

# **The influence of Organizational Reward systems on employee retention in manufacturing industries in Myanmar**

**By**

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## **Abstract**

Employees must be rewarded for businesses to survive, grow, and flourish in today's competitive environment. Human capital is a critical component of today's corporate environment. The study applied the quantitative method to test the influence of organizational reward systems on employee retention in manufacturing industries in Myanmar. The results showed that the participants positively perceived both intrinsic and extrinsic rewards of organizations. The multiple linear regression test presented that the reward systems (intrinsic and extrinsic) have a positive correlation with employee retention. Employees will stay at current working organizations when they perceive attractive reward systems.

**Keywords:** Reward System, Intrinsic Rewards, Extrinsic Rewards, Employees' Retention, Manufacturing Industries, Myanmar.

## **Background**

In today's competitive business world, firms face numerous obstacles including attracting and maintaining qualified employees. The sources of sustainable competitive advantage have shifted from the finance idea to the technology side, and now to human assets due to an intense competitive climate. Employee retention is one of the major issues that organizations face as a result of a shortage of competent labor and high employee turnover [1]. Every organization's success or failure is determined by the performance and productivity of employees. Employers and human resource managers try to maintain talented employees as the critical component of business success. Effective reward systems become one of the major employee retention strategies [2]. The researcher believed that employees will stay at their current job when they perceived their expected rewards and compensations for their performance.

## **Motivation of the study**

Numerous researchers mention the reward systems as the strategic tools for employees' motivation, satisfaction, and retention [3,4]. Employees intent to stay when they achieved their expected business results, and also got organizational rewards including financial and non-financial compensations based on their performance. The employee retention is vital to compete rivals and growth because the firms rely majorly on employee performance and productivity. In other words, employee turnover impact on organizational productivity, and operational costs. In today's business world, the firms try to achieve the employee retention as the fundamental strategy of business success and apply various reward systems to maintain the talented employees. In manufacturing sectors, the human labors are critical and the maintenance of qualified workers become challenges. And thus, the analysis of how the reward systems impact on employee retention is questionable at manufacturing sectors.

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## Objectives of the study

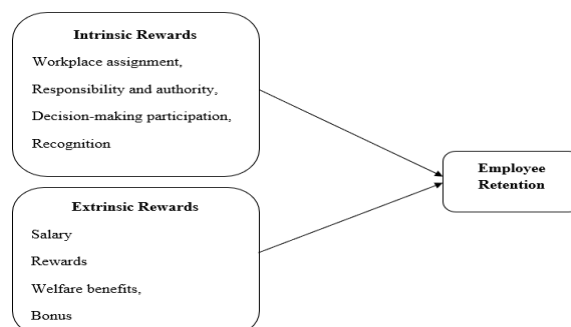
The study aims to identify the influence of reward systems on employees' retention in manufacturing in Myanmar. The specific objectives are (i) to determine the types of intrinsic rewards that impact retention; (ii) to examine the types of extrinsic rewards that impact retention, and (iii) to analyze the correlation between reward systems and retention among the employees at manufacturing industries.

## Literature Review

Employee retention is part of organizational human resource strategies and activities to maintain the existing employees through various HR practices [5]. Employee retention is developed as a strategy by organizations' strategists to attain talented employees a competitive advantage. Employee turnover is a natural aspect of doing business in any industry, but losing several qualified staff hurts productivity, disrupts current and future leadership, lowers team morale and gives competitors an advantage [6]. As a result of economic growth and significant employee turnover, staff retention is one of the most pressing concerns confronting organizational managers [7].

Human Resource Managers use reward management as one of their techniques for attracting and retaining qualified personnel and the motivation factor in improving workplace performance [8]. Reward systems can be classified into intrinsic and extrinsic rewards [9]. Workplace assignment, responsibility and authority, participation in decision-making, and achievement of recognition are intrinsic rewards. Physical rewards are intrinsic rewards in the workplace, whereas extrinsic rewards are monetary rewards. The extrinsic reward is the salary, rewards and compensations, welfare benefits, bonuses, and attractive reward policies. The monetary and non-monetary benefits are essential in increasing employee retention [10]. The attractive and effective reward systems maintain the employees for the long term. Thus, the influence of reward systems on employee retention is undoubtful.

The manufacturing sectors employ several workers with different workplace expectations and personalities. The management of employees and retaining them for the long term are positively linked with organizational success because the firm productivity correlates directly with employees' performance. The HR researchers believe that attractive reward systems highly impact employees' performance and retention. Employee turnover relates to firms' profitability. Moreover, thus, in manufacturing sectors, employee retention becomes a critical issue, and the researchers suggest applying effective rewards as retention strategies. In the current study, the researcher tries to figure out how reward systems influence employee retention in the manufacturing industries in Myanmar.



