

**THE EFFECT OF REWARD PRACTICES ON EMPLOYEES'
TURNOVER INTENTION WITH REFERENCE TO METALS
INDUSTRY DEVELOPMENT INSTITUTE (MIDI)**



**A Thesis Submitted to the Department of Business
Administration and Information System**

**Presented In Partial Fulfillment to the Requirement of Master of Arts
in Human Resource Management**

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June 2017

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DECLARATION

I hereby declare that this work entitled: “**The Effects of Reward Practices on Employees' Turnover Intention with reference to MIDI**”, is my original work prepared under the guidance of my advisor Dr. Abeba Beyene. All information in this document obtained and presented in accordance with the academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results.

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Acknowledgement

First and for most, I would like to praise almighty **God** for his forgiveness, charity and strength he has given me. And it is my pleasure to thank my advisor, **Dr. Abeba Beyene**, for her professional comments and support through constructive advice in preparing and finish this study.

Besides my advisor, I am also greatly thanks to those, who are current employees of MIDI for all their cooperation. Moreover, my sincere thanksgoes to W/ro Amelmal Chanyalew, who has been encouraging and supporting me throughout the process of writing this paper.

Last but not the least; I would like to thank my beloved family and friends who have contributed in many ways to the successful completion of this study.

Contents

CHAPTER ONE: INTRODUCTION	1
1.1 Background of the Study.....	1
1.2 Back Ground of Organization	3
1.3 Statement of the Problem.....	4
1.4 Research Questions	5
1.5 Research Objective.....	6
1.5.1 General Objectives.....	6
1.5.2 Specific Objectives.....	6
1.6 Significance of the Study	6
1.7 Scope of the Study	7
1.8 Limitation of Study	7
1.9 Operational Terms.....	7
1.10 Organization of the Study	8
CHAPTER TWO: REVIEW OF RELATED LITERATURE.....	9
2.1 Over View of Reward	9
2.2 Types of Reward	10
2.2.1 Financial Rewards Vs Non-financial Rewards	10
2.2.2 Intrinsic Rewards vs. Extrinsic Rewards.....	10
2.2.3 Reward Systems.....	11
2.3 Employee Turnover.....	11
2.3.1 Turnover Intention	13
2.3.2 Types of Turnover.....	13
2.3.3 Voluntary and Involuntary Turnover	14
2.3.4 Avoidable and Unavoidable.....	14
2.4 Measuring Employees' Turnover Rate	15
2.5 Causes of Employee Turnover	15
2.6 Effects of Turnover	16
2.7 Voluntary Turnover Control	17
2.8 Relationship between Reward Practices and Turnover intention.....	22
2.9. Theories.....	24
2.9.1 Efficiency Wages Theory.....	24
2.9.2 Equity Theory.....	24
2.9.3 Need or Content Theory.....	25

2.9.4 Expectancy Theory.....	25
2.10 Conceptual Framework	26
CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY	28
3.1 Description of the Study Area.....	28
3.2 Research Design.....	28
3.3 Types and Sources of Data.....	28
3.4 Study Population.....	29
3.5 Sample design	29
3.6 Data Collection Methods.....	30
3.6.1 Questionnaire	31
3.6.2 Interview	31
3.6.3 Document Review.....	31
3.7 Data Analysis and presentation.....	32
3.8 Validity test.....	33
3.10 Ethical considerations	34
CHAPTERFOUR: DATA PRESENTATION, ANALYSIS AND INTERPRETATION.....	35
4.1 Demographic Characteristics of Participants	36
4.2 Descriptive Analysis	38
4.3 Correlation Analysis.....	42
4.4 Regression analysis	44
4.5 Testing Hypothesis.....	46
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION	48
5.1 Summary	48
5.1.1 Summary of Major Findings from Descriptive Statistics and Document Analysis.	48
5.1.2 Summary of Findings from Correlation and Regression Analysis	49
5.3 Conclusion	50
5.4 Recommendations.....	51

LIST OF FIGURES

Figure #2.1 Avoidable and Unavoidable Turnover.....	16
Figure #2.2 Conceptual Framework.....	28

LIST OF TABLES

Table 1.1 Employees who left the Organization from 2004 E.C to 2008 E.C.....	5
Table 2.1 Turnover Effect.....	18
Table 3.1 Total number of Population and Sample Size.....	32
Table 3.2 Cronbach's Alpha Result.....	36
Table 4.1 Demographic Characteristics of Participants.....	38
Table 4.2 Comparison Bases of Mean Score of Five Point Likert Scale Instruments.....	40
Table 4.3 Descriptive Statistics of Reward and Turnover Intention.....	40
Table 4.4 Correlations.....	45
Table 4.5 Model Summary.....	47
Table 4.6 Coefficients ^a	48

ACRONYMS

HR = Human Resource

HRM = Human Resource Management

MIDI = Metals Industry Development Institute

AAUSC= Addis Ababa University School of Commerce

TI = Turnover Intention

SPSS = Statistical Package for Social Science

Env't = Environment

Dev't = Development

Abstract

Human resource is the most important resources in the organization. Making an effort to retain skilled and efficient workforce is very essential for the achievement of the given objective. However, the issue of employee turnover exists in most of the organization throughout the world. To prevent an excessive employee turnover rate, an organization has to set an effective retention mechanism. Among a blend of employee retention mechanisms, reward management is the one which has a great impact on turnover. The main objective of this study was to assess the effects of Reward Practices on Employees' Turnover Intention in MIDI. The specific objectives were to examine their relationships, and to measure the level of employees' turnover intention. An explanatory research design with survey method is applied in this study. The total number of population was 148. Out of total population 108 sample size were drawn and used stratified sampling technique. The study used both primary and secondary source of data. The correlation result implied that pay has strong negative relationship ($r=-0.573$, $p<0.01$) with employees' turnover intention, moderate negative relationship obtained with benefit ($r=-0.363$, $p<0.01$), similarly, moderate negative relationship obtained with promotion ($r=-0.423$, $p<0.01$), strong negative relationship obtained with recognition & appreciation ($r=-0.542$, $p<0.01$), work environment also found ($r=-0.720$, $p<0.01$). Whereas, training & development ($r=-0.202$, $p>0.01$) weak relationship is obtained with turnover intention. The result that obtained from regression analysis implied, 62.2% of variation in employees' turnover intention is explained by pay, benefits, promotion, recognition & appreciation, training & development and work environment. Among these independent variables, work environment has a greater rate of change. Concerning the existing employees' level of intention, the findings indicated that there is a high level of turnover intention in the Institute. In order to minimize and control the existing turnover intent of employees', the researcher recommended that the concerned parties have to revise and improve the existing reward practices.

Key words: Reward practices and Employees' Turnover Intention

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Human resource is the most important resources in the organization. Making an effort to retain skilled and efficient workforce is very essential for the achievement of the given objective. However, the issue of employee turnover exists in most of the organization throughout the world (Tariq et al. 2013)

According to Kazi and Sadeh(2011), employee turnover refers the rotation of workers around the labor market between firm, jobs, and occupations and between the states of employment and unemployment. Various academics assured that, turnover can classified as voluntary and involuntary. Voluntary turnover refers when an employee resigns from the organization by his/her own decision and controlled or managed by the organization. On the other hand, involuntary turnover occur when an employee forced to quit from job due to different reasons and it cannot be control by management.

There are different factors associated with employee turnover. Mathis and Jackson (1994) classified the factors that are associated with employee turnover as external factors, personal characteristics, and work related factors. External factors are the attractiveness and availability of alternative; it can be other job alternative. Personal characteristics include high education level, age and so on. The work related factor can be poor reward system and other reasons. By identifying these factors, employers have to manage voluntary turnover properly for the sake of organizational success.

Different intellectuals expressed turnover intention as a predictor of employee turnover. For example, (David 2008 and Saeed, etal. 2014) stated on their work, turnover intention is the best predictor of employee turnover. The term turnover intention tells us

about employees who are planning to leave organizations. It gives information for organizations to take protective actions to prevent turnover before actual takes place. Based on this concept, the researcher taking turnover intention to measure employees' current feeling to stay or quit their current job.

Turnover has many negative effects on organization's performance. For example, it leads the organization to a huge substituting cost, as it requires a great deal of effort, time, and money to replace those who left the organization. According to Cascio and Nambudiri (2010), there are three broad categories of costs in basic turnover costing model. These are separation cost, replacement cost, and training costs.

To prevent an excessive employee turnover rate and to reduce the cost of turnover, an organization has to set an effective retention mechanism. Among a blend of employee retention mechanisms, reward management is the one which has a great impact on turnover. According to Freedman (1978) cited by Danish and Usman (2010), when effective rewards are implemented within an organization, favorable working environment is produced which motivates employees to excel in their performance.

As defined by Njanjaet al. (2013), reward management is one of the ways used by organizations for attracting and retaining suitable employees as well as facilitating them to improve their performance. As explained by Casio and Namburdi (2010), financial rewards include direct payments plus indirect payment in the form of employee benefits. Non-financial rewards include everything in a work environment that enhance a worker's sense of self-respect and esteem by others that might be safe work environment, recognition and appreciation, opportunity for growth, effective supervision, and others.

