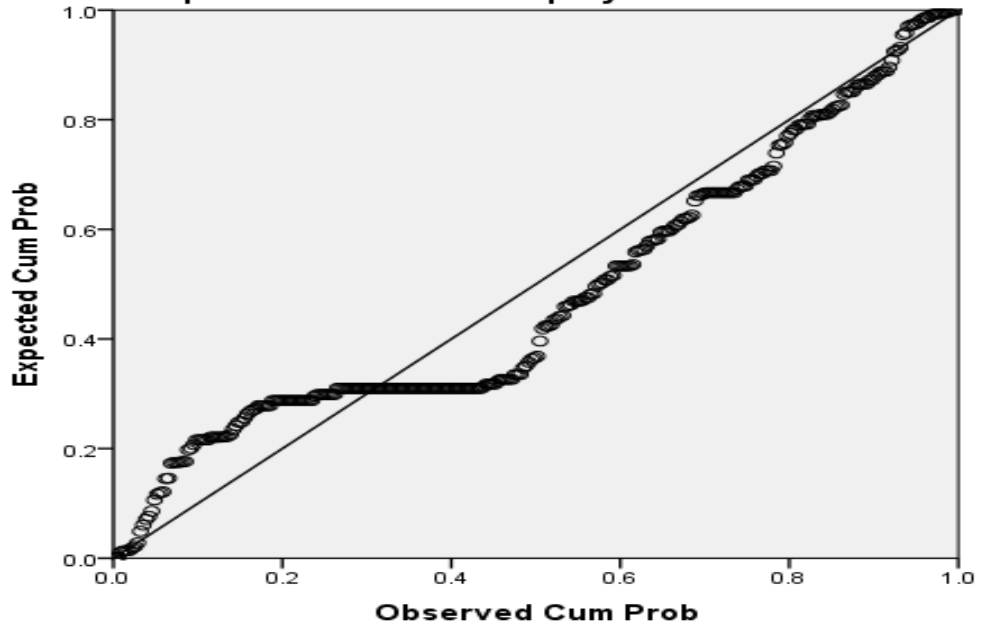
a. Predictors: (Constant), physical work environment, work life balance, recognition, training

b. Dependent Variable: retention

#### Collinearity diagnostic

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Recognition	.507	1.974
	Training	.469	2.134
	Work life balance	.882	1.134
	Physical work environment	.635	1.576

**Normal P-P Plot of Regression Standardized Residual**  
Dependent Variable: employeeretention



**Scatterplot**  
Dependent Variable: employeeretention

