

# EFFECTS OF BENEFITS ON EMPLOYEE RETENTION IN PRIVATE BANKING SECTOR OF BANGLADESH

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## ABSTRACT

**Purpose:** The purpose of this study is to show how firms can consider employee benefits as a strategy for the retention of the employees. To answer this question different types of benefits are identified and analyzed with the items that are some indicators of employee retention.

**Design/Methodology/Approach:** This research used some authentic and reliable methods to measure the employee benefits and employee retention. From a sample of 100 employees of the private banking sector in the period of 2017-18, Pearson correlation and Linear Regression was used to find out the casual relationship between dependent and independent variable. T-test was also computed to find out the result of hypothesis.

**Findings:** With the response rate of 77% from the respondents of the private banking sector, the result shows that there is high positive correlation between benefits and employee retention. A unit increase in employee benefits will results in increase in employee satisfaction and loyalty which lead to the retention of the employee in the organization.

**Originality/Value:** This research illustrates that organization may use benefit plan as one of the tools for increasing the employees commitment, loyalty and satisfaction employees which, in most of the parts, helps to retain the employees. This research may help firms to understand how different types of benefits and retention interact to influence overall performance.

**Key Words:** Employee Benefit, Employee Retention, Private Banking Sector, Bangladesh

## 1. INTRODUCTION

Employee's retention in organizations has stood as a great encounter in the global market that finding talented staff has become a serious issue that managers are facing. Companies should ensure that places of work should have the environment where employees can enjoy the work (Mitchell & Lee, 2011). Employee benefits are important to boost staff economic status by giving them cost of living adjustment allowance, have a provision of work-life balance, proper health insurance among others, and this results in a committed and engaged workforce. The Importance of

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employee retention results in sustaining a positive as well as a highly motivated workforce and a profitable business. If a company has a high rate of employee turnover, it ends up increasing various expenses such as recruitment or advertising cost, training among others and have a negative effect on the employee's overall satisfaction. Benefits of retention programs to an organization include portraying a positive company image, for instance, companies that rarely hire are perceived to retain its employees, hence, attracts a highly qualified pool of candidates, saves the company replacement cost in terms of advertisement fee, headhunting cost, training cost and the waste time involved before a new hire adapts to the ways of business operations.

Ford (2010) argues that for firms to enjoy long term productive and continuity of its workforce and operations respectively, they should focus on long term successful goals as such designing and implementing the right kind of benefits that the employees will enjoy and benefit from? some companies go over and above having a cafeteria method in which employees pick the benefits that will benefit them and their families. On the other hand, Morgan (2012) concluded that there is a relation between employee benefits meaning what an employee is taking home over and above their salaries and retention helping support an organization's productivity and business continuity.

Becker (1978) examined the effects of fringe benefits on rate of quitting in addition to the effects of wages. Besides, Pegg (2009) investigated how benefits can impact on talent retention, motivation and productivity levels and how organizations are choosing to inform their people about the type of benefits on offer. Moreover, Otieno (2010) studied employee compensation as a cause of staff turnover in private primary schools. From the studies, little has been done on the influence of employee satisfaction with benefits on retention, therefore, this study sought to answer the question: What is the influence of employee benefits on retention at private banking sector?

## **2. LITERATURE REVIEW**

### **2.1 Employee Benefits**

Casper and Buffardi (2004) define benefits as intangible compensation which an employer uses to equalize and moderate staff total reward package. Ford (2010) asserts that employee benefits refer to those benefits that a company offers 100% to its staff such as disability, health, and dental plans.

According to De Vos and Meganck (2009), employee benefits is part of the

total reward package of staff, however, benefits go over and above their monthly salaries- this means total reward package. They further highlighted one of the main benefits that employers need to prioritize is medical, this gives employees an impression that the employer cares about their wellness and thus promotes a highly motivated and healthy workforce, however; benefit programs are based on employers' financial strength and preference.

Siggler (2009) and Gillespie (2012) identified some examples of benefits that are either company sponsored 100% or that employees co-pay together with the employer namely medical, retirement plans, group life, disability income, profit sharing among others.

Stock ownership plays a major role in appealing and holding a competent pool of candidates as Knyght (2010) noted that various companies have different guidelines as to how stock ownership programs are managed. Employers believe that profit sharing increases employee loyalty and enhances job performance. This is because employees are turned into shareholders and they want to see the company prosper.