It has been argued by Saeed et al, (2014), rewards for employees can increase in job satisfaction, and helps them think to remain in organization for longer time. If employees observed poor practice of reward, it may forced them to quite their working area. Keeping

this in mind, the study focused on reward practice by selecting from both financial and non-financial variables (pay, benefits, promotion, recognition, and appreciation, work environment and training and development,) as independent variables and turnover intention as dependent variable by taking Metals Industry Development Institute as the case company.

1.2 Back Ground of Organization

MIDI was established in accordance with regulation No. 182/2010 of the council of ministers. The objectives of the institute shall be *to facilitate the development and transfer of Metals and Engineering Industries Technologies, and to enable the industries become competitive and be get rapid development.* Until recent years, there was no organized government office which leads the country's metals and engineering sub-sector. The assistance agreement reached between the Ethiopian Government and the United Nations Development Program in 1981; was a jumping spring board to the current Metals Industry Development Institute or other previous auxiliary institutes of the sub-sector.

In 1983 The Engineering Design and Tool Enterprise, a government owned institute, was established. Its main objective was to design equipment, tools and other material innovations as well as to contribute its own share to the overall economy of the nation.

As the proclamation No. 47/1989 (E.C.) caused the merger of other institutes with similar activities as Design and Tool Enterprise, the basic metals and engineering industry Agency was established. Upon the establishment of the Agency, it was having a task to act as auxiliary to products development and industry services.

After spending certain period by discharging the responsibility vested upon it, the institute was named metals industry development center on July 2004. The objective of the center was, based on the market demand to carry out new development activities of

products, as well as to develop the capacity of design and manufacturing, which is suitable to micro and small industries and rural development technologies.

1.3 Statement of the Problem

Many researches indicate that employee turnover is a serious problem and has a negative effect on the organization's performance. The effect of turnover is different from one organization to another. According to Casio and Namburdi (2010:53), "turnover is not equally important everywhere in an organization that in talent pools where turnover costs are very high, or turnover represents significant risk to the revenues or critical resources of the organization". For some other organizations that have relatively more non-professional work force, turnover may not be that much risky for the organization. When skilled or more competent employees quit their job, turnover costs the organization significantly. When we come to MIDI, the institute is composed with well-educated and skilled employees.

Although it is not a practice usually appreciated many organizations, observations in Metals Industry Development Institute indicate frequent employee turnover in the past few years. The information obtained from Human Resource Directorate of the organization shows the following actual employee's turnover data for the past five years.

Table 1.1 Employees who left the Organization from 2004 E.C to 2008 E.C.

Year (E.C.)	Total number of employees in each year	No. of Quits		Total number Turnover	% of Voluntary Turnover	% of Involuntary Turnover	Total % of Turnover
		Voluntary	Involuntary				
2004	142	6	3	9	4%	2%	6%
2005	142	34	1	35	24%	1%	25%
2006	145	25	5	30	17%	3%	21%
2007	163	21	3	24	13%	2%	15%
2008	150	33	2	35	22%	1%	23%

Source: Human Resource Directorate (processed by the researcher)

As it can be seen from Table 1.1 above, the number of employees who voluntarily quit increased from 6 (4% of the total employees) in 2004E.C. to 33 (22% of the total employees) in 2008 E.C. This indicates, the institute is facing with high turnover rate. Keeping this in mind the researcher tried to identify the reasons and problems that are associated with the existing turnover in the organization. If this problem is not well address from the outset, it will be so difficult for the organization to achieve its objectives and realize its vision. To the best of the researcher's knowledge, no research was conducted to address this problem. This research conducted to fill this gap through theoretical discussion and empirical findings.

1.4 Research Questions

This study tries to answer the following questions.

The main research question the paper tries to address is **"What is the effect of reward practices on turnover intention of employees at MIDI?"** While the specific questions are

1. What is the relationship of pay with employee turnover intention?
2. What is the relationship of benefit with employee turnover intention?
3. What is the relationship of promotion with employee turnover intention?
4. What is the relationship of recognition & appreciation with employee turnover intention?
5. What is the relationship of training & development with employee turnover intention?
6. What is the relationship of working environment with employee turnover intention?

1.5 Research Objective

The general and specific research objectives of the study are present below.

1.5.1 General Objectives

The general objective of the study is to investigate the effect of reward practices on employee's turnover intention in Metal Industry Development Institute.

1.5.2 Specific Objectives

- To identify the relationship of pay with employee turnover intention.
- To identify the relationship of benefit with employee turnover intention.
- To identify the relationship of promotion with employee turnover intention.
- To identify relationship of recognition & appreciation with employee turnover intention.
- To identify relationship of training & development with employee turnover intention.
- To identify the relationship of working environment with employee turnover intention.

1.6 Significance of the Study

In the researcher's opinion, the findings of the study give to the institute an insight to the gaps in the current reward system and it enables the management of MIDI to give proper attention on it. It also helps the organization in reduction of the existing turnover rate and improvement of current reward practice. Further, the problems identified in the institute and the solutions that recommended by the study can be valuable information in relation to the study area.

1.7 Scope of the Study

Among a blend of human resource management practices, the study is focused only on reward practice, as it has a great impact on retaining and motivating employees. Among the variables which have association with turnover intension, the researcher is initiated to identify the effect of selected extrinsic (pay, promotion, benefits) and intrinsic reward practices (work environment, recognition and appreciation, and training and development) with the intention of selecting variables which have a strong relation with employee's turnover intension. The researcher intends to make the research by taking the entire employees of MIDI as a target population.

1.8 Limitation of Study

Few respondents were not able to return a questionnaire timely and it was a difficult task to wait until all are returned. The other limitation also, it is difficult to meet the HR experts to conduct interview due to their tight schedule of work, as the reason of this the researcher forced to conduct interview with only one interviewee.

1.9 Operational Terms

Reward: is something given or received for worthy behavior, or compensation given as an inducement to cause a desired act or circumstance to occur. (Armstrong, 2007)

Reward Management: is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organization. (Armstrong and Murlis, 2007)

Extrinsic Reward: extrinsic rewards are tangible rewards and these rewards are external to the job or task performed by the employee. Extrinsic rewards can be in terms of salary or pay, incentives, bonuses, promotions, job security, etc. (Hafiza et al. 2011).

Intrinsic rewards: refers intangible rewards or psychological rewards like appreciation, meeting the new challenges, positive and caring attitude from employer, and job rotation after attaining the goal. (Hafiza et al. 2011)

Turnover Intention:it refers to a measurement of whether a business' or organization's employees plan to leave their positions or whether that organization plans to remove employees from positions (David, 2008).

Employee Turnover: Employees" turnover is the rotation of workers around the labor market; between firm, jobs, and occupations, and between the states of employment and un-employment (KaziandSadeh, 2011).

1.10 Organization of the Study

The organization and overall content of the study have five chapters. The first chapter deals with the introduction part of the study which includes background of the study, statement of the problem, research question, research objective, significance of the study, scope of the study, limitation of study and organization of study. Review of related literature presented in the second chapter. The third chapter focuses on research methodology. The fourth chapter concentrate on data analysis and on the fifth chapter summary of findings, conclusions and recommendation are presented. At the end of the chapters bibliography and annexes attached.

CHAPTER TWO: REVIEW OF RELATED LITERATURE

Introduction

This chapter deals with the review of the related literature. It tries to present some of the facts obtained from various researches, journal articles, and books concerning the issue of the study topic.

2.1 Over View of Reward

Reward system is an important tool that an organization can use to attract, retain, and motivate employees in order to achieve the stated objectives. According to Pratheepkanth (2011), reward consists of all organization components including people processes rules and decision making activities involved in the allocation of compensation and benefits to employees in exchange for their contribution to the organization. As defined by Jiang et al. (2009), it refers as the compensation, which an employee receives from an organization for his or her service. It not simply contains direct currencies and other form that can convert to currencies, but also a comfortable office, favorable interpersonal relationship inside the organization, having access to decision-making involvement, the challenge and sense of achievement, preferable growth opportunities.

According to Armstrong (2007) the overall objective of reward system is to reward people fairly, equitably and consistently in accordance with their value to the organization in order to further the achievement of the organization's strategic goals.

It is obvious that reward systems that an organization offers to its employees play an important role. Trevor (2001:168) stated the aims of a reward as attracting and retaining staff of sufficient caliber to meet the needs of the organization, providing motivation to

employees to perform at their best, recognizing the relative difference and value of each job and worker, and enabling employees to feel part of the success of the organization.

2.2 Types of Reward

2.2.1 Financial Rewards Vs Non-financial Rewards

According to Casio and Namburdi (2010), reward can be categorized as financial and non-financial rewards. Financial rewards include direct payments plus indirect payment in the form of employee benefits. Non-financial rewards include everything in a work environment that enhances a worker's sense of self-respect and esteem by others that might be a safe work environment, recognition, and appreciation, opportunity for growth, effective supervision, and other. Such types of rewards have a great contribution for the success of organization retention mechanism.