**Figure 1: Conceptual Framework**

## Methodology

The research aims to analyze the influence of reward systems on employee retention in manufacturing industries in Myanmar. The cross-sectional study and quantitative research methods apply to conduct the study. Quantitative research helps analyze numerical data and show evidence of a correlation between testing variables [11]. The data are collected among employees with a minimum of three years of working experience and ten years of working experience. The convenience sampling method applies to collect the sample from the targeted frame. Two hundred fifty employees took part and answered the research questionnaire. The questionnaire is designed as a self-reported survey and distributed through social media because of the pandemic situation in Myanmar. The collected data are analyzed using SPSS (version 25) statistical software to report the findings through charts, graphs, and tables.

## Findings

A total of 250 staff participated and the return data are transformed from a Microsoft Excel spreadsheet to SPSS for data analysis. The majority of respondents are female employees (88.4%), and the remaining proportion is male (11.6%). A huge proportion of participants (88%) were aged between 21 to 30 years, and nearly half of respondents (43.2%) had 3 to 5 years of working experience.

**Table 1:** *Socio-demographic Factors of Respondents*

Socio-demographic Factors		Frequency	Percent
Gender	Female	221	88.4
	Male	29	11.6
Age	21 to 30 years	220	88.0
	31 to 40 years	25	10.0
	41 years and above	5	2.0
Working Experience	3 to 5 years	108	43.2
	5.1 to 7 years	58	23.2
	7.1 to 9 years	39	15.6
	9.1 years and above	45	18.0

Table (2) describes the employee perception of reward systems. Achievement and recognition for better performance and individual skill improvement show the highest mean score (mean= 3.31) in intrinsic rewards. Rewards with better rank in organizational hierarchy structure (mean= 2.98), participation in decision-making processes (mean= 3.85), taking responsibility and autonomy for certain tasks (mean= 2.84), and the assignment of challenging tasks to apply talented skills and better performance (mean= 2.68) also influence on the perception of intrinsic rewards. For extrinsic rewards, the participants report that they have a high level of perception of welfare benefits facilities (mean= 3.00), increasing salary as rewards (mean= 2.98), providing medical cover (mean = 3.92), fair reward policy at the workplace with the chance of promotion (mean= 2.84), and bonus systems for achievement of personal and professional goals (mean = 2.83) respectively. According to the results, the employees in manufacturing sectors have a positive perception of reward systems applied by the organizations.

**Table 2: Descriptive Statistics of Reward Systems**

Variables	Mean	Std. Deviation
<b>Intrinsic Reward</b>		
Challenging work assignments.	2.68	.90
Responsibility and autonomy in their jobs.	2.84	.91
Involves in key decisions	2.85	.92
Rewarded with better rank	2.98	.94
Achievement and recognition.	3.31	.99
<b>Extrinsic Reward</b>		
Rewarded in salary increases.	2.98	.93
Welfare benefits facilities.	3.00	.94
Medical cover.	2.92	.95
Bonus award scheme	2.83	.95
Reward policy with promotions	2.84	.91

**Table 3: Regression Analysis**

Model	B	Std. Error	t	Sig.	R Square	Adjusted R Square	F
(Constant)	-.03	.04	-.72	.47	.96	.96	3398.79
Intrinsic Rewards	.27	.04	7.48	.00			
Extrinsic Rewards	.72	.04	20.2	.00			

Predictors: (Constant), Extrinsic Rewards, Intrinsic Rewards  
 Dependent Variable: Employees Retention

Multiple linear regression analysis is performed at a 95% confidence interval and 5% margin of error. The adjusted R square value (0.965) presents that the variation of the dependent variable (employee retention) can be explained 96.5% by the variation of independent variables (extrinsic rewards, and intrinsic rewards). The regression analysis is significant at an F value (3398.79). According to the B coefficient value, when one-unit changes in intrinsic rewards, 0.266 units increase in employees' retention. Moreover, one-unit changes in extrinsic rewards have a positive impact on retention (0.719 units). The results concluded that the reward systems and employee retention are positively correlated. When the organization provides more attractive rewards, employees become more intention to stay and as a consequence, the employees turnover rate will decrease.

## Discussion and Conclusion

The current study's findings approved the positive influence of reward systems on employee retention. The results align with the studies by [12, 13], where the researchers pointed out the vital role of reward on staff retention and achievement of a business's success. A recent study also shows that extrinsic rewards have more influence on employee retention than intrinsic rewards. The results mean that monetary rewards have a high level of influence on employees in the manufacturing sectors. The high pay and salary as the most influencing reward among the staff. Thus, the staff in manufacturing industries are more intent on staying in their current organization when they perceive attractive monetary rewards based on their performance and productivity [13]. The organization should understand the individual level of

expectation in the workplace and analyze the influencing reward system to implement as a strategy for employee retention. This study is limited to access to all industries, including services sectors in Myanmar, and the number of respondents and research methods are also limited. Thus, further studies should analyze service industries and apply various research methods.

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