A commonly known and accepted benefit that both employee and employer give the first priority is medical insurance or health insurance. These benefits offer a wide coverage of medical health wellness ranging from inpatient, outpatient, maternity, dental and optical benefits among others.

Retirement benefit is viewed as a reward for those long servicing staff who get to benefit after attaining retirement which could be either on early retirement or upon attaining the retirement age as per the retirement regulations in various countries.

Steers (2007) documented that having a well-structured staff discounted loans. The loans should provide good returns and fair tax treatment, hence, companies use this as a strategy to attract talent. However, loans provides different benefits to different employees. There are those who would perceive taking loan as a way for the company to keep or bond an employee for an indefinite period while others welcome that idea of taking loans with the company.

The aim of employee benefits is to enable staff accommodate their families and sustain themselves during high cost of living or any economic downtime and as a result, organization enjoys a commitment workforce. Benefits are designed differently such as, profit sharing, retirement plan, medical insurance, low interest loan, flexible working hour etc.

## 2.2 Employee Retention

According to Ross and Lepper (2010), for easy of understanding retention rate represented as a percentage of overall staff who leave either voluntary or involuntary organization and those that remain in the firm over a certain duration of time. Reitz and Hill (2010) define retention as an ongoing business process meaning that both internal and external customers are happy; it should also show engagement, open door policy, transparency, can enabling working environment for the business, and show high levels of satisfaction among others.

Staff retention is a major challenge in the modern society and organizations; this is due to some factors which are influencing rapid exit of staff making it difficult for organizations to maintain talented staff such as recession, globalization and technological advancement among other reasons. Parkinson (2007) and Ford (2010) define employee retention as an outcome brought about by human resource strategies and abilities which are aimed at keeping the best talents in the workforce.

Leighn (2002) depicts that employees are most valuable assets in an organization because a company can enjoy a competitive advantage over their competitors in terms of employee's rare skills which are hard to substitute or copy. Abraham (2007) acknowledges that Human resource planning, which is a very important strategy in human resource function, helps in getting the right staff at the right places and at the right time and, hence, assists in identifying any surplus or deficit of staff. By doing so, it gives a company good manpower planning and avoids underutilizing or over utilizing staff, this can lead to staff burnout or boredom.

Parkinson (2007) further recommend that while developing employee retention strategies, top management should focus on the overall objective of the firm and increase sales output by making the company profitable. This dictates that a company has to have a clear mission and vision which will give employees clear focus and direction. If an organization philosophy is to cultivate new hires by providing a beneficial work environment among other values, the outcome will be a committed and engaged workforce.

For an employee, to choose if to settle or depart from an organization, the factors like organization politics, policies, culture among others play a critical role in influencing that decision either positively or negatively. Loyal employees ensure that they contribute to decision making in regards to their jobs and also abide by decisions that management cascades to all employee by supporting their colleageagues and the overall company. You find that if a loyal employee would leave that organization, they always ensure that their professional ties are not broken, that is, they maintain

those ties. Employee retention is an outcome and not a strategy; however, employers should not hold on to employees who are poor or low performers. There must be a mechanism put in place to measure employee worth keeping in the workplace.

### 3. METHODOLOGY

#### 3.1 Research Design

In this study, survey method is employed to collect the data once from a population through using random sampling techniques. The target population was the private banking sector of the country. For this purpose, Mercantile Bank Limited, DBBL and Dhaka Bank Limited were selected. The data were collected from the period of 2017-18. The research measures the impact of benefit on the retention of the employee for organizations. The items of the questions were generated by reviewing the literature and through development of the theory. The researcher used a set of valid and reliable instruments to measure those two variables. A close ended questionnaire was formed to collect the responses of the respondents where a five-point Likert scale was employed in which “1” meant “strongly disagree” and “5” meant “strongly agree”. A total 100 questionnaires were sent to the targeted group from where 77 completed questionnaire responses came for the study resulting an overall response rate of 77%.

#### 3.2 Tools for Data Analysis

In order to ensure comprehensiveness and reasonable consistency of responses, data editing was carried out each day by the researcher. Once editing was done, the data were analyzed using quantitative techniques. The analysis was done using Statistical Package for Social Sciences (SPSS IBM Version 20). The summary of result was presented using frequency distribution and percentages which was used to determine the proportion of respondents choosing the various responses. Tables and charts were used to ensure easy understanding of the analyses. Pearson Correlation and Linear Regression model were used to identify the causal relationship with dependent and independent variables.