As explained by Armstrong (2016:98), "financial rewards consist of job-based pay, which provides pay related to the value of the job, and person-based pay, which provides rewards that recognize the individual's contribution. It also includes employee benefits, pensions, and financial recognition schemes." On the other hand, non-financial rewards focus on the needs people have to varying degrees for recognition, achievement, personal growth, and acceptable working conditions.

2.2.2 Intrinsic Rewards vs. Extrinsic Rewards

Rewards can be either extrinsic or intrinsic. According to Hafiza et al. (2011) extrinsic rewards are tangible rewards and these rewards are external to the job or task performed by the employee. Extrinsic rewards can be in terms of salary or pay, incentives, bonuses, promotions, job security, etc. Intrinsic rewards are intangible rewards or

psychological rewards like appreciation, meeting the new challenges, positive and caring attitude from employer, and job rotation after attaining the goal.

2.2.3 Reward Systems

According to Armstrong (2007), reward system refers to the visible and invisible trend of the organization in rewarding people and it includes pay or salary, recognition, promotions, appreciation and other form of awards.

In the same way Armstrong (2016), stated that reward management is not just about pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities, and increased job responsibility. As explained by him, reward system consists of the interrelated processes and practices that ensure the reward management carried out effectively to the benefit of the organization and the people who work there. Some of the interrelated processes and practices are financial (extrinsic) and non-financial rewards (intrinsic). Financial reward consist pay and employee benefits. On the other hand, non-financial rewards consist of recognition, work environment, job design, and opportunity for development.

In order to investigate the reward practices of MIDI and to determine its effect on employee turnover intention, the researcher selects six variables from both intrinsic and extrinsic rewards.

2.3 Employee Turnover

Now days, the issue of employee turnover become a major concern for many organizations and it occurs when employees leave their job. According to Arokiasamy (2013), when an employee leaves the organization, it may have a variety of effects that is not only on organization but also on the employee him/herself and the society.

As explained by Alkahtani, (2015) there are visible and invisible costs. Visible turnover costs include recruitment costs, temporary worker costs, relocation costs, formal training costs, and induction expenses. Invisible costs involve enlarged human resource and payroll administration, loss of productivity, and informal training. Similarly, Saeed et al. (2014) also stated that, there are different costs that associated with employee turnover such as separation, recruitment, selection, etc.

Even if, employee turnover has a negative effect on organizations, employees and the society, sometimes it has a positive effect. This situation might happen when inefficient one is replacing by a high performer and skilled employee. In addition, when an employee is forced to leave by retirement, he/she replaced by new generation. Therefore, in order to retain efficient employees and reduce turnover rate, an organization need to master employee motivation by establishing an effective reward system.

According to Kazi and Sadeh(2011), employee turnover refers the rotation of workers around the labor market; between firm, jobs and occupations; and between the states of employment and unemployment. Employee Turnover is the ratio of the number of workers that had to be replaced in a given time period to the average number of workers (price 1977 cited in Ongori, 2007).

Similarly as defined by Arokiasamy (2013), employee turnover refers to the entrance of new employees in to the organization and the departure of existing employees from the organization. Some of the above, definitions express about the over all movement of employees that is about the new entrant and the departure from an organization.

On this study, the context of employees' turnover intention is the intention of employees' who need to quit their job by their decision. According to Cao et al. (2013), the turnover of skilled or core employees is great lost for industrial companies, so that the research of turnover intention is critical to organization. To keep in this mind, the researcher

initiated to identify the effect of selected extrinsic and intrinsic reward practices with employee's turnover intention in the institute.

2.3.1 Turnover Intention

According to Kauret al. (2013), turnover intention is the probability that an individual will change his or her job within a certain time and thus it leads to actual turnover. As explained by David (2008:7), employee turnover intention is the stronger turnover predictor when compared with other predictors. The measurement of turnover intention can determine the likelihood of the staff leaving the organization and it helps to determine how one can find opportunities to reduce the overall turnover Kaur et al (2013). As noted by Ali et al. (2016), there is evidence to indicate that workers typically make a conscious decision to do so before actually leaving their jobs. This relationship is supporting by the attitude-behavior theory, which holds that one's intention to perform a specific behavior is the immediate determinant of that behavior. Based on this concept, the researcher taking turnover intention to measure employees' current feeling to stay or quit their current job.

2.3.2 Types of Turnover

Employees of different organizations leave their job due to various reasons. Some leave to get better opportunity, some find conducive work conditions, due to geographical factors, retirement, dismissal, and for multiple reasons. Employees turnover can be categorize in the following manner.

2.3.3 Voluntary and Involuntary Turnover

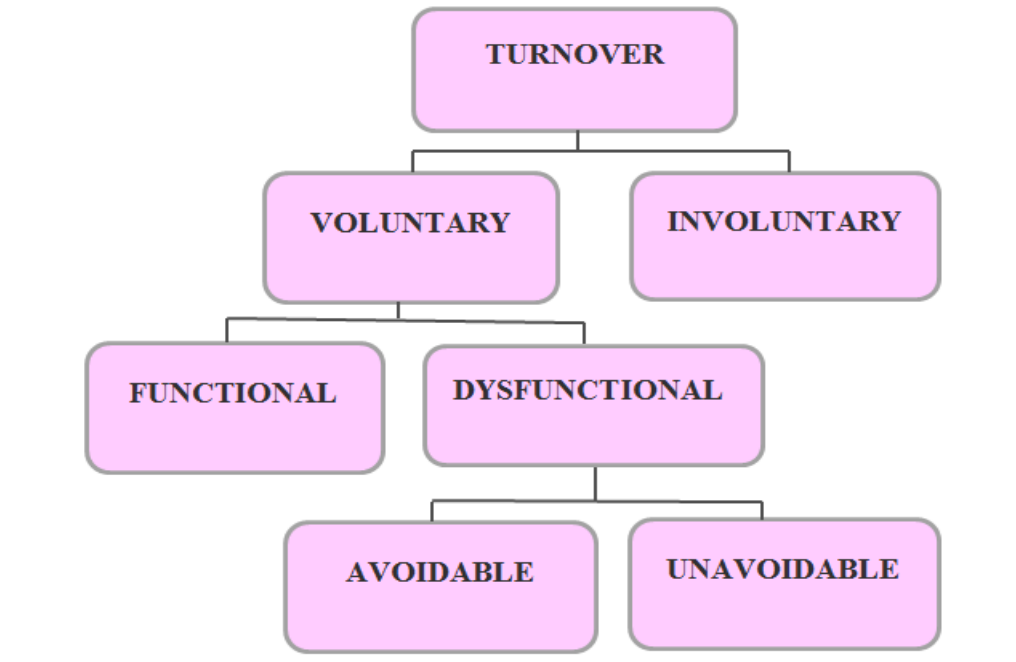
According to Kazi and Sadeh, (2011), employee turnover can be categorized as involuntary and voluntary turnover. Voluntary turnover depends on the decision of the employee due to various reasons that are perceived by employees. Involuntary turnover is beyond the control of management, it happens when an employee has no choice in the termination process. It can result from different situations like, dismissal, retirement, health issues, etc.

2.3.4 Avoidable and Unavoidable

According to Arokiasamy (2013), avoidable turnover refers to something an organization can prevent by hiring, evaluating, and motivating their employees more effectively. For example, if employees are leaving because of dissatisfaction with low pay, the company can improve the pay scale and benefits to retain the current employees. On the other hand, unavoidable turnover results from life decisions that extend beyond an employer's control, such as a decision to move to a new area or a job transfer for a spouse.

In addition, as explained by Cascio and Namburdi (2010:53), turnover can represent both "controllable turnover (controllable by the organization) and uncontrollable turnover. Controllable turnover is voluntary on the part of the employee, while uncontrollable turnover is involuntary (e.g., due to retirement, death, or spouse transfer). Furthermore, turnover is classified as functional and dysfunctional. Functional turnover refers to where the employee's departure produces a benefit for the organization and dysfunctional turnover refers to where the departing employee is someone the organization would like to retain. The relation of each type of turnover is clearly shown in the following picture.

Figure2.1



Adapted from: Griffeth, R. and Hom, P. (2001) Retaining Valued Employees Thousand Oaks, CA: Sage.

2.4 Measuring Employees' Turnover Rate

According to Price 1977 cited in (Ongori, 2007) employee turnover means the ratio of the number of workers that had to be replaced in a given time period to the average number of workers. The common formula to calculate turnover rate of a given period is-

$$\frac{\text{Total number of leavers over period}}{\text{Average number of staff employed over period}} \times 100$$

2.5 Causes of Employee Turnover

Employees in different organizations leave their jobs due to multiple factors. As explained by Arokiasamy (2013), job satisfaction can be one of the reasons for employee turnover. It might happen due to low pay, lack of career progression, poor relationship

between employer and employees and bad fit between the work force and the job. In addition, Chaitra and Murthy (2015), argue that employees leave their job due to demographics and biographic factors e.g. financial rewards, work environment, promotion, feeling of employee self-accomplishment and self-recognition, over stress of employees, alternative opportunities, relationship with top management etc.

Mathis and Jackson (1994) classified the factors that are associated with employee turnover as external factors, personal characteristics, and work related factors. External factors are the attractiveness and availability of alternative; it can be other job alternative. Personal characteristics include high education level, age and so on. The work related factor can be poor reward system and other reasons.

2.6 Effects of Turnover

As the researcher tried to mention at the beginning of the first chapter the effect of turnover can be not only on the organization but also on the employee and society. The turnover effect on organization might be direct and indirect cost of organization, workload for human resource experts and other employees. It can be also the cause to decrease customer service level. However, employee turnover sometimes has a positive effect on organization, individual and the society. The negative and positive effects of turnover summarized in the following table

Table 2.1 Turnover Effect on Individual Organization and Society

	Individual	organization	society
Negative effect	<ul style="list-style-type: none"> -Disruption of social and communication pattern -Decrease satisfaction Increased work load -Decreased commitment Decreased cohesion 	<ul style="list-style-type: none"> -Cost of recruiting hiring assimilation and training Replacement cost -Disruption of social and communication structure -Productivity loss -Decrease satisfaction among stayers 	<ul style="list-style-type: none"> -Increased cost of production -Regional inability to keep industry
Positive effect	<ul style="list-style-type: none"> -Increase internal mobility opportunity stimulation, cross fertilization from new coworker -Increased cohesion -Increased commitment 	<ul style="list-style-type: none"> -Displacement of poor performer -Infusion of new technology/knowledge -Stimulate changes in policy and practices -Increased structural flexibility -Decrease in other "withdrawal" behavior Reduction conflict 	<ul style="list-style-type: none"> -Mobility to new industry -Reduce income inequity -Decreased job stress related cost

Source: adopted from Mobely (1982)

2.7 Voluntary Turnover Control

As shown above, employee turnover negatively affects an organization. Organizations should take remedial actions by identifying the factors contributing to employee turnover intention so that to enhance employee retention and reduce actual turnover.

According to Egan et al. (2004), decreases in turnover lead to increases in organizational performance and a reduction in costs associated with losses of firm and job-specific knowledge, hiring, and retraining of replacement employees.

According to Armstrong (2016), to retain skilled employees and to prevent employee turnover an organizational retention strategies should based on an understanding of the factors that affect whether or not employees leave or stay. These include the employee value proposition which effective of recruitment, selection deployment, career opportunity and so on. As Saeed, et al (2014), noted that rewards for employees can increase in job satisfaction help employees think to remain in organization for longer time but if they show negative performance then it leads to turnover intention.

Finding out the exact reasons of why employees leave their job and trying to control is essential. There are different factors that forced employees to quit their working area. According to Chaitra and Murthy (2015), some of the factors are demographics and some are biographic e.g. financial rewards, work environment, promotion, feeling of employees self- accomplishment and self-recognition, over stress of employees, alternative opportunities, relationship with top management etc.

Accordingly, under the study the researcher used six independent variables to determine their effects on employees' turnover intention. The selected variables are discussed as follow:

Pay

The term Salary defines as a fixed amount of money or compensation paid to an employee by an employer in return of work done (Idreeset al. 2015). According to Lockwood and Walton (2008) cited in (Terera and Ngirande, 2014), organizations can only be successful in its retention strategy if it offers competitive, market-related pay and benefits because this motivates employees to become committed to the organization. An empirical studies conducted by (Kinnear and Sutherland, 2001; Meudell and Rodham, 1998; Maertz and Griffeth, 2004 cited in Samuel and Chipunza, 2015) revealed that extrinsic

factors such as competitive salary, good interpersonal relationships, friendly working environment, and job security as key motivational variables that influenced employee retention in the organizations. Similarly David (2008:19) argues that the ability of well-designed pay for performance plans to reduce harmful turnover can more than offset these plans increased costs.

Therefore, based on the theoretical and empirical discussions presented above and according to the tenets of efficiency wage theory, the researcher hypothesizes the following relationship:

H1: Pay or salary has negative relation with employees' turnover intention.

H2: Pay or salary has positive relation with employees' turnover intention.

Benefit

In addition, of salary that received in return for performing a task or service; employees are highly expecting benefits from their employer or organization. According to Trevor (2001:181), the reasons of why the companies provide benefit for employees are to encourage certain type of behavior in employees, to encourage experienced and valued employees to remain with that employer, to make an organization more attractive and for other reasons.

As noted by Arokiasamy (2013), benefit is critical in attracting, retaining, and motivating the employees to continue contributing towards organization's success. Based on the Equity theory, if an employee perceives the distribution of resources as unfair, then turnover intent will appear. To prevent such type problems organization have to exercise equal distribution of benefits. Based on this, the researcher hypothesizes the following relationship:

H3. Benefit has a negative relation with employees' turnover intention

H4. Benefit has a positive relation with employees' turnover intention

Promotion

Promotion used as a reward for better work performance and way of keep employee motivation. However a lot off skilled and efficient employees can be, leave an organization, when they are feeling that, there is no high position for promotion. Cascio and Namburdi (2010) assert that promoted employees usually assume greater responsibility and authority in return for higher pay, benefits, and privileges. The aim of promotion procedure of a company should be to enable management to obtain the best professionals employee who available within the organization. As Negrin and Zafir(2004), noted that having no opportunity for advancement in an organization can dissatisfy employees as this strongly linked with pay. Based on this, the researcher hypothesizes the following relationship. Similarly,Getie et al. (2013) stated that, promotion is an imperative that all key employees have a view of his future role in the organization otherwise; he/she may decide to leave the organization for a career elsewhere.

H5. Promotion has a negative relation with employees' turnover intention

H6. Promotion has a positive relation with employees' turnover intention

Working Environment

Workplace environment plays a vital role in motivating employees to perform their assigned work (Chandrasekar, 2011). As has been argued (Kazi and Zadeh, 2011), basic work condition like relationship with colleagues, clean workroom, proper lighting, furniture, and office equipment's are some of the major constituents of work environment which is the major reason due to which an organization experiences of employees turnover.

Study conducted by Tariq et al. (2013), revealed that there are different variables like workload, salary, stress at work place and conflicts with family due to job leads an employee towards dissatisfaction that further results in turnover. To prevent or reduce such type problems, an organization should establish good working environment that do not

affect the work force negatively by enhancing its quality. According to Raziq and Maulabakhsh (2015), in order to meet the standards of organization, employees need a working environment that allows them to work freely without problems that may restrain them from performing up to the level of their full potential. Based on this, the researcher hypothesizes the following relationship.

H7. Work environment has a negative relation with employees' turnover intention

H8. Work environment has a positive relation with employees' turnover intention

Training and Development

Training and development often used to close the gap between current performances and expected future performance. According to Idreesetal. (2015), the basic purpose of training is to help employees, build their skills that will increase their performance and ultimately it will lead towards greater organizational productivity. Similarly as noted by Nassazi (2013), training and development program is one of the most important potential motivators, which can lead to both short-term and long-term benefits for individuals and organizations. Inadequate training and development program that not goes to specific needs of employees lead to job dissatisfaction. In the same way, Sadra (2012), stated that, employees forced to leave their organization due to the absence of training. Pigors and Myers (1989) cited by Nassazi (2013), also stated that, dissatisfaction, complaints, absenteeism and turnover can be greatly reduced when employees are so well trained that can experience the direct satisfaction associated with the sense of achievement and knowledge that they are developing their inherent capabilities. Based on this fact, the researcher hypothesizes the following relationship.

H9. Training and development has a negative relation with employees' turnover intention

H10. Training and development has a positive relation with employees' turnover intention

Recognition and Appreciation

The recognition and appreciation are a process of giving employees a certain status within an organization to motivate and enhance their contribution in the company. Recognition describes how the work of an employee evaluated and how much the appreciation he/she receives in return from the organization. It also specifies the way an organization gives its employee the reward and status for his work and activities (Danish and Usman, 2010). Since employees generally want to do a good job, they also want to be appreciating and recognized for their works. As explained by AlSayedandAlBraiki (2015), tangible and intangible rewards are a great way to show management appreciation for employees who excel. This increases morale, if it is one well. Based on this fact, the researcher hypothesizes the following relationship.

H11. Recognition and appreciation has a negative relation with employees' turnover intention

H6. Recognition and appreciation has a positive relation with employees' turnover intention

2.8 Relationship between Reward Practices and Turnover intention

It has been argued by Saeed et al, (2014), rewards for employees can increase in job satisfaction, and helps them think to remain in organization for longer time. If employees observed poor practice of reward, it may force them to quite their working area. A reward can be anything that attracts an employee's attention and boost them to work and can be extrinsic and intrinsic. According to Hafiza et al. (2011), extrinsic rewards are tangible rewards and these rewards are external to the job or task performed by the employee and can be described in terms of salary or pay, incentives, bonuses, promotions, job security, etc. And intrinsic refers intangible rewards or psychological rewards like appreciation,

meeting the new challenges, positive and caring attitude from employer, and job rotation after attaining the goal.