#### 3.3 Reliability

The tool was piloted using 10 (5 males and 5 females) respondents. The replies of respondents were scored and the reliability of the tool was determined using Cronbach's Alpha. According to the alpha value as shown in Table-1, more than 0.6 shows that the scale can be considered reliable (Hales,1986). Alpha value more than 0.80 is considered as very good (Nunnally,1978). The tool has 12 questions i.e. 6 questions for employee benefits and 6 questions for employee retention. The result shows that the Cronbach's alpha is 0.827 and 0.839 respectively which show the scale had very good reliability.

Table-1: Alpha reliability of variables

Serial	Variables	No of items	Cronbach's Alpha
1	Employee benefit	6	0.827
2	Employee retention	6	0.839

4. RESULTS

A total 100 employees were invited to be the part of this study but 77 completed questionnaires were included in the analysis with a response rate of 77.0%. Table-2 portrayed the socio-demographic characteristics of the respondents. Slightly greater than half 58.44% of the study participants were males. A little higher than half of the respondents (64.94%) were single, followed by (35.06%) were married. Slightly lower than half (45.45%) of the participants were achieved Bachelor's degree level of education. Most of the respondents were working in the middle level management (72.23%), and the rest were in the top management (27.27%).

Table-2: Demographic information of the respondents

Serial no.	Characteristics	Component	Frequency	Percentage
1	Gender	Male	45	58.44
		Female	32	41.56
2	Educational background	Diploma	-	-
		Bachelor's Degree	35	45.45
		Master's Degree	24	31.17
		Professional Degree	18	23.38
		PhD. /DBA	-	-
3	Marital status	Single	50	64.94
		Married	27	35.06
		Divorced	-	-
		Widowed	-	-
4	Position in the organization	Top management	21	27.27
		Middle management	56	72.73
		First line management	-	-

The respondents were requested to deliver their judgment on particular area using a tool developed based on ordinal Likert scale with the least 1 and the highest 5 score (Likert,1932). The weighted average for various employee benefits and employee retention item assessed as illustrated in Table-3. The first six variables of the questionnaire were about employee benefits. And the next six items were grouped for employee retention.

Table-3: Frequency table of responses

Serial no.	Question	Score					Mean	S.D.
		1	2	3	4	5		
Q1	Stock option ownership	6	12	31	20	8	3.16	1.06
Q2	Health and insurance benefits	2	13	19	32	11	3.48	1.02
Q3	Retirement benefits	0	10	23	33	11	3.58	0.89
Q4	Leave	0	5	22	33	17	3.81	0.86
Q5	Favorable working hour	8	12	34	12	11	3.08	1.14
Q6	Discounted staff loans	2	11	14	36	14	3.64	1.02
Q7	Favorable working environment	0	3	18	40	16	3.90	0.77
Q8	Low employee turnover	2	8	21	32	14	3.62	0.99
Q9	Loyalty to the organization	0	7	23	34	13	3.69	0.86
Q10	Fair treatment and payment	0	3	23	36	15	3.82	0.79
Q11	Motivated to work	0	3	22	39	13	3.81	0.76
Q12	Fair practice of policy	2	6	26	31	12	3.58	0.94

This research has tried to estimate the effect of employee benefits on employee retention. Pearson correlation was computed to check whether benefits have any relationship with the retention of the employees.

From the analysis of the data the research found that the correlation coefficient for employee benefit and employee retention was 0.714, which is highly positive. That means when the score of employee benefits increases the score of employee retention also increases.

Table- 4: Regression Statistics

Multiple R	R Square	Adjusted R Square	Standard Error	Observations
0.715	0.511	0.504	0.531	77

From the Table-4 the findings of the study showed that the value of R Square is 0.51. which means independent variable that was studied explain 51% of the employee benefits influencing employee retention. This therefor also means that other factors not studied in this research contribute 49% in influencing employee retention

Table-5: Anova

	df	SS	MS	F	Significance F
Regression	1	22.07247183	22.07247183	78.23185504	0.000
Residual	75	21.16063062	0.282141742		
Total	76	43.23310245			

The study used ANOVA to establish the significance of the regression model from which we can see F significance value of p is less than 0.05. So, the model is statistically significant in predicting how benefits affect employee retention. This also shows that the regression model has a less than 0.05 probability of giving a wrong prediction. Therefore this means that the regression model has a confidence level of above 95% hence high reliability of the result.