As explained by Lockwood and Walton, (2008) cited in (Terera and Ngirande, 2014) an organization can only be successful in its retention strategy if it offers competitive, market-related pay and benefits because this motivates employees to become committed to the organization. According to Baakile, (2011) cited in Hassen (2014) pay satisfaction and its relationship to intent to turnover is a worthwhile link to be studied because pay satisfaction can potentially have either positive or negative consequences. The study result which conducted by Hassen (2014) shows pays level and promotion opportunities have negative and significant effect on turnover intentions. It is proven that the more satisfied employees were with their pay level and promotion opportunities less likely they are intention to leave their current employer. Similarly, the study result which conducted by Mustapha and Zakaria (2013), the correlation between promotion and job satisfaction have found moderate positive relation with employee job satisfaction. From this finding we can understand that, when employees satisfied by the practice of promotion, the rate of turnover reduce as it has a great relation with job satisfaction.

The study result conducted by Samuel et al. (2009) shows that , training and development have significantly influence on employees' retention. Similarly, (Smit and Cronje, 2002 and Hay 1999, cited in Samuel et al. 2009) found training and development as one of the major retention strategies being used by managers in retaining their best employees.

In the same way an empirical study which conducted by Rizwan et al. work place environment and recognition have found significant positive relation with job satisfaction. According to Qureshi et al. (2013), the work environment and turn over intentions are negatively associated with each other and the result shows that good working conditions can

reduce employee turnover intentions. In order to retain employees and achieve the set objective implementation of effective reward system is crucial.

2.9. Theories

2.9.1 Efficiency Wages Theory

As explained by Armstrong (2006) “efficiency wages theory proposes that firms will pay more than the market rate because they believe that high levels of pay will contribute to increases in productivity by motivating superior performance, attracting better candidates, reducing labor turnover and persuading workers that they are being treated fairly”. In order to be competitive in the market the company uses this theory at the time of pay policies formulation.

An individual will stay with an organization as long as the inducements it offers (such as satisfactory pay, good working conditions, and developmental opportunities) are equal to or greater than the contributions (time, effort) required of the person by the organization (David 2006).

2.9.2 Equity Theory

This theory developed by Adams in 1963. It focuses on the assumption that individuals’ perception of how fairly they treated when compared to others. It is clear that when an employee compare their treatment and observe unfairness, he/she may reduce his efforts for their current work and finally forced quit from the organization. Equity in the organization achieved when people rewarded appropriately in relation to others within the organization. Based on the Equity theory, if an employee perceives the distribution of resources as unfair, then turnover intent will appear.

2.9.3 Need or Content Theory

Need or content theory developed by Maslow in 1943, it identifies the needs that workers are motivated to satisfy on the job. This theory explains motivation as the product of internal drives that encourage an individual to move towards the satisfaction of individual needs.

Maslow-hierarchy of theory indicated that after achieve the basic needs, employee begin to follow high levels needs. He proposed that motivation is a function of five basic needs they are physiological needs, Safety or security needs, Social needs, Self-esteem need and finally Self-actualization needs.

As explained by Rahim and Daud (2012) physiological needs refer needs for adequate heat, air and a base salary to guarantee survival in the organizational context. Safety needs refers to the needs for safe jobs, fringe benefits and job security. Social needs, these needs affect the desire for good relationships with co-workers, participation in a work group and a positive relationship with supervisors. Esteem is the desire for respect, which affected by the person's standing reputation, his need for attention, recognition, achievement, etc.

2.9.4 Expectancy Theory

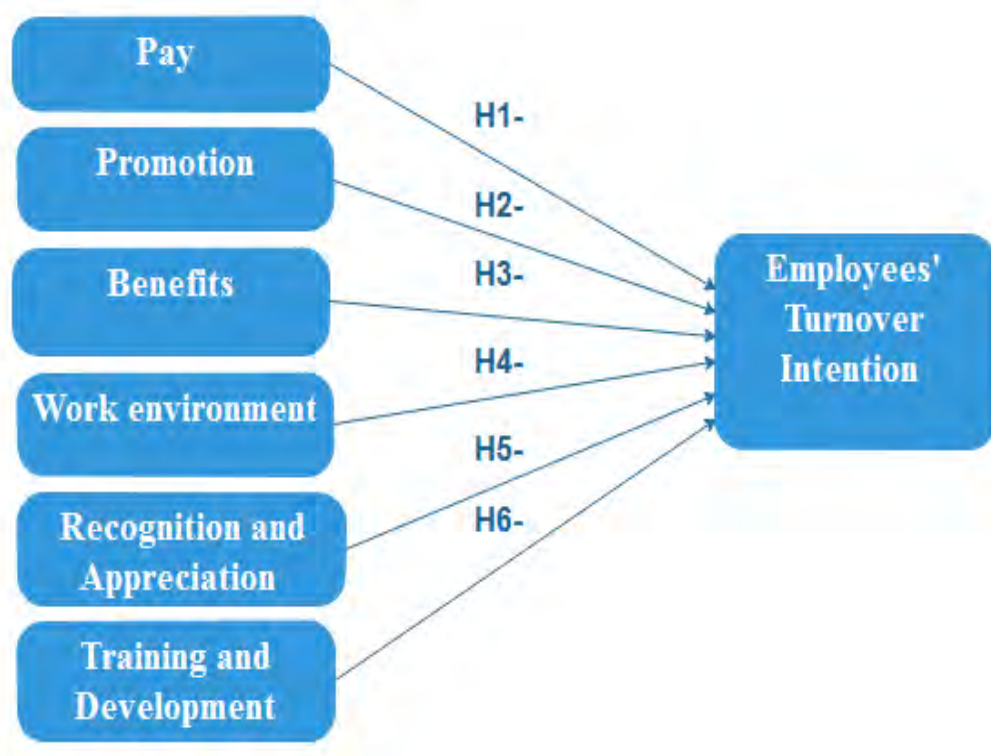
Expectancy theory developed by Vroom in 1964 and it focuses on how workers decide what behaviors to engage in on the job and how much effort to exert. As explained by Noe et al. (2008), expectancy theory focuses on the link between rewards and behavior, it emphasizes expected (rather than experienced) rewards. This theory implies an increased amount of rewards to performance will increase motivation and performance. There for

every managers have to try to increase the motivation of workers through effective reward mechanism.

2.10 Conceptual Framework

The following conceptual framework shows turnover intention as dependent variable and, extrinsic rewards (Pay, Promotion, benefit) and intrinsic reward (work environment, recognition and appreciation and training and development) are taking as independent variables. The independent variables have to manage and implemented properly in order to retain good performer employees. Otherwise, the employees forced to quit their job.

Figure2.2



Summary of hypothesis

H1. Pay has a negative relation with employees' turnover intention

H2. Pay has a positive relation with employees' turnover intention

H3. Benefit has a negative relation with employees' turnover intention

H4. Benefit has a positive relation with employees' turnover intention

H5. Promotion has a negative relation with employees' turnover intention

H6. Promotion has a positive relation with employees' turnover intention

H7. Recognition and appreciation have a negative relation with employees' turnover intention

H8. Recognition and appreciation have a positive relation with employees' turnover intention

H9 Training and development has a negative relation with employees' turnover intention

H10. Training and development has a positive relation with employees' turnover intention

H11. Work environment has a negative relation with employees' turnover intention

H12. Work environment has a positive relation with employees' turnover intention

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

The study conducted to measure the effect reward practices on employee turnover intention. To realize the objective of the study and provide a conclusive answer for the research questions outlined in chapter one, the following research design and methodology were employed.

3.1 Description of the Study Area

The study was conducted in Metals Industry Development Institute which is found Addis Ababa located around Megenagna near by World Vision.

3.2 Research Design

In order to analyze data obtained from respondents explanatory research methods were employed. explanatory approaches were conducted to test the relationship between the dependent and independent variables, and to see the cause and effects of variables. In addition in order to summarize the demographic characteristics of the respondents and to know the level of employees perception about independent variables, descriptive analysis were used by comparing the mean and standard deviation scored of each variable.

3.3 Types and Sources of Data

Data collected from employees who are currently working in different directorate in the institute. In the research, both primary and secondary types of data were used. The primary data were questionnaires and interview. The Secondary data collected from published journal articles, human resource books, organizational manuals, and exit

questionnaire, used to substantiate the reliability of the information obtained from the questionnaire.

3.4 Study Population

The population of the study was all the institute employees starting from the top level manager to lower level employees of MIDI. Currently, there are 148 employees and 10 directorate.

3.5 Sample design

The researcher used stratified sampling technique to distribute the survey questionnaires to acquire participants' perception towards the effects of reward practices on employee turnover intention. Stratified sampling makes the sample selected more representative of the target population with the intention of obtaining an in-depth information to address the research questions.

As the researcher mentioned above, the number of total population for the study is 148. In order to determine the sample size, the researcher used Taro Yamane (1967) sample selection method with a probability of 95 % free error. Based on this method, a total of 108 sample which is 72.29% drawn from total population.

$$n_0 = \frac{N}{1+N(e^2)} = \frac{148}{1+148(0.05^2)} = 108$$

Where

n_0 is the sample size,

N is the total population size,

e is the level of precision

Table 3.1. Total number of population and sample size

Directorate	Number of employees in each directorate	Total number of target population	Sample size
Major directorate	6	6	4
Audit directorate	4	4	3
Corporate communication directorate	4	4	3
Human resource directorate	10	10	7
Finance & supply directorate	49	49	35
Planning directorate	14	14	10
Engineering directorate	9	9	7
Product Design & development directorate	30	30	23
Metals & engineering technology development directorate	17	17	12
Marketing directorate	5	5	4
Total	148	148	108

$$\text{Distributions} = \frac{\text{no of individual in each directorate X sample size}}{\text{Total number of population}}$$

The sample size represents 72.29% of the total target population. Based on this percentage the sample from each directorate selected proportionately. The respondents from each directorate were selected by using simple random technique.

3.6 Data Collection Methods

The main data gathering instruments of this study were questionnaire, interview and document review.

3.6.1 Questionnaire

The main data-gathering instrument of this study is questionnaire. The questionnaire was self-administered and checked by the researcher advisor. It systematically categorized in order to make it easily understandable by the respondents. Regarding employee's turnover intention, the questionnaires assessed by three-item measures. These measures were based on Mobley, Hornerv& Hollingsworth theory (1978) cited in (Yin-Far et al, 2010). The items were: (1) I think a lot about leaving the organization, (2) I am actively searching for an alternative to the organization, and (3) As soon as it is possible, I will leave the organization. Based on this, the researcher used these items to measure the intention of employees' feelings to stay or quit their job. Each question allocated to five point Likert Scales ranging from „strongly disagree (1)“ to „strongly agree” (5).

3.6.2 Interview

Semi-structured interview conducted to obtain data for further clarity of the research with human resource staff with the intension that the human resource could have detail information about the existing practice of reward and the rate of existing level of voluntary turnover. The interview used on the study help to substantiate the data obtained through questionnaire.

3.6.3 Document Review

Data concerning the reward practice also gathered from detail review of the HRM manuals of the institute and federal civil servants proclamation No.515/2007. Further, the exit questioner paper reviewed in order to get relevant information about the ex-employees and used to support the reliability of the information obtained through questionnaire.

3.7 Data Analysis and presentation

In order to analyze the data gathered and come up with answers to the research questions raised explanatory methods employed. The collected questionnaires analyzed statistically with the help of SPSS (statistical package for social science) version 20. Moreover, it summarized by frequencies, percentages, means, and standard deviations. Determination of the relationship between the identified independent and dependent variables, the researcher used Pearson's correlation coefficient and to show the extent of variation in the dependent variable that explained by the independent variable, the data computed by regression analysis. The following regression model was used to determine the variation or quantitative associations between the variables as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$$

Where:

Y = Employees' turnover intention,

α = Constant,

β_1 = is the coefficient of work environment

β_2 = is the coefficient of pay

Hence β_1 = is the change in y for one unit change in X_1 and β_2 = is the change in y for one unit change in X_2 .

X_1 = work environment

X_2 = pay

e = is the error term

3.8 Validity test

According to Kothari, (2004), sound measurement must meet the tests of validity, reliability, and practicality. “Validity refers to the extent to which a test measures what we actually wish to measure. Reliability has to do with the accuracy and precision of a measurement procedure ... Practicality is concerned with wide range of factors of economy, convenience, and interpretability ...” In order to ensure the content of validity and ethicality of the items incorporated in the instrument, it was given to the research advisor for required comment. Accordingly, based on the given comments, necessary corrections were made to the instruments. Moreover, before distributing the questionnaire, the researcher made a pilot study on 30 participants. Among 30 questionnaires distributed, 27 returned. Based on the result of the pilot study the reliability of the questions checked.

Table 3.2 Cronbach's Alpha result

Variables	Cronbach's Alpha	No. of Items
Pay	.850	6
Benefit	.779	5
Promotion	.841	5
Recognition	.783	4
Training and development	.765	4
Work environment	.867	6
Turnover intention	.871	3
Total scale	.826	33

3.10 Ethical considerations

Ethics are norms of behavior that guide moral behavior in human relationships. According to Bryman and Bell (2007) ethics in business research, deal with the following areas: confidentiality, anonymity, informed consent, invasion of privacy and deception. Anonymity refers to concealing the identity of the participants in all documents resulting from the research and confidentiality concerned with who has the right of access to the data provided by the participants. By considering this, the researcher assured the purpose of the research paper and confidentiality of any information on the introductory part of the questionnaire. In addition to this, Participants in the study were voluntary and the research objectives also explained to all participants in the study. Any information collected would never be used for any other purpose other than its academic purpose. Confidential information of the institute has not been disclosed.

CHAPTERFOUR: DATA PRESENTATION, ANALYSIS AND INTERPRETATION

The primary objective of this study was to examine the effects of selected reward practices on employees' turnover intention. Primary data was collected from the employees of MIDI by using questionnaire and interview. Secondary data was collected through reviewing of different books, journal articles, company's manual, and exit questionnaires. The collected data analyzed and described with the help of SPSS version 20. Out of 108 distributed questionnaires, 91 (84%) were returned.

4.1 Demographic Characteristics of Participants

The personal information of respondents obtained from returned questionnaires summarized and described as follows.

Table 4:1 Demographic characteristics of participants

Items	Classification	Frequency	Percent
Gender	Male	55	60.4
	Female	31	34.1
	Missing	5	5.5
	Total	91	100
Age of respondents	30 years and below	27	29.7
	31-40	35	38.5
	41-50	22	24.2
	Above 50	3	3.3
	Missing	4	4.4
	Total	91	100
Educational Background	12 grade completed and below	7	7.7
	Diploma	29	31.9
	Degree	48	52.7
	Masters	3	3.3
	Missing	4	4.4
	Total	91	100
Marital status	Single	39	42.9
	Married	45	49.5
	Divorce	1	1.1
	Others	1	1.1
	Missing	5	5.5
	Total	91	100
Service year in MIDI	5 and below	58	63.7
	6-10	13	14.3
	11-15	4	4.4
	16-20	5	5.5
	Above 20	6	6.6
	Missing	5	5.5
	Total	91	100

Source: Own survey 2017

As it is shown in the above table, among ninety one (91) respondents 55 (60.4%) are male, 31 (34.1%) are females and 5 (5.6%) of respondents did not give their gender data. This shows majority of employees are male. In terms of age of the respondents, 27 (29.7%) are 30 years and below, 35 respondents (38.5%) are between the age of 31 - 40, 22 (24.2%) are between 41-50 years, the rest 3.3% of respondents are above 50 years old. This implies that majority of respondents are young which is below 40 years old, therefore, if the institute retain these young force properly, they can be potential resource for the institute to achieve its objective.

Regarding educational background of respondents, the majority 48 (52.7%) are degree holders, only 3(3.3%) are master degree holders, 29 (31.9%) of respondents are in diploma level, 7(7.7%) of respondents are 12th grade completed and below. This implies that majority of the respondents are well educated. Hence, the institute should implement effective retention mechanism in order to use efficiently these well-educated resources. On the other hand, the institute has to work to improve academic qualification of the remaining employees.

In connection with marital status, the majority of respondents 45 (49.5%) are married, 39 (42.7%) are single. Divorce and other marital status of respondents are equally 1 (1.1%). The remaining 5 (5.5%) respondents did not indicate their marital status.

Regarding service year of respondents, the majority 58 (63.7%) of the respondents have not more than 5 years service in the institute, 13 (14.3%) of respondents have from 6 to 10 years of work experience and remaining serving the institute for more than 10 years. From this data, we can understand that the tenure of majority employees in the organization is 5 years and below. This finding supported the study that reported by Ng and Sorensen (2008) “an employees with higher tenure may have familiarity with their work role and

have reached a higher level of career attainment than those employees with lower tenure have.”

4.2 Descriptive Analysis

According to ZaidatolandBagheri (2009) cited in (Wogari, 2016) the mean score below 3.39 is considered as low; the mean score from 3.40 up to 3.79 is considered as moderate and mean score above 3.8 is considered as high as shown below.

Table 4. 2 Comparison Bases of Mean Score of Five Point Likert Scale Instruments

No	Mean value	Description
1	<3.39	Low
2	3.40 up to 3.79	Moderate
3	>3.8	High

In order to see the general perception of the respondents regarding selected reward practices and turnover intention in the institute, the study used the following table.

Table 4.3. Descriptive Statistics of Reward and Turnover Intention

Description	N	Mean	Std. Deviation
Pay	91	2.4304	0.82704
Benefit	91	2.1495	0.70967
Promotion	91	2.3011	0.74558
Recognition & Appreciation	91	2.044	0.81615
Training and Development	91	2.2555	0.81307
Work environment	91	2.0769	0.74092
Turnover intention	91	3.9524	0.88272

Source: Own survey, 2017

As it can be shown in the above table, the mean value of pay is =2.4381 (SD=0.82704), this indicates that, majority of the respondents are not satisfied by the current salary of the institute. The items that used to measure the overall satisfactions of employees on the existing pay scale were its fairness and equity within and outside the institute, its attractiveness, and the availability of salary adjustment. However, the respondents' response shows that there is no equal pay system in the institute, the existing scale is not that much attractive and it indicates also there is better opportunity in the market. Based on the majority responses, it is able to understand the current employees' satisfaction is not good regarding pay. As MIDI is governmental organization, it should be governed by the Federal Civil Servants Proclamation No. 515/2007. However, the rule of "all positions of equal value shall have equal base salary" is not implementing. Similarly, as per the result of interview, there is high employees' turnover due to low scale and unequal payment system of the organization. The information obtained by document review also shows that majority of ex-employees of the institute were resigned due to the low payment system of organization.