Table-6: Linear Regression

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	1.338281238	0.277658545	4.819881331	0.000
Benefit	0.693371364	0.078392423	8.844877333	0.000

The finding shows that a unit increase in employee benefit will lead to a 0.693 increase in the employee retention. The result of the t test also supports the statement because the value of t stat is 8.844 [ $P < 0.05$ ] which is higher than 1.98. So, we can accept that there is a high level of positive relationship between employee benefits and employee retention as the p value of the t test is less than 0.05.

5. DISCUSSION

Employee turnover is a costly organizational outcome, and companies spend significant time and resources in effort to decrease turnover (Dalton & Todor, 1993). It is caused mainly by insufficient supervision such as a poor work atmosphere and insufficient compensation (Hinkim et al, 2000). Too much employee turnover often engenders far reaching consequences and, at the extreme, may threaten efforts to attain organizational objectives. This indicated that when an organization loses a critical employee, there is a negative impact on innovation e.g consistency in providing services to guests may be jeopardized and major delays in the delivery of services to customers may occur (Abbasi and Hollman, 2000). Employee remuneration is not just about pay, i.e wages and salaries. It is also concerned with non-pay benefits or benefits-in-kind. These non-pay benefits are usually known as employee benefits and sometimes as fringe benefits or perks.

This research finds that there is a significant positive correlation between employee benefits and employee retention. That means, if any organization increases its benefit for the employee, there is more chance that the organization will be able to retain its employees for a long period of time. The research also shows that a unit change in the independent variable which is benefit will lead to 0.693 increase in the dependent variable that is employee retention. So, right now, it is clear to us that organizations can think of benefits as a retention strategy for keeping their talented employees for a long time in the organization. Though the research also



finds that there are some other factors that could trigger employee retention as the study finds 51% of the factors that explain the influence of benefits on employee retention. So, further study can be done to better understand the issue as human resource is the most needed factor of production.

## **6. CONCLUSION**

Now a days, most organizations try to balance between several benefits they offer to their employees. Again, the perception about the benefits differs from employee to employee and from organization to organization. This research provides significant evidence to confirm the high interrelation between the variables. Increased employee benefits give employees a sense of trust and loyalty for the organization which, in turn, reduces employee turnover and, through this, loyal employee organization can achieve its outcome both in long and short run. The research also finds that there are other factors also that could also be responsible for employee retention in the organization other than benefits. So, further study can be done to find out those factors, and, again, which benefits influence how much on employee retention. Finally, we can say that organization can use different employee benefit plans as a strategy for holding its employees in the long run and achieve organizational goals.

## **7. RECOMMENDATIONS**

This research recommends that management should take actions aimed at ensuring that employees are rewarded accordingly and benefits offered to them be improved. It also recommends that other types of benefits should be provided to increase employee retention are non-monetary benefits.

The study recommended that government should enact policies that ensure that the working environment in organizations promotes employee's retention. The policy makers should enact policies that promote the implementation of aspects contributing to the retention of employees.

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Appendix

Questionnaire:

No.	Item	Responses
1.	Gender	<input type="checkbox"/> Male <input type="checkbox"/> Female
2.	Educational Background	<input type="checkbox"/> Diploma <input type="checkbox"/> Bachelor's degree <input type="checkbox"/> Master's degree <input type="checkbox"/> Ph.D./DBA
3.	Marital Status	<input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Divorced <input type="checkbox"/> Widowed
4.	Position in the Organization	<input type="checkbox"/> Top Management <input type="checkbox"/> Middle Management <input type="checkbox"/> First Level Management

Indicate your level of satisfaction with the following statements where “1”= Strongly Dissatisfied and “5”= Strongly Satisfied

Serial no.	Questions	Score				
		1	2	3	4	5
1.	Organization provides profit sharing, options to be shareholder					
2.	Organization provides adequate health/medical insurance facilities					
3.	The retirement benefits you will receive is enough					
4.	Organization administers a good leave policy					
5.	Organization have flexible and favorable working hour					
6.	Administration of discounted loan is good and fair					
7.	The benefits helps to feel you working in a good environment					
8.	The benefits helps to reduce the employee turnover in the organization					
9.	You want to stay long in the organization					
10.	You enjoy equal treatment and payments					
11.	You feel motivated to your work					
12.	You are happy with the employee policies and practices					