Regarding benefit, table 4.3 indicates that the mean value for benefits is computed as mean= 2.1495 (SD=0.70967) this implies that majority of the respondents are not satisfied with the benefit packages offered by the institute. In the same way, as per the result of interview questions, one of the reasons for the existing high employee turnover is absence of good benefits package system. For example, there is no satisfied medical and insurance coverage in the institute.

Promotion shall be given for enhancing the performance of institutions and to motivate the employees. To measure the existing satisfaction of employees in the institute the items that used in the study were, the fairness of promotion system and consideration of qualification for promotion and the overall satisfaction of employees by institute's promotional system. According to the respondent's response about promotion that as shown

in the above table, the mean value is 2.3011 (SD= 0.81615), this also indicates that the majority of respondents were not satisfied with the existing promotional opportunities in the institute.

The recognition and appreciation are a process of giving employees a certain status within an organization to motivate and enhance their contribution in the company. In order to measure the employees' satisfaction in relation to recognition, the availability of recognition and appreciation for those who have better achievement in the institute, the impact of recognition and appreciation on employees' motivation, and the availability of recognition for good work were used. As it can be shown in the table 4.3, the mean value of recognition and appreciation is 2.0449 (SD=0.81307). This result also shows that the majority respondents provided their responses in against the institutes' recognition and appreciation practice. This implies that the existing practice of recognition is not satisfactory. The result of interview question also indicates the general implementation of recognition and appreciation program in the institute is only once in a year, according to interviewee opinion, the criteria for selection of highly achievable employees is not good. It may happen due to poor handling system of employees' performance records.

Training and development help individuals to become better performers and assist organizations in achieving the set objective. When employees learn new skills and acquire new knowledge, they increase their career potential and add extra value to their organization. When we come to the study result regarding training and development, the mean value as shown in the above table is 2.255 (SD=0.74092), this indicates the level of agreement of respondents were low about the training development practice of the institute. It implies the practice of training and development of MIDI is not good. The items that used to measure the existing satisfaction of employees regarding training and development were

the level of opportunity for training, the chance of training for employees, and the fairness of criteria for selection of trainee for outside the country.

Regarding the last independent variable that is work environment, the mean value is 2.0769 (SD=0.88272), which indicates that the majority of the respondents are not happy about the work environment of the institute. The content of the questionnaire items regarding work environment were, satisfaction by the overall working systems of the organization, the level of support of supervisors, willingness of high officials to participate employees in decision making, the speed of response from supervisors and so on. However, the majority of respondents have no good feelings for stated items. Similarly, as per the information gained through interview questions, the geographical area also one of the reasons for employees to quit the organization. This implies that the institute is being located in far area, during document reviewing, the researcher has observed from the ex-employees' questionnaire as the institute does not have clear and flexible working system.

According to Kaur et al (2013), the measurement of turnover intention can determine the likelihood of the staff leaving the organization and it helps to determine how one can find opportunities to reduce the overall turnover. As it can be shown in table 4.2, the mean value result of employee turnover intention is 3.9524 (SD=0.88272). It indicates, the majority of respondents agree with the given items. Based on the collected data regarding the intent of employees, it is able to conclude that current employees of MIDI have a great feeling to leave the organization. It is well understood from various articles and books, voluntary turnover effects might be direct and indirect cost of high turnover on organizations, workload for human resource experts and other employees. It can be also the cause to decrease customer service level. Therefore, in order to alleviate these problems and to achieve the set objectives, the institute has to implement effective retention mechanisms.

4.3 Correlation Analysis

Correlation is a measure of association between two variables. According to Kothari (2004), positive values of r indicate positive correlation between the two variables (i.e., changes in both variables take place in the stated direction), whereas negative values of r indicate negative correlation i.e., changes in the two variables taking place in the opposite directions. A zero value of r indicates that there is no association between the two variables. When $r = (+) 1$, it indicates perfect positive correlation and when it is $(-) 1$, it indicates perfect negative correlation. In the same way, Cohen (1998) cited by (Warokka et al. 2012), also interpreted the coefficient of correlation between 0 and 1 as in the following manner.

The correlation coefficient (r) ranging from 0.10 to 0.29 may be regarded as indicating a low degree of correlation, r ranging from 0.30 to 0.49 may be considered as a moderate degree of correlation, and r ranging from 0.50 to 1.00 may be regarded as a high degree of correlation. Based on this Pearson's correlation was computed for the purpose of determining the relationship between independent variable (pay, benefit, promotion, recognition & appreciation, training & development and work environment) and the dependent variable (employees' turnover intention.)

Table 4.4

Correlations

		pay	Benefit	Promotion	Recognition& Appreciation	Training &dev't	Work env't.	Employees' turnover intention
Pay	Pearson Correlation	1						
	Sig. (2-tailed)							
	N	91						
Benefit	Pearson Correlation	.281**	1					
	Sig. (2-tailed)	.007						
	N	91	91					
Promotion	Pearson Correlation	.410**	.286**	1				
	Sig. (2-tailed)	.000	.006					
	N	91	91	91				
Recognition& Appreciation	Pearson Correlation	.317**	.312**	.249*	1			
	Sig. (2-tailed)	.002	.003	.017				
	N	91	91	91	91			
Training &dev't	Pearson Correlation	.136	.173	.166	-.055	1		
	Sig. (2-tailed)	.200	.101	.116	.606			
	N	91	91	91	91	91		
Work env't	Pearson Correlation	.407**	.368**	.345**	.514**	.259*	1	
	Sig. (2-tailed)	.000	.000	.001	.000	.013		
	N	91	91	91	91	91	91	
Employees' turnover intention	Pearson Correlation	-.573**	-.363**	-.423**	-.542**	-.202	-.720**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.055	.000	
	N	91	91	91	91	91	91	91

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

As it is shown in the above table 4.4, for pay and employee turnover intention correlation Coefficient of $r = -0.573$, $p < 0.01$ was found, this shows that there is strong negative relationship between the two variables. In the same way, benefit and employee turnover correlation coefficient $r = -0.363$, $P < 0.01$ was found; it also demonstrated that there is moderate negative relationship between the two variables.

A correlation coefficient $r = -0.423$, $p < 0.01$ was found between promotion and employees' turnover intention. Since two-tailed significance test value is less than 0.01 and the value of r between -0.30 to -0.49 , this shows that there is a moderate negative relationship between the two variables. Concerning a correlation coefficient result of recognition and employees' turnover was found $r = -0.542$, $p < 0.01$. This also shows that there is a strong negative relationship between the two variables.

Regarding a correlation coefficient, result of training and development and employees' turnover was found $r = -0.202$, $p > 0.01$. The value indicates there is non-significant relation between them.

4.4 Regression analysis

Regression analysis helps in order to measure the relative strength of independent variable on dependent variable. Thus, in order to determine the statistically significance effect of the independent variables on the dependent variable, multiple regression analysis was used. As defined by kothari (2004), "multiple regression analysis adopted when the researcher has one dependent variable, which is presumed to be a function of two or more independent variables." The objective of this analysis is to make a prediction about the dependent variable based on its covariance with all the concerned independent variables. Under the study result of regression analysis is discuss as follows.

Table 4.5 Model Summary

Model	R	R Square	Adjusted Square	Std. Error of the Estimate	R Square Change
1	.804 ^a	.647	.622	.54278	.647

The above model summary shows the coefficient of multiple correlation R which is the degree of association between selected reward practices and employees' turnover intention is 0.804. The value of the adjusted r square is 0.622 this implies 62.2%, of variation in employees' turnover intention is explained by pay, benefit, promotion, recognition & appreciation, training & development and work environment where as 37.8% of variance is explained by other factors.

Table 4.6 Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.629	.275		24.126	.000
	Pay	-.295	.081	-.276	-3.658	.000
	Benefit	-.031	.090	-.025	-.346	.730
	Promotion	-.106	.087	-.090	-1.219	.226
	Recognition & Appreciation	-.205	.086	-.190	-2.382	.019
	Training & Dev't	-.040	.076	-.037	-.525	.601
	Work env't	-.548	.101	-.460	-5.421	.000

The above table shows the extent to which each independent variables influence the dependent variable. The relative importance of reward practices (independent

variables) in contributing to the variance of the employees' turnover intention (dependent variable) is explained by the standardized beta coefficient. The beta value for pay is (beta=-.276, P<0.05), benefit (beta=-.025, p>0.05), promotion (beta=-.090, p>0.05), recognition & appreciation (beta= -.190, P>0.05), training and development (beta= -.037, P>0.05) and work environment (beta=-.460, P<0.05). Among the independent variables, working environment is more significant and statistically meaningful. This can be interpreted as a certain improvement on the working environment will decrease employee's turnover intention by 46%. Thus, work environment has a greater rate of change than other predictors. Based on the multiple regression coefficient tables, the following model summary was extracted to conclude the variation between the variables as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$$

$$Y = \alpha + -0.46X_1 + -0.276X_2 + e$$

4.5 Testing Hypothesis

- The correlation result on the above table shows that pay ($r=-0.573$, $p<0.01$) has negative relation with employee's turnover intention. Therefore, the result supports the hypothesis that pay has negative relation to employees' turnover intention and the alternative hypothesis is rejected.
- The third hypothesis also accepted because, the correlation result shows that benefit ($r=-0.363$, $p<0.01$) has negative relation with employee's turnover. Therefore, the result supports the hypothesis that benefit has negative relation to employees' turnover intention and the alternative hypothesis is rejected.

- Similarly, the fifth hypothesis also accepted, as the correlation result shows promotion ($r=-0.423$, $p<0.01$) is negatively and significantly related with employee's turnover intention.
- Concerning recognition the result shows, ($r=-0.542$, $p<0.01$) is found. It implies recognition is negatively related with employee's turnover intention. Thus, the alternative hypothesis is rejected.
- Regarding training and development, both hypothesis are rejected because, the correlation analysis result ($r=-0.202$, $p>0.01$) does not support the hypothesis that training and development has negative and positive relation with employee's turnover intention.
- The last accepted correlation analysis result shows, the value ($r=-0.720$, $p<0.01$) supports the hypothesis that work environment has significant and negative relation with employee's turnover intention.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter aims to aligned the research findings with regard to the objectives of the study and show the conclusions that have been reached.

5.1 Summary

Summary of major findings from descriptive statics, correlation and regression analysis presented as follow.

5.1.1 Summary of Major Findings from Descriptive Statistics and Document Analysis.

Employees in different organization leave their job due to multiple factors. As explained by Arokiasamy (2013), job satisfaction can be one of the reasons for employee turnover. It might happen due to low pay, lack of career progression, poor relationship between employer and employees and bad fit between the work force and the job. To reduce or protect such type of problem effective reward system should be implemented. It is clear that reward system is an important tool that an organization can use to attract, retain, and motivate employees in order to achieve the desired goal. However, poor practices may leads to high employee turnover.

When we come to study, the result of the descriptive statistics tells that above average of respondents are not satisfied by the current practice of pay, benefits, promotion, recognition, and appreciation, working environment and training & development. As per the result of interview questions, there is high employees' turnover in the institute due to low scale of payment, insufficient benefits, geographical factors, unavailability of sufficient promotion system and rigid controlling system of the

institute. And interviewee believes also the existing practice of recognition is not fair. According interview response, even if it practiced once in year, the criteria for selection of highly achievable employees is not fair. This may happen due to poor handling system of employees' performance records. Similarly, by the time of document reviewing, the researcher has observed that the majority of ex-employees reasons to quit their job are almost the same reasons with stated in the above. In general from descriptive analysis the following findings are found.

- Unequal payment among employees who have the same position
- Unsatisfactory salary scale
- Unsatisfactory benefit system e.g there is no satisfactory medical and insurance coverage
- Poor practice of promotion
- Poor practice of recognition and appreciation
- Unsatisfactory training and development practice
- Poor handling system of employees performance recording system
- Inflexible and unclear working system
- The chance of employees to participate in decision making is very low.
- Ridged controlling system

5.1.2 Summary of Findings from Correlation and Regression Analysis

Regarding the relationship of the identified independent variable (pay) and the dependent variable (TI) by quantitatively testing their relationship using the coefficient of value, it was found a negative and statistically significant relationship between independent and dependent variable. Similarly, regarding the relationship of the independent variables (benefit, promotion, and recognition and work environment) and

employees' turnover intention (dependent variable), it was found a negative and statistically significant relationship between these independent and dependent variables. On the other hand, concerning the relationships of the independent variables training and development and employees' turnover intention, it was found insignificant relationship between these variables.

Under the result of the multiple regression analysis, the coefficient of multiple correlations R that is the degree of association between selected reward practices and employees' turnover intention is 0.804. The value of the adjusted r square calculated as $(.622 \times 100 = 62.2\%)$ of variation in employees' turnover intention is explained by pay, benefit, promotion, recognition & appreciation, training & development and work environment where as 37.8% of variance is explained by other factors.

5.3 Conclusion

The main objective of this study is to examine the effects of reward practices on employees' turnover intention. Both extrinsic and intrinsic rewards that contribute to employees' turnover were explored in this study including pay, benefits, promotion, recognition & appreciation, training & development and work environment. In the same way, the specific objectives to examining the relationships of these selected rewards with employees' TI and to measure the level of employees' feeling to stay or quit their current job.

The result of study shows that there is a negative relationship among the selected extrinsic and intrinsic reward practices and employees' turnover intention. It implies when reward practices become effective and satisfactory, the rate of voluntary turnover

will reduce. Regarding the level of employees feeling to quit their job, there is a high level of turnover intent among employees of the institute.

According to David (2008:7), employees' turnover intention is the stronger turnover predictor when compared with other predictors. So, the organization has to give great consideration for employees' current feeling to quit their job and try to control it by improving the existing reward practice of the institute.

5.4 Recommendations

The researcher has recommended that, in order to reduce the rate of employee turnover, the institute has to improve the existing reward practices. These reward practices which needs general improvement are discuss as follows;

- As MIDI is governmental organization, it should administered by federal civil servants policy. This means the current employees' salary scale is govern by civil service minister's policy. However, the study result shows us there is no equal and fair salary scale among employees who have similar jobs and position in the institute. Due to this and other reasons, employees are not happy for the current salary scale. So, in order to retain the existing employees and reduce employees' turnover, the researcher recommended that, the concerned parties have to adjust the differences of salary among employees who are the same position.
- Fair and clear employee promotion program based on employee's performance and ability enhance employees' morals. Therefore, the management should design a system that meets its employee expectation. By doing so, it can be mitigate the level of employee turnover intention and retain them to achieve its set goals, objectives, mission and vision.

- Dissatisfied in over all working environment is one of the main cause for employees' turnover. It is clear that any employees prefer to work in an environment that is suitable for them. This is why their reason to quit their job. However, if they find conducive working environment, they may work in the same organization for long time. Therefore, in order to retain the good performer and well-educated employees, the management should try as much as possible to build a work environment that attracts, retain, and motivate its employees.
- In order to minimize the existing rate of turnover and satisfied the expectation of employees', MIDI has to improve the current recognition and appreciation practices. Moreover, poor handling system of employees record was mentioned as one cause of poor practice of recognition, the researcher recommended that the concerned parties should improve their recording system about employees' performance. In addition, improvements on the practice of training and development also required.
- Further research should be done to investigate what other factors affect employees' turnover intention in MIDI.

By implementing the above listed recommendation, the organization would be able to focus on selected reward practices and it would be possible to reduce the existing level of employees' turnover intention.

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Addis Ababa University School of Commerce

Masters of Art Program in Human Resources Management

Dear Respondents

The purpose of this questioner is to collect primary data for the study on “effect of reward practices on employee turnover intention” in Metal Industry Development Institute. The study is required for academic purpose only. Your cooperation in filling the questioner is crucial and makes the study more useful. . So, please take a few minute to fill the questioner and be objective while completing your answers. I would like to assure that the information you give would strictly kept confidential.

Instruction

- No Need to write your name
- Please put a tick mark (✓) in the box

For further clarification and questions about the study, please contact me via,

FanayeSharew

Tel- +251911941988

Email – fanasha.com@gmail.com

	The benefit that i get is fair and equal with others who have similar jobs and position in other organization.					
	The medical coverage that provided by the institute is attractive.					
	The insurance coverage that provided by the institute is attractive.					
3	Promotion					
	There is satisfactory opportunity for promotion					
	Employees are promoted in transparent and fairly ways.					
	Everyone has equal chance to promote in the institute.					
	Employees with a given level of qualification have equal opportunity for promotion.					
	I am satisfied with promotion system of the institute					
4	Recognition and appreciation					
	There issatisfactory recognition and appreciation for those who have better achievement in the institute					
	I have received the right amount of appreciation or recognition letter for my good work					
	The existence of recognition and appreciation for good work, has given me an opportunity to do extra work.					
	I received adequate praise for my good work					
5	Training and development					
	In MIDI there is good training opportunity					
	I got adequate chance of training					
	Generally there is equal training opportunity for all workers of the institute					
	Criteria for training of outside the country are fair for the whole members of the institute					
6	Work environment					
	The overall working systems of the organization influence me to work comfortably and perform efficiently.					
	The level of support that i receive from my supervisor in performing my work is good					
	Organization"s higher officials allow me to participate in decision making					
	When I have questions or concerns, my supervisor is able to address them.					

	My working conditions here are good regarding transport.					
	Generally i am satisfied by the current working system of organization.					

Part III Regarding the level of employees intention to leave

	Questions regarding to the level of employees intention to leave	1	2	3	4	5
1	I think a lot about leaving the organization,					
2	I am actively searching for an alternative to the organization,					
3	As soon as it is possible, I will leave the organization					

INTERVIEW QUESTIONNAIRE

1. Do you believe that there is high turnover rate in your organization?
2. Do you feel that employee turnover is a serious problem?
3. Do you know the reasons of why employees are leaving the organization?
4. Do you believe that the overall practices of reward are fair in your institute?